



**AWB BUSINESS NETWORK**

**Australian Regions**

Perth	Tel 08 9464 2720	Fax 08 9464 2730
<b>Northern WA</b>		
Geraldton	Tel 08 9964 1051	Fax 08 9921 1012
<b>Central West WA</b>		
Wongan Hills	Tel 08 9671 1755	Fax 08 9671 1766
<b>South Central WA</b>		
Northam	Tel 08 9622 4500	Fax 08 9622 3705
Merredin	Tel 08 9041 1462	Fax 08 9041 1968
<b>South East WA</b>		
Lake Grace	Tel 08 9865 1670	Fax 08 9865 1680
Esperance	Tel 08 9072 1555	Fax 08 9072 1444
<b>Adelaide</b>	Tel 08 8213 3333	Fax 08 8231 4182
<b>Eyre Peninsula SA</b>		
Port Lincoln	Tel 08 8682 3526	Fax 08 8683 3008
Streaky Bay	Tel 08 8626 1855	Fax 08 8626 1911
<b>Central SA</b>		
Kadina	Tel 08 8821 4400	Fax 08 8821 4366
<b>Eastern SA/Western Vic</b>		
Keith	Tel 08 8755 3388	Fax 08 8755 3399
Horsham	Tel 03 5382 5544	Fax 03 5381 1018
<b>North West Vic</b>		
Swan Hill	Tel 03 5033 1370	Fax 03 5033 1626
<b>South Central</b>		
Yarrawonga	Tel 03 5743 2589	Fax 03 5743 2756
Griffith	Tel 02 6962 9467	Fax 02 6962 9471
<b>South East NSW</b>		
Wagga Wagga	Tel 02 6921 7499	Fax 02 6921 4674
<b>Central NSW</b>		
Dubbo	Tel 02 6882 0888	Fax 02 6882 6405
<b>Northern NSW</b>		
Gunnedah	Tel 02 6742 3710	Fax 02 6742 3781
Moree	Tel 02 6751 1799	Fax 02 6751 1797
<b>Tamworth</b>	Tel 02 6761 3833	Fax 02 6761 3877
<b>Southern QLD</b>		
Toowoomba	Tel 07 4638 2777	Fax 07 4639 2529
<b>Central QLD</b>		
Emerald	Tel 07 4987 7993	Fax 07 4987 7996

**Global Regions**

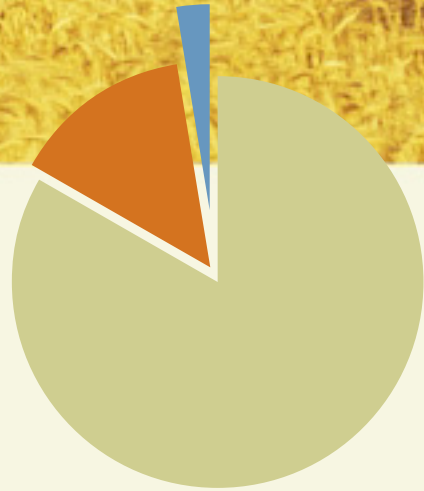
<b>Australia</b>		
Melbourne	Tel +61 03 9209 2000	Fax +61 03 9670 2782
<b>USA</b>		
Portland	Tel +1503 226 0015	Fax +1503 226 4731
<b>Asia</b>		
Hong Kong	Tel +852 2509 3318	Fax +852 2509 3234
Tokyo	Tel +813 3669 1786	Fax +813 3667 5500
<b>Egypt</b>		
Cairo	Tel +202 738 1825	Fax +202 738 1825
<b>Europe</b>		
Geneva	Tel +412 2592 9595	Fax +412 2592 9500

**PERFORMANCE REPORT**

**2000-01**

*Single Desk  
system  
retained  
for Australia's  
grain growers*

# PERFORMING FOR AUSTRALIA'S GRAIN GROWERS AND INTERNATIONAL CUSTOMERS



- Paid to Growers
- 'Site to Sea' direct costs
- AWB pool management services, plus insurance and demurrage

## AWB National Pool 2000-01 equity

Total equity for 2000-01 AWB National Pool was A\$3,652.2 million.

- 83.3% was returned directly to pool participants.
- 14.1% paid 'Site-to-Sea' direct costs. These are direct costs paid from pool proceeds to service providers involved in the supply chain from up-country receival sites to bulk wheat shipments, free-on-board (FOB). The services include storage, handling and freight and are provided by Bulk Handling companies, road and rail transport companies and port authorities.
- 2.6% paid to AWB Limited for pool management services, insurance fees and demurrage costs.

AWB National Pool provides unique grain marketing and risk management opportunities to growers as part of its active management and operation of the Single Desk system.



It offers growers much more value than just sales to international markets. AWB National Pool receives and segregates grower's wheat, which is actively managed and marketed for a period of around two years.

Every pool participant enjoys the full value of all revenues generated through arbitrage and blending opportunities, logistics efficiencies, supply chain integration, strong customer relationships and price discovery. AWB National Pool protects and further enhances these returns using sophisticated position management programs for physical sales and execution, commodity hedging, foreign exchange exposure and credit risks.

The stability, security and innovation offered by AWB National Pool, in an uncertain environment and often volatile market, are critical features for building your business and providing choice when marketing your wheat.

This report highlights the main influences on and outcomes delivered by AWB National Pool from the 2000-01 wheat harvest - a 'pool life' extending from January 2000 to finalised returns for participants determined as at 31 March 2002.

## Final 2000-01 Base Rate Returns

Add AWB Golden Rewards increments to calculate total return for each AWB National Pool 'pay grade'.

### APH pay grade Base Rate

**\$264.61** /t FOB, GST Exclusive

13% protein, 5% screenings

### SOFT pay grade Base Rate

**\$248.40** /t FOB, GST Exclusive

8.5% protein, 5% screenings

### AH pay grade Base Rate

**\$246.61** /t FOB, GST Exclusive

11.5% protein, 5% screenings

### ASWN pay grade Base Rate

**\$272.63** /t FOB, GST Exclusive

10.5% protein, 5% screenings

### APW pay grade Base Rate

**\$234.31** /t FOB, GST Exclusive

10% protein, 5% screenings

### ADR1 pay grade Base Rate

**\$294.20** /t FOB, GST Exclusive

13% protein, 5% screenings

### ASW pay grade Base Rate

**\$225.53** /t FOB, GST Exclusive

10% protein, 5% screenings

## Key highlights

- **Achieved record pool returns by actively managing market complexities and successfully exporting more than 15 million tonnes of wheat**
- **Revolutionised pool payments by introducing AWB Golden Rewards to erode 'cliff face' pricing and provide more equitable returns**
- **Developed an independent wheat industry benchmark (WIB) to provide more transparency and better measure AWB National Pool performance**
- **Developed a performance based remuneration model to better align AWB objectives with pool participants and encourage investment to improve gross pool value, for implementation in 2001-02**
- **Strengthened industry co-operation to refocus and improve Durum marketing**
- **Established consistent commitment to pursue least cost pathways and improve supply chain efficiencies**
- **Introduced guaranteed pool access dates to provide more certainty for growers when considering wheat marketing options**

## Industry highlights

- **Single Desk system retained for all Australian grain growers and international customers**
- **Single Desk system next scheduled for legislative review in 2010 under National Competitive (NCP) guidelines**
- **AWB (International) responsible for Single Desk system and direction of AWB National Pool**

Record Returns

## A year in review



**Sarah Scales**  
General Manager  
AWB National Pool

### Tough market conditions

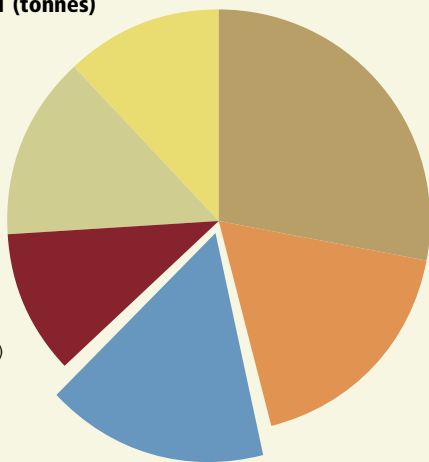
Security and stability for growers in an uncertain global environment is a serious issue for all of us. AWB National Pool and the Single Desk system provides a unique mechanism to competitively position Australian grain growers in disorderly world markets.

The market conditions we faced in 2000-01 were far from normal. World wheat production was affected by drought in Canada and the US and excessive rains in the EU. The market experienced increased production and an influx of exports from non-traditional exporting countries such as India and Pakistan.

Successfully dealing with these unusual and volatile market conditions was a key challenge for AWB. Decisions on physical wheat pricing and commodity hedging were increasingly complex. World wheat demand was low with prices remaining in an established range.

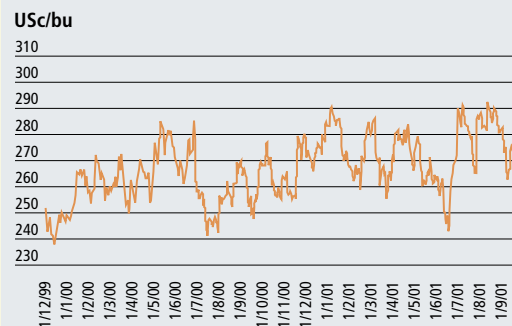
### AWB share of world wheat trade 2000-01 (tonnes)

	(t)
USA	28%
Canada	17%
Australia	17%
Argentina	11%
EU	14%
Others	13%



Source: International Grains Council (IGC) Grain Market Report June 2002.

### CBOT spot futures contract



Commodity futures on all wheat exchanges were volatile during the 2000-01 period, as shown by the CBOT figures. This volatility increased complexity of hedging and pricing decisions.

### Exchange Rate (AUD/USD)



The Australian Dollar (AUD) dropped almost 20 cents against the US Dollar in the unprecedented foreign exchange environment prevailing during the life of the pool. AWB managed to capture most of this action for growers with an achieved rate of 0.5513 compared to a seasonal average of 0.5811.

### Increased share overseas

For the fourth consecutive year, exports of Australian wheat reached more than 15 million tonnes. Our share of world trade was around 17 percent, an outstanding achievement when viewed in the context of distorted market conditions.

This share has been built in an environment where competitors continue to enjoy government intervention that encourages production and heavily distorts markets. An example of this intervention is the domestic support programs in the United States and European Union.

### Government Support\*

	US\$/ha
AUSTRALIA	8
CANADA	39
USA	255
EUROPEAN UNION	451

Australia's Single Desk system gives all wheat growers the power to compete in a grossly distorted world market. Massive subsidies provided by US and EU governments encourage inefficient over production and supply that drives down international wheat prices. Australia's government has provision only for some modest relief in times of disaster such as serious drought.

\* Source: OECD Agricultural Policies - Monitoring & Evaluating 2001.

### Innovation at home with Golden Rewards and Single Desk

AWB National Pool performed strongly. Growers enthusiastically embraced and overwhelmingly endorsed AWB Golden Rewards. This system is designed to erode 'cliff face' pricing, improve the quality of wheat binned and more equitably distribute funds to pool participants.

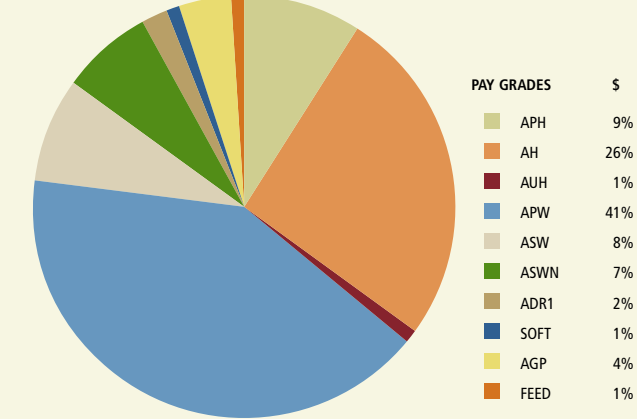
We look forward to the evolution of AWB Golden Rewards, incorporating active payment scales for moisture in 2002-03.

The Single Desk system was retained on behalf of Australian wheat growers and new initiatives were introduced providing flexibility, transparency and more equitable returns for all pool participants.

### Measuring performance

AWB (International) has been the driving force, working with industry to develop a transparent industry benchmark during the previous two years, through an independent and international research and consultation process. Called the Wheat Industry Benchmark (WIB), it is used by the Wheat Export Authority (WEA) as part of its performance assessment of AWB (International). The WIB incorporates fundamental pricing principles suggested by industry and has been reviewed by stakeholders, including the Grains Council of Australia (GCA) and the Department of Agriculture Fisheries and Forestry - Australia (AFFA).

### AWB National Pool 'pay grade' equity (\$)



Total equity was more accurately distributed to pool participants thanks to AWB Golden Rewards.

AWB (International) will introduce a performance based remuneration model for AWB National Pool management services in 2001-02, based on the WIB. This type of remuneration is consistent with that adopted by active asset managers around the world. It directly links pool performance with payments to its manager. This means that AWB National Pool will receive the greatest benefit if its manager is sharing in any out-performance. It will provide appropriate incentives for AWB to deliver cost effective and efficient services to achieve superior returns for pool participants. It is designed to encourage continued investment by AWB in resources such as intellectual capital, market knowledge and understanding and world class business management systems.

The work that we have undertaken in the past 12 months reaffirms our commitment to protecting and actively managing the Single Desk system. This is an integrated system beginning inside the farm gate, to up country receival and ultimately to world wide delivery, to improve AWB National Pool returns for growers.

*Security*  
*Stability*  
*Sarah Scales*  
**Sarah Scales**  
General Manager AWB National Pool



Nick Gomersall Pricing Manager

## AWB National Pool

AWB National Pool creates value for all pool participants as Australia's largest active grain asset manager. It continually improves efficiencies and effectiveness of the entire Single Desk system, ensuring growers reap benefits from its active management.

The Single Desk system is managed by AWB as an integrated wheat management system designed to shape crop production and receival quality, drive efficiencies in storage, handling and transport and ultimately deliver a unique product, demanded by international customers. All value generated in this process by AWB is captured and returned to AWB National Pool participants.

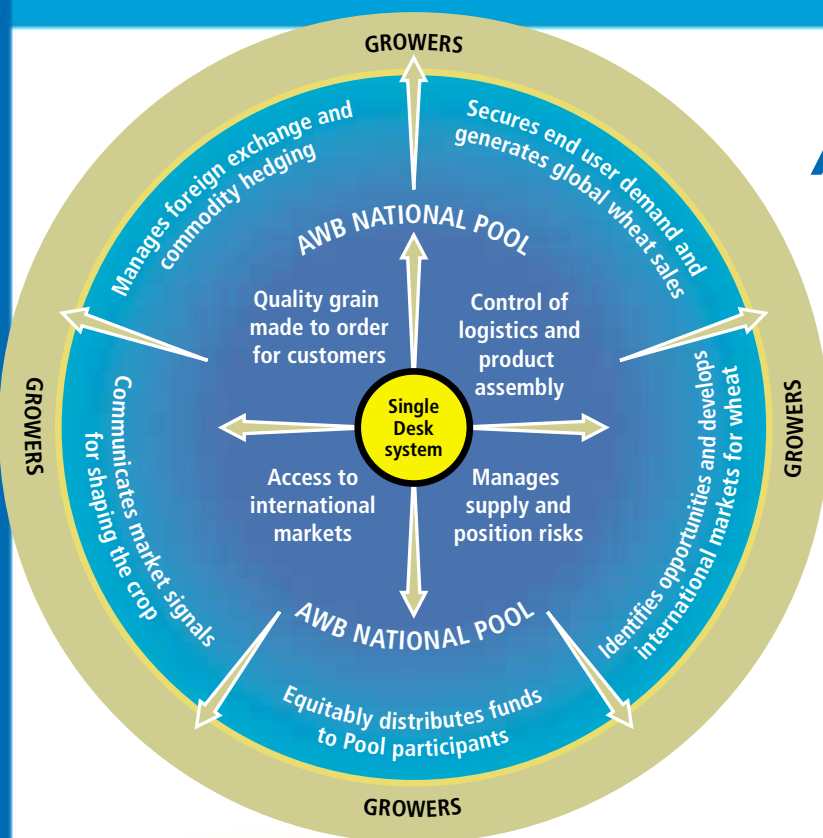
The power of one system maintains and strives to improve the competitiveness of Australia's grain industry, providing a unique and innovative force in the global market and economy. The result is real grain marketing power for Australian wheat growers and their local communities.

AWB National Pool, using the Single Desk system as its foundation, currently provides growers throughout the country access to international markets and the flexibility to deliver to anywhere in Australia.

AWB will continue to develop its active grain asset management system, demonstrating the strength and operation of AWB National Pool, making the grower's Single Desk system perform.

Power of One

David Johnson Pool Manager



### AWB National Pool

- understands customer needs to generate wheat sales
- secures international finance
- conducts foreign exchange and commodity hedging through prudent risk management programs
- identifies international customer product needs and gives growers clear market signals through crop shaping activities such as preferred varieties, receival standards and estimated returns
- equitably distributes funds generated to pool participants
- controls logistics and product assembly, allowing AWB to manage the integrity of the product from inside the farm gate to the end user, ensuring customers receive the best quality product for consumption

## AWB Golden Rewards

In 2000-01, AWB National Pool revolutionised its payment structure through the AWB Golden Rewards program, to more equitably distribute funds to pool participants. This new and innovative payment structure consists of a series of discreet 'pay grades' or asset classes. It is designed to better manage and deliver every participants equity in AWB National Pool based on the actual quality of wheat received.

The success of AWB Golden Rewards is dependent on the ticket-by-ticket policy introduced in the previous year to guarantee the quality and integrity of wheat being delivered to AWB National Pool and protect every grower's equitable returns.

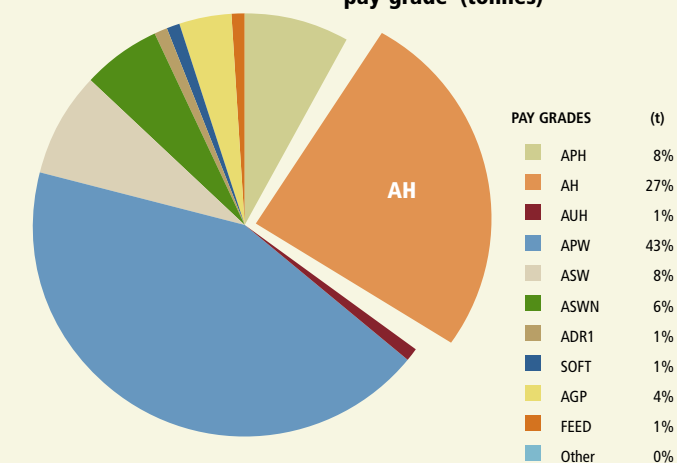
AWB Golden Rewards completely overhauled the pooling system so that growers are more accurately rewarded for the quality of the wheat they deliver. There is a comprehensive range of returns for each 'pay grade' which include active payment scales for protein content and screenings levels. It means that 'cliff face' pricing has been eroded and there are no severe penalties if the wheat quality delivered narrowly misses the mark on one of these quality attributes.

AWB Golden Rewards is designed to allow more physical wheat attributes such as moisture content, to be introduced as objective measures are implemented and the equity proposition is clearly identified and understood.

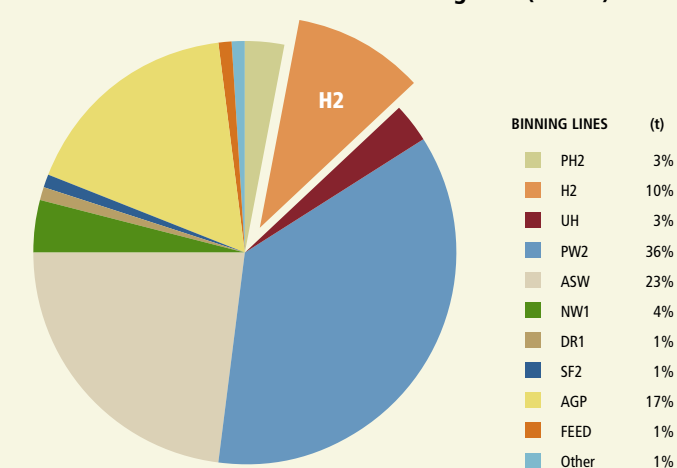
**"More than 90% of grain growers understand the benefits of AWB Golden Rewards."**

Source: TQA Market Research, October 2001.

AWB National Pool varietal 'pay grade' (tonnes)



AWB binning lines (tonnes)



The improved distribution of equity from AWB National Pool Golden Rewards is clearly illustrated when 'pay grade' tonnage is compared to the way it was binned (Binning Lines).

For example: 27% of AWB National Pool tonnes were paid in the Hard wheat 'pay grade' (AH) while just 10% was actually binned as Hard wheat (H2). This means that more than 60% of tonnes from growers were upgraded to a Hard wheat 'pay grade' as a result of AWB Golden Rewards.

# MANAGING GRAIN ASSETS EVERY YEAR

## Performance you can count on

### Tailored segregations

AWB National Pool offered key 'pay grades' for growers: Australian Prime Hard (APH), Australian Hard (AH), Australian Premium White (APW), Australian Standard White (ASW), Australian Soft, Australian Noodle (ASWN) and Australian Durum (ADR1). Australian wheat production in 2000-01 was 22.2 million tonnes (source: ABARE estimate).

### Special Segregations 2000-01

The growing season was affected by the climatic extremes - flood and drought - on a regional basis. AWB offered growers specific alternatives and options for marketing their wheat and opened a number of special binning lines in adversely affected areas. (This extra value generated is a key benefit of the Single Desk system.) AWB National Pool improved value for growers by actively managing its assets to identify and secure sales opportunities.

- AUH2** Weather damaged (low test weight, high screenings) Hard wheat
- FED2** High screenings FEED wheat
- FED3** High screenings and fungal stained, low test weight FEED wheat
- ASC1** Very high screenings and very low test weight FEED wheat
- AUN2** Wider protein (low & high), low test weight and high screenings Noodle wheat

### International Sales and Marketing

Understanding customer needs and matching them to our ability to supply quality grain made to order is a key responsibility of AWB National Pool.

Market segmentation and specific customer targeting are priorities for international sales and marketing. AWB segments each of the international customers according to region, supply and demand needs through time and potential value contribution. This sets the foundation for sales allocation and budget targets from AWB National Pool.

With customers from more than 40 countries buying grain from AWB, it is critical that the wheat product works hard to achieve the best results for growers. Rigorous benchmarking coupled with effective market segmentation and improved sales allocation and execution resulted in targets being exceeded.



### AWB National Pool contributors (A\$)

International wheat sales, commodity hedging, foreign exchange and position management generate valuable revenue from every marketing region to AWB National Pool, for ultimate distribution to participants.

### Key Markets

- Egypt
- Indonesia
- Iran
- Iraq
- Italy
- Japan
- Malaysia
- South Korea
- Sudan
- Yemen

### Supply Chain

AWB National Pool seeks to improve efficiencies and reduce costs along the supply chain on behalf of pool participants. It has been consistent and committed to pursuing least-cost pathways.

Competition is encouraged to ensure alternatives and provide greater leverage in negotiations for services.

This integral function of the Single Desk system and AWB active management has resulted in the long held operating boundaries of storage, handling and freight providers beginning to dissolve.

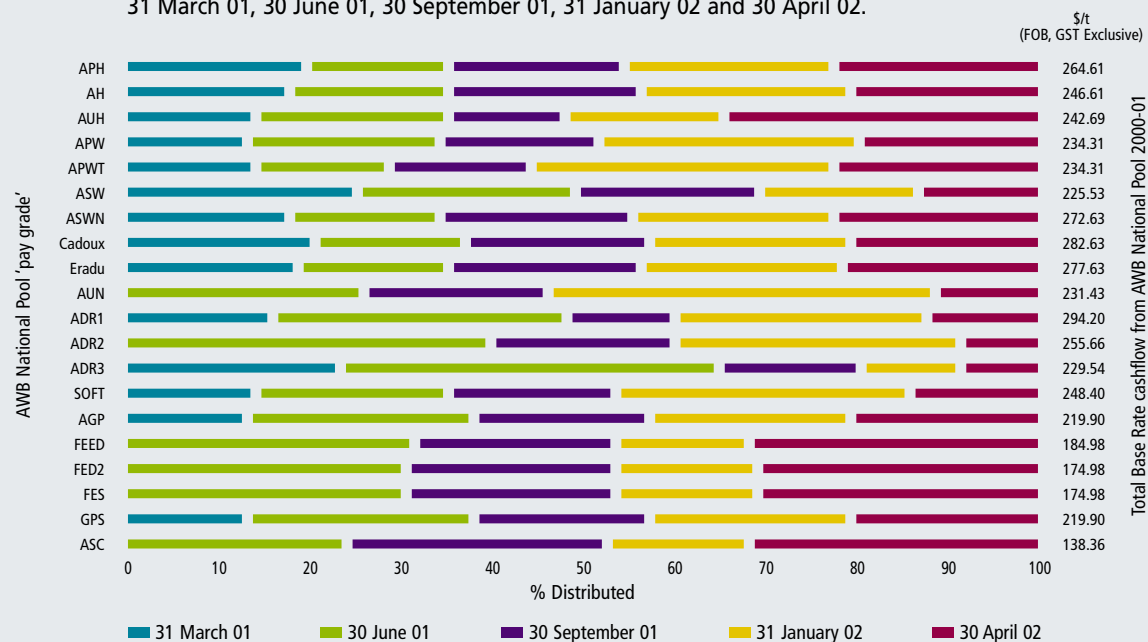
AWB (International) has seen this healthy competition lead to new initiatives being introduced to the supply chain from service providers, including AWB Limited - its key service provider. Effective ownership of rolling stock for freight, aggressive negotiation of broader contracts from freight providers and the development of strategic grain centres has seen much debate and better service delivery to AWB National Pool.

Protecting & enhancing grower returns

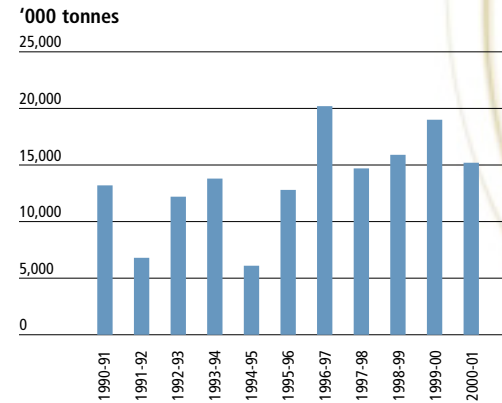
Securing and managing consistent end user demand in an uncertain Australian wheat supply environment, adds complexity to customer management and position risks for AWB National Pool.

### AWB National Pool distributions 2000-01 season

AWB National Pool distributes funds based on actual sales receipts, providing varying cashflow from each 'pay grade'. There were five distributions during the pool 'life' determined at 31 March 01, 30 June 01, 30 September 01, 31 January 02 and 30 April 02.



### AWB National Pool - wheat receivals history



**“Almost 85% of grain growers believe AWB National Pool performed at or above expectation.”**

Source: TQA Market Research, October 2001.



Glenn Gibbons Export Position Manager

# COMPETITIVE NEGOTIATION AND INDEPENDENT REVIEW

## AWB (International) Limited Board



Brendan Stewart,  
Chairman,  
Non-executive Director,  
Grower elected



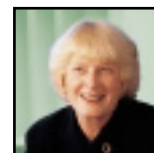
Wayne Gibson,  
Non-executive Director,  
Grower elected



Clinton Starr,  
Non-executive Director,  
Grower elected



Christopher Moffet,  
Non-executive Director,  
Grower elected



Brenda Shanahan,  
Non-executive Director



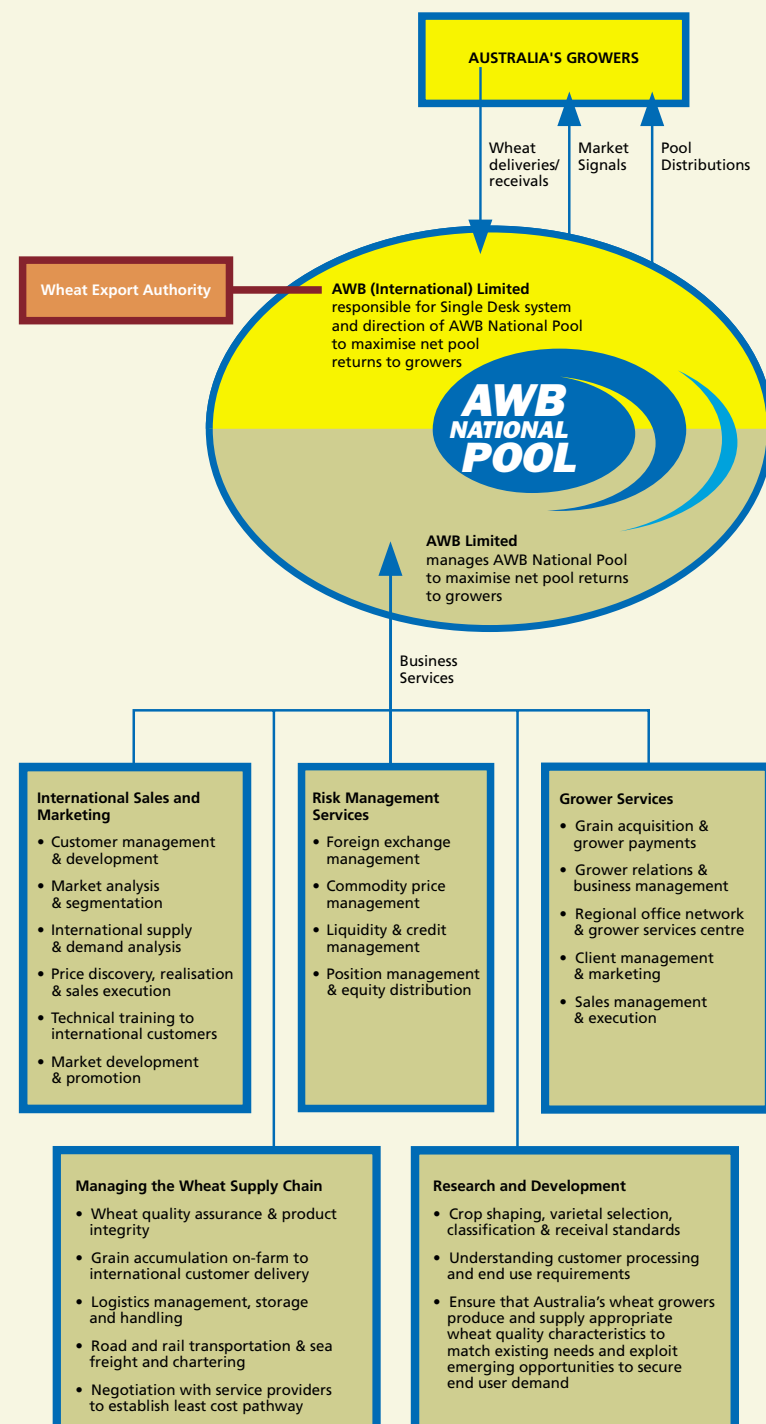
Ian Donges,  
Non-executive Director,  
Grower elected



Andrew Lindberg,  
Managing Director



Stephen Sheridan Performance Manager



AWB (International) has a separate board from AWB Limited. The Chairman and three directors are common to both AWB Limited and AWB (International). Wayne Gibson, Clinton Starr and Ian Donges are directors of AWB (International) only.

### Service Agreement

AWB (International) is responsible for the Single Desk system and direction of AWB National Pool. It is operated and managed by AWB Limited (AWB). AWB is the best placed service provider, on a transparent and commercial basis, because of its unique expertise and demonstrated performance.

AWB (International) negotiates a Service Agreement with AWB. This Service Agreement was introduced in 1999 and renegotiated in 2001. It details a commercial contract covering all the services that are demanded by AWB (International) and provided by AWB for managing AWB National Pool.

The Service Agreement is monitored and reviewed by a separate Board committee of AWB (International) to ensure that AWB is meeting its contractual obligations and delivering world class services in actively managing AWB National Pool.

### Grower consultation

AWB regularly seeks feedback on grower issues and needs. It consults with growers through independent market research, face to face activities, grower representative bodies in each state and the Grains Council of Australia (GCA). GCA is the peak national, representative body for the Australian grains industry.

**“85% of wheat farmers strongly support the Single Desk system.”**

Source: Wirthlin Worldwide Australasia, 'Wheat farming and the Single Desk', July 2000.

### Wheat Export Authority

The performance of AWB (International) is monitored by the Wheat Export Authority (WEA), a Commonwealth Government statutory authority established under the Wheat Marketing Act (1989).

The Wheat Marketing Act (1989) has been amended for export wheat and charges the WEA with the following responsibilities:

- control the export of wheat from Australia. This prohibits any person from exporting wheat without written consent from WEA, with the exception of AWB (International). The Act requires WEA to consult with AWB (International) prior to giving consents in respect to container and bag shipments and requires approval by AWB (International) prior to approving a bulk export consent.
- to monitor the performance of AWB (International) in relation to the export of wheat and examine and report on the benefits to growers that result from that performance.
- before the end of 2004, the WEA must report to the Minister for Agriculture Fisheries and Forestry a review of the conduct of AWB (International) with respect to its use of the right to export wheat, its right to be consulted about the granting of wheat export consents and its granting or withholding approvals for the bulk export of wheat.

### Formal Review

A National Competition Policy (NCP) review of the Single Desk system was conducted and a report tabled in December 2000. The government responded to this review in early 2001, retaining the existing arrangements under which AWB (International) is responsible for the Single Desk system. The Single Desk legislation is not scheduled to be reviewed under NCP guidelines until 2010.

The WEA will conduct a review of AWB (International) as outlined above, under the current Wheat Marketing Act (1989) export arrangements and report by the end of 2004.



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DX 293 Melbourne

### Independent Audit Report

To the Directors of AWB (International) Limited

#### Scope

We have audited the final calculated returns per tonne, in relation to the National Pool closure for the 2000-01 season as set out below.

Final Calculated returns per tonne National Pool 2000-01

	A\$		A\$		A\$
APH	264.61	FEED	184.98	GPS	219.90
AH	246.61	SOFT	248.40	ASC	138.36
AUH	242.69	ASWN	272.63	FES	174.98
APW	234.31	AUN	231.43	FED2	174.98
APWT	234.31	ADR1	294.20	Cadoux	282.63
ASW	225.53	ADR2	255.66	Eradu	277.63
AGP	219.90	ADR3	229.54		

The Directors of AWB (International) Limited are responsible for the determination of the above returns. We have conducted an independent audit of the above returns in order to express an opinion on them.

The above returns have been prepared as required by the directors of AWB (International) Limited for the purpose of distribution to growers. We disclaim any assumption of responsibility for any reliance on this report to any person other than the directors of AWB (International) Limited or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included the examination, on a test basis, of evidence supporting the returns disclosed above. These procedures have been undertaken to form an opinion whether the final calculated returns per tonne in relation to the National Pool closure for the 2000-01 season are free from material error.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In our opinion, the final calculated returns per tonne in relation to the National Pool closure for the 2000-01 season are free from material error.

Ernst & Young

8 April 2002

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)