



# A Global Perspective

## Where to from here?



# Key Outcomes From Today

- Worst recession since WWII
- Global recovery very steady
- Australian outlook remains weak
- Demand for rural commodities constrained in the short term



# Overview

- Where have we come from
- Short term global economic outlook
- Outlook for Australian economy
- Implications for agriculture

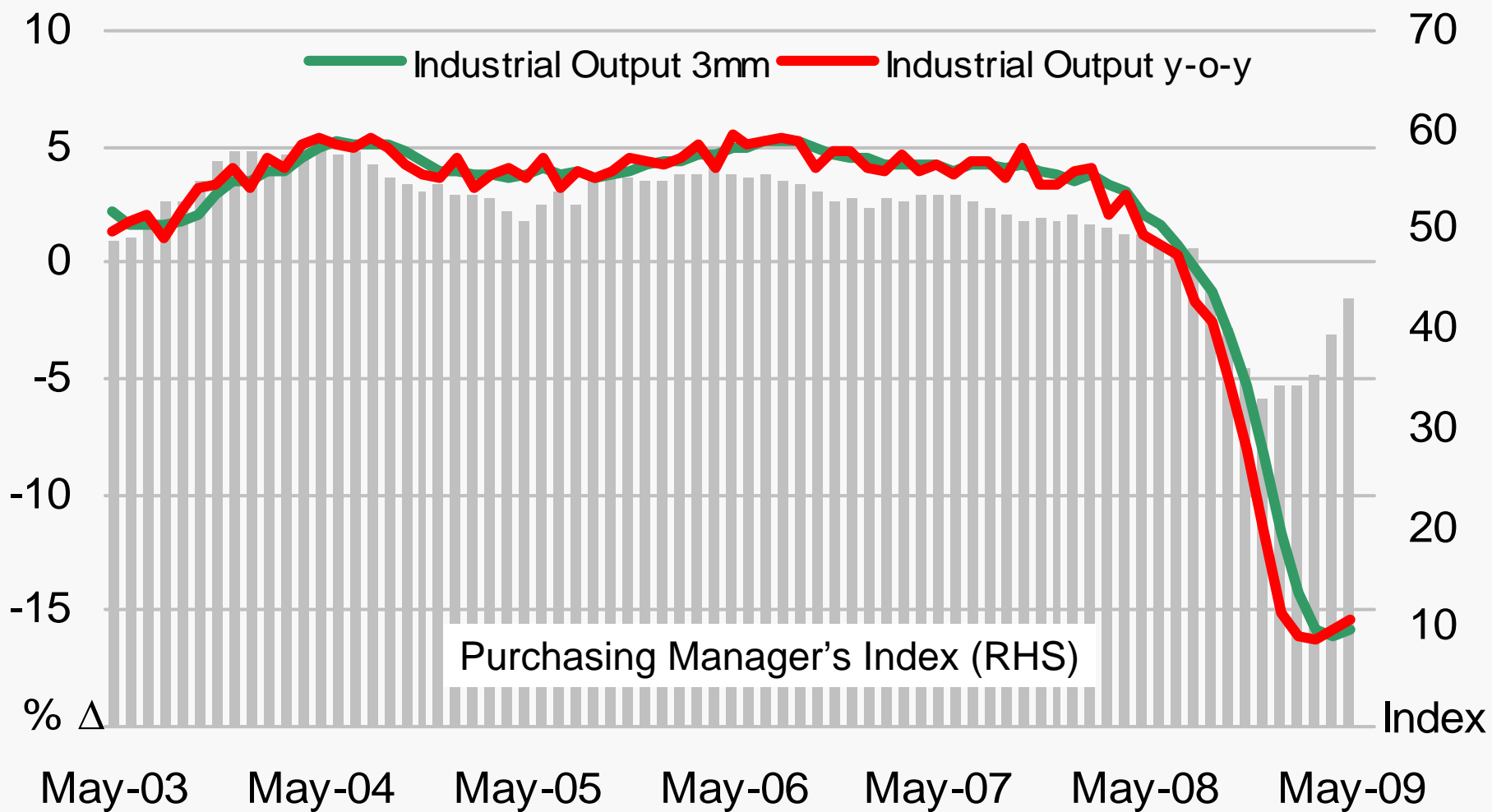


# Where have we come from?

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



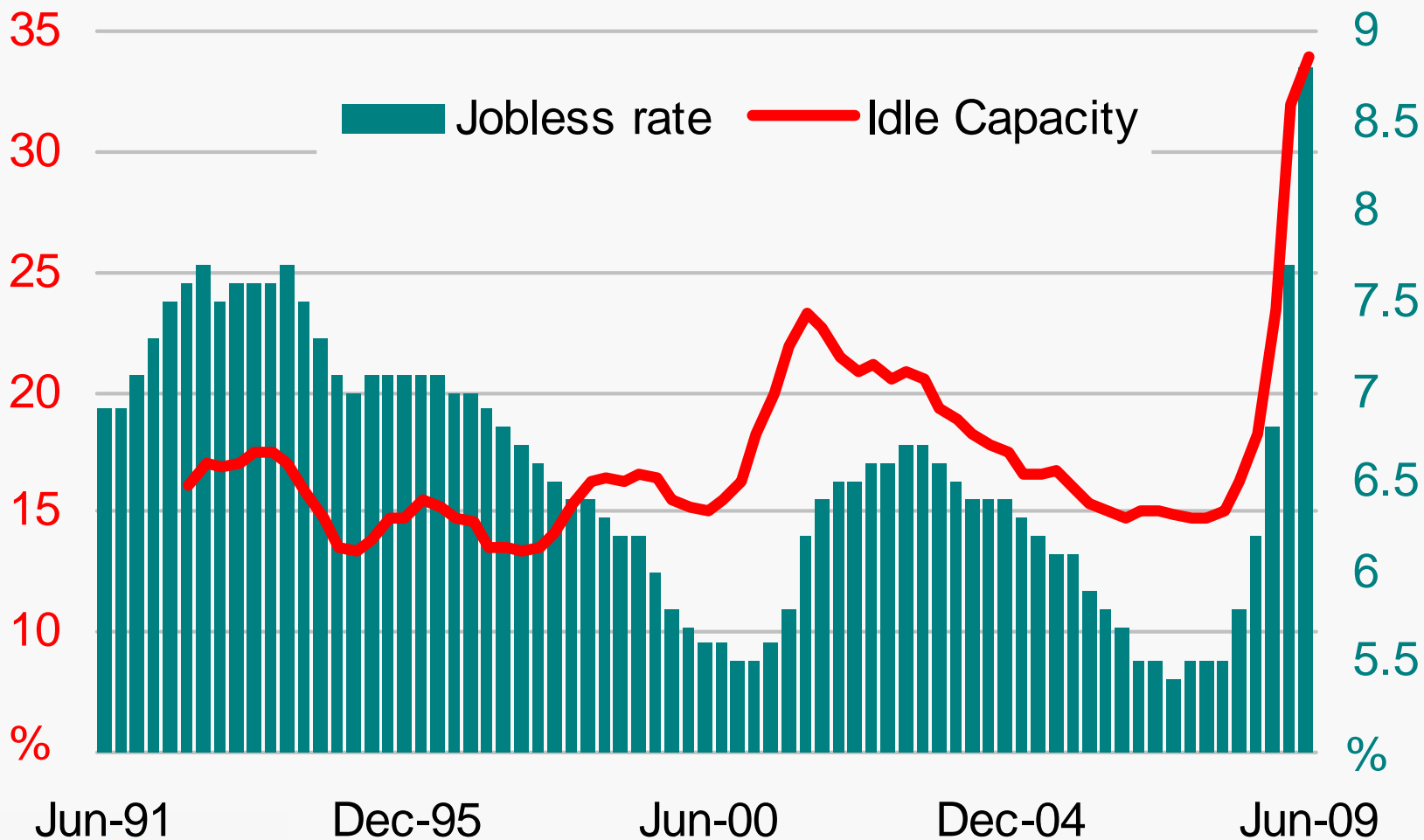
# Global PMI's and Industrial Output





# Unemployment & Idle Capacity

US, Canada Eurozone & Japan





# Outlook 2009 – Moderate Recovery

- Household balance sheets
- Cautious international banking system
- Monetary policy & fiscal policy tightening

# World Economic Growth

## ANNUAL GROWTH TOTALS

	2006	2007	2008	2009	2010
<i>GDP US</i>	2.8	2.0	1.1	-2.8	1.6
→ <i>GDP JAPAN</i>	2.0	2.3	-0.7	-8.0	0.8
<i>EURO GDP</i>	3.0	2.6	0.6	-4.6	0.4
<i>UK GDP</i>	2.9	2.6	0.8	-4.1	0.8
<i>nonjap asia</i>	5.4	5.6	2.2	-4.9	2.4
<i>latin america</i>	5.3	5.4	4.2	-1.3	1.6
<i>china</i>	11.0	11.8	9.5	8.0	8.5
<i>canada</i>	3.1	2.7	0.8	-3.0	1.0
<i>India</i>	9.9	9.3	7.5	5.4	5.3
<i>Africa</i>	6.1	6.3	5.2	3.4	4.0
<i>CIS</i>	8.2	8.6	6.0	-5.0	2.0
<i>E Europe</i>	6.7	5.7	3.2	-3.5	2.2
→ <i>Middle East</i>	5.7	5.9	6.4	3.9	2.0
<i>Other advanced</i>	4.5	4.7	1.9	-3.0	2.2
→ <i>GLOBAL TOTAL</i>	<b>5.0</b>	<b>4.9</b>	<b>3.1</b>	<b>-1.6</b>	<b>2.4</b>

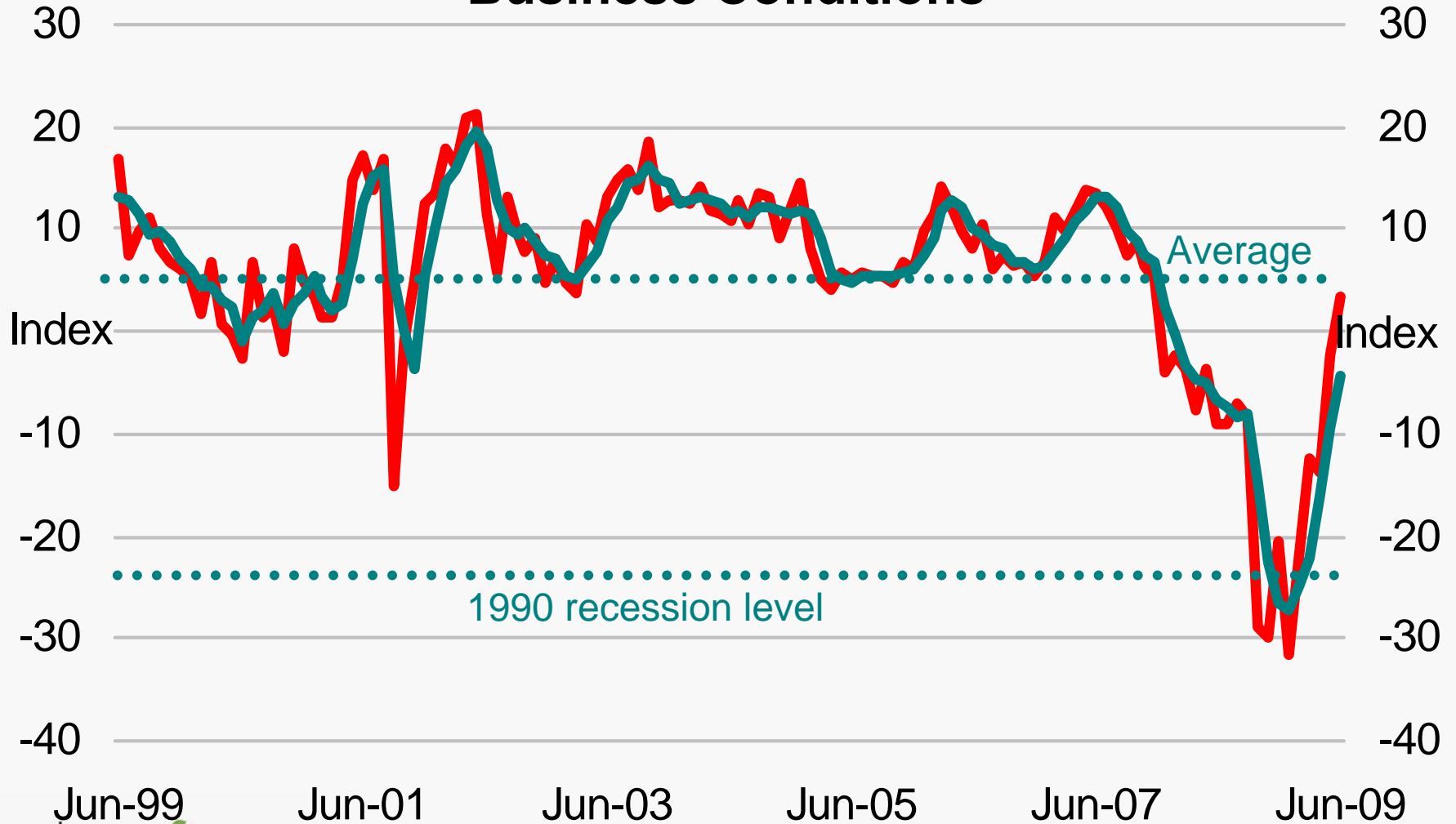
- US to lead recovery
- Followed by China, India and other Asia
- Europe to lag the rest
- U shaper recovery with growth of 2.4% in 2010 – well below trend

# Australia to Date

- Functional financial system
- Effective government policies:
- Relative strength of commodity prices
- Very solid starting economic position:

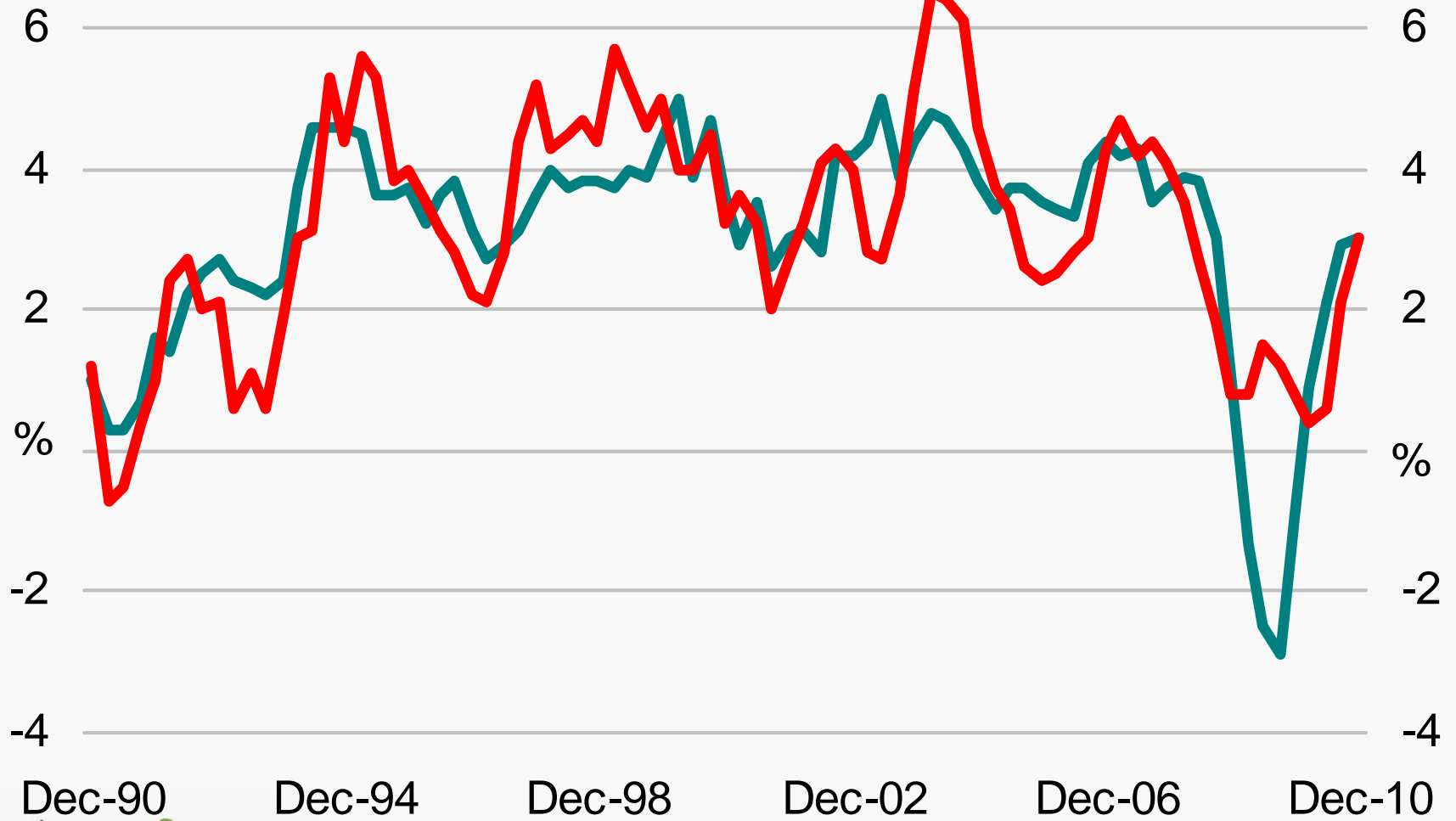
# Has the Worm Turned?

## Business Conditions



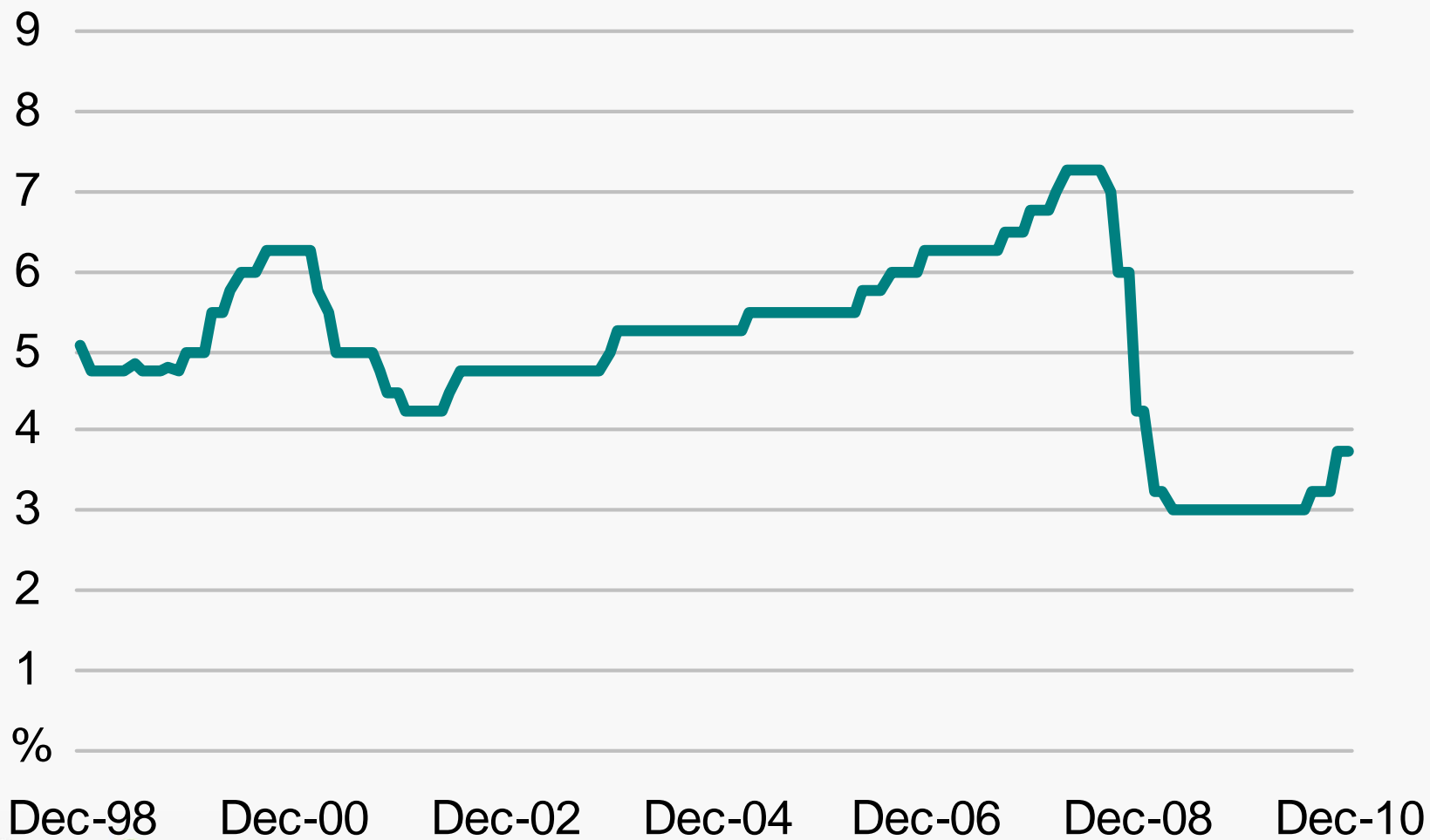


# Real Consumption – Annual Growth

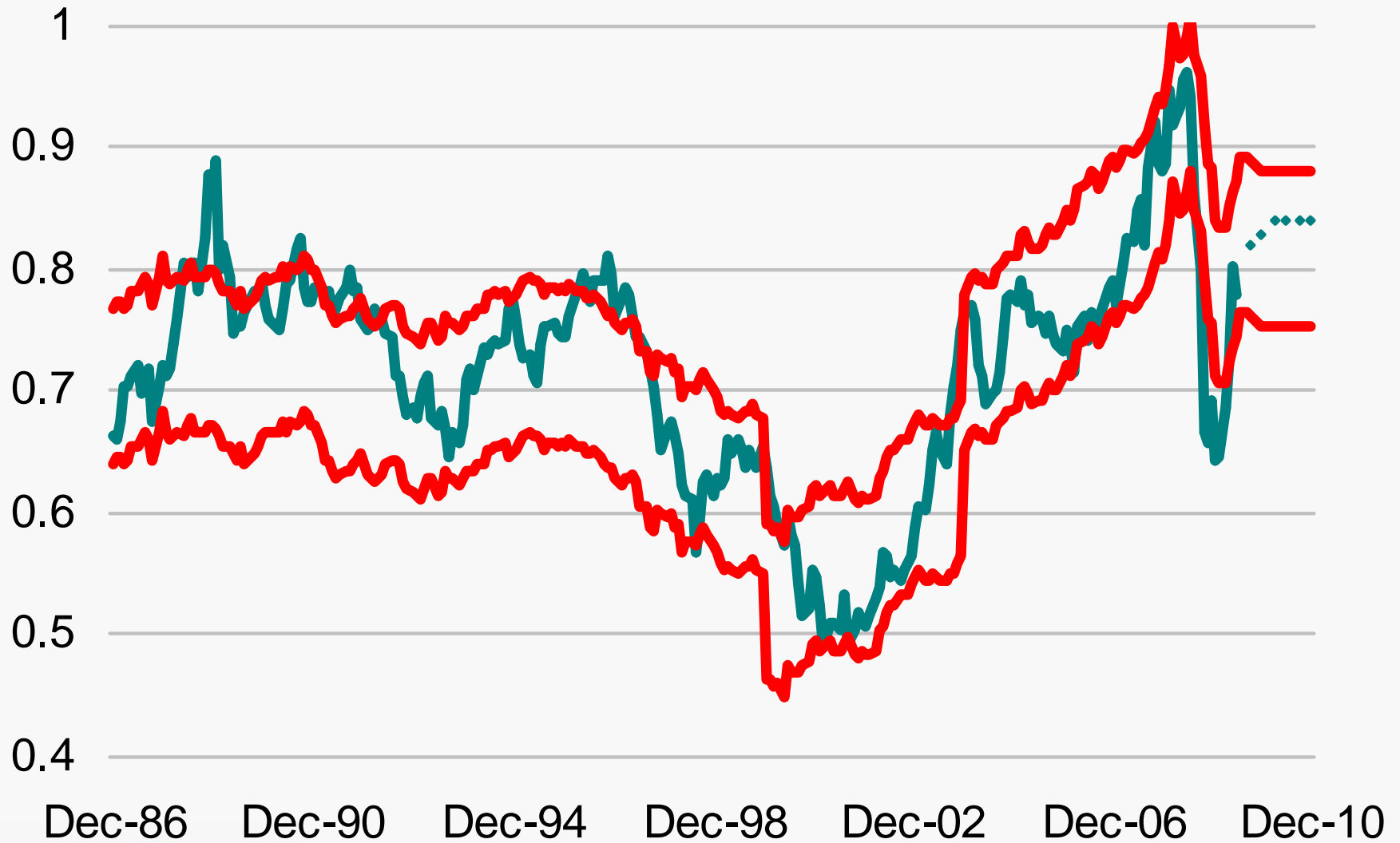




# Australian cash rate forecast



# Exchange rate outlook



# Key take home messages

- Short term outlook remains tough
  - Unemployment to increase
  - Household incomes to contract
  - Government handouts to wash out
  - Demand to remain constrained

# What does it mean for Agriculture

- Two key short term risks
  - Contractions in global household incomes
  - Government interventionist policies
- Demand side
  - Premium products
  - Fibres
  - Beef
  - Dairy

# Key Risk Areas

- Industry risk
  - Macro Economy
  - Profitability
  - Industry Growth
  - Oversupply
  - Structural/Regulation
  
- Climate Risk

# Where to From Here

- Redistribution of Resources
  - Goulburn Valley vs New England
  - WA Cropping vs Livestock
  - Western District Cropping vs Livestock
- Rain!
- Equity/debt ratio's

## Important Notices



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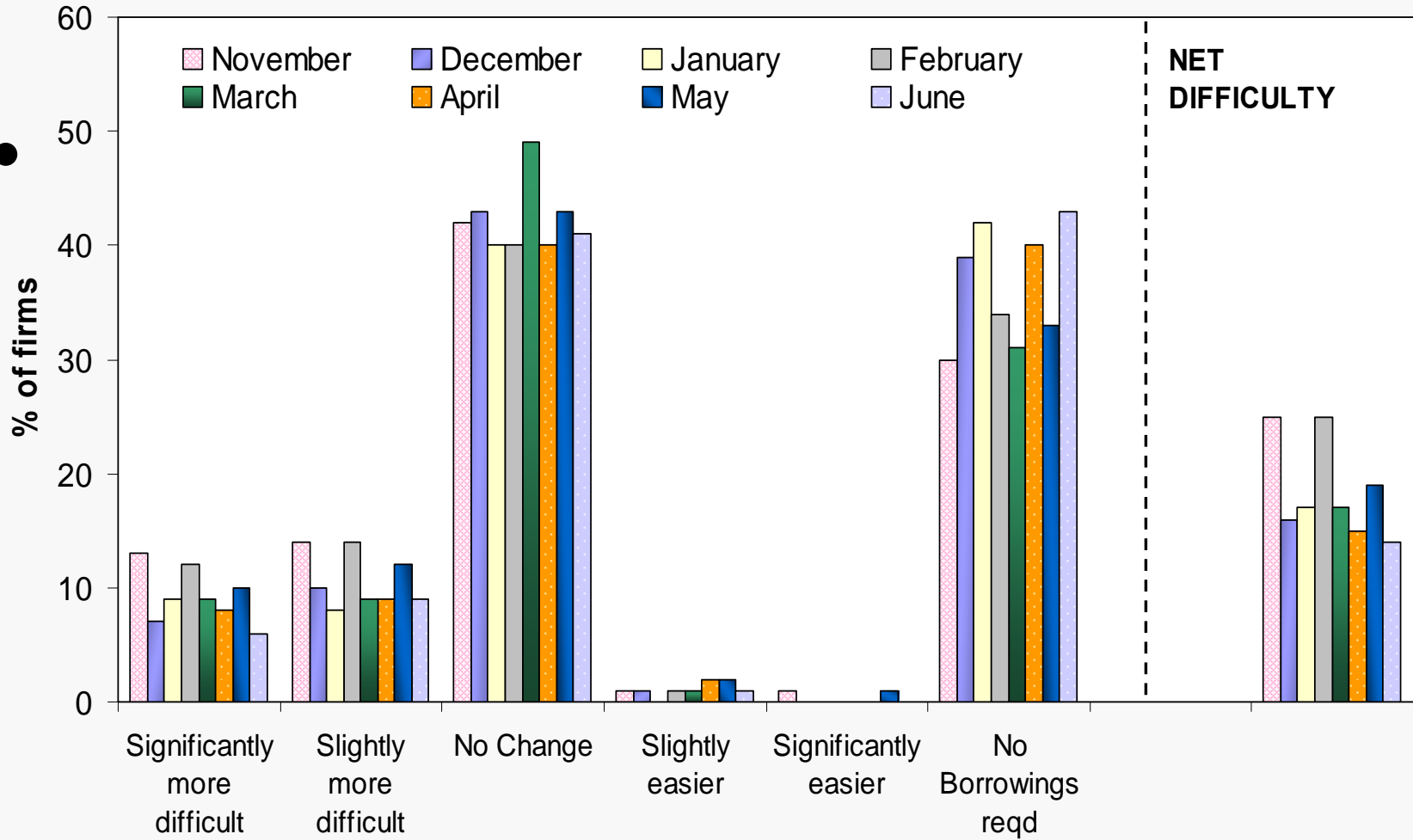
[frank.h.drum@nab.com.au](mailto:frank.h.drum@nab.com.au)

# 2009-10 Rural Outlook

- Rural Commodity Prices  7% in 2009-10
- NVP  2% to \$8.4 billion in 2009-10

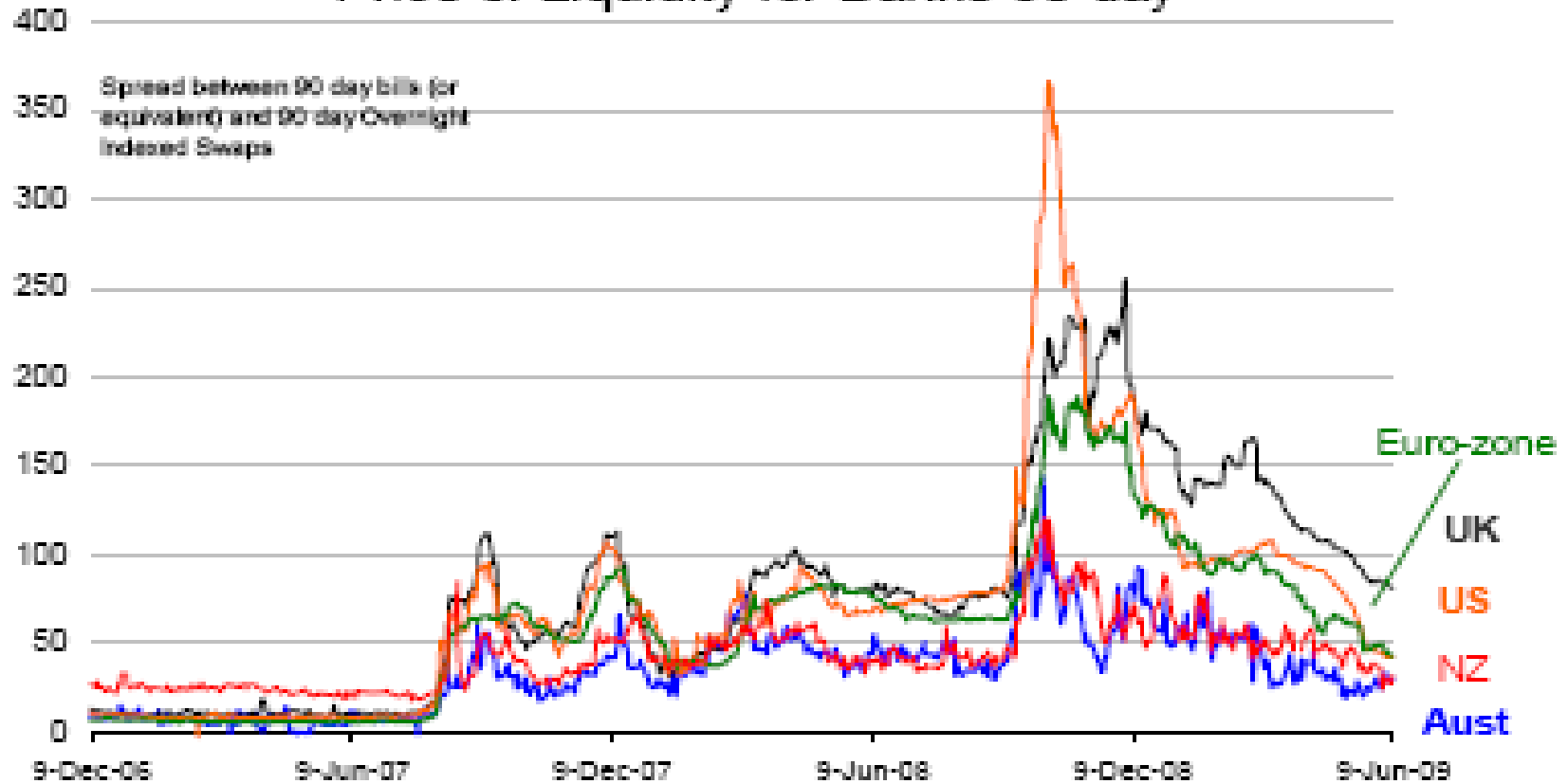
	Production	Price
Wheat	 8%	 -14%
Beef	 -1%	 -2%
Dairy	 -4%	 -19%
Lamb	 -8%	 12%
Wool	 -10%	 2%
Sugar	 2%	 11%
Cotton	 57%	 -7%
Oil	-	 -4%

# Availability of Finance Constraint



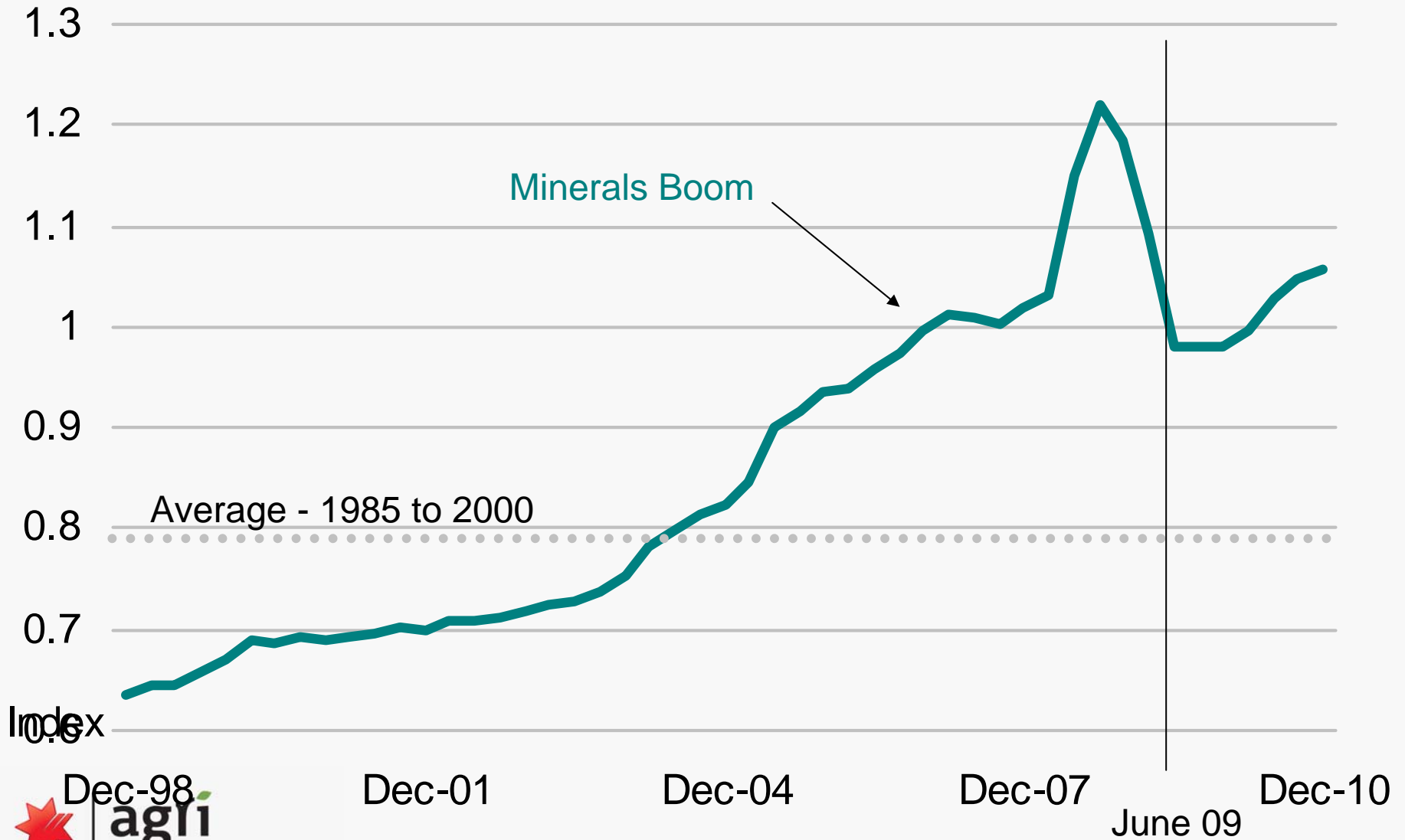
# 90-day market funding costs spread to OIS

## Price of Liquidity for Banks 90 day



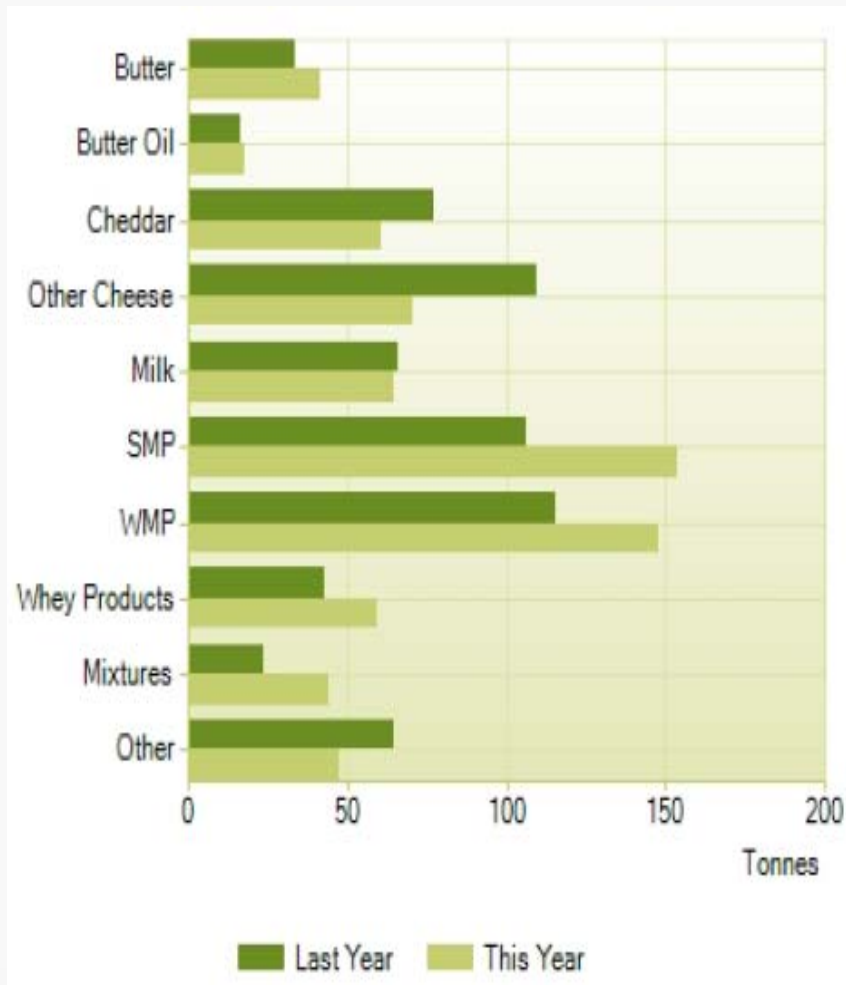


# Australia's Terms of Trade



# Export Performance

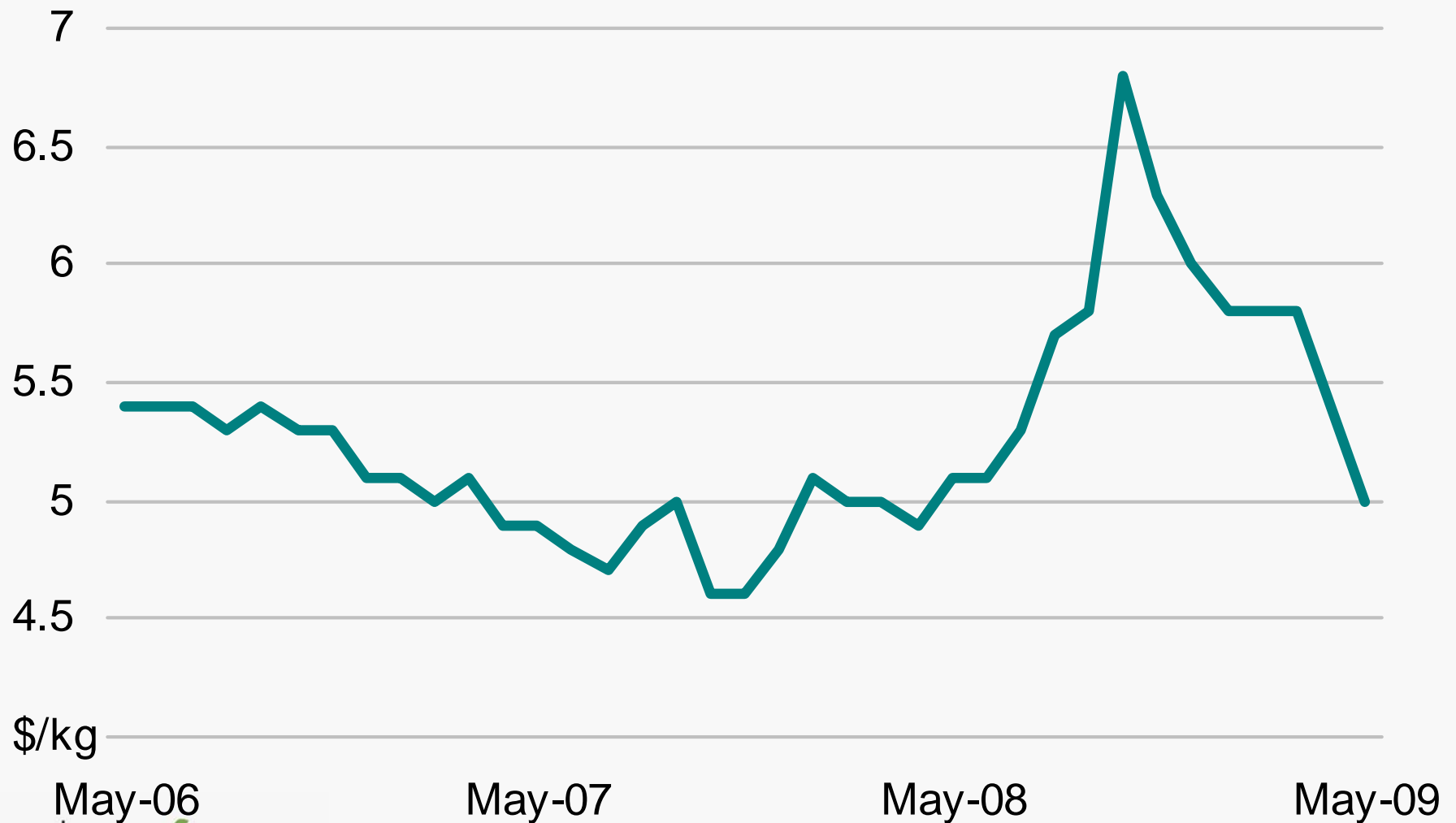
Trading down!



- Butter +23%
- Cheddar -21.5%
- Other Cheese -35.5%
- SMP +45%
- WMP +28%
- Total +7.8%

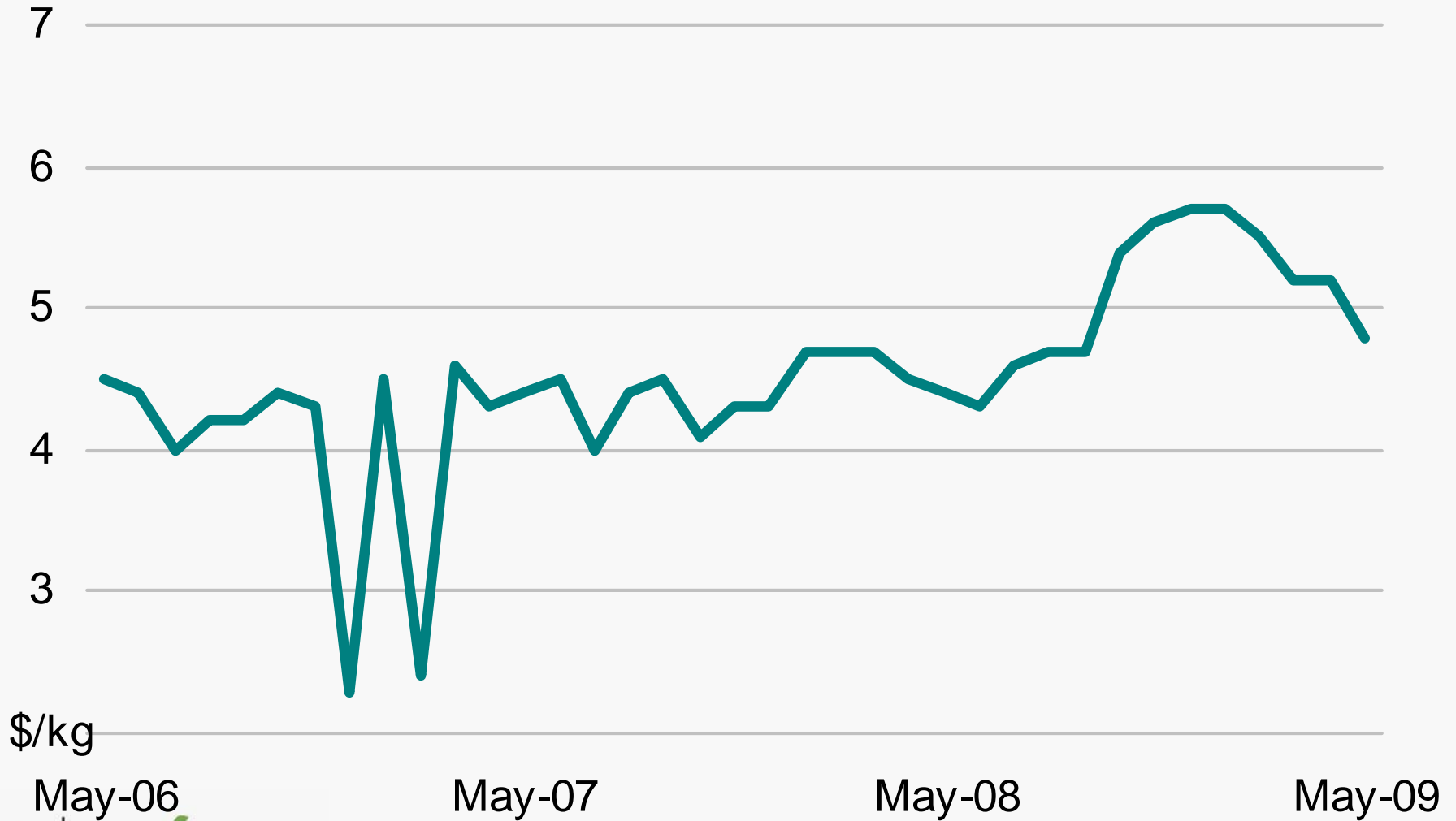


# Beef exports to Japan





# Beef exports to Japan



\$/kg

May-06

May-07

May-08

May-09

# Livestock Outlook

- Weaker growth in meat consumption
- Preferential access to remain
- Lower feed grain prices
  
- Low global lamb supply
- OPEC/Middle East

Developing & maintaining market share in new markets

- Russia, China, India etc

# Dairy Outlook

- Internationally
  - Weakening demand
  - Government intervention
  - Prices easing in line with above
  - Steady recover expected
- Domestically
  - Seasonal outlook steadily improving
  - Lower farm gate prices...

# Drivers of Property Values

- Economic Environment
- Banking Environment
- Commodity Prices
- Cost of Production
- Markets