agribusiness

Economic Report

nab

Rural Commodities Wrap – June 2014

Vyanne Lai, NAB Agribusiness Economist

Recent Global Economic and Commodity Updates:

- Supported by still-low bond yields and more positive economic data from China and the US, global equity markets maintained their upward trend in May to close higher in general.
- However, commodities markets were more mixed. Energy prices were boosted by heightened geopolitical tensions in Ukraine, and more recently, sectarian strife in Iraq, meanwhile iron ore prices fell sharply on abundant supplies. Agricultural commodities were dragged lower by weaker grains and dairy prices.
- The levelling out in advanced economy growth seen in industrial business surveys since late 2013 has now been reflected in the harder data on their industrial output and trade. March quarter national accounts for the G7 advanced economies confirm a slowdown with quarterly growth slipping from December's 0.5% to around 0.25%.
- Growth in the emerging market economies of Asia and Latin America has continued to gradually slow. As a result, global growth stalled at a moderate rate of around 3¼% year on year through end 2013 and early 2014.
- Low inflation in the US and UK plus below target price rises in Japan and the Euro-zone, mean there is no urgency in lifting advanced economy interest rates to more "normal" levels. Central banks in Japan and the Euro-zone are focussed on combating deflationary risks which points to loose monetary policy for a long time to come.
- The Federal Reserve is still cutting its asset purchases at a rate that should see the programme finish late this year. Interest rates look set to stay between zero and 0.25% for the remainder of the year.

Table 1: NAB Global Economic Forecasts

NAB Economic Growth Forecasts			
% change year on year	2014	2015	2016
China	7.3	7.0	6.8
US	2.2	3.0	2.8
Euro zone	0.9	1.3	1.6
Emerging Asia	4.0	4.3	4.5
Japan	1.6	1.4	1.2
Middle East	3.2	4.4	4.7
Advanced economies	1.9	2.3	2.3
Emerging economies	5.4	5.5	5.5
World GDP	3.4	3.7	3.8

Source: NAB Group Economics

Domestic Economy

- Released in the first week of June, the Q1 Gross Domestic Product (GDP) result for Australia printed at 1.1%, just marginally stronger than NAB's forecast of 1.0% while markets expected 0.9%.

- The stronger-than-expected result has been sustained by robust exports (mainly minerals and energy) and weaker imports (especially capital equipment). However, domestic final demand remains subdued, as consumers continue to be cautious with their spending and federal and state governments practise fiscal restraint. Business continues to demonstrate little appetite for debt, with business credit growing by 0.3% in April to be only 2.7% higher than a year earlier.

- While business confidence appears to have emerged from the Budget intact, conditions continued to slip in May, according to the NAB business survey. Manufacturing and wholesale bore the brunt of the renewed weakness, particularly through a sharp decline in trading conditions. Forward indicators remain weak: orders rose to be barely out of negative territory and capacity utilisation was unchanged and below long-run averages for most industries.

Interest Rate:

- The Reserve Bank of Australia (RBA) kept the cash rate at 2.50% in June as expected and maintained its neutral bias. The RBA still seems optimistic about the economic outlook, and believes that export growth, consumption and dwelling investment will support the economy as resource investment declines. Meanwhile the non-mining business investment improvement is still described as "tentative," but the RBA appears slightly more confident on this as it added that there are 'emerging' signs of improvement in other sectors.

- The RBA continues to state that policy is accommodative enough already, so a further easing is also unlikely in the near term. NAB expects that the cash rate will remain unchanged until the last quarter of 2015.

Table 2: NAB Economic Forecast

(%)	2013/14	2014/15	2015/16
GDP growth	3.0	3.3	3.0
Private Consumption	2.5	2.8	3.0
Unemployment Rate	5.9	6.1	5.6
Consumer Price Index	3.1	2.2	3.1

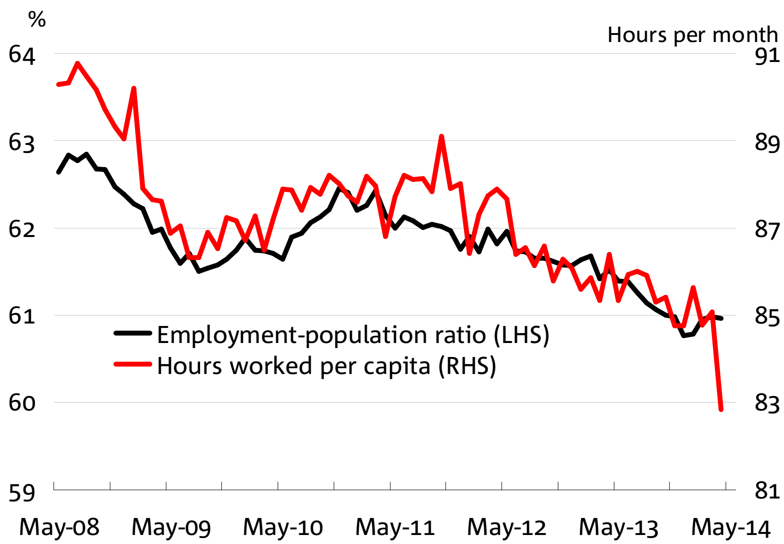
Source: NAB Group Economics

Table 3: NAB Interest Rate Forecast

	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
RBA Cash Rate	2.5	2.5	2.5	2.5	2.5	2.75

Source: NAB

Figure 1: Labour demand indicators



Source: NAB Group Economics

The Australian Dollar

- In May, the AUD continued its momentum, ending the month at USD 0.93. Nonetheless, with market volatility at historic lows, the AUD remains in very tight ranges.

- Beyond immediate data releases, there are a number of factors driving the AUD. The low volatility environment means that NAB's AUD present value model is holding at relatively high levels. While the AUD present value models still show upside, with iron ore and yields declining, the pressure is lower.

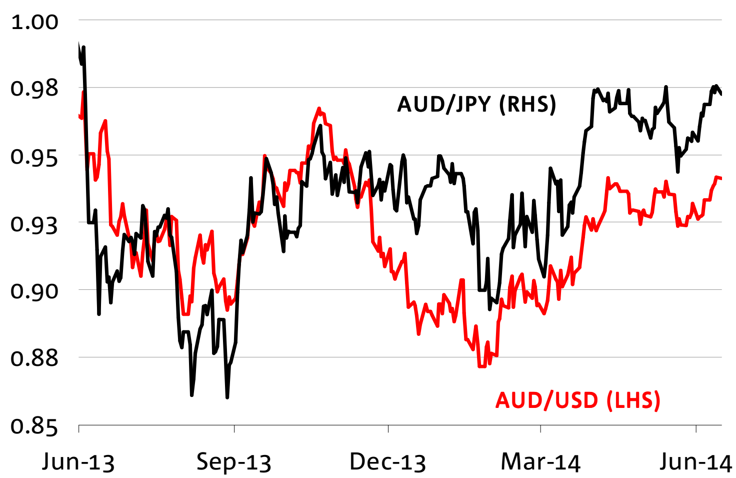
- In May, the iron ore price dropped sharply, continuing the general downward trend which began in mid-2013. With iron ore constituting 33% of Australia's commodity exports and thus a significant influence on the terms of trade, a divergence between the two is only sustainable for short periods of time. This points to strategic downside pressure on the AUD over time. However, given the plethora of correlation breakdowns occurring in financial markets at present, NAB does not expect rapid adjustment in the near term unless the global environment starts to re-price risk and volatility rises.

Table 4: NAB FX Strategy Targets

		2014 Q2	2014 Q3	2014 Q4	2015 Q1
Australian Dollar	AUD/USD	0.90	0.87	0.85	0.83
New Zealand Dollar	NZD/USD	0.84	0.81	0.79	0.77
Japanese yen	USD/JPY	104	106	108	110
Euro	EUR/USD	1.35	1.32	1.30	1.28
British Pound	GBP/USD	1.67	1.65	1.64	1.58
Swiss Franc	USD/CHF	0.92	0.95	0.96	0.98
Chinese New Yuan	USD/CNY	6.22	6.19	6.15	6.11
Canadian Dollar	USD/CAD	1.10	1.10	1.11	1.12

Source: NAB

Figure 2: Daily Currency Movements



Source: Bloomberg

Domestic Agricultural Outlook

Production Outlook:

- While the past winter crop harvest was unaffected by drought conditions, the summer crop harvest this year is estimated to have fallen by 33% to 3.7 million tonnes. So far winter crop planting has progressed well which portends a reasonable outcome for 2014-15, but unlikely to repeat the strong volumes of 2013-14. ABARES expects that winter crop production will fall by 12% in 2014-15. Some downside risks to the outlook will stem from the likely occurrence of an El Niño event.

- Red meat production and exports continued to proceed at a rapid pace in the first five months of the year on high slaughter rates but supplies are likely to tighten in the second half of this year.

Climate Conditions Update:

- According to the Bureau of Meteorology (BOM), a drier than normal winter is likelier to take place for southern and tropical north parts of Australia, however Tasmania has a 65% chance of experiencing a wetter than average winter.

- A transition towards an El Niño event appears to be currently taking place, typically associated with warmer Pacific Ocean temperatures and drier than normal conditions for major parts of Australia. More than half of the BOM climate models suggest that El Niño will become established by August.

- While the drought conditions in the north eastern parts of Australia have ameliorated in recent months, these areas continue to suffer from significant rainfall deficiencies. May rainfall was generally below average for the eastern seaboard, northern New South Wales and southern and western Queensland.

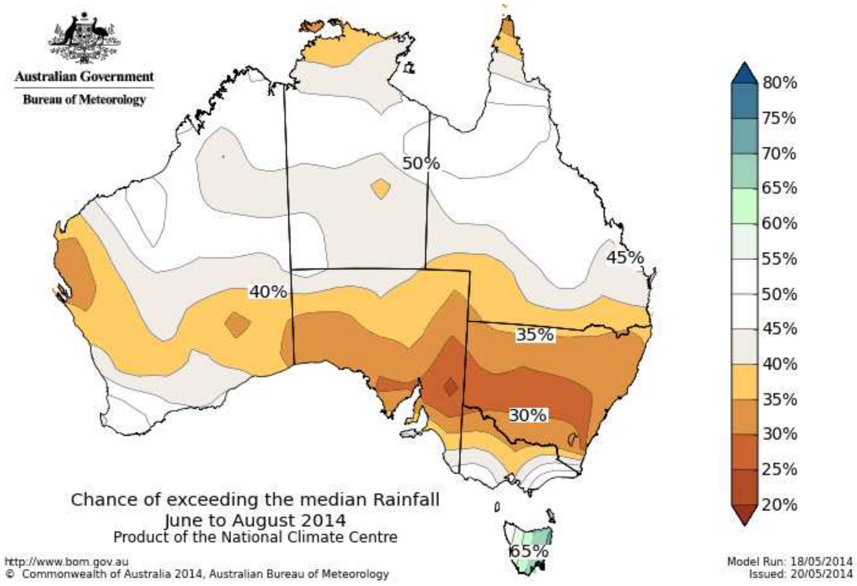
Table 5: NAB Commodity Price and Production Growth Forecasts (%) for 2013 -14

	Production	Price
Wheat	20.5	-16.0
Beef	3.1	-6.9
Dairy	-0.9	34.7
Lamb	2.1	25.1
Wool	-2.0	2.9
Sugar	-1.2	0.7
Cotton	-2.7	18.5

Source: ABARES, Dairy Australia, NAB

These forecasts represent year-on-year average changes in Australian production and corresponding AUD prices between 2012-13 and 2013-14 financial years

Figure 3: Australian Rainfall Outlook



Source: BOM

Domestic Agricultural Outlook (Con't)

Rural Commodities Index:

- The Rural Commodities Index eased slightly in May in largely in response to moderate declines in the prices of livestock and dairy. The May results reflect relative market stability following a period of greater tumult in March and April. Overall, the Index declined 1.2% in AUD terms and 1.3% in USD terms. Beef and lamb both fell 4% in May in AUD terms, having risen substantially in the two months prior, reflecting a slightly disappointing end to otherwise decent autumn rainfalls. Dairy (-4%) and cotton (-4%) both suffered their third straight month of decline, whereas wheat (+4%), barley (+5%) and sugar (+3%) posted moderate gains.

NAB Farm Input Prices:

- Over the past month, global Diammonium Phosphate prices fell to USD 445/tonne while urea prices have dipped further to USD 290/tonne. Meanwhile natural gas prices also retreated from their historic high in February to around USD 4.6/mmBtu, unchanged from April. Overall, the AUD fertiliser index fell 1% in May, reflecting a stabilisation from much greater falls in March and April. The hangover from high inventories over autumn combined with reports of domestic farmers having secured orders early in the season point to muted fertiliser activity over winter. Underlying fuel prices are likely to be influenced by recent sectarian strife in Iraq, however price increases are likely to be mitigated by minimal disruptions to supply thus far.

NAB Weighted Feed Grain Prices:

- Domestic feed grain price growth has slowed on the back of encouraging autumn rainfalls and above average autumn temperatures, which saw pastures rebound after a poor summer. However, strong red meat export prices combined with disappointing May rainfall in some areas has continued to encourage the fattening and slaughtering of cattle and sheep in recent months, maintaining the strength in feed grains demand. Poor spring rainfall prospects if an El Niño weather pattern settles will likely weigh on the mind of farmers and may lead to higher domestic feed grain demand approaching spring and summer. Internationally, while drought conditions continue to persist in much of the southern and western US, greater hope of reasonable corn yields may place some downward pressure on feed grain.

Figure 4: NAB Rural Commodity Prices

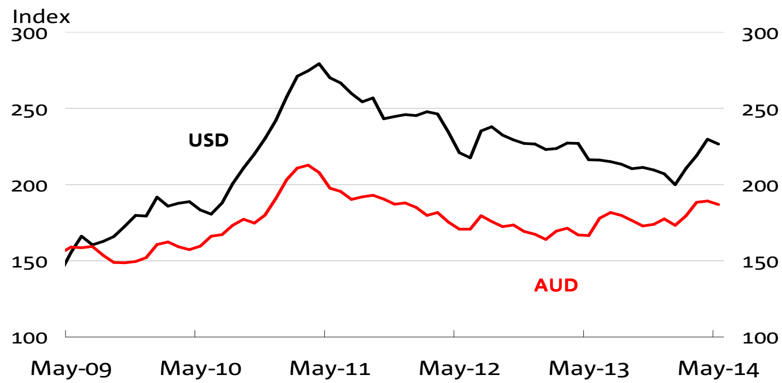


Figure 5: NAB Farm Input Price Index

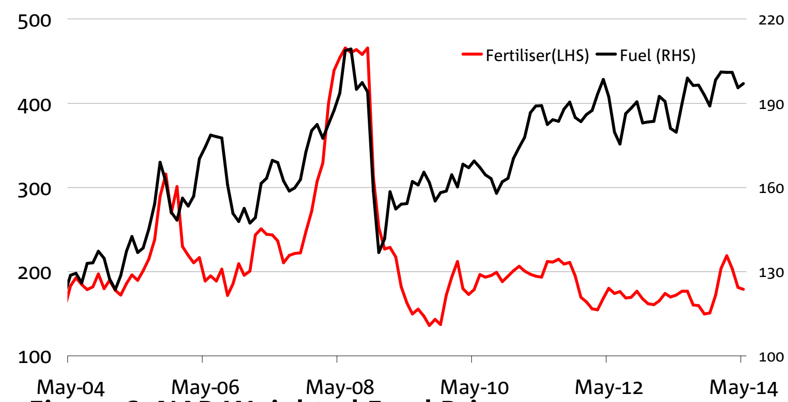
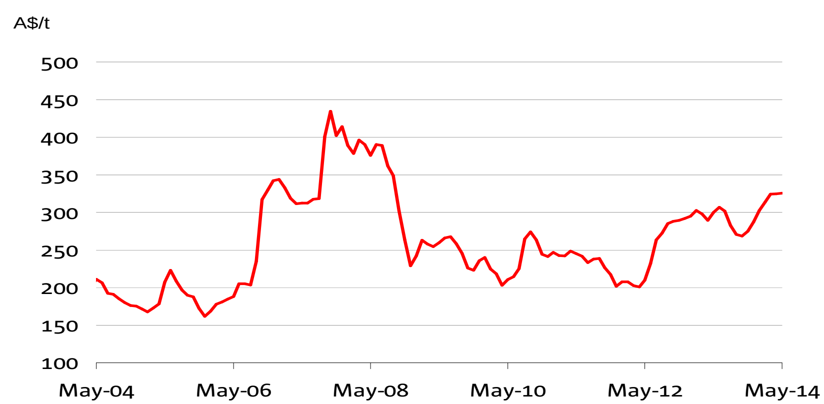


Figure 6: NAB Weighted Feed Prices



Sources: ABARES, BNZ, NAB

Agricultural Sectors

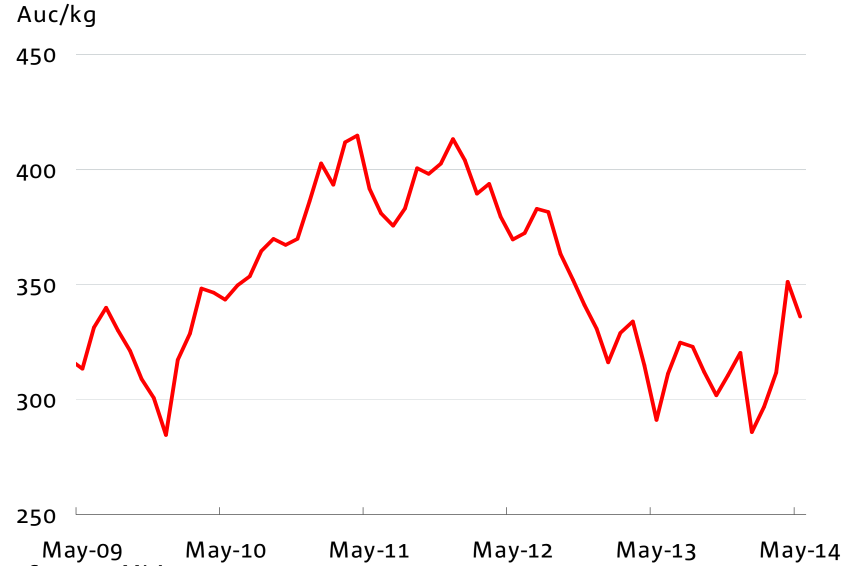
Cattle:

- Average cattle prices eased slightly (-4%) to AUc 336/ kg carcase weight, but are around 15% above the same period last year as decent rainfalls in March and April across central and southern parts of Australia helped to boost restockers' confidence, although a drier than normal May lent a somewhat poor finish to the wet season. This potentially led to a partial reversal of the price momentum seen in the earlier months.
- In the meantime, slaughter rates in May trailed closely behind the record pace seen in February and early March this year, culminating in an all-time high for beef and veal exports in the month and marginally eclipsing the record set merely two months ago in March.
- Australian exports of beef and veal reached an unprecedented level of 108,000 tonnes in May, after only breaching the 100,000 tonnes mark for the first time in history just a year ago.

Wool:

- Wool prices appeared to have stabilised in May, after a straight four-month loss since January this year. The Eastern Market Indicator rose by 1.2% to average 1040 AUc/kg in the month.
- Foreign demand conditions showed some improvements towards the end of the month, prompted by unusually high prices of South African supplies that resulted in some level of switching to Australian wool.
- For some months now, the Australian wool market has been gripped by soft demand conditions, partly reflecting the lack of credit access by Chinese manufacturers as Chinese authorities clamped down on lending and raised required capital to loan ratios for a number of banks. Furthermore, the quality of the wool offerings has deteriorated as drought conditions in NSW and Queensland wear on, which served to cap the upward momentum of prices. Weekly quantities offered in May and June so far were generally above that of the same time last year as well.

Figure 7: Australian Cattle Prices – Eastern Young Indicator (Monthly)



Source: MLA

Figure 8: Eastern Market Indicator (Monthly)

Source: Datastream

Agricultural Sectors

Wheat:

- Global wheat prices, indicated by Chicago Board of Trade (CBOT) wheat futures, fell steadily over most of May and early June on the outlook of growing global supplies. While persistent drought conditions in the US have dented production prospects for the 2014-15 season, with the US Department of Agriculture (USDA) forecasting a 9% fall in wheat production, output from most other major grain producing countries, such as Russia, China, India and Europe are expected to be robust. China, the world's largest grain producer, is expected to reap a record wheat harvest of 122MT in 2014 as favourable spring weather and increased plantings boost production. Meanwhile, output and exports of soft wheat from France has been steady as well, while the Black Sea region's supply has not been disrupted by the ongoing political volatility.

- Domestic wheat prices, while tracking global trends to be lower from earlier weeks, continue to maintain a premium to international prices on the back of continuously supportive domestic fundamentals, as strong red meat export prices and persistent dryness continued to encourage the fattening and slaughtering of cattle and sheep in recent months, maintaining the strength in feed grains demand.

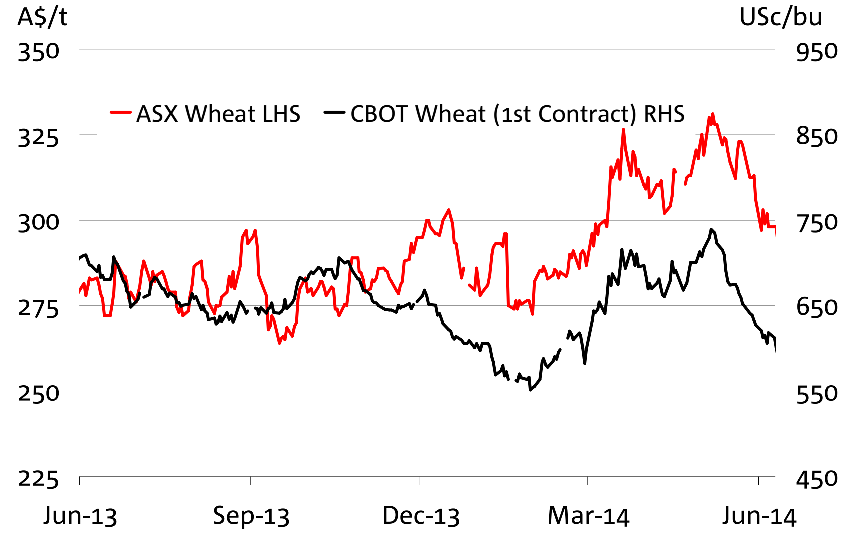
Dairy:

- Global dairy commodity prices fell for the third consecutive month in May (-4%), according to BNZ's global weighted index, but remain at historically elevated levels. High farm gate milk prices across New Zealand, Australia, the US and Europe last year have triggered a positive supply response by major producers in the northern hemisphere this season, with milk production generally up in the first quarter compared to a year ago. Milk flows from Europe are about 6% above the same time last year in Q1, led by the UK (+12%) and France (+8%), and look set to expand further as the abolition of the milk quota in 2015 draws closer.

- In Australia, above-average rainfall in the southern parts of the country during the autumn months has bolstered milk production during the period, with national production up by 3.7% and 5.6% respectively in March and April, narrowing the year-to-date deficit to 0.8%.

- Looking ahead, the tightening of Oceanian supplies as the production season draws to a close is expected to lend a floor to prices, while Chinese imports maintain a strong pace given a persistent production deficit.

Figure 9: Australian and Global Wheat Prices



Source: Bloomberg

Figure 10: BNZ Global Dairy Prices

Source: BNZ

Agricultural Sectors

Sugar:

- In monthly average terms, global sugar prices rose by 3% in May but remained subdued overall as a persistent and growing supply overhang continues to weigh on market sentiment.
- Despite recent drought scares in Brazil, global sugar production in 2014-15 is expected to outstrip demand for the fifth consecutive year, culminating in a near-record ending stock level of 44.4MT.
- Lower production and exports from Brazil this season will be mostly offset by increases in India, where exports are further encouraged by a government subsidy of Rs 3300 (approximately AUD 59) per tonne of raw sugar up to 4 million tonnes during 2013-14 and 2014-15 marketing years (October-September).

Cotton:

- Cotton prices have lost some recent lustre since peaking in early May at close to 95 USc/lb as markets turned away from concerns about the US harvest this year. The 2014-15 global supply projections in the latest USDA World Agricultural Supply and Demand Estimates (WASDE) in June, showed that surplus production entered a fifth consecutive year and revised up ending stocks by 1.05 million bale to 101.7 million bales.
- Meanwhile, Chinese imports in 2014-15 have been downgraded to 8 million bales from 8.5 million bales in the May report, a sharp decline from a recent high of 35 million bales in 2012-13. The rapid accumulation of Chinese state cotton reserves in the past three years and the recent policy switch to offering direct subsidies to farmers as a means of income support instead of state-directed procurement suggest that global import demand will be tepid in the coming years. The Chinese National Cotton Reserves started to offload cotton stocks into domestic markets late last year and the pace is expected to pick in the coming year.
- In Australia, worsening drought conditions during summer last year and wet conditions during the harvesting months have constrained the 2013-14 output, with the latest ABARES crop report pegging at 4.1 million bales, compared to their first forecast for the year of 4.6 million bales. A lower planting area was partly offset by higher yields.

Figure 11: Global Sugar Prices

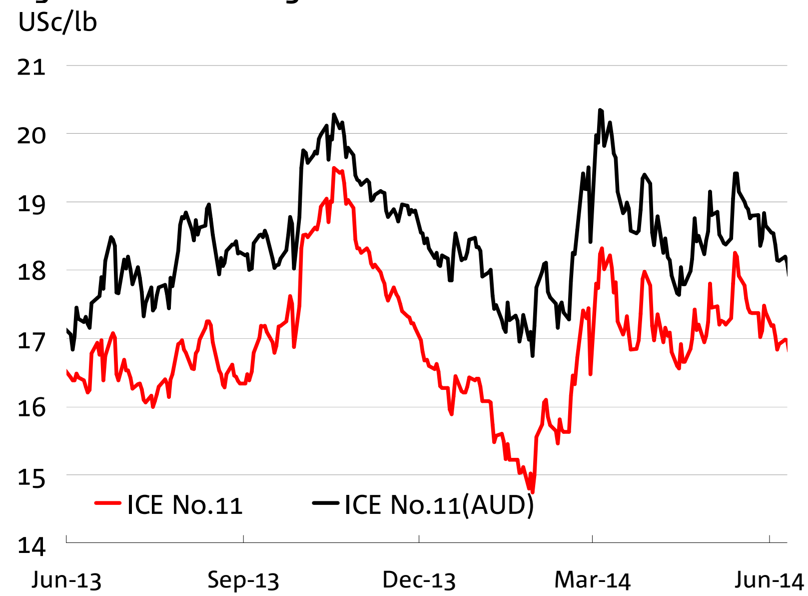
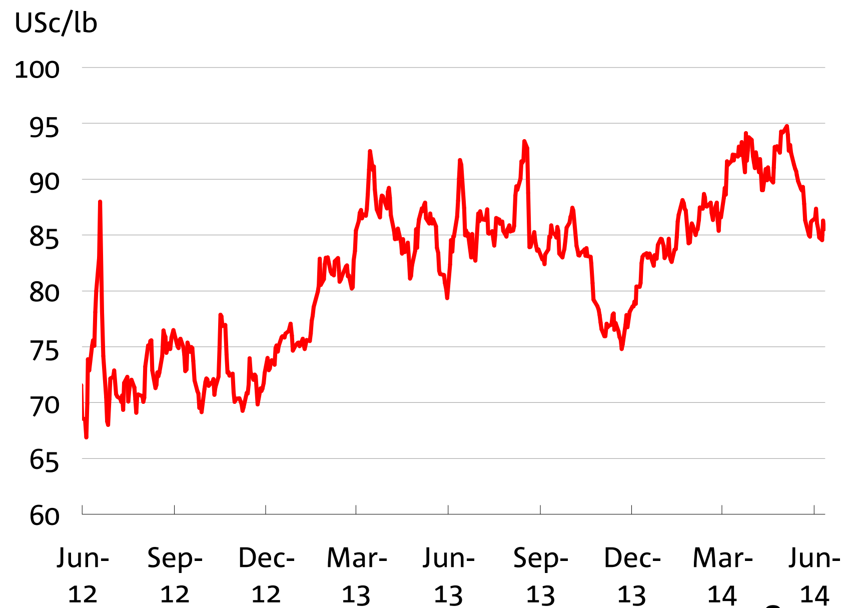


Figure 12: Global Cotton Prices



In Focus: Lamb

- 2013 was a record year for lamb production and exports in Australia, largely driven by the combined effects of drought conditions driving up supplies, a notable depreciation in the AUD and a recovery in global demand as economic prospects stabilised.
- Despite the high slaughter rates since the second half of 2012 and throughout 2013, lamb supplies were ample at the start of 2014 as mild seasonal conditions for the southern states in autumn and winter led to sufficient feed availability that ensured decent lamb survival and spring marking rates.
- High slaughter rates have been maintained into the early months of 2014, with most of these channelled into exports. Australia's lamb exports in 2013 rose by 13%, with a remarkable 41% surge in Chinese demand which propelled the *country past the US as our second largest export market after the Middle East.*

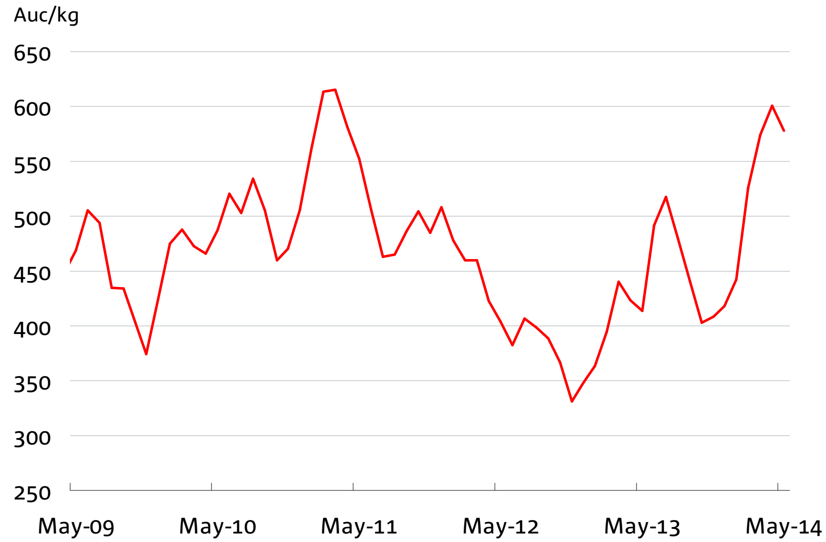
Lamb prices continue to show robust momentum despite sustained high production volumes…

- Lamb prices peaked in March 2011 then declined until the end of 2012. A strong build-up in the sheep flock over the wet years of 2010 and 2011 created a large buffer in the flock size that could be drawn down during drier periods. The unwinding of prices when drought conditions emerged 2012 was more pronounced than the "accumulation" period from 2008 to 2011.

- The turnaround in export conditions in 2013 altered the price dynamics to a large extent, with saleyard lamb prices actually rising by 7% in 2013 relative to 2012 even though slaughter rates were significantly higher. The interplay of strong exports demand and elevated number of slaughterings saw higher volatility in saleyard price patterns, but they have demonstrated an unmistakable long-term upward trajectory since bottoming out in late 2012.

- While the supply conditions might vary periodically with seasonal conditions and price signals for the rest of the year, demand prospects for Australian lamb and sheep meat are likely to stay buoyant for some time to come, especially in light of significantly improved market access for Australian live sheep exports. In aggregate, however, supply is more likely to tighten this year from the effects of high slaughterings for the past two years. Both supply and demand side factors are only going to reinforce each other in their upward effects on prices, with NAB expecting a substantial price rise for heavy lamb this year of around 30% to 570 AUc/kg.

Figure 13: Monthly Heavy Lamb Prices



Source: MLA

Australian lamb slaughter still at historically high levels despite moderating drought conditions …

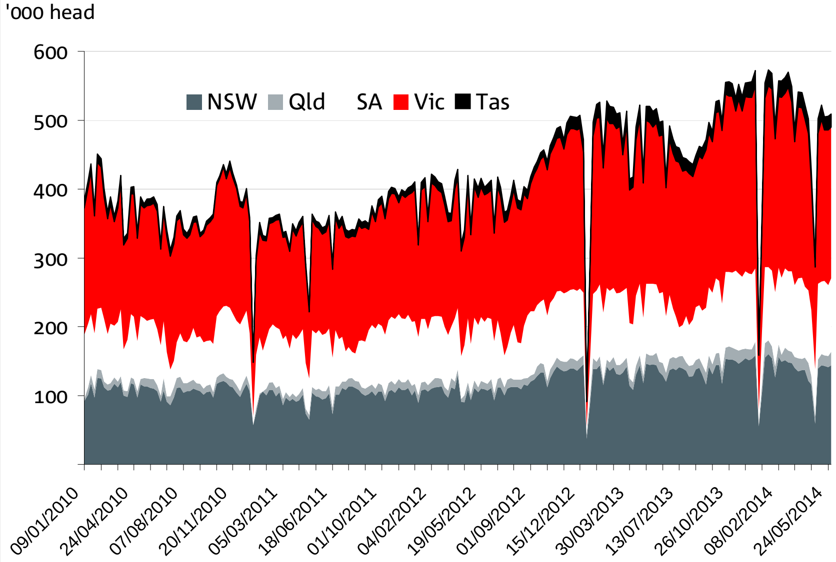
- Following the period of intense flock rebuilding in 2010-11 and 2011-12, the Australian sheep flock reached a high of 74.7 million head in 2012, before restocker intentions changed dramatically following a dry autumn in 2012. Lamb and sheep slaughter in 2013 were the largest on record and since 2008 respectively, but the reduction in the flock was somewhat moderated by the turnoff of a large number of older ewes retained over the past couple of seasons.

- A dry spring in NSW and WA saw that lambs slaughtered were generally of lighter weight. Consequently, Australian lamb production in 2013 was 3.3% more than in 2012 at an estimated 460,000 tonnes carcase weight, with the surge in turnoffs only marginally offset by lighter carcase weight. Meanwhile, mutton production jumped by 53% to 214,000 tonnes from a 57% rise in slaughters.

- The high lamb slaughter rate continued into the first quarter of 2014, which hit record monthly rates. While they have since moderated, they remained at historically elevated levels in April and May. At this stage lamb and mutton production is likely to only be moderately lower than last year (-10%), comprising a sharper contraction (-35%) stemming from mutton after a phenomenal jump in 2013, and a minor increase (2%) in lamb production.

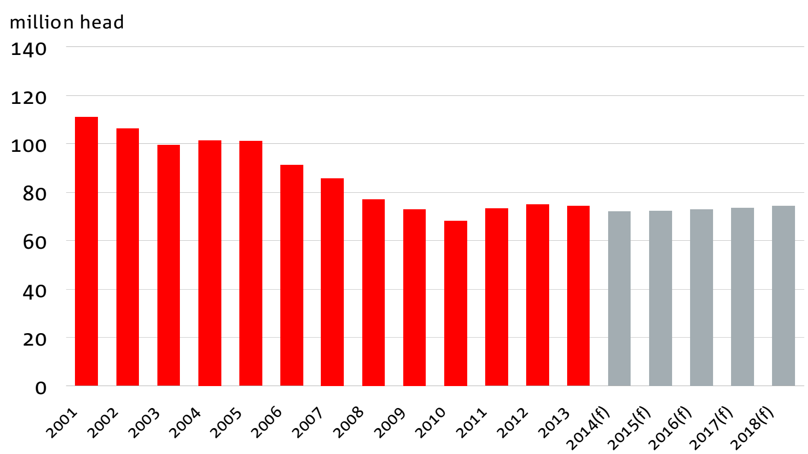
- The sustained long period of high slaughters and poor weather conditions during the joining season have resulted in fewer breeding ewes and lower conception rates in 2014, which foreshadows a significantly tighter supply of stocks available for slaughter in 2015.

Figure 14: Australian Sheep and Lamb Slaughters by State



Source: MLA

Figure 15: Australian Sheep and Lamb Flock



Source: MLA

Australian lamb consumption maintained declining trend in 2013 despite softer retail prices

- Domestic consumption of Australian lamb has fallen considerably in recent years. The decline in production for most of the period from 2008-2011 coincided with ongoing growth in overseas markets, which resulted in a much stronger relative price for lamb over competing products for which prices have generally fallen in real terms over the past decade.

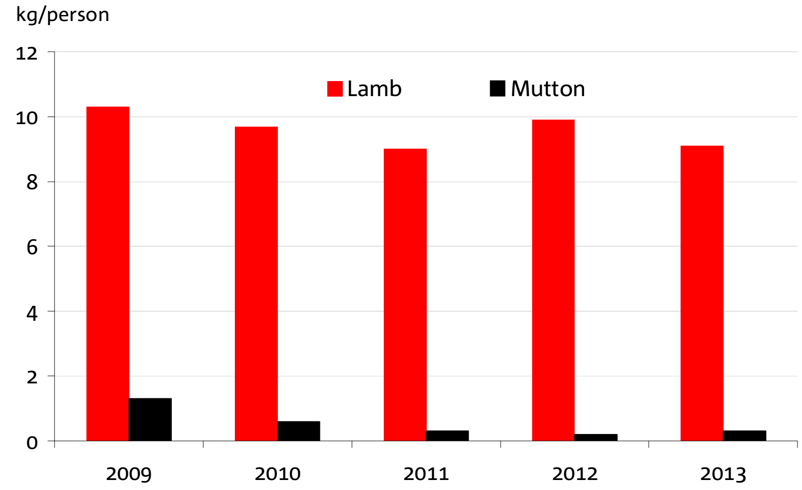
- Despite record levels of production combined with intensifying competition between Coles and Woolworths which led to a significant fall in domestic retail prices, domestic consumption still experienced an annual decline of 6% in 2013, with 54% of Australian lamb exported. This continues a generally downward trend since 2009. Per capita consumption in 2013 fell by 8% to 9.1kg/ per capita from being just under 10kg/per capita in the previous year.

- While there is considerable scope for per capita domestic lamb consumption to grow as it constitutes only 6% of the domestic protein market value, chicken, beef and seafood still appear to be preferred by consumers.

Lamb exports in 2013 set a new record for the second consecutive year….

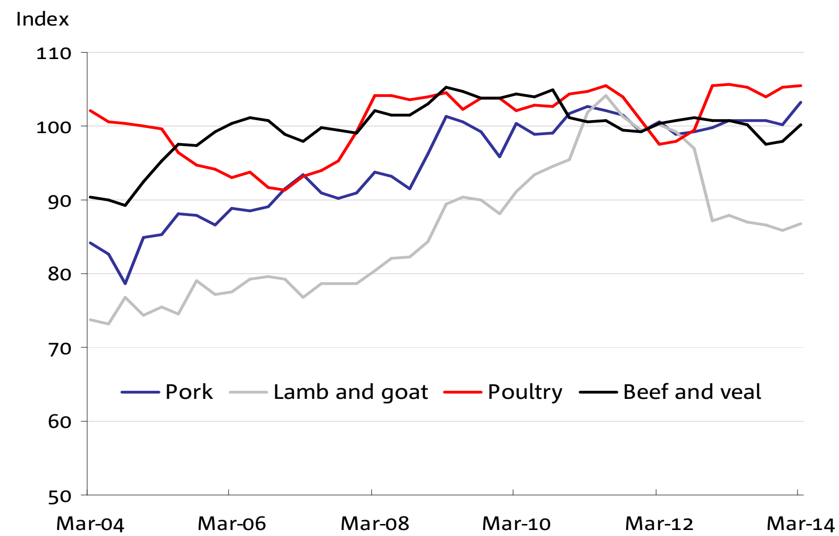
- Annual shipments of Australian lamb set a new record for the second consecutive year in 2013 at 214, 000 tonnes in shipped weight (swt), eclipsing the 189,000 tonnes record in 2012. The trend in lamb exports has been on a clear upward trajectory since Q4 of 2012 and so far has yet to show any signs of slowing down.

Figure 16: Australian consumption per capita of lamb and mutton



Source: MLA

Figure 17: Consumer Price Index



Source: ABS

Australian sheepmeat exports to benefit from lower NZ competition and a softer AUD…

- Australian exports of mutton to China surged by around 2.5 times in 2013 and are likely to stay elevated in 2014. Meanwhile, an improving economic landscape in the EU, led by the UK, contributed to the rebound in volumes to that region. There was also some pick-up in lamb shipments to Japan and the US, while volumes to the Middle East were relatively unchanged. PNG constituted the largest negative contributor in the year, with its intakes falling by 37%.

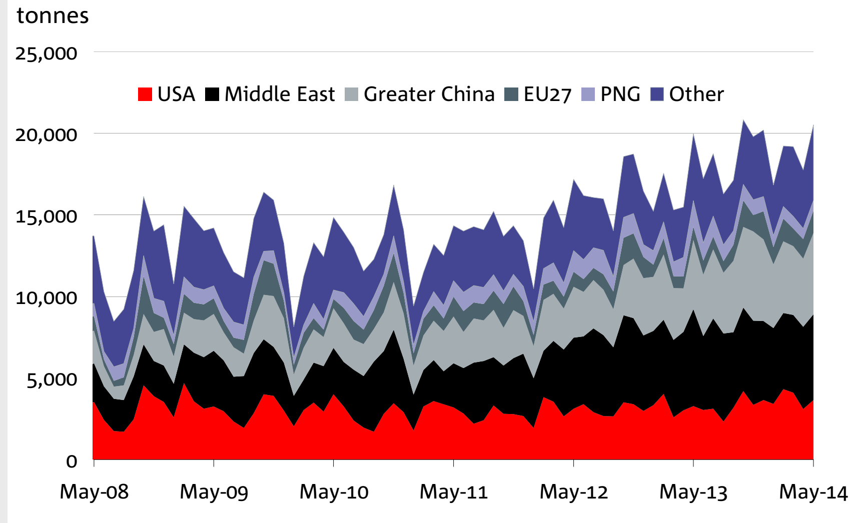
- For mutton exports, an exceptional level of drought-related slaughters of sheep has flowed into robust Australian mutton exports in the year, which were mostly readily absorbed by the Greater China region (including Hong Kong). The 61% growth in Australian mutton exports exceeded production growth of 57%, bringing total exports to 172,000 million tonnes. Greater China accounts for 41% of all mutton exports, followed by the Middle East at 23%.

- Given the strong pace of production in the calendar year to date, sheepmeat export volume in 2014 is expected to stay buoyant, further assisted by less competition from New Zealand exports and a lower AUD on average. Lamb shipments in 2014 are expected to trump those of 2013 to set a new record, but this will be more than offset by a notable correction in mutton exports from their spike last year as farmers switch to retention mode.

- Severe drought conditions during spring and summer in New Zealand last year have led to the lowest lamb drop in the country in almost 60 years, which suggests that exports this year is likely to be diminished as well. According to Beef+Lamb New Zealand's mid-season update, total lamb exports are forecast to decrease by around 3.5% in 2013-14 on the previous financial year, to approximately 302,000 tonnes swt, with a 5% drop in slaughter rate partly offset by an increase in carcase weight.

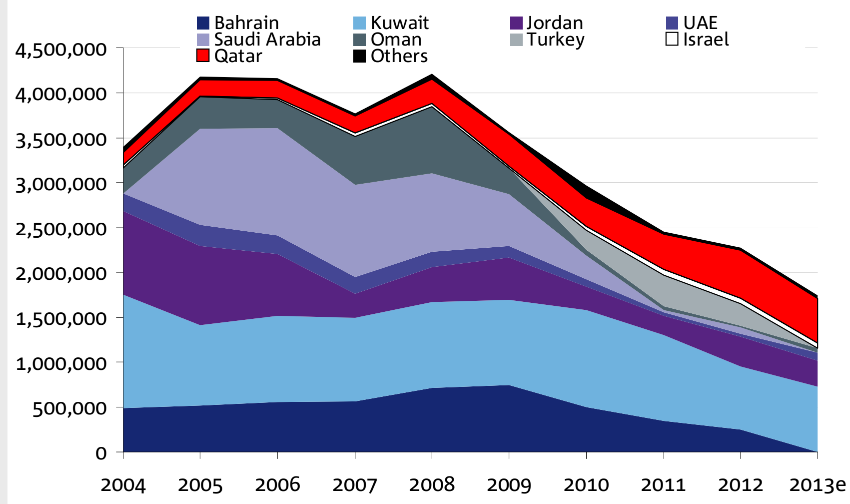
- The lack of market access to Bahrain and continuing ESCAS negotiations with Saudi Arabia and Turkey have resulted in a 17% decline in the volume of Australian live sheep exports in 2013. The lifting of the live exports ban in Bahrain this calendar year is likely to contribute to rebound in volumes, with MLA forecasting a 22% increase.

Figure 18: Australian Lamb Exports



Source: MLA

Figure 19: Australian Live Sheep Exports



Source: MLA

Middle East

- Australian exports to the **Middle East** have expanded rapidly in the last couple of years, further consolidating its position as Australia's largest export market. Export volumes to the region rose by 15% in 2013, attributable largely to growth in Bahrain and the United Arab Emirates, following a 48% growth the year before, despite strong competition from NZ products in recent years. The increasing popularity of western-style supermarkets and hypermarkets in place of traditional markets has lifted demand for "aspirational goods" to which Australian lamb belongs, attributable to its reputation of being safe and reliable.

- In the near-term, we believe that Australian lamb exports in 2014 are likely to be quite similar to the record volumes in 2013, as reduced exports from New Zealand are expected to lead to greater demand from Australia..

- Robust forecast economic growth forecast for the region of 3.2% in 2014 and 4.4% in 2014, further assisted by solid population growth, should support demand.

China

- The tightening of grey channel imports and shortages in domestic sheepmeat production in **China** in 2013 have led to a substantial increase in domestic retail prices and demand for legitimate imports. According to the MLA, the 2013 average bone-in sheepmeat retail price in China reached RMB62.30/ kg (A$10.55), up 20% on 2012 and 115% higher than the ten-year average. Combined with increased availability for Australian production in 2013, these factors fuelled a remarkable 41% and 254% surge in Chinese intakes of Australian lamb and mutton respectively in 2013, despite a major uptick in New Zealand imports, which enjoy a lower tariff rate through NZ-China Free Trade Agreement. The shipments continue to be dominated by lower-value bone-in cuts such as breast and flap, and rack cap, which are often used as flavour enhancers in traditional hotpots and soups.

- While the Chinese economy is expected to slow in 2014 to 7.3% year-on-year, the lack of alternative supplies, including slightly lower exports stemming from New Zealand, will ensure more intake of Australian lamb.

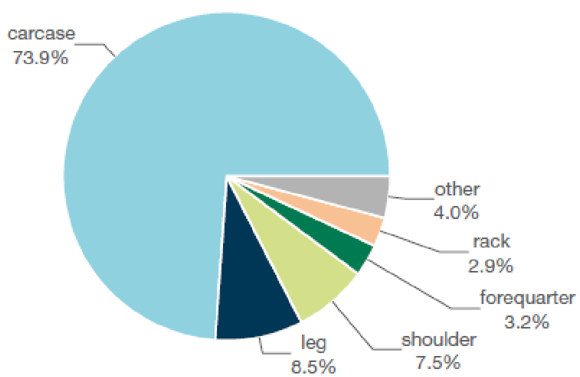
United States

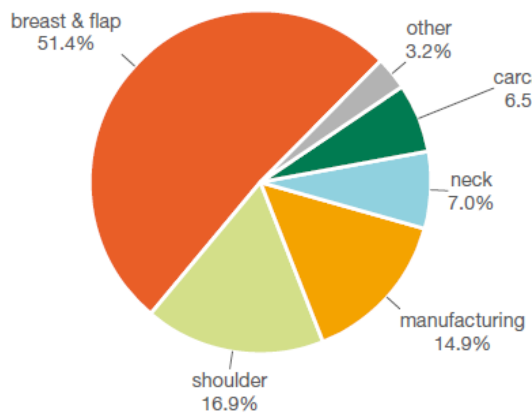
- Exports of Australian lamb to the **United States** continued to improve in 2013 on further improvements in its economic conditions, rising by 7% to reach 32200 tonnes in 2013. The most popular cut to the US remained legs, which accounts for just over 30% of the yearly total. In the last two years, assorted cuts have become more popular as well.

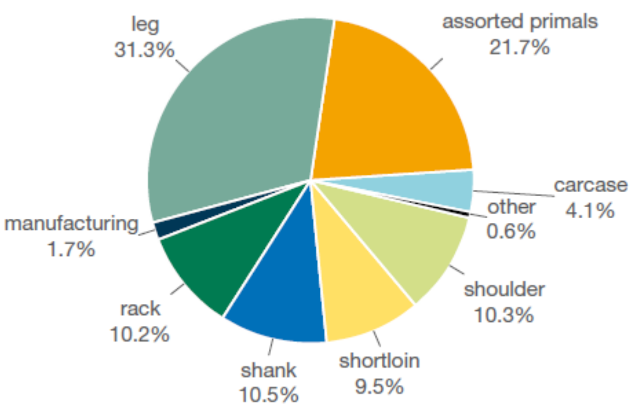
- We expect export growth to lift moderately in the coming year as consumer spending in the US recovers further, and most of the imports are likely to be in the form of chilled products, which accounted for 45% of US imports in 2013.

- There is considerable potential for lamb consumption growth in the use but key constraints are the ability to secure supermarket shelf space for the product and consumer preferences.

Figures 20,21,22: Lamb exports by cut to the Middle East, China and the US

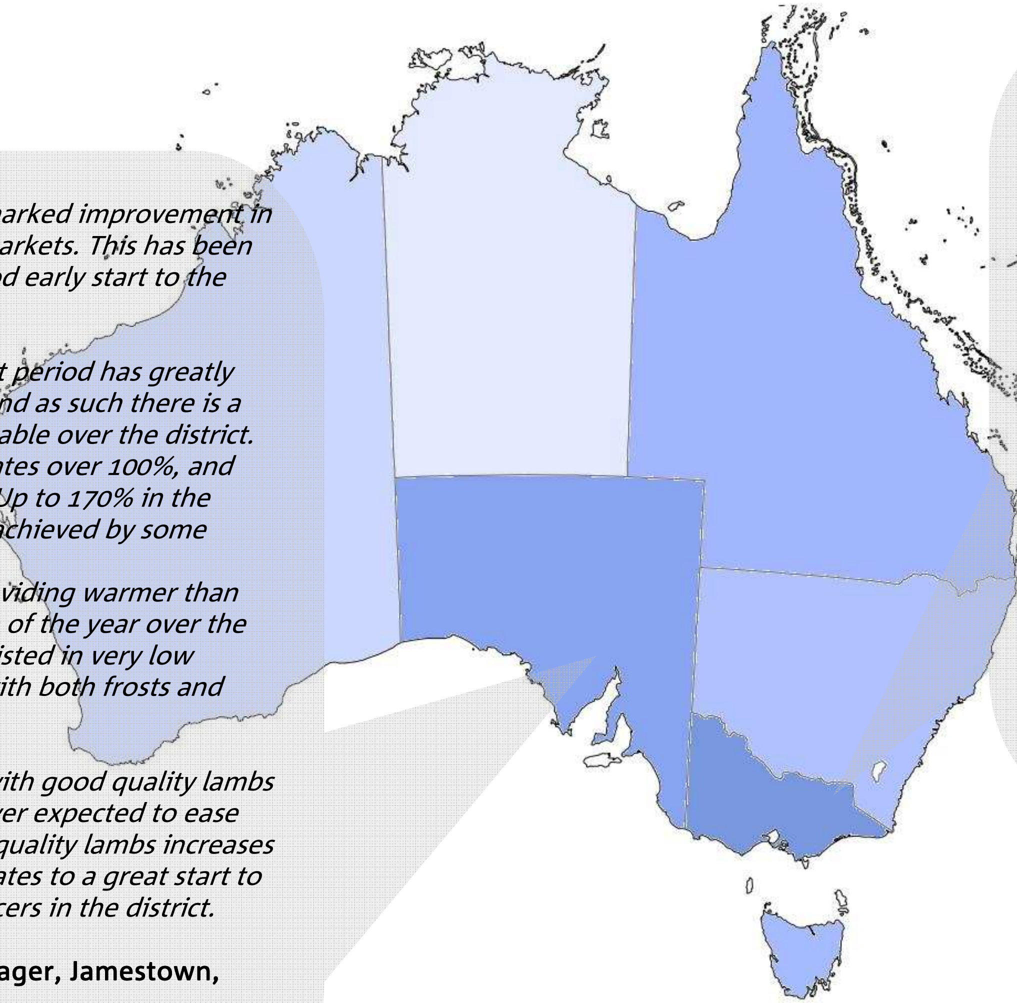






Source: MLA

Comments from the Field:



The last few months have seen a marked improvement in sheep prices over the state-wide markets. This has been driven predominantly due to a good early start to the season.

Warm temperatures and a nice wet period has greatly accelerated growth of stock feed and as such there is a plethora of good quality feed available over the district. This has led to common lambing rates over 100%, and most broaching the 120%+ mark. Up to 170% in the South East of the State have been achieved by some producers.
Weather also has been kind by providing warmer than average temperatures for this time of the year over the last couple of months. This has assisted in very low mortality rate for the new lambs with both frosts and cool winds being scarce.

Currently a strong sellers market with good quality lambs available for sale. Prices are however expected to ease later in 2014 as supply of saleable quality lambs increases in the marketplace. This all culminates to a great start to the current season for lamb producers in the district.

–Derek Carkle, Agribusiness Manager, Jamestown, South Australia

Producers in Central Victoria are generally are very positive about the season especially around prices and potentially looking to sell additional stock this year. Recent weather lambs have sold for up to $135.
The Autumn break and conditions in general has been excellent and as a result a much improved lambing season in comparison to last year when we had well down lambing rate

- **Tess Rix, Senior Agribusiness Manager, Bendigo, Victoria**

Contact details

Agribusiness

Khan Horne
General Manager –
Agribusiness

Zaklina Kukeski
Senior Consultant
+61 (0) 439 255 981

Economic Research

Alan Oster
Chief Economist
+61 3 8634 2927

Rob Brooker
Head of Australian
Economics &
Commodities
+61 3 8634 1663

Vyanne Lai
Economist -
Agribusiness
+61 3 8634 0198

Risk Management Services

Greg Noonan
Head of Agribusiness
& Health – Business
Markets
Specialised Sales
+61 477 717 607

Corporate Communications

Samantha Dawson
Manager, Corporate
Communications
Business Banking &
NAB Wealth
+61 (0) 477 716 296

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