22 June 2010

Company Announcements Office
Australian Securities Exchange

ELDERS LIMITED
TRADING AND OPERATIONAL UPDATE

As foreshadowed to the market in its request for a Trading Halt made on Friday 18 June 2010, attached is Elders Limited's Trading and Operational Update.

As previously advised to the market, Elders' Chief Executive Malcolm Jackman will host a conference call at 8:30 Eastern Standard Time today (Tuesday 22 June 2010) to speak to the announcement and answer questions.

Conference call details are as follows:

Toll Free Australia	1800 505 083
Toll Free New Zealand	0800 449 118
Toll Free Hong Kong	800 967 659
Toll Free Singapore	800 616 2160
Toll Free UK	0800 068 9834
Toll Free USA	1866 369 4113
Toll Free China Telecom	1080 036 101 33
Toll Free China Netcom	1080 061 101 13

Peter Hastings
Company Secretary
(08) 8425 4964

22 June 2010

Elders announces revised earnings expectations and targets 11% ($45 million) reduction in cost to serve

- Earnings expectations reduced as fundamental shift in farm supplies markets and low activity levels in Real Estate, New Zealand and live export to Indonesia offset gains made in volume, costs and % margin
- Elders to reduce cost to serve by 11% to re-set business with market conditions
- Executive structure to be made leaner with CEO taking direct responsibility for network performance improvement and management layers from CEO to branch management to be reduced from 4 to 2.

Elders (ASX:ELD) has announced revised earnings expectations and a $45 million cost reduction initiative to bring its cost to serve to levels sustainable in current markets.

Trading results

In a Trading and Operational Update lodged with the ASX today, Elders advised that market conditions (principally persistently low prices for key farm supply lines, coupled with subdued activity levels in real estate, New Zealand and live export volumes to Indonesia) meant that earnings from Rural Services operations for the June quarter and FY2010 would be substantially lower than anticipated.

Elders had previously undertaken to provide the market with an update on its earnings outlook after the peak June Quarter sales period for farm supplies concluded. However, Chief Executive Malcolm Jackman said it was apparent from results to May that insufficient revenue was being earned from the key rural service sales period to achieve guidance, especially after the downgrade to forestry MIS sales forecast earlier this month.

“The bottom line is that while we have lifted our volume, cash, costs and margin performance, the prices and activity levels in current markets are not permitting sufficient revenue to be generated. Uncompromising market conditions have also been compounded by ongoing tight working capital availability within the rural sector” Malcolm Jackman said.

“This year is seeing a fundamental shift in farm supply markets. There is a greater proliferation of low priced generic product and a much greater willingness by growers to use cheaper generic product over branded items. Even though our margins are up as a percentage of sales, the impact of ongoing lower prices in agricultural chemicals alone has acted to reduce gross margin by roughly $12 million in the first 8 months of the year” said Malcolm Jackman.

Results from New Zealand and in Real Estate have reflected subdued market conditions with those business units being $4.5 million lower on gross margin in the year to date.

The lower earnings from Rural Services, coupled with the lower MIS income expected from Forestry and announced previously, means that Elders has recorded a break-even underlying after tax profit for the 8 months to May 2010. While this is well ahead of the corresponding underlying loss of $(16.8) million for the previous corresponding period, it is well behind the budget comparative for the period of $25 million.

Underlying profit after tax for the 12 months to 30 September is now expected to range between a loss of $(8) million and a loss of $(14) million, compared with the original prospectus target of $55.7 million. Elders reported an underlying profit after tax of $1.1 million for the 2010 First Half.

Balance sheet and financial position

Elders' cash and balance sheet position is strong with cash and available credit totalling $110 million as at 31 May. Elders is well within its financial covenants.

Market condition s and Operational Review

Malcolm Jackman said that the revised earnings outlook reflected fundamental changes in the Rural Service and Forestry markets this financial year which have overwhelmed the improvements in operations, cash and cost management by the company.

"Our rural services operations have reduced costs by 3% and lifted their gross margin as a percentage of sales above budget targets and above the levels recorded in the previous year. Overall, seasonal conditions are trending positively. Yet the end result is that we have been working flat out to stand still" Malcolm Jackman said.

"Notwithstanding the gains made, I believe our cost to sales ratio is unsustainable in current markets. We have initiated action to re-set our cost to serve in the near term to that required for satisfactory returns and to improve sales revenue performance over time."

"Seasonal conditions in Australia are positive and the outlook for the Australian farm sector is improving. Our Go-to-Market strategy has been delivering gains in volume pricing and margin. But while the strategy might be right, the cost to serve isn't right for these market conditions" he said.

Elders is to reduce its cost to serve by $45 million or 11% under Cost to Serve and Sales Performance improvement initiatives announced today. Measures announced include performance management of the lowest decile of performers out of the business; an immediate freeze on replacement and recruitment and a new flatter executive management structure which reduces the layers of supervision between the CEO and branch management from 4 to 2.

"We believe conditions will eventually improve and the subdued markets in real estate, New Zealand and live export to Indonesia will recover. But we are not prepared to wait until that time when a substantial realignment between our costs and our income is clearly required now".

Malcolm Jackman will personally take responsibility for management of Elders' Rural Service performance, with functions reporting to him including Southern and Northern regional management, New Zealand , Sales, Livestock Supply Chain, Marketing and Operational Excellence. Corporate functions previously reporting to Malcolm Jackman will now report to CFO Mark Hosking to enable Malcolm Jackman to optimise focus on network performance.

"I would like to acknowledge the contribution made by Mike Guerin who has resigned from his position as Chief Operating Officer as it is clear that market conditions require Elders to have a leaner management structure and, as such, his position was no longer viable.

"I have no doubt that, without the heavy lifting done by Mike to reform the business, reduce costs and set the Go to Market strategy, Elders' results would be far worse. I would also like to acknowledge the efforts of John Molenaar as Head of Australian network, who has also resigned from his position as Manager Head of Australia, as that position is also now not sustainable. Both John and Mike leave Elders with the Board's best wishes and thanks for their efforts" said Malcolm Jackman.

Malcolm Jackman said that further improvements in the cost to sales revenue ratio were expected as sales revenue improved.

"In the immediate term, achieving a lower cost to serve is the effective lever that must be worked to deliver satisfactory returns. The ongoing implementation of our Go-to-Market strategy is expected to deliver improvement as we shift from the old "one size fits all" model to more closely aligning branches and staff with local production profiles. Supporting this will be the ongoing performance management that will occur so that we achieve our objective of becoming a cash focussed, capital light, high performance sales organisation."

Forestry restructuring

Elders also announced the restructuring of its forestry operations in light of the reduced forestry MIS market. Elders will scale back its MIS activities with a focus on the operation of existing projects, the identification of alternative funding sources , the growth of revenue from a broader range of forestry services including plantation management and retain a lean core resource to offer tax effective retail and institutional products. Restructuring and further cost reductions are anticipated as a consequence. Strong export sales growth and cash flow is still expected from Forestry operations over the coming 2 – 3 years. A breakeven EBIT result is targeted in 2011.

Further Comment:

Malcolm Jackman Chief Executive Officer	0439 642 876

Further information:

Mark Hosking Chief Financial Officer	0439 833 816
Don Murchland Investor Relations Manager	0439 300 932

Trading and Operational Update
22 June 2010

June Trading Review Key Points

1. Current conditions and changing markets for Rural Services and Forestry have necessitated a revision to earnings expectations and the initiation of management action to realign cost structures with current and anticipated conditions.
2. FY10 to date has shown positive seasonal conditions, low input prices, good livestock prices and improving farm incomes.
3. Good progress made in farm supply volumes and controllable areas such as costs, margin, cash management and supply chain offset by low and intractable prices on key lines and reduced market volumes in real estate, New Zealand and in live export to Indonesia. Revenue improvement initiatives have not made headway.
4. Maintained market share (with exception of WA fertiliser).
5. Elders is a significant key player in the Australian rural services and forestry sectors but the existing sales to cost ratio is not generating returns for shareholders and is not sustainable in current market conditions.
6. Elders has initiated an action plan to achieve near term reduction in costs with the objective of realising an 11% reduction in “cost-to-serve”; leaner, lower cost corporate structure and a lift in sales revenue per employee.

Situation overview

1. Seasonal conditions have been generally supportive of original earnings guidance
2. However trading and activity since H1 has not generated anticipated revenue and margin outcomes. Results for May and downgraded expectations for June and period to Sept 10 indicate that Elders will not generate sufficient income from its peak sales season to achieve earnings guidance:
   - Forestry: as advised June 15; MIS sales expected to be minimal (EBIT impact of up to -$8 m).
   - Automotive continuing to track ahead of budget.
   - Rural services:
     - farm supplies sales volumes up on YTD pcp (Ag Chem up 33%; East Coast fertiliser up 13%, on pcp YTD)
     - Gross Margin % up (network margin 22.8% vs 18.8% May YTD)
     - cash generation up
     - BUT prices still low (eg Glyph 450 $3.80/l v 3 year average of $6.45/l –down 41%)
     - NZ still affected by subdued local market conditions
     - revenue for April & May $158 million lower than budget
3. Go to Market Strategy has delivered volume and margin growth and sharpened sales effectiveness. Ongoing implementation critical and will continue.
4. Recovery in prices anticipated but not in near term.
5. Medium term revenue growth will occur through performance management and transforming Elders into a High Performance Sales Organisation.
6. **Immediate** action required to address revenue to cost ratio with requirement to reduce “cost-to-serve” by 11% through tighter individual KPIs, performance management, tougher consequence management and recruitment controls.

Underlying earnings update and outlook

Reduced earnings expectations for Rural Services and Forestry

$ million	H1 10	May 10 YTD	May 09 YTD	Forecast FY10
Rural Services EBIT	12.6	**15.0**	23.0	*24 -29*
Forestry EBIT	7.4	**6.0**	9.7	*(2) - 0*
Automotive EBIT	8.6	**10.9**	(14.0)	*13 -15*
Investment & other	(7.3)	**(9.3)**	(11.4)	*(15) –(11)*
EBIT	21.3	**22.7**	7.3	*20 - 33*
Net Underlying interest	(14.9)	**(18.5)**	(40.8)	*(33) – (30)*
Underlying profit/(loss) before tax	6.4	**4.2**	(33.5)	*(13) - 3*
Tax expense	(2.1)	**(0.1)**	15.6	*4 – (4)*
Non-controlled interests	(3.2)	**(4.1)**	1.1	*(5) – (7)*
Underlying profit to shareholders	1.1	**0.0**	(16.8)	*(14) – (8)*

Finance

Strong cash position, within covenants

1. Gearing as per covenants of 35% at 31 May (48% including trade debtor financing of $142 million)
2. Net debt at 31 May of $394 million, including cash of $110 million
3. Annual “clean down” of transactional facility completed
4. Trade Debtor Financing 12 month extension terms agreed
5. Operating within covenants

Cash and undrawn facilities ($ million)	July 2010 Fcst	August 10 Fcst	September 10 Fcst
Average	127	77	90
Low	77	66	71
High	154	106	105

Covenant tests	First Test Date	Fcst June 2010	FY2010 (Sep-quarter)	FY2011 (Sep-quarter)	FY2012 (Sep-quarter)
Gross Debt / EBITDA	30 June 2010	4.74x	<6.0x	<3.75x	<2.5x
EBITDA / Interest	30 June 2010	2.24x	>1.2x	>2.5x	>3.25x
Gearing (Gross Debt / Equity)	31 December 2009	29%	<60%	<55%	<45%

Rural Services results YTD vs budget

Sales revenue shortfall offsetting cost and % margin gains

$ million	May 10 YTD	May 10 Budget	Variance $	Variance %
Sales revenue	1,174.0	1,546.0	-372.0	▼ -24.1%
Gross Margin	224.5	254.1	- 29.6	▼ -11.6%
Gross margin % Rural Services	19.1%	16.4%	+ 2.7%	▲ 16.5%
Gross Margin % Network	22.8%	20.4%	+2.4%	▲ 11.7%
Costs	(209.5)	(214.9)	+ 5.4	▲ 2.5%
Underlying EBIT	15.0	39.2	-24.1	(61.6%)

Lower sales revenue, impacting gross margin and offsetting gains in costs and % margin

Rural Services results analysis

May YTD behind 09 and budget due to margin shortfall

$ million	Gross margin			Costs			Contribution		
	May 10 YTD	May 09 YTD	May 10 Budget	May 10 YTD	May 09 YTD	May 10 Budget	May 10 YTD	May 09 YTD	May 10 Budget
Australian network	**169.4**	183.1	194.7	**(129.0)**	(140.7)	(134.0)	**40.4**	42.4	60.7
New Zealand	**15.2**	13.8	17.2	**(17.1)**	(15.9)	(15.7)	**(1.9)**	(2.0)	1.5
Meat and Livestock trading	**16.0**	20.3	21.2	**(11.8)**	(10.4)	(11.9)	**4.2**	9.9	9.3
Network related	**23.9**	20.8	21.0	**(1.7)**	(1.8)	(1.8)	**22.2**	19.0	19.2
Support centres				**(49.9)**	(46.3)	(51.5)	**(49.9)**	(46.3)	(51.5)
Total	**224.5**	238.1	254.1	**(209.5)**	(215.1)	(214.9)	**15.0**	23.0	39.2
Underlying EBIT							**15.0**	23.0	39.2

Rural Services sales and margin
Variance against budget for May YTD

$ million variance arising from:	Sales revenue	Gross Margin
Ag Chem prices	- 73.2	-11.8
Ag Chem volume	+23.7	+3.8
Fertiliser prices	-13.4	-1.2
Fertiliser volume	-21.1	-1.8
WA Fertiliser	-112.5	-1.3
Other Farm Supplies	-18.2	-5.4
Livestock Agency volume	-7.8	-7.8
Livestock price	+6.8	+6.8
Wool	+3.0	+0.1
Real Estate turnover	- 4.6	- 2.5
New Zealand	-13.5	-2.0
Meat and Livestock trading	-141.3	-5.1
Other	0	-1.4
Costs	n/a	+5.4
Underlying EBIT	-372.0	-24.1

Elders and Australian agriculture

Business has scale and signficance

	May YTD volume
Cattle sold(agency)	1.32 million head; $836 million gross
Sheep sold	6.70 million head; $594 million gross
Pigs sold	96,000; $17.7 million gross
Properties sold	Sale of 765 broadacre, 2188 residential properties with total gross value of $1.209 billion
Fertiliser sold (tonnes)	280,000 solids, 54,000 liquids
Wool sold	327,000 bales; $316 million gross
Livestock exported	148,363 head; $181million gross
Feedlot throughput	62,300 head; $89.9 million gross
Rural and regional customer relationships	80,000 (Aust) +40,000 (NZ)
Points of presence - Australia	390 rural & regional + 132 metro real estate franchise
- New Zealand	18

Go to Market Strategy

Establishing Elders as the Productivity Partner of choice and a High Performance Sales Organisation

Stage 1, Internal focus:

Renew understanding of client base. Re-orientation and re-organisation backed with systems.

Completed.

- Increased pricing discipline ✓
- Key account program success ✓
- Margin growth ✓
- Re-organisation around grower sectors✓

Stage 2, External and client interface

Underway & accelerating

- Align branches and staff capabilities with production profile of clients
- Shift from "one-size fits all" to differentiated value proposition
- Enable targeting of low penetration sectors such as dairy and horticulture

Rural Services: conclusions and imperatives

Business case strong –but not with current cost structures while current market conditions persist

1. Seasonal and market conditions are overall positive for Australian growers. Medium and long term outlook is good.
2. Scale, industry position and FY10 volume growth shows the Elders' brand and network has value and significance to Australian farm sector.
3. Current prices are well below medium term averages.
4. While Elders expects improvement in the longer term, low prices are here for the foreseeable future and the proliferation and market acceptance of generic product has changed revenue-margin dynamics.
5. To generate an acceptable return in this climate Elders needs to dramatically improve its cost to sales ratio.
6. Sales revenue improvement can be achieved in the future and Elders will accelerate initiatives in train for this purpose.
7. The immediate need is for costs to be brought into alignment with current market conditions. This will require a 11% reduction in cost to serve.

Re-aligning costs to current market conditions

Cost to serve to be reduced 11%

1. Tight recruitment restrictions on all new and replacement roles.
2. Reduce staff numbers by 10% through performance management of under-performers and realignment of structure and roles to build greater customer value, lift sales and margins.
3. Staffing level reductions achieved through natural attrition and tougher consequence management.
4. Redundancies to be avoided.
5. Leaner, more focussed Executive and Support Services structure.
6. Savings totalling $45 million annualised targeted across the Group.

Organisational structure

Leaner, shifting responsibility to operational performance to the most senior level

1. Leaner, flatter organisation structure more in keeping with current revenue generation
2. Malcolm Jackman to assume direct responsibility for Rural Services management, including network, supply chain, operational excellence and marketing
3. Layers of supervision between CEO to branch to be reduced from 4 to 2
4. Rural Services Chief Operating Officer, Mike Guerin resigned effective 30 June 2010
5. Manager Australian network, John Molenaar resigned effective 30 June 2010
6. Corporate service and support functions previously managed by M Jackman reallocated to optimise focus on operational performance.

Revised Org Structure

Elders Ltd
Malcolm Jackman
CEO & MD

- Network
  Malcolm Jackman
- Trading
  Tony Dage
  Group GM
- Finance and Corporate Services
  Mark Hosking CFO
- Strategy& Partnerships
  Sam McClure
  Group GM
- Human Resources
  Robert Tanti
  Group GM
- I.T.
  Shaun Hughes
  CIO
- Auto
  Mark De Wit
  MD
- Forestry
  Vince Erasmus
  COO & MD

Elders Forestry Strategic Response

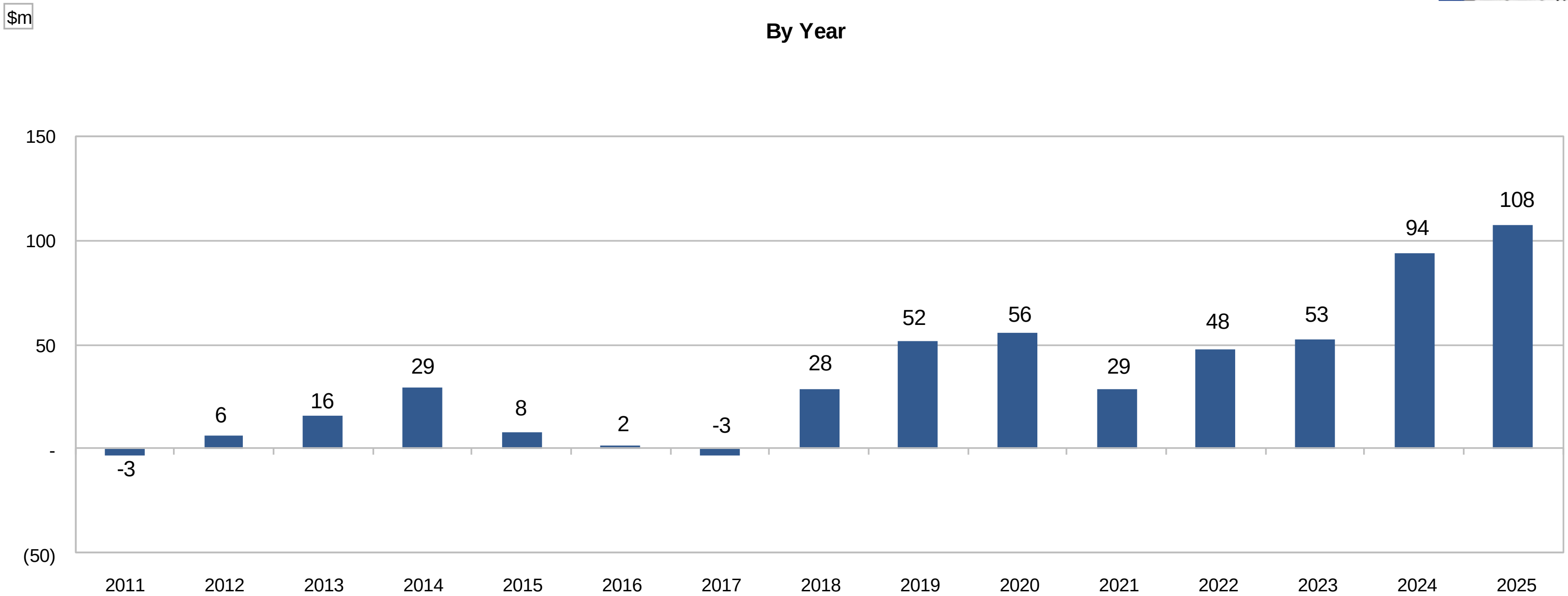
Immediate cash management initiatives:

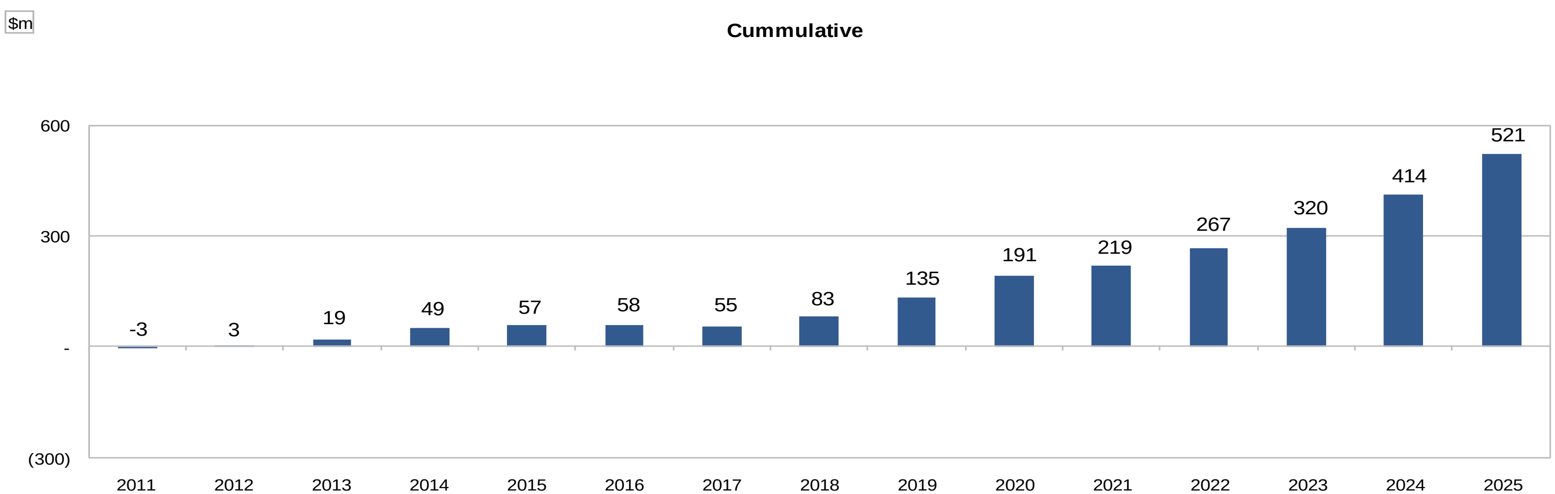
- Manage through current market conditions
- Expect cost reductions of up to $5m in 2011
- Realise cash from a programmed divestment of underperforming properties

Future Direction

- Capitalise on and consolidate port asset position
- Access alternative funding such as institutional plantation investment
- Expand forestry services and marketing business
- Continue to service existing retail customers, bringing plantations to harvest
- Market a modest volume of tax-effective retail product (review post 2010 selling season)
- Actively develop new markets in Asia for Australian environmentally certified woodchip

Forestry Cashflows from Existing Plantations





Growing the Company

The 4 Strategic Cornerstones of the new Elders are:

High performance sales capability

Supply Chain Excellence

Cost- & service-effective technology

Superior capital management

Summary

1. Results for the critical June quarter to date show continuation of first half trends: strong volume growth and cost gains being offset by low prices, reduced live export to Indonesia and low real estate volumes.
2. Elders has revised earnings expectations as market conditions have reduced sales revenue and margin generation
3. Cash position is strong and Elders is within financial covenants
4. Volume and margin growth achieved, backed by scale, affirm Elders' relevance and business base but only if cost to sales ratios are re-set.
5. Existing Rural Services cost and organisational structures are not sustainable in the current low price conditions.
6. Costs are to be reduced by $45 million to provided near term realignment
7. Executive management focus and cost to be reduced through restructure to leaner flatter network focussed organisation
8. Sales to increase over medium term through performance management and implementation of Stage 2 of Go To Market strategy