



Soft ground

The forecast heightened unpredictability of economic indicators is now being realised. Our view is that the 'royal we' are delicately balanced on soft economic ground. There is a chance of getting to hard ground but there is an equal chance of getting stuck, at least for a while.

Revised forecasts have modest economic growth in 2010 and a further improvement in 2011. There is still a higher degree of uncertainty attached to the forecasts than usual. Underlying markets for most New Zealand pastoral products appear firm. The ongoing difficulty is to consistently turn that position into steady and profitable farm gate returns. Arable and horticultural crops face more uncertain markets.

Building a farm business with better 'resilience' to cope with the situation is the new agri-professional buzzword.

Background

We wrote last December about the reactions to, and implications of, the global financial crisis. It is not proposed to revisit that article but to provide an overview on the current position and outlook as we see it from a New Zealand agricultural perspective.

Economic growth

Revised forecasts have modest economic growth in 2010 and a further improvement in 2011. There is still a higher degree of uncertainty attached to the forecasts than usual.

Table 1

Trading Partner Economic GDP Growth

(June year average annual percentage change)

COUNTRY	2007	2008	2009	2010f	2011f	2012f
Australia	3.3	3.7	1.0	2.0	2.9	3.3
US	2.0	2.2	(2.2)	(0.2)	2.3	3.4
Japan	2.3	1.5	(5.1)	(0.4)	1.0	2.0
EU	3.2	2.1	(2.8)	(1.2)	1.1	1.7
China	11.7	10.9	7.5	9.5	8.9	9.9
UK	2.6	2.3	(3.1)	(1.7)	1.3	1.7
12 Trade Partners	3.7	3.6	(1.1)	1.8	2.9	3.8
New Zealand	2.3	2.5	(1.8)	1.0	2.5	3.3

Key: f = forecast
Source: Consensus Forecasts, The National Bank

The growth forecast overstates the position. Do not confuse the rate of change with the absolute level. It takes a couple of years of positive growth to get actual GDP up to the pre-crisis level. The dip in growth in 2009 has been less severe than predicted six months ago and the recovery expected to be quicker. However, there is a higher degree of uncertainty than usual about whether the forecasts for 2010 to 2012 will be realised.

A sustainable recovery

It is clear that 'normal' economic conditions in the future are unlikely to be the 'normal' of the past.

The global issues that need to be addressed are structural and include reducing state expenditure, grappling with increased government debt, increasing private savings and increasing productivity. Regulation, changing the prudential standards for the banking sector and resetting monetary and fiscal policy are all interlinked to the above. Being too harsh or too slow to act may stifle economic growth; being too lax will make the adjustments even harder to achieve.

The issues also apply to New Zealand. We may punch above our weight in many aspects but economically we are a small boat bobbing on a large ocean subject to the wind, tides and waves. We are soundly built with many positive attributes but have little (or no?) control over the direction we are taken. The exchange rate is a prime example.

Commodity markets

There is little consistency between the current market positions of various commodities compared, say with two years ago. But few have downward price trends.

Table 2

Selected Commodity Price Comparisons

(September Quarter 2007 and 2009)

COMMODITY	2009 RELATIVE TO 2007 (PERCENT)	DIRECTION	COMMENT
FOODS			
Soft fruits	-25 to +18	Flat to up	Recovery from lows
Meat	+5 to +9	Flat	Didn't really slump
Vegetable oils	-20 to -7	Flat	Early movers on the way up
Dairy	-50 to -40	Up	Early movers after big fall
Grains	-25 to +65	Flat to easing	Supply not an issue, easing for wheat. Rice markets more controlled.
'HARD' COMMODITIES			
Energy	-3 to +4	Flat	
Base materials	+13 to +10	Flat	
Logs	+4		No real spike
Processed metals	-30 to -24	Up	From low starting point after big slump
Precious metals	+16 to +40	Up	
CURRENCY			
USD/Euro	-2		

Source: World Bank 'Pink Sheets', The National Bank

As a generalisation, the commodity price spike started gathering momentum in the third and fourth quarters of 2007. Prices peaked in mid 2008 and then slumped. The subsequent recovery is very mixed. What matters in forecasting a longer-term outlook has more to do with where prices are now relative to pre-spike days and less to do with how far prices rose or fell.

We have chosen to compare indicative world prices in USD for the September quarter 2009 with the same quarter in 2007 under some broad headings. Table two shows the percentage difference in prices between the two periods. It also shows the direction in prices over the past three months.

There is some alignment between and within groups of commodities but no consistent market position. The differences can be attributed to the inherent characteristics of each commodity. For example: is the commodity a luxury item or a staple/essential part of the food or industrial chain? Are there influences from changes in the exchange rates, levels of inventory and changes to subsidies?

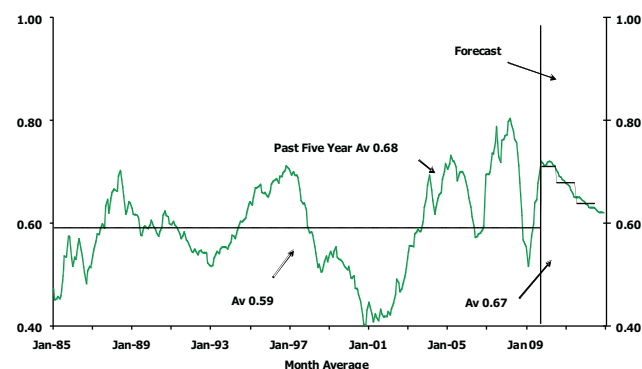
Exchange rate

An NZD forecast, based on 'fundamentals', indicates an easing to fair value over the next three years but markets often think otherwise.

This dichotomy looks set to continue for some time. The value of the NZD against other currencies is often more heavily influenced by economic trends in the country that the cross currency rate is being measured against and to a lesser extent by the New Zealand 'fundamentals'.

Graph 1

ONE NZD BUYS USD



Source: The National Bank

The within year volatility has played and is still playing havoc with farm gate returns (beneficial in early 2009, detrimental now). The mid season 2009/10 product price forecast is based on little change to the current NZD exchange rates.

Fair value, based on fundamentals, is considered to be in the range NZD/USD 0.62 to 0.65.

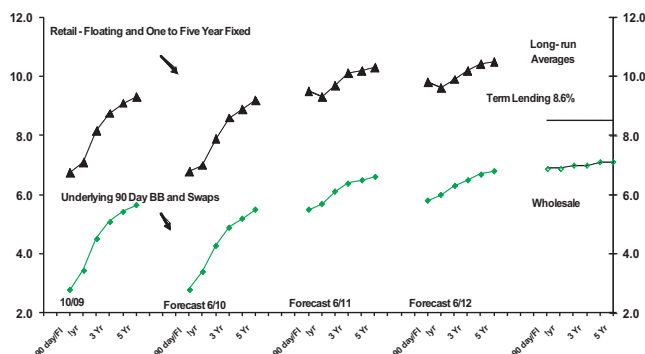
Interest rates

The Official Cash Rate (OCR) is anticipated to remain unchanged until the second half of 2010 but then take 50 basis point increases to reach 5.50 percent by September 2011.

Rural retail rates of the day will move above previous long-run (15-year) averages by 2011.

Graph 2

RURAL RETAIL CARDED INTEREST RATES



Source: The National Bank

Changes to the shape of the yield curve and absolute interest rates are driving changes to the mix of lending products used by borrowers. They are moving back to a higher proportion of floating rate loans or short-term fixed rates. Borrowers are faced with an increased interest rate risk compared with recent years.

Implication: Look at the amount of debt in the business and review the structure of that debt.

The OCR remains very relevant for influencing the level of interest rates but the margin between the OCR and retail interest rates will be wider in the future than the past.

Business return

There has been a reversal in the outlook between sheep and dairy farms in favour of dairy.

The November Fonterra milk price forecast puts the business return (BR) back into the black on many dairy farms.

The strengthening of the exchange rate is changing the previously forecast small surpluses on sheep and beef farms back to small to medium deficits. Unlike previous years, farm values are not increasing to support security for additional working capital.

The heightened volatility means a lot can happen between now and May/June 2010 to shape the final outcome.

The concept

The trend in the BR indicates how sustainable (or otherwise) the farm business is on its own.

The business return (BR) equals gross farm profit less total costs, including farm working expenses, depreciation, interest plus drawings, life insurance and tax. It does not include off-farm earnings or capital introduced. It is not adjusted for changes in livestock, development that may be in farm working expenses or debt servicing that may be associated with an off-farm investment. It includes the effects of adverse weather and market returns. The BR is the overall result for the year. The trend in BR indicates how sustainable (or otherwise) the farm business is on its own.

The first forecast is based on expectations in May 2009 when the outlook for dairy was very gloomy. The second is based on the assumption that international prices and the NZD exchange rates stay at current elevated levels.

That provides a weaker outlook for sheep and beef while dairy had improved on the back of stronger Fonterra forecasts in September and November 2009.

Dairy

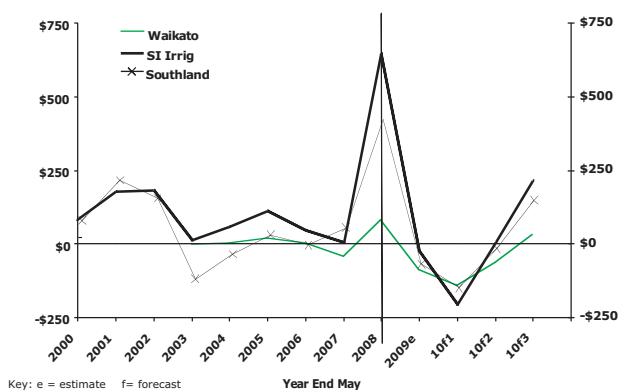
All three modelled dairy farms are estimated to be on target to make a positive BR in 2009/10 after a negative result in 2008/09.

That all three farms had a 'good' year in 2007/08 goes without saying but the Waikato and Southland units had been struggling to make a break-even BR in the previous four years.

Graph 3

DAIRY BUSINESS RESULT

(\$,000)



Key: e = estimate f= forecast
Source: pers com, The National Bank

Sheep and beef

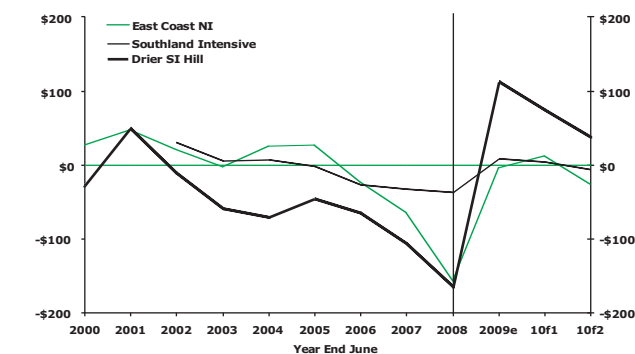
The revised forecast BR for sheep and beef farms has deteriorated putting the BR on many farms back in the red.

The models are forecast to have broken even in 2008/09 with the benefits of scale and controlled expenditure cutting in on the larger South Island Hill property. The first forecast for 2009/10 had a bare break-even for the smaller farms but reverts to a small loss in the second forecast.

Graph 4

SHEEP AND BEEF BUSINESS RESULT

(\$,000)



Key: e = estimate f= forecast
Source: pers com, The National Bank

The forecast BR for sheep and beef farms may be optimistic given the combination of negative revenue indicators.

Implications

- Farmer confidence will remain subdued although dairy farmers will be breathing easier.
- Expenditure by farmers within the economy will remain constrained. Reducing debt will be a key priority.
- The number of farm land sales will remain at a low level. Buyers will remain very selective. The availability of debt capital will be more important for purchasers than its cost, not that cost will be a trivial consideration. Both will be a significant influence on the level of land values.
- There may well be another surge in the number of farms split up between other farmers or subdivided into lifestyle blocks.
- Building resilience into many farm businesses after recent history will be a challenge.

Land sales

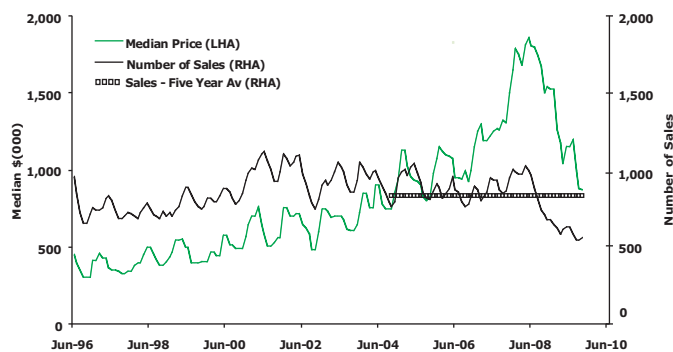
The number of rural sales reported by the Real Estate Institute of New Zealand (REINZ) ticked up in October as expected. The median price fell a tad. That is interpreted as no change to a stalled market given the statistical noise in the data.

The volatile all-farms rolling three-month median price in October 2009 was \$875,000 and is 42 percent lower than in October 2008.

A smoothed median price series suggests the rural land price is down 33 percent on October 2008.

Graph 5

ALL FARM LAND



Source: Derived from REINZ data

A market still exists albeit at a very low number of sales.

Product price review

The forecasts are based on no change to markets or current exchange rates.

This puts a real damper on farm gate product price forecast compared with last year's actual and our May 2009 projections.

Table 3
SUMMARY OF FORECASTS

YEAR END JUNE	2008	2009	2010f
Term Lending	8.5	8.3	7.4
Exchange Rate (NZD buys)			
USD	0.77	0.61	0.70
GBP	0.38	0.38	0.43
Euro	0.52	0.47	0.47
JPYen	85	60	63
Wool \$/Kg greasy¹			
Merino	6.50-10.00	5.00-10.00	4.00-9.00
Halfbred	3.50-4.50	3.20-4.20	3.30-4.00
Corriedale	2.80-3.50	2.70-4.10	2.70-3.90
Crossbred	2.10-2.50	2.10-2.50	1.80-2.40
Dairy Payout (\$/Kg ms and after retentions, YE 31 July)			
Fonterra	7.66	5.20	5.90
SHEEP AND BEEF			
(Mid Season 1/Nov to 30 June)			
	2008	2009	2010f
Lamb \$/hd			
Heavier	57	90	70
Dressed Wt kg	16.0	17.4	17.5
Mutton \$/hd (23kg)			
	34	47	35
Beef \$/kg			
Steer 296-320kg	3.25	3.45	3.00
Heifer 196-220kg	3.15	3.40	2.90
Bull 296-320kg	2.90	3.35	2.80
M Cow 160-190kg	1.95	2.20	1.70
Deer \$/kg			
Stag 60kg	6.30	8.40	6.50
Velvet \$/kg	60-80	40-50	70-80
Harvest Year			
	2008	2009 ²	2010f
Kiwifruit \$/tray GR			
Zespri™ Green	3.68	3.64	3.70
Zespri™ Gold	5.40	7.58	6.00
Apples \$/tray FAS			
Average	22-24	18-22	20-24
Grains³			
	Contract 2008	Contract 2009	Contract 2010
Milling Wheats	290 – 320	480 – 520	340 – 420
Feed Wheat	260 – 300	430 – 450	280 – 310
Feed Barley	240 – 270	430 – 450	280 – 310

Notes: F National Bank forecast

¹ Whole clip net of costs of sale

² Zespri forecast Oct 2008

³ Net of freight, levies and brokerage

Background

Underlying markets for New Zealand meat products appear firm and similar to those operating mid-season 2008/09 (1/11 to 30/6). Point-in-time comparisons for dairy are similar but the trend is up, not down as it was last year.

Wool, horticulture, arable and wine are not so well placed. Consumer demand has been dented and/or supply has increased.

The difference for all is the exchange rate which has firmed 20 to 30 percent from what was a low and favourable level in early 2009.

That sharply reduces expected mid-season prices in 2009/10 compared with actual results in 2008/09. It also reduces our May 2009 forecasts, which were based on a NZD/USD around 0.50!

Table 4
New Zealand Mid-Season Exchange Rates One NZD Buys

Season	USD	Yen	GBP	Euro
2006/07	0.71	84	0.36	0.54
2007/08	0.78	83	0.39	0.52
2008/09	0.57	54	0.38	0.43
Oct 2009	0.74	67	0.46	0.50

Source: Consensus Forecasts, The National Bank

Dairy

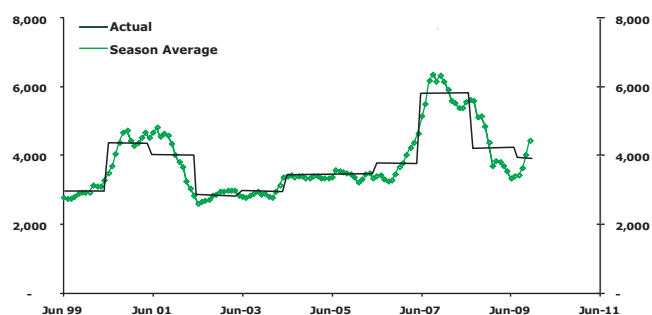
The third Fonterra "available for payout" forecast for the 2009/10 season appears aggressive. Price indicators for the season to date suggest a recovery in the demand for dairy commodities – at least by bulk buyer – but for the next nine months and to the extent expected by Fonterra?

Indicative monthly dairy commodity prices bounced 60 percent plus from their recent lows and are now above last season's estimated NZD average. The season-to-date average is not.

Graph 6

NEW ZEALAND DAIRY BASKET

Estimated from Oceania Prices – Simple Month and Season Av (NZD/t)



Source: USDA, The National Bank

Forward delivery prices are more buoyant but there is still around 500,000 tonnes of butter plus skim milk powder in subsidised storage in the US and the EU. The currency has appreciated further since the last forecast. Either the Fonterra Board are very confident, the sales strategy has been changed, a significant amount of favourable exchange cover is in place or a combination of all three!

The latest Fonterra announcement again notes “how much volatility there is in the market”. This needs to be kept in mind with nine months of the financial year left to run.

Note also that the forecast is “available” for payout. The distributable profit (value add or value return) component of the forecast is reduced from \$0.50/kg ms to \$0.35. This will reduce the short-term attraction that Fonterra’s proposed capital restructuring might have had to shareholders. A lower capital contribution from shareholders is likely to be captured by a larger retention than might have been the case. The capital has to come from somewhere!

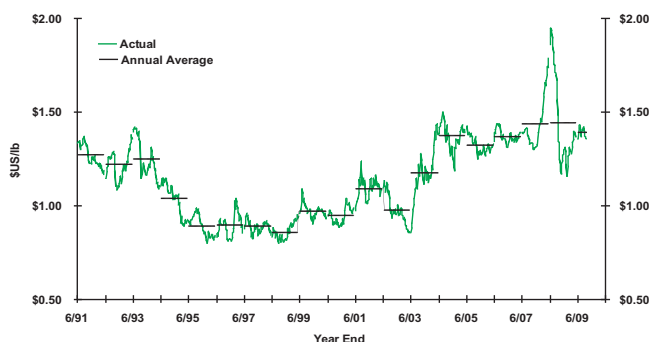
Beef

The forecast price for mid-season steer has been revised down \$0.70/kg from \$3.70/kg carcass weight forecast in June to \$3.00. The actual 2008/09 farm gate price is estimated at \$3.50/kg.

The US beef market has returned to about its pre-spike level of USD1.40/lb for 90cl beef.

Graph 7

BULL BEEF IN US



Source: NZX Agrifax, The National Bank

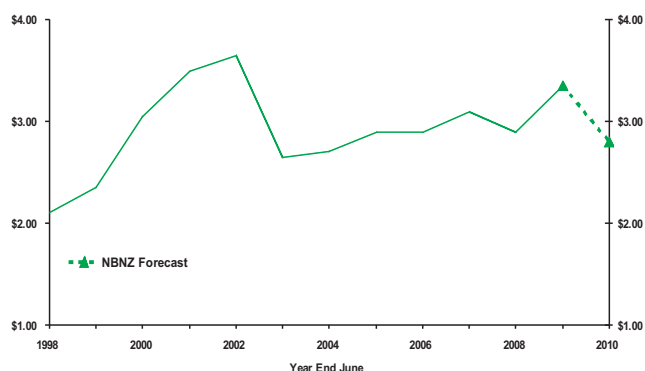
Increased supply of manufacturing beef from the Co-operative Working Together (CWT) dairy cow kill has been offset by a lower beef cow cull. Supply from Australia has also been lower than the previous year.

NZ schedules are now quickly reacting to tougher trading conditions and the average 2009/10 mid-season price is expected to be less than last season.

Graph 8

BULL BEEF SCHEDULE

296 - 320kg Mid-Season Average Farm Gate \$/kg



Source: NZX Agrifax, The National Bank

Sheep meats

The forecast price for a 17.5kg mid-season lamb in 2009/10 has been revised down \$15/head from \$85 forecast in June to \$70. The 2008/09 actual is estimated at \$90/head and 17.4kg.

A combination of offsetting factors is helping maintain the overall end-market-value of the carcass. The fall-off in demand and a lower price for high-end value cuts have been offset by an increase in the price for lower-value meats. Alterations to the product mix derived from the carcass and reduced supply from all sources have also helped. The trend to lower slaughter numbers in New Zealand mirrors a continuing slide in UK and Irish sheep numbers.

Changes in exchange rates are impacting in two ways. A weaker pound against the euro has lifted UK prices since mid 2007. The stronger NZD against both currencies is now negating that benefit.

Winter/early spring prices for lamb have been boosted by heavier weights (plus 1.3kg on the same time last season) and increased procurement premiums (10-15 percent).

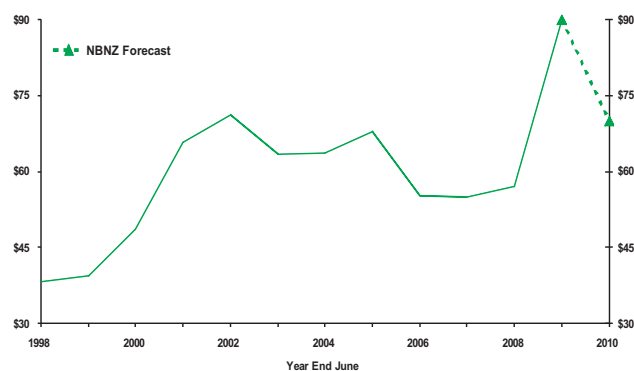
The premiums are highly likely to abate for the mid-season kill and the schedule is now responding to the exchange rate and a seasonal increase in the availability of livestock. Again, a lower than last season average mid-season price is forecast.

The demand for lower-priced but quality mutton remains steady – again especially on an expectation of lower numbers to process in 2009/10. The mutton kill was 6.0m head for year end June 2007 and 4.1m for year end June 2008. The average mid-season price for a 23kg mutton over the past two seasons is estimated at \$33 and \$47/head.

Graph 9

PRIME LAMB

(Mid-Season Average Farm Gate \$/hd)



Source: NZX Agrifax, The National Bank

Wool

The demand for crossbred wool is showing tentative signs of improving and the clean strong market indicator is up \$0.42/kg from its low of \$2.62 in June 2009. It has a long way to go to restore many farmers' confidence in the product. Finer wool growers are benefiting from contracts.

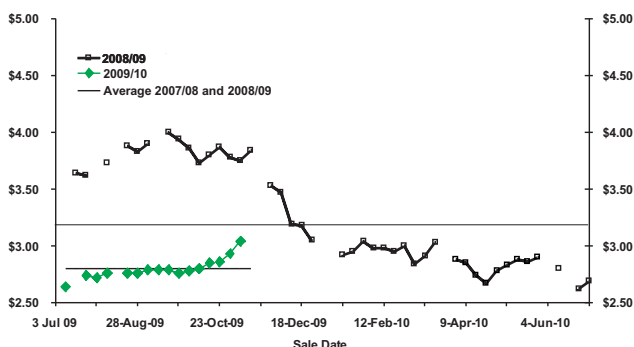
The average season to date strong wool indicator price is \$2.80, \$1.00 below the very promising start to last season. Strong wool is a cost centre at these prices.

Much of the finer end of the clip is on contract or mostly sold at auction in Australia. The new season indicator prices for Australian fine wool expressed in NZD are similar to last season.

Graph 10

NZ STRONG WOOL INDICATOR

35-40 micron NZD/kg clean



Sources: New Zealand Wool Services International Ltd, The National Bank

Mid micron wools can now be part of Merino New Zealand's marketing plans. The stronger end of the wool clip continues to struggle to gain farmer support so an organisation(s) can achieve the critical mass needed to gain better market traction.

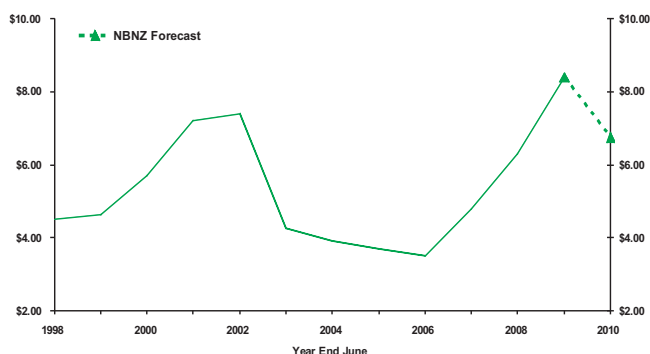
Venison and velvet

Again the underlying market is steady but the forecast mid-season price for a 60kg stag in 2009/10 is reduced from \$8.00 in June to \$6.50/kg. The actual comparable return in 2008/09 is estimated at \$8.40.

Graph 11

VENISON

(60kg Stag Average Farm Gate \$/kg between 1 Nov and 30 June)



Source: NZX Agrifax, The National Bank

Venison has a very similar story to lamb. Volume is down but the overall carcass value is steady in the currency of the buyer, in spite of lower demand. Winter premiums appear to have been higher than usual but are now following a more normal seasonal decline.

The velvet market appears to be finally improving on still reducing volumes. A large number of velvet stags were slaughtered over the past two seasons as producers took advantage of the high meat schedules. A more cohesive marketing body is finally in place, which is a positive move for the industry.

Kiwifruit

Orchard gate returns (OGR) per tray for the 2009 harvest are forecast by Zespri to be unchanged on 2008 at \$3.64 for Zespri Green™ and up 40 percent for Zespri Gold™ from \$5.40 to \$7.58. This would be a good outcome in what has been a difficult year for many fruits globally.

The total New Zealand crop is estimated at 103 million trays (mt) after hail damage late in the season, the same volume as 2008. The volume sold by Zespri year-to-date is reported to be in line with last season.

Indicative data and anecdotal evidence suggest the price received for kiwifruit has held up very well on comparative prices from the previous year. Many fruits have not fared nearly so well.

As usual, a big influence on the final price of Zespri Green™ will be how well it sells at the tail of the selling season.

Table 5

Kiwifruit Summary

Variety	Zespri Green™		Zespri Gold™	
	Harvest Year	2008	2009 To date ¹	2008
\$/tray submit				
FAS ²	7.24	7.12	9.93	12.24
Fruit Loss	0.44	0.32	0.44	0.45
OGR/tray	3.68	3.64	5.40	7.58

Notes: 1 Zespri Kiwiflier October 2009

2 FAS = Free along side. Loyalty premium and class 2 returns are included.

Apples

The OGR for apples from the 2009 harvest is thought to be \$3 to \$6/tray carton equivalent (tce) less than 2008. As usual, the results are highly variable between growers.

Apples were one of the fruits that did not fare well in the market this year. Reduced demand created even fiercer competition from other fruits. Fragmented sales and marketing from New Zealand did not help.

The 2009 New Zealand crop is estimated to be in the range of 15 to 16m trays, similar to last year. Restructuring within orchards is continuing resulting in very good yields. In turn that is holding up the volume of the total crop in spite of many older orchards being cut out.

Increasing co-operation between the marketing and sales entities is slowly occurring in the areas of onshore protocols and shipping.

Grains

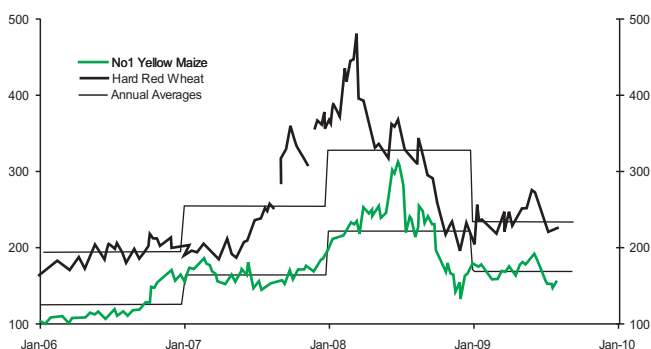
Adequate supply and increasing inventory are holding down grain prices, globally and locally.

Increased area planted and average growing seasons have lifted total grain production in the five major trade suppliers from a low of 1,590 million tonnes in 2006/07 to an estimated 1,790 million tonnes in 2008/09. Inventory has risen from 17 to 21 percent of consumption over the same period. (Source: The International Grains Council with data from Argentina, Australia, Canada, the EU and the United States.). Indicative international prices are oscillating around the pre-spike averages.

Graph 12

EXPORT PRICE

USD/tonne at Gulf Ports



Source: NZX Agrifax, The National Bank

The high price of domestic grain in the spring of 2008 and the less favourable outlook for alternative land uses (other seed crops, silage and finishing lambs or beef) encouraged a surge in the area planted in wheat, barley and maize. A significant portion of the increased area was grown 'free', i.e. without a contract. Global grain markets collapsed just after the seed was put in the ground. Reasonable yields increased supply. The contraction of the domestic economy plus a falling dairy payout also added to a collapse in domestic demand and the domestic price. End result: there is considered to be more unsold grain on hand at this time of the year than for many years. Selling the inventory has become a loss minimisation exercise for its owners.

Early milling wheat contracts for the 2010 harvest were around \$340 to 420/t. Feed wheat contracts for the same harvest are now around \$240/t if available. The area in barley is back to near 'normal' and the maize area is also well down on last year. Maize grain contracts are being made available on a back-to-back basis only.

Wine Grapes

Wine exports from New Zealand have topped \$1billion per annum but not without some angst in the vineyards.

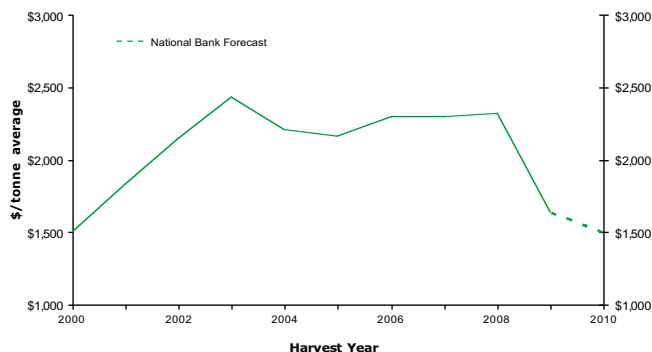
The industry is now experiencing the growing pains. The volume of grapes available currently exceeds the ability of the market to absorb the finished product at previous prices.

Sauvignon Blanc accounts for around 60 percent of the crop and has taken a 30 percent drop in the average price received by the grower between 2008 and 2009 (\$2,320 to \$1,640/tonne). Most other varieties have also dropped in price by varying percentages.

Graph 13

Wine Grapes

Sauvignon Blanc



Source: New Zealand Winegrowers, The National Bank

Renegotiated contracts, lower prices, crop management, fruit without a home and vine extraction are all difficult issues for many growers at present and may be so for the next two or three years. Wineries are re-thinking branding strategies, product mix and volumes amongst other business decisions.

Some growers have bucked the trend and there is the rub for New Zealand primary products. There is anecdotal evidence that there are wineries which are still doing very well in spite of high exchange rates and a tough economic situation in end-markets. How? They have had a long term commitment to the industry, made a large investment in meeting the customer's requirements and nurtured their brand(s). In other words, they have travelled many hard yards over a period of years and it is now paying off. Being able to supply such a winery requires a similar commitment by a grower. That is hard to demonstrate for a newer vineyard. While the listed features of success are by no means comprehensive and being implemented by other parts of the primary sector, progress appears to be slow when measured by average farm or orchard gate returns.

Conclusion

The underlying outlook for demand for New Zealand products remains positive but high variability in farm and orchard gate returns requires the business to have more buffers than in the recent past. Lower debt, increased cash reserves, higher feed reserves, further increases in productivity, stringent cost control or a combination of the above are all measures that can build buffers. Getting to a position of greater resilience will be a challenge for some.

Kevin Wilson ("Investment Adviser")

This document was prepared as at 30 November 2009

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Disclosure information

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Relevant qualifications: The Investment Adviser has the following qualifications that are relevant to giving investment advice:

Qualification: Degree of Agricultural Science Lincoln.

Date obtained: 1970. The Investment Adviser keeps the knowledge obtained from those qualifications up to date by reading relevant industry publications and attending both internal and external seminars and workshops.

Experience: The Investment Adviser has been employed by the Bank since 1992 and has been providing investment advice since 1970.

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- Financial Markets Operations Association; and
- Institute of Finance Professionals.

Professional indemnity insurance: The Investment Adviser has the benefit of the Bank's professional indemnity insurance discussed below.

The Bank (and its subsidiaries), through its ultimate parent company Australia and New Zealand Banking Group Limited, has professional indemnity insurance which covers its activities including those of investment advisers it employs.

This insurance covers issues (including 'prior acts') arising from staff fraud, electronic crime, documentary fraud and physical loss of property. The scope of the insurance also extends to third party civil claims, including those for negligence. The level of cover is of an amount commensurate with the size and scale of the Bank. The insurer is ANZcover Insurance Pty Limited.

Dispute resolution facilities: The Bank has a process in place for resolving disputes. Should a problem arise, you should contact your Relationship Manager or Markets Dealer who will be able to give you more information on the Bank's procedures. If your complaint is not satisfactorily resolved please contact ANZ Customer Relations, ANZ Centre, Private Bag 92 210, Auckland. Unresolved complaints may ultimately be referred to the Banking Ombudsman, whose contact address is PO Box 10-573, Wellington.

Criminal convictions

In the five years before the relevant investment advice is given none of the Investment Adviser, the Bank or any principal officer of the Bank has been:

- convicted of an offence under the Securities Markets Act 1988, or the Securities Act 1978 or of a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961);
- a principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;
- adjudicated bankrupt;
- prohibited by an Act or by a court from taking part in the management of a company or a business;
- subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- expelled from or has been prohibited from being a member of a professional body; or
- placed in statutory management or receivership.

Other interests and relationships

Investment Adviser: The Investment Adviser may receive payments or other benefits from the Bank in addition to his or her salary that are linked to various internal performance criteria, including the provision of investment advice and the sale of securities and/or related products. Accordingly, by giving investment advice to you and/or by selling securities and/or related products to you, the Investment Adviser may increase the likelihood of his or her receiving, and/or the amount of, such payments. It is not practicable to calculate the amounts or rates of such payments.

Other than the Investment Adviser's employment with the Bank and the remuneration received by the Investment Adviser from the Bank, neither the Investment Adviser nor an associated person of the Investment Adviser has, or will or may have, any interest or relationship that a reasonable person would find reasonably likely to influence the Investment Adviser in providing the investment advice.

Securities about which investment advice may be given

The Investment Adviser provides investment advice on some, or all, of the following types of contracts some of which may be securities:

- Foreign Exchange and related contracts of all kinds
- Interest Rate and related contracts of all kinds
- Corporate and other Bonds, Notes and deposits of all kinds
- Commodities contracts of all kinds
- Derivative contracts of all kinds including options.

While the investment advice which may be given will relate principally to securities issued by the Bank, investment advice may be given in relation to securities issued by other issuers. If at any time you require further information about which particular types of securities the Investment Adviser then provides investment advice on, please contact the Investment Adviser for details.

Disclaimer

Each security (including the principal, interest or other returns of any security) the subject of investment advice given to you by the Investment Adviser or the Bank or otherwise, is not guaranteed, secured or underwritten in any way by the Investment Adviser, the Bank or any associated or related party, except to the extent expressly agreed in the terms of the relevant security.

It is your responsibility to understand the nature of any security subscribed for, and the risks associated with that security. To the maximum extent permitted by law, the Investment Adviser and the Bank exclude liability for, and shall not be responsible for, any loss suffered by you resulting from the Bank's or the Investment Adviser's investment advice.



The National Bank
of New Zealand

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