



Rabobank

Agribusiness Monthly

Australia and New Zealand

May 2014

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Climate – El Niño weather system looks set to develop

El Niño-Southern Oscillation (ENSO) wrap up

The Bureau's ENSO (El Niño-Southern Oscillation) tracker is currently at ALERT level, reflecting the 70% likelihood of an El Niño event developing in 2014, possibly as early as July.

El Niño is often, but not always, associated with below average rainfall over southern and inland eastern Australia, especially when combined with a positive Indian Ocean Dipole.

The Indian Ocean Dipole (IOD) remains neutral, with some suggestion that it may become positive by early spring.

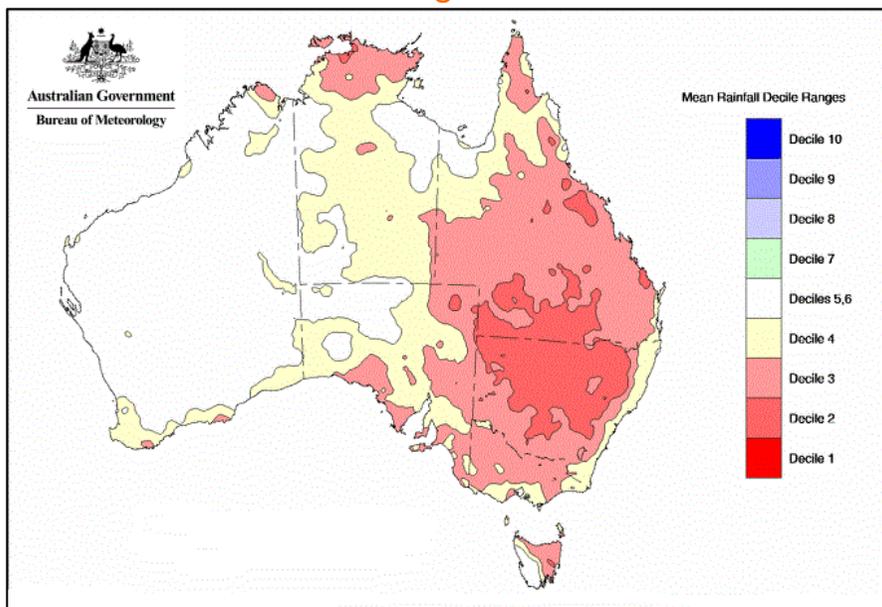
For New Zealand, El Niño usually brings drought on the east coast and more rain in the west of the country.

El Niño impacts climate across much of the world, including below average rainfall in the western Pacific and Indonesian regions, and increased rainfall in the central and eastern Pacific.

Agricultural markets will be paying particularly close attention to the growing risk of an El Niño weather event and its potential impact on trade flows, global harvest and ultimately price impact. However, the overall impact will very much depend on its severity and duration.

The most pronounced negative yield impacts are usually across sugar, cocoa, palm oil and Australian east coast wheat production.

Winter-Spring Mean Rainfall Deciles 12 moderate-strong classical El Niños



Australia

April rainfall was above average over much of Australia. The Bureau's national rainfall outlook for the May to July period shows a roughly equal chance of either a wetter or drier than normal season over the majority of Australia. A wetter than normal season is more likely in the far southeast of the country, and in the dairying and cropping areas of Western Australia.

New Zealand

In terms of rainfall, April brought much need rainfall for many areas of New Zealand, including the North Island. This was echoed for a large part of the South Island.

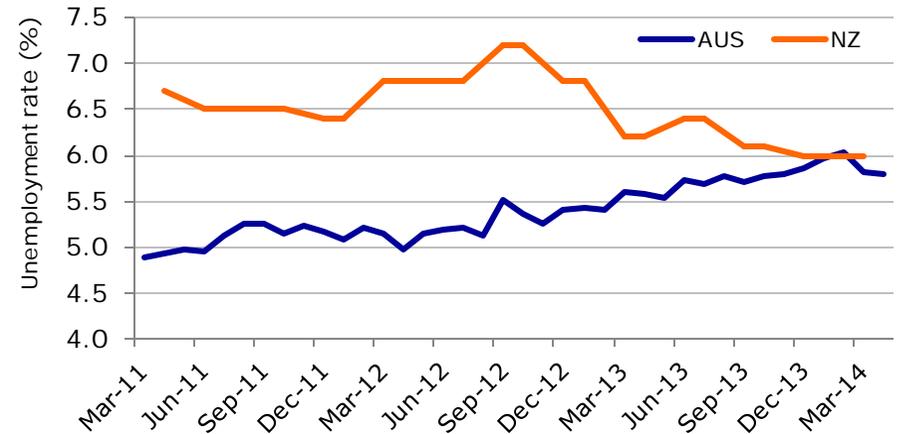
According to the latest climate outlook, May to July rainfall totals are likely (40% chance) to be normal or above normal in the east of the South Island, and most likely (40-50%) to be in the near-normal range for all remaining regions. Temperatures are most likely to be average for the west of the South Island, above average for the east of the North Island, and average or above average for all remaining regions of New Zealand.

Food retail – Grocery price deflation spreads across the Tasman

Monthly growth in Australian retail sales continued to soften in March 2014, rising 0.1% against the preceding month on a seasonally adjusted basis. Sluggish consumer confidence continues to show through in data in recent months, and a tighter federal budget is unlikely to help matters. There is some question over the reliability of data on smaller retail categories of late, with alterations to the survey sample in October of last year yet to wash through.

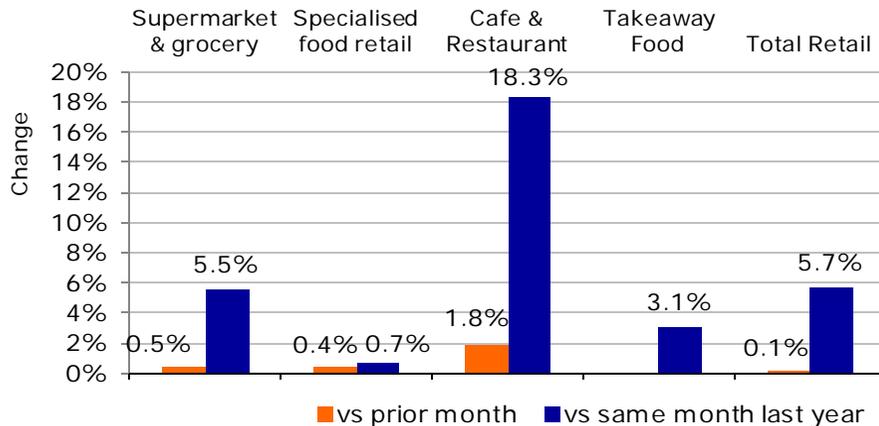
New Zealand core retail sales growth eased a fraction in Q1 2014, rising by 3.6% versus the same quarter last year. Quarterly growth in trade in the 'supermarket & grocery' category fell for the second consecutive quarter as competitive pressures and price deflation have intensified. Economic fundamentals remain sound however, with the labour market improving further in Q1-2014. Unemployment stabilised at 6% while the labour force participation rate climbed to over 69%.

Australian & NZ Unemployment, 2011-2014



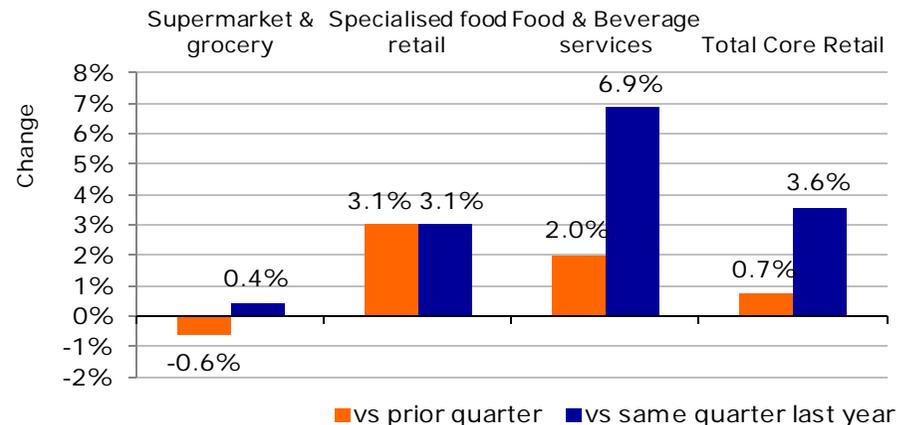
Source: ABS, Statistics NZ, Rabobank

Australian Retail Sales – March 2014



Source: ABS, Rabobank

New Zealand Retail Sales – Q1 2014



Source: Statistics NZ, Rabobank

Beef – Australian exports strong, NZ farmgate prices improve



Australia

After improving throughout April due to some decent rainfall in key cattle regions and shorter trading weeks around the Easter period, the EYCI eased during the first two weeks of May due to some large yardings. At the conclusion of the first week of May, the EYCI averaged AUD 3.40/kg cwt, 20% higher year-on-year.

Boxed beef exports in April dipped under the 100,000 tonnes mark but still remained at historically high levels despite the large volumes processed since the start of 2013. Underpinning the year-on-year rise was an increase in exports to the US (up 40% to 24,845 tonnes swt), China (up 19% to 13,859t) and Korea (up 26% to 12,065t).

Total cattle slaughter during the first quarter of 2014 increased 16% year-on-year, to 2.3 million head – a significant increase given how large slaughter levels were at the start of 2013. Higher cow and heifer slaughter underpinned the overall rise, up 13% to 1.09 million head.

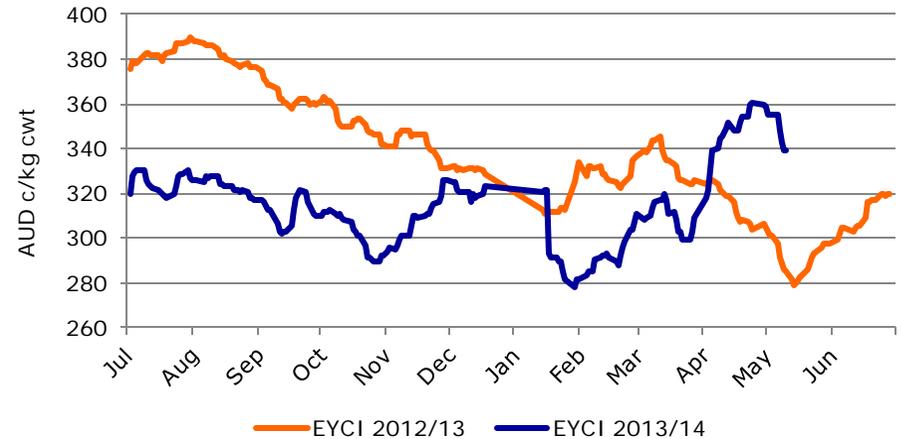
New Zealand

Since the start of April, the North Island bull price has improved. At the commencement of the second week of May, the NI bull price jumped 10% on last month and 4% on the same week last year, averaging NZD 3.99/kg cwt. Strong international demand is expected to see prices firm, particularly as domestic NZ supplies tighten heading into winter.

Beef exports in March declined 8% year-on-year, to 47,358 tonnes swt, but total shipments during the first quarter of 2014 remain steady on the same time last year. Exports to the US (24,960t) and China (5,130t) in March declined 9% and 27% respectively, year-on-year. Average export returns in March remained higher than the same month last year, averaging NZD 5.76/kg FOB.

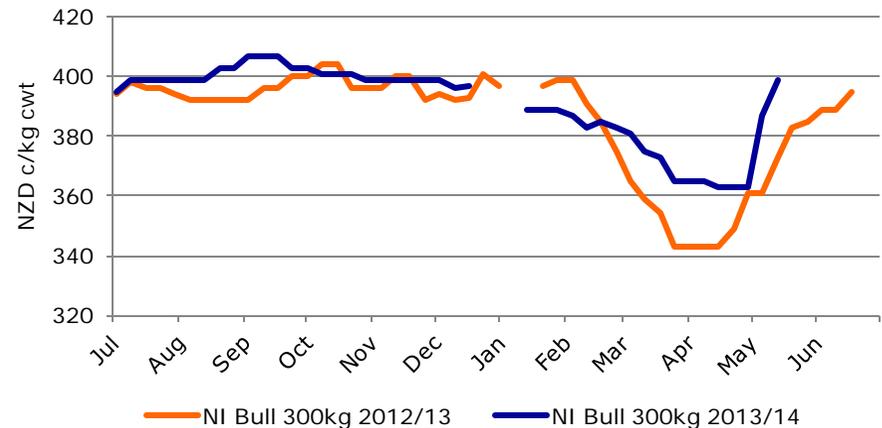
Total slaughter during the first quarter of 2014 fell 6% year-on-year, to 769,722 head – the result of a decline in cow slaughter which has fallen compared to the higher slaughter due to the drought in 2013.

Australian beef prices



Source: MLA, Rabobank

New Zealand beef prices



Source: NZX Agrifax, Rabobank

Dairy – Price falls accelerate as global milk flows increase



Rabobank

Global market conditions

The easing trend in commodity prices continued through April and into May with prices easing 10-15% on average in US dollar terms.

Milk continues to flow readily from key producing and exporting regions buoyed by high prices and generally favourable weather conditions.

The important Chinese market has also enjoyed improved milk flows relative to the same period last year and has combined with demand growth easing. The cumulative effect of retail price increases in 2013 (with the most recent in December 2013) and a lower period for consumption now being outside of the main holiday and festival periods has taken the immediate pressure off import demand.

Australia

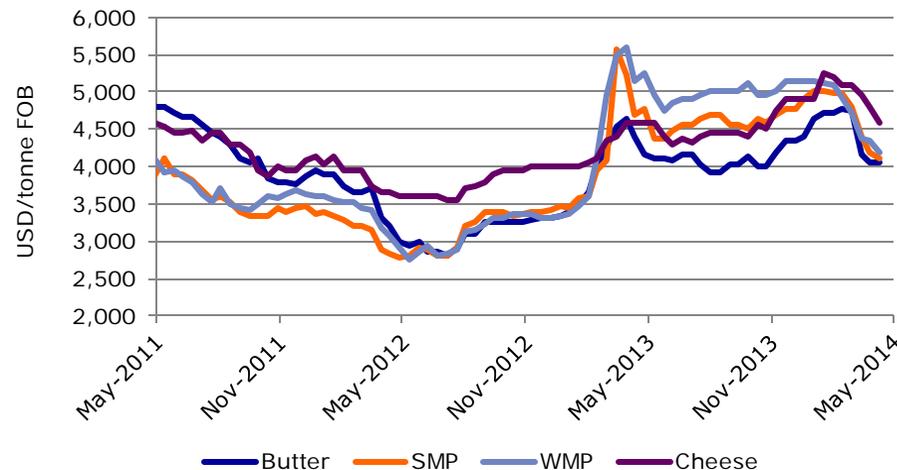
Southern export producers are responding to high farmgate prices and good seasonal conditions as the season draws to a close. Milk flows across the country were up 3.8% compared with last year in March. The result was supported by a jump in Tasmania (up 16.6%) and Gippsland (up 10.3%). Overall, milk flows trail last season but momentum is building heading into the 2014/15 season.

New Zealand

The weather turned for the better through April with pasture growth conditions improving for those regions that were critically dry. This has boosted production prospects for the full season ending 31 May, with very strong comparables through April and May, which were drought impacted in 2013.

However, the downturn in commodity prices is lowering end of season milk price expectations. Fonterra will announce its opening 2014/15 season forecast towards the end of May but several smaller processors are already signalling that the 2013/14 milk price may be reduced from current forecast record high levels.

World dairy prices (USD/tonne FOB)



Source: USDA, Rabobank

Production growth in key exporting regions

	Latest month	Last 3 months
EU	3.7% (March)	3.3%
US	0.9% (March)	1.0%
Argentina	-5.5% (April)	-0.8%
Australia	3.8% (March)	2.8%
NZ*	10% for the season to the end of April	

Source: Rabobank

Grains and Oilseeds – Global wheat stocks to swell in 2014



Global

Despite a recent rally in CBOT wheat prices, Rabobank's global grains and oilseed price outlook for 2014 remains bearish. CBOT wheat prices have decreased 4.5% over the past two weeks but northern hemisphere logistical constraints and instability in the Black Sea region continue to limit major declines.

Global wheat production is expected to increase 8.5% in 2013/14 boosted by a 20% year-on-year increase in Australian production and a 38% year-on-year increase in Canadian production.

This will lift global ending stocks for 2014 5.7% higher year-on-year and is the major reason for the bearish view on global wheat prices.

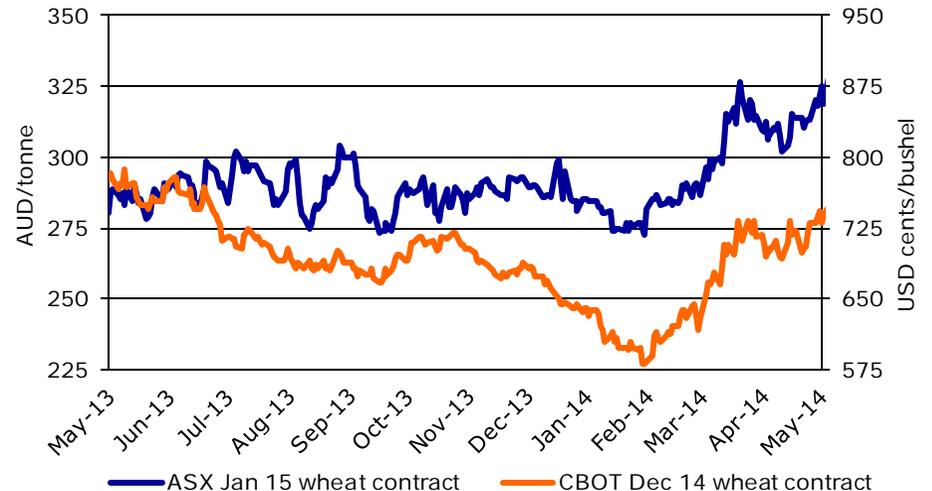
CBOT soybean prices are expected to continue to be supported in the short term by tight US old crop stocks and strong demand from US domestic crushers. However, Brazil's record soybean harvest of 86.5 million tonnes is expected to weigh heavily on markets and the movement of soybeans throughout the country has improved despite some earlier logistical delays.

Australia

The impact of El Niño conditions on crops in the H2 2014 continues to capture the attention of markets. New crop Australian wheat basis remains strong amid the bearish outlook for global wheat prices.

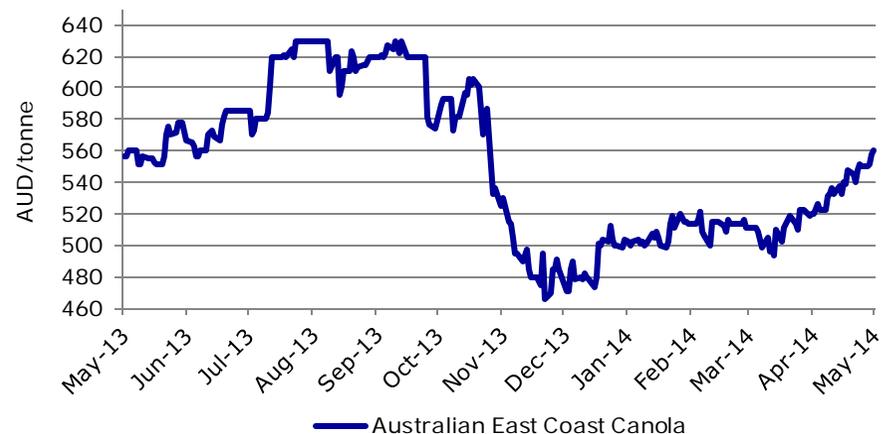
Favourable rains before and after planting across a majority of the southern Australia has resulted in a promising start to the 2014/15 growing season. However, parts of south eastern Queensland and northern New South Wales remain dryer than ideal and require further rainfall to reverse the moisture deficit which developed during the 2013/14 season. Favourable gross margins and current planting conditions are likely to result in increased wheat planted acreage in 2014/15.

ASX January 15 & CBOT December 14 wheat prices



Source: Bloomberg, Rabobank

Australian east coast canola prices



Source: Bloomberg, Rabobank

Sheepmeat – Large monthly exports for both NZ and Australia



Australia

The ESTLI rose continually during April, to reach a high of AUD 597 cents/kg cwt, however has declined slightly during May to current sit at AUD 564 cents/kg cwt. The ESTLI is AUD 186 cents/kg cwt higher year-on-year and prices are expected to remain firm through winter.

Total sheep meat exports experienced a slight decline during April, but year to date April are 20% higher than the same time last year. April lamb exports declined 7% month-on-month, however were still 15% higher year-on-year to total 17,758 tonnes swt, a record for the month of April. High export volumes are supported by strong international demand and continued high slaughter levels during the first 4 months of 2014.

New Zealand

After easing throughout 2014 in line with increasing supplies, farmgate prices in the second week of May increased strongly, suggesting prices are now moving higher after the usual seasonal low point. The South Island lamb price in the middle of May improved 5% on last month and 24% on the same week last year, averaging NZD 545 cents/kg cwt.

Slaughter volumes during the first quarter of 2014 are contrasting. While lamb processing levels have fallen 6% year-on-year, to 8.14 million head, the mutton kill remains 11% higher than the first quarter of 2013, to 2.06 million head – a concern given this is in comparison to the 2013 drought.

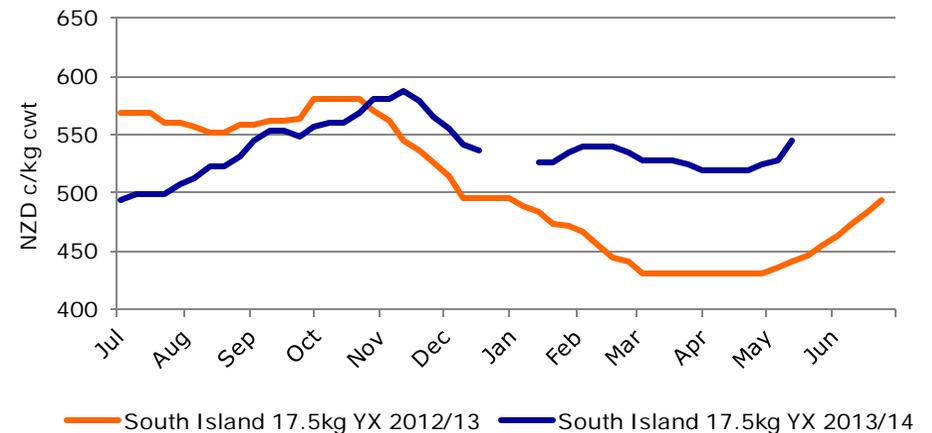
Sheep meat exports for March increased 8% year-on-year, to 56,618 tonnes swt – the largest monthly shipment in the past three years. Underpinning the rise in exports was record shipments to China, as exports surged 26% on March 2013, to 24,764 tonnes swt. The growth in exports to China continues to be remarkable, as shipments in March accounted for 44% of total monthly exports, whilst average export returns to China in March rose 13% year-on-year.

Australian lamb prices



Source: MLA, Rabobank

New Zealand lamb prices



Source: NZX Agrifax, Rabobank

Wool – Severe weather restricts supply and lifts prices in NZ



Australia

The Australian wool market recorded strong growth throughout April, with the EMI reaching a high of 1056 AUD c/kg at the start of May, an increase of 9% year-on-year. Unfortunately the EMI has currently declined to 1032 AUD c/kg. The fall in prices can be attributed to a strengthening of the Australian dollar and the continued high prevalence of drought effected , lower-spec wool.

The volume of Australian greasy wool exports for the first quarter of 2014 has declined 14% year-on-year, as to be expected due to tightened supply. China recorded the largest decline of 20% year-on-year. However exports to India (+36%), Italy (+13%) and Egypt (+15%) all increased.

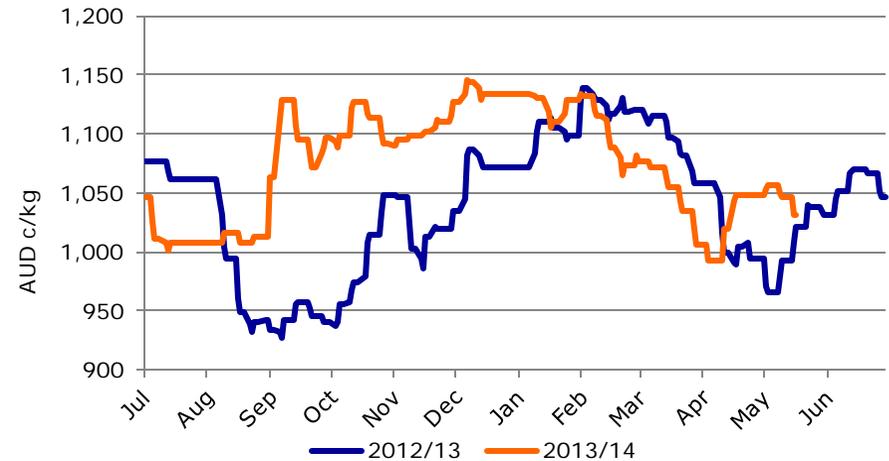
Supply of wool to auctions is forecast to decline further in the 2014/15 season. The AWTA forecasting committees first projection for the 2014/15 season is for a further decline of 2.9%. This is on the back of historically high sheep slaughter and lower fleece weights due to continued tough seasonal conditions. This financial year to date, March saw an extra 1.9 million head of sheep slaughtered compared to the same period over the 2012/13 season.

New Zealand

Severe weather has impacted shearing and the supply of wool over the past month, which has in turn seen prices rise accordingly. The coarse crossbred indicator is currently trading at 504 NZD cents/kg, an increase of 102 NZD cents/kg year-on-year. Fine wool prices have also been strong of late, recording weekly price rises since the end of March. The fine crossbred indicator is currently trading at 528 NZD cents/kg, the highest level recorded by the indicator so far in 2014.

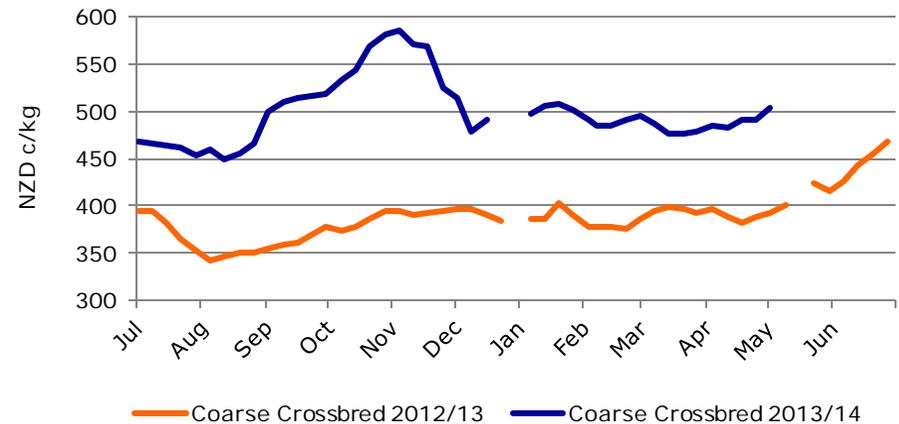
The flow of wool is expected to continue to be disrupted over the coming weeks with limited volumes now available as winter approaches. This will place continued pressure on exporters to fill contracts.

Australian wool prices – Eastern market indicator



Source: Bloomberg, Rabobank

New Zealand wool prices – Coarse crossbred indicator



Source: NZWSI, Rabobank

Sugar – Weather risk providing support for markets

International

Global sugar markets found some support in recent weeks as potential weather risks took front stage. However, supply side pressures have limited the upside.

The increasingly likelihood of an El Niño occurrence as early as July 2014 have supported global sugar prices. Rabobank maintains a view that there will be firmer sugar prices in the back half of 2014.

Looking forward there will be ongoing weather risks to the outlook. El Niño typically alters rainfall patterns across the tropical Pacific, home to key cane-producing countries. More specifically, a moderate El Niño may cause wet conditions, that could potentially interrupt the harvest from September.

The Indian monsoon is typically weaker than normal during a moderate El Niño, and cane-growing areas of Thailand, Indonesia and Australia can expect warmer, drier conditions.

All these factors point to lower global production.

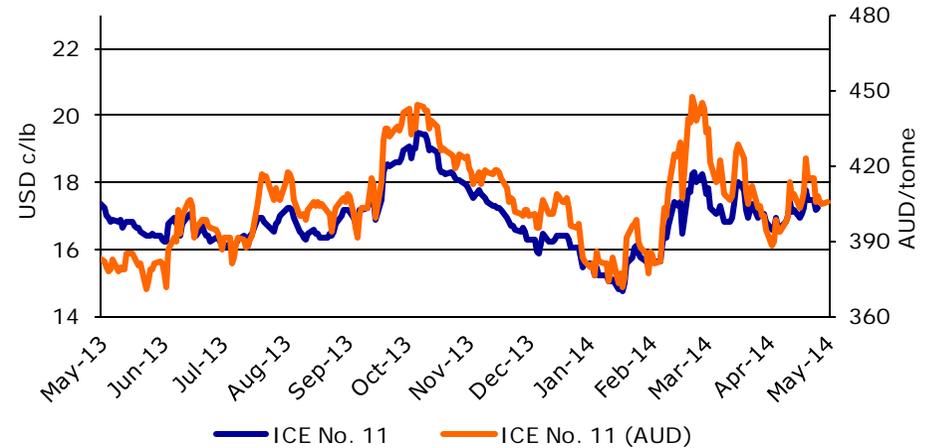
There is a limit to the potential upside in global sugar pricing. Comfortable ending stocks of 70 million tonnes and a stocks-to-use ratio of 40% are expected to buffer markets from a significant upside swing from current price levels.

Australia

Turning to the local sector, crushing is due to commence across the New South Wales cane-growing regions from the end of June. Current forecasts are for a 1.2 million tonnes harvest.

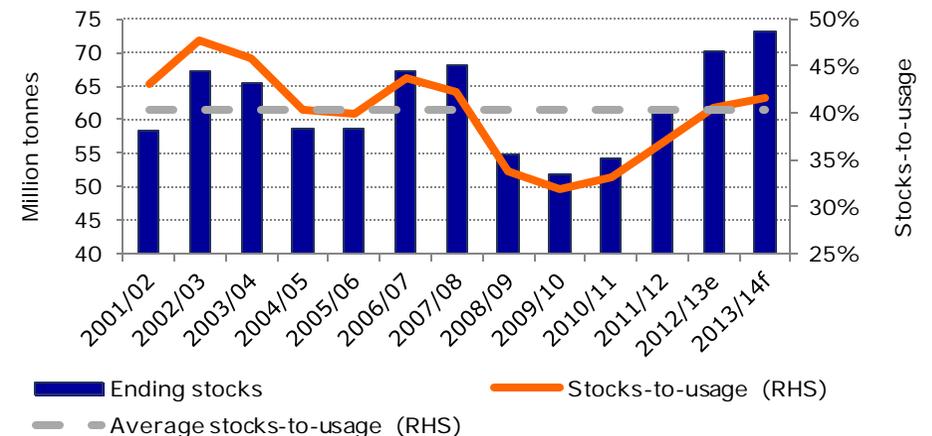
Producers will be hoping for improved prices to help offset another season where yields will be affected by poor seasonal conditions.

Raw sugar price – ICE No. 11



Source: Bloomberg, Rabobank

Global Ending Stocks



Source: FO Licht, Rabobank

Cotton – Global stocks to reach record highs

International

Despite a minor rally mid April, the Cotlook A index ended the month at 95.3 USD c/lb, a loss of nearly 2.5 cents. ICE No.2 October 14 futures ended the month at 83.83 USD c/lb, a 2.3% increase from the previous month, and are currently trading at 83.66 USD c/lb. As US planting progresses, attention turns to the outlook for the new crop.

The current season's excess supply has again been offset by China's stockpile program and relatively stable global demand. This is unlikely to continue in the 2014/15 with the Chinese government expected to taper the cotton reserve program, which accounts for 60% of global stocks.

The USDA has revised its forecast for Chinese imports up 6% to 12.75 million bales, reflecting stronger than anticipated mill demand, despite the increasing availability of domestic cotton in reserve. However, this represents a 37% decline in China's imports (excluding yarn).

Rabobank expects that US plantings will rise by at least 10%, driving production to almost 16 million bales, above the USDA's current forecast of 14.5 million bales and potentially lifting US cotton stocks to 4.1 million bales. However, if drought conditions persist in West Texas during the growing season, it is likely that H2 2014 forecasts will be adjusted up from 73 USc in Q3 and 70 USc/lb in Q4.

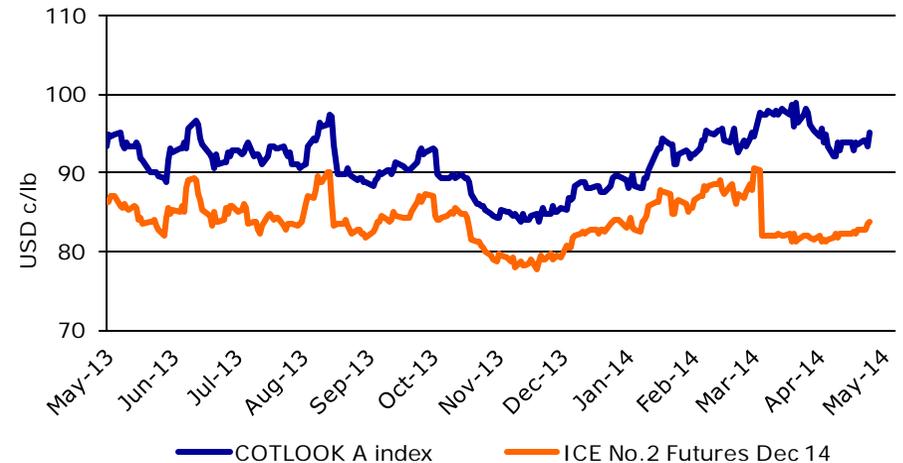
Australia

Approximately 75% of the local crop has now been picked, but quality has been lower than expected. As ginning begins to process more of the cotton that was less exposed to the March rain, quality is expected to improve.

Despite NSW and Queensland facing dry conditions in Q4 2013, normal rainfall through 1H 2014 is expected to lift cotton production for the 2014/15 season.

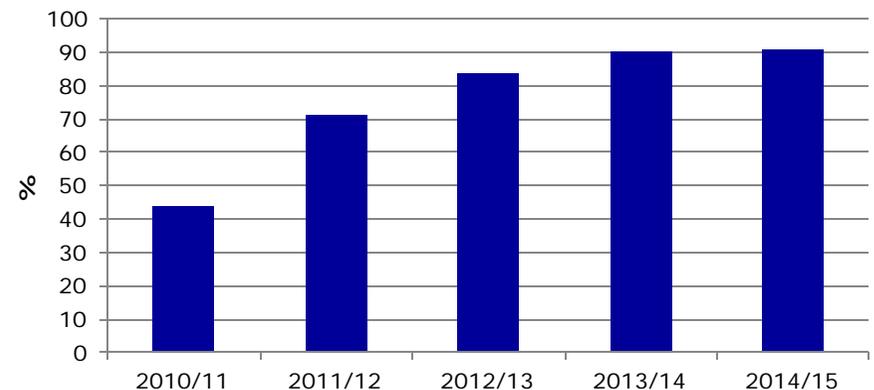
Australian exports are forecast to increase 700,000 bales this month to a total 4.5 million bales; however, exports here remain below the 6.2 million bales shipped in 2012/13.

Global cotton benchmark prices



Source: Bloomberg, Rabobank

Global cotton stock to use ratio



Source: USDA, Rabobank



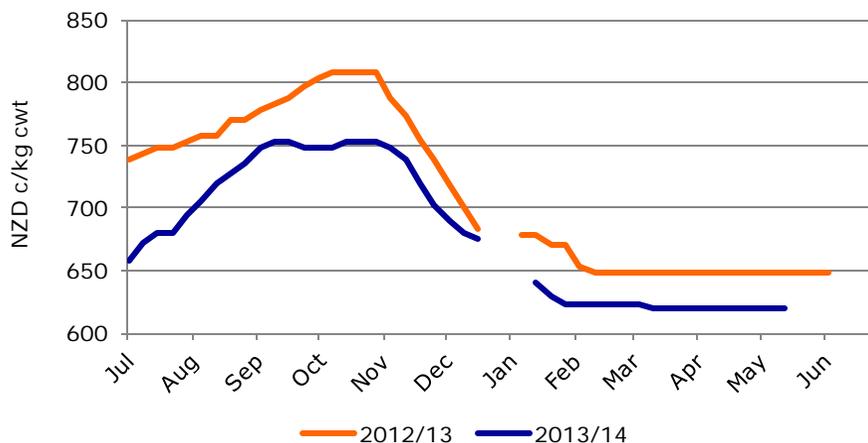
Venison – Export volumes increase in March

Markets

Farmgate prices across the different categories continued to remain unchanged throughout April and the first two weeks of May, with prices unmoved since March 2014. South Island stag returns at the start of May averaged 620 NZc/kg cwt, 4% lower than the same week last year.

The month of March saw export volumes increase in comparison to the previous month last year, but export returns over the same period declined. Exports in March increased 4% year-on-year, to 1,583 tonnes swt, with frozen shipments (1,473 tonnes swt) and chilled exports (110 tonnes swt) rising 2% and 30% respectively, year-on-year. However, average export values for March declined 19% year-on-year, averaging NZD 8.28/kg FOB.

South Island Stag 60 kg/cwt

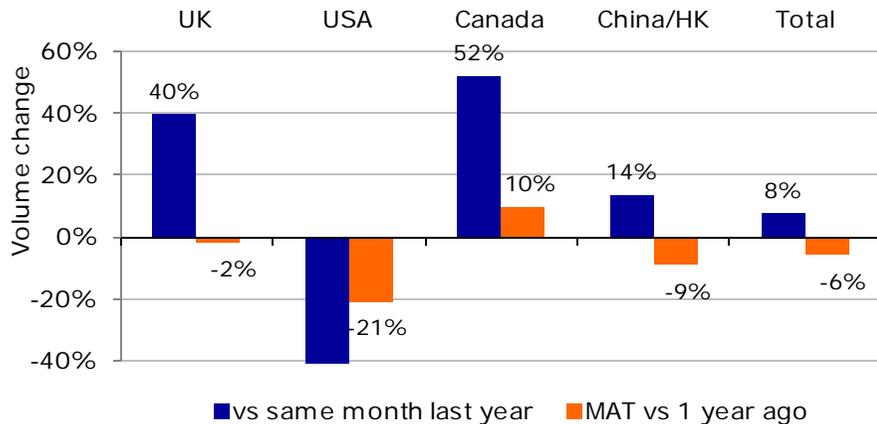


Wine – Australian wine exports arrest their slide in China

Australian wine export volumes grew by 8% in March 2014 versus the same month last year, helped along by a strong rise in bulk volumes to Canada and the UK during the month. Bottled export volumes to the China/Hong Kong market had a good month, rising by 14% versus the same month last year, offering some encouragement that the correction in the Chinese market may be beginning to subside. Total still, bottled wine import volumes from all origins into the Chinese market fell by 20% in Q1-2014 versus the same quarter last year, as slower economic growth and the central government's anti-corruption drive took effect.

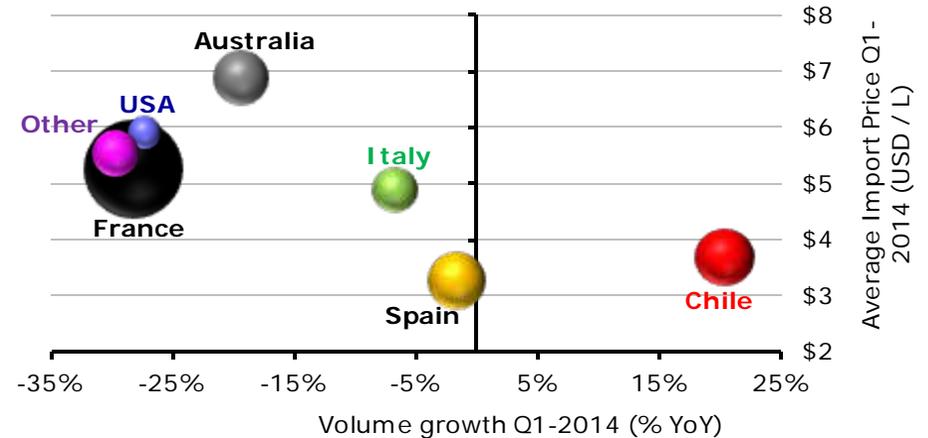
New Zealand export volumes grew by 27% in February 2014 versus the same month last year, and nearly all major markets are back in growth on an annualised basis. The value of exports has been growing faster than volume over the past twelve months, but a high dollar and large 2014 harvest are likely to test the mettle of exporters over the coming 12-18 months.

Australian wine exports by major market – March 2014



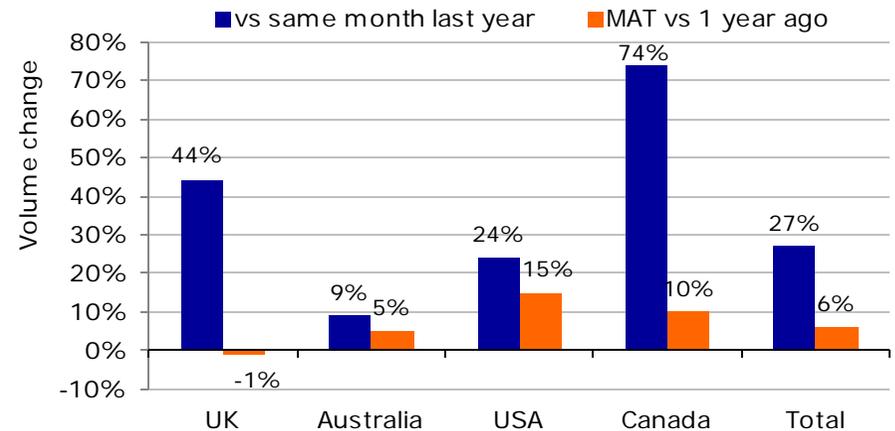
Source: Wine Australia, Rabobank

Still, bottled wine imports into China by country, Q1-2014



Source: China Customs, Rabobank

NZ wine exports by major market – February 2014



Source: Winegrowers NZ, Rabobank

Fertiliser – Export volumes from China to put pressure on prices

Overview

Looking forward, there is a slightly bearish outlook for global urea markets while global phosphate markets remain subdued ahead of China's low export tax window opening. There has been a slight lift in global potash prices on the back of strong trade to Brazil.

Global market conditions

Global urea prices were mostly flat through April. Looking forward, global prices are likely to face downward pressure brought about by increased export volumes from China when it enters the low tax season (from July).

Global phosphate markets were relatively quiet through April as many buyers across the globe waited in anticipation of further weakness. Looking forward, the general expectation is that there is likely to be even further softening in global prices. The main driver is will be the substantial volume of Chinese phosphate product building at ports waiting for the start of the export season. The supply pressure is exacerbated by more producers willing and able to export product from China.

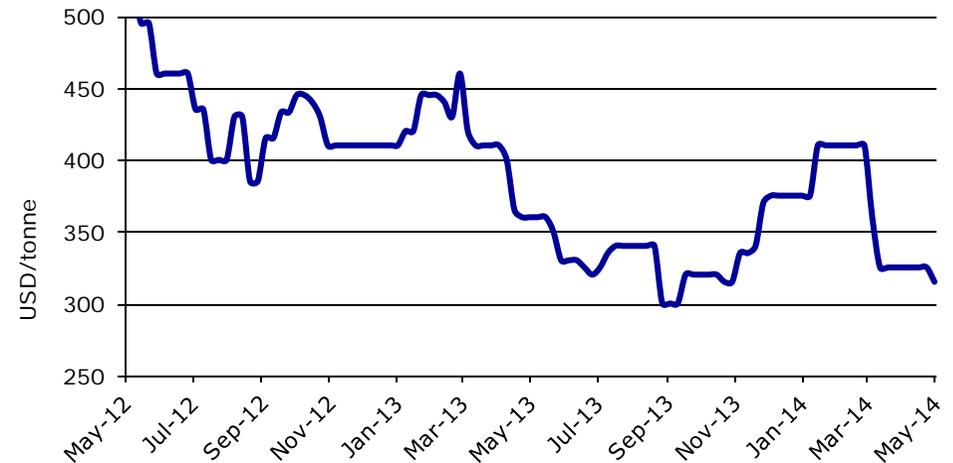
Global potash markets witnessed in prices in recent weeks. The slight upward adjustment to global prices has been spurred by strong demand in the Brazilian market.

Global fertilizer markets will be watching developments with the El Niño weather system that could affect the behavior of the monsoon in India, one of the worlds largest importers of fertilizer.

Local market conditions

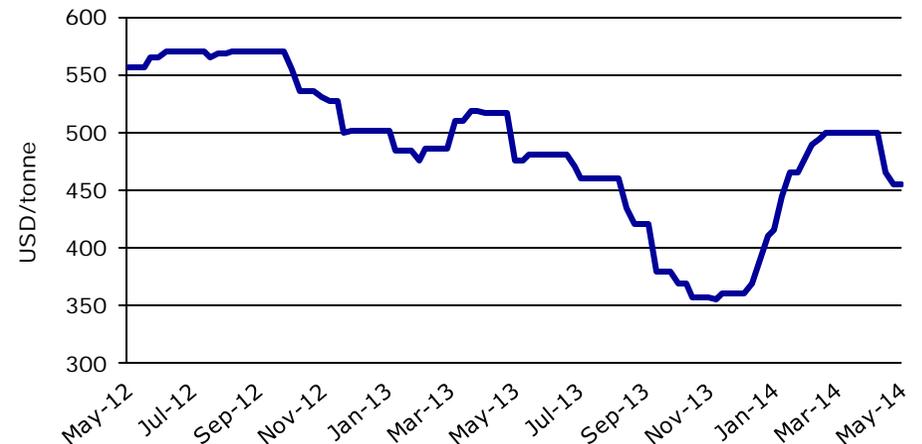
In Australia, there has been continuing good demand for granular urea in Australia. Latest data shows Q1 imports increased 35% year-on-year to 357,000. Imports in March alone were up 26% (to 146,000t).

Urea - Middle East (FOB)



Source: Bloomberg, Rabobank

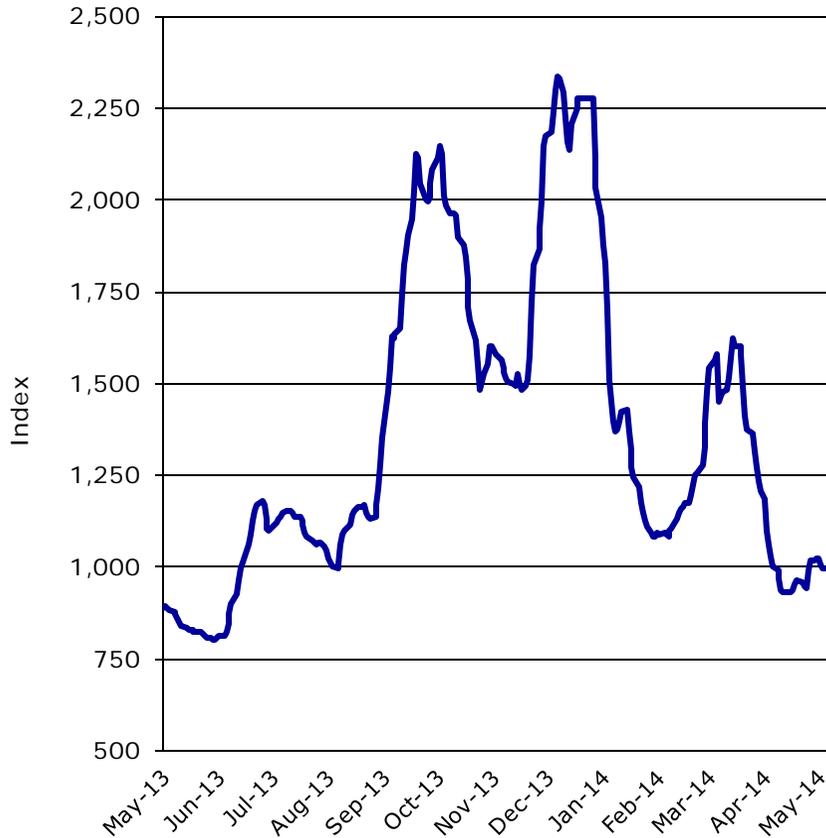
DAP - US Gulf (FOB)



Source: Bloomberg, Rabobank

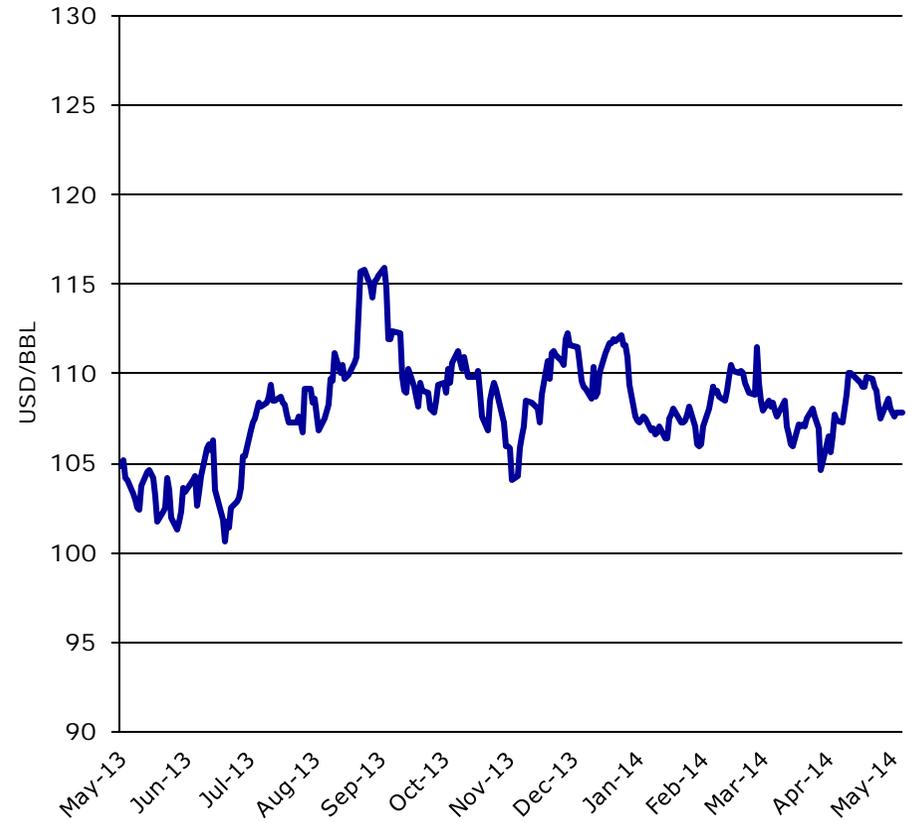
Other costs – Slow Chinese demand keeps pressure on BDI

Baltic Dry Index - ocean freight index*



Source: Bloomberg, Rabobank

Brent Crude Oil



Source: Bloomberg, Rabobank

* The Baltic Dry Index (BDI) is an index which averages the cost of shipping (for bulk-dry vessels) on 25 of the world's most traded bulk cargo routes. The index was set at a starting level of 1000 points in 1985.

Agri-commodity price dashboard



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As of 15/05/2014	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USD c/bushel	▼	715	732	694
CBOT soybeans	USD c/bushel	▼	1,496	1,501	1,413
CBOT corn	USD c/bushel	▼	495	504	651
Australian ASX EC Wheat	AUD/tonne	▲	322	307	288
Australian Canola	AUD/tonne	▼	504	573	620
Beef markets					
Eastern Young Cattle Indicator	AUD c/kg cwt	▼	329.5	345.0	285.0
Feeder Steer	AUD c/kg lwt	▼	182	189	192
North Island Bull 300kg	NZD c/kg cwt	▲	399	365	383
South Island Bull 300kg	NZD c/kg cwt	▼	364	366	346
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUD c/kg cwt	▲	564	544	378
North Island Lamb 17.5kg YX	NZD c/kg cwt	▲	561	527	462
South Island Lamb 17.5kg YX	NZD c/kg cwt	▲	545	519	435
Venison markets					
North Island Stag	NZD c/kg cwt	•	613	613	608
South Island Stag	NZD c/kg cwt	•	620	620	648
Dairy Markets					
Butter	USD/tonne FOB	▼	4,050	4,150	4,600
Skim Milk Powder	USD/tonne FOB	▼	4,113	4,413	4,700
Whole Milk Powder	USD/tonne FOB	▲	4,188	4,150	5,150
Cheddar	USD/tonne FOB	▲	4,600	4,150	4,600

Sources: ABS, ASX, AWEX, Bloomberg, CBOT, ICE, MLA, NLRs, NZX Agrifax, NZWSI USDA, Rabobank

Agri-commodity price dashboard

As of 15/05/2014	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USD c/lb	▼	92.9	93.9	94.0
ICE No.2 NY Futures (nearby contract)	USD c/lb	▲	82.9	81.7	85.5
Sugar markets					
ICE Sugar No.11	USD c/lb	▲	18.25	16.56	16.95
ICE Sugar No.11 (AUD)	AUD/tonne	▲	429	390	378
Wool markets					
Australian Eastern Market Indicator	AUD c/kg	▼	1,032	1,043	1,007
NZ Coarse Crossbred Indicator	NZD c/kg	▲	505	484	402
NZ Fine Crossbred indicator	NZD c/kg	▲	527	503	485
Fertiliser					
Urea	USD/tonne FOB	▼	315	325	360
DAP	USD/tonne FOB	▼	455	500	475
Potash	USD/tonne FOB	▲	302	288	410
Other					
Baltic Dry Index	1000=1985	▲	1,002	970	861
Brent Crude Oil	USD/bbl	▲	109	108	103
Economics/currency					
AUD	vs. USD	▲	0.938	0.936	0.990
NZD	vs. USD	▲	0.866	0.864	0.824
RBA Official Cash Rate	%	•	2.50	2.50	2.75
NZRB Official Cash Rate	%	▲	3.00	2.75	2.50

Sources: ABS, ASX, AWEX, Bloomberg, CBOT, ICE, MLA, NLRs, NZX Agrifax, NZWSI USDA, Fertilizer Week, Rabobank



Hot off the press from FAR

Wine Qtly – Q2 2014

Rabobank Wine Quarterly – Q2 2014

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Outlook for Global and Regional Markets

- South African exports of both bottled and bulk wine improved in 2013.
- Bottled wine exports benefit from increased focus on alternative markets.
- The recent rate, coupled with high levels wine prices in Europe, attracted new buyers to the South African bulk market for 2013, many of whom were interested by quality.
- Bulk and bottled exports are expected to grow simultaneously, but at a slower pace than in 2013.

South Africa's export story

The South African 2013 wine includes currently expected to rise the value of 10 billion. The wine sector, coupled with strong bulk wine prices in other regions, is likely to see more exports in 2013. Bulk wine exports are expected to grow more than 10% in 2013, while bottled wine exports are expected to grow around 5%. The wine sector is expected to see a recovery in 2014, supported by strong growth in the bulk wine market, which is expected to see a recovery in 2014. The wine sector is expected to see a recovery in 2014, supported by strong growth in the bulk wine market, which is expected to see a recovery in 2014.

Global outlook

The 2014 wine sector is expected to see a recovery in 2014, supported by strong growth in the bulk wine market, which is expected to see a recovery in 2014. The wine sector is expected to see a recovery in 2014, supported by strong growth in the bulk wine market, which is expected to see a recovery in 2014.

q South African exports of both bottled wine and bulk wine improved in 2013.

q Bottled wine exports benefit from increased focus on alternative markets.

q Bulk and bottled exports can continue to grow simultaneously, but require different strategies.

Dairy Qtly – Q2 2014

Rabobank Dairy Quarterly – Q2 2014

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The Wheat Opportunity

Creating Additional Commodity Pricing Options and Investment

With the economic growth and commodities, wheat consumption is on the rise in Indonesia. Wheat provides an economical and nutritious alternative to rice, and increased consumption could help Indonesia meet its self-sufficiency target for 2015. Given the current consumption rate, Indonesia could import more than 14 million tonnes per year in the coming five years, affecting Indonesia among the top three wheat importers in the world. In addition, growth in consumption of wheat-based products will come from both higher and more income groups, driven by the growth of baby-graduates and food service chains. As a result of the demand surge, supportive regulatory environment and relatively lower prices compared to 2008/09, the outlook for the wheat market in Indonesia is very positive and will be seeing investments across its entire supply chain.

Global outlook

The 2014 wheat market is expected to see a recovery in 2014, supported by strong growth in the bulk wheat market, which is expected to see a recovery in 2014. The wheat market is expected to see a recovery in 2014, supported by strong growth in the bulk wheat market, which is expected to see a recovery in 2014.

q Commodity prices remain elevated.

q China's purchases are expected to ease as improved returns and dissipating disease bring supply closer to stability.

q Rabobank expects commodity prices to ease from middle of Q2 2014.

Beef Qtly Q1 2014

Rabobank Beef Quarterly Q1 2014

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Positive market fundamentals to remain

Global prospects for Q2 remain positive with some further upside due to the high prices and continuing scarce supply of competing proteins, which will limit consumers' ability to make down to cheaper protein.

Recent prices in the US are likely to soften, but the impact of high prices is a potential positive and during the spring grilling season and inclement weather.

Extraordinary growth of Chinese beef imports continued in Q1 (from 0.9 million tonnes in the domestic market, despite the likely slower growth after the 2013, high in 2013).

Into Q2, Brazil and Australia are best positioned to export, due to the growing availability, though rainfall will be the deciding factor. Longer term, the drought-induced limitation in Australia will likely persist until the driver's last.

Market once again for a change in competitive position

Strong supply in the US and Australia will be the deciding factor. Longer term, the drought-induced limitation in Australia will likely persist until the driver's last.

q Globally, prospects for Q2 remain positive with some further upside due to the high prices and continuing scarce supply of competing proteins.

q Into Q2, Brazil and Australia are best positioned to win export share due to growing availability, though rainfall in these areas will be the deciding factor.

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