



Market Update
2 November 2010

NZ Farming Systems Uruguay (NZS) Forecast Outlook

NZS advises that milk production volumes in the first quarter are approximately 10% below budgeted levels, and are likely to continue to remain so with production per cow lifting over last year but by less than budgeted. Full year volume is therefore currently projected at around 85-90 million litres.

Milk price is projected to be an average of US32 cents for the year in line with budget. Feed costs have been higher than budget due to a difficult winter, and delays in getting capital fertilizer on to farms due to lack of funding pending the sale of Don Pepe farm, which suffered a number of delays. Consequently pasture has been replaced by bought-in feed so as to maintain cow condition and milk production. This situation is expected to continue for the remainder of the financial year.

Capital fertilizer application is now underway on the lead farms and irrigated land, with further significant applications planned across all land for autumn 2011. NZS has a number of milking cows that are performing very well, which gives us confidence for the future.

At this stage, NZS expects to fall short of the budgeted US\$5 million EBIT loss, with the full year result likely to be a loss of approximately US\$16 million at operating EBIT level. If present dry conditions continue there may be some further downside risk to the forecast. In addition to this, NZS has provided for the one-off NZ\$4.6 million (approximately US\$3.5 million) cost of terminating the management agreement with PGG Wrightson previously announced.

NZS now has a well-funded controlling shareholder in Olam International Limited ("**Olam**"), who will ensure that farming decisions are not hampered by lack of cash. Olam is in the process of carrying out a full business plan review in conjunction with the NZS Board. This process is likely to be completed by end January 2011. Olam will through this business plan review draw up a clear pathway to take NZS to strong growth with sustained profitability. Further guidance on farm development plans and forecast will be provided once that process is completed.

In the interim, NZS will fund itself through the sale proceeds of the Don Pepe farm, which was completed last week, and a short term funding facility to be provided by Olam. This will allow NZS to fund immediate farm development priorities such as fertilizer, electricity and irrigation, and the payment of the outstanding balances due to PGG Wrightson.

For further information please contact:

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