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THE AUSTRALIAN FERTILIZER MARKET

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**All the papers and presentations prepared for the
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Incitec Pivot Limited

The Australian fertilizer market

Presented by Mr Julian Segal
CEO and Managing Director
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Melbourne, 17 December 2008

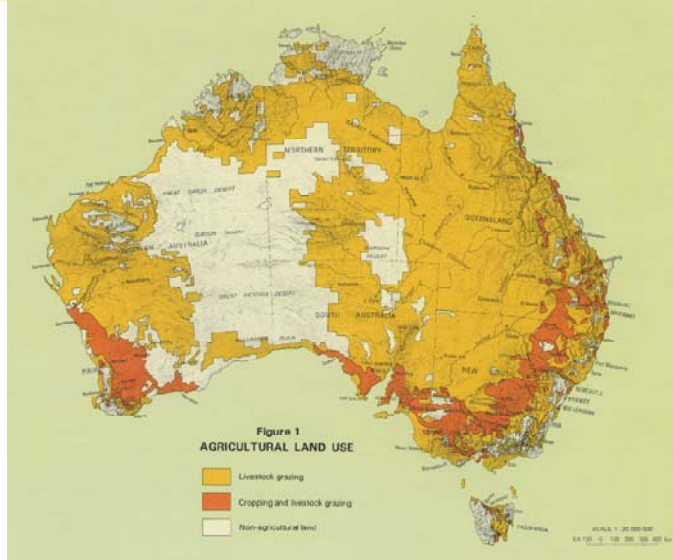


Australian agriculture – a summary

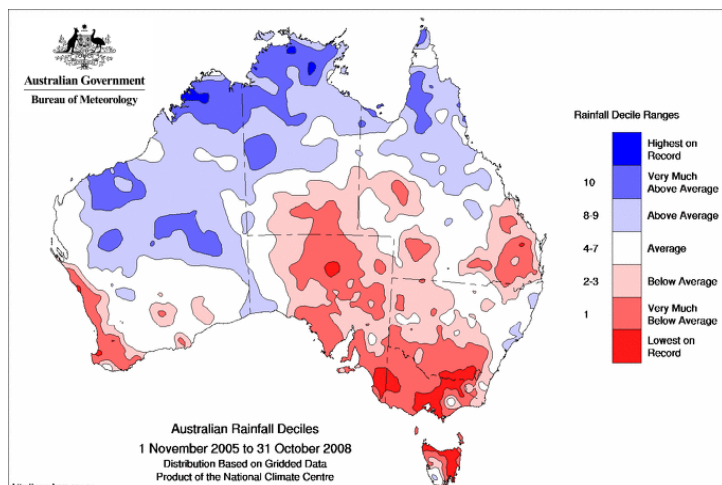
- Agriculture has been a dominant and enduring industry in Australia.
- Large areas of relatively low cost land, and generally favourable weather conditions will ensure that agriculture continues to make a substantial contribution to the Australian economy.
- the large variety of agricultural enterprises (temperate/tropical, extensive/intensive, livestock/cropping) reflects the large change in climatic and growing conditions across the country.
- The industry continues to restructure with economies of scale gained through consolidation, to ensure farmers move towards best practice and remain globally competitive.
- Recent high commodity prices have facilitated this restructuring process by supporting relatively high land prices and so opportunities for smaller producers to exit.
- Extended dry conditions have significantly impacted short/medium term farm profitability.
- The industry remains optimistic for the future, with an expectation that normal seasonal conditions will return, and with buoyant long term forecasts for soft commodities.



Extensive, low input grazing covers much of the inland, while high input enterprises are in the high rainfall temperate and tropical zones closer to the coast:



Dry conditions have been a feature of recent years, however such periods are not unprecedented and do not necessarily signal long term climate change:

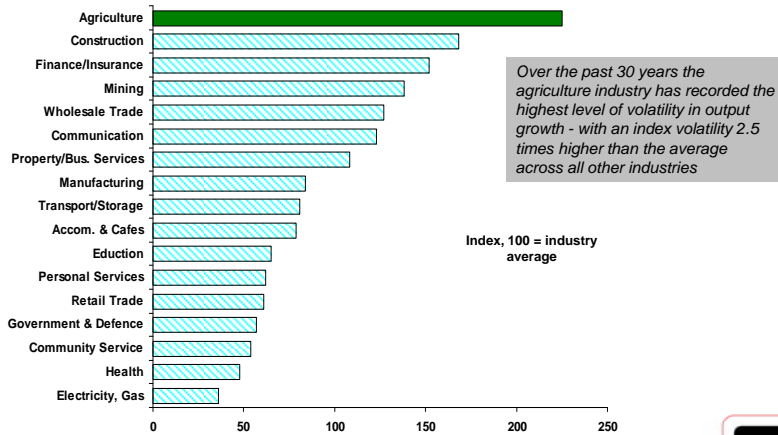


Source: Australian Bureau of Meteorology



Agriculture is likely to experience continued significant volatility at a regional level due to uncontrollable factors (eg, weather)

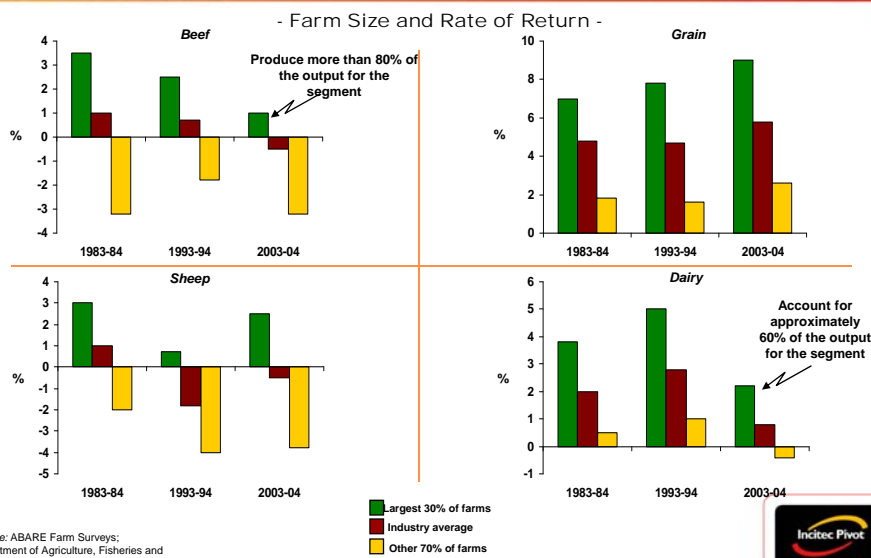
- Industry Volatility -
(1975 - 2004)



Source: Productivity Commission 2005, Trends in Australian Agriculture, Research Paper, Canberra.



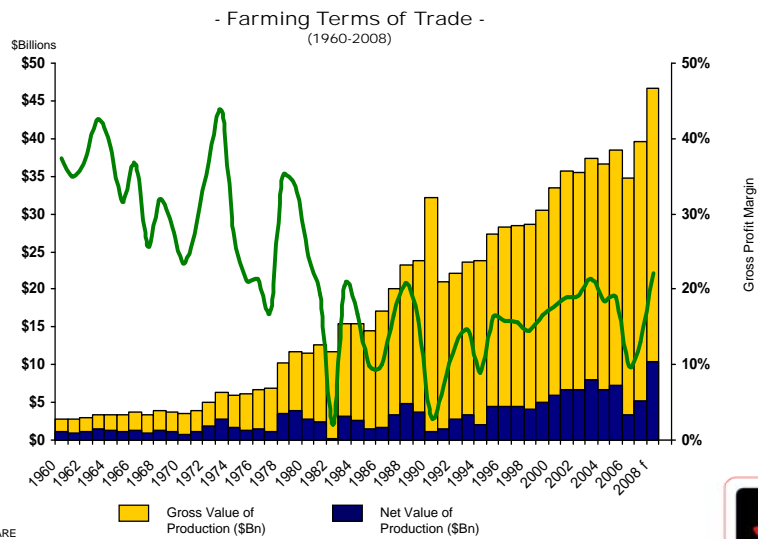
The high proportion of small farms mask the performance of large commercial farms - rates of return by larger broadacre farms are comparable with investment returns in other sectors of the economy:



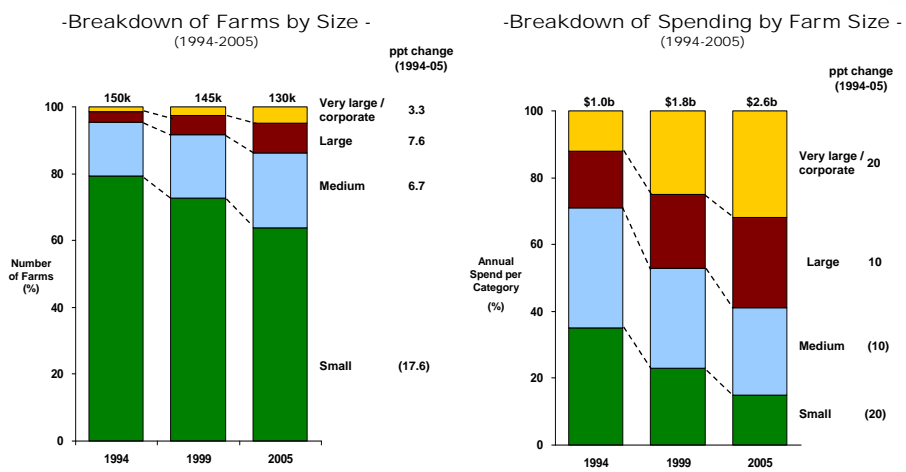
Source: ABARE Farm Surveys; Department of Agriculture, Fisheries and Forestry (2005).



Farming terms of trade have turned positive, due to increasing commodity prices and consolidation, after a period of decline:



Consolidation of spending on farm inputs is occurring rapidly; the number of large farms has tripled in ten years and now account for nearly 60% of total spending

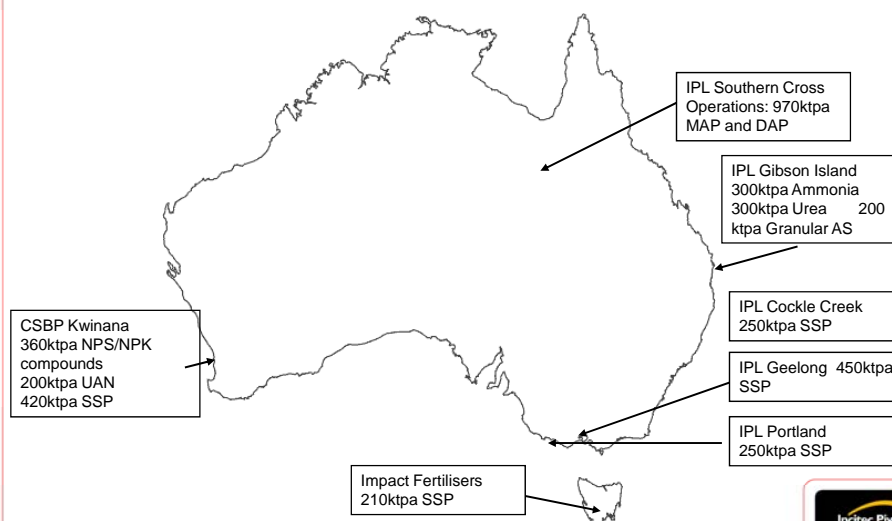


The Australian fertiliser industry

- Recent structural adjustments have resulted in an industry more able to generate adequate returns despite the reduced size of the market.
- Manufacturers are generally well placed on the global cost curve
- Manufacturers have accessed export markets to absorb excess manufacturing capacity
- The industry remains intensely competitive, as recently reaffirmed by the Australian Competition and Consumer Commission
- Barriers to entry for importers and distributors are low
- Participants at all levels have innovated and/or grown to remain competitive and profitable
- Service levels increase and product offerings continue to expand as players seek to differentiate.

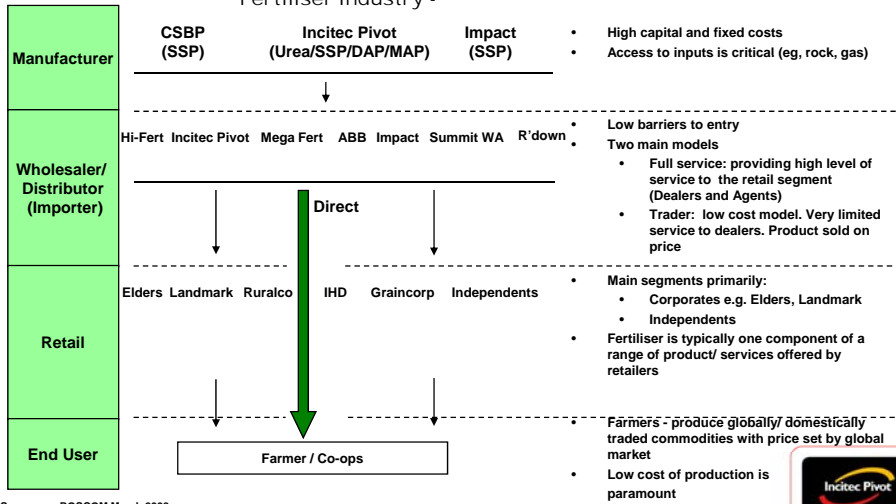


Domestic manufacture accounts for 52% of domestic demand with the balance met by imports. Product is routinely exported in between domestic markets.

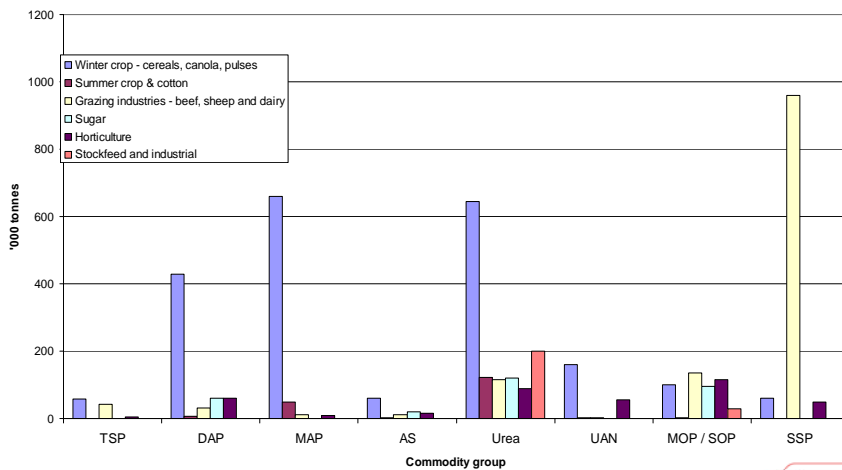


Low barriers to entry has seen an increase in the number of participants at the wholesale/distributor level:

- Structure of the Australian Fertiliser Industry -

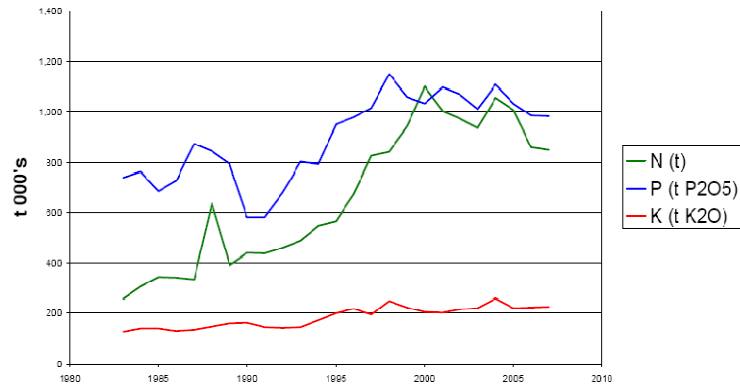


Fertiliser consumption by crop:



Australian nutrient demand has plateaued /declined due to dry conditions however will recover with improved seasonal conditions:

Historic Nutrient Sales



Source: FIFA

Market stable / declining due to prolonged drought



Questions?

