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Introduction

AWB Limited (AWB) is Australia's major national grain asset manager and is one of the world's largest wheat management and marketing companies. Its core activities are the pooling, marketing, financing and risk management of Australian wheat. Through its wholly owned subsidiary, AWB (International) Limited (AWBI), AWB is the nation's exclusive bulk wheat exporter. AWB earns a pool management fee for the provision of services needed to perform this role. AWB is also a domestic trader of wheat and other grains.

The wheat pools managed by AWB are a significant contributor to the Australian economy, accounting for around 3% of the total value of Australia's exports. AWB markets grain to around 50 countries. The volume of grain fluctuates from year to year, however, in the 2001-02 harvest, AWB was responsible for the management of around 24 million tonnes of grain. This represents approximately \$A6.5 billion in revenues, of which \$A4.5 billion is related to National Pool sales.

AWB's operations can be categorised into five business areas:

- **Pool Management Services** – which primarily consists of the aggregation and global marketing of Australian wheat;
- **Finance and Risk Management Products** – which consists of the provision of finance and risk management products to growers;
- **Grain Acquisition and Trading** – which consists of the trading, as principal, of grains and grain related trading flows;
- **Supply Chain and Other Investments** – which consists of the development of, and direct investment in, supply chain infrastructure and end-use grain businesses and the management and trading of shipping capacity; and
- **Grain Technology** – which consists of the development and Australian application of leading edge grain related technologies.

AWB currently employs approximately 500 people and has 32 offices throughout Australia and internationally.

The National Pool

A pool is a system by which grain is managed, marketed and accounted for separately according to its specified quality and variety for the purposes of sale. Wheat pools give growers the ability to aggregate their production with that of other growers to provide a more consistent quality supply to customers and to facilitate higher and more stable returns. AWB, through its wholly owned subsidiary AWBI, is the operator of the National Pool, which is commonly known as the Single Desk.

Under the Single Desk, AWBI is responsible for marketing all bulk exports of Australian wheat that growers deliver to the National Pool. The role, which is similar to that of a fund manager, is designed to maximise net returns to wheat growers that deliver to the National Pool while providing a management fee to AWB for the provision of certain services that AWBI needs to operate the National Pool. A new performance-based remuneration structure has been developed to replace the previous remuneration structure. The new remuneration structure is effective for the 2001-02 season.

Dual class share structure

AWB's corporate structure consists of A Class and B Class Shares. A Class Shares can only be owned by current wheat growers and specifically exclude dividends. However, they confer on A Class Shareholders a number of rights, including the ability to elect a majority of the Board of Directors. In contrast, B Class Shares can be owned by either wheat growers or non-growers. B Class Shares carry rights to receive dividends and the right to elect a minority of the Board of Directors.





PART A: BUSINESS STREAMS

Pool Management Services

AWB Limited (AWB), the parent company of AWB (International) Limited (AWBI) provides pool management services to AWBI for management of the AWB National Wheat Pool (National Pool). These services include:

- **international wheat sales and marketing:-**
 - international supply and demand analysis
 - market analysis and segmentation
 - pricing strategy
 - technical training to international customers including market development and promotion, and customer management
 - market support with grain and end quality analysis
- **risk management services:-**
 - foreign exchange management
 - commodity price management
 - liquidity management
 - credit management
 - position management
- **grower services:-**
 - grain acquisition
 - grower payments
 - grower relations
 - regional office network services
- **managing the wheat supply chain:-**
 - quality control from trait development to international customer
 - logistics management: storage and handling, road, rail and sea transportation
- **research and development:-**
 - to ensure that Australia's wheat growers produce the best varieties of wheat tailored to meet specific end user customer requirements

- varietal selection and classification
- receival standards

The constitutions of both AWB and AWBI require that the business of AWBI is actively managed with the objective of maximising net returns to growers who deliver wheat into the National Pool.

Performance Based Remuneration Structure

AWB has established, commencing for the 2001-02 financial year, a model that directly links remuneration with National Pool value and quantifies risk exposure to both AWB and AWBI, while providing an incentive to AWB as the asset manager of the National Pool, to achieve the overall objective of maximising net pool returns for growers who sell wheat into the National Pool run by AWBI.

The performance based remuneration model has a two-tiered payment system consisting of:

Base Fee – calculated as 1.5% of Gross Pool Value (GPV), subject to a cap of \$A60m and a floor of \$A45m, effectively to cover operating costs; and

Out-Performance Incentive (OPI) calculated as 20% of National Pool returns achieved above a specified benchmark and a hurdle.

The total Pool Management Services fees payable by AWBI to AWB are capped at 3% of GPV. The benchmark and hurdle are discussed on page 7. The remuneration structure provides both an incentive to efficiently allocate Base Fee resources to maximise net pool returns, while also providing an incentive to invest further capital to create and capture greater value for National Pool participants.

Base Fee

The Base Fee is similar to fees paid to asset managers who are paid a percentage of the value of assets under management in order to maximise asset value. AWB, as the manager determines the most effective level of expenditure required to achieve maximum out-performance for growers.



The cap and floor on the Base Fee are intended to reduce volatility that could be experienced by either party in years of very high or low GPV. The cap and floor are fixed for 2001-02 and CPI indexed in future years.

GPV is defined as follows, including **an indicative example** of how remuneration could be approximated.

GPV	Sum of all export revenue sales (predominantly USD revenues) + other value added by AWB (e.g. hedging, interest income, etc) less administrative costs. Represents the gross return to growers, and equates to the sum of pool returns prior to storage, handling, rail and fobbing deductions.	
Risk Assessment	Risk limited by cap and floor. Primary risks to GPV: crop size, world USD wheat prices, USD/AUD exchange rate.	
GPV	ABARE forecast of net wheat exports AWBI average estimate Pool FOB return (using midpoint of APW and ASW wheat grade to estimate approximate average value in AUD) Estimate of GPV	= 18m tonnes = \$A200 per tonne = \$A3.6b
Base Fee	1.5% of GPV Cap \$A60m not triggered	= \$A54m

Out-Performance Incentive (OPI)

AWBI will pay AWB an OPI if it achieves a GPV, which out-performs 'over and above' the Wheat Industry Benchmark (WIB) discussed below plus a hurdle. **Example only:**

OPI	20% of the GPV in excess of the WIB plus hurdle. $GPV - (WIB + \text{hurdle}) \times 20\%$	
Hurdle	The hurdle is expressed in USD per tonne. It reflects any advantage AWB may have in negotiating FOB prices, which are reflected in USD per tonne. USD FOB prices are the international standard for the quotation of wheat prices.	
Cap	The cap on total payments payable by AWBI to AWB. The Base Fee and the OPI combined will be capped at 3% of GPV	
Risk Assessment	OPI is 100% subject to out-performing the WIB. Primary Risks to OPI: ability to out perform the WIB and hurdle are impacted by: <ul style="list-style-type: none"> • USD Wheat Prices – ability to out perform international competition (approx 85% weighting). • Foreign Exchange – ability to out perform with historically low exchange rates (approx 10% weighting). • Supply Chain – ability to out perform benchmark (approx 5% weighting). 	
OPI Forecast	OPI is inherently difficult to forecast given the benchmark is retrospective in nature. It requires a forecast of benchmark behaviour as well as forecasting pool returns to assess relative to the benchmark.	
Total Forecast Remuneration	Base Fee* (90% of \$A54m) OPI* (80% of \$A36m assuming 1% of GPV) Less administration costs (100% of \$A55m) Pool Management Services EBIT <i>* refer to timing of payment – Remuneration Payment Schedule on page 8.</i>	\$A48.6m \$A28.8m (\$A55.0m) \$A22.4m
Overall Cap	3% x GPV of \$A3.6b – Not triggered.	

Note: In this example GPV increased by \$A180million 'over and above' the WIB and hurdle. All additional value is paid to National Pool participants and not shareholders.



Wheat Industry Benchmark (WIB)

Given the lack of a transparent, liquid index against which to assess the performance of the National Pool, AWB has developed a benchmark that assesses the primary revenue, cost, and risk parameters that impact National Pool returns. GPV and returns to growers are primarily determined by USD sales revenues, commodity hedging, AUD/USD foreign exchange rates, and supply chain costs.

The WIB is effectively a replica of the National Pool model that attempts to remove subjective decision making by 'managing' the export crop subject to prescribed physical and risk management constraints, to achieve a benchmark pool value. AWBI actual pool performance is then assessed retrospectively relative to the benchmark value, plus hurdle.

The WIB is constructed of three sub-benchmarks as follows:

a) \$USD Wheat Price Benchmark

The model compares actual USD prices achieved for the National Pool relative to an average USD price achievable using a basket of comparable US and foreign wheat grades. The benchmark basket has been determined utilising historical regression analysis of AWBI contract prices relative to prices over the same period from transparent international markets, for example US grades from the Pacific North West and Gulf regions, such as Dark Northern Spring 13, Hard Red Winter 13, Hard Red Winter 12, and Soft Red Winter.

The USD benchmark also incorporates an assessment of actual commodity hedge returns relative to a benchmark commodity hedge program based on the commodity hedge policy guidelines and risk parameters as determined by the AWBI directors. The benchmark creates a hedge program for the life of the pool utilising the key futures markets in the US. Approximate composition weighting to WIB result = 85%.

b) FX (AUD/USD) Benchmark

The model incorporates an assessment of actual foreign exchange risk management relative to a benchmark foreign exchange hedge program, based on the foreign exchange policy guidelines and risk parameters as determined by the AWBI directors. Approximate composition weighting to WIB result = 10%.

c) Supply Chain Benchmark

Although supply chain costs are not part of GPV, they do represent a significant cost to growers in receiving net pool returns. Therefore, the model has been developed to assess actual supply chain costs incurred by AWB (standardised for crop size and other factors outside the control of the pool manager) compared to a benchmark based on forward projections of indices of historic supply chain costs. This assessment of actual costs incurred relative to a series of indices for storage costs, handling costs, freight costs, and port costs, ascertains any implied value add through lower supply chain costs.

Approximate composition weighting to WIB result = 5%.

Hurdle

A hurdle is incorporated as a negotiated target level of performance 'over and above' the WIB. This is known as out-performance. The pool manager must achieve out-performance before any incentive payments are provided to AWB. As the Single Desk is regarded to have an inherent value, AWB has utilised existing studies to assist negotiating an appropriate target level of performance. The inherent value of the Single Desk has previously been quantified as being comprised of freight advantage relative to competition, as well as an inherent premium for being the sole supplier of Australian wheat.

The respective Boards of AWB and AWBI approved a hurdle of \$USD5 per tonne. The hurdle of \$USD5 per tonne is rigorous and demanding. Capturing 100% of freight and 'Single Desk' premiums is not always achievable in a competitive and heavily subsidised and distorted world market. AWB has effectively contributed in the past to building the inherent value of the Single Desk. The hurdle will be reviewed by the respective Boards each year.

Timing of Payment

The remuneration model between AWBI and AWB has been constructed allowing for progressive tranche payments. Given the retrospective nature of the benchmark upon completion of the National Pool (i.e. final distribution of all payments to pool participants), and the fact that most pools have a term of approximately 15 months; remuneration will be paid in progressive instalments until pool finalisation. This can be depicted as follows:



Remuneration Payment Schedule*

		Mar 02	Sep 02	Mar 03	Sep 03	Mar 04
2001/2002	Base Fee	60%	30%	10%**	-	-
	OPI	0%	80%	20%**	-	-
	Admin costs	100%				
2002/2003	Base Fee	-	-	60%	30%	10%
	OPI	-	-	0%	80%	20%
	Admin costs			100%		

* The revenue received will be allocated on an accounting basis according to when the costs are incurred. For the half year ended 31 March 2002, 45% of the expected 2001-02 base fee revenue was brought to account. This is consistent with the level of costs incurred during this period.

** Timing of the final payments of the 2001-02 and 2002-03 remuneration is subject to the respective pool's finalisation dates (i.e. final distributions to pool participants).

Wheat Export Authority (WEA)

Mandate

The WEA was established as an independent statutory authority on 1 July 1999 as part of the restructure of the then Australian Wheat Board. The WEA was set up to control the export of wheat, following the transfer of the Government's wheat marketing and selling role to a public company controlled by wheat growing shareholders (AWB Limited).

The WEA operates under the *Wheat Marketing Act 1989* and has three main functions:

- to control the export of wheat from Australia;
- to monitor AWBI's performance in relation to the export of wheat and examine and report on the benefits to growers that result from that performance; and
- to conduct a review and report to the Minister for Agriculture, Fisheries and Forestry on AWBI's use of its wheat export rights under the legislation before the end of 2004.

2004 Review

As noted above, one of the key functions of the WEA is to monitor AWBI's performance in relation to the export of wheat and examine and report on the benefits to growers that result from that performance.

Under the *Wheat Marketing Act 1989*, as amended, the WEA is also required to conduct a review and report to the Minister for Agriculture, Fisheries and Forestry on AWBI's use of its wheat export rights under the legislation before the end of 2004.

A working group comprising the Department of Agriculture, Fisheries and Forestry, the Grains Council of Australia (GCA), and AWBI and chaired by WEA, came together at the request of the Minister for Agriculture, Fisheries and Forestry, the Hon Warren Truss, following the Federal Government's response to the National Competition Policy review of the Single Desk arrangements.

The WEA's reporting program includes an annual performance report that will be presented to the Government and the GCA. A public report that all stakeholders will be able to access will be published as a Growers' report that will present an overall assessment of AWBI's performance annually. The first Growers' report was published in October 2001 and covered the monitoring period July 1999 to June 2001. The WEA's 2004 review will be a consolidated review of all the performance monitoring reports with an overall analysis and assessment of AWBI's performance.

A final report that assesses the effectiveness and efficiency of the wheat export arrangements and AWBI's performance covering the period July 1999 to June 2004 will be presented to the Minister by the end of 2004 as required by the *Wheat Marketing Act 1989*.



National Competition Council

The Single Desk is established under the *Wheat Marketing Act 1989* in which AWBI is appointed as the sole marketer of Australian export bulk wheat. Both the Single Desk arrangements and AWBI's operation of the system are enshrined in the legislation indefinitely and require an act of Parliament to amend or modify. The Single Desk marketing arrangements for wheat enjoy largely bipartisan support in the Commonwealth Parliament.

The operation of the Single Desk was recently reviewed in the National Competition Policy review process which reported in December 2000. The Government responded to this review in early 2001 by retaining the existing arrangements under which AWBI is responsible for the operation of the Single Desk. The Single Desk legislation is not scheduled to be reviewed under NCP guidelines until 2010.

Grower support for the Single Desk has been expressed over a long period of time by individual growers and by State based grower representative organisations. The GCA, as the peak representative grain grower organisation, has reinforced this level of support and commitment to the Single Desk. The Single Desk also enjoys significant support across the country with independent market surveys conducted on behalf of AWB indicating that 80% of grain growers support the retention of the Single Desk.

Growth Prospects

The newly established remuneration model that now directly links payment with National Pool value will provide an annuity – style earnings stream with a potential 3% of GPV if out-performance 'over and above' the WIB and hurdle is achieved.

Summary of parameters to consider:

External

- AUD/USD exchange rate
- US wheat price per tonne (by competing grades)
- Australian wheat production

Internal

- GPV
- Administration costs of Pool Management Services
- Base Fee (floor & cap)
- OPI
- % of Base Fee received in financial year
- % of OPI received in financial year
- Achievement of out-performance



Finance and Risk Management Products

The Finance and Risk Management Products business is divided into:

- National Pool Harvest Payment and Underwriting
- Basis Pool
- AWB riskassist
- Discretionary Treasury Trading
- Return on Group's Capital

National Pool Harvest Payment and Underwriting

AWB provides integrated financial services products for Australian grain growers to manage the uncertainty of revenue and to assist with their cashflow needs. Despite increased competition in this area from other financial institutions, the National Pool Harvest Payment (Harvest Payment) is by far the growers' product of choice.

Wheat growers who deliver to the National Pool for exports are eligible for the Harvest Payment. The Harvest Payment is a limited-recourse loan based on up to 90% of the estimated National Pool return (GST exclusive at a particular date) less estimated costs. The product has a competitive variable interest rate and guarantees the National Pool return at 81.8% of the estimated return determined at the beginning of November. Independent actuaries are engaged to quantify the risks associated with providing underwriting and hence the fee (currently \$1.60 per tonne) is set at an appropriate level to compensate for the risk. The Harvest Payment is limited-recourse due to repayment being limited to the AWBI National Pool distributions.

Approximately 19 million tonnes was received by AWBI in the

2001-02 harvest, of which 14.7 million tonnes was available for lending against, with 10.5 million tonnes being funded this way.

Growers who deliver to AWB can opt for the Harvest Payment, which is structured as a variable interest loan that is automatically repaid from pool distributions as sales proceeds are received from export customers.

The 2001-02 Harvest Payment market share has been reduced by growers electing the periodic distribution. Growers' election of the periodic distribution is due to their improved cashflow position and therefore a reduced demand for funds for the 2001-02 harvest. This is a season to season issue. In addition, competition from other financial institutions has had a relatively minor impact.

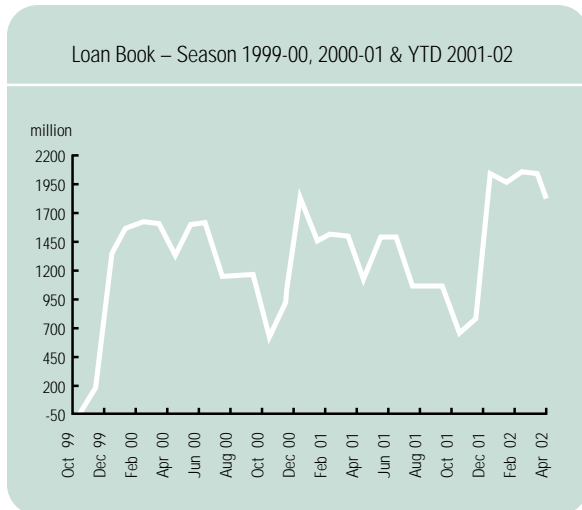
Outturn of wheat commences shortly after the first wheat is delivered. As cash from these sales is received the net receipts are distributed quarterly and used to repay the grower loans. Sales of pool wheat proceed during the year and AWB has a policy that should the amount of priced wheat exceed a certain pre-determined level, then a further loan drawing of up to 50% of the remaining estimated grower returns in the pool may be made, typically in May. This has occurred for 2000-01 and 2001-02. Once the grower loans are fully repaid, the balance of the proceeds of sales are paid directly to growers. Grower loans may be repaid partly or in full at any time.

The loan amount extended to growers is cyclical, with peak loans typically in January or February of each year. For the 2000-01 financial year, peak loans for the 2000-01 harvest of \$A1.5 billion occurred in May. The peak loans combining both the 1999-00 and 2000-01 harvest of \$A1.9 billion occurred in early January. The loan book for the 2001-02 harvest peaked at \$A2.1 billion also in early January. The cyclical nature of loan amounts is demonstrated in the chart (page 11), which shows the loan amount extended to growers over the last

The following table shows pool receipts and tonnes available for the Harvest Payment:

Harvest	Pool receipts (mt)	Available for lending and underwriting (mt)	Tonnes on which Harvest Payment and underwriting undertaken (mt)
2000-01	15.0	12.0	9.9
2001-02	19.0	14.7	10.5

mt = million tonnes



30 months.

An interest margin of at least 2% is targeted by AWB.

Summary of sensitivities

- Pool receipt tonnes
- Pool tonnes available for National Pool payment
- Harvest Payment (loan) take-up
- Average price
- Loan book interest rate
- Underwriting fee
- Interest margin
- Competition
- Grower liquidity (cashflow)

AWB Basis Pool

Introduced in the 1998-99 season, AWB Basis Pool (Basis Pool) has become a popular risk management product for those who choose to individually manage their own commodity and foreign exchange exposures. With this product AWB manages the "basis" risk on the growers behalf through the strength of the National Pool.

Growers participating in the Basis Pool can choose to receive a Harvest Payment of 65% of the estimated Basis Pool return less estimated costs. The loan is repaid out of Basis Pool distributions, which are paid in three tranches. Alternatively,

growers can elect to simply receive their payments through the Basis Pool distributions.

This product provides growers with significant flexibility in managing their own returns, but they accept more responsibility for managing the associated risks in the process, and therefore, by association, AWB has less risk to manage.

The underwriting fee for the Basis Pool product is \$1.25 per tonne (as at May 2002).

The Basis Pool has received the following tonnage:

1998-99	1999-00	2000-01	2001-02
375,000t	555,000t	720,000t	730,000t

The trend shows that in the first three years since its inception, the Basis Pool grew to 720,000 tonnes per annum. In 2001-02 a levelling off in growth occurred because of the poor early season in WA and some growth in competitor products impacted upon the volume assigned to the Basis Pool. AWB has addressed this issue in the 2002-03 season with a strategy targeting groups of progressive growers as well as cooperatives to increase tonnages. Riskassist has targeted its service to develop 'partner pool' products around the core Basis Pool and its risk management expertise, which is expected to return the Basis Pool to a relatively strong growth pathway.

The Trading Division draws a small fee for managing the Basis Pool. This covers expenses associated with hedge management (protecting the basis and coordinating the futures and currency hedge unwind on behalf of all Basis Pool participants), calculating the basis according to the published timetable, developing marketing plans and strategies to promote the Basis Pool and oversight for all issues around contract execution and administration with suppliers into the Basis Pool.

Summary of sensitivities

- Basis Pool receipt tonnes
- Management fee and underwriting fee Basis Pool
- Costs associated with Basis Pool



AWB riskassist

AWB riskassist (riskassist) is a start-up business that commenced operations in April 2001. It is a specialist risk advisory service established in response to grower demand. Riskassist is a separate wholly owned subsidiary of AWB, and is a Licensed Futures Broker and Associate Participant of SFE Ltd.

Riskassist offers services to supplement and build on AWB's core business of grain marketing products. When included with financial services, this enables AWB to provide a grain marketing package that includes business cash flow management and working capital assistance.

AWB is in a strong position to enter the risk advisory market segment given that growers acknowledge AWB's strengths are grain marketing and risk management. Riskassist is able to utilise the expertise within the AWB Group, it can offer a different perspective and insight to clients when compared with other advisors who are not closely involved in actual management and design of risk management products and physical grain flows.

Riskassist currently offers growers participating in the Basis Pool a unique risk service package encompassing hedge transactions for commodity and foreign exchange price components, hedge finance, as well as balanced market and risk advice. Clients pay riskassist a fixed rate per tonne for this service, currently \$6.80 per tonne (as at May 2002).

Summary of sensitivities

- Tonnage delivered to Basis Pool product
- Tonnes managed by riskassist
- Riskassist fee
- Costs associated with riskassist

Discretionary Treasury Trading

Discretionary Treasury Trading activities are undertaken to gain market intelligence; prevent skewing of market prices by the banks; and add value to the bottom line of AWB. The limit for Discretionary Treasury Trading in foreign exchange is a total intra-day dealer limit of \$US10m. Discretionary Treasury Trading Policy and Limits are approved by the Board of AWB.

Return on Group's Capital

AWB also invests its surplus funds into the AWB Group. The majority is invested into the Financial Services business where it supplements external borrowings to fund the loan book. AWB capital is also used by other Group businesses to fund their respective working capital requirements. Capital is charged out at a rate, which is equivalent to AWB's cost of funds.

Growth Prospects

Earnings growth in Finance and Risk Management Products business will be generated by an increase in grains under management and its strength in distribution and product positioning and competitive cost of funding. The Finance and Risk Management Products business will continue to provide competitive finance advances to wheat producers and to maintain competitive margins on existing products. Additionally, it will continue to offer new Financial and Risk Management products to grain growers.

The growth strategy for riskassist is to increase volume and the number of clients using this service. This will be achieved by utilising the sales resources of the Grower Services Division. Introduction of new products to meet demand, and to further leverage AWB's grower consumer base by providing risk management products and solutions will see further growth for riskassist.



Grain Acquisition and Trading

The Grain Acquisition and Trading business is divided into:

- Grain Contract Acquisition Products
- Domestic Trading
- Non-Wheat Exports

The aim of the Grain Acquisition and Trading business is to provide growers and grain consumers with cash sale options before, during and after harvest, and managing the risk, as a principal, on these grain positions.

Grain Contract Acquisition Products

The strength of AWB's Grower Services Division – 70 regionally based and highly trained staff focusing on servicing grain grower needs – and a suite of comprehensive grain purchasing options for all grains, ensures the Trading Division maintains a pre-eminent position of securing supplies, primarily through its cash based forward contract products. This also provides a level of physical arbitrage (e.g. both within the Trading Division's own wheat book and with AWBI and other external traders through the physical swaps process), which contributes to the Trading Division's earnings.

In 2000-01, 700,000 tonnes were forward contracted by the Trading Division and this trend increased substantially in 2001-02 with 1.7 million committed prior to harvest.

Products

The suite of AWB's grain contract acquisition products will continue to expand. AWB MultiV cash contract (MultiV), a forward contract that provides growers flexibility to deliver any grade of wheat at a known cash price, is the most widely used contract option in the grains industry. In addition to MultiV and the standard single grade forward contracts, the Trading Division sources grain through basis contracts, cash prices available at harvest and through Target Price Orders which allow growers to nominate price levels at which they will commit to selling to the Trading Division. If the Target Price is reached then the growers Target Price contract is automatically converted to a contract avoiding missed

opportunities through sudden price movements or not following the market every day.

Payment Terms

Payment is typically made to growers in 30 days from the end of the week of delivery for all grain contract acquisition products. These payments are funded from intercompany borrowings. Funding continues until payment is received for sales of grain to customers, the terms of which vary from prepayments (i.e. cash received prior to stock transfer) to over one year (in the case of final Pool distributions relating to deliveries to the National Pool). Refer to page 15 for risk management discussion.

Domestic Trading

AWB has approximately 50 customers that it sells a variety of grains to within the domestic market. Domestic trading is divided into:

- buying for cash and delivering to domestic customers
- buying for cash and delivering to the National Pool

Buying for cash and delivering to domestic customers

Since domestic wheat deregulation in 1989, the Trading Division has maintained strong relations with the largest domestic grain consumers, including Goodman Fielder, Manildra, George Weston, Inghams, and Ridley. In addition, given AWB's ability to buy large volumes of all grain types from all regions of the grain belt in Australia, the Trading Division also trades with other grain companies, including Graincorp, Ausbulk, ABB Grain, Grainco, Cargill, ConAgra and Louis Dreyfus. Trading with other grain trading companies expands the volume of grain turnover, providing additional profit generating opportunities.

Buying for cash and delivering to the National Pool

The Trading Division, similarly to any grain trading operation in Australia, has the opportunity to sell wheat to AWBI by delivering wheat bought from growers for cash, into the National Pool, and receives a pool return (payment), which is paid out progressively over the life of a pool. The Trading Division achieves profits by buying wheat for cash across the



country before, during and after harvest contracting – at a competitive price to the ultimate National Pool return – and delivering into the Pool. There is a risk that the National Pool will not perform as forecast, therefore the Trading Division monitors and hedges this risk by utilising a sophisticated approach to hedge management.

Volume Traded

The combination of these sales channels, the development of more sophisticated and experienced risk management techniques and the strength of AWB's Grower Services Division across the country has led the Trading Division to expand its grain trading volumes to levels approaching 4.5 to 5 million tonnes per annum. This increased scale along with prudent risk management has led to strong trading results being generated in recent years.

The forecast for the 2001-02 season is for approximately 2 million tonnes to be bought and traded in the domestic market, or exported to overseas customers in the case of other grains. Of this 2 million tonnes, 750,000 tonnes is forecast to be grain other than wheat. Approximately, a further 2.5 million tonnes has been bought and transferred to the National Pool in 2001-02, representing a 50% increase over that transferred in 2000-01.

Market Intelligence

The Trading Division sources market intelligence on international price movements, monitors the structure of commodity markets both locally and internationally, crop size and quality profiles, currency and interest rate risks, customer demand profiles, the impact of foreign government policy and local producer production trends, which provides a strong position to out-perform competitors, all of which are required to prudently manage the risks associated with grain trading. Refer to page 15 for risk management discussion.

Non-Wheat Exports

The scale and risk management capability of AWB allows the Trading Division to structure the largest cash acquisition program of any Australian based grain trader. This in turn permits the Trading Division to secure the largest market share of domestic grain demand. In addition AWB exports canola, barley and sorghum from the deregulated markets of Australia.

AWB is experienced at executing export business, has a number of internationally based sales personnel, has established long term relations with many reputable trade counterparties and has a strong market research focus to ensure market analysis is thoroughly undertaken. In addition AWB has a strong Grower Services network in all regions of the country, placing AWB at a competitive advantage in securing supplies in deregulated grain markets because of the breadth and depth of our service offering to grain growers.

In 2000-01, the Trading Division exported 420,000 tonnes of non-wheat grains. While barley exports expanded in 2001-02, fewer pulses, canola and sorghum were exported resulting in a total export figure for non-wheat grains of 220,000 tonnes.

Canola

Canola has been the largest non-wheat export book for the Trading Division in recent years. The small local crushing demand has led to the development of a strong export orientated market. While AWB cannot access canola from WA or NSW for export, because of state legislative restrictions, the Trading Division has become a major exporter of canola from VIC and SA. Over the last three seasons, the Trading Division has exported, on average 120,000 tonnes a year to destinations as diverse as Japan, China, Pakistan, Bangladesh and the EU. Canada is the largest export competitor, however other oilseed substitutes, such as palm oil from Malaysia impact on the size of the global export opportunities.

Barley

The recent development of deregulation within the export barley market in Victoria (2001) has enabled the Trading Division to increase its level of diversification in the grain portfolio. AWB has established relations with several Chinese maltster counter parties, against which the Trading Division has been able to develop a malt barley export profile. The prospect of feed barley exports and further malt barley opportunities into China and various destinations in the Middle East, augurs well for future seasons. Unlike sorghum, canola and wheat, barley has no existing commodity exchange on which to hedge physical exposures, therefore there is a substantially different risk profile associated with managing a malt or feed barley book. In contrast to many of its competitors



AWB is in a relatively strong position to grow this book based on the local domestic demand it has secured through its reputation for quality and service with both feed and malt barley consumers.

Sorghum

The Trading Division has strong links as a supplier of sorghum from QLD and NSW into Japan through large Japanese Trading Houses such as Zennoh and Mitsubishi. Despite local production volumes being relatively volatile year on year, AWB has usually secured around 250,000 tonnes of sorghum annually to meet domestic and export customer needs. The Trading Division is actively developing relationships with Japan and other Asia Pacific markets to expand export sales opportunities in future years.

Risk Management

In addition to production risk, the Trading Division manages price exposures using a range of instruments that vary from the relatively common (commodity futures and options on commodity futures), to relatively complex derivative products. Risks such as those created by international competitor supplies (e.g. US crop size) are hedged using the US commodity exchanges, through over the counter structured derivatives as well as the US cash markets for the various grades that Australian wheat competes against in export market (export basis trading).

The Trading Division also protects against adverse currency movements that could impact grain positions through active foreign exchange management, utilising AWB's Treasury. The Trading Division adopts these positions to protect against adverse movements in estimated pool returns arising from wheat delivered in the National Pool. Tonnage transferred to the National Pool can experience both up and downside movement from a pool return (price) perspective. The National Pool takes 15 to 18 months to distribute payments whereas the majority of domestic sales are negotiated either on 30 days end of week terms or cash pre-payment terms. In addition to price risks counter party (credit) and execution risks are closely monitored.

Basis trading forms the foundation of the risk management approach of the Trading Division. Effectively basis trading allows a risk manager to hedge a significant percentage of the local wheat price against the closely correlated US commodity futures exchange values for both nearby and deferred exposures. Currency exposure can be fully offset through spot and forward rate currency markets. The remaining price exposure is to local and export cash market influences ('the basis'). Thus the profitability of the book (wheat, canola and sorghum can all be 'basis traded') is highly dependent on correctly positioning the physical product (short/long) in line with movements in 'the basis'. The Trading Division has developed a significant level of expertise, in managing basis risk in Australian grain markets.

The Trading Division utilises the derivative markets only as a hedging tool against their physical positions not as speculative, stand-alone strategies. All returns captured through derivatives are designed and implemented to hedge physical book positions. The Trading Division has a small amount of discretionary derivative authority to trade positions, however this is reported weekly to the Corporate Risk Review Committee (CRRC).

There is a risk that any trading entity can suffer negative earnings. However, AWB's approach to risk, scrutiny of strategy and position management, as well as the knowledge of the domestic and export markets based on long term customer relationships and experienced personnel, mitigate against many of the risks faced in the core sections of its trading portfolio.

Business rules with regard to information transfer between the Trading Division and National Pool management have been developed to ensure that the corporate constitutional requirement of maximising National Pool returns for growers is not compromised.



Governance

Governance of the risks and policies framing the activities of the Trading Division are reviewed weekly by the CRRC. Additionally, the Corporate Risk Unit monitors exposures and market developments independently of the Trading Division. Risk measurement concepts and instruments such as the Value at Risk method for establishing appropriate position limits and defining the capital at risk in AWB's trading activities are utilised to ensure senior management are aware of the dimension of exposure carried within the portfolio.

Summary of sensitivities

- Tonnes sold (cash trading)
- Tonnes sold (pool deliveries)
- Costs
- Margins per tonne
 - Domestic sales
 - Pool deliveries

Growth Prospects

Grain Contract Acquisition Products

Further product developments will enhance AWB's product offering. Products to assist growers to offset some of their production risk as well as incorporating marketing advice through the riskassist advisory group, will attract additional tonnage of wheat, sorghum, canola and barley into the Trading Division's books.

Domestic Trading

While AWB has achieved a strong position in the domestic wheat market since its deregulation in 1989, the growth prospects will arise from leveraging AWB's capability in managing the risks associated with large volumes of non-wheat grains and developing local and export opportunities, in future years. The expansion of the Grower Services Division in conjunction with continuing to develop our expertise in risk management and customer service will provide future growth opportunities, both locally and internationally.

Non-Wheat Exports

Opportunities to expand non-wheat exports will arise over the coming years as remaining state based markets face deregulation of export canola, barley and sorghum.

Global Trading

AWB will, as part of its growth platform, broaden the range and volume of grains under management. AWB will supply other origin grains to its international customers.



Supply Chain and Other Investments

The Supply Chain and Other Investments business is divided into:

- Chartering
- Domestic investments
- Offshore investments

Chartering

The ship chartering business manages all aspects of AWB's chartering operations including shipping operations (including bulk capacity acquisition, voyage operations, backhaul cargo acquisition and risk management), voyage administration and accounting. The chartering business has three product groups:

- Chartering services – the provision, as agent, of chartering services to the National Pool;
- Shipment consolidation services – the provision, as principal, of consolidation services for Australian export grains; and
- Trading – the trading, as principal, of shipping capacity focusing on two segments (position management and time chartering).

The Chartering Division's relationship with the National Pool was restructured in 2000 so that it is effectively a manager of chartering capacity that earns a management fee based on performance in cargo flows as well as through position management. 6.3 million tonnes were shipped through the Chartering Division for 2000-01 with similar tonnage forecast for 2001-02. Between 10 to 15% of the Chartering Division's business is non-pool related.

Approximately 50% of the chartering business is shipped on panamax sized vessel of up to 65,000 dead weight tonne (dwt), 35% is shipped on handymax size vessel of up to 40,000 dwt and the remaining 15% is shipped on a parcel basis i.e. combining with other cargoes on any size vessel that meets load and discharge port restrictions.

Price Risk

When the chartering business has a short or long freight position then there is a risk that the market may go up or down in price. Limits are established and monitored by the CRRC with regard to price risk.

Summary of sensitivities

- Pool receipt tonnes
- Non-pool tonnes
- Percentage of pool business which is CNF
- Management fee
- Costs
- Trading margin

Domestic Investments

AWB has made a number of supply chain investments since 2000. The investments will broaden AWB's revenue base and strengthen its position in the regions, resulting in a reduction in costs to growers while providing commercial return to shareholders above the weighted average cost of capital.

Dimboola Grain Centre

Investment of \$A11m (100% owned). The Dimboola Grain Centre was completed for the 1999-00 harvest. Storage capacity was upgraded in 2001 from 200,000 tonnes to 260,000 tonnes.

The following are the tonnes of grain received at the Dimboola Grain Centre:

Year	Receipts (tonnes)
1999-00	90,000
2000-01	203,000
2001-02	232,000

Melbourne Port Terminal

Investment of \$A18.5m of a total investment of \$A40m (50% owned joint venture with Melbourne Terminal Operations). Melbourne Port Terminal officially commenced operations in August 2000. Melbourne Port Terminal mainly exports wheat however also handles barley, canola and pulses. Investment in port infrastructure has strategic and commercial benefits.



The following are the tonnes of grain shipped at Melbourne Port Terminal:

Year	Receivals (million tonnes)
2000-01	1.26
2001-02	1.30

Storage Sites

AWB invested \$A46m in 6 new storage and handling sites in NSW and VIC in 2001. Approximately 80% of targeted tonnes to be received into the new sites was achieved in 2001-02. The depreciation cost for individual sites in 2001-02 is forecast to be approximately \$A500,000. New storage facilities are aimed at reducing supply chain costs and delivering improved services and greater efficiencies to growers while providing a commercial return to shareholders. Each site has a capacity of about 130,000 tonnes.

The following sites were developed in 2001:

- Birchip ➤ Charlton ➤ Sea Lake ➤ Bogan Gate
- Stockinbingal ➤ West Wyalong

Further storage and handling sites will be announced in 2002 and 2003.

Summary of sensitivities

- Melbourne Port Terminal
 - Tonnes handled
 - Costs including depreciation charge
 - Per tonne rental charge
- Grain Centres
 - Tonnes received
 - Costs
 - Depreciation charge
 - Storage rates

Offshore Investments

AWB is implementing an offshore investment program designed to secure end-user demand for AWB products and services. The focus is on assets that will provide growth opportunities in the areas of flour milling, food processing and grain trading. AWB has interests in:

Five Star Flour Mills (FSFM) – Egypt

FSFM is a producer of premium grade flour and is one of AWB's largest customers. AWB is the single largest shareholder with a 30% interest which cost \$A6.8m. FSFM consists of two mills with a combined production capacity of 1100 tonnes per day.

Five Star Feed Mills & Animal Production (FSFMAP) – Egypt

AWB effectively owns 30% of FSFMAP via direct investment and FSFM's ownership – an investment of \$A3.7m. FSFMAP is currently being constructed and plant commissioning is expected by the end of 2002. The facility will consist of the following production lines: poultry feed, cattle feed, pre-mix, feed concentrates and aqua feed.

Vietnam Flour Mills (VFM) – Vietnam

AWB owns 17.5% – an investment of \$A2.8m. The plant began operations in September 2001 and was commissioned in March 2002 with a plant capacity of 450 tonnes per day.

AWB-Zenoh – Japan

AWB-Zenoh is a joint venture commodity trading company established between AWB and Japan's largest agricultural cooperative – Zenoh. Established in March 1997, AWB-Zenoh was originally formed to expand AWB's sales of non-wheat products into the Japanese feed market. Following three successful years of trading canola, sorghum and other feed grains into Japan, AWB-Zenoh was awarded a wheat and barley import licence by the Japanese Government agency controlling grain imports, the Japan Food Agency. AWB has a 51% holding in the joint venture. The size of the import licence doubled from 100,000 to 200,000 tonnes in 2001-02. The joint venture is working on future growth strategies.



Shenzen Southseas Grain Industries – China

AWB owns 8% – an investment of \$A1.3m. The plant began operations in 1992 and has a plant capacity of 650 tonnes per day.

Growth Prospects

The Chartering business has the potential to grow from its current 40% to 70% of National Pool wheat sales by 2004. The non-pool business will see a moderate increase in tonnage chartered for 2002 whilst building the platform to substantially increase tonnage by 2004.

Further domestic supply chain investments will be announced in 2002 and 2003.

In addition, further investments in offshore assets provide AWB with growth opportunities in the areas of flour milling, storage and handling, food processing and trading. In addition to delivering commercial risk adjusted rates of return, the investments have the potential to lock in end-user demand.



Grain Technology

The grain technology business is divided into:

- Agrifood Technology
- AWB Seeds
- Research
- Grain Development
- Quality Assurance and Hygiene

The Grain Technology business seeks to develop technology opportunities that provide a platform for further growth of AWB's business, adding value for growers and customers through superior product offerings. This value is generated and captured through strategic participation in or ownership of technology (novel, grain or end product traits) as well as the provision of services to AWB that are focussed on ensuring grain quality and the overall development of the quality profile of the Australian crop in accordance with customer preferences.

The Grain Technology business is increasingly participating in the development of plant genetics and new cereal varieties with strategies centred on establishing appropriate proprietary positions. This is necessary due to developments in private plant breeding, the development of comprehensive intellectual property rights to support the private ownership of plant genetics and varieties and the advent of Plant Breeders Rights (PBR).

The Grain Technology business is forecast to break even by 2004-05 through organic growth, increasing the number of AWB seed varieties and associated end point royalties, development, ownership and management of intellectual property and expanded operations centred on grain quality and food safety testing, testing management and quality assurance.

Agrifood Technology

Agrifood Technology operates as a stand-alone profit centre within the Grain Technology business. It delivers analytical and diagnostic testing services to the grain and food industries in a market segment valued at \$A500 million. Agrifood operates several laboratories focussed on food safety (including

chemical residue testing) and grain quality testing (e.g. protein, moisture, ash content, screenings) as well as operating a sample mill, which mills and tests flour quality and characteristics for AWB and for end use customers and an end product laboratory capable of producing and testing flat breads, steamed buns and Asian noodles. Agrifood Technology plays a central role in supporting AWB's world-renowned quality assurance program and has developed technology for more accurate assessment of wheat varieties and associated identification methods. Agrifood Technology recorded an EBIT of \$A0.7m, with total revenue of \$A8.5m in 2000-01. Following investment and rationalisation of business units an EBIT of \$A0.6m, with total revenue of \$A6.2m is forecast for 2001-02.

AWB Seeds

AWB Seeds is a stand-alone profit centre within the Grain Technology business, responsible for commercialisation of new wheat varieties developed through relationships with AWB, the recent joint venture between AWB and Syngenta, public and private breeding programs. AWB Seeds' positioning strategy is focussed on establishing an ownership position of a suitable suite of varieties and is well positioned to generate revenue through PBR (via the collection of end point royalties on AWB controlled varieties and for third parties), seed sales, variety commercialisation (physical seed sales) and the management of intellectual property. It is estimated that by 2004, deliveries of PBR varieties of wheat (on which end point royalties can be charged) to the National Pool will exceed deliveries of non-PBR varieties. AWB Seeds recorded an EBIT of negative \$A2.5m in 2000-01. An improved EBIT of negative \$A0.8m is forecast for 2001-02.

Research

AWB Research manages many different research projects. Much of this research is eligible for Schedule 2 – the R&D income tax incentive. AWB Research is charged with identifying and developing a path to market for gene technology and novel traits that will add value for growers and customers. Much of the research is conducted via arrangements with external partners, but AWB Research manages projects. Several internal projects are also managed by the unit.



AWB's Research annual expenditure is approximately \$A7m.

AWB has invested in Graingene (\$A2.5m per annum from 1999 to 2005), a joint venture with the CSIRO, Grains Research and Development Corporation and Syngenta AG to develop germplasm and novel traits. AWB has also made a \$A7m investment through a joint venture with Syngenta AG, a leading international seed and biotechnology company active in research, development, marketing, sale of seed of field crops and vegetables, agronomic solutions (fertiliser and chemicals), and research and application of technologies including, biotechnology to develop agronomic and quality traits in a multitude of crops including wheat and barley. The joint venture is designed to further mutual interests in commercial wheat breeding through its joint venture company, Longreach Plant Breeders Pty Ltd, equally owned and controlled by AWB and Syngenta AG.

Grain Development

Grain Development is an internal business function of the Grain Technology business with responsibility for ensuring that the future supply of wheat products meets the quality demands of AWB's customers. This in part also helps the prioritisation of research activities. Grain Development undertakes the task of classifying wheat varieties in accordance with market requirements and positioning AWB's wheat classes in line with end market demand. Any breeder may seek to have varieties classified by AWB, which is a process that takes several years as AWB must ensure consistent data and performance information as well as extensive end product testing. In seeking to develop new varieties or specialised grades of wheat, the unit liaises with customers and breeding programs, consistent with the needs of AWB's stakeholders and provides input to specific R&D projects managed by AWB. AWB's Grain Development expenditure is approximately \$A0.7m per annum.

Quality Assurance and Hygiene

The Quality Assurance and Hygiene unit provides services to internal AWB customers, most notably the National Pool, ensuring the integrity of grain moved. The unit is responsible for establishing wheat receival standards which reflect the needs of the market place and then instituting and monitoring receival processes and data collection to monitor the quality of the crop being received and moved into storage, through the handling system and onto vessels for export. The standards enforced reflect the needs of customers as well as international food safety and quarantine standards. The unit coordinates an extensive sampling process and these samples once collected are tested by Agrifood Technology. AWB's Quality Assurance & Hygiene total expenditure is forecast to be \$A0.5m in 2001-02.

Growth Prospects

Grain Technology is forecast to breakeven by 2004-05. Its strategy is focussed on providing technology and intellectual property solutions for AWB to grow its business in providing better inputs for growers – for example improved input traits for customers through improved end product traits. In this process, intellectual property is generated and this will present Grain Technology with opportunities for revenue growth. In addition, with the advent of proprietary varieties and the ability to obtain end point royalties from the ownership of these varieties, this represents a major source of revenue growth for AWB Seeds. Further revenue growth will occur in the business of Agrifood Technology with an expanded range of testing services and advice, with organic growth of the existing customer base and through new customers in both the grain and grain related (food) industries.



Risk Management Framework

Risk Allocation

Risk management is undertaken by AWB personnel, both on behalf of growers who deliver to the National Pool and also for the Company itself whilst undertaking its operational business activities. Risk compliance within the Company is monitored and reported upon by the Corporate Risk Unit. Primary risk categories are indicated below.

Risk Management Process

AWB recognises the need to effectively manage risk and as such has put in place a rigorous system to identify, monitor, manage and report on risk. The Chief Risk Officer facilitates risk monitoring and compliance, however each business unit manager is responsible for undertaking risk management activity. The Corporate Risk Unit has responsibility for market risk monitoring and compliance, internal audit, AWB's insurance programme, operating and maintaining an Enterprise wide risk system and corporate financial risk analysis as required. There is a clear separation of duties between operational risk management units that execute risk strategies and the monitoring and reporting of risk.

Oversight of AWB risk activities ensuring compliance with Board policies and delegations is undertaken by the Board using two Board Committees, namely the Corporate Risk Board Committee and also the Audit Committee. The respective Board Committee charters dictate that all market risk (including commodity price, currency, interest rate and credit risk) matters are presided over by the Corporate Risk Board Committee and all other operational risk and financial reporting matters are overseen by the Audit Committee.

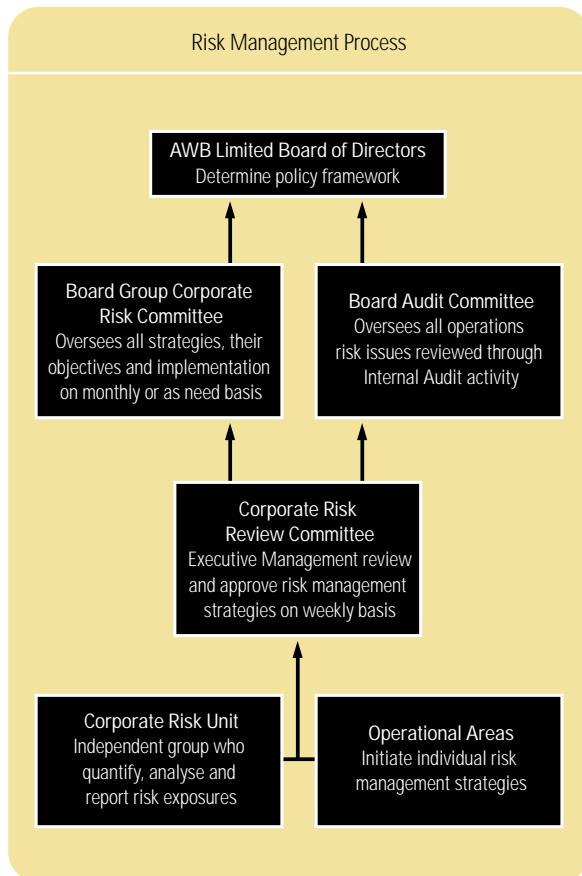
The CRRC meets weekly to review and approve the formulation of risk management strategies, monitor compliance with delegated authorities, and provide a forum to raise operational issues impacting the business.

In addition to the above AWBI also has a Board Compliance Committee to provide a mechanism to ensure that any dealing that AWBI has with its parent and subsidiaries of AWB are not in conflict with the objectives of AWBI as manager of the National Pool.

Investment Approach

The investment approach process for new investments analysis is managed by the Mergers and Acquisitions business unit, utilising teams made up of specialist staff accessed from the business, as well as external advisers used on an as needs basis. The broad approach to AWB's investment analysis is indicated on page 23.

Grower Risk	AWB Risk	
National Pool	Financing	Principal Trading/Other
<ul style="list-style-type: none"> - Final net pool return <ul style="list-style-type: none"> • final sale price • foreign exchange • supply chain logistics - Credit risk management outcomes - Chartering and Quality Assurance costs 	<ul style="list-style-type: none"> - Underwriting risk if pool return falls below guaranteed return (currently at 81.8%). - Size of pool impacts revenue derived from products and services - Margin on loans - Underwriting fees - Fees from basis pool contracts 	<ul style="list-style-type: none"> - Principal positions in wheat and other grains - Multi-varietal and fixed grade contracts - Credit Risk management - Trade execution management - Grain Centres management - Riskassist Advisory Services - Incentive in pool management fee



Risk Factors

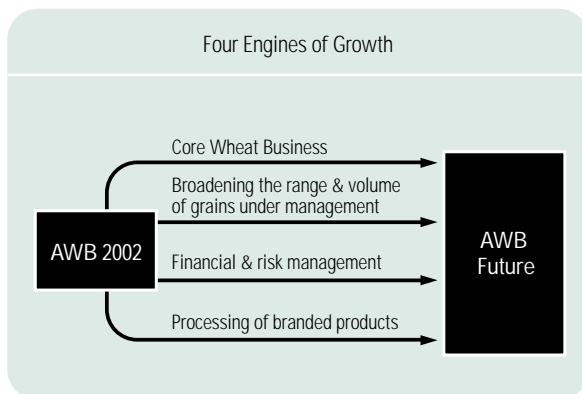
Specific risks that affect AWB include:

- Crop size – which is impacted by environmental factors, including weather conditions, that are beyond AWB's control. Crop size will affect the total value of the grain acquired, marketed, financed or traded through AWB products and services, and consequently the revenue derived from AWB's operations.
- International and domestic value of grain – which is affected by factors such as supply and demand, competition, foreign exchange rates and government influences (such as US and EU farm support policies). These factors have the ability to impact AWB's underwriting exposures, revenues and the profitability of its products. This risk can also affect returns to growers in the National Pool.
- AWB operates in an industry where profitability can be significantly affected by market risk factors. AWB recognises the need to effectively manage this and has put in place a comprehensive system to identify, monitor, manage and report on market risk (including basis risk, foreign exchange risk, interest rate risk, credit risk and other market risks). Market risk reports are generated for both National Pool and AWB exposures.

Approach to Investment Valuation	Potential Investment – Screening Test
1 A formal economic evaluation is undertaken: <ul style="list-style-type: none"> • Net Present Value (Discounted Cash Flow) • Internal Rate of Return • Payback Period • Accounting Rate of Return 2 Capital Asset Pricing Model is used to quantify risk 3 Evaluation against performance hurdles	Every investment opportunity is subject to a series of screening tests such as: <ul style="list-style-type: none"> • Fit growth strategy • Understand the risk / reward trade off • 1st class partners (credible and have proven track record) • Transparent business process • Broadly meets investment guidelines • Within capabilities and capacity to manage and integrate



Four Engines of Growth



- Significant growth to come from Asia where AWB already has a strong market presence, premium products and where we are freight advantaged. See customer markets outlined below.

1 To Strengthen Core Wheat Business

Strategy

- Ensure that the Single Desk continues to be managed effectively to maximise net return to growers and, through the performance arrangements, generate a commercial return for B class shareholders
- Reduce costs and improve grower services in the grain supply chain through increasing the competitiveness of storage, handling and transport and implementing a comprehensive pricing and inventory management strategy for all aspects of the grain supply chain
- Develop or gain access to leading grain seed marketing and the associated intellectual property

Competitive Advantage

- Australian wheat growers lead the world as highly efficient low cost producers
- AWB has built an enviable quality reputation with its Single Desk system
- AWB's increasing global market share based on the steady growth of world population, per capita incomes, urbanisation and the subsequent changes in dietary patterns



2 To Broaden the Range and Volume of Grains Under AWB Management

Strategy

- AWB will supply other Australian grains and other origin grains to our international and domestic customers

Competitive Advantage

- World leading expertise in wheat marketing
- Globally competitive system of marketing wheat and managing associated risk
- Leading commodity risk management expertise with applicability to other commodities
- Capability to access and deliver grains of any type and any origin to global customer base
- Global sales and distribution network

3 To Expand Range of Financial and Risk Management Products

Strategy

- Continue to win the business of our existing growers by offering a comprehensive range of products
- Launch major new products that will offer a more flexible and competitive range of financial and risk management options to existing and new grower customers
- Diversify revenue streams by offering financial and risk management products to growers of grains other than wheat in order to broaden AWB's revenue base
- Provide new products and services to end-use customers

Competitive Advantage

- Relationship with grain growers and understanding of grower needs for innovative finance and risk management products
- Existing customer base for AWB products such as Multi V, Basis Pool and riskassist

4 To Invest in Processing and Branded Products

Strategy

- Secure demand and build margin through vertical integration in downstream operations where additional value can be captured

Competitive Advantage

- Leveraging existing investments such as Five Star Flour Mills in Egypt
- Access to high quality inputs for various end use applications
- Understanding of key input quality requirements for selected end use applications
- Ability to leverage the supply chain



PART B: FINANCIAL PERFORMANCE

(\$A million)	2002	2001		2000	
	6 months ended 31-Mar-02	12 months ended 30-Sep-01	6 months ended 31-Mar-01	12 months ended 30-Sep-00	6 months ended 31-Mar-00
Revenue from ordinary activities	1,561.8	1,956.8	1,297.6	1,758.7	1,008.3
Cost of sales	-1,356.2	-1,608.1	-1,120.9	-1,474.6	-857.7
Depreciation and amortisation	-5.6	-8.0	-3.4	-5.6	-2.5
Borrowing costs	-42.3	-95.9	-48.7	-89.9	-43.6
Other	-48.5	-122.2	-46.3	-90.1	-39.2
Operating profit before tax	109.2	122.6	78.3	98.5	65.3
COMPOSITION OF EARNINGS					
Pool Management Services	1.8	9.3	4.7	10.1	5.1
Grain Acquisition and Trading	52.5	68.6	35.6	29.0	16.7
Grain Technology	-0.9	-6.0	-0.9	-3.8	-1.3
Supply Chain and Other Investments	22.5	15.6	6.2	4.5	6.4
EBIT	75.9	87.5	45.6	39.8	26.9
Interest expense	-10.4	-21.1	-14.8	-15.7	-8.1
EBT	65.5	66.4	30.8	24.1	18.8
Finance and Risk Mgt Products	50.7	84.8	55.9	94.5	50.7
Corporate	-7.0	-28.6	-8.4	-20.1	-4.2
Operating profit before tax	109.2	122.6	78.3	98.5	65.3
Income tax expense	-31.6	-38.4	-25.7	-34.8	-23.1
Operating profit after tax	77.6	84.2	52.6	63.7	42.2
Outside equity interests	-0.5	-0.5	-0.2	-0.4	-0.4
Operating profit after tax	77.1	83.7	52.4	63.3	41.8
OTHER DATA					
Total assets (billion)	3,425.4	1,983.1	2,611.8	1,818.9	2,890.6
Net tangible assets per share (\$ per share)	2.89	2.75	2.68	2.60	2.73
Capital expenditure (million)	26.9	58.1	8.7	35.8	7.5
Earnings per Share (¢)	28.2	34.1	21.7	26.2	17.3
Dividends per Share (¢)	14.0	22.0	14.0	22.0	-
Return on shareholders equity (%)	N/A	12.8	N/A	10.1	N/A
Issued shares (million)	273.3	273.3	241.6	241.6	241.5
No. of shareholders (000's)	62.6	63.5	66.4	67.4	67.5



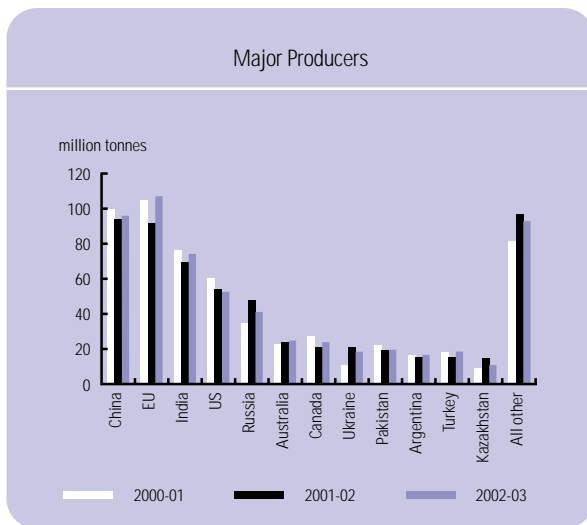
PART C: GLOBAL WHEAT TRENDS

Major Producers

Global wheat production levels have been growing, on average, at 1% per annum over the past 20 years, (1981-2001). Annual production over this 20-year period has varied between 436 million tonnes and 609 million tonnes, with an average over the period of 531 million tonnes.

The **five and ten year average** of world wheat production to the year 2001-02 is 588.4 million tonnes and 570.8 million tonnes respectively.

Whilst Australia is only ranked as the sixth largest world producer of wheat, it is ranked as the second top-exporting nation (based on 2001-02).



Source: USDA April 2002. EU includes, Belgium, Germany, France, the Netherlands, Italy, Luxembourg, Denmark, Ireland, United Kingdom, Greece, Spain, Portugal, Austria, Finland and Sweden

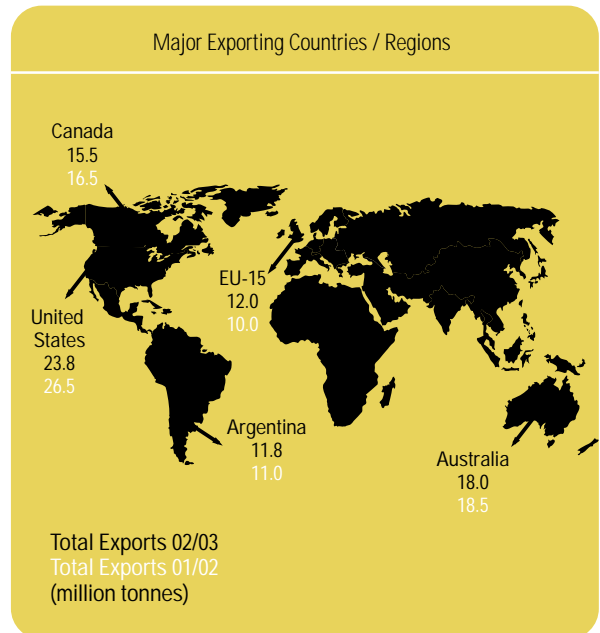
Major Exporters

The world's five major wheat exporters account for approximately 90% of wheat traded internationally:

- United States
- Australia
- Canada
- European Union
- Argentina

Apart from Australia, only Canadian wheat is exported via an explicit Single Desk marketer (the Canadian Wheat Board). Argentina, the EU and the US export through traders. The EU and the US provide significant intervention from government price support policies.

Major exporting countries/regions



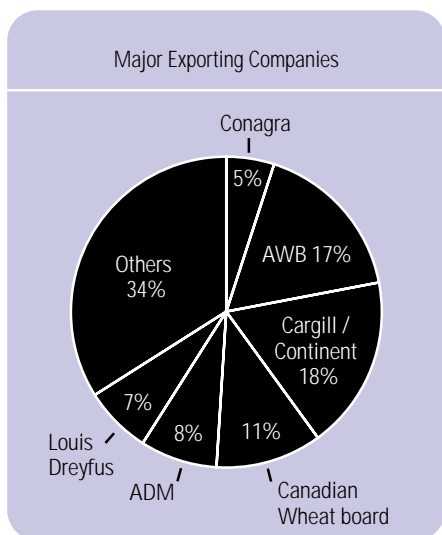
Source: USDA April 2002. All figures are estimates.



Major exporting companies

AWB is the second largest wheat exporting company in the world behind Cargill/Continental. The level of AWB exports in 2001-02 is forecast to be 18.5 million tonnes.

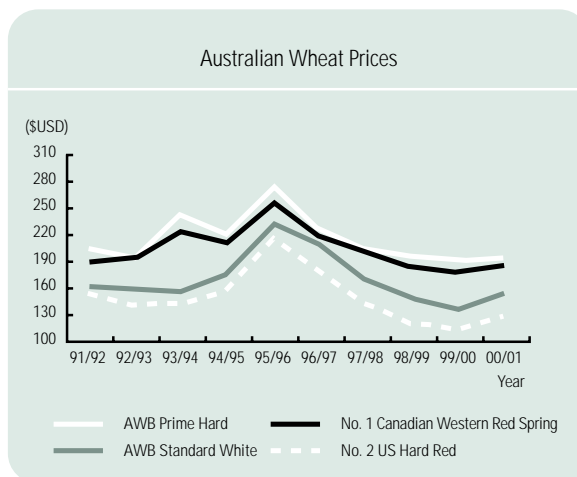
AWB's strict quality control standards have created Australia's excellent reputation in the international market.



Source: AWB 2001. Note Only 60% of Canadian wheat exports are directly exported via CWB. The balance of Canadian wheat exports are exported via Authorised Exporters of CWB.

Pricing trends

The price of wheat is influenced by production, demand and stock levels.



Source: ABARE – Australian Commodities Statistics 2001

Major wheat grade competitors

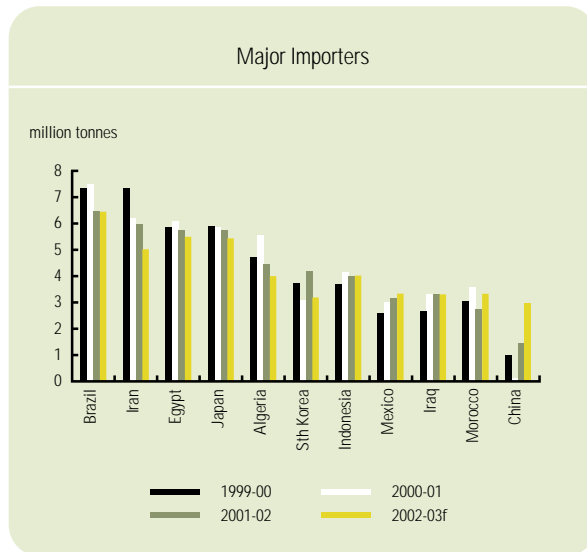
AWB wheat variety	Competitor		
	US	Canada	Other
Prime Hard	US Dark Northern Spring US Hard Winter Wheat 13% Protein	Canadian Western Red Spring	
Hard Wheat	US Hard Red Winter	Canadian Western Red Spring	
Premium White	US Hard Red Winter US Soft White	Canadian Prairie Spring	Argentine German
Standard White	US Hard Red Winter US Soft White US Soft Red Winter	Canadian Prairie Spring	Argentine French
Soft Wheat	US Soft White		
Durum	US Hard Amber Durum	Canadian Western Amber Durum	Mexican Durum

Source: AWB April 2002.



Major Importers

Worldwide wheat consumption has been growing on average at a stable 1% per annum over the past 20 years (1982-2002). Total wheat imports for 2001-02 are forecast at 107.7mt.



Source = USDA April 2002 (f) = ABARE forecast.

End uses

Some examples of the end products created from a range of AWB wheat varieties in key customer markets.

Wheat variety	Iran	Iraq	Indonesia	Egypt	Japan
Prime Hard Wheat			Western style bread & noodles		Noodles
Hard Wheat		Flat bread		Western style bread	
Premium White Wheat	Flat bread	Pocket bread (Samoosa) Flat bread (Khobtz)			
Standard White Wheat	Flat bread (Lavash) Thicker bread (Sangak) Oval crisp, ribbed bread (Toftoon)		Noodles & household flour	Baladi (flat bread)	Noodles
Soft Wheat				Biscuits & cakes	

Source: AWB April 2002



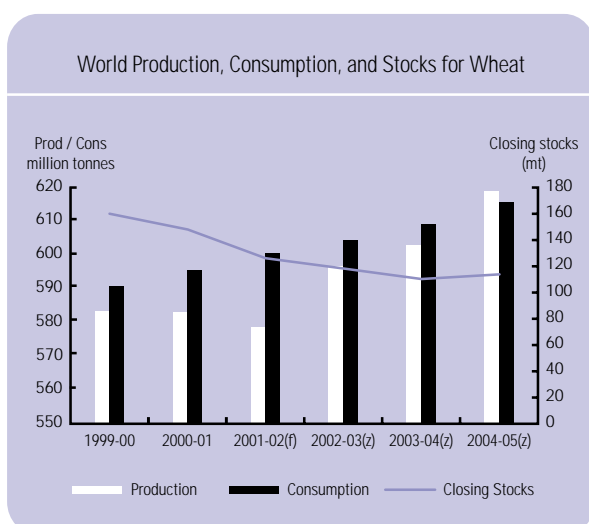
Global Outlook

World wheat production for 2002-03 is forecast at 588mt representing a 7mt increase from 2001-02.

Total world consumption is around 590 million tonnes per year and this is expected to grow to 617 million tonnes by 2004/05.

Globally, current stock levels as a percentage of consumption are at relatively low levels, representing less than 3 months supply. World stocks are forecast to fall for the fourth consecutive year in 2002-03.

World production, consumption and stocks for wheat



Source: ABARE – Australian Commodities vol.9 no.1 March quarter 2002 (f) = ABARE forecast. (p) = preliminary.

Global Regulatory Framework

OECD Producer Support Estimates 1998-00 (US\$)

Country	PSE per farmer	PSE per hectare
European Union	\$16,028	\$762
United States	\$20,803	\$120
OECD Average	\$11,334	\$198
Canada	\$9,341	\$51
Australia	\$2,894	\$2

All of the world's five major wheat exporters and most of the key importers are members of the World Trade Organisation (WTO). This means both the governments and the exporting and importing parties in these countries are subject to the rules based trading system established under the various WTO Agreements.

Of specific importance to wheat trade is the Agreement on Agriculture and the Sanitary and Phyto-Sanitary (SPS) Agreement. The Agreement on Agriculture places limits on what actions governments can undertake to support their agricultural sectors and while the restrictions it implements are not particularly rigorous it does at least place some restrictions on government actions. Also it has been highlighted as a priority of the latest round of WTO trade negotiations to strengthen the WTO rules associated with agriculture.

The SPS Agreement sets the framework for quarantine measures that importing countries can place on agricultural exports. It states that any quarantine restrictions that are placed on a particular product must have a basis in 'sound science' and that exporters can challenge any restrictive quarantine measures that they consider to be lacking a scientific basis.

As the manager of a government backed export monopoly AWB is classified as a State Trading Enterprise (STEs) under the WTO (Article 17). However, as AWB conforms with the existing WTO rules governing the operation of STEs it is not subject to any specific disciplines.



Country	Regulatory Involvement	Government Support
Australia	<ul style="list-style-type: none"> - Domestically, the Australian wheat industry is fully deregulated with a number of trading companies operating in the market place including multinationals such as Cargill, and Conagra. - The export of wheat from Australia is regulated with AWB International's right to be the sole bulk exporter of Australian wheat delegated by the Commonwealth Government through its regulatory agency the Wheat Export Authority (WEA) - the Single Desk for wheat. - AWB International is a wholly owned subsidiary of AWB, a grower controlled publicly listed company. - Exports outside the Single Desk are possible in containers and bags but these must be complementary to the single desk and approved by the WEA. 	<ul style="list-style-type: none"> - The Government has very little financial involvement in the Australian wheat industry. - The Single Desk receives no financial support or underwriting by the Government and apart from welfare or emergency assistance farmers do not receive financial assistance from the Government.
United States	<ul style="list-style-type: none"> - The US wheat industry is fully deregulated for both domestic and international sales and is the home of most of the world's major multinational grain trading companies, such as Cargill, Conagra, ADM, Louis Dreyfus. 	<ul style="list-style-type: none"> - By any measure US farmers receive a very high level of government support. Under current farm policy US wheat farmers receive around 60% of their income from government payments. - The US government also directly supports exports of their wheat through government sponsored export credit programs, food aid donations and market development and promotion tools. - The US Administration has approved increases to current farm support and subsidy levels by 70% to \$USD170 billion over 10 years.

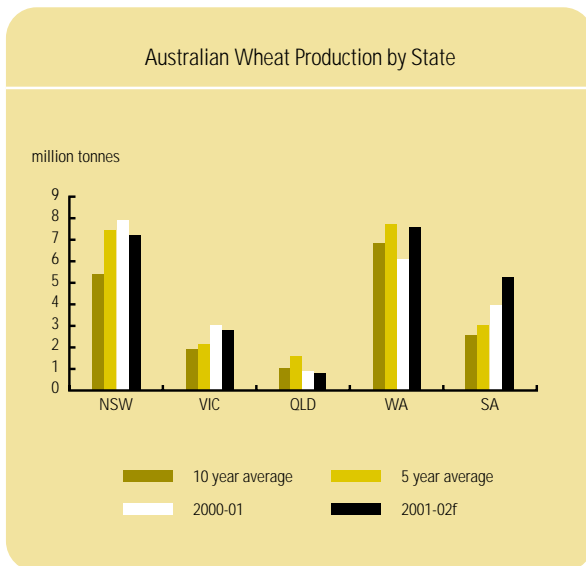


Country	Regulatory Involvement	Government Support
Canada	<ul style="list-style-type: none"> - Domestically, the Canadian Wheat Board (CWB), a statutory marketing authority, has sole control over the purchase of wheat and malt barley grown in the provinces of Alberta, Saskatchewan, Manitoba and a portion of British Columbia (the vast majority of Canadian wheat is grown in these areas) for domestic food use in Canada or for exports. - The CWB also has sole control over sales of these grains for export. 	<ul style="list-style-type: none"> - Canadian farmers receive a payment upon delivery of their grain equal to about 70% of their expected final return, this payment is guaranteed by the Canadian government. - The CWB is the Canadian government's chief domestic wheat policy tool. However Canadian farmers still do receive some direct government support but this is comparatively low.
European Union	<ul style="list-style-type: none"> - The European grain industry is heavily regulated, both domestically and for export, with agricultural policy dictated by the Common Agricultural Policy (CAP) under the direction the European Commission. - The CAP was originally instituted in an attempt to promote food security and self sufficiency in Europe. However, given that support levels have been established, on the whole, well above world prices, the European Union has moved from being a net importer of major agricultural commodities, to a net exporter. Furthermore, in order to "move" production surpluses, exports have been heavily subsidised. 	<ul style="list-style-type: none"> - Farmers in the EU receive some of the highest levels of subsidy in the world. The current members of the EU wheat farmers receive around 65% of their income from government payments. - EU farmers also receive a direct export subsidy in the form of a restitution payment for exports that fall below a certain price level. - The EU operates a range of domestic supports and export subsidies in the wheat industry including: <ul style="list-style-type: none"> • Direct area supports provide payments to farmers based on historical average yields; • Intervention support prices; • Export subsidies or restitutions; and • Import duties applied on the basis of a (EU) calculated reference price and a resultant duty on high, medium and low quality wheat.
Argentina	<ul style="list-style-type: none"> - Wheat production, domestically and for export, in Argentina is totally deregulated. Deregulation of the wheat industry came as part of widespread initiatives by the Argentinean government to arrest the declining economy, skyrocketing inflation and the weak peso. - In 1990 the government set about a widespread privatisation program, resulting in the privatisation of the national inland and terminal elevator network, privatisation of the rail network and private investment in the country's waterways and ports. - The government operated Argentinean Grains Board, which previously controlled the industry was eliminated in 1991 and in the same year, the government pegged the Peso to the US dollar in order to control inflation. - The Argentine grains market is now dominated by the large multinational grain traders which have made significant investment in storage and port facilities. 	<ul style="list-style-type: none"> - The Argentine Government has removed all levels of support. However, agricultural exports account for around 60 per cent of Argentina's exports earnings. As a result, the agricultural sector is heavily taxed in an effort by the government to develop other value adding industries. - The government also maintains a scheme whereby farmers can borrow from the government bank at around half the commercial interest rate, in an effort to provide some relief to farmers. However, this facility has come under pressure as a result of the current financial difficulties and there remains doubt as to whether it will be continued.

PART D: AUSTRALIAN GRAIN TRENDS

Australian Production

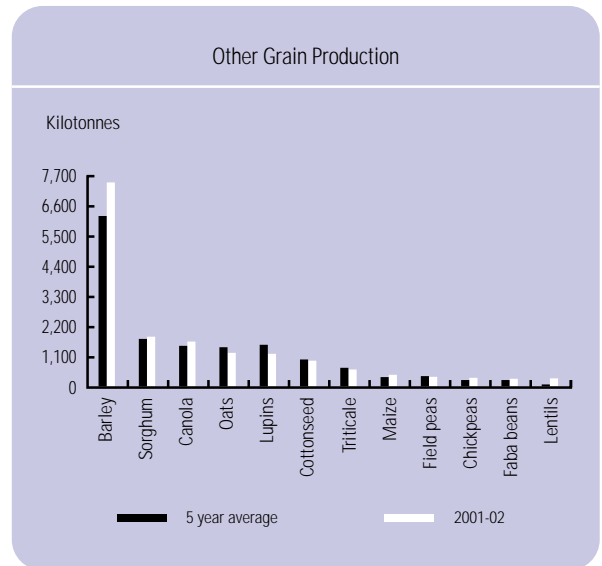
Over the past 20 years (1981 – 2001), Australian wheat production has varied between 9 million tonnes and 25 million tonnes per annum, with the average over this period being 17.1 million tonnes a year and annual growth of around 3 to 4%. The **five and ten year average** of Australian wheat production to the year 2001-02 is 22.4 million tonnes and 19.4 million tonnes respectively. The main drivers behind Australian wheat production include area planted, which is influenced by wheat prices at that time, seasonal conditions, alternative land uses as well as the adoption of new technology.



Source: 1991 to 2000 data taken from ABARE – Australian Commodity Statistics 2001 2000-01 and 2001-02f taken from ABARE – Australian Crop Report No. 121 (February 2002). (f) = forecast

Other Grain Production

Over the past 20 years (1981-2001), Australian **other grain production** (including coarse grains, oil seeds and pulses) has grown at a rate of around 4% per annum. Steady growth during this period is the result of increased area planted with other grains. A continual increase in area planted is expected in the medium term as a result of relatively high prices and continued productivity gains.



Source: ABARE Australian Commodities statistics Various ABARE Australian Crop Reports. (kt) = kilo tonnes

Canola

Canola has emerged as a significant crop in terms of the gross value of both oilseeds and total crop production. It is now the third largest winter field crop in Australia in terms of area and production. The area of canola harvested in Australia increased rapidly from around 400,000 hectares in the mid 1990s to a record 1.9 million hectares in 1999-00. Canola production has fallen by 15% to 1.6 million tonnes in 2001-02, which reflects a decrease in area sown of 1.2 million hectares. The area planted to canola in 2002-03 is forecast to increase by approximately 20% to 1.4 million hectares.

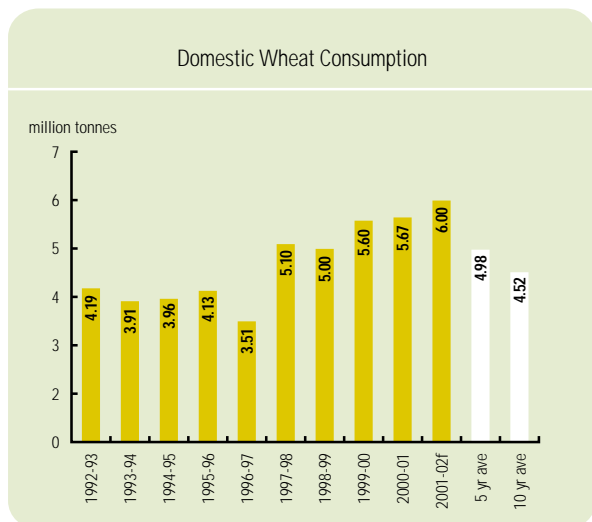


Domestic Consumption

The domestic market uses approximately 5.5 million tonnes of wheat annually, with the remaining production exported.

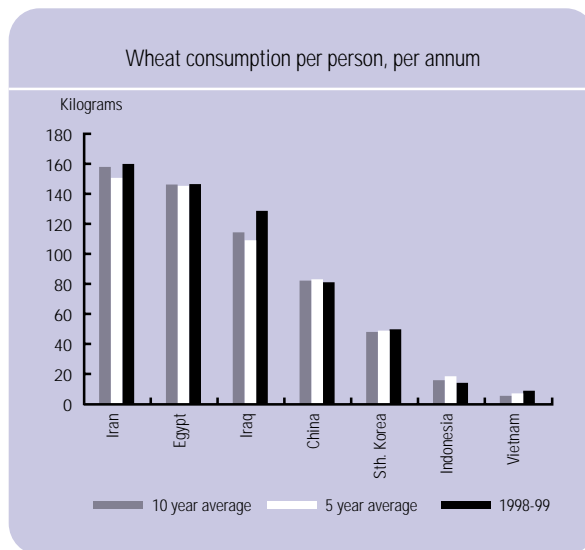
Wheat is consumed in Australia as:

- Human and industrial consumption – (2.5 millions tonnes)
- Stockfeed (2 – 3 million tonnes)
- Seed for the following season's crop (0.6 million tonnes)



Source: Source: ABARE Australian Commodity Statistics 2002 and Flour Millers Council of Australia survey results based on 75% wheat to flour extraction rate. Five and ten year average is to 2000-01.

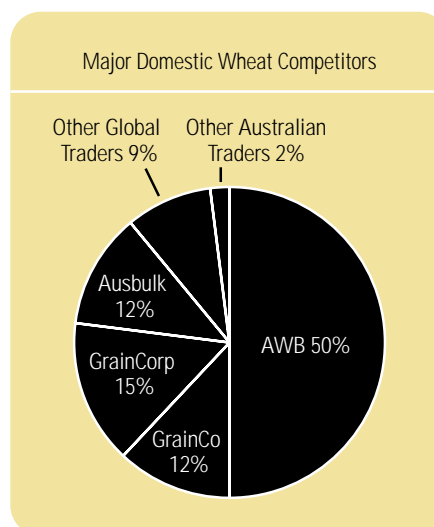
Wheat consumption per person, per annum in various importing countries



Source: FAO Database / Website. Food and Agriculture Organisation of the United Nations

Major Domestic Competitors

AWB holds 50% market share of the domestic wheat market, whilst major competitors GrainCorp, GrainCo and Ausbulk occupy 15%, 12% and 12% market share respectively (2001).

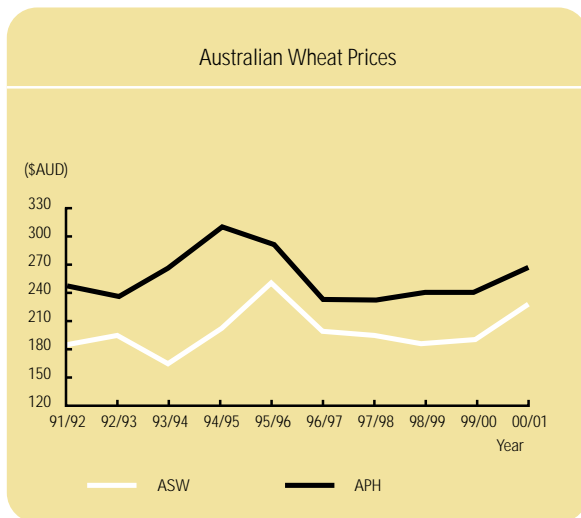


Source: AWB 2001



Australian Prices

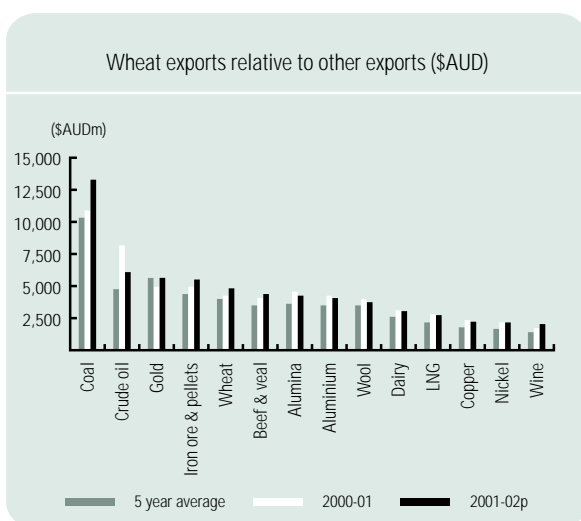
The price of wheat is influenced by production, demand and stock levels. The 2000-01 average price for Australian Standard White (ASW) wheat was \$225.53 per tonne and \$264.61 per tonne for Australian Prime Hard (APH) wheat.



Source: AWB April 2002. Based on ASW and APH

Wheat exports relative to other exports

Total wheat exports account for around 3% of total Australian exports based on dollar value.



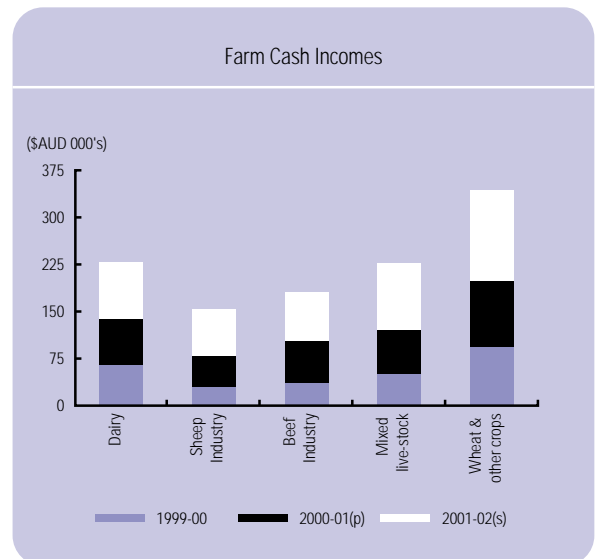
Source: ABARE – Australian Commodities, vol. 9 no.1 March quarter 2002. (\$AUDm) = million dollars Value of Australian Commodity exports (fob) \$AUDm. Five year average to 2001-02p. (p) = projection

Financial Returns to Growers

Farm Cash Incomes

Average farm cash incomes for the grains industry is well above those achieved in other broadacre industries over the past three years (1999-01 to 2001-02), and are likely to improve on a relative basis.

Farm cash income is the calculation of total revenues received by the farmer less payments made for materials and services, as well as permanent and casual labour.



Source: ABARE Australian Commodities vol. 9 no.1 March quarter 2002. (p) preliminary (s) provisional estimate

Domestic Regulatory Environment

The Australian wheat industry was deregulated in 1989. Accordingly, growers have the choice to sell their wheat directly to consumers and domestic traders or deliver their wheat to the National Pool.

Single Desk or equivalent arrangements regulate around 80-90% of grains exported from Australia. AWBI is the only body that is legislated to export Australia's bulk wheat. In addition to wheat AWB is able to trade in other grains such as barley, sorghum, canola and oats. Regulatory framework provided on page 33 and 34.



Environmental Conditions

El Niño

The weather effect known as El Niño is a sustained warming of the central and eastern Pacific, which, together with changes to the atmosphere, causes drier conditions and drought within Australia.

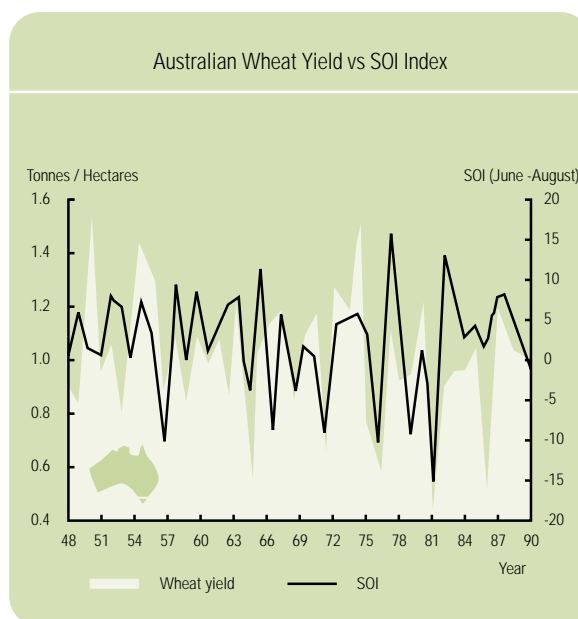
El Niño:

- Is a natural part of the climate system, which has affected the Pacific Basin for thousands of years
- Occurs every four to seven years
- Typically lasts for approximately 12 to 18 months
- Mostly affects eastern Australia (does not affect WA – which accounts for 37% of all Australian wheat exports)
- Is measured by Southern Oscillation Index, changes in ocean temperature, and the impact on altered rainfall patterns

Southern Oscillation Index

The Southern Oscillation Index (SOI) is calculated from the monthly or seasonal fluctuations in the air pressure difference between Tahiti and Darwin. Sustained negative values of the SOI are indicative of El Niño episodes.

Historically, trends indicate that reduced wheat crops can be linked to negative periods of the Southern Oscillation. There is a relationship between rural productivity, especially in Queensland and New South Wales, and changes to the behaviour of the Southern Oscillation.



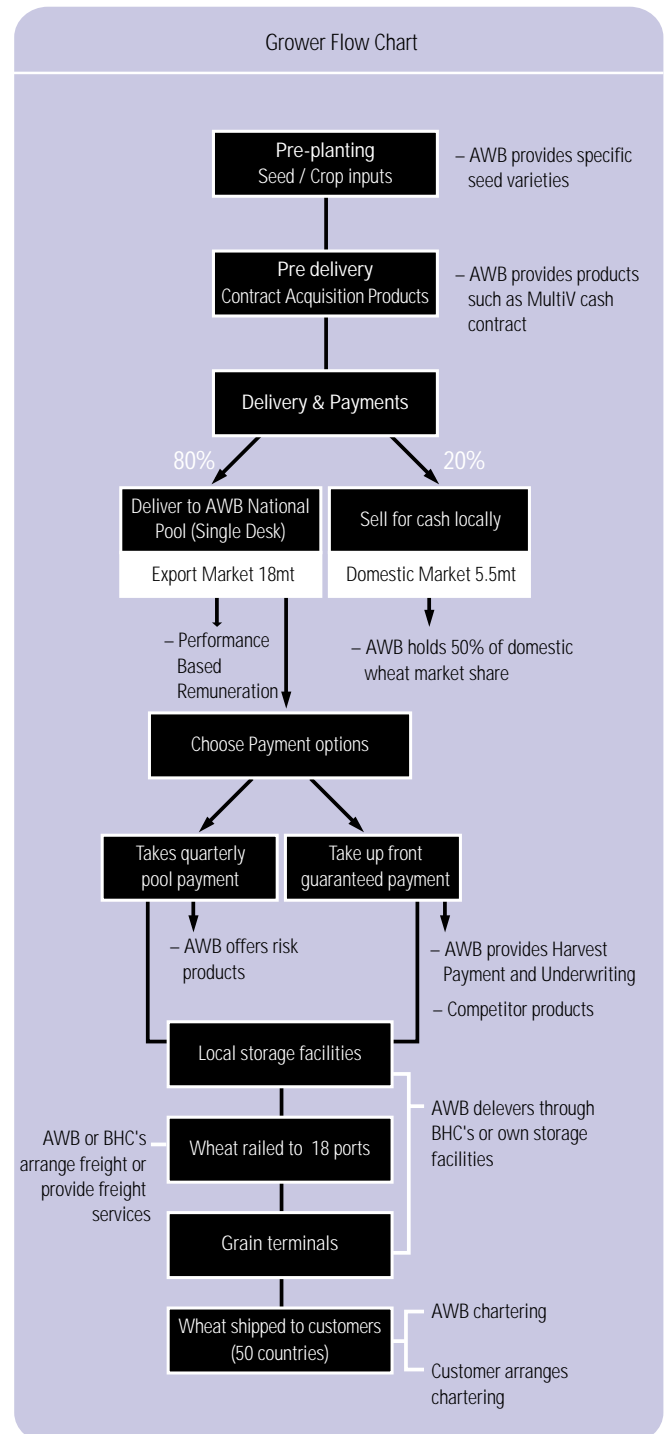
Source: Bureau of Meteorology April 2002.



Grower Flow Chart

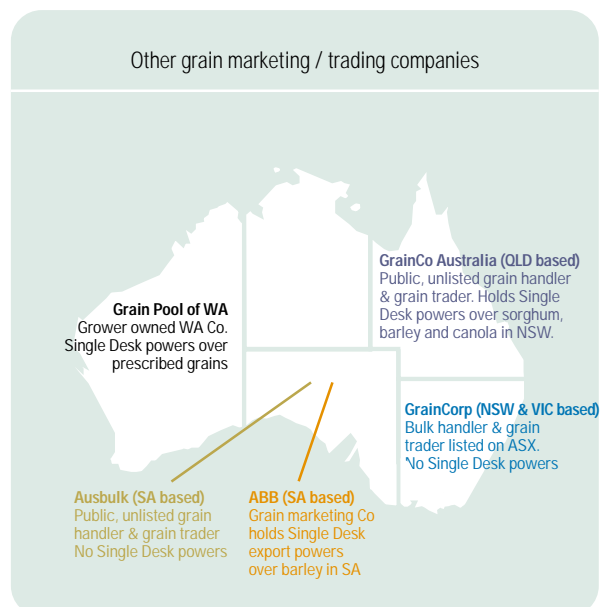
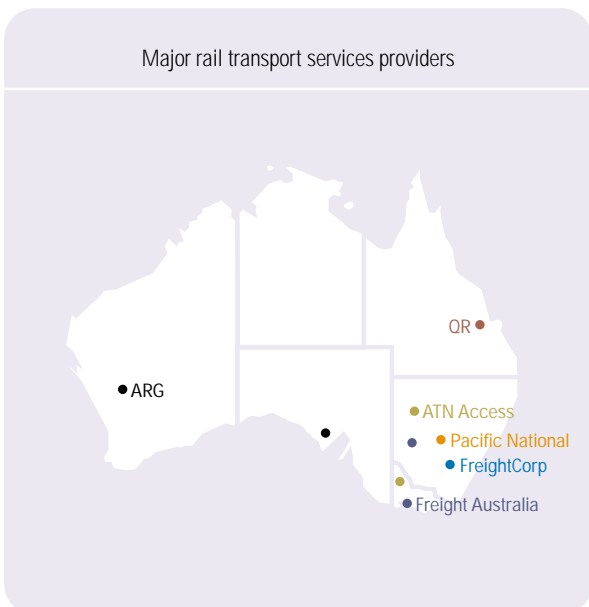
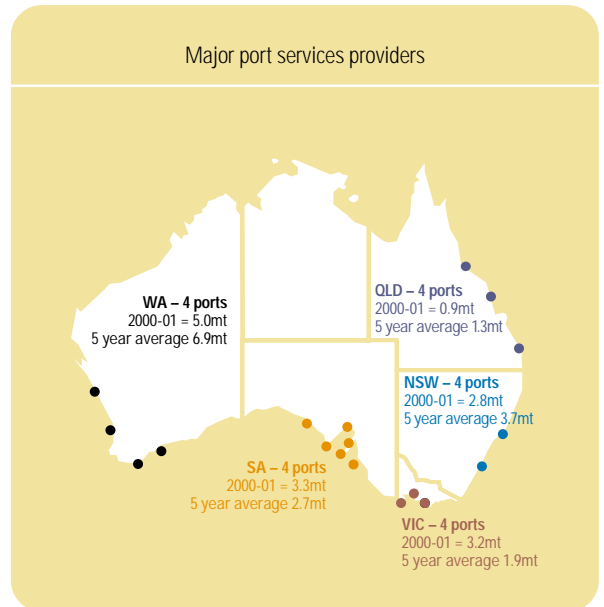
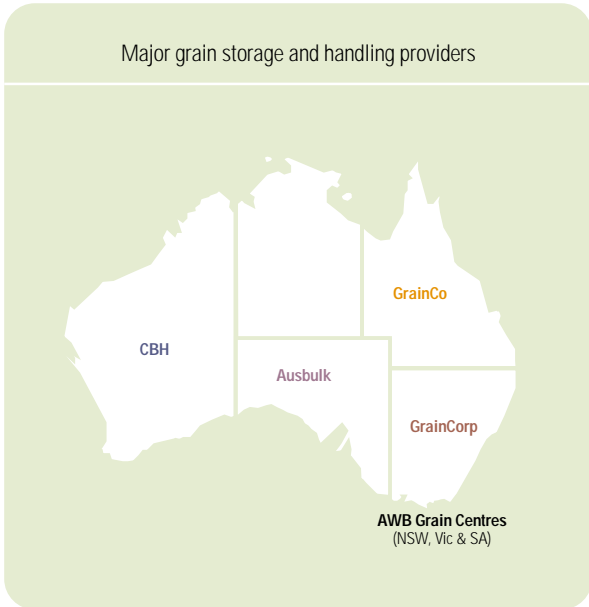
Most wheat varieties grown in Australia are sown in autumn, grow rapidly during the spring months and mature from early to mid-summer.

Harvesting commences in Queensland in September/October and gradually progresses southward, finishing in January/February.





	WA	SA	VIC	NSW	QLD
Major grain storage & handling providers	<p>CBH</p> <ul style="list-style-type: none"> Established in 1933 Formed by WA Government Cooperative structure Owned by WA grain growers Implementing merger with Grain Pool of WA in 2002 	<p>Ausbulk</p> <ul style="list-style-type: none"> Incorporated in 1955 Owned by SA grain growers Corporatised in 2000 Opening new sites in VIC Announced possible listing in 2002 	<p>GrainCorp (see NSW)</p> <p>AWB Grain Centers</p> <ul style="list-style-type: none"> 4 in Vic 3 in NSW Total capacity = 1.3m tonnes 	<p>GrainCorp</p> <ul style="list-style-type: none"> Privatised in 1992 Listed on the stock exchange in 1998 Merged with Vicgrain in 2000 Opening new sites in QLD & SA <p>ABA</p> <ul style="list-style-type: none"> Established in 1999 Joint venture company owned by GrainCo and Ausbulk 	<p>GrainCo</p> <ul style="list-style-type: none"> Established in 1991 Formed from a number of State owned Grower co-operates and statutory authorities Owned by QLD growers Corporatised entity Announced possible listing in 2002
Major rail transport service providers	<p>ARG</p> <ul style="list-style-type: none"> Privatised late 2000 50% owned by Westfarmers; and 50% owned by Genesee & Wyoming Inc Operates in SA and WA 	<p>ARG (see WA)</p>	<p>Freight Victoria Ltd trading as Freight Australia</p> <ul style="list-style-type: none"> Privatised in May 1999 Owned by Rail America Also operates a contract train for AWB from NSW silos into Port Kembla and Melbourne 	<p>Pacific National Ltd</p> <ul style="list-style-type: none"> Privatised in 2002 50% owned by Toll Holdings and (50%) by Patrick Corporation <p>ATM Access</p> <ul style="list-style-type: none"> Major shareholders is Wisconsin Central Transportation Company Operates a 40 wagon contract train for AWB from NSW and VIC sites into Port Kembla and Appleton Dock, Melbourne 	<p>OR</p> <ul style="list-style-type: none"> 100% owned by QLD Government Hauls all AWB export task over 120kms from port Contract expires September 2002
Ports – 2001-02 (AWB bulk wheat shipments) – tonnes	<p>State total = 5,042,384</p> <p>Albany = 775,159 Esperance = 621,917 Fremantle (Kwinana) = 2,807,311 Geraldton = 837,998</p>	<p>State total = 3,276,436</p> <p>Port Adelaide = 1,281,833 Port Giles = 237,431 Port Lincoln = 1,136,913 Port Pirie = 155,309 Thevenard = 117,856 Wallaroo = 347,093</p>	<p>State total = 3,174,440</p> <p>Geelong = 1,566,248 Melbourne = 1,046,302 Portland = 561,890</p>	<p>State total = 2,808,585</p> <p>Newcastle = 917,806 Port Kembla = 1,890,779</p>	<p>State total = 868,154</p> <p>Brisbane = 457,380 Gladstone = 247,346 Mackay = 163,428</p>
Ports – 5 Yr Average (AWB bulk wheat shipments) – tonnes	<p>State total = 6,941,376</p> <p>Albany = 1,196,293 Esperance = 658,557 Fremantle (Kwinana) = 3,666,146 Geraldton = 1,420,380</p>	<p>State total = 2,658,182</p> <p>Port Adelaide = 873,066 Port Giles = 212,650 Port Lincoln = 915,934 Port Pirie = 172,310 Thevenard = 111,999 Wallaroo = 372,223</p>	<p>State total = 1,861,704</p> <p>Geelong = 1,090,222 Melbourne = 552,214 Portland = 550,597</p>	<p>State total = 3,701,102</p> <p>Newcastle = 1,459,773 Port Kembla = 2,241,329</p>	<p>State total = 1,265,871</p> <p>Brisbane = 929,604 Gladstone = 226,672 Mackay = 109,595</p>



PART E: APPENDICES

Appendix 1: Global Wheat Trends (data)

Table i: Major Producers

(mt)	2000-01	2001-02	2002-03f
China	99.6	94.0	96.0
EU	104.9	91.8	107.0
India	76.4	68.8	74.0
USA	60.8	53.3	51.3
Russia	34.5	46.9	41.0
Australia	23.8	24.0	24.5
Canada	26.8	21.3	24.0
Ukraine	10.2	21.3	18.5
Pakistan	21.1	19.0	19.5
Argentina	16.2	15.5	16.5
Turkey	18.0	15.5	18.5
Kazakhstan	9.1	12.7	11.0
All Other	82.4	96.3	93.9

Source: USDA April 2002. (mt) = million tonnes. EU includes, Belgium, Germany, France, the Netherlands, Italy, Luxembourg, Denmark, Ireland, United Kingdom, Greece, Spain, Portugal, Austria, Finland and Sweden

Table ii: Major Exporters

(mt)	2001-02	2002-03
USA	26.5	23.8
Australia	18.5	18.0
Canada	16.5	15.5
EU	10.0	12.0
Argentina	11.0	11.8
Other	25.2	24.7

Source: USDA April 2002. (mt) = million tonnes. All figures are estimates.

Table iii: Major exporting companies

Company	Tonnage (mt)	Market Share
Cargill / Continental	18	18%
AWB	17	17%
Canadian Wheat Board	11	11%
ADM	8	8%
Louis Dreyfus	7	7%
ConAgra	5	5%
Bunge	2	2%
Xcan	1	1%
Others	32	31%
Total	101	100%

Source: AWB 2001. Note only 60% of Canadian wheat exports are directly exported via CWB. The balance of Canadian wheat exports are exported via Authorised Exporters of CWB. (mt) = million tonnes.

Table iv: Pricing trends

(\$USD)	AWB Prime Hard	#1 Canadian Western Red	AWB Standard White	US # 2 Hard Red
1991-92	201.50	188.42	160.25	150.96
1992-93	191.42	192.83	157.05	141.33
1993-94	240.58	222.25	153.25	141.52
1994-95	218.86	209.17	174.37	156.42
1995-96	272.03	254.83	232.39	215.33
1996-97	224.00	216.58	207.47	178.50
1997-98	203.06	197.28	167.50	141.75
1998-99	194.10	180.78	147.43	119.08
1999-00	190.17	176.33	136.44	113.17
2000-01	192.00	183.90	153.57	127.00

Source: ABARE – Australian Commodities Statistics 2001



Table v: Major importers

(mt)	1999-00	2000-01	2001-02	2002-03f
Brazil	7.34	7.52	6.50	6.50
Iran	7.36	6.25	6.00	5.00
Egypt	5.87	6.05	5.80	5.50
Japan	5.96	5.91	5.80	5.80
Algeria	4.75	5.60	4.50	4.00
South Korea	3.81	3.13	4.10	4.20
Indonesia	3.74	4.07	4.00	4.00
Mexico	2.63	3.07	3.20	3.30
Iraq	2.65	3.30	3.30	3.30
Morocco	3.09	3.60	2.80	3.30
China	1.01	0.20	1.50	3.00

Source: USDA April 2002. (mt) = million tonnes (f) = ABARE forecast

Table vi: Global Outlook

(mt)	1997-98	1998-99	1999-00	2000-01	2001-02(p)	2002-03(f)
Opening stocks	145	167	165	159	148	125
plus: Production	609	589	584	584	578	597
less: Consumption	587	588	590	595	600	604
Closing stocks	167	165	159	148	125	118
<i>Exports</i>	<i>99</i>	<i>99</i>	<i>109</i>	<i>101</i>	<i>105</i>	<i>110</i>

Source: ABARE – Australian Commodities vol.9 no.1 March quarter 2002 (f) = ABARE forecast (p) = preliminary (mt) = million tonnes



Appendix 2: Australian Grain Trends (data)

Table vii: Australian Wheat Production by State

(mt)	NSW	VIC	QLD	WA	SA
1991-92	2.183	1.150	0.344	4.736	2.141
1992-93	4.200	2.400	0.700	6.200	2.680
1993-94	5.086	2.022	0.555	6.689	2.121
1994-95	0.875	0.944	0.225	5.438	1.487
1995-96	4.508	1.921	0.519	6.827	2.724
1996-97	8.677	2.392	2.109	7.678	2.838
1997-98	5.906	1.503	1.389	7.725	2.689
1998-99	6.563	1.462	1.941	8.170	3.310
1999-00	8.602	2.642	1.904	9.004	2.586
2000-01	7.890	3.070	1.000	6.170	4.040
2001-02f	7.250	2.800	0.840	7.600	5.250
5 year average	7.528	2.214	1.669	7.749	3.093
10 year average	5.449	1.951	1.067	6.864	2.662

Source: 1991 to 2000 data taken from ABARE – Australian Commodity Statistics 2001 2000-01 and 2001-02f taken from ABARE – Australian Crop Report No. 121 (February 2002). (f) = forecast. (mt) = million tonnes.

Table ix: Domestic Consumption

(mt)	Consumption
1992-93	4.186
1993-94	3.905
1994-95	3.963
1995-96	4.127
1996-97	3.512
1997-98	5.079
1998-99	5.006
1999-00	5.596
2000-01	5.667
2001-02f	5.998
5 year average	4.980
10 year average	4.520

Source: ABARE Australian Commodity Statistics 2002 and Flour Millers Council of Australia survey results based on 75% wheat to flour extraction rate. Five and ten year average is to 2000-01. (mt) = million tonnes.

Table viii: Other Grain Production

Grain Type (kt)	Production	
	5 yr ave	2001-02
Barley	6,205	7,459
Sorghum	1,733	1,825
Canola	1,500	1,605
Oats	1,462	1,222
Lupins	1,514	1,210
Cottonseed	985	880
Triticale	660	601
Maize	345	441
Field peas	365	338
Chickpeas	210	286
Faba beans	201	268
Lentils	77	240
Sunflower	133	100

Source: ABARE Australian Commodities statistics
Various ABARE Australian Crop Reports. (kt) = kilo tonnes

Table x: Wheat consumption per person, per annum
in various importing countries

Kilos consumed per person per annum	10 year average	5 year average	1998-99
Iran	158.8	155.5	159.9
Egypt	146.0	145.7	146.5
Iraq	116.5	110.6	129.4
China	81.8	82.2	80.2
South Korea	48.3	49.3	49.4
Indonesia	15.6	18.0	14.9
Vietnam	5.6	6.7	8.5

Source: FAO Database / Website Food and Agriculture Organisation of the United Nations



Table xi: Major Domestic Wheat Competitors

2001	Share
AWB	50%
GrainCorp	15%
GrainCo	12%
Ausbulk	12%
Other Global Traders	9%
Other Aust Traders	2%
Total	100%

Source: AWB 2001

Table xii: Australian Prices

\$AUD / t	ASW	APH
1991-92	184.31	244.80
1992-93	192.55	235.07
1993-94	162.30	265.70
1994-95	200.00	310.00
1995-96	249.40	289.40
1996-97	198.45	232.10
1997-98	192.15	230.20
1998-99	184.58	238.00
1999-00	189.89	239.02
2000-01	225.53	264.61

Source: AWB April 2002. ASW and APH

Table xiii: Wheat exports relative to other exports (\$AUD)

Commodity (\$m)	5 yr ave	1999-00	2000-01	2001-02p
Coal	10,215	8,298	10,801	13,206
Crude oil	4,720	5,292	8,137	6,038
Gold	5,563	4,803	4,887	5,569
Iron ore & pellets	4,364	3,779	4,903	5,504
Wheat	3,920	3,481	4,197	4,768
Beef & veal	3,392	3,119	4,007	4,359
Alumina	3,590	3,471	4,507	4,175
Aluminium	3,432	3,302	4,229	3,964
Wool	3,429	2,963	3,897	3,683
Dairy	2,526	2,439	3,047	2,951
LNG	2,052	1,949	2,671	2,620
Copper	1,720	1,616	2,286	2,139
Nickel	1,576	1,862	2,039	2,032
Wine	1,350	1,352	1,630	1,963
Zinc	1,321	1,232	1,759	1,494

Source: ABARE – Australian Commodities, vol. 9 no.1 March quarter 2002. (\$AUDm) = million dollars

Value of Australian Commodity exports (fob) \$AUDm. Five year average to 2001-02p. (p) = projection

Table xiv: Farm Cash Incomes

(\$ 000's)	1999-00	2000-01p	2001-02s
Wheat & other crops	94.8	101.5	144.2
Mixed live-stock	51.0	68.3	104.0
Beef Industry	36.1	65.7	75.8
Sheep Industry	29.9	48.7	71.7
Dairy	65.8	72.9	88.5

Source: ABARE Australian Commodities Vol. 9 no.1 March quarter 2002. (p) preliminary (s) provisional estimate



Table xv: Historical summary of Australian wheat statistics

	Production				Exports			Closing stocks mt
	Area '000 ha	Yield t/ha	Volume mt	Unit \$/t	Volume mt	Unit value \$/t	Domestic use mt	
1991-92	7183	1.47	10.56	198.6	7.12	203.0	4.10	2.50
1992-93	9101	1.78	16.18	178.8	10.35	207.0	4.19	4.16
1993-94	8383	1.97	16.48	168.9	13.81	175.0	3.91	2.93
1994-95	7891	1.14	8.96	237.4	6.34	234.0	3.96	1.58
1995-96	9221	1.79	16.50	260.8	13.30	286.8	4.13	0.66
1996-97	11337	2.09	23.70	205.8	19.19	227.3	3.51	1.66
1997-98	10439	1.84	19.22	193.3	15.68	241.6	5.01	0.20
1998-99	11583	1.91	22.11	178.0	16.39	204.0	5.29	0.63
1999-00	12168	2.03	24.76	186.7	17.78	206.0	5.29	2.31
2000-01	12079	1.75	22.19	218.2	16.26	247.5	5.20	2.02
2001-02f	12526	1.90	23.76	234.0				

Source: Australian Commodities Report 2001 (mt)= million tonnes (f) = forecast

2001-02f taken from Australian Commodities, vol. 9 no.1 March quarter 2002.