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Economic Report

Rural Commodities Wrap

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2 July 2012

- **Commodity markets remain under pressure on weaker economic outlook, financial market volatility**
- **Outlook for Australian farm sector weaker, but still strong as rising production prospects help to offset lower global prices**
- **Lamb prices softening, to recover but remain under pressure from increased volumes at saleyards, cautious export outlook**

Global financial markets have generally been characterised by a spate of mood swings in recent weeks although the generally direction for most markets has been lower. The formation of the 'pro-austerity' government in Greece provided some relief for markets but this was soon diminished by Spanish 10-year bond yields edging above 7 per cent, a level that triggered the bailout of other Euro-zone economies. More recently, the European Summit provided markets with a positive surprise – that the Summit actually decided something – which saw an increase in risk appetite and concomitant market reaction. While the European Summit did not find agreement on the long-term details, relief was offered to Spain and Italy with direct bank funding from the ESM. This is a positive move and should by the EU a little more time.

Economic conditions outside the Euro-zone appear to have weakened, as the spill over effect from financial market volatility on sentiment as well as reduced European imports takes hold. Economic data coming out of the US – which had been a beacon of hope through early 2012 – has generally disappointed. Employment growth has slowed and households appear rattled as income growth has not kept pace with prices while wealth levels are impacted by weaker equity markets. Similarly, industrial activity appears to have slowed in recent months. In China, the recent set of partial indicators point to an economy that has continued to soften. Recent PMI and industrial production growth readings have weakened and forward orders suggest a further softening in the coming months.

With global trade also easing, the outlook for a number of emerging market economies has weakened. In all, these recent developments have led us to revise down our global GDP growth forecasts to 3.2 per cent in 2012, with downward revisions to growth in the US, Japan, Euro-zone, Asian Tigers and India. There are considerable downside risks to our view, however, provided that politicians commit to avoiding the worst (such as a Euro-zone collapse or excessive fiscal austerity in the US), the outlook for growth should improve next year – but with lots of uncertainty and near-term market volatility on the way.

2013 Outlook, Rural Prices & Production

Commodity	Production	Price
Wheat	-12%	-1%
Beef	3%	-6%
Dairy	2%	-4%
Lamb	4%	-1%
Wool	1%	-15%
Sugar	12%	-6%
Cotton	-1%	-4%
Oil	–	3%

Source: NAB Group Economics
These forecasts represent year-on-year average changes in AUD price and production between 2011-12 and 2012-13 financial years

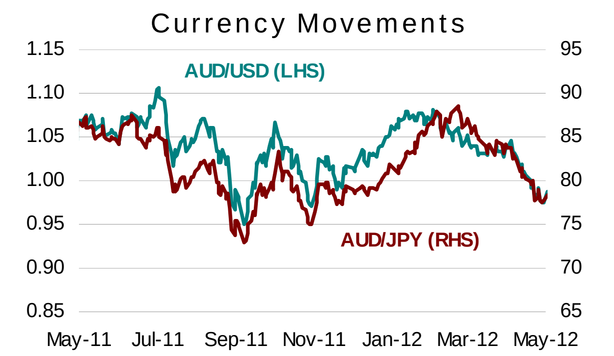
With markets very much uncertain about the prospects of a resolution of the Euro-zone debt crisis, risk appetite remains relatively subdued. In essence, this generally implies that commodity prices have weakened considerably over recent weeks. While price movements have varied by commodity; prices of commodities have generally softened over recent months. Similarly, agricultural commodities are broadly lower as the onset of risk aversion has been met with increased volumes in some markets, thereby weakening commodities not facing a near-term supply squeeze. At the same time, buyers in physical markets of some commodities are becoming increasingly cautious when faced with a more uncertain macroeconomic environment.

For the farm sector, conditions have undoubtedly eased over the past couple of months. Crop expectations have generally been revised lower while weaker global prices are likely to be impacting margins. A softening in conditions was to be expected given that record high global prices could not last forever while yields would eventually need to revert to more normal levels. Nonetheless, the outlook for the farm sector as a whole remains solid and it appears gains made over the past two years are likely to be consolidated. ABARES forecasts, if realised, would confirm this. At $47 billion, ABARES recent forecast for the Australian gross value of farm production in 2012-13 would indicate a sector still in good health while forecasts of net farm incomes are still expected to come in at more than 80 per cent higher than 2009-10 levels.

Currency Movements

The AUD remains beholden to the ongoing Euro-zone saga, with relatively large swings on the back of alternating sentiment. This pattern should continue over the near term as any real resolution to structural problems underlying the current crisis appear unlikely any time soon. As such, our near term AUD/USD range is unusually wide – between 0.9850 and 1.0250, depending on news flow. Interestingly, over recent weeks, the global commodity market has been reflecting a weaker economic growth environment yet the AUD has been quite slow to react. This divergence has been in place for some time and largely reflects solid demand for AAA assets. In a risky world where real rates being zero or negative is becoming the norm, Australian Commonwealth Government Bonds appear quite attractive, even at record low yields. This has clearly helped. Having said that, divergence in direction still appears unusual and something has to give, hence our unusually wide near-term trading range.

Currency Movements



Source: Datastream

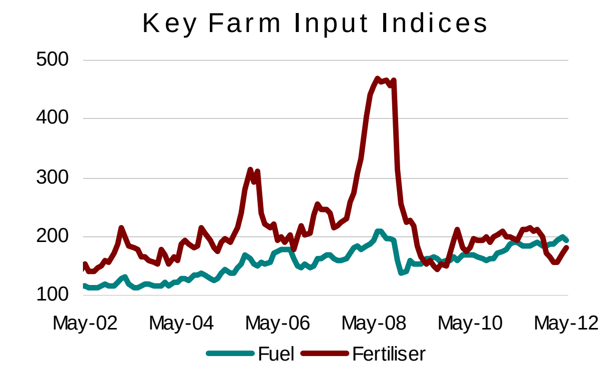
NAB Rural Commodity Index

Global agricultural commodity prices continued to ease through May with the NAB Rural Commodity Index falling 2.4 per cent in the month in AUD terms. Given the depreciation of the AUD/USD in the month, the fall in USD was more pronounced, with the index falling just 5.5 per cent in USD through the month. Driving the monthly result were prices falls across the board, with falls recorded in prices of beef, lamb, diary, cotton, wool and sugar. Grains prices, on the other hand, managed to lift through the month driven by concerns surrounding dryness in the US corn and soybean belt. In AUD, terms, the index is now consistent with levels seen in mid 2010, just prior to the run up in global food prices. Despite recent weakness, the index still sits above its decade-long average. Looking ahead, we anticipate that prices have likely bottomed out and we should see the commodity index strengthen through the second half of 2012, although some downside risk is evident given macroeconomic events.

NAB Farm Input Indices

Fertiliser prices continued to recover from recent lows in May with the NAB Weighted Fertiliser Index increasing 6.7 per cent in the month. Driving the monthly result were price rises for Diammonium Phosphate (up 7.1 per cent) and natural gas (up 25.7 per cent). Urea prices, on the other hand, fell 4.3 per cent, unwinding some of the gains recorded in April. Looking ahead, we expect global fertiliser prices to ease a little as demand for urea slows now that the US spring planting program is over. Attention is now turning to the South American planting program and this should help moderate any further falls in prices. Working against this, natural gas prices are expected to continue to rise as the glut that has been built up in the United States is gradually absorbed while production begins to slow. In contrast to fertiliser prices, fuel prices were down in May, with the fuel price index falling 3.1 per cent. Given the recent weakening in global oil prices, fuel prices are set to fall further in the coming months, although the fall in global prices is likely to be tempered by a decline in the AUD.

Fertiliser up, fuel prices drop

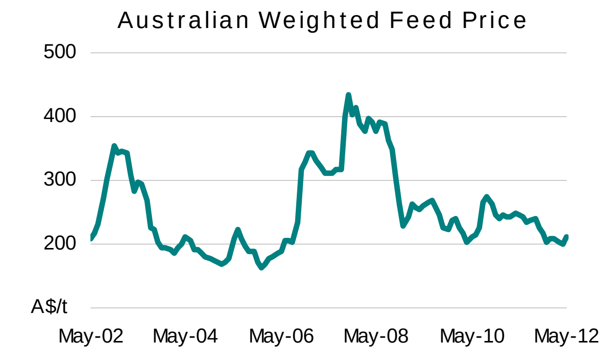


Source: Bloomberg, NAB Economics

NAB Weighted Feed Grains Price

Reflecting movements in global grains markets, Australian feed prices lifted in May, with the NAB Weighted Feed Grains price lifting 4.5 per cent in the month, hitting its highest level since November last year. Driving the monthly result were price rises for barley (up 6.3 per cent), triticale (up 5.9 per cent), feed wheat (up 5.7 per cent) and oats (up 2.6 per cent). In contrast, sorghum prices were flat while maize prices were marginally lower (down 0.7 per cent). Looking ahead, prices are likely to continue firming given the slightly weaker winter crop outlook while the intense heat hitting the US corn and soybean crops should help drive some export demand for Australian feed grains.

Feed grain prices subdued in April



Source: ABARES, NAB Economics

In Focus – Lamb

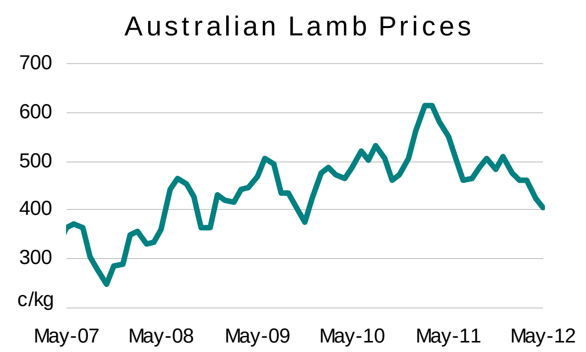
- **Australian lamb prices easing on increased volumes, competition in export markets, to average 1 per cent lower in 2012-13**
- **Australian sheep flock expanding faster than expected, to reach 81 million head in 2012-13, lamb production to increase 4.1 per cent**
- **Lamb exports to lift 4.7 per cent in 2012-13 but values to be tested as economic growth in key trading partners weakens**

The Australian lamb industry has performed extremely well over the past two years. The combination of improved seasonal conditions – which allowed producers to rebuild flocks – plus the impact of dwindling flocks elsewhere and historically high prices has seen the gross value of lamb production settle at around $2 billion in 2011-12, providing a considerable income boost to producers. Looking ahead, we expect ongoing strength within the lamb industry although we think further income growth is unlikely on aggregate. Rather, we expect that recent gains are likely to be consolidated as increased lamb production is broadly offset by falling prices. Similarly, conditions in export markets have softened in recent months and could pose some downside risk to prices received.

Lamb prices easing, to pick up from current levels

Lamb prices have been on a downward trajectory through 2012 and this has continued through May with Heavy Lamb prices falling 4.5 per cent in month average terms while trade lamb prices were down 3.4 per cent. In June, prices have weakened even further with heavily lamb prices having fallen below 375 c/kg, their lowest level since November 2008. Similarly, trade lamb prices have fallen below 400c/kg for the first time since November 2009. Helping to pull prices back over recent months has been the cooler weather on the east coast, which appears to have impacted quality and overall finish of the lambs supplied. Similarly, the increased Australian flock size has generally seen farmers begin to increase turnoff while a number of east coast producers have generally lifted volumes at saleyards in order to beat the cooler weather, placing a sizeable degree of downward pressure on prices.

Lamb prices pulling back



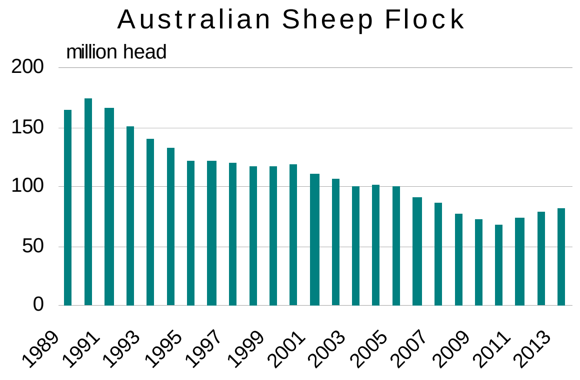
Source: MLA, NAB Economics

Looking ahead, we think that the recent weakness in prices is likely to be sustained although we do expect an improvement on prices from current levels. Producers have generally responded to high prices and excellent seasonal conditions over the past two years and this is being realised in terms of increased volumes at saleyards. Restocking activity is also likely to ease over the coming year given the recent increase in flock size turned out to be much stronger than initially anticipated. In all, this means a much better supplied Australian market. However, global availability of lamb is still extremely tight and export demand for Australian lamb should help support prices. We are a little cautious on the export outlook given economic conditions in some of our key trading partners. For instance, weakness in Europe is seeing a diversion of New Zealand lamb towards key markets for Australian producers such as China. Similarly, economic conditions in China and South East Asia have weakened in recent months which could have implications for protein demand. Australia's largest export market, the Middle East, also has a sizeable degree of downside risk. Overall then, we are somewhat cautious in our export view and hence prices given the current global environment. Given this, we expect that prices are likely to fall around 1 per cent in 2012-13 in year average terms, with the Heavy Lamb Indicator averaging 456c/kg.

Australian sheep flock expansion set to continue through 2012-13

High prices coupled with excellent seasonal conditions on Australia's east coast have seen a solid expansion in the sheep flock over the past two years. The follows an extended period of decline which saw the Australian sheep flock fall to 68 million, its lowest level since 1868. According to recent ABARES forecasts, the Australian sheep flock is estimated to have expanded 4.5 per cent in 2011-12 to around 78 million head, following an increase of over 9 per cent in 2010-11. Given ewe retention over recently – with ewe numbers were up 9 per cent in 2011-12 – expansion of the Australian sheep flock is set to continue through 2012-13, although the pace is likely to be a little slower. According to ABARES forecasts, the Australian sheep flock is set to increase 4.3 per cent in 2012-13 to around 81 million head.

Sheep numbers increasing

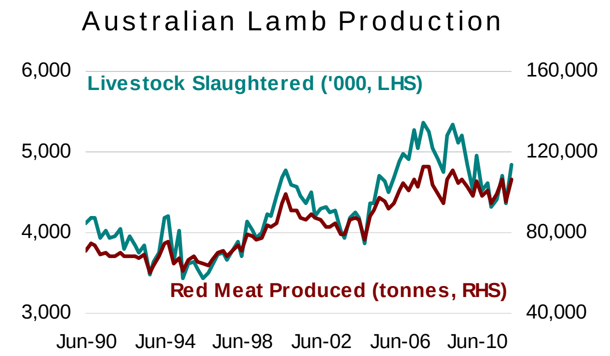


Source: ABS, ABARES, NAB Economics

In 2010-11, the retention of both ewe and westher lambs, in order to increase stocking rates, saw Australian lamb slaughterings fall more than 8 per cent to just under 17.9

million head. The offshoot of this was the faster than expected expansion of the sheep flock. In 2011-12, lamb slaughterings recovered a little, although are still well of levels seen in previous years. According to ABARES, Australian lamb slaughterings are estimated to have increased 4.6 per cent to 18.7 million in 2011-12. In 2012-13, lamb slaughterings are expected to increase 4.5 per cent to 19.6 million head according to recent ABARES forecasts. Driving this increase is the increased supply of lambs due a larger Australian sheep flock and strong external demand for Australian lamb.

Lamb production up in 2012



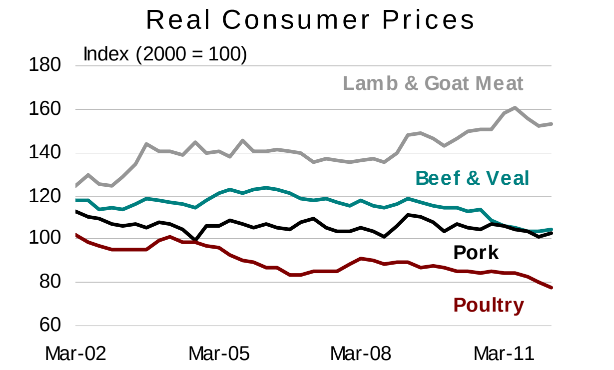
Source: ABS, NAB Economics

Lamb producers have benefited considerably from seasonal conditions over the past two years as good rainfall, fodder and feed availability allowed producers to hold on to sheep for longer. The offshoot of this was an estimated increase in average carcase weights to a record 22.1 kilograms in 2011-12. When combined with an increase in lamb slaughterings, this saw lamb production increase 5.6 per cent in 2011-12. Looking ahead, average carcase weights are expected to wind back a little in 2012-13 as an increased supply of lambs on the farm will encourage earlier turnoff. Bearing this in mind, lamb production in 2012-13 is expected to increase 4.1 per cent.

Australian lamb consumption to lift following recent falls

Domestic consumption of Australian lamb has fallen considerably in recent years. In 2011, per capita consumption of sheep meat had fallen below 10kg/person/year. This trend had been driven by a much stronger relative price for sheep meat over competing products which had generally fallen in real terms over the past decade. Looking ahead, recent ABARES forecasts imply that Australian lamb consumption (production minus exports) could increase 3.7 per cent in 2012-13. Driving this expectation is the recent fall in prices which should be felt at the consumer level. However, prices of competing meats are also falling so the consumer switch could be somewhat limited meaning that prices in the domestic retail sector are likely to be pressured lower.

Real Consumer Meat Prices

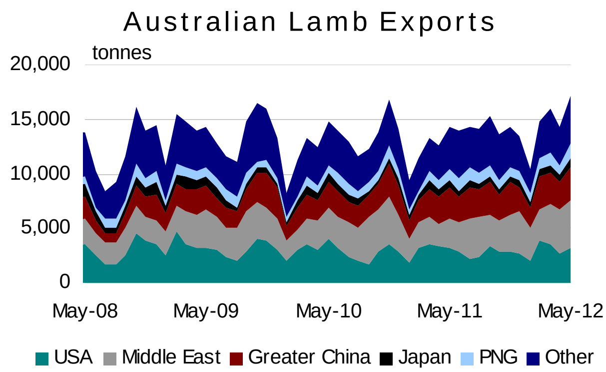


Source: ABS, NAB Economics

Lamb exports to continue solid pace of growth but outlook in key trading partners softening

Shipments of Australian lamb have performed exceptionally well over the past year. In the year to May, Australian lamb exports were up 9.7 per cent, driven by solid increases in shipments to the Middle East, China, South East Asia and PNG. Shipments to the US, however, have somewhat disappointed given expectations earlier in the year. Looking ahead, we anticipate further growth in exports with ABARES recently forecasting export growth of 4.7 per cent in 2012-13. Australian exporters are likely to face increased competition from New Zealand, where lamb production is increasing. Similarly, the New Zealand lamb industry will likely divert some shipments from Europe towards other markets given the soft outlook for the Euro-zone economies. This, in conjunction with a weakening economic outlook in a number of key trading partners, implies that exporters may need to buy market share. In other words, export prices are likely to come under pressure, although volumes should remain robust.

Lamb export growth remains solid



Source: MLA, NAB Economics

The **Middle East** remains Australia's most important trading partner for lamb meat, with exports through the year to May up 13.3 per cent on a year earlier and accounting for 24 per cent of Australian lamb exports. Looking ahead, we think it likely that Australian lamb exports to the Middle East will increase further in 2012-13, although we are a little cautious in the outlook and emphasize the downside risk evident in regional economies, which are very much exposed to the macroeconomic volatility coming from Europe as well as geo-political issues still playing out in the region.

Through the first half of 2012, Middle Eastern economies have generally been supported by ongoing strength in oil prices, government stimulus and a stabilisation of the political environment. Conditions more recently have weakened as oil prices have pulled back while Asian demand for crude oil is showing signs of weakening. Similarly, a number of Middle East economies are very much exposed to Europe through the impact on tourist and foreign capital flows. Overall, we expect the Middle East to grow at around 4 per cent in 2012, slowing to 3.7 per cent in 2013.

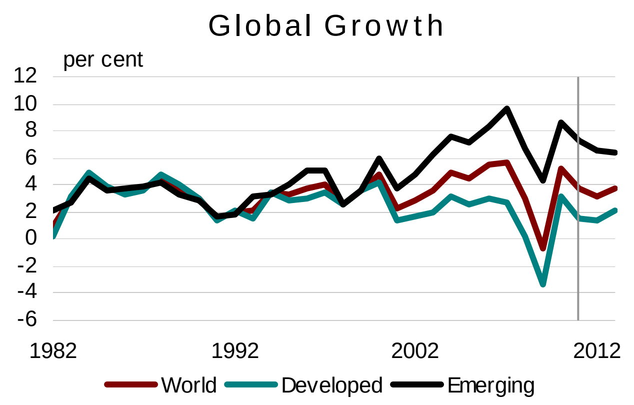
Exports of Australian lamb to the **United States** have generally disappointed over the past year. In the year to May, Australian lamb exports to the US were up just 1.1 per cent while the Middle East has overtaken the US in terms of being the most important export destination. Despite recent weakness, however, we expect export growth to lift over the coming year. Driving this view is the dwindling lamb flock in the United States which has weakened lamb production in recent years. Some headwinds are likely to come from the ongoing weakness in the US consumer sector. Consumer confidence remains well off pre-crisis levels and while household consumption has grown in recent months, income growth has failed to keep pace with prices. In conjunction with weaker equity prices and subdued house prices, US households are in for an extended period of balance sheet repair which could temper their demand for lamb imports.

The importance of **China** to the Australian lamb industry cannot be understated. In the year to May, exports to China were up 12.5 per cent while China's share of Australian exports increased to 18.3 per cent. Looking ahead, we expect further growth, although the pace of export growth should weaken somewhat. This broadly reflects our reading on the Chinese economy where recent indicators have pointed to a softening in economic conditions. Even so, growth is still conducive to solid demand growth for Australian lamb, which has become quite popular for use in hot pot style meals and kebabs over recent years.

In the year to May, exports to **Japan** were up 1.9 per cent on a year earlier. Looking ahead, we anticipate further growth albeit at a fairly subdued rate. Economic conditions in Japan, while improving, are still somewhat tentative and the outlook for growth is likely to be driven by Tsunami related reconstruction rather than any sustained improvement in private demand. Exports to the **European Union** and **United Kingdom**, have fallen sharply over the past year. In the year to May, exports to the EU and UK were down 8.1 and 18.1 per cent, respectively. Europe is seen as a high value market to Australian exporters and given economic conditions there, further weakness in lamb exports in the region are likely to impact Australian farm gate values.

Key Macro Drivers for Commodity Producers

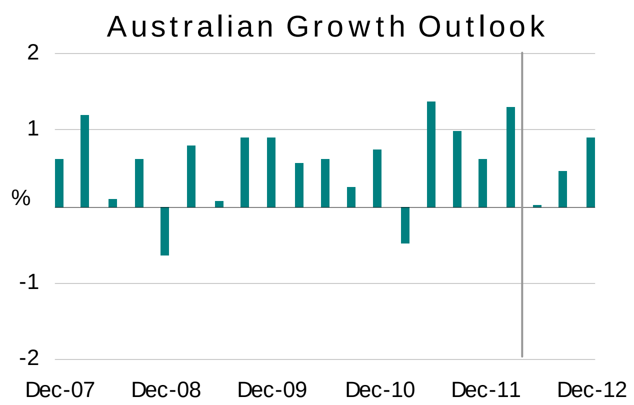
Global Economic Growth



Source: Thomson Reuters Datastream, NAB Group Economics

Confidence has again been eroded by the uncertainty over the outlook for the Euro-zone. The latest bout of volatility on global financial markets is starting to impact on business planning with some of the latest surveys pointing to a softening in the outlook for Europe. The lagged effects of tighter domestic economic policy and spill-over from the decline in European import demand have also slowed the pace of emerging market economy growth. With this in mind, we have marked down our global forecasts (US, Japan, Euro-zone, Asian Tigers, India) and there are clearly many downside risks. Nevertheless,, provided that politician can avoid the worst (Euro-zone collapse, excessive fiscal austerity in the US), the outlook is still for global growth to head back towards trend next year – but with lots of uncertainty and near-term market volatility along the way. We expect the global economy to grow 3.2 per cent in 2012, accelerating to 3.7 per cent in 2013.

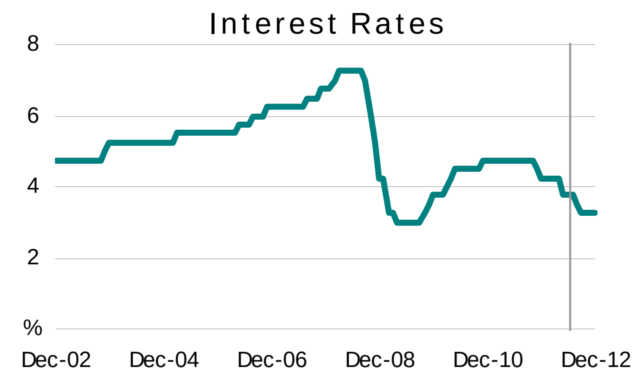
Australian Economic Growth Outlook



Source: ABS, NAB Group Economics

Despite the softening in activity over recent months, Australian GDP was estimated to have increased by 1.3 per cent in the March quarter National Accounts. In nominal terms, however, quarterly growth was much softer at 0.3 per cent, reflecting a surprisingly sharp decline in the product deflator. The continued strength in mining investment was expected but household consumption growth provided an unexpected boost. The accounts again highlighted the divergence in growth across regions, with the mining states far outpacing the rest of the economy. Forward indicators of demand softened in May and were generally quite weak. Based off recent data, the economy may tread water until (at least) the second half of 2012. This reflects easing business conditions, softening commodity prices as well as the impact of global financial market volatility on the consumer sector. We expect the Australian economy to expand 3.1 per cent in 2012.

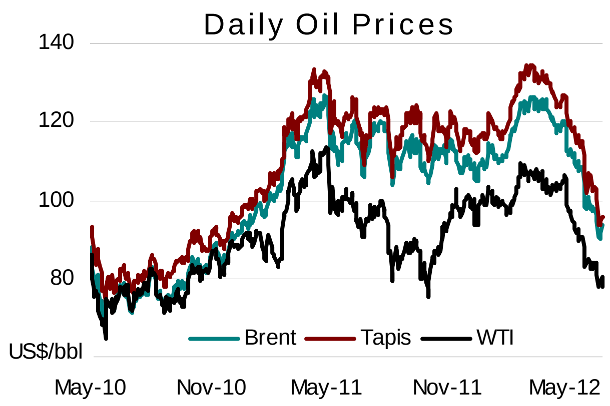
Interest Rate Outlook



Source: RBA, NAB Group Economics

The RBA lowered its cash rate by an additional 25 basis points at its June meeting, after cutting the rate by 50 basis points in May. The Board judged that the global economic environment had materially weakened over May which, combined with modest domestic growth, afforded scope for easier monetary policy. Looking ahead, we expect the RBA will probably need to cut by an additional 25 basis points possibly in August following the June quarter CPI release and by which time more weakness in the local data should be apparent. There is still in our view the potential for a second additional cut, though that will probably need even weaker data on the local economy. Clearly the path of inflation will still be very relevant but we expect the near term outlook may have risks to the downside. As the growth momentum builds later in the year and into 2013, the case for unwinding some of the recent cuts will strengthen.

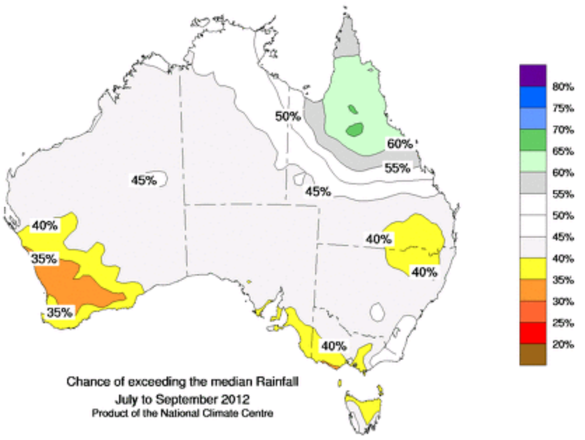
Oil Price Outlook



Source: Thomson Reuters Datastream, NAB Group Economics

Prices above 125US$/bbl appear a distant memory with oil prices having come under considerable pressure as the headwinds emanating from the Euro-zone debt crisis have fuelled a flight to quality over recent weeks. Having started May north of 120US$/bbl, Brent prices have pulled back significantly, recently testing a low of 90US$/bbl. Other benchmarks have generally followed suit with both Tapis and WTI prices also falling sharply. Over the near-term, oil market sentiment is expected to be dominated by macroeconomic news while market fundamentals take a back seat. Medium term, fundamentals should re-assert themselves and in this we do have a market that is noticeably more comfortable than what was evident at the start of the year. Nonetheless, with non-OECD demand still robust and ongoing non-OPEC supply outages, we expect oil prices to lift over the coming months.

Bureau of Meteorology Outlook



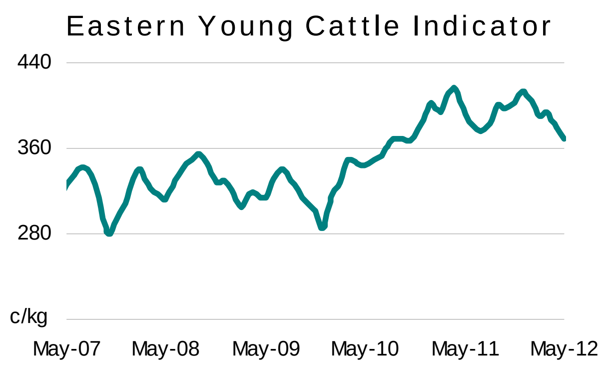
Source: Australian Bureau of Meteorology

According to the Australian Bureau of Meteorology, the chances of receiving above median rainfall during the July to September period are between 30 and 40 per cent over southwest WA, southeastern parts of SA, the eastern half of the NSW-Queensland border, western Victoria and the northeastern half of Tasmania. In contrast, the chance of receiving above normal rainfall is between 60 and 65 per cent over northern Queensland although rainfall is normally low through this period and only contributes a small fraction of the annual total.

Although climate indicators remain at neutral levels, the tropical Pacific continues to slowly warm. Climate models suggest this warming trend will continue over the coming months possibly approaching or exceeding El Niño thresholds by the end of winter.

Key Commodity Prices

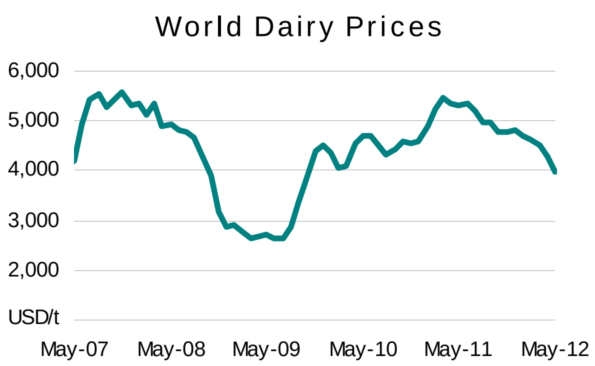
Cattle prices continue to weaken through May with partial recovery in June



Source: MLA

In month average terms, cattle prices hit their lowest level since October 2010 in May, with the Eastern Young Cattle Indicator falling 2.6 per cent on a month earlier. So far through June prices have managed to recover, with prices averaging around 0.5 per cent higher in the month, despite the appreciating AUD since the start of the month. Over the coming months, we anticipate that prices are likely to recover from current levels as yardings ease back. Export demand should continue to aid the Australian market particularly from the US, where the recovery from drought conditions is likely to see the herd rebuilding effort kick in, thereby reducing feedlot numbers. This should boost demand for Australian beef in the US as well as in key US markets such as Japan and Korea. However, we think that recent buyer caution is likely to remain given current macroeconomic events. Domestic prices should also receive a boost by an anticipated decline in the AUD through the year.

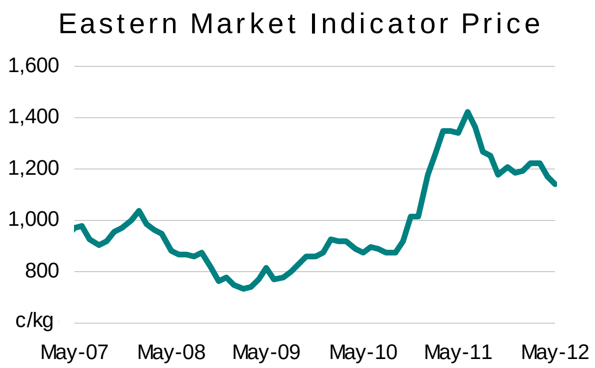
Dairy prices fall back further on exceptional supply response



Source: NZX

Global dairy prices continued their downward trend through May with our weighted average dairy price falling 7 per cent in the month to be 25 per cent lower over the year while prices through June have continued to ease back. Underlying the weakness in dairy prices has been the global supply response which was nothing short of exceptional. This supply response – which has seen around double digit production growth in New Zealand, year-to-date growth of 4.3 per cent in Australia as well as solid efforts from Argentina, EU and the US – implies a global market that is extremely well supplied. Given that the surplus will take time to absorb, we are in for a period of subdued dairy prices. Helping to offset this, however, is the impact of recent weakness in US dairy production, brought about by recent dryness, while prices are getting dangerously close to levels that may spur EU intervention. Nonetheless, we see very little upside over the near term.

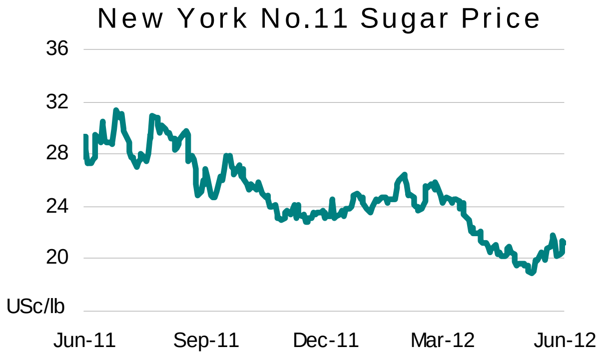
Wool prices continue to soften on a weakening macroeconomic outlook



Source: AWI

Wool prices continued on their downward trajectory through May with prices falling 3.1 per cent in month average terms while prices so far through June have averaged 5.5 per cent lower. Helping to drive price falls over the past couple of months have been the sizeable price falls for the fine and superfine wool varieties, which have been subject to increased volumes while the uncertain macroeconomic environment clearly hasn't helped. Looking ahead, we think that recent weakness in likely to be maintained. Economic conditions in Europe are hardly conducive to a solid lift in wool demand while the US consumer sector is still very much cautious. Emerging markets have also slowed in recent months meaning that expectations surrounding demand from the likes of China need to be downgraded a little. Nonetheless, the global market is still tight in terms of the supply-side, meaning that the EMI is still likely to average around 1035c/kg through 2012-13.

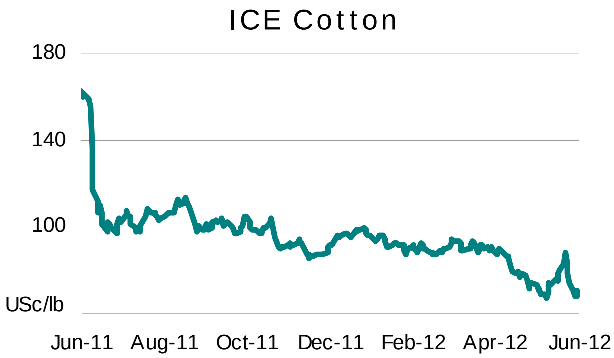
Sugar prices up marginally on frustrating Brazilian Centre South crush



Source: Bloomberg

Sugar prices have weakened considerably since the start of the year although prices have come off recent lows. Helping to support prices over recent weeks has been the delayed Brazilian Centre South crush. According to Unica, the first two weeks of June saw mills crushing just 25.9 million tonnes of cane, down 26 per cent on a year earlier. Similarly, cane yields have come in lower, with sugar production down 32 per cent year-on-year and sucrose content down 7 per cent year-on-year. Similarly, rain in Australia has generally delayed the crush although no damage has yet been recorded while a weak start to India's monsoon season is also causing some concern. However, despite these pressures, markets appear to have discounted the risk premium which largely reflects ongoing expectations of a surplus this year. Looking ahead, upside risk is evident given ongoing frustration during the Brazilian Centre South crush, although this is likely to be tempered by a reasonably well supplied global market.

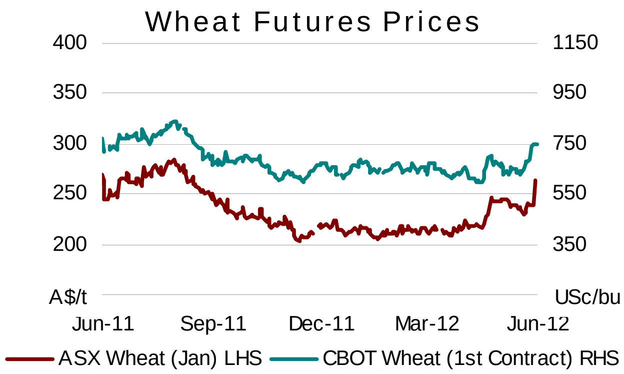
Cotton prices spike on Chinese order but weighed down by economy, rising inventories



Source: Bloomberg

Cotton prices managed to buck the broader commodity market trend in mid June with prices rising almost 30 per cent over the space of two weeks. Helping drive this rally was a massive Chinese order which had wrong-footed speculators who were sitting very short in the cotton market. Prices have since pulled back to levels evident at the start of the month. Looking ahead, the huge carryover stocks from last season are likely to weigh heavily on the market while macroeconomic conditions are raising demand concerns across the fibres sector more broadly. Against that backdrop, some price support is likely to come from dryness in parts of the Chinese and US cotton growing regions, while strength in corn and soybean prices may also help prices. Nonetheless, expectations of an extremely loose market (USDA forecasts a stocks-to-use ratio of 68.35 per cent in 2012-13) remain and could weigh on prices over the medium term.

Wheat prices lift on extreme heat on US corn and soybean belt, conditions in the Black Sea



Source: Bloomberg

Wheat prices have clearly outperformed the commodities complex in recent weeks, with both CBOT and ASX wheat hitting levels last seen in November 2011. Helping to push wheat higher has been the ongoing impact of the intense heat hitting the US corn and soybean belt. At the same time, downgrades to crops in the Black Sea region – where the Russian crop was recently downgraded to around 46-49 million tonnes – have clearly helped. Elsewhere, the harvest of the US winter crop has progressed quite well with 59 per cent of the crop in the bin, 54 per cent rated good-to-excellent while the spring crop is holding up quite well. One potential source for competition for Australian wheat is India, where government stocks hit a record 82.4 million tonnes on June 1. With the Rupee among the weakest performing currencies in Asia, India is a potential discounter in both Asia and the Middle East.

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