



MARKETCHECK

Maximise Return! Minimise Risk!

GRAIN WOOL BEEF COTTON

Brett Stevenson





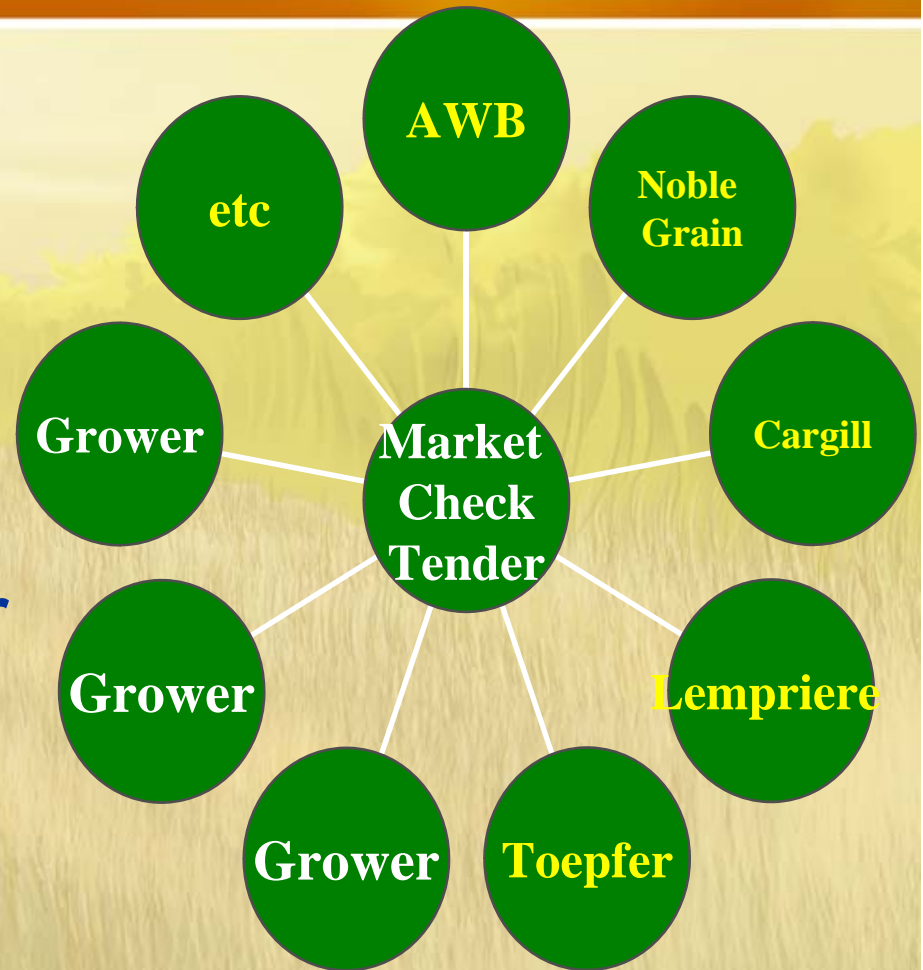
What does Market Check do?

- In operation since 1994.
- Help grower members in Qld, NSW, Vic & SA to market their Grain. Over 1,500.
- Information, Education, Advice.
- Execution: Accumulate growers tonnes into larger parcels attracting competition via Tenders, Firm offer, Offer Board etc.
- Independent of all market participants.
- Procurement consulting.

Grain Tenders: Pooling Volume

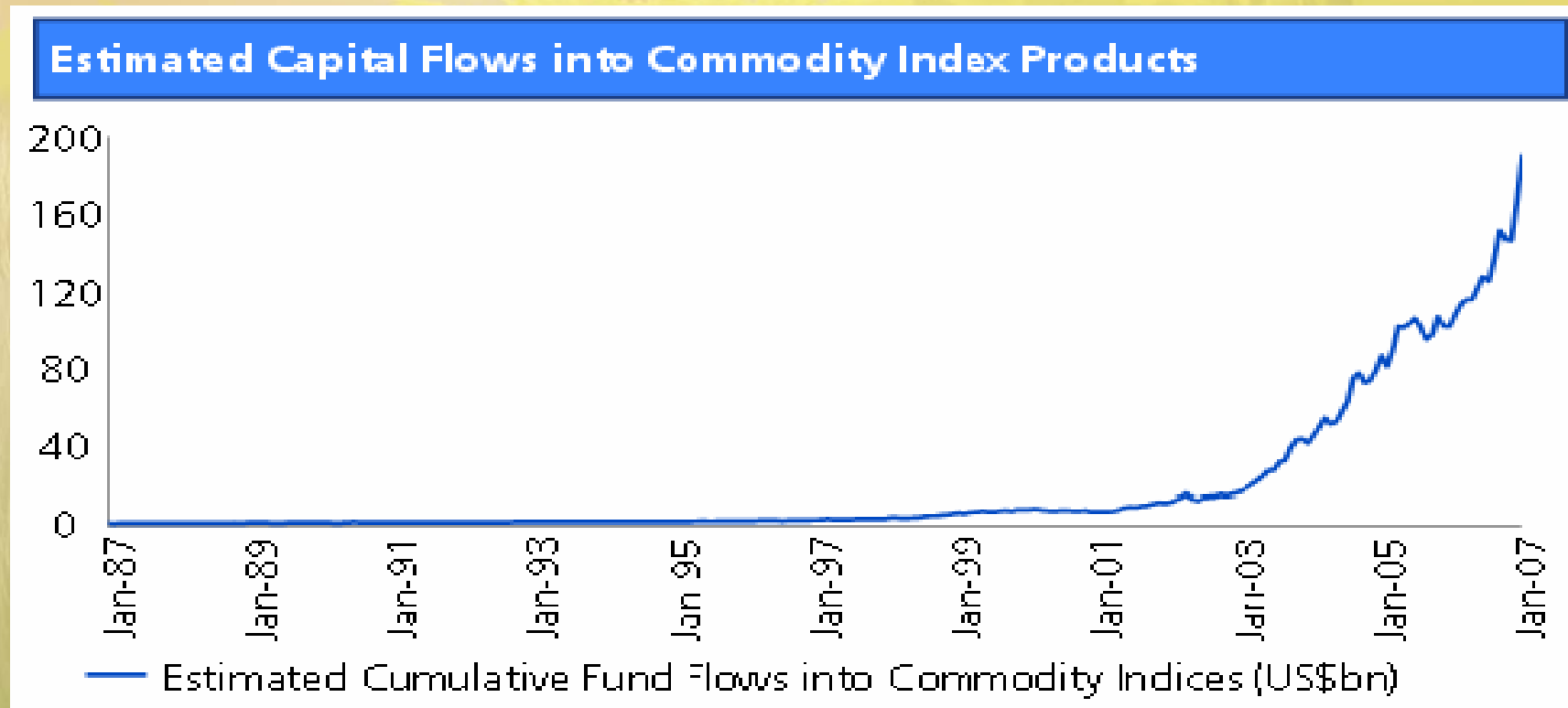
- Advantages

- Creates Volume
- Maximises Competition
- Efficient Transfer and Payment
- 73,000t mt Sold



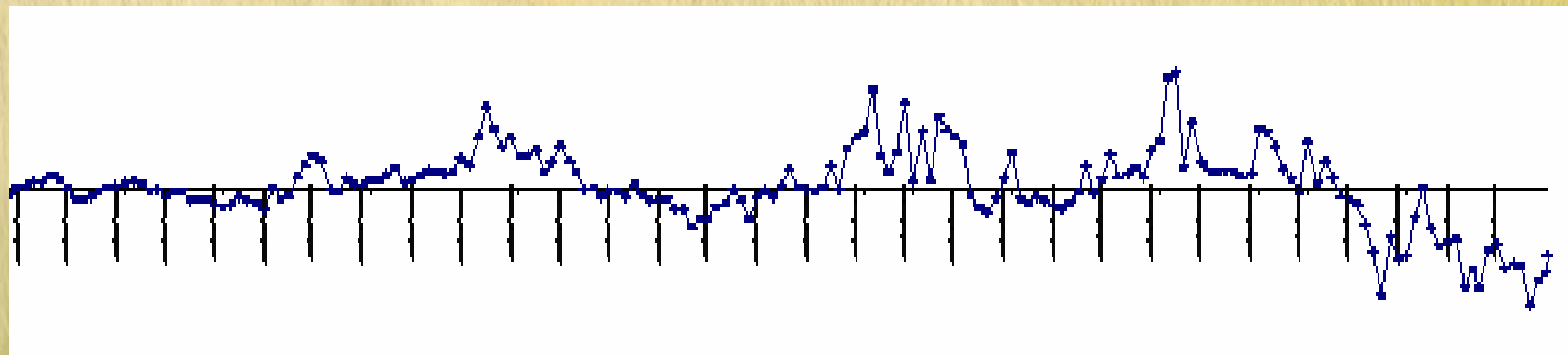
Current Investment Environment

- Huge Jump in investment in Long Only Commodity Index Funds in last 5 years



Index Roll returns - Contango Killer

- Recently market has moved into Contango (futures price above spot)
- Roll Returns are negative → divergence of investment correlation to the underlying commodity



1990

2007

Sustainability of returns?

2008 → Worldwide correction of index returns



S&P GSCI - Goldman Sachs Commodity Index



Turning point

- Commodity Index funds → Liquidity concerns, divergence from underlying asset. Has sector reached maturity?
- Global Mutual Fund's Total Return trend requires higher Beta weightings.
- How does the money find vesting space in Agriculture.
- “Investment of this kind has legs for another four or five years...”

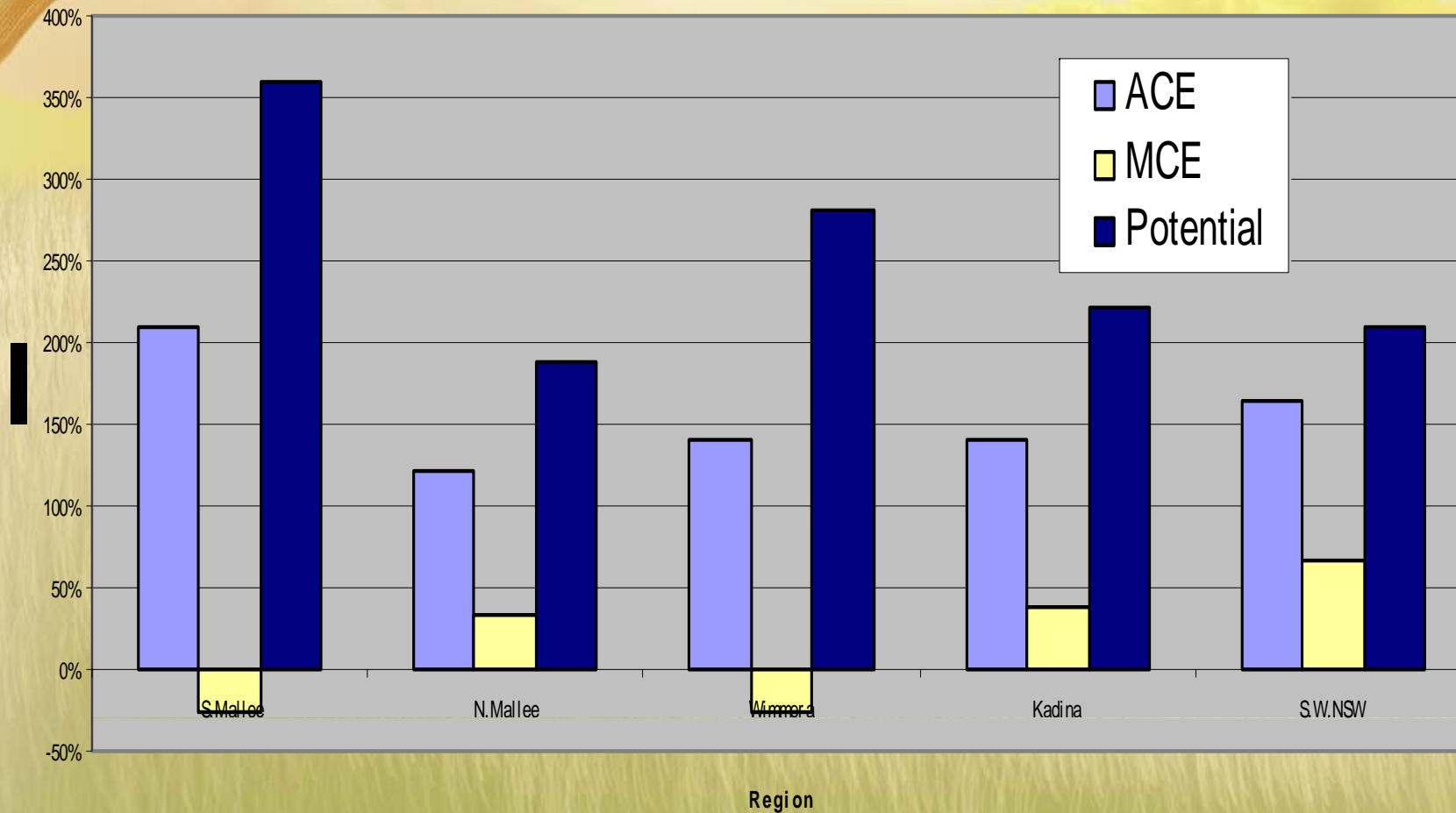
Bill Barbour (Fund manager Deutsche Bank DWS Global Agribusiness Fund)

Where to next...



How good are returns...

Return @ \$400mt





Farmer changes we have experienced

- Production risk is paramount.
- Worried the market may rise.
- Hedging needs to account for input costs.
- Broader use of Markets / Products; CBOT SWAPs, ASX SWAPs, Options over Wheat and Barley i.e. CBOT and ASX.
- Physical sales over time.



MarketCheck - Proposal

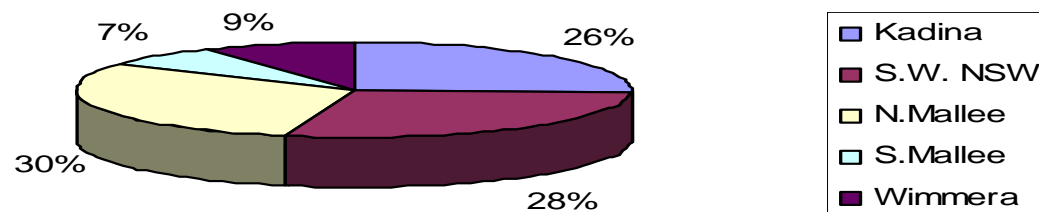
1. Grain Production Portfolio Project

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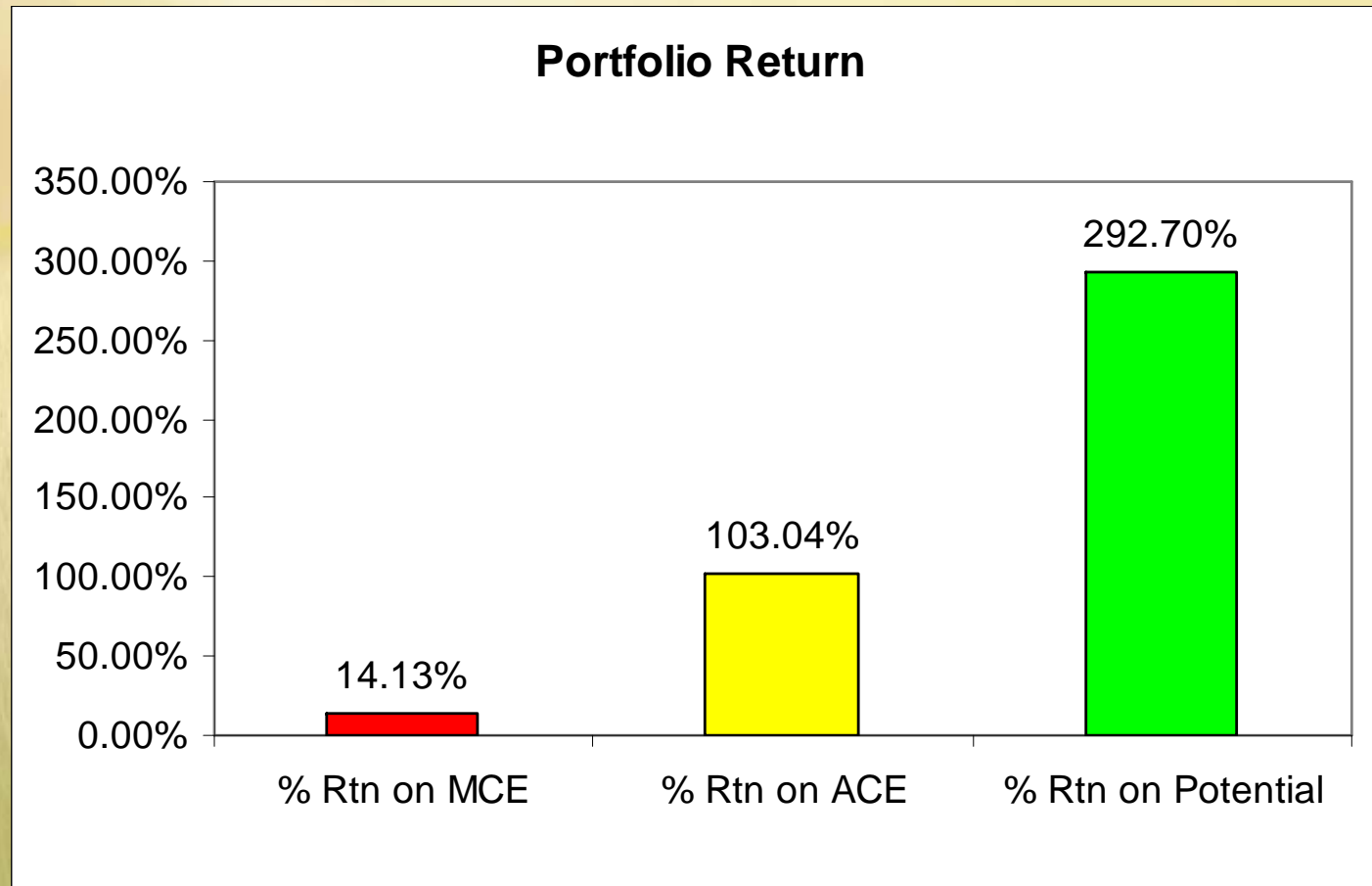
Grain Production Portfolio Project

- Using regions with different risks and rewards to create a portfolio.
- Portfolio is able to gain from the boom in prices while minimising risks associated with variable production e.g. Hedging

Sample Portfolio



Projected Returns



MCE = Minimum
Crop Estimate

ACE = Average Crop
Estimate

Potential = Bumper crop



If prices are sustained who participates?

- Do Australian farmers become more sophisticated risk managers?
- Is new capital going to enter with a new approach?
- Are the high forward prices an asset or a liability?
- I will come back for the 2013 Conference to tell you these answers.