

Almond Market Report

Australian Market

Australia currently produces around 4% of the world supply of almonds and is forecast to surpass Spain as the world's second largest almond producer by 2015. Currently, total Australian almond production includes over 50% of the higher valued Nonpareil variety. After a disappointing 2008 crop year the early indications for Nonpareil in 2009 are very positive. Nonpareil sizes are expected to have a much improved profile to the 2008 crop with most kernels in the average to large size ranges.

Once final figures for the 2009 crop year are released it is likely that the Nonpareil variety will be dominated by large sizes with over 70% in the range of 16-27 kernels/ounce. This is compared to 50% achieved by the Australian industry for the 2008 crop year.

California market

Global almond consumption has more than doubled over the past decade and this demand growth trend is expected to continue, being led by dominant world producer, California. Almonds are California's largest agricultural export and the major US horticultural export, valued at greater than US\$1.9 billion.²

The initial forecast for the 2009 California almond production is 1.45 billion pounds. The 2009 estimate is down 9.7% from the 2008 crop of approximately 1.61 billion pounds to-date. After a difficult spring, the 2009 almond set looks good. Bloom progressed slowly due to wet conditions and wet weather hampered pollination. Freezing temperatures in March also caused damage to some almond orchards and mites were present on almonds across California. However, control measures, combined with some spring rains, resulted in little damage to the crop.³

California Almond shipments strengthened in May 2009, with export and total shipments setting new all-time monthly shipment records for the fourth consecutive month. Total shipments from August 2008 through May 2009 have exceeded 1.1 billion pounds, 8.6% higher than the same ten-month period a year ago. Exports were also up 11.6% compared to the prior year while domestic shipments have showed steady growth over the prior year, growing at 2.0%.

The annual almond acreage report released on Friday, May 1, 2009 estimates the 2009/2010 bearing acreage to be 710,000 acres (287,327 hectares). This is a 4.0% increase from the estimated 680,000 bearing acres in 2008/2009. Total almond acreage in California for 2008 is estimated at 795,000 acres, up 4.0% from 765,000 total acres in 2007.⁴

May 2009 Position Report

Total Supply	1,795 million pounds
Total Shipments	1,149 million pounds
Total Committed Shipment	280 million pounds
Forecast Total Shipments	1,360 million pounds
Forecast Carryout	326 million pounds

Source: Almond Board of California

Prices and Currency

US farmgate almond prices experienced a softening period during the second half of 2008, however prices during the early months of 2009 have firmed. It is important to note that US farmgate prices are largely represented by Californian production which consists of only 38% of the Nonpareil variety. Australian production on the other hand consists of over 50% of the higher quality nut, which commands a higher price than other varieties.

1 Australian Almond Board of Australia MIS Review, September 2008

2 Australian Almond Statistics 2008, Almond Board of Australia

3 2009 California Almond Forecast, United States Department of Agriculture – National Agricultural Statistics Service

4 ABC Global Update May 2009: The Almond Board of California

The most likely influence on the price for almonds is expected to be currency fluctuation. During the second half of 2008 the Australian dollar experienced significant movements from highs of US\$0.90 to as low as US\$0.60. However, through the first half of 2009, the USD has appreciated against the AUD to current rates of around US\$0.80. A number of forecasts suggest that the USD will remain steady at around US\$0.80 for the remainder of the calendar year.

AUD:USD Exchange Rate



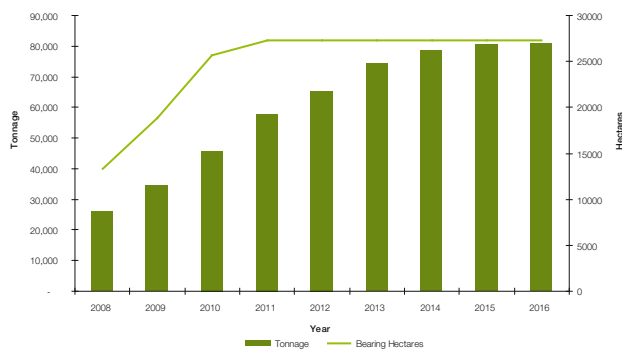
Source: Reserve Bank of Australia

Australian Crop Outlook

The Almond Board of Australia (ABA) is a service provider to industry and controls over 90% of Australian budwood sales. The ABA also regularly surveys the industry and their Almond Planting Survey estimated almond plantings at 27,500 hectares (68,000 acres), an increase of 5% over 2007's acreage of 26,100 hectares (67,500 acres). Total non-bearing plantings equate to just over 51% of these current plantings.

Future production increases will occur as young plantings reach full maturity, bringing future productive capacity to 80,000 hectares by 2015, a three-fold increase over current production.

Australian Almond Projections*



Source: Australian Almond Statistics 2008, Almond Board of Australia
* Based on current plantings only

Water Outlook

Goulburn-Murray Water (G-M Water) announced their allocation outlook for the 2009/10 irrigation season on 15 May 2009. Inflows to the northern Victorian water systems through 2008/09 have been low and the 2009/10 outlooks will depend on winter and spring inflows to storages which typically occur between August and November.

Summary of System Allocation Outlooks

The latest seasonal outlooks are given below. The following terminology is used in the tables:

- **'Wet'** - Inflow volumes that have 1 chance in 10 of being exceeded
- **'Average'** - Inflow volumes that have 5 chances in 10 of being exceeded
- **'Dry'** - Inflow volumes that have 9 chances in 10 of being exceeded

Murray System

Inflow Conditions	1 Jul 2009	15 Aug 2009	15 Oct 2009	15 Dec 2009	15 Feb 2010
Wet	0%	23%	95%	100%	100%
Average	0%	0%	39%	66%	81%
Dry	0%	0%	5%	11%	19%

The announcement for the opening seasonal allocation will occur on 1 July 2009. Detailed information on water availability and the outlook for allocations will be regularly issued during the 2009/10 season. The irrigation season normally extends from 15 August to 15 May. The volume of water available for allocation during the irrigation season is the volume actually held in storages minus losses incurred by the storage and delivery of water e.g. seepage and evaporation.

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