

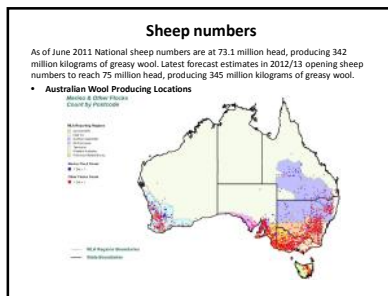
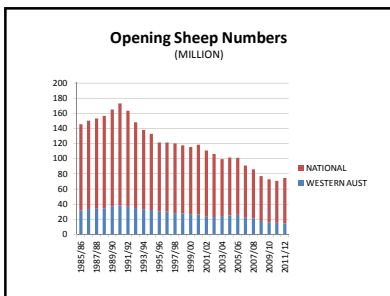
WOOL MARKET OUTLOOK 2012/13



- Sheep numbers
- Wool production levels
- Cut per head
- Wool export destinations and value
- Current market trend
- New emerging markets
- Forward markets and marketing options

Background

- Primaries of WA Pty Ltd was established in 1981 as a wool broker before expanding into livestock following the acquisition of Cargill Australia Pty Ltd in 1998. More recently Primaries have entered into a Joint Venture agreement with Rusico Holdings Ltd, although the business continues to be operated and managed locally in WA.
- Primaries aim to provide the rural sector of Western Australia with a comprehensive, cost efficient range of services at a competitive rate, whilst offering the highest level of personalised and professional service through innovation and commitment via our dedicated staff, each specialising in their own field. This range of services includes livestock (sheep & cattle), wool, grain, real estate, finance, insurance and merchandise.
- A key to the success of Primaries is its insistence in being totally independent during the sales transaction process. By selling through Primaries, clients enter into a 'Del Credere' arrangement guaranteeing payment.
- Primaries also offer its clients access to all their sales transactions through the Primaries website (www.primaries.com.au). This provides up to date access 24 hours / day, 7 days / week.



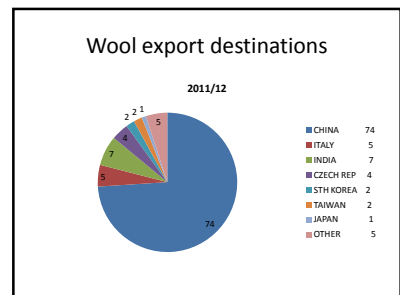
Cut Per Head

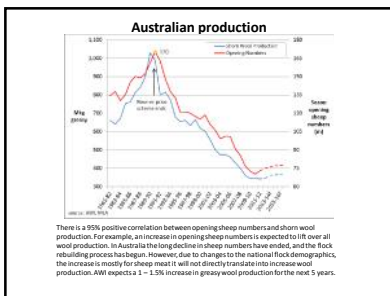
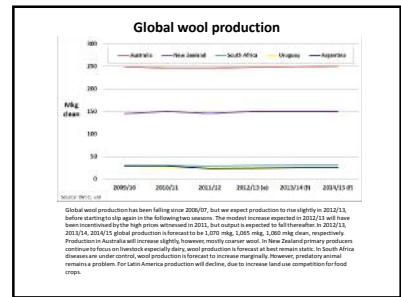
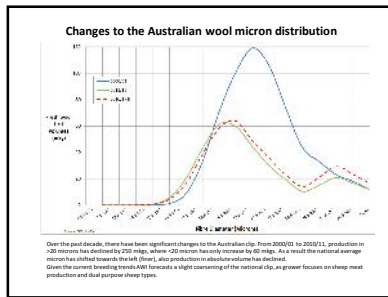
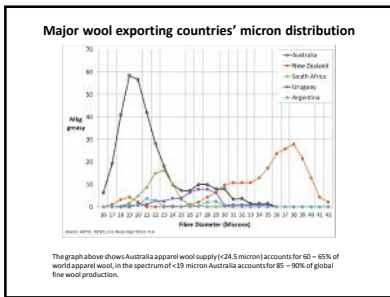
AUSTRALIA	OPENING NUMBERS	NUMBER OF SHEEP SHORN	AVERAGE CUT PER HEAD	SHORN WOOL PRODUCTION
2008/09	76.9	79.3	4.52	362
2009/10	72.7	76.2	4.5	343
2010/11	70.8	76.2	4.53	345
2011/12	73.1	76.4	4.48	342
2012/13F	75.0	78.7	4.41	347

WESTERN AUSTRALIA	OPENING NUMBERS	NUMBER OF SHEEP SHORN	AVERAGE CUT PER HEAD	SHORN WOOL PRODUCTION
2008/09	17.7	18.7	4.52	84.7
2009/10	15.7	16.9	4.4	74.0
2010/11	15.3	16.4	4.27	70.1
2011/12	14.0	14.4	4.43	63.9
2012/13F	14.6	14.6	4.50	68.0

WOOL PRODUCTION FORECASTING

- The Australian Wool Production Forecasting Committee (AWPFC) has left its shorn wool production forecast at 345 mkg greasy for 2012/13, unchanged from its previous August 2012 forecast, and representing a rise of 0.9% on 2011/12 production levels. The forecast season-on-season increase reflects both an increase in opening sheep numbers and shorn sheep numbers, and a slight decrease in average greasy fleece weights.
- Key points to note are:
 - The 75.0 million forecast for 2012/13 opening sheep numbers reflects a slight (0.6 m) reduction from the August 2012 forecast, but remains a year-on-year increase (2.6%). These values are in alignment with the recent Meat and Livestock Australia (MLA) sheep and lamb forecast, and grower sentiment as expressed in the most recent Joint MLA and AWI grower survey, but diverge from the preliminary ABS survey data estimate of 2012/13 opening sheep numbers (72.5 m).
 - The Committee felt while year-to-date AWTA wool test volumes were 4% higher than for the same period last year, these are likely to largely reflect improved wool market conditions, rather than an equivalent increase in production.
 - The changes in forecast wool production are consistent with a trend toward rebuilding of sheep numbers in Australia, in alignment with recent MLA forecasts





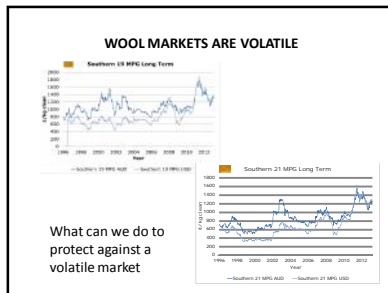
Wool outlook

- The annual outlook conference by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) was held in Canberra recently and contained an upbeat forecast for wool. On the other hand, it contained a more subdued forecast for sheepmeat and lambs than was the case last year.
- ABARES predicts that, after dropping in the current 2012/13 season from the earlier prices seen in 2011/12, wool prices will lift by 12% in 2013/14 to an annual average for the Eastern Market Indicator of 1.88 cents/kg. ABARES then expects the EM to continue to lift by around 4% each year to 2015/17, reaching an annual average 1.97 cents/kg compared with the predicted average of 1.82 cents/kg this season. ABARES puts the increase in EM to improved economic conditions in Europe and in the United States which will boost discretionary consumer spending. This will help China's exports of wool clothing to their destinations. As well, China's own domestic demand is expected to increase in the next year.
- This is a much better prognosis of the outlook for wool than ABARES' prediction 12 months ago. The difference in the price outlook from year-to-year is quite substantial. For example, ABARES' 2012 forecast for the 2013/14 season was for an average Mt of 1.74 cents/kg, compare with its latest forecast of 1.88 cents/kg. As well, ABARES' forecast for 2016/17 last year was 1.60 cents/kg, compared with the current forecast of 1.97 cents/kg.

VIETNAM AN EMERGING MARKET

Two key points for the development in Vietnam

- Overriding exposure/misalignment from China
- Realigning costs in China
- Australia is highly exposed to China, not only in the resource and mining sector but also in the wool industry. In 2007 China accounts for 10% of total Australian greasy wool exports, this figure has risen to 25% in 2011.
- In recent years, China's manufacturing wage costs are rising more than 10% annually, manufacturing wages rose 23.0% year-on-year from US\$ 7.20 to US\$ 8.81 per hour, whereas, Vietnam's wages rose 12% year-on-year from US\$ 5.52 to US\$ 6.08 per hour. Accordingly, 50% of the country's low-cost labor is expected to be lost in an average of 4.42% a year compared to Vietnam's manufacturing at an average rate of 1.8% p.a. (growing from a very low cost base). By 2020 the Chinese manufacturing costs will be 2.5 times the amount of the Vietnamese labor costs.
- The US market accounts for roughly 25% of global consumption in the clothing market, both in value and volume. Therefore it is useful to investigate the market share of China and Vietnam's exports into the US.
- In 2008 China was the largest supplier of wool apparel for the US market both in volume and value, while Vietnam was the 9th in wool apparel volume and 10th in value. After Vietnam became a member of the WTO on the 11th of January 2007, exports to the US were eliminated the dramatic change in the importance of Vietnam as an exporter to the US. From 2007 and onwards, Vietnam has taken the 1st place in export wool apparel exports to the US market, in value terms Vietnam moved up to the 5th, until 2011 surpassing Canada and taking the 4th place.
- There is no doubt that the Chinese wool processing capacity will continue to grow, and remain the most important market for Australian wool. In the next 5-10 years we should not put all the eggs in one basket and diversify the wool risk exposure to China.



Financial advice disclosure

- This general advice has been prepared by Primaries and does not take account of your objectives, financial situation or needs. Before acting on this general advice you should consider the appropriateness of the advice having regard to your situation, and should obtain advice from your own financial adviser.
- Mark Scragg can be contacted at Primaries on (08) 94341622 or Ag Concepts on (03) 5337764

Wool prices..... Deciles Provide historical perspective

Wool Price Deciles (1980-2012)											
Year	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th
1980	1.10	1.15	1.20	1.25	1.30	1.35	1.40	1.45	1.50	1.55	1.60
1981	1.12	1.17	1.22	1.27	1.32	1.37	1.42	1.47	1.52	1.57	1.62
1982	1.14	1.19	1.24	1.29	1.34	1.39	1.44	1.49	1.54	1.59	1.64
1983	1.16	1.21	1.26	1.31	1.36	1.41	1.46	1.51	1.56	1.61	1.66
1984	1.18	1.23	1.28	1.33	1.38	1.43	1.48	1.53	1.58	1.63	1.68
1985	1.20	1.25	1.30	1.35	1.40	1.45	1.50	1.55	1.60	1.65	1.70
1986	1.22	1.27	1.32	1.37	1.42	1.47	1.52	1.57	1.62	1.67	1.72
1987	1.24	1.29	1.34	1.39	1.44	1.49	1.54	1.59	1.64	1.69	1.74
1988	1.26	1.31	1.36	1.41	1.46	1.51	1.56	1.61	1.66	1.71	1.76
1989	1.28	1.33	1.38	1.43	1.48	1.53	1.58	1.63	1.68	1.73	1.78
1990	1.30	1.35	1.40	1.45	1.50	1.55	1.60	1.65	1.70	1.75	1.80
1991	1.32	1.37	1.42	1.47	1.52	1.57	1.62	1.67	1.72	1.77	1.82
1992	1.34	1.39	1.44	1.49	1.54	1.59	1.64	1.69	1.74	1.79	1.84
1993	1.36	1.41	1.46	1.51	1.56	1.61	1.66	1.71	1.76	1.81	1.86
1994	1.38	1.43	1.48	1.53	1.58	1.63	1.68	1.73	1.78	1.83	1.88
1995	1.40	1.45	1.50	1.55	1.60	1.65	1.70	1.75	1.80	1.85	1.90
1996	1.42	1.47	1.52	1.57	1.62	1.67	1.72	1.77	1.82	1.87	1.92
1997	1.44	1.49	1.54	1.59	1.64	1.69	1.74	1.79	1.84	1.89	1.94
1998	1.46	1.51	1.56	1.61	1.66	1.71	1.76	1.81	1.86	1.91	1.96
1999	1.48	1.53	1.58	1.63	1.68	1.73	1.78	1.83	1.88	1.93	1.98
2000	1.50	1.55	1.60	1.65	1.70	1.75	1.80	1.85	1.90	1.95	2.00
2001	1.52	1.57	1.62	1.67	1.72	1.77	1.82	1.87	1.92	1.97	2.02
2002	1.54	1.59	1.64	1.69	1.74	1.79	1.84	1.89	1.94	1.99	2.04
2003	1.56	1.61	1.66	1.71	1.76	1.81	1.86	1.91	1.96	2.01	2.06
2004	1.58	1.63	1.68	1.73	1.78	1.83	1.88	1.93	1.98	2.03	2.08
2005	1.60	1.65	1.70	1.75	1.80	1.85	1.90	1.95	2.00	2.05	2.10
2006	1.62	1.67	1.72	1.77	1.82	1.87	1.92	1.97	2.02	2.07	2.12
2007	1.64	1.69	1.74	1.79	1.84	1.89	1.94	1.99	2.04	2.09	2.14
2008	1.66	1.71	1.76	1.81	1.86	1.91	1.96	2.01	2.06	2.11	2.16
2009	1.68	1.73	1.78	1.83	1.88	1.93	1.98	2.03	2.08	2.13	2.18
2010	1.70	1.75	1.80	1.85	1.90	1.95	2.00	2.05	2.10	2.15	2.20
2011	1.72	1.77	1.82	1.87	1.92	1.97	2.02	2.07	2.12	2.17	2.22
2012	1.74	1.79	1.84	1.89	1.94	1.99	2.04	2.09	2.14	2.19	2.24

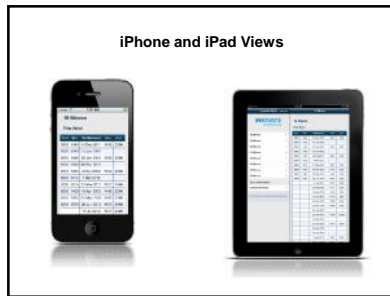
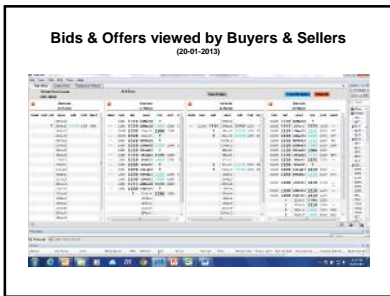
- ### Riemann Wool Forward Contract
- The Riemann Wool Contract is a Forward Contract for physical wool, deliverable to the brokers store.
 - Contract based on and traded against selected MPG.
 - Contract is settled with physical wool delivered to the Brokers wool store.
 - Contract Price = Basis + Final Settlement Price.
 - Basis = Auction Price for selected wool – MPG.
 - Final Settlement Price adjusted for delivered weight.

Hedging Outcome Example

FUTURE DATE				MATURITY DATE				SETTLEMENT OUTCOME CONTRACT ONLY			
Lot (MPG)	Future Quantity (Kgs)	Quantity (Kgs)	Settlement Price (Cents/Kg)	Lot (MPG)	Quantity (Kgs)	Settlement Price (Cents/Kg)	Settlement Price (Cents/Kg)	Clearing Contract Price	Clearing Contract Price	Gain	Loss
10	10000	10000	1000	10	10000	1000	1000	100	1000	0	0
*Values in red can be altered as required										10000	0
										10000	0

- 2500kg clean equates to between 22 and 25 bales of greasy wool depending on yields.

- ### Riemann Wool Forward Contract
- Forward prices offered for up to two future clips
 - "Back to Back" Contracts between :
 - Wool Broker and Wool Exporter – (Riemann Wool Forward)
 - Wool Broker and Wool Grower – (Deliverable Forward Contract)
 - Broker will :
 - Source prices based on the forward bids of Wool Buyers.
 - an Offer on a "Good Till Cancelled" (GTC) basis.
 - Buyers able to :
 - Enter bid directly on screen
 - or Accept wool broker offers
 - Contracts Specifications
 - Micron 18 to 30 MPG
 - Clean Kgs 1,000 clean Kgs minimum
 - Settlement date coincide with scheduled wool sale
 - Price cents per kilogram clean



- ### Riemann Benefits and Features
- A transparent market for buyers & sellers.
 - Grower has easy access to a legitimate risk management tool.
 - Unlike using futures participants are not subject to margin calls or required to provide a bank guarantee.
 - Wool is sold in the normal way to determine basis.
 - The entire transaction requires the grower to communicate only with his Wool Broker.

- ### Summary
- Wool market still very positive in the long term
 - If you are worried about downside look at selling forward
 - Vietnam is an emerging market....watch this space
 - Supply nationally is increasing slightly

