

**K P M G**

**Presentation**

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# **GRAIN MARKETING IN TODAY'S ENVIRONMENT**

- **80's, 90's, NOW - Historical perspective.**
- **Who is most vulnerable?**
- **What happened to the NSWGB/KIDD etc?**
- **How is Grainco Australia dealing with the changes?**

## **LATE '80s**

- **Predominantly a statutory marketing environment, both at a State and National level.**
- **Pool Deliveries - no alternative available.**
- **First signs of grower discontent.**
- **“Board” supplied Marketing/Risk Management/Admin. skills.**
- **Strong storage/handling linkage/relationships.**

## **LATE '80s**

- **“Unchallenged?” Storage/Handling/Freight Rates.**
- **Segmented Supply Chain.**
- **Controlled Marketing - portraying low volatility.**
- **Limited interest in marketing information, etc.**
- **Country Merchant - Domestic Trading/Agency & Storage arrangements.**

## **EARLY TO MID 90's**

- **Dramatic increase in domestic demand. (Wheat deregulation).**
- **Droughts - extreme price volatility.**
- **Increased grower exposure/interest in the market.**
- **Requirement for “information”.**
- **Increased cash/decrease interest in pools.**
- **Product diversification - Canola, Cotton, etc.**
- **Improved contract alternatives - cash, options, deferred delivery, etc.**

## **LATE 90's - NOW**

- **Further deregulation - Domestic and Internationally.**
- **Storage / Handling / Freight competition.**
- **Market rationalisation / consolidation**  
**- Producers / Marketers / Consumers - worldwide.**
- **Embracing of total Supply Chain - causing the old guard concern.**
- **Requirement for Country merchants to add value or disappear.**

## **LATE 90's - NOW**

- **Farm numbers down / co-op numbers up.**
- **Increased demand for instant information.**
- **Increased demand for education / knowledge - ARMS.**
- **Ironically less liquidity - as Supply Chain Benefits are realised.**

## **WHO IS MOST VULNERABLE?**

- **Players who:**
  - **Have no linkages to regulation.**
  - **Have no international alliances with consumers.**
  - **Operate as straight “Traders” on a “Deal to Deal” basis.**
  - **Have poor Risk Management skills / experience.**
  - **Are not able to extract margin from the total supply chain.**
  - **Do not continually add value to the customer  
e.g. Trade “Price” only.**



## **NSWGB/KIDD/BUSTAN**

- **NSWGB:**
  - **Lack of understanding of environmental shift - pool / cash.**
  - **Risk management experience.**
  - **Growth for growth sake strategy.**
  - **Inadequate admin systems.**
  - **Supply rather than demand driven.**

## **NSWGB/KIDD/BUSTAN**

- **KIDD:**
  - “Trade / Tonnage / Price” driven.
  - Risk Management inexperience.
  
- **BUSTAN:**
  - Risk Management experience.
  - Inadequate systems.

## **HOW IS GA DEALING WITH THE CHANGES?**

- **Risk management policy / guidelines / continual review.**
- **Total supply chain management - both up and down the supply chain.**
- **Strategic alliances - most recently:**
  - **MarketLink - GA/Conagra**
  - **Australian Bulk Alliance**
  - **Graintrust**
  - **Melbourne Terminal**
  - **Others**
- **NSWGB vesting / export rights.**

## **HOW IS GA DEALING WITH THE CHANGES?**

- **Boeing and e/business links.**
- **- Increasing customer focus.**
  - Acceptance by Growers as their “Marketer of Choice”.**

## **TRIM METHODOLOGIES**

- **Value at risk (Var) methodology.**
- **Reportable limits.**
- **Units of adverse - historical price change.**
- **Commodity specific - liquidity issues.**
- **Worst case - all positions.**
- **Offsetting guidelines.**
- **Trim + MTM.**

## **PRICING**

<u><b>F.O.B.</b></u>	<u><b>2000</b></u>	<u><b>2001</b></u>
<b>AWB Pool (APH)</b>	<b>\$262.00</b>	<b>\$285.50</b>
<b>AWB Pool (APW)</b>	<b>\$231.00</b>	<b>\$250.00</b>
<u><b>PORT</b></u>	<u><b>2000</b></u>	<u><b>2001</b></u>
<b>Feed Barley (Melb.)</b>	<b>\$160.00</b>	<b>\$187.50</b>
<b>Malt Barley (Melb.)</b>	<b>\$204.00</b>	<b>\$234.00</b>
<b>Canola (Melb.)</b>	<b>\$315.00</b>	<b>\$425.00</b>
<b>Sorghum (Bris.)</b>	<b>\$153.00</b>	<b>\$157.00</b>



**MANY THANKS  
FOR  
YOUR TIME**