

The background is a warm, golden-yellow color with various abstract patterns. In the top left, there is a large orange grid pattern. In the top right, there are several circular shapes with different internal patterns: some with horizontal lines, some with vertical lines, and some with a cross-hatch pattern. A central blue circle is surrounded by a field of small yellow dots. The text is centered in the middle of the page.

Sugar model envy
Lessons learned

Sarah Scales



- Wheat single desk system (SDS)
- Creating Pool value
- Performance of SDS
- Issues since wheat deregulation
- Sugar- wheat similarities and differences
- Conclusion

WEA (SMA)
monitor AWB I's SDS
pool performance

AWB
(publicly-listed company)

Business services

AWB
INTERNATIONAL
(holder of the Single Desk)

\$\$\$
Pooled
payments
less COGS

Exports /Markets
~ 100 customers



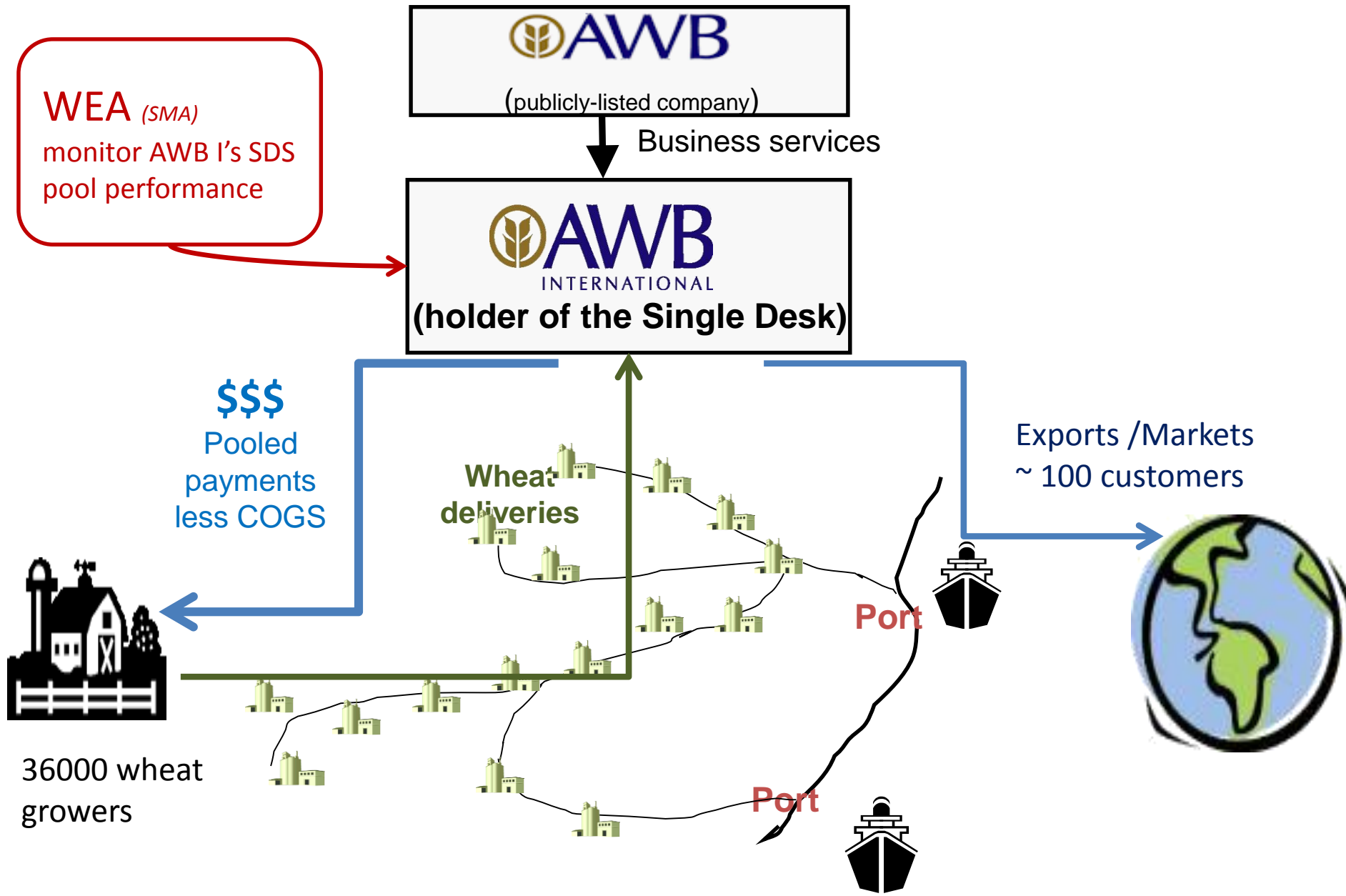
36000 wheat
growers

Wheat
deliveries

Port



Port

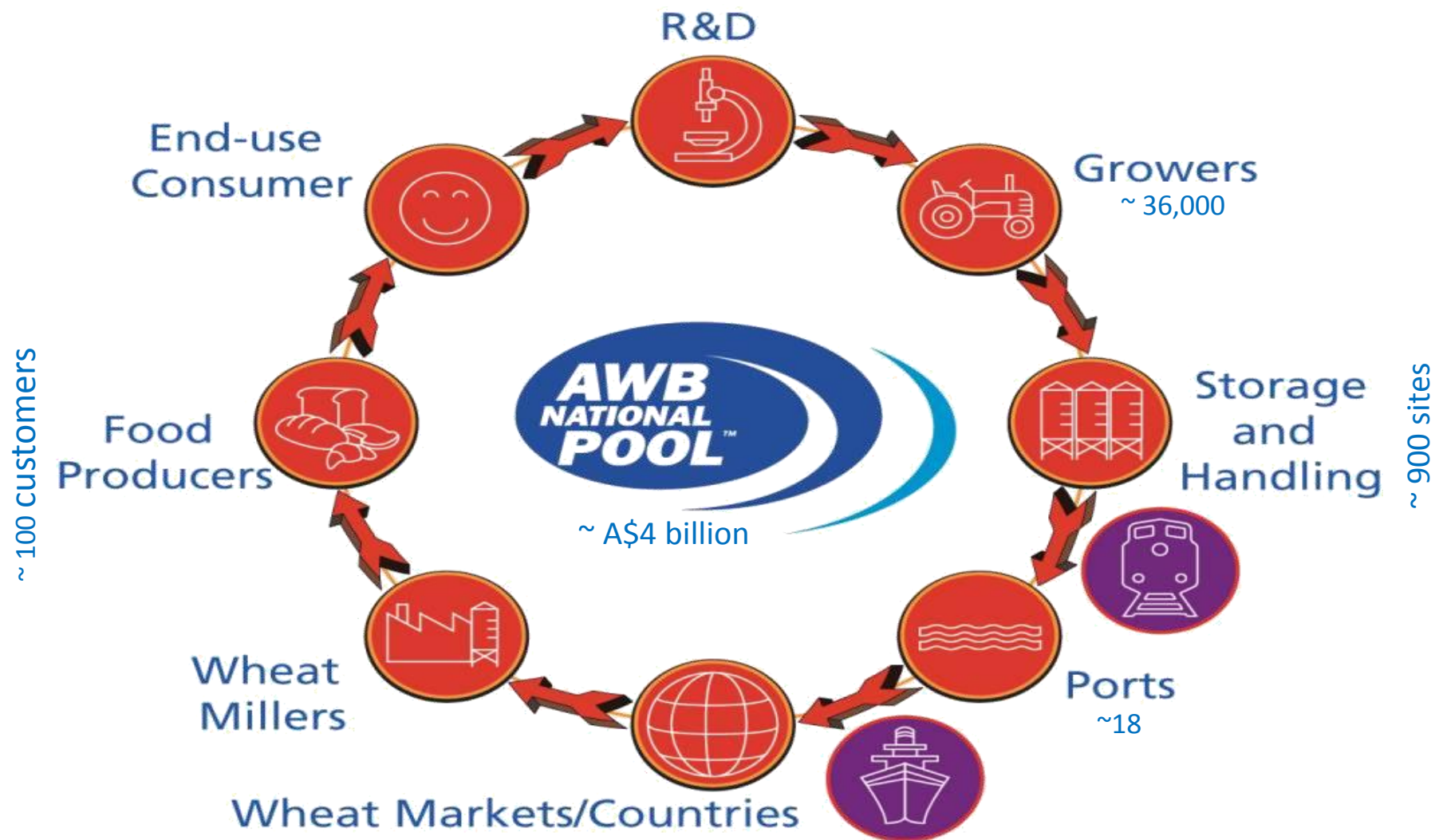


Features of wheat SDS



- Constitution
 - Obligation to max net pool returns
 - Guaranteed buyer (of last resort)
- Governance - WEA (performance - regulator)
 - AWB policies & procedures to protect against 'gaming' and transfer pricing
- Integrated marketing system capturing economies of scope & scale across value chain

Wheat single desk – an integrated industry solution

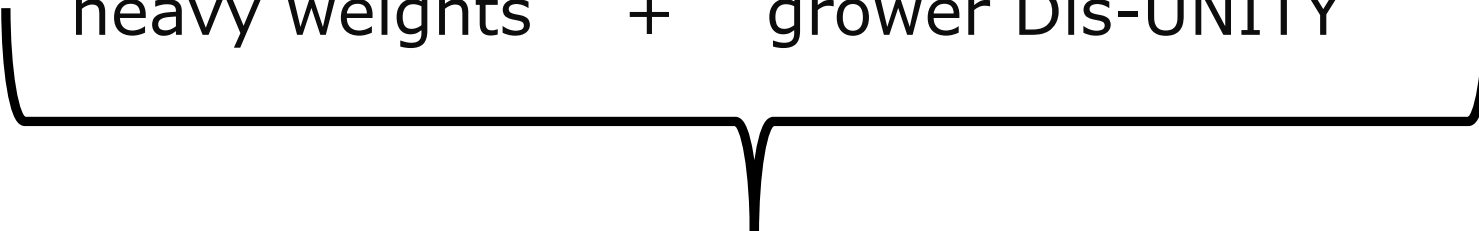


Performance of SDS



- Expansion of Australian production
- Improved quality profile
- Increased premiums
 - distorted world trade/subsidies & flat demand
- Increased market share into Asia (70%)
 - Market/service, consistency of product/service
- Reduced volatility of earnings
- Minimised execution costs
- Benchmarked performance
 - ENVIED around the world

Wheat deregulation – game changer

- Scandal was the trigger BUT
 - Commercial & political tensions btw industry heavy weights + grower Dis-UNITY
- 
- A hand-drawn black bracket that spans across the two bullet points above, indicating that both factors contributed to the subsequent event.
- Led to dismantling of SDS (deregulation 2008)
 - Further rationalisation and consolidation
 - Corporate drivers = Shareholder returns

Issues since deregulation



- Higher S&H, port & logistics costs
- Increased execution risk (dem. >\$150m WA)
- Inconsistent quality delivered to market
- Lower premiums achieved
- RND/ breeding disconnect to market
- Price gauging by asset owners
- Reduced liquidity in origination
- Plethora of pricing/funding products...are they any good?

→Higher risk profile → Less globally competitive

Sugar – wheat similarities



- Net exporter with economies of scale
- Operate in a high volume low margin market
- Significant production risk
- Operate in volatile markets (more & more)
- Compete against distorted subsidised competitors
- Good proximity to growth markets in Asia
- **Objective = Max pool returns (only)**
- **Integrated system manager**

Sugar – wheat differences



Sugar –wheat differences Implication

- Voluntary sugar industry structure
 - Mill – Grower dependency
 - Storage
 - Transportation
 - Title
 - No regulator
- Alignment – volume drivers
 - Leverage economies
 - Protection against monopolistic behaviour
 - Recognition of contribution & risk
 - Independent – No conflict

Conclusion: QSL is working for you



- Constitution
 - NFP → All (100%) net value delivered to pool participants
 - No conflict of interest , no transfer pricing, no gaming
 - Drivers, motivation and behaviour aligned
 - Obligation to Max pool returns
- Integrated system manager, leveraging economies of scale
- QSL performance is key
 - 4 Pillars must continue to deliver value
 - Investment in capability critical (people and systems)
- Industry stability
- Industry alignment → Hi volume – Low margin businesses
- Grower UNITY is key → Can't unscramble an egg