



2008/9 FULL YEAR OUTLOOK

Winter crop 2008

The full impact of rain during the harvest of PrimeAg Australia Limited's 15,200 ha winter wheat crop has now been assessed following completion of the harvest, and crop losses foreshadowed in early December have been confirmed.

PrimeAg's Executive Chairman Mr. Peter Corish said "Our expectations pre-harvest were for a crop of around 55,000 tonnes from the irrigated and dryland areas, but the final yield was reduced to 43,000 tonnes as a result of rain during the harvest period."

"The unfavourable harvest conditions also caused quality downgrade on approximately 50% of the crop harvested, and some 22,000 tonnes will be subject to quality discounts of up to \$70 /t" Mr Corish added.

Mr. Corish said that depressed commodity prices will also affect financial performance for 2008/9.

"Farm gate wheat prices at planting were around \$325 /t and the current price for APW1 grade is around \$270/t. While we have forward sold a proportion of production under our Commodity Hedging Policy at the higher levels, the future pricing environment is very uncertain." Mr. Corish said.

"There has been some price recovery over the last few weeks, however the sustainability of this improvement, or any further recovery or deterioration is not able to be assessed." Mr. Corish added.

Summer crop 2008-09

As has been previously disclosed, PrimeAg's summer irrigated cotton crop planting for 2008/9 has been restricted to 2,500ha, due to limited availability of irrigation water at the Moree and Goondiwindi hubs. The initial planning was for 3,700ha.

Mr. Corish said that cotton prices have fallen globally along with most agricultural commodities, having dropped from around \$470 per bale at planting to the current levels of around \$390 per bale. However, the company has forward sold a proportion of anticipated production at around \$500 per bale.

"Final cotton prices, and yields which won't be known until the crop is ginned will be significant influences on the full year outcome." Mr. Corish said.

Mr. Corish said " Whilst our planned 2008/9 irrigated cotton crop program has been curtailed, some alternative crops such as feed maize, mung beans and corn silage have been planted to take advantage of available irrigation water, where this is compatible with our irrigation water management strategy of ensuring that water deployed to these alternative 2008/9 summer crops will not compromise on maximising returns from the 2009/10 higher value irrigated cotton cropping program. In the prevailing environment of low sorghum prices, we will not proceed with any of our initial planning for 2,500 ha of irrigated sorghum."

"The dryland summer crops, principally 5000ha of sorghum and 500 ha cotton have benefited greatly from the rain, and subsequent follow-up falls, and we are expecting strong yields from these crops, and other smaller areas of maize and pulses." Mr. Corish added.

Overall impact

Mr. Corish said that the outcome of the winter crop harvest, and the reduced summer crop program will restrict earnings for 2008/9.

"Additionally, there is considerable uncertainty about the wheat, cotton and sorghum prices that will be achieved on the recently harvested winter crop, and the anticipated summer crop, and at this point, no meaningful quantification of a range of likely profit outcomes for 2008/9 can be provided." Mr. Corish said.

Mr. Corish said " Whilst the profit outcome for our first full year of operations will be well below expectations, reflecting the aggregated impacts of limited cotton planting, a rain affected winter crop harvest, and a significant global slump in agricultural commodity prices, we believe that, given average seasonal conditions, and average long term commodity prices, the PrimeAg business model is capable of achieving returns in line with those indicated in the prospectus issued a little over a year ago to support the formation of the company."

Mr. Corish added that both the winter and summer crops in the 2008/9 cropping program were produced on inputs costs, principally fuel, fertilizer and chemicals, which rose sharply during 2008. Over recent weeks, prices of these inputs have declined significantly, and if sustained, this will support reduced operating costs for the 2009/10 cropping program.

Mr. Corish said that the annual earnings profile of PrimeAg for 2008/9 will be skewed towards a stronger second half result. PrimeAg's result for the 6 months to 31 December 2008 will be released by 27th February 2009.

Contact: Pip Green
Cannings Corporate Communications
Ph: 02 8284 9999

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