




# **BEYOND THE FARM GATE**

## **THE SOUTHERN AGVENTURE EXPERIENCE**

**RICHARD CARN**

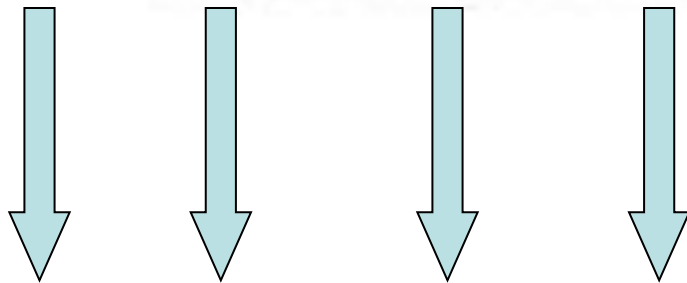
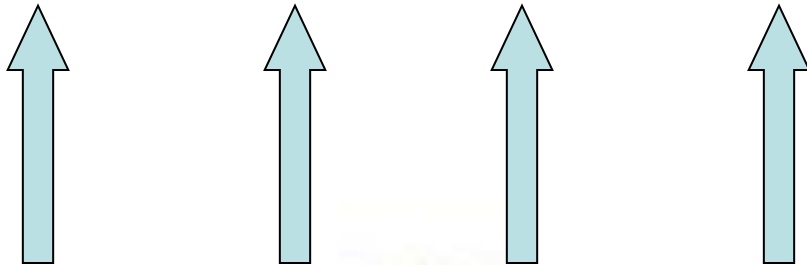
Non-executive Director Southern Agventure

Chairman Southern Ag Grain

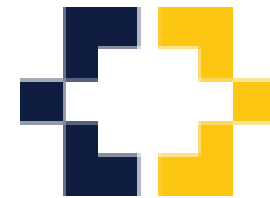
- 
- **Southern Agventure is an unlisted public company with just over 250, predominately farmer shareholders .**
  - **Southern Agventure began in early 2006 as the Lockhart Biofuels Group.**
  - **The original committee, found on investigation, that a Biodiesel plant would not be feasible in Lockhart.**
  - **After investigating a number of other potential projects, it was decided in December 2008 to pursue a Joint Venture grain accumulation business with The Emerald Group.**

- **October to December 2009: Prospectus launched.**
- **November 2009: Southern AG Grain (SAG), a 50/50 joint venture with the Emerald Group commenced operations with the employment of a Grains Manager and the opening of an office in Wagga.**
- **December 2009: Southern Ag Grain fully operational with a staff of three.**
- **SAG now has a staff of 7 and buys, on behalf of Emerald, around 500,000 tonnes of grain per annum.**

# OTHER COMMERCIAL RELATIONSHIPS

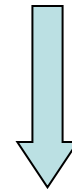


# OTHER JOINT VENTURES

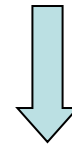


**Emerald**  
GRAIN

FIRST JOINT VENTURE



50 / 50 OWNERSHIP

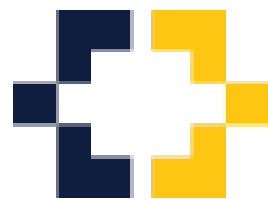


**Southern Ag**  
GRAIN



 **Sumitomo Corporation**

100%

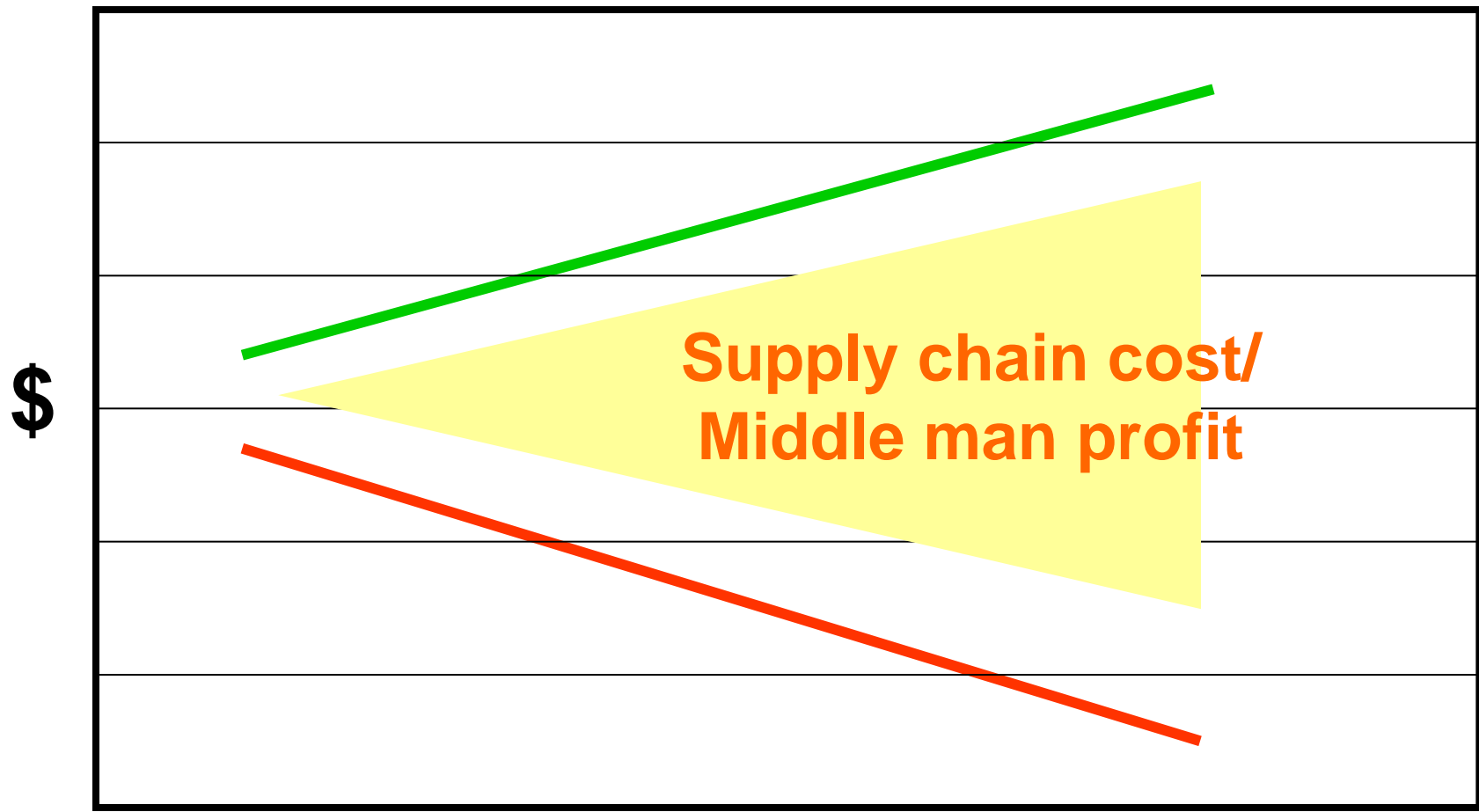


**Emerald**  
GRAIN

50 / 50



**Southern Ag**  
GRAIN



← **TIME** →

 Retail food prices

 Farmers' terms of trade

## Changes in the Australian Grain Industry

- Deregulation brought new players into the industry; Over 50 export licenses granted
- Logistics problems post single desk
- Now in a period of consolidation
- Integrated Supply Chain; 'The Haves' and the 'Have nots'
- Counterparty risk



## Opportunities

- **Growing Middle Class in Emerging Economies;** China, as an example, has an estimated 300 million middle class and expected to rise to 700-800 million
- **High Value Domestic and Export Markets**
- **Multiplier Effect of a Strong Commodity Market**
- **Ability to Leverage High Quality Standards**
- **Ability to Leverage our Logistics Capacity**





## Challenges

- **Extracting Additional Value** out of the **Supply Chain** and back to the **Farm Gate**;
- While **Consumers** are demanding high quality, 'clean, green' food, the majority are also demanding **cheap food**.
- **Competitors**, particularly those with lower cost of production or execution costs
- **Cost of processing in Australia**
- **Counterparty risk**

## Summary

- **There are many opportunities out there, but it takes time, diligence and, in many cases, considerable capital to take advantage of them.**
- **Many organisations want a connection with farmers, few want to pay for the opportunity.**
- **Consumers demand high quality, safe, convenient food, but are also price sensitive.**

## Summary

- **Companies will generally favour least-cost execution when sourcing commodities. In the case of grain, cheap low quality product is often blended with a higher quality product to meet a quality standard.**
- **Farmers are generally very independent in their nature. This can be problematic when attempting to put together parcels of a commodity.**
- **Australia is well positioned to benefit from trade with emerging economies. Extracting additional value back to the 'farm gate' is the challenge.**

# Richard Carn

Director - Southern Agventure

0427 206254 mob

[rscarn@bigpond.com](mailto:rscarn@bigpond.com)

[www.southernagventure.com.au](http://www.southernagventure.com.au)