

Crop Update

October 2008

- **Wheat production to increase in 2008-09 to 20.8 Mt**
- **Barley production to increase in 2008-09 to 7.4 Mt**
- **Canola production to increase in 2008-09 to 1.3 Mt**

Underpinning the expansion in winter crop production in 2008-09 is an estimated 8 per cent increase in the area planted to winter crops and expected higher yields in most areas.

The largest increase in production is expected to occur in New South Wales, reflecting a significant increase in production in the central and northern parts of the state following average to above-average September rainfall.

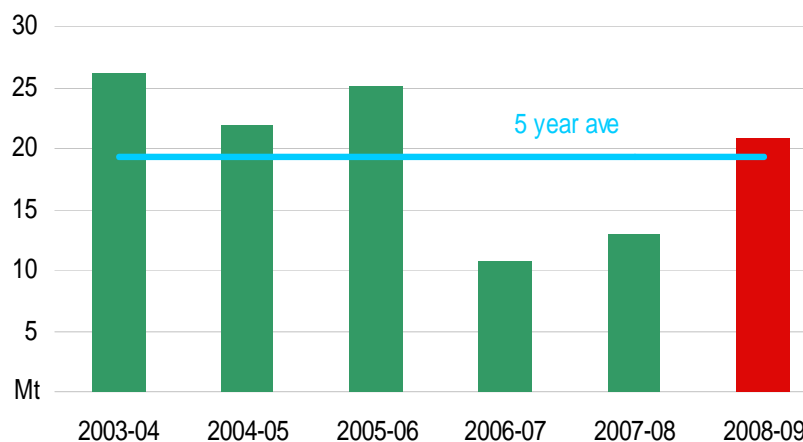
In Western Australia, 25mm of rainfall over the last weekend in September has provided a timely boost to crops with significant increases in production expected come from the southern and central parts of the wheatbelt.

In South Australia, the best performing regions appear to be parts of the Eyre and York Peninsulas along with the lower south-east around Narracorte.

In Queensland, most regions have experienced a good season with production likely to increase throughout the south-west, south-east and central parts of the state. Yields are particularly good in the central highlands for the second successive season.

In contrast, production in parts of the Riverina, north east Victoria and the Mallee/Wimmera is again expected to be well below the long term average, due to another season of low in-crop rainfall.

Australian Wheat Production



New South Wales

Wheat production in New South Wales is forecast to more than double in 2008-09 to 6.2 Mt, as a significant improvement in production in the northern and central parts of the state offsets another year of below average production in the south. A lack of in-crop rainfall in the southern and western parts of the Riverina has resulted in some crop failure, particularly around the Oaklands/Urana area, with many other crops not expected to yield greater than 1.2t/ha. The poor season in southern New South Wales, is likely to have a significant impact on the state's canola production; with the Murray, Murrumbidgee and south-east historically accounting for as much as 65 per cent of the area planted to canola.

From the field:

Shane Dowton, Agribusiness Manager, Border Plains

"The whole district is currently optimistic with some exceptional yields expected from dryland crops (small area), and the balance of the region anticipating at least average yields, with potential for above average dependant on how the season finishes. The chick pea and faba bean crop planted throughout the district will also perform soundly."

From the field:

Andrew Hawkins, Agribusiness Manager, Tamworth

"Crops that were in need of rain before August received up to 50mm on the Liverpool plains at the end of August, with an additional 20mm falling throughout the following week. Crops are now developing well and with further follow up rain will yield very well."

From the field:

Karl Sinclair, Agribusiness Manager, Dubbo

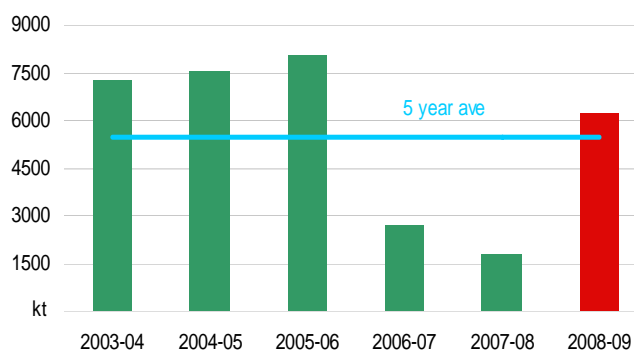
"The crop in the Warren, Gular, Coonamble and Gilgandra areas are above average, with crops receiving anywhere from 40–100mm over the past six weeks. These crops will be the best since 2005 if not 2001. The crops are very good east of the Newell with Cowra, Forbes and Parkes all looking great.

From the field:

Bill Adams, Agribusiness Manager, Wagga Wagga

West of the Olympic Way there are quite a few crops already cut for hay but some still hanging on. Better rainfalls were received east of Wagga and crops are hanging on nicely at this stage. Cootamundra, Young, and Harden areas are looking quite good at the moment but still need more rain. Overall, the district is still on a knives-edge, with rainfall in the next 7 to 10 days critical.

New South Wales Wheat Production



Victoria

In Victoria, the outlook for wheat production remains mixed. While seasonal conditions in the south-west and Gippsland have been favorable, the majority of the winter crop is planted in the Mallee/Wimmera and north east and below average spring rainfall in these areas is expected to limit improvement in grain production this season. NAB's current forecast is for wheat production in Victoria to increase by 16 per cent, year on year in 2008-09 to 2.1 Mt.

From the field:

Adrian Clancy, Agribusiness Manager, Shepparton

"Crops in the Goulburn Valley appeared on target for good to average yields until mid-August; however since then a lack of rain has constrained crop development and lowered yield expectations. As a result, crops are increasingly being cut for hay and silage particularly in the northern region of Victoria. Crops could suffer further daily drops in yield potential if it continues to remain dry and the weather warms up."

From the field:

Brad Sudholz, Agribusiness Manager, Horsham

"After a pretty positive start, a lack of crop rainfall has lowered prospects of a significant increase in production this season. The majority of clients are still hanging in there, however, if good rains are not received before October 10, yield estimates are likely to fall. South of Horsham is again looking the strongest, while the northern areas, such as Birchip and Berriwillock, do not look as good."

From the field:

David McNabb, Agribusiness Manager, Mildura

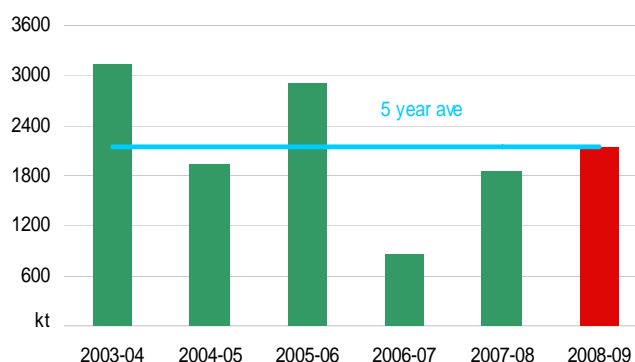
"In the Riverland/Sunraysia region the crop outlook is quite patchy. Some people are potentially looking at their best crops in many years; however this is mainly sandy areas where regular rainfall has assisted. In contrast, any late planted crops, or those on heavy soils, have not done so well. A few producers are looking at cutting hay/silage in the next 2-3 weeks given a lack of subsoil moisture to finish off crops."

From the field:

Richard Wilson, Agribusiness Manager, Hamilton

"Overall a good cropping season is being experienced for the majority of the Hamilton area with only small areas in the south suffering from water logging. The area planted to cereal crops continues to increase, at the expense of sheep grazing. Assuming a good finish to the season, production in the region is likely to be 15-30 per cent above last year."

Victoria Wheat Production



Queensland

In Queensland, average to above average rainfall across most grain growing regions throughout winter provided crops with a solid moisture platform in the lead up to the critical spring period. Since then, most regions have experienced average to above average September rainfall and this has been reflected in positive yield prospects. Production in central Queensland is expected to be high for the second successive season, while high production is also forecast for the Darling Downs and Border Plains areas. NAB's current forecast is for wheat production in Queensland to increase by 75 per cent in 2008-09 to 1.6 Mt, and with harvest about to commence in central Queensland there is not likely to be any significant variability in final production numbers from current estimates.

From the field:

Darren Kuhl, Agribusiness Manager, Emerald

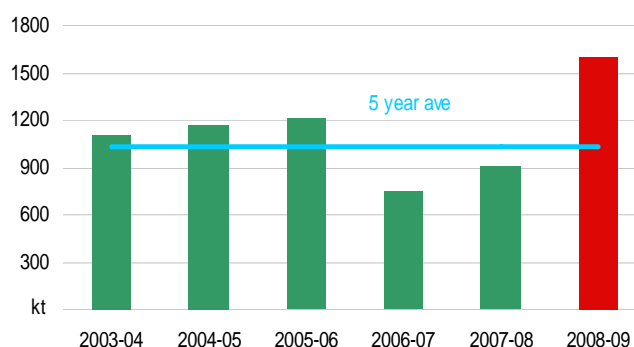
"The outlook for winter crop in the central highlands region is very positive, following an excellent pre-planting moisture profile resulting from flooding earlier in the year. Crops have also benefited from solid in-crop rainfall, with many areas receiving above average falls during the critical August/September period. However, with the rain came lower temperatures with greater frost damage than normal. Despite this, overall production is expected to be significantly better than long term averages."

From the field:

Shane Dowton, Agribusiness Manager, Border plains

"The whole district is currently optimistic with some exceptional yields expected from dryland crops (small area), and the balance of the region anticipating at least average yields, with potential for above average dependant on how the season finishes. There is also a significant chick pea and faba bean crop planted throughout the district which will also perform soundly".

Queensland Wheat Production



South Australia

With good planting rainfall in late April and further follow up throughout May and early June, early season predictions for South Australian grain production were very positive. However, since the end of August, most key grain producing regions have received well below average rainfall. In addition, unseasonably high temperatures and strong winds have sapped moisture out of crops diminishing yield prospects. NAB's current forecast is for wheat production in South Australia to increase by 32 per cent in 2008-09 to 3.1 Mt. At this stage of the season the best performing regions appear to be the lower Eyre Peninsula, parts of the Yorke Peninsula and the lower south-east.

From the field

Graham Hood, Agribusiness Manager, Kadina

"After a slow start to the season, consistent rainfall over winter lifted yield prospects. However, since the end of August a lack of rain combined with warm and windy weather has resulted in diminishing yield potential. Most farmers planted after first rains, meaning 80 per cent of the crop is a month ahead of normal. This should result in a slightly better yield than last year, but well down on the potential shown as late as early September."

From the field

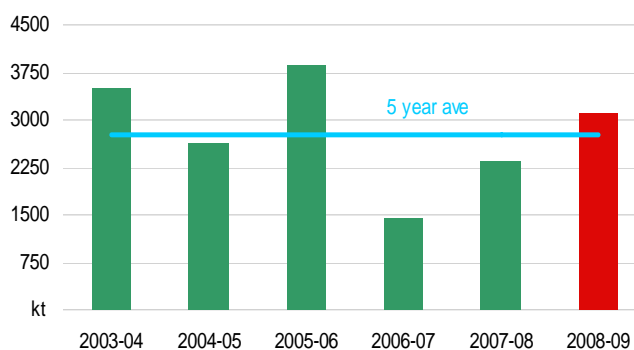
Ryan Cocks, Agribusiness Manger, Port Lincoln

"The lower Eyre Peninsula continues to look towards average yields, however there remains potential for above average yields should the region receive further rainfall over the next two weeks. At this stage the outlook for production is better than last year.

"The central Eyre Peninsula got off to an average start, with some delayed seeding. Timely rainfall in July/August had crops in a strong position, with early estimates for above average yields. However, minimal rainfall and strong winds over the past month have resulted in a significant decline in yield estimates, with some crops expected to be 50-70 per cent below long term average yields. At this stage the outlook for production is slightly better than last year.

"The western Eyre Peninsula got off to a poor start with no sub soil moisture, isolated breaking rains and delayed seeding. The area was affected by strong winds early which resulted in drifting top soils. Patchy rainfall provided some with an optimistic outlook, however follow up rain has been well below average and potential yields are now only 0-40 per cent of an average year. The current outlook is similar to the last two seasons."

South Australia Wheat Production



Western Australia

Wheat production in Western Australia is forecast to increase by 28 per cent in 2008-09 to 7.8 Mt, underpinned by a 20 per cent increase in the area planted to wheat and forecast high yields in most areas. There were concerns that frosts in southern Western Australia in late September would have a detrimental impact on yield prospects, however 25mm of rain over the last weekend in September is expected to more than offset any negative impact on yields associated with the frosts. Although production is expected to increase throughout Western Australia, significant variability in yields through the regions, in line with variable soil types and the patchy nature of rainfall throughout the growing period, is also expected.

From the field

Jason Earnshaw, Agribusiness Manager, Wagin

“After a very wet late autumn/early winter period, a dry start to August was very welcome; however some areas had their driest August on record receiving 4-10mm of rain. East of Newdegate received a solid 20mm in early September which helped cement their finish, with the rest of the area becoming anxious for finishing rains. Rains arrived during the last week of September but not before a severe frost hit the area causing unknown damage at this stage. Rain of over 20mm will finish this year’s season across all areas with grain production likely to be above average for all crops.”

From the field

Chris Omodei, Agribusiness Manager, Northam

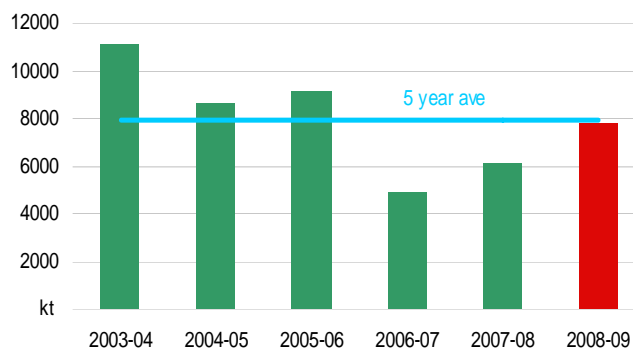
“In general, expected yields across the central wheatbelt are mixed. After very good rainfall in July in medium to high rainfall areas such as Dowerin, Wyalkatchem and Cunderdin, a dry August and September has seen potential yields reduced to average or below average. In contrast, low rainfall areas such as Dallawallinu, Kalannie and Koorda have received consistent rainfall throughout the growing period with yields expected to be above the long term average for the area.”

From the field

Dale Pearse, Geraldton

“After a very poor season last year, a good start to this season resulted in high expectations of a significant increase in production. However a lack of rainfall in the latter half of the growing period has resulted in a downgrade in expectations, with production expected to be level with the long term average for the area.”

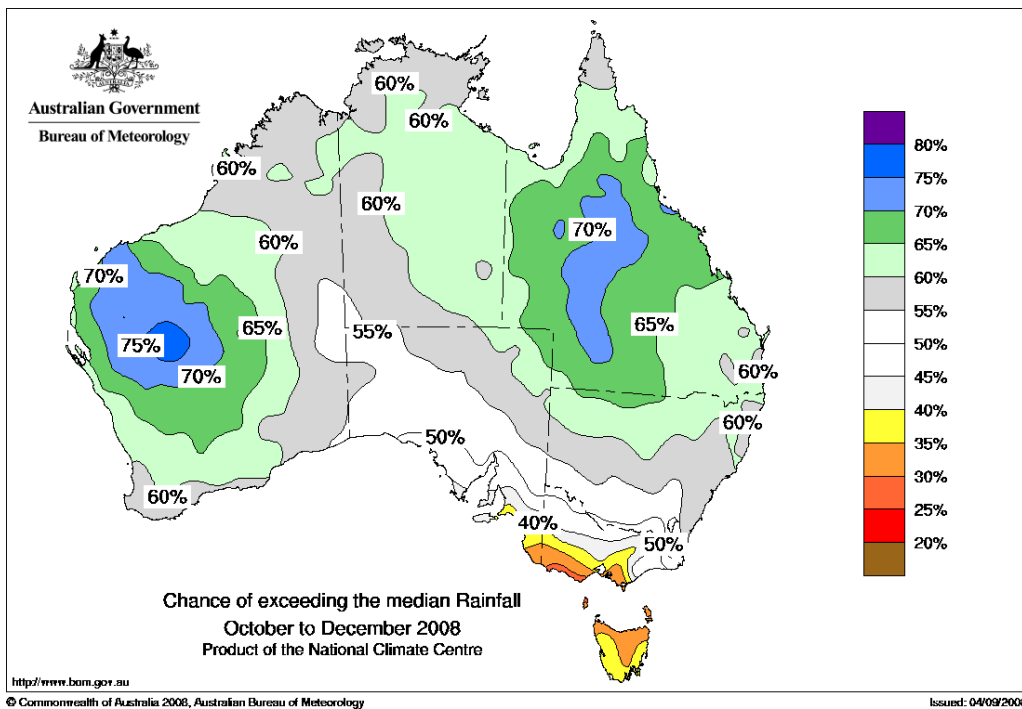
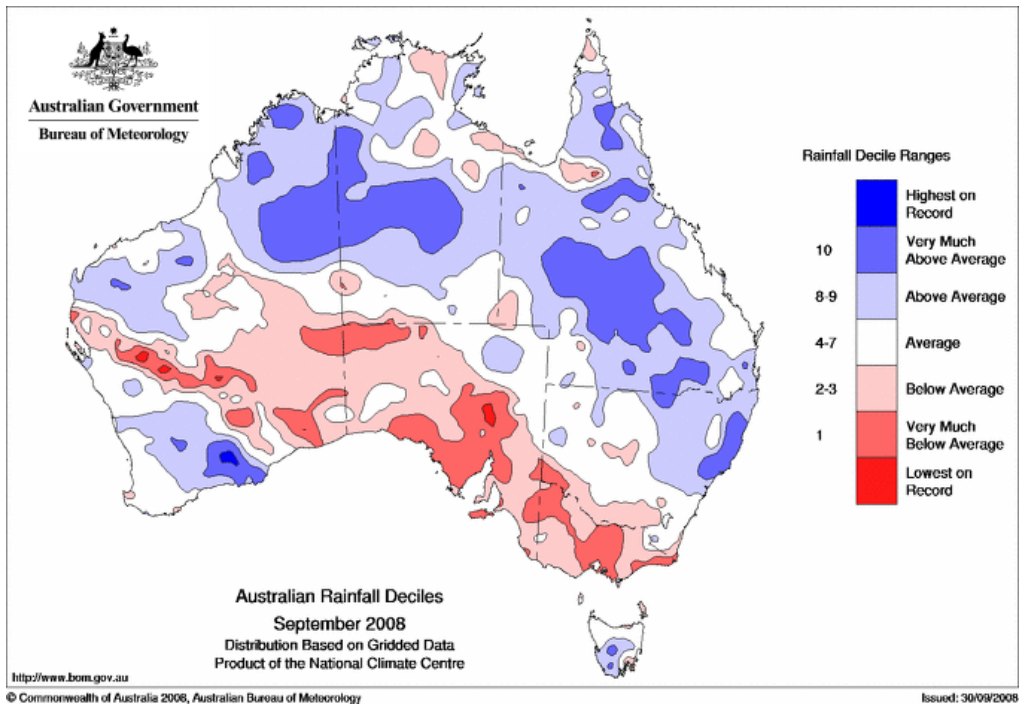
Western Australia Wheat Production



Notes:

All historic grain production values have been sourced from the Australian Bureau of Agricultural and Resource Economics (ABARE) and can be found at http://www.abare.gov.au/publications_html/cr/cr_08/cr08_Sept.xls . The 'five year averages' used in this publication have been calculated using a simple average of the production values from 2003-04 to 2007-08 inclusive.

Bureau of Meteorology seasonal outlook charts



USEFUL LINKS

National Australia Bank agribusiness reports

www.nab.com.au/agrireports

Bureau of Meteorology seasonal outlook

http://www.bom.gov.au/climate/ahead/rain_ahead.shtml

Murray Darling Basin Commission

<http://www.mdbc.gov.au>

Queensland Water Storage Information

<http://www.sunwater.com.au/water.htm#>

New South Water Storage Information

<http://waterinfo.nsw.gov.au/copyright.shtml>

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