

# A Global Perspective

## Where to from here?

# Key Outcomes From Today

- Worst recession since WWII
- Global recovery very steady
- Weak demand for rural commodities
- Family, Business and Industry perspective

# Overview

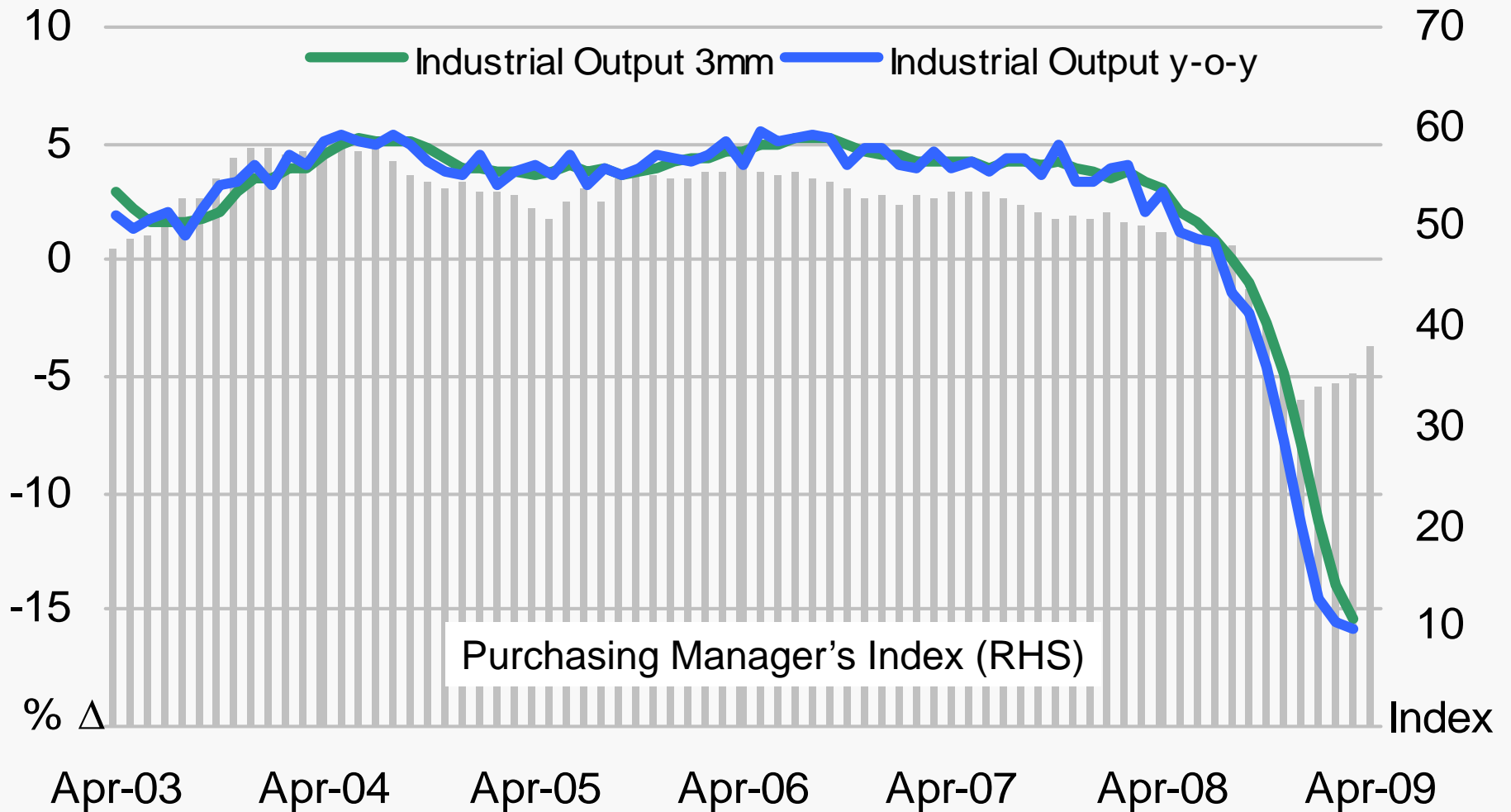
- Where have we come from
- Short term global economic outlook
- Outlook for Australian Agriculture

# Dairy Tasmania October 2008

- Global growth slowing
- Lower consumer confidence
- Weakness in equity & housing market
- Lehmann brothers changed everything

**No rain = no crop, no wealth & confidence = no economy**

# Global PMI's and Industrial Output



# Outlook for 2009

- Negative wealth effects
  - ↑ unemployment, ↓ household incomes
  - ↑ household saving, ↓ consumer spending
  - Constraining demand for some rural commodities
- Very different outlook for different countries.

# World Economic Growth

## ANNUAL GROWTH TOTALS

	2006	2007	2008	2009	2010	2011
<b>GDP US</b>	2.8	2.0	1.1	-2.9	1.3	2.5
→ <b>GDP JAPAN</b>	2.0	2.3	-0.7	-8.0	0.8	2.5
<b>EURO GDP</b>	3.0	2.6	0.6	-4.6	0.4	1.8
<b>UK GDP</b>	2.8	3.0	0.7	-3.6	1.2	2.5
→ <b>nonjap asia</b>	5.4	5.6	2.2	-4.9	2.4	4.5
<b>latin america</b>	5.3	5.4	4.2	-1.3	1.6	3.8
<b>china</b>	11.0	11.8	9.5	6.6	7.7	8.5
<b>canada</b>	3.1	2.7	0.8	-3.0	1.0	2.5
<b>India</b>	9.9	9.3	7.5	5.4	5.3	6.0
<b>Africa</b>	6.1	6.3	5.2	3.4	4.0	5.0
<b>CIS</b>	8.2	8.6	6.0	-5.0	2.0	3.0
<b>E Europe</b>	6.7	5.7	3.2	-3.5	2.2	2.8
→ <b>Middle East</b>	5.7	5.9	6.4	3.9	2.0	4.0
<b>Other advanced</b>	4.5	4.7	1.9	-3.0	2.2	2.5
<b>GLOBAL TOTAL</b>	<b>5.0</b>	<b>4.9</b>	<b>3.1</b>	<b>-1.8</b>	<b>2.3</b>	<b>3.5</b>

- Both Developed and Developing countries affected
- Emerging non Japan Asia to see GDP fall -5%
- Very slow recovery in 2010 – well below trend

# Milk Utilisation



Different impacts on different businesses

# Key Trading Partners

Australian dairy markets by product, 2007/08 (A\$ million)

	Sth East Asia	Other Asia	Europe	Middle East	Africa	Americas	Other	Total	Australian market (e)
Butter/AMF	65	51	30	23	6	17	2	194	295
Cheese	95	541	64	161	32	43	29	966	1,368
Milk	31	26	2	8	1	1	15	84	2,877
SMP	312	87	1	85	11	9	3	508	n/a
WMP*	300	143	2	59	47	45	16	611	n/a
Other **	119	204	25	13	4	81	73	519	1,885
<b>Total</b>	<b>923</b>	<b>1052</b>	<b>124</b>	<b>348</b>	<b>102</b>	<b>195</b>	<b>138</b>	<b>2,882</b>	<b>6,425</b>

- Asia accounted for 69% export value on 2007-08

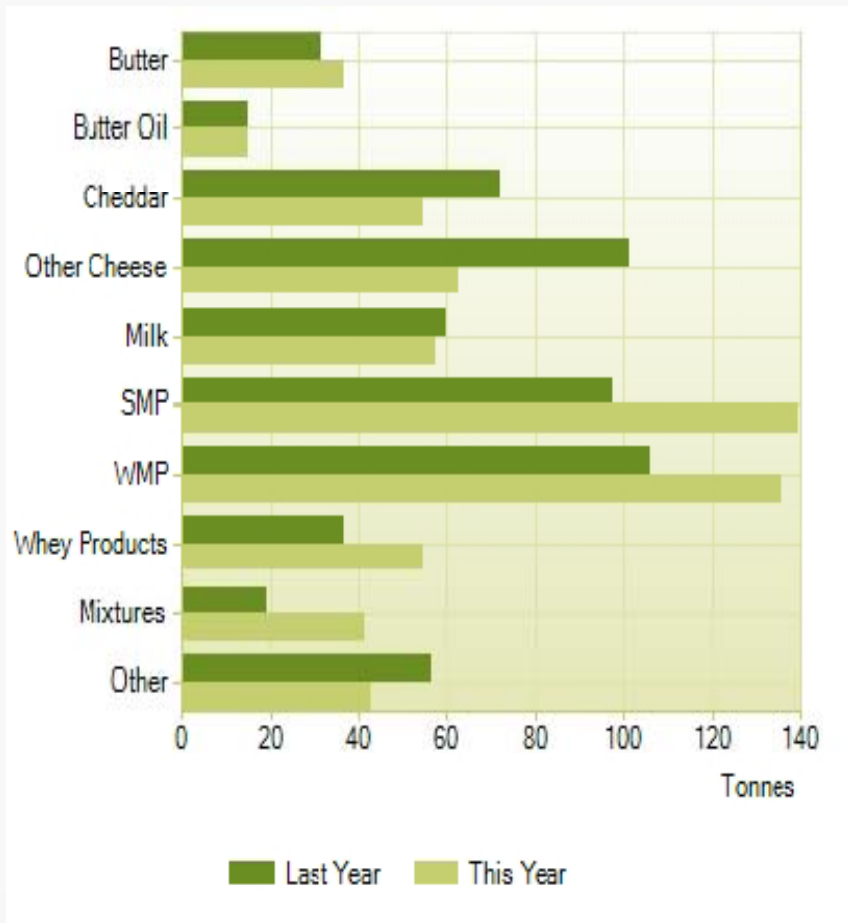
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# Export Performance

Trading down!

- Butter +16%
- Cheddar -24%
- Other Cheese -37%
- SMP +43%
- WMP +29%
- Total +7.7%



# Dairy Outlook

- Internationally
  - Demand outlook remains weak
  - Tassie dairy exposed to international market
  - Long term prospects remain strong
- The great unknowns
  - Further government intervention

# What does it mean for Agriculture

- Weak demand outlook
- Continued volatility in prices
- Risk of further government intervention
- Premium products most at risk:
  - Fibre, Grainfed Beef, Dairy products

# Australian Economy Summary

- Mild recession in Australia...
- Households: slower spending, increased unemployment
- Interest rates: OCR 2.5% by Dec 2009
- Exchange rate: US83c by Dec 2009

# Key take home messages

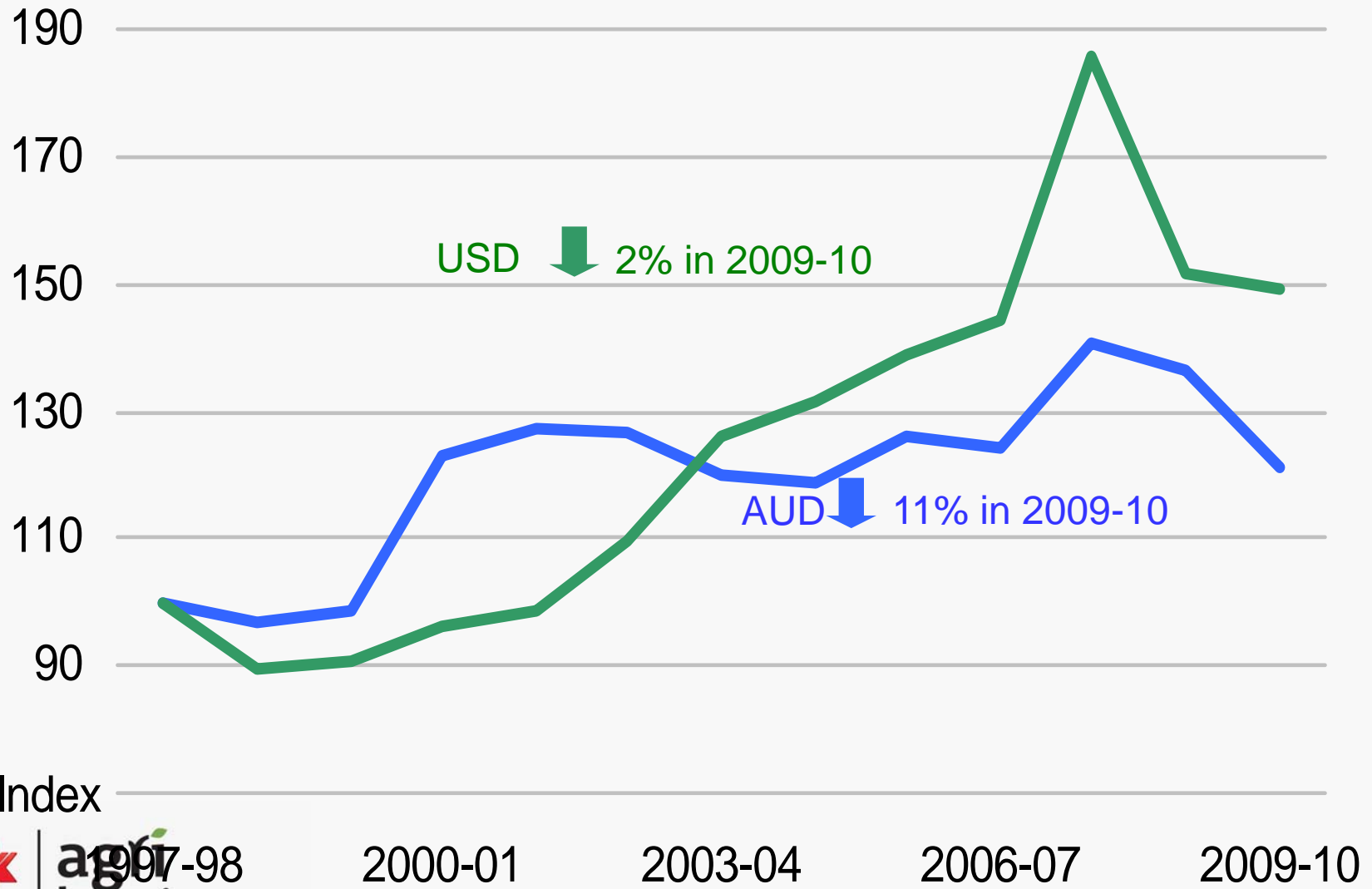
- It's a slowdown not a stop
- Short term outlook remains tough
- Who is important to you?
- Tight nature of stocks will support prices
- With uncertainty comes volatility & opportunity

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# Rural Commodity Price Index



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