

AAG Agri-Index 05-06 Year in Review

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The Good News!

Elgin's 1st Rule (the "Iron Rule") of
Agribusiness still works.

If you don't EAT, you will DIE.

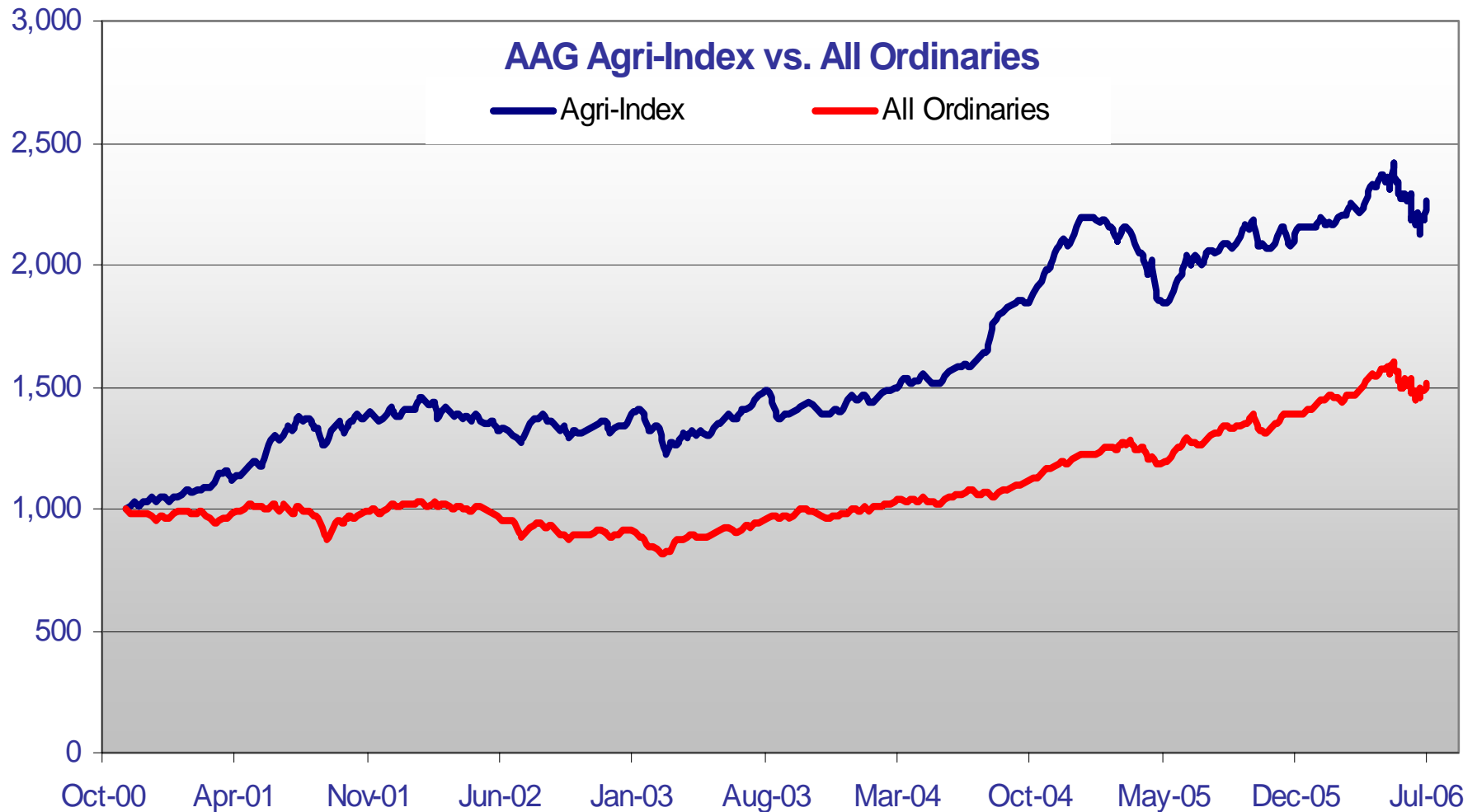
The Highlights:

- Consolidation of Agri Continues
 - Both sides of the Farm Gate
- Drought has impacted
 - 2006 = more severe impacts of any of the last 6 years
 - It's not everywhere, it's not for ever, but it will drive consolidation
- Lots of ups and downs – first quarter 2007
- Agri-Index suffers first TKO in 6 years

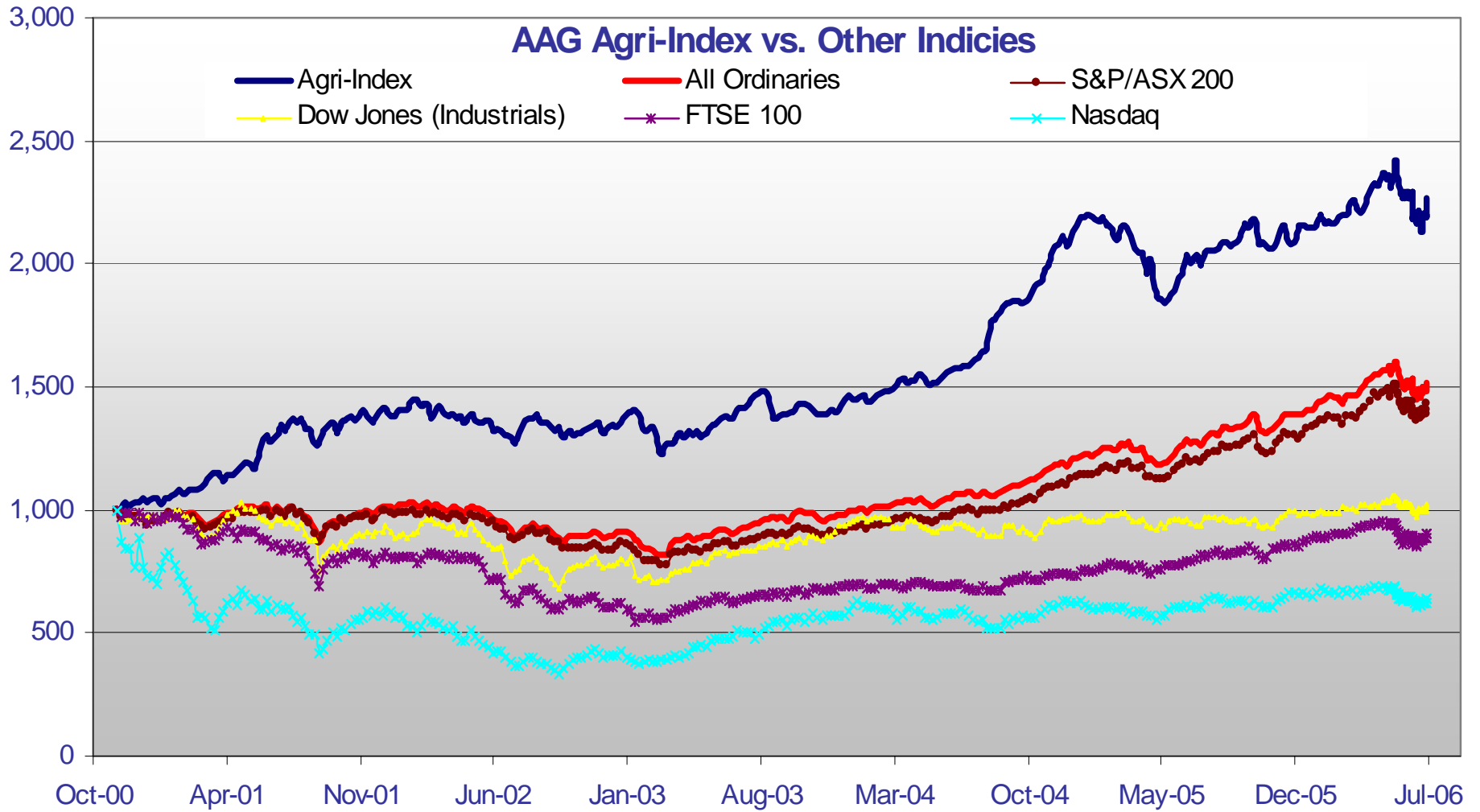
What is the AAG Agri-Index?

- An **Index** of **listed Australian Agribusiness** equities performance against the total ASX All Ords and some International indices.
- 45 Listed Agribusinesses - Production and Manufacturing of all major commodities and products
- A comparative performance tool and “myth buster”

Index Performance History



The International Comparison



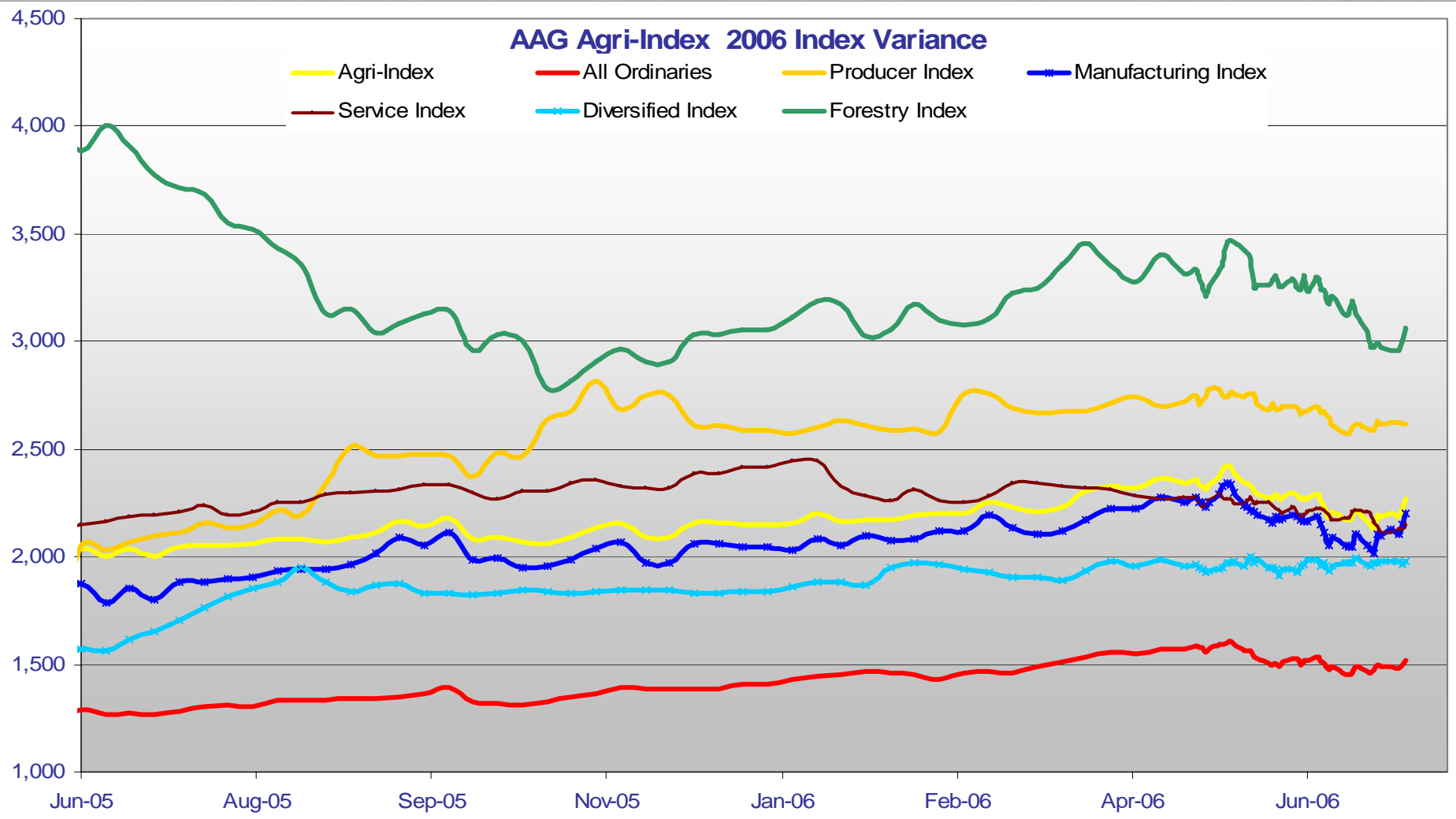
Performance History

- 4 Consecutive Years of AAG Agri Index out performance until 2006
- FY 2001 - FY 2006 **Average Annual Return**
 - AAG Agri-Index **12.4%**
 - All Ords **9.1%**
 - Dow Jones **1.5%**
 - Nasdaq **2.9%**
 - FTSE **1.6%**

2006 Index Performance - TKO

	2006	2005	% Change
AAG Agri-Index	11.10%	29.00%	-62.00%
All Ordinaries	19.00%	20.00%	-5.00%
Dow Jones	8.50%	-0.90%	1044.00%
Nasdaq	5.60%	1.60%	250.00%
FTSE	13.10%	14.80%	-11.00%

2006 FY Focus



2006 Sub-Sector Performance

	2006	2005	% Change
Producer Index	26.6%	55%	-52%
Manufacturer Index	18.5%	30%	-38%
Service Index	(1.9%)	12%	-116%
Diversified Index	22.2%	-6%	470%
Forestry Index	(21.7%)	21%	-203%

2006 Company Performance

- Mean Average Return = 3.00%
- Mean Average Return – **Top 20** = 29.6%
- Mean Average Dividend Return = 4.8%
- Mean Average Dividend Return – **Top 20** = 7.8%
- 28 of the 45 made breakeven returns or better.
- 20 of the 45 Companies Returned > 10% Total Return
- 27 of the 45 Paid Dividends within the FY

2006 Agri-Index - Top 10

Company	Yield (%)	Capital Growth	Overall Return	Overall Ranking	Agri-Index Sub Sector
Timbercorp	3.5%	81.9%	85.4%	1	Investment Management
Maryborough Sugar	0.0%	50.1%	50.1%	2	Manufacturing
Smorgon Steel	6.9%	37.1%	44.1%	3	Manufacturing
Incitec Pivot	4.4%	38.3%	42.7%	4	Manufacturing
Ausron	52.6%	(10.5%)	42.1%	5	Investment Management
Select Harvests	5.7%	33.5%	39.3%	6	Producer
Orica	4.0%	34.2%	38.3%	7	Manufacturing
GUD Holdings	8.7%	26.8%	35.5%	8	Diversified
Namoi	12.0%	22.2%	34.3%	9	Producer
Tassal Group	5.3%	28.1%	33.4%	10	Producer

Top 10 Improvers by Overall Ranking

Company	Overall Ranking	Previous Ranking	Ranking Change	Agri-Index Sub Sector
GUD Holdings	8	45	37	Diversified
Incitec Pivot	4	40	36	Manufacturing
Olea Australis	21	50	29	Producer
Greens Foods Limited	19	47	28	Manufacturing
So Natural Foods	16	43	27	Manufacturing
Ausron	5	30	25	Investment Management
Tassel Group	10	34	24	Producer
ABB	18	39	21	Service
Auspine	14	33	19	Investment Management
Atlantic	31	49	18	Producer

Top 10 by Dividend Yield

Company	Yield (%)	Capital Growth	Overall Return	Agri-Index Sub Sector
Ausron	52.6%	(10.5%)	42.1%	Investment Management
Integrated Tree Cropping	14.5%	0.0%	14.5%	Investment Management
Namoi	12.0%	22.2%	34.3%	Producer
Ruralco Holdings	9.9%	(8.3%)	1.5%	Diversified
Lion Nathan	8.8%	3.7%	12.5%	Manufacturing
GUD Holdings	8.7%	26.8%	35.5%	Diversified
Smorgan Steel	6.9%	37.1%	44.1%	Manufacturing
Queensland Cotton	6.9%	3.7%	10.6%	Producer
AWB	6.2%	(7.7%)	(1.5%)	Service
Select Harvests	5.7%	33.5%	39.3%	Producer

But since June 30th...

Company	Ranking	Percentage Change	Agri-Index Sub Sector
Timbercorp	1	(28.4%)	Investment Management
Great Southern Plantations	25	(18.4%)	Investment Management
Willmott	38	(28.9%)	Investment Management
AWB	28	(43.2%)	Service
Graincorp	39	(13.6%)	Service
McGuigan Simeon	42	9.2%	Producer
Burns Philp	27	19.1%	Manufacturing
Maryborough Sugar	2	16.9%	Producer
Tassal	10	36.4%	Producer
Chiquita	40	45.0%	Producer

But Since 30 June...

- \$790 Million of market cap cut from Forestry/Investment Managers – yes Minister!
- Fosters, McGuigan Simeon, Lion Nathan all improved – booze is back!
- Warrnambool Cheese & Butter (the last Mohican) up by 25.4% - drought will squeeze
- AWB “world of hurt” – Cole Inquiry, 43.2% fall in share price, drought, single desk pressure

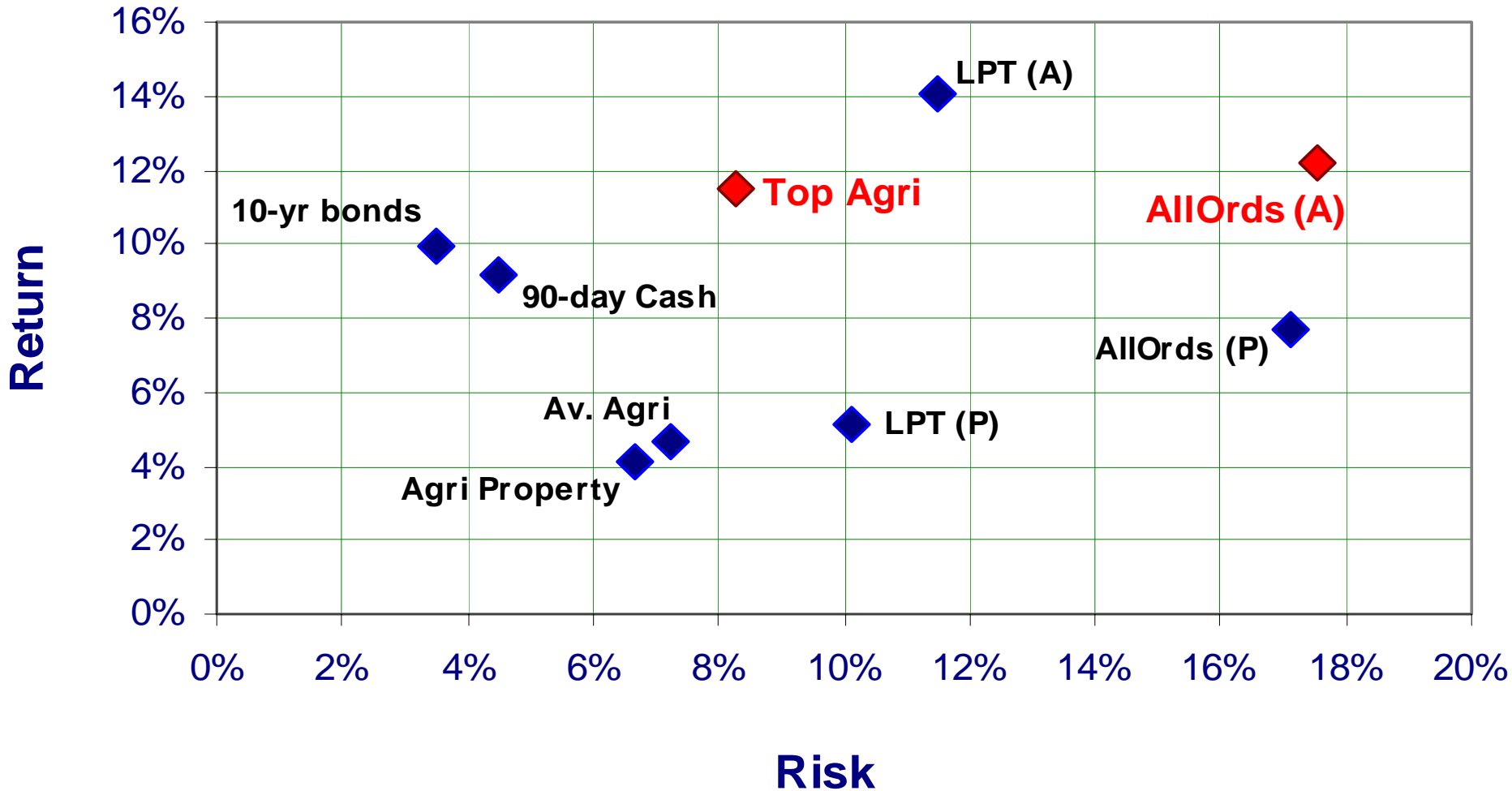
Drought Impacts - 1

- Returns lag the drought - AWB, Incitec Pivot, McGuigan Simeon, Qld Cotton, all returned +5% dividends in FY 2006
- Bottom 8 in Agri Index contain 5 of the top 10 dividend payers
- They will struggle in 2007, when the full impact of this drought bites their returns

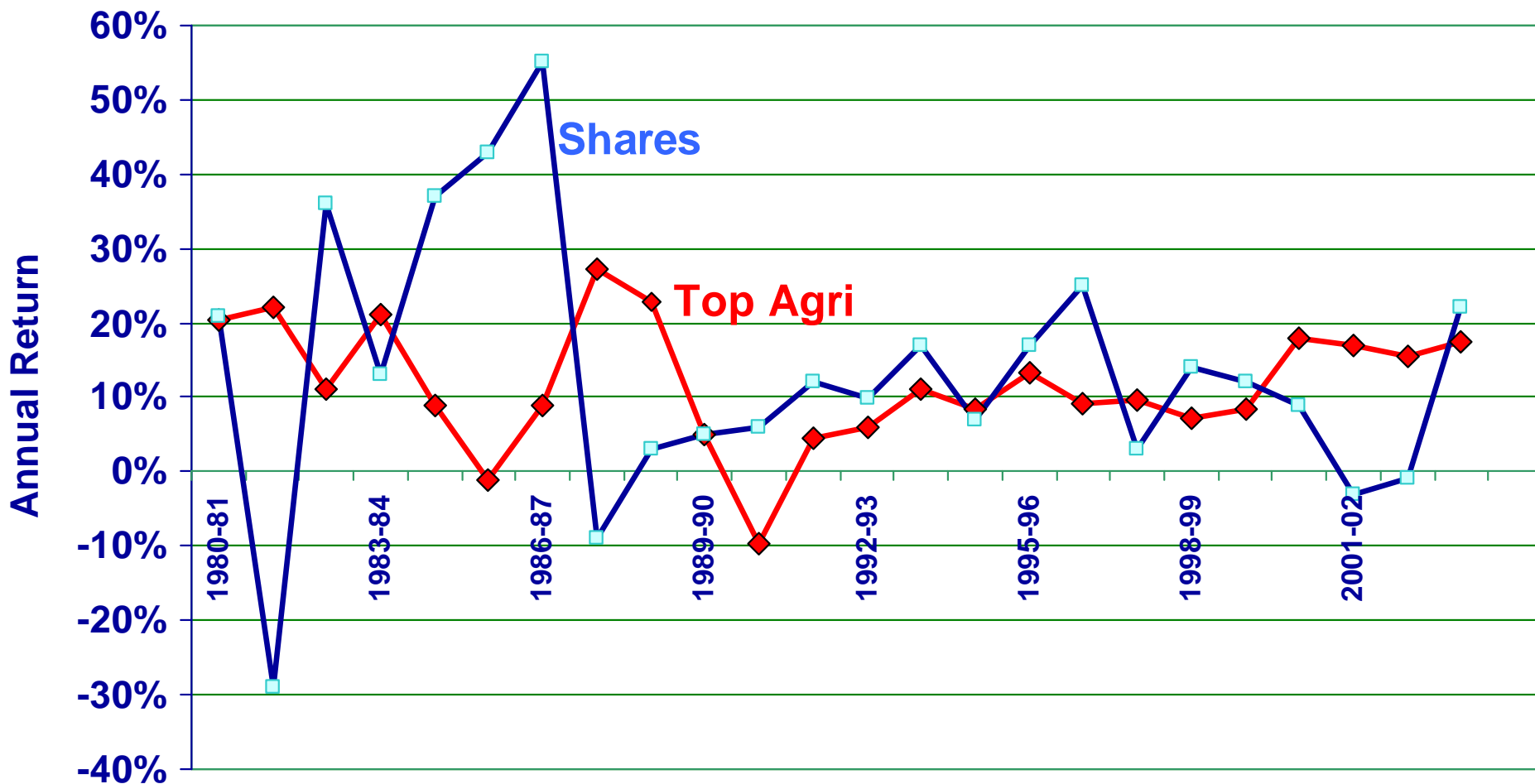
Drought Impacts - 2

- The big myth – land prices fall in droughts
- Exceptional Circumstances (EC) supports up to 80% of the interest cost – to banks
- No flood of land = asset values stay strong
- Capital growth continues through drought events...!
- Long term agri performance still good.

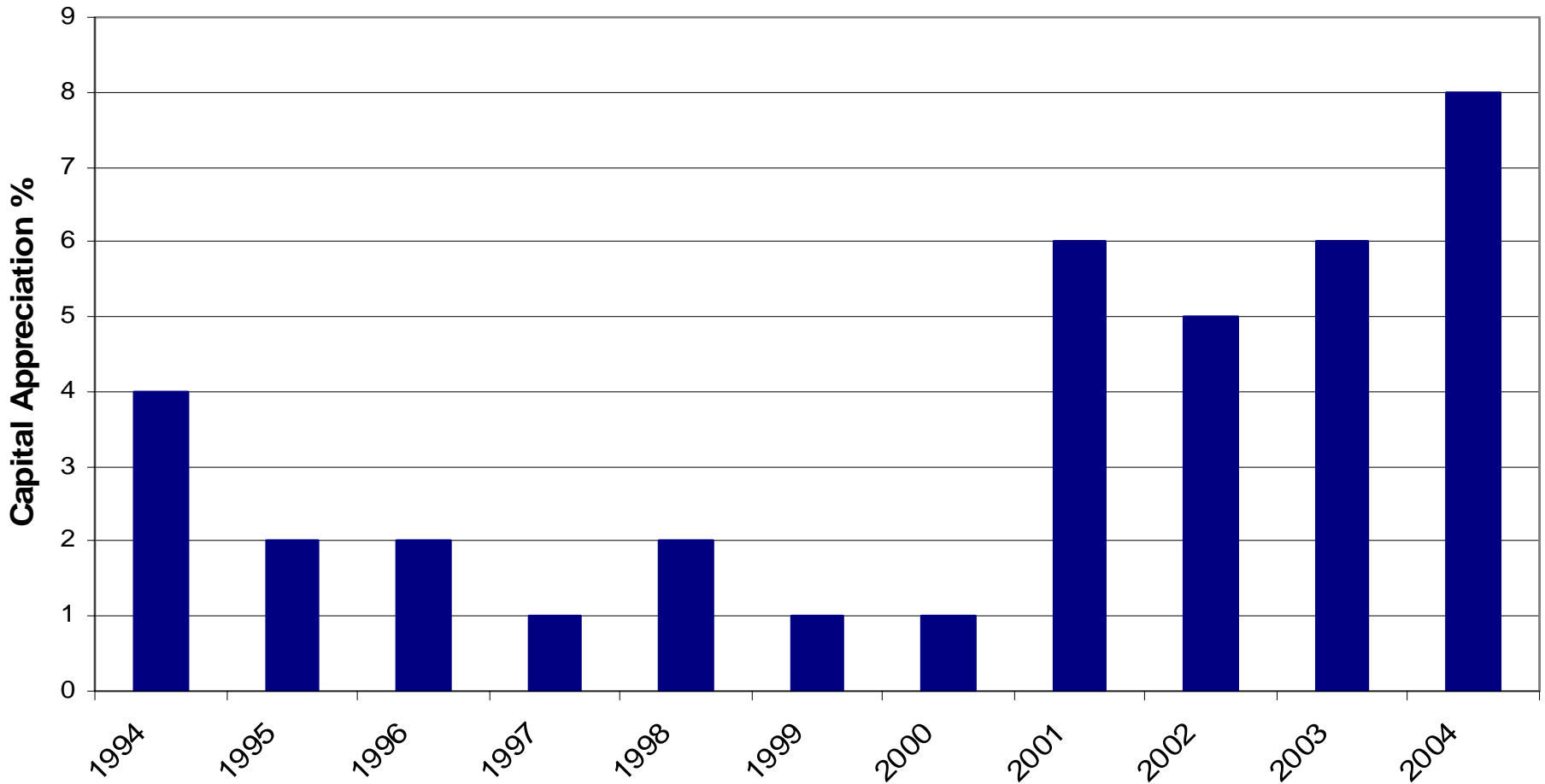
Risk vs. Return (over 24 years)



Correlation and volatility over 24 years



Capital Growth - Australia



Rebound?

- It will rain...post drought seasons tend to be very strong
- FMD – 41,583 holders, \$2.35 B held (March 2006) – some will do well
- Investment Managers will get some clarity in FY 2007
- Agri Index TKO – building a base for future expansion

Thank you.

Questions?

Check the updated web page:

www.ausagrigrp.com.au