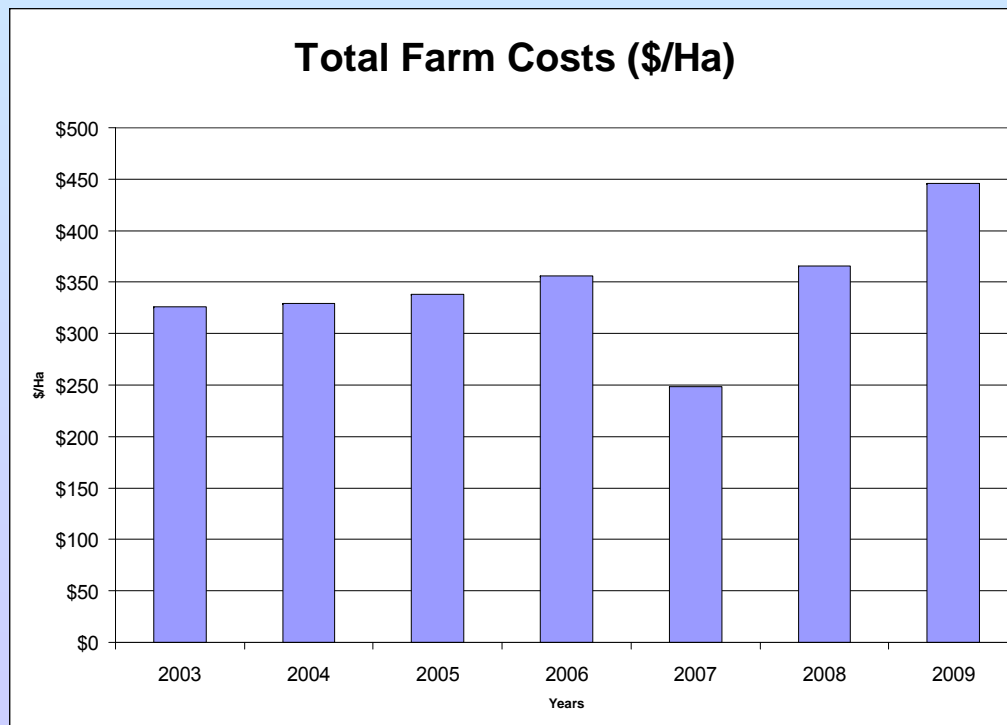


The Soft Commodities Boom

A Farmer's Perspective

Leo Delahunty

Total Farm Costs



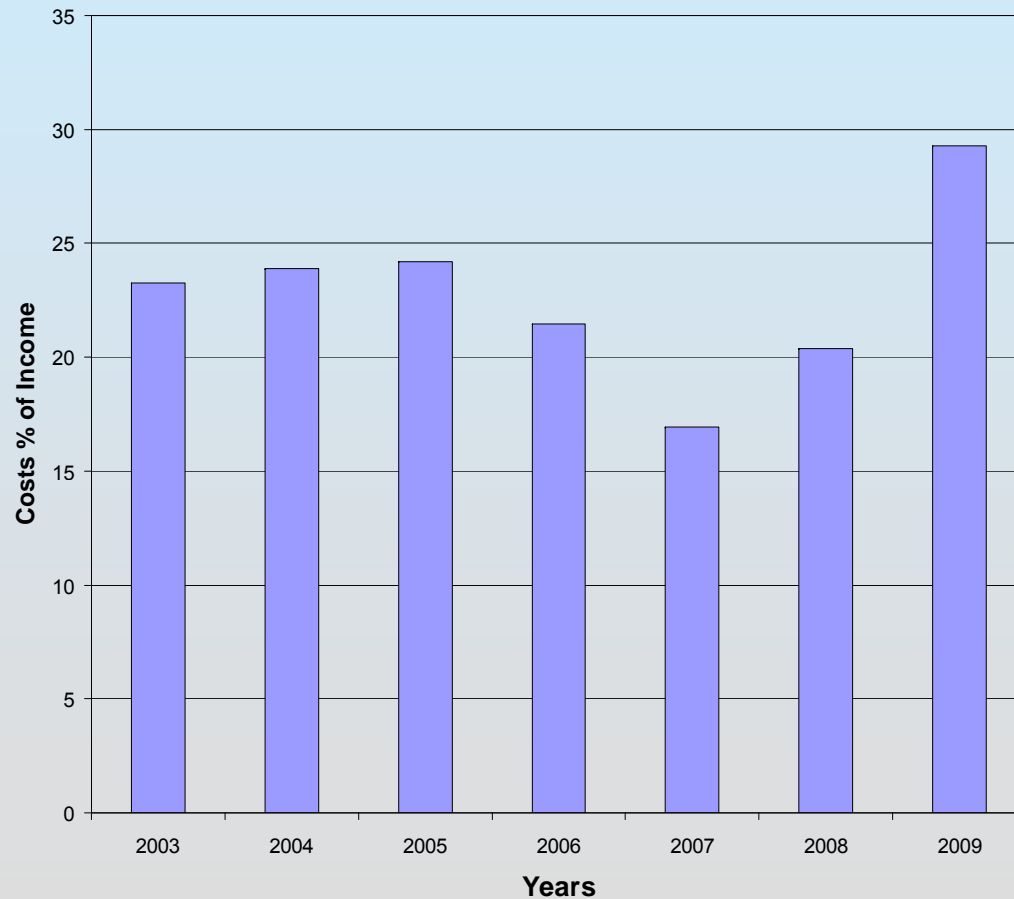
- Recent past (2003 - 2006) – relatively stable
- 2007 – down due to direct cost reduction and increased scale
- 2008 – on the way up again despite continued reduced fertiliser rates
- 2009 – up about 30% on earlier years

- **Profitability**

(margin \$/tonne)

- 2008 - 2.5 times 2005
- 2009 - 2 times 2005

Fertiliser & Spray costs % of Gross Income

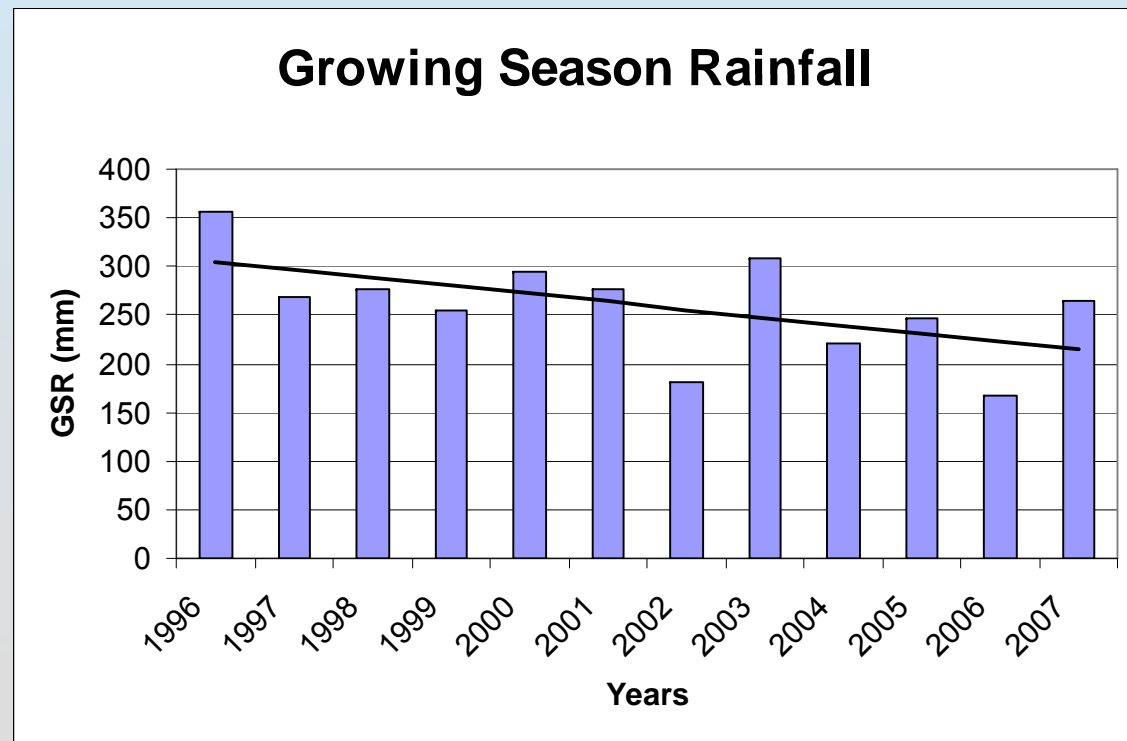


- MAP - 2005 to 2009
\$425/t to \$1500/t
- Glyphosate '05 to '09
\$5.20/ltr to \$12/ltr

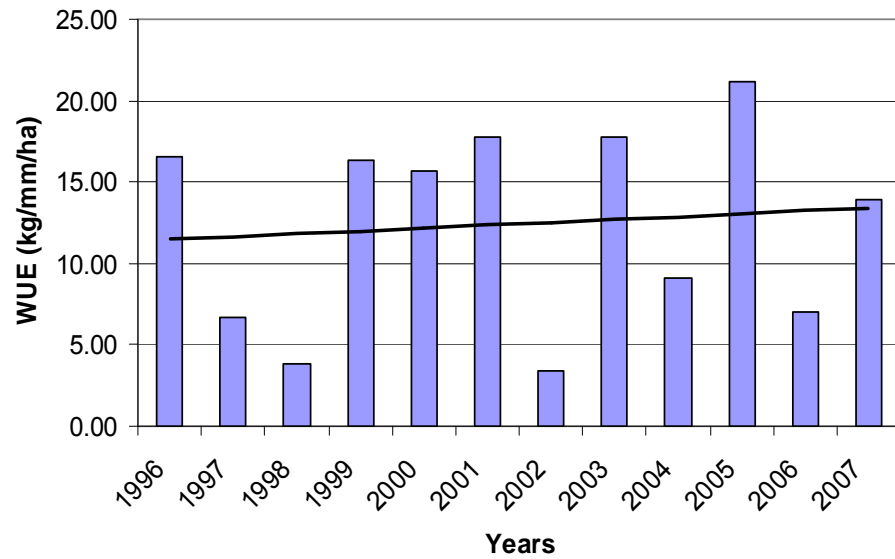
Risk to the Business

- **Production risks**

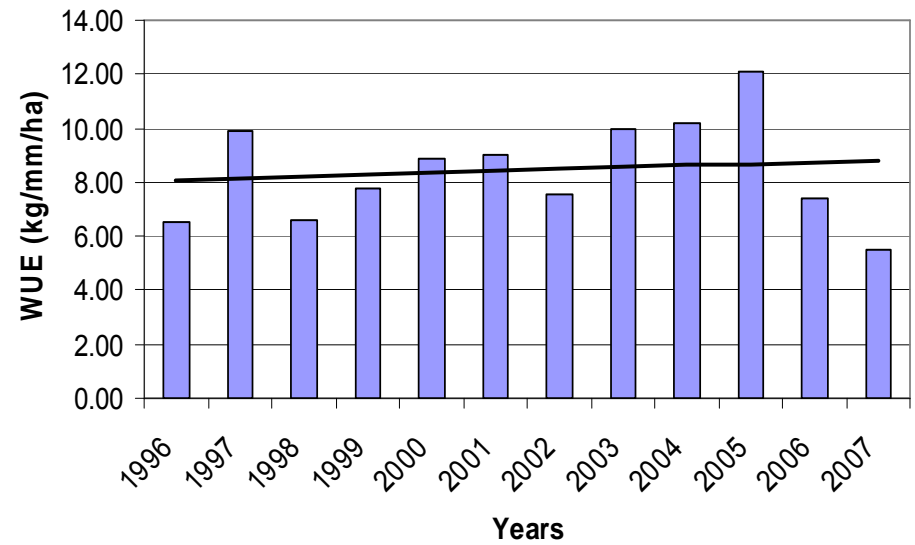
- Seasonal (clearly)
- GSR long term ave 300mm
- Last 12 years ave 264mm



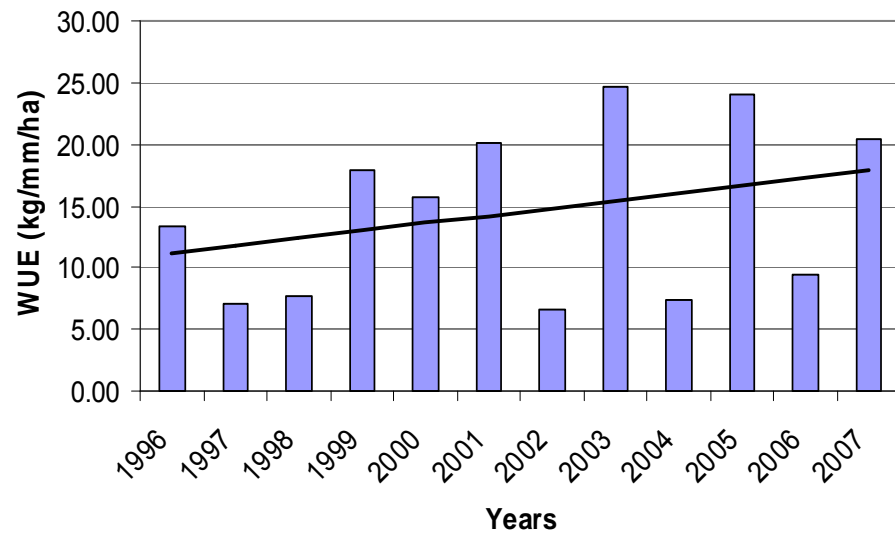
Wheat WUE



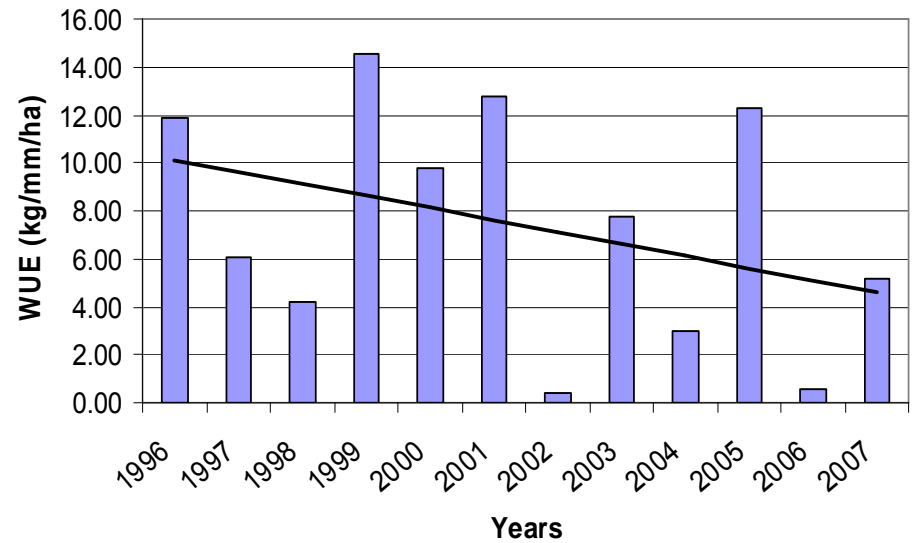
Canola WUE



Barley WUE



Lentil WUE

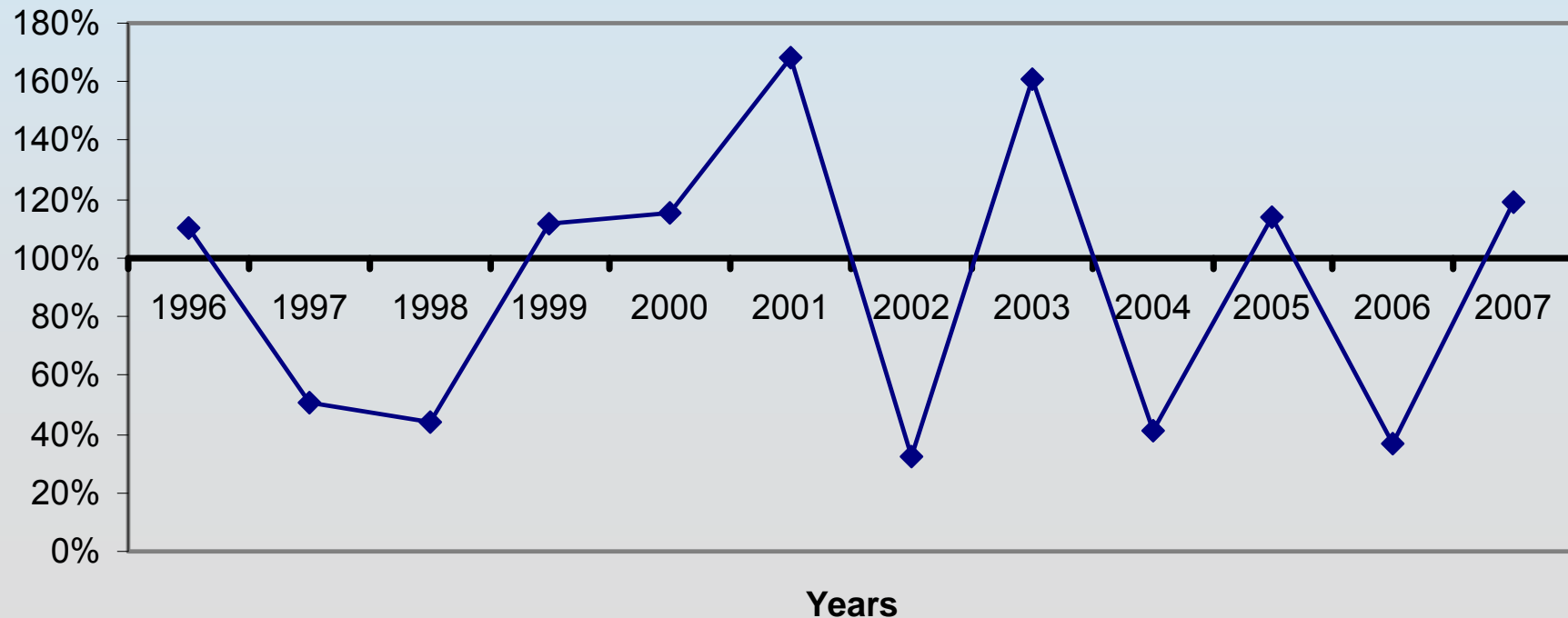


Risks to Business

• Financial

- Volatility of Income (Graph)
- Increase up front \$ for crop (inc. cost of funds)
- Volatility of grain market
- Increased counterparty risk

Income as % Budget



Risks to Business

- **Logistical (Grain Storage & Transport)**
 - Delivery options are changing
 - Less receival depots available
 - Cost of freight is increasing – both rail & road

 - More valuable crop
 - Increased quality spreads - more vulnerability to downgrading
 - Delivery flexibility - those who are responsive will get crop
 - Farmers need logistical flexibility with increased marketing options

 - More stress on farmers as managers

Strategy going forward

- Farmers will continue to look at farm scale
- We will review cropping intensity
- We will look for flexibility in grain storage options
- Will look at opportunities to develop long term direct supply contracts
- Have a clear understanding of profit margins & how to manage them

Summary

- Some unanswered questions
 - Will input costs peak in the near future?
 - Will transport be available – and at what cost?
 - Will grain prices continue at current levels?
 - Will we see small specialised co-operatives develop?
- Farmers risks are increasing
- Farmers profitability should increase (margin \$/tonne)
- Income (operational) return on assets in the next two years @ double digit figures (1st time since 2003)