



## **MEDIA RELEASE**

Tuesday 27 May 2008

### **MARKET UPDATE**

#### **FURTHER EXPANSION IN URUGUAY FARM HOLDINGS**

NZ Farming Systems Uruguay (Nzs) has purchased a further 4,400 hectares of farmland during the current half-year, taking the total area owned to 36,300 hectares.

The additional land, in six separate acquisitions, adjoins existing Nzs farms in the company's central and eastern hubs. The average price for the 4,400 hectares was US\$3,700 per hectare, taking the average for all the land acquired to date to US\$2,601 per hectare including improvements purchased.

The Chairman of Nzs, Mr Keith Smith, said 'some of the price difference reflected the fact that land being acquired was more developed than the company's earlier acquisitions and its proximity to existing Nzs land. Land prices are increasing in Uruguay, but the company's entry price remains low on a comparative basis and the economics of development remain very attractive.'

'The recent acquisitions are natural extensions to the existing holdings as they enable a range of operational improvements and efficiencies. In a number of cases they improve the shape of the current farms and allow better development location and dimensions – eg. for cowsheds and irrigation scheme design. As such they will enhance the overall value of the portfolio.'

#### **Dry conditions but condition of livestock is good**

Uruguay has been experiencing very dry conditions in the past six weeks, reducing the available pasture feed. Supplements in the form of sorghum and wheat bran have been purchased to ensure the livestock are well fed. The dry conditions have reduced milk production overall, with some cows being dried off earlier than planned.

However, the condition of livestock is good and will be kept this way to ensure that dairy cows due to calve in the spring are not limited in their milk production albeit at an additional cost.

### **Upward pressure on costs offset by higher milk price**

NZS has experienced upward pressure on operational costs due to the impact of the international lift in soft commodity prices and the flow-on effects to fuel and fertiliser prices. Additionally, the weakening US dollar has increased the cost of some services paid for in the local currency, including farm labour paid for in Uruguayan pesos. The US dollar has depreciated against the peso by 19 percent over the past 18 months.

More than offsetting these increased costs has been the increased milk price which is currently at approximately US40 cents per litre (equivalent to NZ\$7.35 per kilogram of milk solids).

### **Confirmation of 2007/08 operational profit**

Notwithstanding these influences, the company confirms its projected Net Profit After Tax for 30 June 2008 of US\$1.5 million (excluding the performance fee payable to PGG Wrightson).

### **Future development**

NZFSU will continue with its land acquisition programme while the economics of doing so remain compelling. To fund further land acquisitions NZS will consider raising additional equity.

In addition to Uruguay, as previously indicated in the company's Listing Profile, diversification of land purchases into neighbouring countries to Uruguay will be considered where the politics and economics of such a move are warranted and are in shareholders' interests.

### **Latest DVD on NZFSU website**

The latest DVD taken earlier this month in Uruguay will be loaded on our website: [www.nzfsu.co.nz](http://www.nzfsu.co.nz) by 12.00 noon Wednesday 28 May. The DVD shows the impressive development progress made over the past six months.

### **For further information:**

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