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Competition, deregulation and opportunity – Australian wheat

The shift towards supplying increasing quantities of wheat into Asia is forecast to provide new opportunities for the Australian grain industry in the long term – from the farm gate through to the marketer and exporter – according to a recently-released grains industry report.

In its report, '**Competition, deregulation, and opportunity- seismic shifts in Australia's wheat export landscape**', agribusiness banking specialist Rabobank says the cheaper freight costs into key Asian markets offer a competitive advantage to Australian exporters, particularly in years of high global wheat production when there is additional export competition.

And, with the need to meet end user demand in these markets, changes will need to continue throughout the Australian supply chain, particularly as the Asian market grows and consumer behaviour changes.

Report author, Rabobank senior grains and oilseeds analyst Graydon Chong says the Australian market's ability to service the changing demand profile in Asia will be dependent on the "right market signals" being sent through the supply chain from bulk handlers and grain marketers.

"At the farm gate level, the ability of Australian farmers to adapt to changes in market demands amidst a deregulation of the wheat export market has been challenging but productive," Mr Chong says.

"The responsiveness of growers to market signals regarding the quality, variety and types of crops demanded will be an integral part of the success of exports into the shifting global markets."

Mr Chong says for grain marketers and bulk handlers, the ability to meet the specifications required by new and developing export markets will be crucial.

Developing trade relationships to better understand the volume, quality and timeliness of end-user demand and effectively passing these messages through the supply chain in the form of consistent price incentives is integral to maintaining competitiveness in global markets, he says.

Shifting export markets

The report says deregulation of the Australian bulk wheat export market in recent years has played a major role in the shift in the client base of the Australian wheat industry.

"Increased participation by global grain traders in the Australian wheat export market has resulted in Australian wheat being exported into new markets around the world and particularly Asia," the report says.



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And this seismic shift in Australian wheat flows over the past decade has resulted in structural changes along the supply chain.

“From the paddock through to bulk handlers and traders and ports, the shift in demand for Australian wheat from traditional markets such as North Africa and the Middle East to the growing Asian market is resulting in change throughout the Australian grain industry,” Mr Chong says.

“The demands of the Asian consumer are resulting in new seed varieties for grain growers, changing blending and storage practices for bulk handlers and the development of fresh trade links for the industry.”

Emergence of Black Sea region

The rapid emergence of the Black Sea region as the world’s low-cost wheat supplier has contributed significantly to this shift in the Australian wheat export program, the report says.

Mr Chong says improved quality, coupled with production and logistical cost advantages have seen Black Sea region wheat displace Australian exports in many of its traditional markets over the past decade.

“For Australia, the increase in competition in the global wheat export market will cause further shifts in trade dynamics, and will likely result in an increase in Australia’s focus on trade throughout Asia,” he says.

“Ultimately, the industry’s ability to adapt to the shift in trade dynamics in a rapidly-changing regulatory environment will determine the future profitability and sustainability of the Australian wheat industry.”

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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 approximately 10 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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