

Aust agri stocks defy market woes: Comm Bank

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Australia's listed agribusiness sector has significantly outstripped the performance of the broader S&P/ASX 200 accumulation index for the sixth consecutive month, with the consensus outlook for the coming year remaining strong.

As the industry experiences a lift from strong summer rains and rising commodity prices, the March Commonwealth Bank Agri Indicators Report reveals the sector has rewarded investors with impressive returns of 39 per cent over the past 12 months – a stark contrast to the disappointing -7pc returns from the broader market over the same period.

The consensus outlook for investors is similarly positive, with returns expected at 40pc.

According to Commonwealth Bank executive general manager of Agribusiness, Jon Sutton, although this precise figure cannot be guaranteed in 12 month's time, it is a further indicator of the relative strength of the country's listed agribusinesses in comparison to other market sectors.

"Helping to drive agribusiness' impressive performance over recent months is the strong summer rains we have been experiencing," Mr Sutton said.

"These have seen the drought lift across much of the Eastern Seaboard and whilst there are still pockets of dry across the country, there is a growing confidence in the rural community."

He said global shifts in cropping trends and the on-flow of rising prices in key commodity markets of wheat and canola are also boosting opportunities for Australian farmers.

"In the US – one of the largest wheat producing countries in the world and the largest wheat exporter – there has been a definite move away from traditional wheat and barley crops towards biofuels," Mr Sutton said.

"This shift has contributed to global wheat stocks reaching 30 year lows and prices rising to over \$400/tonne.

"Australian farmers have a prime opportunity to plug the gap between supply and demand."

The bank's March Agri Indicators Report also shows that exuberance in the sector remains in check this month, currently sitting just below market price at -3pc. This is unlike the broader S&P/ASX 200, which seems to be significantly under-priced at the moment.

According to Mr Sutton, these numbers indicate that the broader market is feeling the sustained pain of the global credit crisis, whereas agribusinesses remain more insulated from the fall-out because of their less complex operations and ability to take advantage of global shifts in commodity pricing and demand.

"The fact that we have seen a slight drop in the sector's forecast volatility from last month – it is now sitting at 13 per cent for the next 12 months – suggests that agribusiness once again retains its position as the best risk-adjusted sectoral choice for the coming year," Mr Sutton said.

The Commonwealth Bank's Agri Indicators Report is created by analysing 15 major agribusiness stocks in the All Ordinaries index and measuring market volatility, exuberance and fundamental shareholder returns.

SOURCE: Commonwealth Bank.