Investor Guide

CNH Capital Australia Receivables Trust Series 2

A$[398.5] million

- Class A Notes A$[325.5] million
- Class B Notes A$[27.5] million

Prepared by:

SG Australia Limited
Lead Manager
November 2003

Important Notice

This document has been prepared by SG Australia Limited (ABN 72 002 093 021) (the "Lead Manager"), only as a preliminary guide to help potential investors in understanding certain features of the CNH Capital Australia Receivables Trust ("Trust") Class A Notes and Class B Notes (collectively the "Notes").

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Debt Instruments not Liabilities of the Originator

The Notes do not represent deposits or other liabilities of CNH Capital Australia Pty Limited. The holding of Notes is subject to investment risk, including possible delays in repayment and loss of income and principal invested.

Neither CNH Capital Australia Pty Limited nor any associate in any way stands behind or guarantees the capital value or performance of the Notes or the Assets of the CNH Capital Australia Receivables Trust except to the limited extent provided in the Transaction Documents.

None of CNH Capital Australia Pty Limited, the Trustee, the Trust Manager, the Custodian, the Originator, Security Trustee, the Servicer, the Swap Provider, the Back-up Swap Provider, the Arranger and Lead Manager or the Co-Manager (collectively the "Parties") guarantees the payment of interest or the repayment of principal due on the Notes.

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Key Dates

Launch:

3 November 2003

Pricing:

[14] November 2003

Settlement:

[19] November 2003

First Payment Date:

[19] February 2004

Executive Summary

- The CNH Capital Australia Receivables Trust Series 2 ("Trust") is the second public issue of rated floating rate debt securities backed by retail agricultural and construction equipment finance receivables originated by CNH Capital Australia Pty Ltd ("CNH Capital").
- The Trust will issue two rated classes of Notes comprising the Class A Notes and the Class B Notes. The Trust will also issue an unrated Seller Note.

Class	Expected Rating S&P /Moody's	Size	Expected WAL*	Pricing
A	AAA/Aaa	A$[325.5]m	[1.4] yrs	3m BBSW + margin
B	BBB/A3	A$[27.5]m	[3.3] yrs	3m BBSW + margin

(* Based on a prepayment rate of 17% and assuming exercise of a 10% clean-up call option)

- The Notes are backed by a pool of retail equipment finance agreements originated by CNH Capital Australia Pty Ltd.
- The principal repayment structure of the Notes will be sequential pay. There will be no substitution period.
- Based on an expected prepayment rate of 17%, the expected weighted average lives of:
    - the Class A Notes is [1.4] years (expected final maturity the payment date in [February 2007]);
    - the Class B Notes is [3.3] years (expected final maturity of the payment date in [May 2007]).
- Credit support for the Class A Notes is provided by the subordination of the Class B Notes and the unrated Seller Notes and excess income.
- Credit support for the Class B Notes is provided by the subordination of the unrated Seller Notes and excess income.
- Liquidity support is provided by the Cash Reserve and the availability of Principal Draws.

The pool numbers contained in this investor guide relate to the most recent monthly pool cut (September).
The indicative note amounts contained in this investor guide relate to the expected size of the portfolio as at the scheduled settlement date of 19 November 2003.

1 Transaction Parties

Trustee and Issuer	Perpetual Trustee Company Limited as trustee of the CNH Capital Australia Receivables Trust Series 2 (“the Trustee”)
Trust Manager	CNH Capital Australia Pty Limited (“the Manager”)
Security Trustee	P. T. Limited
Originator	CNH Capital Australia Pty Limited
Servicer	CNH Capital Australia Pty Limited
Custodian	CNH Capital Australia Pty Limited
Arranger and Lead Manager	SG Australia Limited
Co-Manager	Citigroup Global Markets Australia Pty Limited
Swap Provider	CNH Capital Australia Pty Limited
Back-up Swap Provider	SG Australia Limited
Rating Agencies	Standard & Poor’s Australia Pty Ltd (“S&P”) and Moody’s Investors Service Pty Limited (”Moody’s”)

2 CNH Capital Australia Receivables Trust Series 2 Notes

Underlying Assets	Australian agricultural and construction equipment finance leases, goods mortgages and hire purchase agreements
Substitution Period	There is no substitution period
Clean-Up Call	10% of original Note balance
Expected Rating	Class A Notes rated AAA by S&P and Aaa by Moody's Class B Notes rated BBB by S&P and A3 by Moody's
Expected Prepayment Rate	17%
Expected Weighted Average Life	Class A Notes – [1.4] years Class B Notes – [3.3] years
Expected Maturity Date	Class A Notes – payment date in February 2007 (assuming 17% prepayment rate) Class B Notes – payment date in May 2007 (assuming 17% prepayment rate)
Legal Final Maturity	The payment date in May 2011
Coupon	3 month BBSW plus the relevant margin.
Payment Date	Quarterly on the [19]th day of each February, May, August and November, subject to the Modified Following Business Day Convention
Austraclear	The Notes will be lodged with Austraclear
Business Days	Sydney and Melbourne

3 Background on CNH Capital Australia Pty Limited

CNH Capital Australia Pty Limited

CNH Global N.V., a corporation organised under the laws of the Kingdom of the Netherlands ("CNH"), was formed on November 12, 1999 in connection with New Holland N.V.'s acquisition of Case Corporation. In the acquisition, Case Corporation was merged into a subsidiary of New Holland N.V. with Case Corporation being the surviving entity. Upon completion of the merger, New Holland N.V.'s name was changed to CNH Global N.V.

CNH is one of the world's leaders in the engineering, manufacturing, marketing and distribution of agricultural and construction equipment. CNH organizes its operations into three business segments: agricultural equipment, construction equipment and financial services. CNH believes that it is the largest manufacturer of agricultural equipment in the world based on units sold, one of the largest manufacturers of construction equipment based on units sold and has one of the industry's largest equipment finance operations.

CNH is the only global, full-line company in both the agricultural and construction equipment industries, with strong and usually leading positions in every significant geographic and product category in both businesses. CNH markets its products globally through its highly recognized Case, Case IH, New Holland, Steyr, Fiat-Hitachi, Fiatallis, O&K and Kobelco brand names. CNH Capital Australia Pty Limited ("CNH Capital) is the finance arm of CNH Global's operations in Australia. CNH Capital is a wholly owned subsidiary of CNH Australia Pty Limited ("CNHA"). CNH Australia Pty Ltd is a wholly owned subsidiary of CNH Global NV.

In Australia the merger resulted in the operations of New Holland Credit Australia Pty Ltd being integrated with Case Credit Australia Pty Ltd, which is now collectively known as "CNH Capital". These businesses were effectively merged in May 2000 and all business is now processed in an identical manner. The companies remained separate legal entities until April 2002 when Case Credit Australia Pty Ltd acquired the assets of New Holland Credit Australia Pty Ltd and was renamed CNH Capital Australia Pty Limited.

CNH Capital principally finances both agricultural and construction equipment manufactured by CNH Global and sold throughout the dealer network, under the Case IH, New Holland or Case brands. CNH Capital's operations in Australia run under two brand names being Case Credit and New Holland Credit.

CNH Capital was incorporated in May 1995 as Case Credit Australia Pty Limited when it took over control of an existing retail loan portfolio from Case Corporation. The activities of a retail financing operation within the Case business date back 25 years. New Holland Credit Australia Pty Ltd was established in April 1999.

Origination of Equipment Finance Receivables

Applications for retail finance are introduced by Case and New Holland dealers to CNH Capital for the financing of new or used agricultural and construction equipment. CNH Capital has a sales team (State Finance Managers – "SFMs") that interfaces with, and supports, the dealer network. The SFMs provide the dealers with rate updates, details of marketing programs and technical support. SFMs work closely with the underwriting department and the dealers to ensure credit standards are maintained. However it should be noted that the SFMs have no credit approval authority. No other origination methods other than the dealer network are used. Dealers are not responsible for underwriting, however they assist in the initial data collection process and forward this information to CNH Capital for further analysis. Dealers complete the initial aspects of the "Finance Application".

A completed standard credit application form is required for all applications. The application form contains customer details, ABN, details of the equipment to be financed and the amount of finance. The credit application is then sent via facsimile to CNH Capital.

Underwriting Guidelines

Underwriting is centralised at CNH Capital's head office in St Marys. The underwriting department falls under the responsibility of the Credit Manager. The department comprises a Credit Manager, four Credit Analysts and a Credit Officer. Each of the Credit Analysts holds a lending authority based on their relative experience level. All deals are approved by underwriting, except refinancings which are co-approved with the Collections department.

Credit decisions are based on the accumulation, verification and interpretation of application information analysing the following underwriting criteria:

- Financial statements for the past 2 years and borrower tax returns,
- Asset backing of customer,

- How long the customer's business has been established,
- Amount of cash deposit / trade-in,
- Price verification on the unit being purchased,
- Age of unit,
- Payment history to CNH Capital and others,
- Baycorp (formerly Credit Reference Association of Australia) report,
- Structure of the deal (repayment schedule) / rate of finance quote,
- Detailed cashflow forecast / business plan,
- Credit References,
- Availability of guarantors and/or additional security.

The QATS (Quote and Application Tracking System) system has in built authority limits linked to each underwriter. The deals approved by an underwriter are randomly reviewed via the Decision Sampling process by the Credit Manager to ensure compliance with credit policies and appropriate criteria.

All payments are calculated by the system. They are based on a repayment schedule, which can either be monthly, annual or structured. Structured repayments are designed to meet the cash flows of CNH Capital's customer base, e.g. if a farmer grows two crops per year, then his repayments would be structured on a semi-annual basis in order to match the cash flow the farmer receives from the sale of his crop. Alternatively a farmer may sell his crop over a three-month period, then have no income until the next year, so his repayments would be structured to make payments in each of the three months he has income and then no repayments are scheduled until the next year.

CNH Capital actively encourages its borrowers to retain and build equity in their equipment. This encouragement is emphasised by the prudent structuring of each transaction. Hardship Refinances are a part of CNH Capital's business and are managed collectively by Underwriting and Collections. Given the predominant underlying business of CNH Capital's target customers, Hardship Refinances are managed proactively, e.g. excessive rain during the wheat harvest period in NSW at the end of 2000 resulted in CNH Capital providing Hardship Refinancing to affected borrower loans. The widespread drought in 2002 resulted in an increase in Hardship Refinances. These refinancings are done on a case by case basis and approval is only granted where the underwriting standards are met. If a Hardship Refinance is approved, the tenor of the loan is extended by a maximum of twelve months, with all other features of the loan remaining the same. The major reasons for Hardship Refinancing include general economic and environmental conditions affecting CNH Capital's customer base but are generally confined to the Agricultural business and the associated climate affected issues of drought and flood. If any Hardship Refinances occur in respect of any assets of the Trust, those contracts are paid out, terminated and then re-financed. The re- financed contracts will not be funded by the Trust.

Servicing of Purchased Receivables

CNH Capital as Servicer of the Purchased Receivables retains responsibility for the day to day management of those Receivables on behalf of the Trustee.

Under the Servicing Agreement CNH Capital is required to manage the Purchased Receivables with the degree of diligence and care expected of an appropriately qualified Servicer of the relevant financial products, and in accordance with its established policies and procedures. As Servicer, CNH Capital will retain a database of the Purchased Receivables on its existing computer systems, and will continue to service those Receivables, including the management of the collections process, and the banking of collections to the account of the Trustee. The Purchased Receivables are separately tagged and identified within CNH Capital's systems. The Servicing Agreement also requires CNH Capital to provide to the Manager and the Trustee quarterly reports relating to the performance of the Purchased Receivables.

Document Control and Custody

The Custodian is responsible for the custody of the relevant documents in respect of the Purchased Receivables as Custodian for the Trustee. These relevant documents are held in accordance with the Custodian Agreement. After settlement all original documents are imaged using Alchemy software and housed in a fire safe within the St. Marys office. Once there is a critical mass of documentation the documents are sent to an off-site warehouse, Recall, where they are collated and stored in a fire safe secure location.

Procedures for Collection and Enforcement

The Collections Department, under the responsibility of the Operations Manager, handles collections on all accounts and all product types throughout Australia and manages the loss recoveries on defaulted contracts including arranging sale of equipment and initiating legal action against defaulted obligors to recover any balance outstanding after sale of the equipment.

An Account is reported as past due if it is more than $100 in arrears. Each customer receives an arrears letter at day 7 and a reminder letter at day 21. The Collection Officer will make telephone contact with any customer who does not make payment within the terms of their contract and also with the Dealer. All customer contact is documented via comments on the system.

At all times during the aging cycle, the Senior Collections Officer performs random checks of accounts to ensure appropriate and diligent follow-up by the Collections group. All Collection Officers are judged based on monthly targets for 30 day, 90 day and 180 day arrears by portfolio by State/Territory.

In certain circumstances a contract will be re-financed. This action may be instigated by the customer prior to the account becoming delinquent. The motivation in re-financing the contract is always to protect the asset and ensure repayment of the debt. All initial requests for re-financing are handled by the collections area. The collector will first investigate the possibility of encouraging the customer to make payments as per the original contract term or to agree to an extension/deferral of payment.

If there is no alternative the contract may be re-financed. This involves the customer completing a new credit application and including justification of their circumstances. Once the documentation is received it will be forwarded to the Credit Group for review. Approval requires both a Credit and a Collections signoff and the authorities for approval depend on the total customer exposure.

If a contract is re-financed, the existing contract is terminated. The re-financed contract will not be funded by the Trust.

The Senior Collections Officer approves any requests for repossession activity. This activity is approved as a last resort after it has been determined a customer is unable or unwilling to honour contract obligations. In the event the repossession activity is approved, the account is assigned to a mercantile agent and the customer is listed as a Default on Baycorp. The listing on Baycorp may occur earlier if approved by the Senior Collections Officer.

Default notices are issued during the course of collection activity by the relevant Collection Officer. All accounts that are approved for repossession activity are tracked by a Collections Officer who is responsible for ensuring prompt follow-up by the mercantile agent. When the asset has been recovered the account is placed in the Repossession Company and identified with a Repossession Status on the system.

The objective of CNH Capital's disposal procedure is to obtain the best price which could be reasonably obtained given current market conditions, the condition of the equipment, and the market outlook.

Generally all repossessed and surrendered equipment is transported to the nearest Dealer who CNH Capital feels is in the best position to maximise resale value for the equipment. Repossessed equipment is marketed along with other used equipment within a Dealer's inventory. In certain circumstances auctions may be held to clear backlogs of equipment.

The Remarketing Officer arranges for an appraisal of the equipment, usually from the Dealer. This will be based on comparable sales, comparable equipment already on offer market wide and the various trade price guides. The Operations Manager or Managing Director will then determine the price for which the equipment is offered. The Dealer holding the equipment on behalf of CNH Capital will liaise with CNH Capital to determine progress and strategy. After the equipment has been sold, a notice is sent to the customer advising of the sale proceeds and the net amount owing under the contract after deduction of all the sale and pre-disposal expenses. Once a piece of repossessed equipment has been sold and a loss is realised, the account will be handled by mercantile agents. CNH Capital will then make a commercial determination as to whether legal action and recovery of the associated costs should be taken against the client to pursue loss recovery.

4 Structural Features

Notes to be Issued	The CNH Capital Australia Receivables Trust Series 2 will issue 2 classes of rated Notes comprising the Class A Notes and the Class B Notes and an unrated Seller Note (collectively the "Notes").
Repayment of Notes	Repayments of available principal to classes of Notes will be made on a sequential repayment basis. There will be no substitution period, therefore principal repayments are expected to occur from the first payment date on [19] February 2004.
Interest Rate Swap	A fixed rate swap provided by CNH Capital hedges the mismatch on the interest collected from the underlying equipment finance agreements that bear a fixed rate of interest with the variable rate of interest paid on the Notes. SG Australia is the backup swap provider (rated AA-/Stable/A-1+).
Clean-up Call	According to the SG Australia prepayment model, based on a prepayment rate of 17%, the Seller Note may be called on the payment date in August 2007 when the aggregate Note balance is projected to fall to below 10% of the original Note balance. Given the size of the Seller Note (11.2% of the original Note balance), neither the redemption, nor the expected weighted average life, of either the Class A Notes or the Class B Notes is dependent on the exercise of the 10% clean up call option. The Seller Note may be called on the payment date when the aggregate invested amount of the Notes is less than 10% of the original Note balance (and each payment date thereafter).
Cash Reserve	CNH Capital will deposit $[14.6] million into the Cash Reserve Account an interest bearing account opened by the Trustee. After utilisation of the Available Income, the Cash Reserve will be available to meet any shortfall in required payments. The Cash Reserve cannot be used by the Trustee for any other purpose.
Title Perfection Reserve	CNH Capital will deposit $[5.03] million into an interest bearing account opened by the Trustee called the "CNH Capital Australia Receivables Trust Series 2 - Title Perfection Reserve Account". The Title Perfection Reserve can only be used by the Trustee to pay all costs and expenses in relation to the perfection of the Trustee's legal title to the equipment finance receivables.
Credit Enhancement	**Class A Notes** • **18.2% subordination** provided by the Class B Notes and the unrated Seller Note. • **Excess available income** will be applied against losses before being paid to the beneficiary of the trust. **Class B Notes** • **11.2% subordination** provided by the unrated Seller Note. • **Excess available income** will be applied against losses before being paid to the beneficiary of the trust.
Liquidity Enhancements	**Cash Reserve**. CNH Capital will deposit $[14.6] million into a cash reserve. The cash reserve will be available only for the purposes of making required payments after all Available Income has been utilised. **Available Principal repayments** may be applied to fund coupon on the Class A Notes up to the level of shortfall in available income.
Trust Structure	The CNH Capital Australia Receivables Trust Series 2 was established in October 2002 and the acquisition of receivables since then has been financed by the issue of warehouse notes. The proceeds of the Notes will be applied to repay the warehouse notes. As and when receivables were acquired since the establishment of the trust they were required to meet certain eligibility criteria at the time of acquisition.

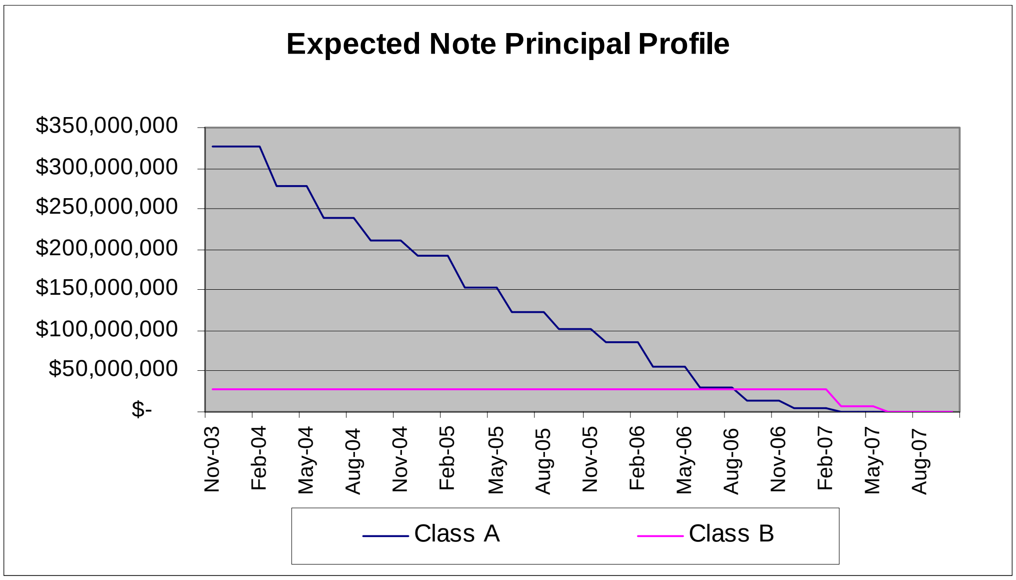
5 Repayment Speed Analysis

Expected repayment profile of CNH Capital Australia Receivables Trust Series 2

The following chart shows the expected repayment profile of the Notes issued by the CNH Capital Australia Receivables Trust Series 2 and has been prepared based on certain assumptions, including collection of unscheduled principal at a prepayment rate of 17%.

SG Australia has assumed a prepayment rate of 17% for the CNH Capital Australia Receivables Trust Series 2 pool. Prepayment analysis conducted by CNH Capital during the period January 1999 – June 2002 indicates an average contract prepayment speed of approximately 16.7% per annum. Conditions during 2004 are expected to be favourable, based on ABARE predictions regarding the current winter crop. Therefore a prepayment factor of 17% has been selected to reflect the likely prepayment rate on the portfolio.

As shown in the chart below, the Class A Notes are expected to be repaid on the payment date in February 2007 and Class B Notes are expected to be repaid on the payment date in May 2007.



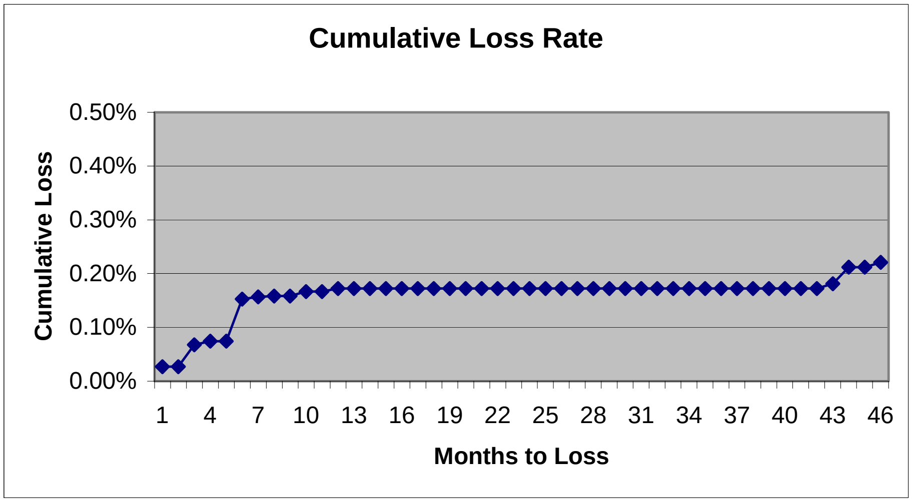
The following table shows the WAL sensitivity of the Notes based on various prepayment scenarios.

CPR	Class A	Class B
0%	1.87	4.12
4.00%	1.72	3.81
8.00%	1.60	3.59
12.00%	1.50	3.42
16.00%	1.41	3.33
17.00%	1.39	3.31
20.00%	1.33	3.23
24.00%	1.26	3.13
28.00%	1.20	3.00
32.00%	1.15	2.86
36.00%	1.11	2.73
40.00%	1.07	2.63

6 Key Features of CNH Capital Australia Receivables Trust Series 2

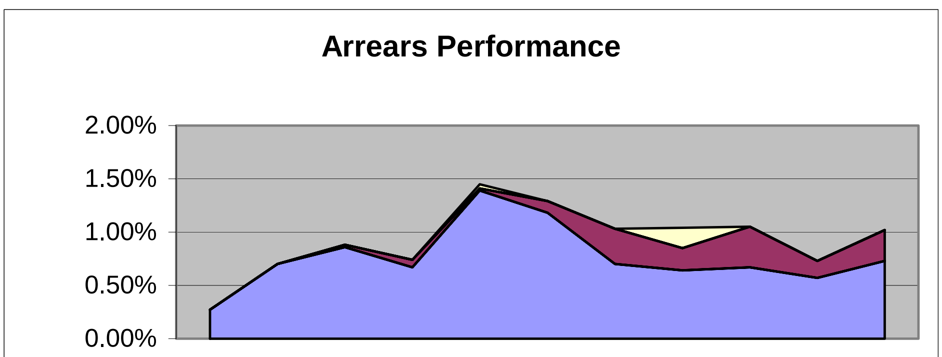
Net Loss Curve Analysis – CNH Capital Australia Receivables Trust Series 2

The following chart shows the net cumulative losses sustained in respect of the CNH Capital Australia Receivables Trust Series 2 portfolio from the date of origination of those receivables. The analysis takes into account recoveries made in respect of defaulted receivables. For example the chart shows cumulative net losses, so in the 1st month following origination, net losses sustained in respect of the indicative pool were 0.03%, while in the 46th month since origination, net losses sustained were 0.22%.

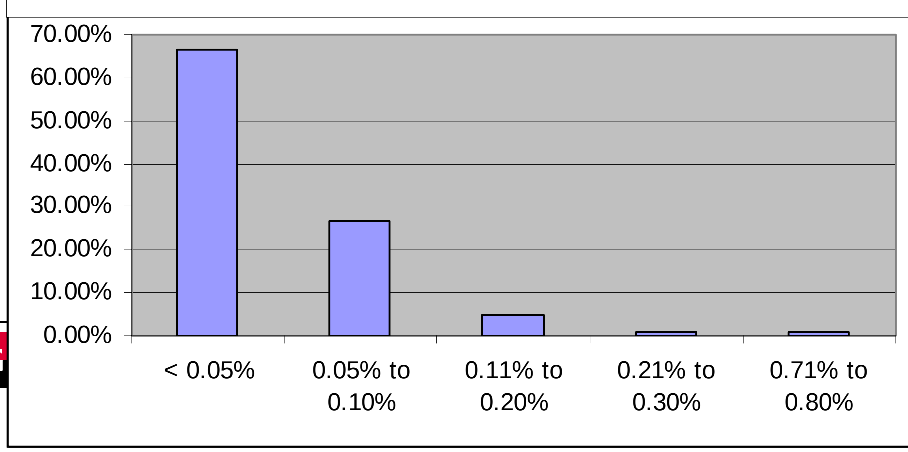


Portfolio Statistics for the CNH Capital Australia Receivables Trust Series 2

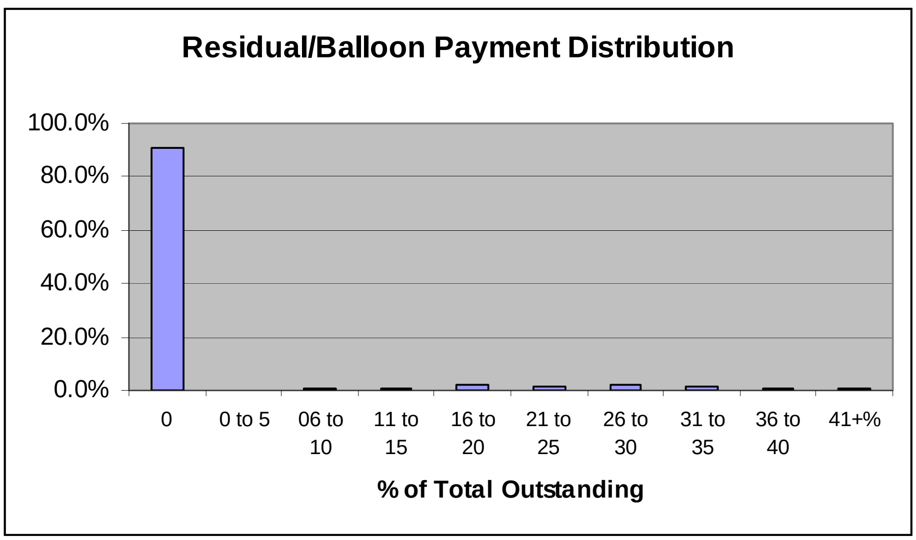
The following charts show a summary of the existing portfolio statistics for the Trust as at 30 September 2003.



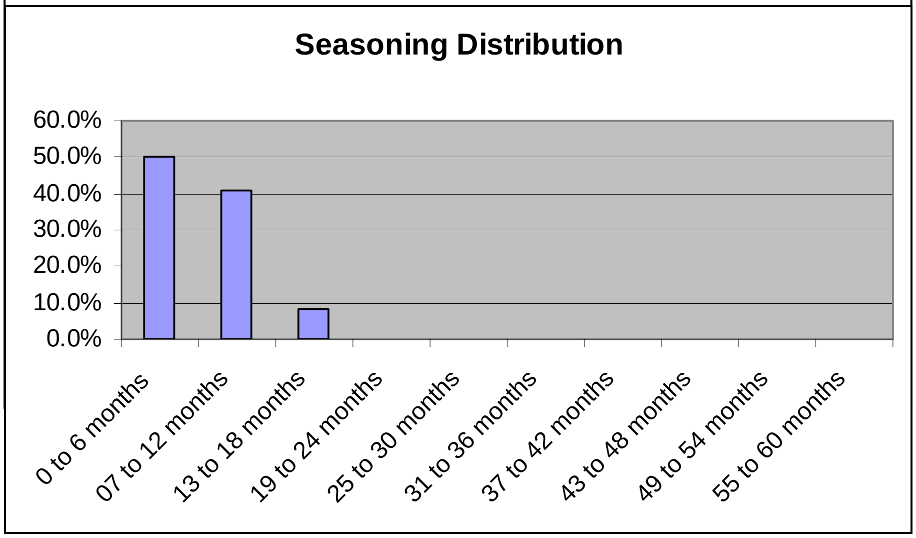
	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03
> 180	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.19	0.00	0.00	0.00
> 90 days	0.00	0.00	0.02	0.07	0.02	0.11	0.33	0.21	0.38	0.16	0.29
> 30 days	0.27	0.70	0.86	0.67	1.39	1.18	0.70	0.64	0.67	0.57	0.73

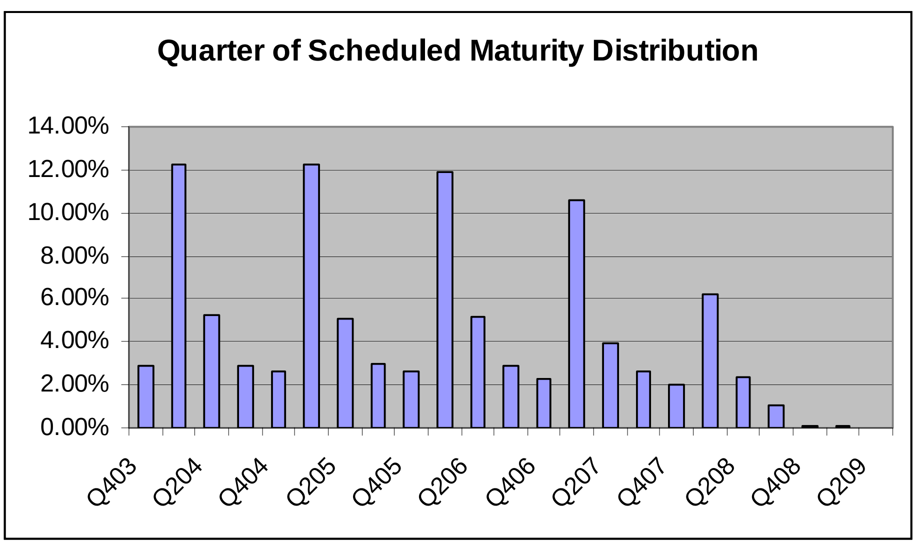


Equipment Type	Outstanding Principal	% of O/Standing Principal
4 EWD TRACTOR	$ 57,826,123.33	14.3%
40-100 HP TRACTOR	$ 65,865,042.64	16.3%
BALER, WINDROWER, MOWER	$ 23,978,774.18	5.9%
CANE HARVESTERS	$ 3,071,728.10	0.8%
COMBINE	$ 117,334,385.31	29.0%
COTTON PICKER	$ 3,630,910.34	0.9%
CULT,SEEDER,HARROW,CONCORD	$ 16,622,505.39	4.1%
FRONTS	$ 3,515,866.83	0.9%
IRRIGATION EQUIPMENT	$ 223,672.81	0.1%
OTHER AG	$ 26,768,414.48	6.6%
OVER 100 HP TRACTOR	$ 59,330,808.04	14.6%
SPRAY EQUIP (HARDI CROPLANDS)	$ 5,957,007.86	1.5%
UNDER 40 HP TR	$ 619,624.72	0.2%
AGRICULTURAL EQUIPMENT	**$ 384,744,864.03**	95.0%
BACKHOE	$ 6,654,901.09	1.6%
CRAWLER	$ 326,451.02	0.1%
EXCAVATOR	$ 4,650,986.58	1.1%
OTHER CE	$ 1,853,702.38	0.5%
ROLLER	$ 86,008.48	0.0%
SKIDSTEER / UNILOADER	$ 5,653,783.04	1.4%
TRENCHER	$ 221,278.80	0.1%
WHEEL LOADER	$ 919,827.14	0.2%
CONSTRUCTION EQUIPMENT	**$ 20,366,938.53**	5.0%
TOTAL	**$ 405,111,802.56**	100.0%



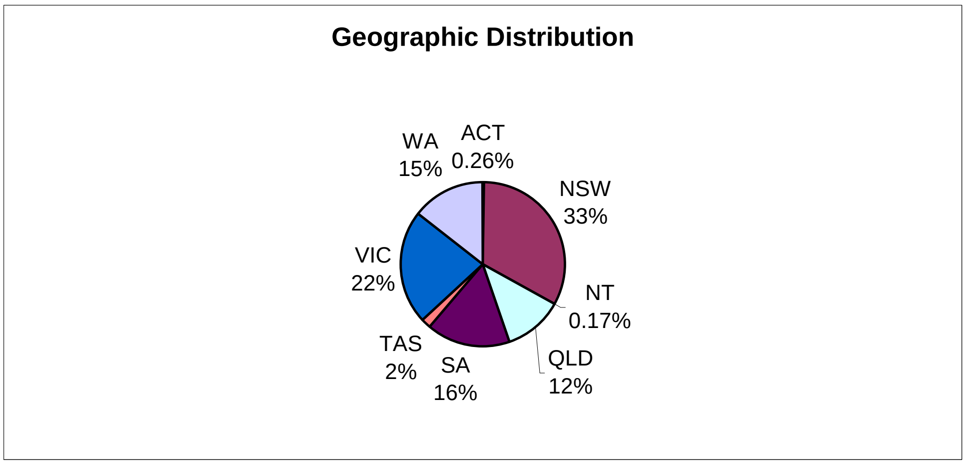
Industry Distribution





7 Agricultural Market Outlook

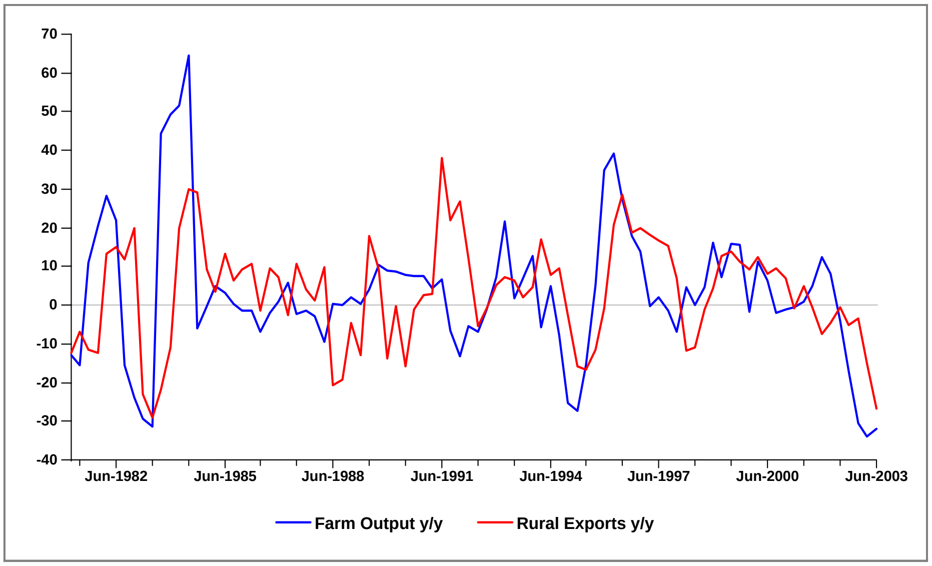
The breaking of the 2002-03 drought is rapidly skewing the outlook for farm production and therefore farm incomes to the upside for the 2004-05 financial year. ABARE have once again revised up their crop forecasts for 2004, now



anticipating production of grains such as wheat will increase by as much as 160% in the coming year.

- A combination of stronger rural exports and a stronger AUD should significantly boost farm incomes in the 2004-05 period
- The global economy is in cyclical upswing, and coupled with the ending of SARs rural exports could rebound quite strongly
- As rural capital expenditure (plant and equipment) would have been deferred due to the drought, capital expenditure in this sector should surprise to the upside in 2004-05 as incomes improve. Labour shortages in rural areas will also favour more capital intensive production.
- Broadly, the farm sector should out-perform the non-farm sector in 2004-05.

The 2002-03 Drought saw rural exports and production collapse



Source: SG and ABS

The impact of the 2002-03 Drought!

The drought severely reduced winter-crop production and brought forward livestock slaughtering, severely curtailing farm output and income. Though the direct effects of the drought were most evident in the sharp decline in farm production and rural exports (around two-thirds of rural production is exported) there are a number of indirect effects as well. The reduction in farm incomes is quickly translated into lower farm consumption and investment. In general, farm investment in plant and equipment is around 8-10% of total plant and equipment investment for the Australian economy. Further, those sectors and industries that service the agri-business sector, such as transport and retail operations in rural areas, will also have flow on effects from the reduction in farm output and income.

By June 2003, the impact of the drought appears to have been at its nadir.
The one thing we can learn from previous droughts is that the farm cycle is quite volatile around seasonal fluctuations, and the corresponding recovery in farm output and incomes can be just as sharp as the drought induced decline.

Two particularly severe droughts have occurred in the past two decades. In 1982-83, the Eastern and Southern States were affected by drought, whilst a number of low rainfall years in 1991-95 saw much of rural and regional Australia drought affected.

In both of these episodes, rural production and rural exports collapsed very quickly and then recovered very strongly following the breaking of the drought. The sharp fall and subsequent rise in rural production during the 1982-83 drought first subtracted, and then added back, around 1.5pp from GDP growth through this period. In the second episode, the drought subtracted GDP by around 0.5-0.75pp in 1991/92 but then subsequently added 0.75-1.0pp to growth in 1995/96.

In this 2002-03 drought, the Australian Bureau of Agriculture and Resource Economics (ABARE) estimates that the drought stripped AUD2.7bn off the value of farm production through this period. In general, broadacre and dairy farms saw the most severe curtailment of production.

Outlook for 2003-04 Farm Production

According to ABARE's most recent crop forecasts, a significant improvement in the farm sector should be anticipated in 2004, and this is reflected in the most recent crop forecasts. ABARE expects wheat production to increase by 156.6% in 2003-04, barley by nearly 120% and oilseeds by nearly 70%. The improvement in the farm sector generally will be driven by this strong rebound in croppage. Though crop production will more than double, the recovery in livestock production is likely to take longer. Indeed, producers will need to withhold some stock (otherwise marketable) from sale, to allow the rebuild of manageable stock numbers given the recovery in fodder and grains.

Overall then, ABARE is forecasting that farm production will increase by nearly 20% over 2003-2004, thereby neatly offsetting the 22% decline in production over 2002-03. ABARE also forecasts a significant rebound in the global economy, which should see demand for rural exports strengthen significantly. Though many commentators continue to highlight the risk of an appreciating Australian dollar to the Australian economic outlook, we do not share this concern. A rapidly appreciating Australian dollar in the context of a rapidly improving global economy does not present a significant risk to Australian rural exports. As global demand for Australian exports picks up, it is an inevitable consequence that the Australian dollar will appreciate. With export volumes likely to pick up strongly, a stronger AUD will be a further boost to farm incomes in the 2003-04 year.

Whereas ABARE takes a fairly broad macro approach to the farm sector, the National Australia Bank quarterly agri-business survey takes more of a micro approach.

Interestingly, the latest agribusiness survey for September is already pointing to a turn in agribusiness confidence, sales and capital expenditure forecasts following recent widespread rains in early 2003.

Consistent with recent widespread rains, the NAB has detected a pick up in rural activity, transport and other agribusiness sectors over the September quarter. Export sales are likely to have bottomed over the September quarter and forward export orders have improved markedly with a large pick up in rural exports anticipated in coming quarters.

More importantly for the farm investment (plant and equipment) outlook agribusiness confidence improved dramatically through the September quarter. This largely reflects expectations of a solid recovery from the drought and its impact on the availability and price of inputs. An important determinant of ongoing confidence is the forecasts for above-average rains continuing in the December quarter in most rural areas. Consistent with this lift in confidence, most short-term and medium-term expectations for a range of agribusiness indicators has been revised up.

Profitability will be no impediment to higher farm investment. Profitability strengthened further in the September quarter, reflecting largely an improvement in sales. Overall, profitability for the farm sector as a whole rebounded strongly in the September quarter to be at its strongest level since December 1994. In line with this recovery in profitability, capital expenditure has commenced to recovery in the September quarter and is expected to strengthen further in coming quarters.

Conclusion

On balance, the worst of the drought appears to be over for the farm sector. A sharp rebound in confidence and a strong rebound in profitability is laying a fairly solid foundation for a recovery in farm sector capital expenditure going forward. With the global economy now in strong cyclical upswing, a higher AUD is not expected to be a significant impediment to the farm sector. We would place a good deal of confidence on a solid rebound in farm plant and equipment investment in the coming fiscal year.

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