

AGFARM ADVANTAGE Q&A.



advantage

What commodities can I put in Agfarm Advantage?

Wheat, barley and canola

What grades can I put in Agfarm Advantage?

We will accept all grades bulk handlers offer as segregations

Where can I deliver my grain to access Agfarm Advantage?

All of the major Bulk Handling Companies (BHC's). Agfarm has storage & handling agreements with CBH, Viterro, Emerald Storage, AWB Grainflow & GrainCorp. We also have storage & handling agreements with some smaller, private, storage sites. The full list of storage providers can be found on the Agfarm Advantage Webpage.

Can I put grain stored onfarm into Agfarm Advantage?

No. We would like to offer the Agfarm Advantage Managed Marketing concept to grain stored on farm, however it is very difficult to price because individual farms (unlike bulk storage sites) do not have industry standard freight rates to port. However, if you have a substantial amount of onfarm storage, including a weigh bridge, we are happy to look into running your own personalised Advantage Marketing Program from your private storage.

How do I put my grain into Agfarm Advantage?

You can enter your grain into Advantage three ways.

1. Warehouse all of your loads then arrange, via fax or online order, for your bulk handler or storage site to transfer the grain you want in Agfarm Advantage prior to closure date in early January.
2. Warehouse all of your loads then call Agfarm staff on 1300 243 276 to allow us to transfer to your chosen program for you.

What do I do once I have entered my grain into Agfarm Advantage?

Sit back and concentrate on farming. Once your grain is in the sales program, you don't have to do a thing. We will take care of all of the market research, selling, transfers etc. We will also automatically make payments into your account as per your preferred payment program.

In addition, we manage all of your administration including storage and handling costs (n/a WA growers), end point royalties and levies.

Is my money/grain safe?

Agfarm is owned 50% by Australian publically listed company, Ruralco Holdings Ltd and 50% by CHS Inc, a farmer owned co-operative and Fortune 100 Company that sells around 52 million tonnes of grain and oilseeds a year in 65 countries. Ruralco Holdings Limited has revenue in excess of \$1 billion, almost \$200m in market capitalisation, around 2,000 employees, 40 businesses including CRT, water, merchandise, fertiliser, seed, wool, livestock, real estate, risk management, finance and insurance.

Agfarm Advantage is mandated to only sell to companies who we have covered by insurance.

Do I have to have a contract to put grain into Agfarm Advantage?

Not for Advantage Harvest, 2, 5, 10 and March 4 programs. You only need a contract for Advantage Flexi.

This marketing program is designed specifically to avoid any production risk involved in forward contracting. You can wait until you have the harvested commodity before you make any commitments.

Post-harvest if you would still like to put your grain into Advantage Flexi you can call 1300 243 276 for a contract number to transfer the tonnes.

When do I have to have my grain delivered to Agfarm Advantage?

Advantage Harvest closes 22nd December. The Advantage 2, 5 & 10 programs close in early January and March 4 closes early march. However, this may change in accordance with the seasonal conditions and progression of harvest. Agfarm will ensure we clearly communicate closing dates on our website for all Advantage programs.

Advantage Flexi will remain open until September 30th.

You can enter grain any time before these dates.

What happens if it rains and my harvest is delayed?

We maintain the ability to alter the closure dates of each program according to seasonal conditions. If harvest is delayed, we will change closing dates accordingly to try to accommodate everyone as best we can. You also have the option to go into Advantage Flexi at any time up until September 30th. Agfarm will ensure we clearly communicate closing dates on our website for all Advantage programs.

What does Agfarm charge?

The Agfarm Advantage management fee is 2.5% of the port price with a minimum of \$5.9/MT for wheat and barley. For canola it is a flat \$7.9/MT. This includes the cost of insurance.

If you take an advance we have interest charges. Please call 1300 243 276.

How will I be paid?

When you quote your NGR/CBH number on transfer, NGR will provide us with all the details we need to make payments into your account. All payments are completed electronically and you will be emailed a statement each month. Please call 1300 243 276 to be set up.

If you have a CBH number only, Agfarm will contact you for your details. We encourage getting an NGR number to ensure seamless transfer of funds.

What freight rates do you use to price my grain at my delivery site?

We use Grain Trade Australia (GTA) Location Differentials to convert the port price back to your local silo price. Because of their close proximity to domestic markets, some northern NSW sites are given special location differentials which are lower than the GTA rates. WA is priced FIS.

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Who pays for the storage and handling fees?

For South Australian and east coast growers, Agfarm will pay for all storage and handling fees on your behalf then deduct them from your payments. The payments you receive will be net of all storage and handling fees incurred in the process of marketing your grain.

For Western Australia, CBH will charge you upfront for the freight and receipt fee.

Does Agfarm Advantage pay quality increments?

Not for cereals. Pools who pay quality increments do not recoup those premiums when they on-sell the grain. It worked in the single desk days but not in the deregulated market. Therefore the money used to pay for quality increments is taken from the pool's base return. We market each bin grade individually on its merits and pay you according to the grade you have grown.

We do pay premiums/discounts on canola oil content and admixture. Agfarm will pay as per stack average for the site you deliver to. If the site you deliver to has a stack average oil content of 44%, we will pay you for 44% oil content, irrespective of the oil content of the Canola you personally delivered. We pass all benefits directly onto you the Advantage participant.

This provides great opportunity for you to nominate individual tickets that are below the stack average into Agfarm Advantage and receive oil premiums higher than if you were to sell those loads in the cash market.

Why would I pay a management fee for something I can do myself?

There is no reason you couldn't undertake this form of structured selling yourself. However, following market movements, sighting opportunities, negotiating sales, managing the administration and managing logistics all takes considerable time away from your core business of growing crops. You also may not have enough grain to sell and get the true average of the market. By entering grain into Agfarm Advantage you are outsourcing all of this work, so all you have to do is concentrate on growing the next crop, while monthly payments for last year's crop are coming through to your bank account.

In addition, Agfarm sells direct to the trade as a large grower to extract the best prices for you which you, as an individual grower, may not be able to get. The large volumes we are marketing through Agfarm Advantage also allow us to access markets otherwise unavailable to individual growers. There are many traders who will not buy directly from growers and only deal in large volumes. Through Advantage, we can offer these significant sized parcels and potentially attain premium prices. Because we have large volumes to sell, we can also out turn grain from sites and deliver it to road delivered markets (eg feedlots or container packers) when there are premiums to do so. It is extremely difficult for a grower to do this when you only have a small amount of grain in one site to sell. Due to the nature of bulk handlers' storage procedures, grain from individual sites is often unavailable. Because Advantage has grain in multiple sites, we can always access parcels for out turning into delivered buyers.

How do I know Agfarm is going to get as much as they can for my grain?

When making sales from Agfarm Advantage, our mandate is to get the best price possible for the grower. The Advantage program is based around achieving the best sales price we can.

How are your estimates calculated?

Estimates are only a budget guide. Like all budgets, the end result will definitely change.

They should never be used as a measure of what your return will be from Advantage against what it will be from a pool.

We are very open about how we calculate our estimated returns. We convert the CBOT (for wheat and barley) & ICE (for canola) futures for the 5 or 10 months of the sales program into Australian dollars per tonne and work out the average price from those months.

This is the most transparent way we have of calculating an estimate. Rather than us using our own view of the market we use the openly traded futures market place as our guide. It is a guide to what the market is telling us at one point in time.

How do you work out the Advance amount?

The Advance is a set amount Agfarm is comfortable advancing in the current market place. It is a non-recourse payment. This means, if the final returns from the sales program are under the amount we advance you at harvest, we will not ask for any money back.

What markets do Agfarm sell grain to? Does Agfarm export the grain or sell it domestically?

Agfarm sells to the best market on the day. We may sell it in the site you delivered to, export it ourselves or sell into domestic end user markets – wherever we can extract the most money for you, the Agfarm Advantage participant.

Because Agfarm is completely independent of any end users or international traders, we have no prejudices about where we sell the grain. It is all about getting the best price with secure payment.



For more information, call your local Account Manager on **1300 243 276** or visit agfarm.com.au