

Monday, 20 May 2019

2019 Half-Year Results Investor Presentation

Attached is the investor presentation in connection with the financial results for the 6 month period ended 31 March 2019.

Elders CEO, Mark Allison, and CFO, Richard Davey, will deliver this presentation by webcast and simultaneous teleconference at 10.00am (AEST) today.

As advised to the ASX on Thursday 16 May 2019, you can register to view and listen to the live commentary of the presentation. For details, refer to that announcement.

Peter Hastings Company Secretary

Elders Limited

2019 Half Year End Results Presentation

20 May 2019



Disclaimer and important information

Forward looking statements

This presentation is prepared for informational purposes only. It contains forward looking statements that are subject to risk factors associated with the agriculture industry of which, many are beyond the control of Elders. Elders' future financial results will be highly dependent on the outlook and prospect of the Australian farm sector, and the values and volume growth in internationally traded livestock and fibre. Financial performance for the operations is heavily reliant on, but not limited to, the following factors: weather and rainfall conditions; commodity prices and international trade relations. Whilst every endeavour has been made to ensure the reasonableness of forward looking statements contained in this presentation, they do not constitute a representation and no reliance should be placed on those statements.

Non-IFRS information

This presentation refers to and discusses underlying profit to enable analysis of like-for-like performance between periods, excluding the impact of discontinued operations or events which are not related to ongoing operating performance. Underlying profit measures reported by the Company have been calculated in accordance with the FINSIA/AICD principles for the reporting of underlying profit. Underlying profit is non-IFRS financial information and has not been subject to review by the external auditors, but is derived from audited accounts by removing the impact of discontinued operations and items not considered to be related to ongoing operating performance.



FY19 Half Year in Review

On track to deliver on growth commitment

Challenging conditions skewing FY19 earnings to 2H:

- Wool volumes, with the Australian clip down, impacting Agency sales
- 2. Reduced summer cropping impacting Retail sales
 - Offset by growth initiatives including backward integration through Titan
 - Titan's earnings profile will be skewed to the second half
- 3. Delayed rain for winter crop
 - Strong Retail earnings so far in third quarter in line with winter cropping season
- 4. Acquisitions including Titan and bolt on investments continue to have a positive EBITDA impact

Outlook and guidance:

- Return to average winter cropping season
- Offset by balanced growth from acquisitions and organic initiatives

Elders reiterates FY19 guidance and remains confident to deliver:

- Underlying EBIT in the range of \$72 to \$75 million
- Underlying NPAT in the range of \$61 to \$64 million



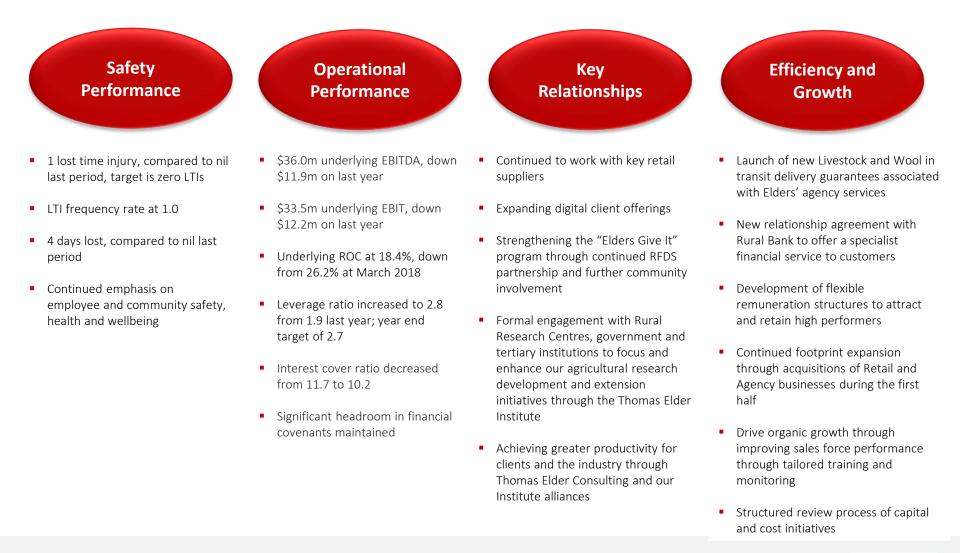
FY19 Half Year Summary

- Lost time injuries of 1, prior period nil, LTIFR up from 0.7 to 1.0
- Underlying net profit after tax of \$26.4m, down \$13.3m
- Underlying EBIT of \$33.5m, down \$12.2m
- Underlying EBITDA of \$36.0m, down \$11.9m
- Operating cash outflow of \$13.1m for the year, down from a cash inflow of \$26.1m
 - o Impacted by delayed winter cropping and Titan inventory build
 - o Both expected to unwind early in 2H FY19
- Underlying return on capital of 18.4%, down from 26.2%
 - o Impacted by working capital build and delayed earnings delivery
- Fully franked interim dividend of 9 cents per share declared, consistent with prior period



FY19 Priorities

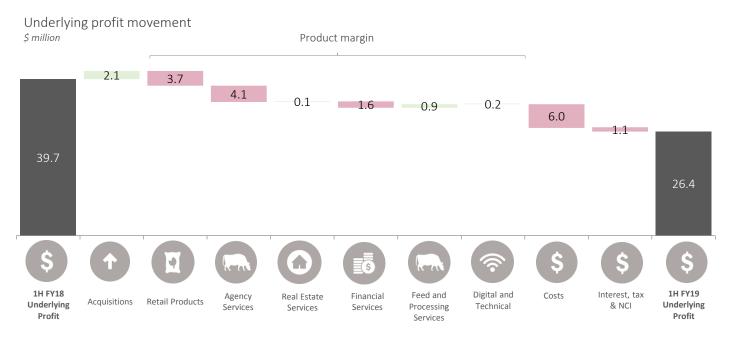
Continue to invest in Eight Point Plan for long term growth





Performance by Product

Benefits of acquisitions offset by reduced summer crop plantings, drought affected agency volumes and delayed winter crop

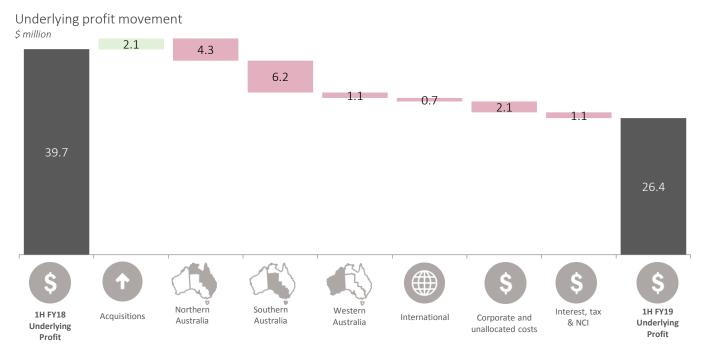


- Acquisitions predominantly include Titan and other bolt on investments
- Retail down due to reduced summer cropping
- Agency impacted by lower wool volumes, with the Australian wool clip down
- Financial Services margin down on lower Insurance equity earnings
- Feed and Processing Services upside due to higher utilisation at the Killara feedlot
- Costs are up in line with footprint growth and increased expenditure in our digital and technical areas
- Finance costs are up on last year due to a non-cash adjustment on long term liabilities with lower interest rate outlook



Performance by Geography

Impact of drought affecting mainly the North and South Eastern Australia



- Acquisitions predominantly include Titan and other bolt on investments
- Northern Australia impacted by reduced summer cropping and easing cattle prices
- Southern Australia down on prior period through lower wool volumes and higher costs from significant footprint investment
- Western Australia decline resulting from decreased wool activity and challenging retail conditions
- Corporate and unallocated costs are up with increased expenditure and investment in digital and technology
- Finance costs are up on last year due to a non-cash adjustment on long term liabilities with lower interest rate outlook



Capital Employed

Return on Capital still strong, although below target of 20%

- Underlying return on capital was 18.4% reflecting:
 - Recent investment activity performance impeded by unfavourable seasonal conditions
 - Expenditure and Investment in our digital and technical areas
- Average working capital increased by \$69.2 million. This reflects:
 - Higher capital through backward integration (Titan model) of \$14.0 million
 - Seasonal Retail inventory carried forward from delayed winter crop
 - o Higher Livestock working capital

Underlying Return on Capital¹



Average Capital

\$ million	1H FY19	1H FY18	Change
Retail Products	214.3	166.8	47.5
Agency Services	48.6	30.4	18.2
Real Estate	1.5	0.6	0.8
Financial Services	14.0	12.0	2.0
Feed & Processing Services	47.2	51.9	(4.8)
Other	(29.2)	(34.7)	5.5
Working capital (average)	296.4	227.1	69.2
Other capital ²	107.3	65.1	42.2
Total capital (average) ²	403.7	292.2	111.5
Total capital (at balance date) ²	390.0	251.4	138.6



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Operating Cash Flow

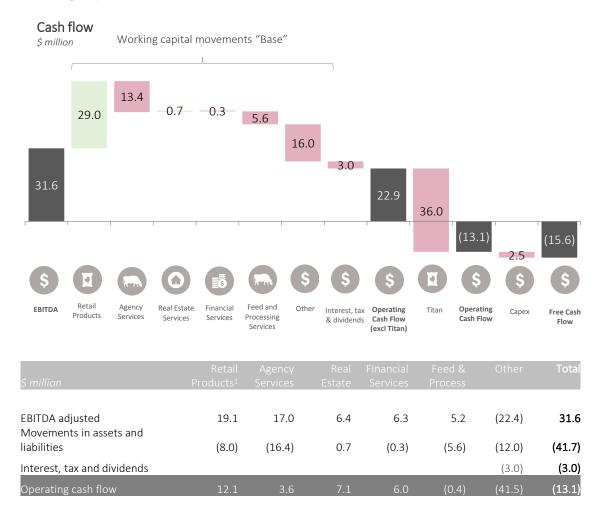
Acquisition and seasonal driven increase in working capital

Operating cash inflow (excluding Titan) of \$22.9 million reflected:

- Positive EBITDA
- Higher Livestock working capital at balance date
- Increased utilisation at Killara feedlot
- Other includes payment of provisions including leave and incentives

Titan related cash flows include:

 Higher working capital at balance date, which will support backward integration initiatives and earnings in the second half as the stock held for winter cropping is sold



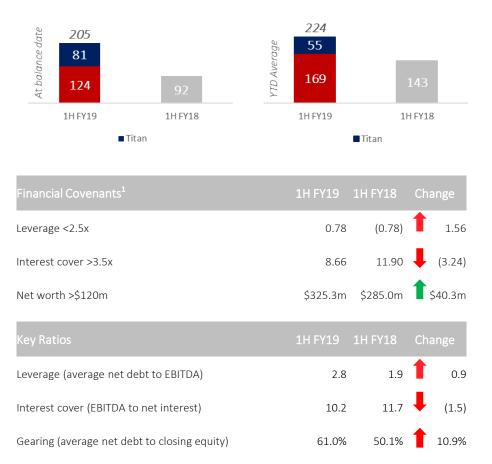


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Net Debt

Increased working capital although significant headroom within financial covenants

Net Debt



Net debt (excluding Titan) at balance date was \$32 million higher than March last year because of:

Higher Livestock working capital at balance date

Average net debt (excluding Titan) was \$26 million higher than March last year as a result of:

- Increased Retail balances associated with challenging conditions, including higher inventory of \$19 million
- Higher Livestock working capital of \$20 million

Titan related net debt includes:

 Backward integration of \$81 million at balance date – both acquisition and build-up of inventory to sell in the second half of FY19 (impact on YTD average net debt is \$55 million)

Financial covenants:

Significant headroom in financial covenants



¹ Calculated pursuant to definitions in group syndicated facilities: Calculated as rolling 12 months EBITDA and interest actuals, end of month net debt and net worth. Underlying EBITDA excludes Retail debtor interest, Indonesia Feedlot & Live Export restructure costs. Net debt excludes Retail trade receivables funding, but includes contingent funding of \$6.2m (\$5.5m FY LY) in bank guarantees. Net Worth comprises of net assets less non-controlling interest.

FY19 Outlook

Winter cropping conditions expected to return to average in the second half

Elders reiterates FY19 guidance and remains confident to deliver:

- Underlying EBIT in the range of \$72 to \$75 million
- Underlying NPAT in the range of \$61 to \$64 million
- Continue to pursue organic growth initiatives and acquisitions

Retail Products

- Winter cropping conditions are expected to return to average across most of Australia in the second half
- Titan acquisition benefit will increase earnings in the second half

Agency Services

- Wool margin to be consistent with prior year with low wool production and high prices
- Cattle and sheep volumes expected to be lower due to limited supply, despite footprint expansion
- Sheep prices expected to remain at current high levels due to high demand

Real Estate Services

• Supply of farmland property will continue to be subdued in line with livestock prices, however gains are expected from water broking activities

Financial Services

- New Livestock and Wool in transit delivery guarantee initiative will be launched in the second half
- Full year impact of the new Rural Bank distribution agreement is anticipated to be an increase in EBIT on last year
- Increased investment through shareholder loans to StockCo will generate greater earnings

Costs and Capital

- Costs are expected to increase in line with footprint growth and continued Eight Point Plan investment
- Continued increased investment in both digital and technical area and information technology



Strategic Priorities to 2020





Eight Point Plan: 3 years to FY20 goal

To deliver 5 – 10% quality growth through the cycles



- Consistent with assumptions Livestock prices eased post FY17
- Market share gains achieved in FY17 offset Livestock price movement
- EBIT improvement in the period to FY20 is anticipated to be derived from:
 - organic and acquisition growth, and
 - continued focus on controlling base costs to offset inflationary increases.



Balanced growth plan to FY20



- Drive continuous business improvement
- Capture growth opportunities across our product and services portfolio
- Explore opportunities to expand our offering and leverage the Elders brand into new markets to capture new clients and customers
- Continuously drive and resource values based leadership through the organisation
- Invest in the development of our leaders and people
- Build deeper understanding of our customers to deliver profitable value add products and services

Acquisition 50%

- Continue to evaluate strategically aligned opportunities to expand our business
- Only transactions which are EPS accretive will be considered
- Identify innovative solutions to target geographical and strategic gaps
- Maintain a disciplined approach to ensure acquisitions meet required financial hurdles
- Reallocate capital from nonperforming assets if financial and quality targets are not met

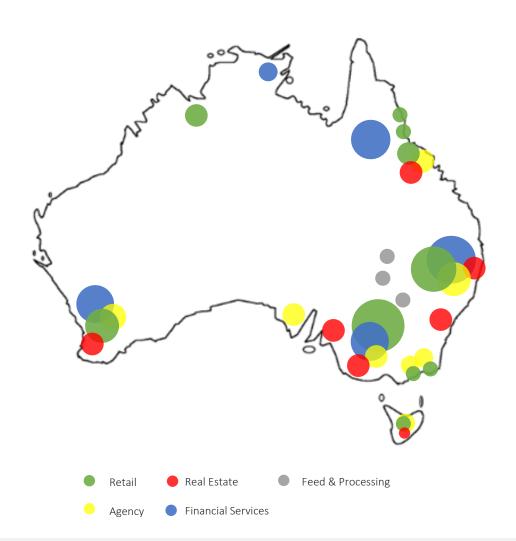
Maintain Cost

- Invest in resourcing to identify, integrate and support both organic and acquisition growth opportunities
- Derive efficiency gains through active cost management to offset inflationary increases
- Reallocate and reduce unproductive costs
- Develop and implement improved processes and approaches
- Maintain robust and conservative financial discipline



Strategic Gaps

Stable platform geared for the next wave of growth, under the second Eight Point Plan, including 20 new branches by 2020



Key gaps in market, geographical, product and service areas to be filled through organic growth and acquisition, with 20 new branches by 2020

Retail

- Increased market share and presence in high value cropping areas, such as horticulture, viticulture, and irrigated farming
- Grow highly specialised agronomy services through Thomas Elder Consulting
- Product commercialisation through Thomas Elder Institute and tertiary alliances

Agency

- Increased focus on livestock production advice and dairy
- Targeted footprint and agent growth in livestock services
- Expand grain network accumulation

Real Estate

 Increase company owned presence in major regional centres and also expand franchise footprint

Financial Services

 Growth in insurance gross written premium and StockCo livestock product

Feed and Processing

- Controlled growth in Killara feedlot throughput
- Investment in infrastructure to deliver efficiencies







- Appendix 1: 1H FY19 Results Additional Information
- Appendix 2: Business Model
- Appendix 3: Market Forces



1H FY19 RESULTS ADDITIONAL INFORMATION

Business Segmentation

\$ million	Northern Australia	Southern Australia	Western Australia	Int'l Geographies	Digital & Technical	1H FY19 Margin	Average Working Capital	
Retail Products	Farm Supplies and Fertiliser					67.8	214.3	
Agency Services	Livestock, Wool, and Grain					62.8	48.6	
Real Estate Services	Farmland, Residential, Property Management, Franchise					16.6	1.5	
Financial Services	Agri Finance, Insurance and Financial Planning				17.7	14.0		
Feed & Processing Services	Killara Feedlot			Indonesia China		7.8	47.2	
Digital & Technical					Elders Weather	0.4	-	
1H FY19 Margin	60.4	80.3	31.9	0.2	0.4	173.2		



Business Performance by Product

(2%) (5%) 69.0 67.8 66.0 62.8 (8%) 1% 13% 19.4 17.7 16.6 16.4 6.9 7.8 Agency Feed and Real Estate Financial **Retail Products** Services Processing Services Services Services

■ 1H FY19 ■ 1H FY18

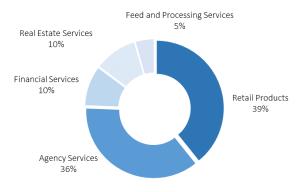
- Retail: Down due to reduced summer cropping
- Agency: Impacted by lower wool volumes, with the Australian wool clip down
- Financial Services: Margin down on lower Insurance equity earnings

• Feed and Processing: Upside due to higher utilisation at the Killara feedlot

Margin generated by product

Margin by product

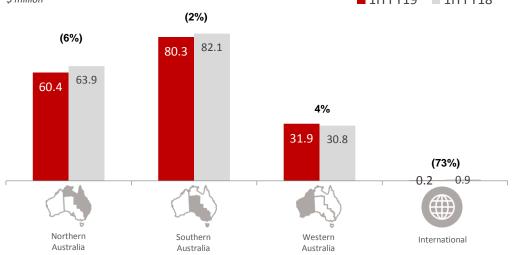
\$ million





Business Performance by Geography

Margin by geography \$ million



■ 1H FY19 ■ 1H FY18

- Northern Australia: Impacted by reduced summer cropping and easing cattle prices
- Southern Australia: Down on prior period through lower wool volumes and higher costs from significant footprint investment
- Western Australia: Benefitted from the Titan acquisition

Margin generated by geography





BUSINESS MODEL

-

Elders Limited

Australia's largest listed rural services and products supplier, operating since 1839

- Australia's largest listed full service rural services and products supplier
- Integral part of Australia's agribusiness landscape since 1839
- >450 points of presence strategically located throughout agricultural production areas
- Market capitalisation A\$821m¹
- FY18 sales revenue A\$1,613.3m
- FY18 underlying EBITDA A\$79.0m
- FY18 underlying EBIT A\$74.6m
- Target long term return on capital 20%

Mark Allison

Chief Executive Officer and Managing Director



- Chief Executive Officer and Managing Director of Elders since May 2014
- 36 years experience in the agribusiness sector

Experience includes:

- Executive Director GrainGrowers Limited
- MD & CEO FarmOz Pty Ltd (Adama Australia/NZ)
- MD & CEO Wesfarmers Landmark Limited
- MD & CEO Wesfarmers CSBP Limited
- MD & CEO CropCare Australasia Pty Ltd
- GM Incitec Fertilisers (Incitec Limited)
- Chair of APVMA, CropLife, Agsafe, Agribusiness Australia and Elders Ltd

Richard Davey *Chief Financial Officer*



- Chief Financial Officer of Elders since January 2013
- 17 years experience at Elders
- Previously manager at PricewaterhouseCoopers



Business Model

Retail products	Agency services	Real estate services	Financial services	Digital and te services	Digital and technical ervices		processing
				17	Constant Con		
Farm supplies	Livestock	Farmland	Agri-finance	Fee for service		Killara Feedlot	
Fertiliser	Wool	Residential	Insurance	Auctions plus (50%)		Elders Indonesia ²	
	Grain	Property management		Elders Weather		Elders China	
		Franchise					
\$1.1bn retail sales	9.9m head sheep	\$1bn farmland sales	\$3.0bn loan book ¹		94k head	Killara	56k head
716k tonnes fertiliser	1.5m head cattle	\$710m residential sales	\$1.6bn deposit book ¹	AUCTIONS	sheep		\$8.6m
	371k wool bales	8,287 properties under	\$71.7m StockCo book ¹	1	8k head attle	Indonesia ²	sales
44k grain tonnes	44k grain tonnes	management 128 franchises	\$689.9m gross written premium ¹	Elders 190m hits weather		(hina	\$10.9m sales
FY18 gross margin contrib	ution						

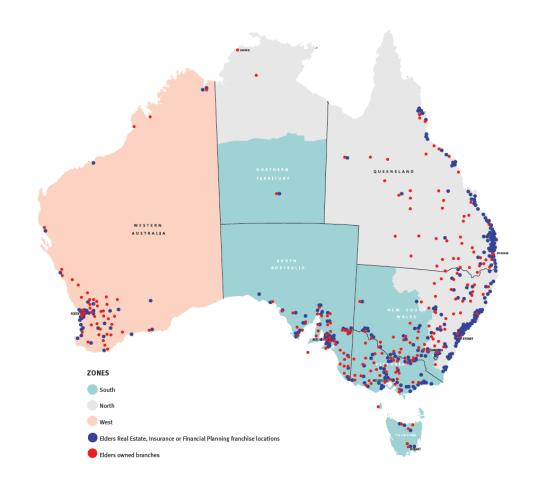
¹ Principal positions are held by Rural Bank, StockCo and Elders insurance (QBE subsidiary respectively).

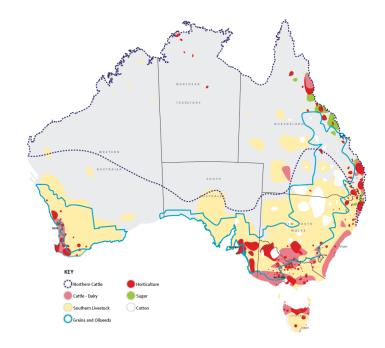
² Indonesia feedlot and abattoir sold 1 Oct 2018.

³ Existing agronomic activity presented within Retail margin, and Auctions Plus in Agency margin.



Points of Presence





- Over 450 points of presence in Australia and overseas including full service branches, real estate and insurance franchises
- Key produce areas covered through our footprint
- Targeted expansion of footprint through recruitment and acquisition



Retail Services

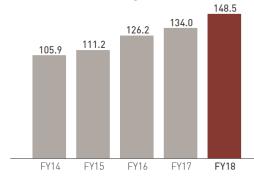
Business description

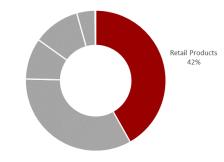
Elders is one of Australia's leading suppliers of rural farm inputs including seeds, fertilisers, agricultural chemicals, animal health products and general rural merchandise. We also provide professional production and cropping advice with over 148 agronomists nationwide.

Strategic focus

- 1. Capital light, return on capital driven business model
 - Improve product ranging within key animal health and agricultural chemicals categories.
 - Increased focus on specialised high value cropping market, including in selected geographical gaps.
 - Implementation of rebate deal software to develop and improve processes.
- 2. Product focus
 - Build on customer loyalty through increased provision of agronomy services.
- 3. People
 - Identify, select and recruit proven localised management to establish Elders' presence in selected geographical gap areas.

Retail Services margin (\$m)





Margin by product



Margin split by geography





Agency Services

Business description

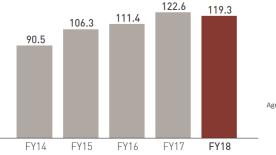
Elders provides a range of marketing options for livestock, wool, and grain.

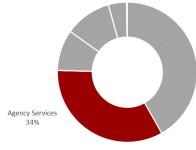
- Livestock: our livestock agents and employees operate across Australia conducting on-farm sales to third parties, regular physical and online public livestock auctions and direct sales to Elders-owned and third-party feedlots and livestock exporters.
- Wool: we are one of the largest wool agents for the sale of Australian greasy wool and operate a brokering service for wool growers. Our team of dedicated wool specialists assists clients with wool marketing, in-shed wool preparation, ram selection and sheep classing.
- **Grain**: Our grain marketing model provides pricing from multiple buyers and offers a cutting edge commodity origination platform, maximising choice for growers.

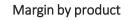
Strategic focus

- 1. Operating model
 - Continue Livestock, Wool and Grain product development to improve and expand offering.
 - Continue footprint expansion through targeted acquisitions.
- 2. People
 - Continued footprint expansion through recruitment of key operatives with aligned values and performance characteristics.

Agency Services margin (\$m)









Margin split by geography





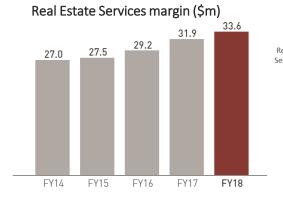
Real Estate Services

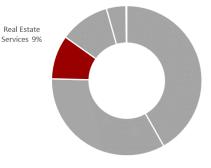
Business description

Elders' real estate services include company owned rural agency services primarily involved in the marketing of farms, stations and lifestyle estates. It also includes a network of residential real estate agencies providing agency and property management services in major population centres and regional areas through company owned and franchise offices. Other services include water and home loan broking.

Strategic focus

- 1. Operating model
 - Increase company owned presence in major regional centres
 - Ongoing focus on productivity and efficiency
- 2. People
 - Recruitment of high performing sales representatives in both the Broadacre and Residential agency business
 - Recruitment of home loan brokers
 - Increased productivity through improvement initiatives and training









Financial Services

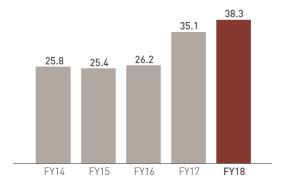
Business description

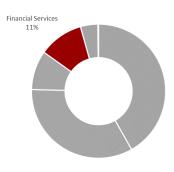
Elders distributes a wide range of banking, insurance and financial planning products through its Australian network. We work together with a number of third parties to enable us to deliver these products; Rural Bank and StockCo for banking and livestock funding products and Elders Insurance (a QBE subsidiary) for insurance. Collectively, these relationships enable us to offer a broad spectrum of products designed to assist our customers to grow their business.

Strategic focus

- 1. Deeper, more productive partnerships
 - Investment in aligned financial service products
 - Collaborate with StockCo to develop new product offerings.
 - Elders Insurance metro expansion
- 2. Increased market awareness and cross-sell within Elders
 - Elders Insurance national TV campaign.
 - Joint marketing and sales campaigns with all product partners.
- 3. Governance
 - Ensure financial services distribution arrangements are structured in a way that takes into account the interim and final recommendations of the Banking, Superannuation and Financial Services Royal Commission.

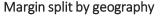
Financial Services margin (\$m)





Margin by product









Feed and Processing Services

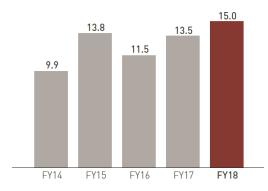
Business description

In Australia, Elders operates Killara Feedlot, a beef cattle feedlot near Tamworth in New South Wales. Elders imports, processes and distributes premium Australian meat in China and Indonesia.

Strategic focus

- 1. Robust systems
 - Improve reporting and transparency allowing effective decision making.
- 2. Return on capital focus
 - Improve procurement strategies through backgrounding and use of external facilities for Killara.
 - Allocation of capital based on approved business case discipline.
- 3. Integrated red meat supply chain
 - Increase focus on higher margin markets.
 - Expansion of Killara branded product in Bali market.

Feed and Processing Services margin (\$m)



Feed and Processing Services, 4%



Margin by product



Margin split by geography

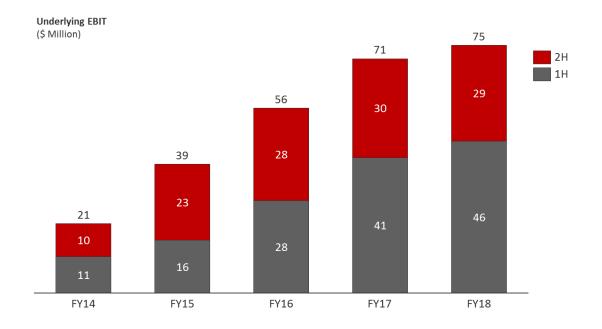




8%

China

Elders Financial Progress FY14 to FY18



Contributed by:

- Resetting of operational strategy, focusing on running a pure-play agribusiness.
- Favourable livestock prices.
- Footprint expansion, acquisitions and investments, such as: Ace Ohlsson, Titan, SDEA, Kerr & Co, CGX, Insurance and StockCo etc.
- Market share gains.
- Price book management and improved supplier terms and consolidation.
- Increased feedlot utilisation at Killara.
- Delivery of Eight Point plan.



Strong Group Financials



Gross margin (\$m)

Underlying EBIT (\$m)



Operating cashflow (\$m)





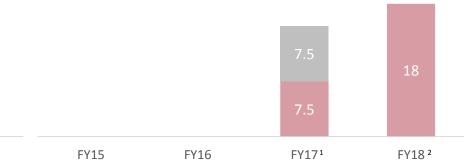
¹ Includes equity accounted profits.

Driving improved shareholder returns and sound capital management



Dividends per share (cps)

Average net debt balance (\$m)



Average working capital balance (\$m)

Underlying EPS (cps)

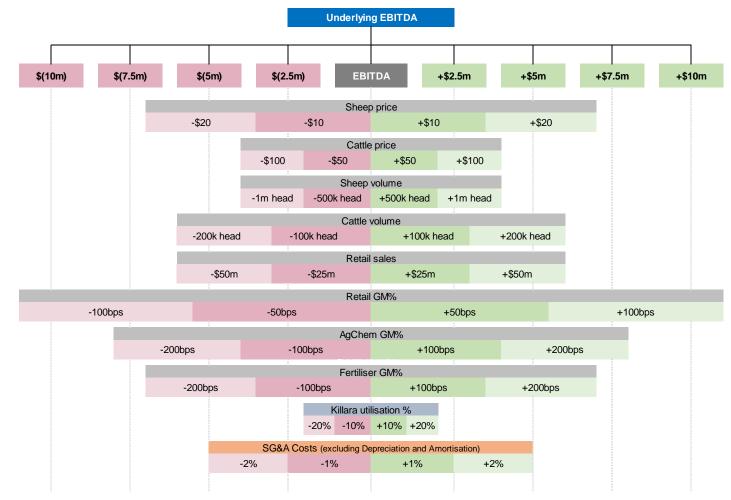


¹ Comprises both fully franked final and special dividends.

² Comprises both fully franked interim and final dividends.



Profit Sensitivity





MARKET FORCES

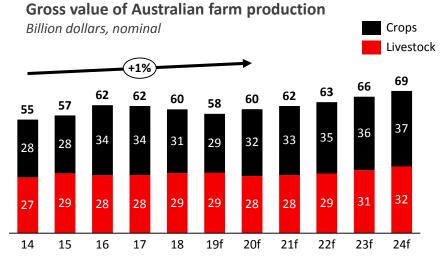
Industry market and outlook





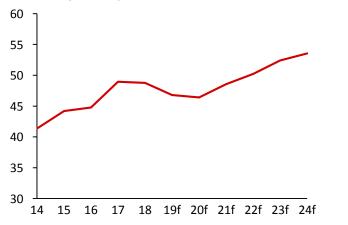
Agricultural Production & Exports



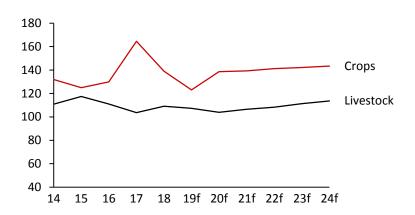


Gross value of Australian Agricultural Exports

Index reference year 1997-98



Gross volume of Australian farm production *Index reference year 1997-98*

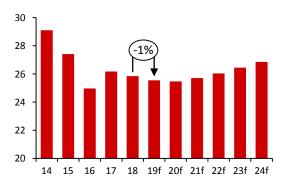


- The value of **Australian agricultural production** is expected to decline by 4% in 2018-19 to **\$58 billion**, due to lower production of grains, oilseeds and pulses. Assuming a return to normalised seasonal conditions, agricultural production will grow slowly over the medium term, increasing to a forecast **\$69 billion** in 2023-24.
- Farm exports will grow by \$5 billion from 2016-17 to 2023-24, to \$54 billion.



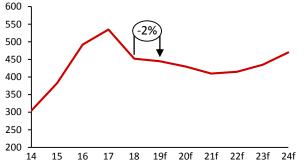
Cattle Outlook

Australian Cattle herd Million heads



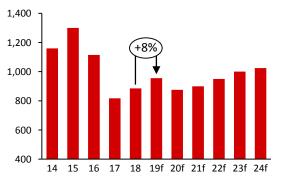
- There has been increased turn off of cattle and halted herd rebuilding due to drought conditions in Queensland and New South Wales, with a 1% decline in the cattle herd forecast for 2018-19.
- Assuming seasonal conditions improve, over the medium term herd rebuilding is expected to resume. However this will be restricted by a relatively low breeding cow inventory.
- Cattle losses are expected as a result of the severe floods in Northern Queensland. These losses are expected to adversely affect live export cattle and slaughter cattle.

Average saleyard cattle price c/kg



- Cattle prices are expected to decrease in 2018-19 to a weighted average of 445c/kg, reflecting intensified export market competition from the US, along with increased local slaughter volumes.
- There will be downward pressure on cattle prices through to 2020-21 due to higher global production and strong competition in export markets.
- From 2021-22 global supply is expected to slow which will place upward pressure on beef prices.





Negative

Neutral

- Live exports of Australian feeder and slaughter cattle are forecast to increase by 8% to 955,000 heads in 2018-19, with demand from Indonesia and Vietnam expected to remain strong.
- Demand in the medium term is expected to remain strong, however decreases are expected due to North Queensland floods.

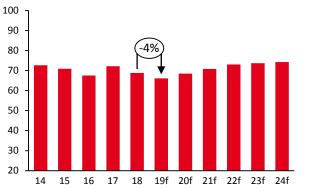




Sheep and Wool Outlook

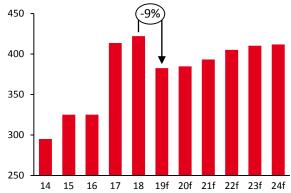
National Sheep flock

Million heads



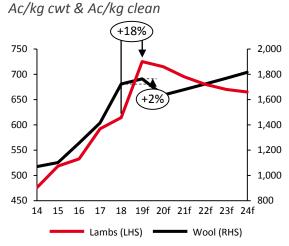
- The national flock is expected to decrease by 4% in 2018-19 to 66m head. This is due to dry conditions, particularly in New South Wales, resulting in higher rates of lamb and sheep turn off, as producers look to avoid high feed costs.
- In the medium term, the sheep flock will begin to recover with lambs becoming breeding stock rather than getting turned off.
- Export demand for sheep meat will remain strong and continue to grow over the medium term, particularly in China. Live sheep exports are expected to remain stable, with the assumption shipments will be limited to the cooler months in the Northern Hemisphere.

Shorn wool production *Thousand tonnes greasy*



- Shorn wool production is forecast to decrease in 2018-19, on the back of poor seasonal conditions in key wool producing regions causing a decline in the number of sheep shorn and a reduction in the average cut per head.
- Over the medium term, wool production is expected to grow slowly, in line with rebuild of the national sheep flock.





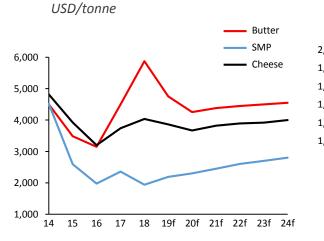
- Sheep and lamb prices are forecast to increase by 18% in 2018-19. This reflects strong competition at saleyards from restockers and demand in major export markets, particularly China. They will fall slightly in the medium term as production recovers, however will still remain above historical averages.
- The EMI is forecast to increase by 2% to \$1,764 in 2018-19. This has been driven by the decrease in supply and global consumer demand for woollen apparel. In 2019-20 the EMI is forecast to fall in line with a recovery in production volumes and will be constrained by production growth through to 2023-24.



Dairy Outlook

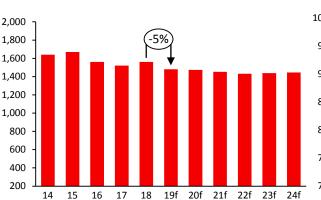
Global dairy prices





- Global dairy prices are expected to fall in 2018-19, following increases in milk production in key exporting regions, particularly New Zealand and USA.
- In real terms, global prices will continue to decrease in the medium term until 2023-24, as world supplies are expected to grow faster than demand.

Australian Dairy Herd Millions head



- Australian herd numbers are expected to decrease in 2018-19 reflecting poor seasonal conditions, rising input costs and falling farmgate prices.
- Over the medium term the falling farmgate prices will continue to put pressure on dairy farms and the herd is expected to continue to fall until 2021-22 and then remain stable.

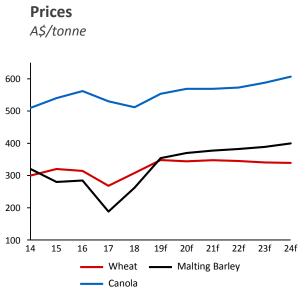
Australian Milk Production Mega Litres



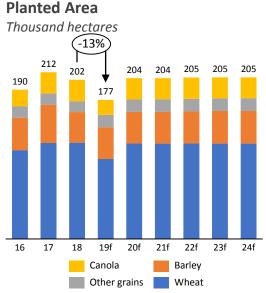
- Australian milk production is expected to fall by 5% in 2018-19, due to low farmgate milk prices and poor seasonal conditions.
- In the medium term, milk production will remain below 9 billion litres as yield increases resulting from improved productivity are unlikely to offset the reduced herd size.
- Total Australian dairy exports are forecast to fall in real terms through to 2023-24, mainly due to higher domestic consumption projected to reduce the supplies of milk that can be used for exportable products. Australian dairy imports will increase over the medium term.



Grains and Oilseeds Outlook

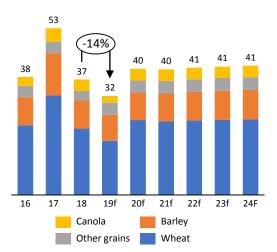


- Grain and oilseed prices are expected to rise across the board in 2018-19, due to lower global production in key exporting regions, including Australia.
- In the medium term, wheat prices are predicted to ease with productivity improvements increasing yields (and hence supply) at a level that outweighs increases in demand.
- Canola prices are anticipated to remain largely unchanged in the medium term, with world supply aligning with demand.



- Planted area to wheat and barley has fallen in 2018-19, due to poor seasonal conditions particularly in central and northern NSW cropping regions.
- Assuming a return to normal seasonal conditions, planted area for wheat and barley in the medium term will remain relatively flat, as profitability of pulse and seed production will limit planting.
- The area planted to canola has decreased in 2018-19, due to unfavourably dry conditions and higher expected returns for cereal crops. In the medium term plantings will stabilise at historical average levels.

Production *Million tonnes*



Negative

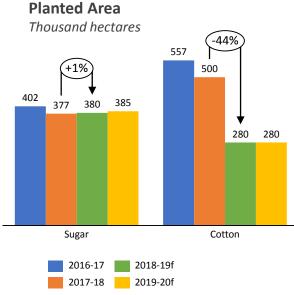
Neutral

- Production of wheat, barley and coarse grains is expected to decrease in 2018-19 following the predicted decline in plantings as a result of dry conditions.
- In the medium term, production of wheat will increase due to productivity gains. Australian Sorghum and Barley production is also expected to increase as a result of assumed return to average seasonal conditions.
- Canola production will increase in 2019-20, assuming a normal season and will remain steady in the medium term.



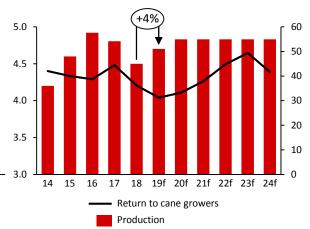
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Sugar and Cotton Outlook



- The planted area to sugar is expected to remain largely unchanged due to limited suitable land and Queensland farmers increasing interest in horticulture.
- Cotton planted area will decrease by 44% in 2018-19. This is largely due to significantly reduced water levels in irrigation dams and low levels of stored soil moisture.

Sugar production & cane grower returnsThousand tonnesA\$/tonne (real)



- Sugar production is projected to marginally increase in 2018-19 and remain at similar levels out to 2022-23.
- Returns to cane growers are projected to decrease 14% in 2018-19 and then steadily increase until 2022-23, largely reflecting global production particularly in Brazil, being less than expected consumption.
- The expectation is world sugar consumption will grow at a moderate rate as population increases but health awareness reduces the rate of per person consumption.

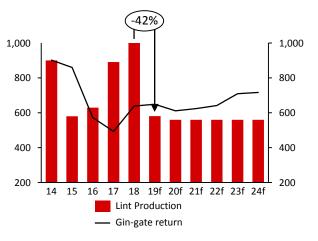
Cotton production & gin-gate returns

Negative

Neutral

Thousand tonnes

A\$/tonne (nominal)



- Cotton production is forecast to decrease by 42% in 2018-19 reflecting decreased plantings, this is expected to continue for the medium term. Production growth will be constrained by the availability of water.
- As a result of a forecast decline in world production, returns to cotton growers are projected to increase in the medium term, up to \$716/bale in 2023-24.

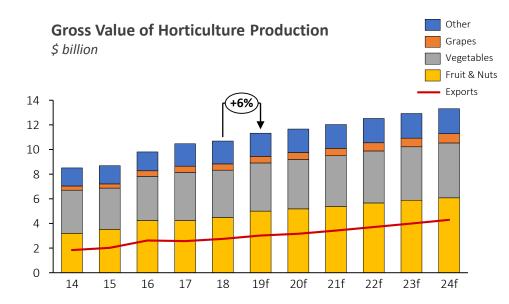




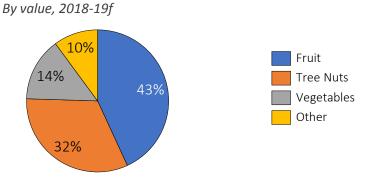
Horticulture



- The gross value of horticulture production is projected to increase to \$11.3bn (6%) in 2018-19, underpinned by favourable growing conditions in some areas and domestic and export demands.
- Over the medium term production is expected to steadily increase, particularly for berries, avocados and almonds. However increased irrigation costs may limit or delay planned expansion in the southern Murray-Darling Basin.
- Production increases in Chile are expected and there is anticipated downward pressure on prices over the medium term due to additional global supply.
- Vegetable production is expected to increase over the projection period, reflecting expansion of under-cover farming and consumer demand of year-round availability.
- China was the largest export market for fruit in 2017-18 (\$336m), and accounted for 27% of all fruit exports by value, which is up from 14% in 2016-17.



Australia Horticulture Exports





Source: ABARES Agricultural Commodities Outlook March 2019

