



Australian Agricultural Company Limited
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AAco Acquires Wagyu Stud Herd as Outlook for Beef Market in 2009 Strengthens

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- AAco has acquired 4JS Wagyu stud herd for just over \$1.0m
- Continuing high beef prices, the weakening Aussie dollar and falls in oil prices and interest rates have boosted market conditions for cattle
- Early showers on the drought affected Barkly region and rainfalls in central Queensland have raised the probability of good seasonal rains returning across AAco's stations in the north
- Global beef shortages continue

Over the past month market conditions for cattle have continued to improve strengthening the outlook for the group for next season, AAco (ASX: AAC) CEO Stephen Toms said today.

Mr Toms said beef prices remain at 18 months highs of 360c/kg (EYCI) while export receipts and competitiveness have benefited from the steep decline in the Australian dollar/US dollar exchange rate from 98 cents to around 80cents since July.

"The decline will boost Australian dollar receipts, particularly on sales into the USA over the next 12 months," he said. "Upward pressure on beef prices is expected to be sustained by the continued shortfall in supply globally with breeding herds in China, Russia and the USA either in decline or flat and evidence that the growth in Brazilian beef exports has peaked."

Cost pressures experienced in the first half of the year have eased on a number of levels. Interest rates have peaked in recent weeks with further easing anticipated. Oil prices have also declined overall which may be reflected in lower diesel prices and a reduction in station operating costs, including transport, however there is little certainty as to how long this may last.

Recent rainfalls across central Queensland have encouraged graziers to restock to make good use of feed pools. The three month outlook shows an even chance of seasonal rains on AAco's northern stations and an even better outlook for those in South East Queensland.

Acquisition of 4JS Wagyu herd

Mr Toms also announced today that AAco has acquired, for just over \$1.0 million, the well respected "4JS" herd, increasing its Wagyu full blood and purebred production capacity by 50%.

The 850 head herd, which is currently based in North Queensland, will be re-located to AAco's Surat property, Wylarah, where the primary focus is Wagyu.

The 4JS herd has consistently fetched prices at the top end of sales in the Wagyu market and will further strengthen AAco's strong presence in this segment of the beef market. AAco has a 30% market share of Australian Wagyu sold. AAco's major Wagyu brands of Master Kobe, Kobe Cuisine, Darling Downs Wagyu and the joint marketing programme in the USA under the Greg Norman Signature Wagyu label will benefit from this initiative.

The majority of Wagyu produced in Australia is for export and this acquisition will further strengthen AAco's presence in the lucrative higher quality markets of Hong Kong, Korea, Indonesia, USA, the Middle East and evolving opportunities in Europe.

The 4JS herd consists of a mix of pureblood and full blood Wagyu cows and calves, replacement heifers, steers and full blood bulls. The 4JS genetics evolve from a broad base and fit well with current strategic breeding programs within AAco and will enhance and complement the already established and well known genetics of the Westholme herd that was acquired in 2006.

Mr Toms noted that "this acquisition, while not material in dollar terms, provides AAco with additional resources to cement its position as the market leader in premium Wagyu brands worldwide."

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