



Rabobank

*Media Release
September 7, 2012*

Production key to profits as prices remain high – Australian crops update

With global grain and oilseed prices having experienced one of their sharpest rallies on record in recent months, all eyes are now on Australian wheat production to determine just how much local growers can benefit, according to a new industry report.

In its latest **Australian Crops Update**, agribusiness banking specialist Rabobank says Australian wheat production is forecast to reach 22.79 million tonnes, with dry conditions in Western Australia eroding yield potential.

Rabobank senior grains and oilseeds analyst Graydon Chong says spring rain will be crucial in the south and east of the country to maximise yield potential of the Australian crop this year.

“El Nino conditions are developing, but are not yet in play. A warm to drier-than-normal spring is expected across southern South Australia, Victoria and southern New South Wales, which may constrain yields in the back end of the season.”

Mr Chong also notes that parts of Western Australia have experienced their third-driest July since records commenced in 1900, putting significant stress on crops throughout the state.

Grains price outlook

The Rabobank report says since June 2012 due to significant supply shocks this year in key grains and oilseeds producing regions which is benefiting local prices, although the strength of the Australian dollar will remain a headwind for local producers and exporters

The report says negative weather impacts and growing global demand will keep grain prices at high levels into 2013 with record prices for corn and soybeans very possible in quarter four 2012.

“We expect Australian feed wheat will be high in demand in the 2013 marketing year with a possible two to three million tonnes expected to be exported to China,” Mr Chong says.

Rabobank also expects a severe reduction in global soybean stocks which will likely keep supporting Australian canola prices in 2013.

“Reflecting more competitive margins, canola plantings are estimated to have increased 14 per cent this season year-on-year, with production forecast to fall year-on-year to 2.76 million tonnes due to forecast lower yields,” Mr Chong says.

Australian crop production



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Rabobank forecasts Australian wheat, barley and canola production to reach 33.01 million tonnes for the 2013 season.

“We expect significantly smaller Australian winter crop production year-on-year for 2012 to 2013 due to cold and dry conditions across parts of the east coast and much of Western Australia, reflecting a 20 per cent downward revision in Australian wheat production to 22.79 million tonnes,” Mr Chong says.

“The east coast crop conditions remain favourable though, following a good start to the growing season in most regions, however spring rains across the country will be crucial to crop development, particularly as parts of South Australia trend drier than average.”

The Rabobank update also says the summer crop area will be contested in Australia during the 2012/13 season as cotton growing margins shrink while global grains and oilseeds rally. However, cotton lint and seed exports will reach record volumes in the 2012/13 marketing year.

The global cotton market is experiencing the highest level of oversupply in history, carrying over record beginning stocks of 66.5 million bales into the 2012 to 2013 marketing year, the report shows.

While cotton planting is fast-approaching locally, the report says the bearish price outlook and high Australian dollar is encouraging growers to consider their margins and yield expectations for the coming season. With this in mind, Rabobank expects the Australian dryland cotton area will decline around 30 per cent due to competition from alternative crops, but irrigated cotton is likely to maintain competitive margins.”

The Australian dollar remains well supported at around USD 1.04, eroding export values. Rabobank expects the Australian dollar to trade at UDS 1.07 in 2013. Despite this ‘headwind’, Mr Chong anticipates Australian wheat exports to remain strong in response to the shortfall caused by reduced Northern Hemisphere production.

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Rabobank Australia & New Zealand is a part of the international Rabobank Group, the world’s leading specialist in food and agribusiness banking. Rabobank has more than 110 years’ experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 47 countries, servicing the needs of more than nine million clients worldwide through a network of more than 1600 offices and branches. Rabobank Australia & New Zealand is one of Australasia’s leading rural lenders and a significant provider of business and corporate banking and financial services to the region’s food and agribusiness sector. The bank has 93 branches throughout Australia and New Zealand.

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