

## PRODUCT SHEET

# 2012 SORGHUM POOL

The Sorghum pool for 2012 has been opened with some slight changes from last year, at the request of growers, and will be a 'short term pool only'. The pool will be open for contracting in the ports of Gladstone, Mackay, Brisbane and Newcastle.

The pool will market grain across domestic consumers, DCT and FOB. The benefits for participating in the pool are direct relationships to end users via Emerald and PBG with direct delivery and ex-farm options to gain advantage of on farm storage in northern Australia.

## PRODUCT DESIGN AND FEATURES

The Pool will be a short term pool model with key elements as follows:

### PRICING STRATEGY

- Fully discretionary by the Pool Manager.

### POOL DURATION: 'SHORT TERM'

- Deliveries expected to take place in Early February – through to May 2012<sup>1</sup>
- Final payment in Mid December 2012 (Week of the 17th December 2012)

### PREMIUMS: EARLY ORDER PREMIUM & LOYALTY BONUS

- \$10/mt - EOP Tranche: 3rd January to the 14th of January
  - \$2/mt Loyalty Bonus
- \$5/mt - EOP Tranche: 23rd January 2012 to the 3rd of February
  - No Loyalty Bonus

### PARTICIPATION: CONTRACT AND SPOT DELIVERIES AT APPROVED BHC AND PRIVATE SITES.

- Ex-Farm deliveries by negotiation – payment on delivery only

### MULTI GRADE:

- SOR 2 deliverable at published EPR discount.

### GROWER PAYMENT OPTIONS:

- Harvest Advance (HA) @ 70%
- Flexible Loan (FL) up to 75%
- Distribution Payments (50% July and Balance upon finalisation in December 2012)

### POOL VALUED: QUOTED FOB,

- FOB and B/H costs will apply.
- Finance and Underwriting for HA and FL payment options. Underwriting payable, and apply to FL regardless of funds drawn down or not

### BENCHMARK:

- The average daily price (using PBG and 2 other main buyers) from the 2nd January 2012 to 31st October 2012.

### FEES:

- Management: 2.4% of the Final Pool return (per MT). *Note: EPR takes into account the management fee.*
- Underwriting: \$2.50/mt (where applicable)
- Finance – Current Pool finance interest rate
- Out Performance to apply against the quoted benchmark

### HEDGING AND MARKETING

- Track market
- ASX hedges
- CBOT futures

<sup>1</sup> The Pool Manager holds the right to close the Pool for further delivery at any time.

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## MARKETING OUTLOOK

In order to achieve targeted pricing levels the pool will utilise a combination of hedge and marketing mechanism to maintain the prescriptive strategy.

These include:

- Track market
- ASX hedges
- CBOT future

### PRICING OUTLOOK:

The outlook for the 2012 Australian Sorghum crop production continues to improve with increased rainfall underwriting Sorghum already planted and also to increase planted area over December.

The pool anticipates taking flat price cover against feed wheat, protein wheat and corn hedges to protect the relative strength in Australian Sorghum.

The utilisation of PBG logistics execution also underwrites ex farm arbitrage opportunities direct into the port and also strengthen FOB sales with Sumitomo.

### EXECUTION:

The 2012 Australian Sorghum crop has the propensity to be well above average against both area and yield. Growers are expected to increase plantings of Sorghum to capture soil moisture and as a benefit to crop rotations. Hence flat price is not a significant driver of Sorghum plantings at this time. Therefore the propensity for a Sorghum pool to gain traction in a low flat priced and perceived high production environment is great.

As domestic consumers watch the Sorghum crop increase and have a greater volume of feed wheat available Sorghum will continue to fall out of rations. Similarly, the global feed wheat and CBOT corn weakness (relative against recent 600-650 cent levels) is pressuring export levels.

Therefore the opportunity to take on pool commitments and sell the Australian crop ahead of expected weakness strengthens the opportunity for an EOP program.

This in conjunction with selling Australia Sorghum against taking Australian and CBOT hedges sets the pool up to give growers' liquidity whilst protecting flat price (the EPR).

This hedging strategy allows growers to take advantage of early premiums before their crop is harvested, whilst leaving open volume in deferred months to capture market premiums if northern hemisphere crop conditions provide volatility to the market.

With expected logistics congestion with an increased crop, PBG also has the ability to capture value in road transport to domestic consumers and FOB pathways.

## Contact Philp Brodie Grains

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