

# AgChoice

## Grain Sales

# INVESTMENT BRIEFING

COMMERCIAL-IN-CONFIDENCE

August 2011

*Australia's only end-to-end online agricultural  
commodities acquisition and trading **technology** platform*

# Australia

World renowned for the quality and range of its agriculture and a robust economy underpinned by strong connections to Asia

## AGCHOICE

- Australian agriculture's only end-to-end online commodities acquisition and trading exchange
- First focus: Domestic and International Wheat

# AGCHOICE *(cont)*

- Proprietary technology platform with excellent potential for global application
- Fully scalable with expansion into other agricultural commodities underway

# A brief history

- 2008: Proposed to AWB as an approach to ameliorate their loss of market share and market position after Iraq/Hussein controversy
- Poor timing: Midst of wheat industry deregulation, increased competition and the Global Financial Crisis followed by acquisition/merger and loss of AWB retail identity
- AgChoice continued to be developed with feedback from farmers, industry and Australia's agricultural leadership
- AgChoice responds to industry wide market failures
- Technology is scalable to other commodities

# Industry dynamics

- 2008: Australia's bulk wheat export market was deregulated and opened to competition
- Government's primary deregulation objective: Greater competition generated by the greatest number of buyers
- Many growers (particularly Western Australia based) expected improved marketing opportunities - others not so sure
- Growers suffer from market fatigue and are frustrated at the current process

# Industry dynamics *(cont)*

- Buyers categorised by the nature of their transaction i.e. originators or traders
- Grain origination (often called accumulation or acquisition) is predominantly grower to buyer (seller to bidder) and is conducted upcountry
- Once 'in the bulk handling system' grain can then be traded once, twice even three times
- Before deregulation, upcountry transactions were predominantly the province of AWB (international)

# Grain growers

## *...why AGCHOICE*

- Grain growers – particularly wheat – want a simplified non-aligned, totally independent marketing tool
- For many farmers, ‘simplified’ can often mean taking the ‘easiest’ price
- Dealing with scores of domestic and international buyers is time consuming and energy sapping; it creates grower ‘fatigue’
- Growers currently unsure they sold at the best price at that moment in time



# Grain growers

## *...why AGCHOICE (cont)*

- Growers need access to the greatest number of buyers to ensure they receive the highest possible price – but they want to remain anonymous
- Growers are crying out for empowerment
- Growers want to see tangible benefits from bulk wheat export deregulation – at the moment there are few, if any
- Growers don't want to be hassled by buyers – but their anonymity means their grain is invisible in the market



# ...with AGCHOICE

## *Growers get:*

- ✓ Their grain type and quantity are presented to the market but their identity remains anonymous
- ✓ The intended benefits of deregulation i.e. exposes growers to a greater number of competing traders (buyers/bidders)
- ✓ The industry's only end-to-end (total supply chain) platform and in this context will be regarded as the “category killer”
- ✓ To select the time of day and price level they want to sell at

# ...with AGCHOICE

## *Growers get: (cont)*

- ✓ To deal directly with 'all' buyers at once
- ✓ Only the highest *post competitive bid* is presented to growers
- ✓ To remain independent of brokers, grain companies, consultants
- ✓ To become genuine price negotiators - their days as price takers are drawing to a close
- ✓ A choice of which media their transactions are delivered by including iPhone application = flexibility
- ✓ Simple and effective one touch acceptance, contract execution and title transfer technology

# Grain buyers

*...why AGCHOICE*

**Because they want:**

- An end-to-end simplified acquisition tool
- An indication of industry inventory and market depth
- An efficient process to offer prices to different growers at any time of the buying day/cycle
- Price anonymity when it suits
- A grain accumulation tool to complete orders on time and within overall budget
- To expand their grower supplier base economically
- To accelerate upcountry access if they are a new exporter
- To automate much of what is currently achieved manually

# ...with AGCHOICE

## *Buyers get:*

- ✓ Minimised phone/fax and individual SMS in favour of automation enabling mass grain accumulation to complete orders on time/on overall budget
- ✓ Access to all growers\*
- ✓ Dramatic reduction in overheads
- ✓ Accelerated upcountry access if they are a new exporter
- ✓ Automation of almost all that is currently achieved manually

# Grain traders

*...why AGCHOICE*

**Because they want:**

- An end-to-end simplified acquisition tool
- An insight and accurate picture of industry inventory and market depth
- To automate much of what they are currently doing manually
- Price anonymity when it suits
- A grain trading tool to complete orders on time/on overall budget
- To expand their trading scope economically
- The option to access grain further 'upcountry'

# ...with AGCHOICE

*Traders get:*

- ✓ An end-to-end simplified acquisition tool
- ✓ Industry's inventory and an indication of market depth
- ✓ Automation of what they are currently doing manually
- ✓ Price anonymity
- ✓ Trade processing to complete orders on time/on overall budget
- ✓ An opportunity to expand their trading operations and their business model by trading 'upcountry' if they so desire

# AGCHOICE


*...provides these wider industry benefits*

- ✓ A tool to capture inventory and market depth
- ✓ Enables originators access to grain and upcountry transactions
- ✓ All players maintain price anonymity
- ✓ Automation and technology for newcomers
- ✓ Extended market reach and accelerated market penetration for newcomers
- ✓ Access to 21<sup>st</sup> Century transaction channels for established grain originators



# Future commodities








*...other opportunities*



**AgChoice**

Welcome to **AgChoice**

Here your commodity is offered for sale to buyers from around the corner or around the world. You choose when you will sell and at what price.

 Dairy	 Meat
 Feed	 Water
 Grain	 Wool
 Livestock	

[Home](#) | [About AgChoice](#) | [News](#) | [Contacts](#) | [Market Links](#) | [Industry Links](#) | [Weather](#)

# Other commodities

*...why AGCHOICE*

## Beef:

- Traditional auctions online already attract 27,000 individual transactions per month with 8 million hits
- Multi million dollar wastage through transport and loss of condition
- Producers who take cattle to traditional market sale yards are essentially compelled to take auction price on the day
- Even producers who sell cattle by online auction are compelled to take the auction price on that day

# Other commodities

*...why AGCHOICE (cont)*

## Beef:

- Producers have little access to real-time market pricing
- Traditional buying overheads are unsustainable
- Livestock identification technology now advanced
- Move by industry towards sale by description/standard reduces need to touch and feel the animal

# Other commodities

## *...why AGCHOICE (cont)*

### **Beef:**

- “AgChoice-traded” cattle bypass traditional physical market, reduce bruising and loss of condition associated with transport and holding
- Producers not subject to vagaries of local sale yards
- Traditional sale yard buyers forced to compete with wider number of players
- Producers enjoy the highest market price on offer
- Reduces the overheads associated with traditional sale yard buying practices
- AgChoice supports the business case for livestock identification technology and sale by description/standard

# Income streams

- Growers expect to pay industry acceptable \$1.50 or more for grain marketing services
- AgChoice: 50 cents per tonne trader-to-trader payable by the buyer; and
- \$1.50 per tonne for grower to buyer (also payable by the buyer)
- Reduced rates for grain consultants
- Total of 3 million tonnes at approximately 20 cents per tonne traded on the port capacity platform
- Beef growers can expect to pay \$5 per head (9 million head annually)
- Sheep 35 cents (30 million head annually)
- Lamb 35 cents (20 million head annually)

# Existing online facilities

- AgChoice would be the ONLY technology platform that facilitates the transaction of grains *at all points along the supply chain from grower to buyer to trader to exporter*
- AgChoice is the ONLY platform that automates and executes many transactions that are currently manual and labour intensive including:
  - ✓ Offering parcels of grain for sale
  - ✓ Accepting bid and selling grain parcels
  - ✓ Generating broker notes, transferring titles and parcels
- AgChoice is the only media with a devoted online streaming market reporting channel



# Perceived competitors

- Are either automated brokerage or grain advertising sites
- **Developed without** effective industry bench testing or engagement
- **Are not** necessarily independent
- **Are not** used by high-volume Western Australian growers
- **Do not** automatically execute sales
- **Do not** execute buyer transactions
- **Do not** cater for trader-to-trader sales
- **Do not** cater for portside capacity trading
- **Do not** cater for other commodities
- **Are not** technology rich or application adaptable



# AGCHOICE...

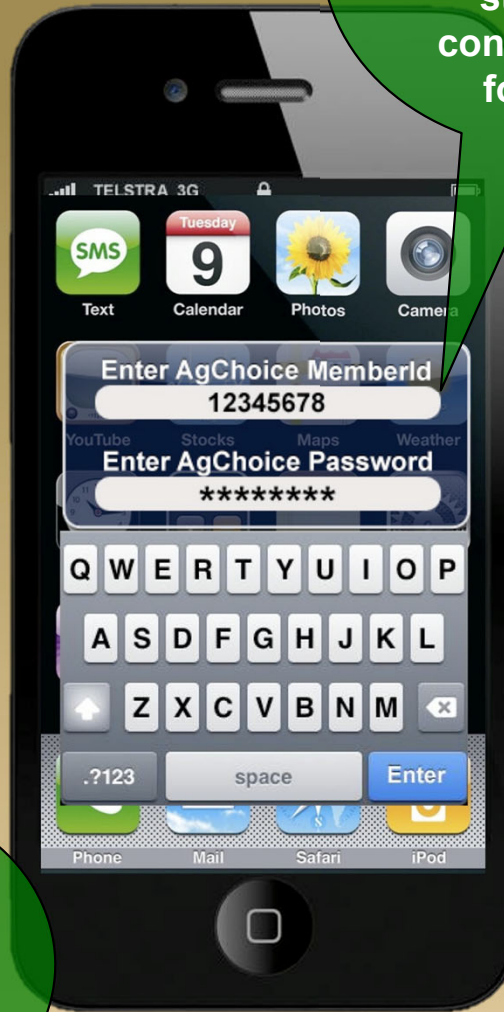
- ✓ Is not a brokerage or grain advertising site
- ✓ Is 100 percent independent
- ✓ Automatically executes sales
- ✓ Is purpose-built technology for buyer & seller operational efficiencies and industry wide productivity gains
- ✓ Is purpose built for trader-to-trader sales, transactions and execution
- ✓ Will be expanded to service other commodities
- ✓ Has been designed in concert with commercial entities who already trade with high-volume growers

# The application

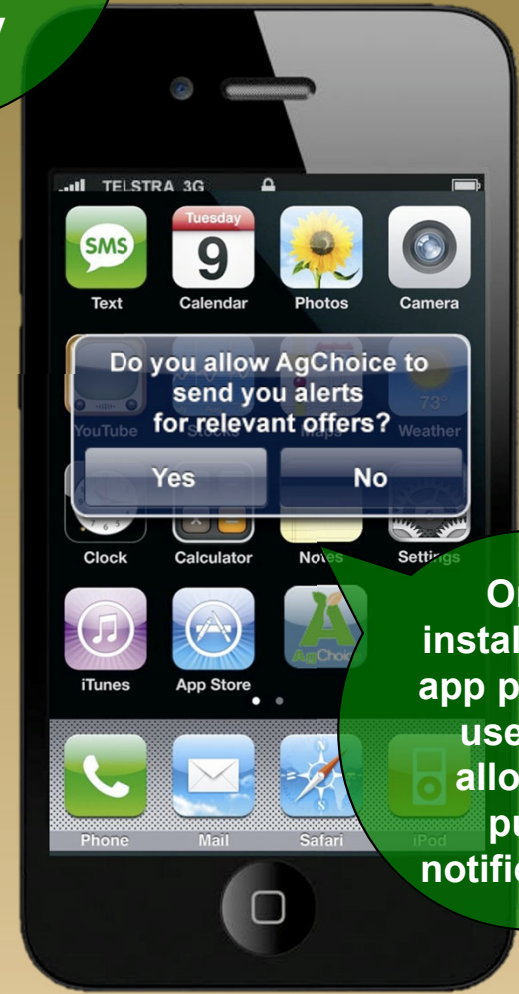
*...as simple as 1 2 3*



Users add the AgChoice app to their iPhone or other smart phone



Users enter their AgChoice ID once and the application stores it conveniently for later



Once installed the app prompts users to allow for push notifications

**AgChoice**

# The application

*...as simple as 1 2 3 (cont)*





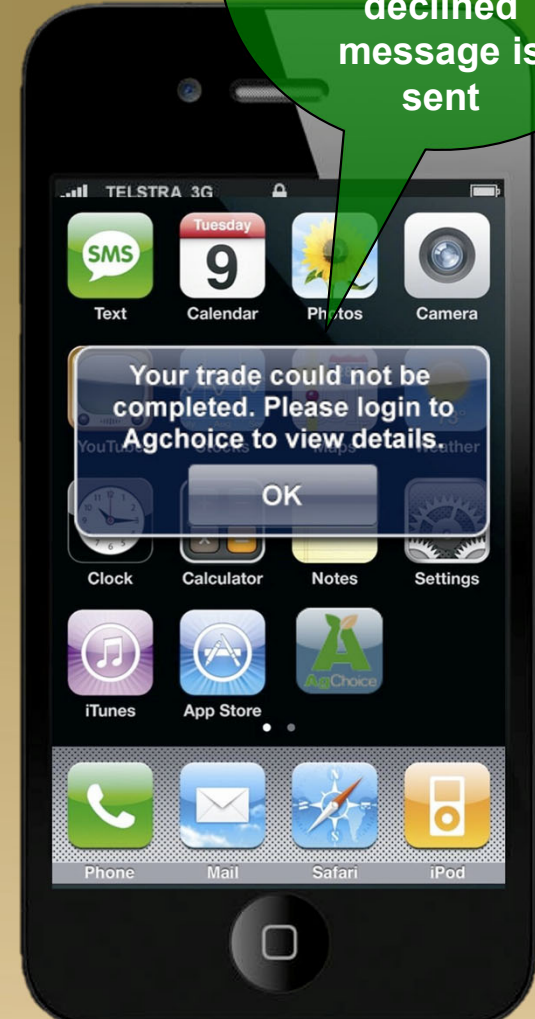
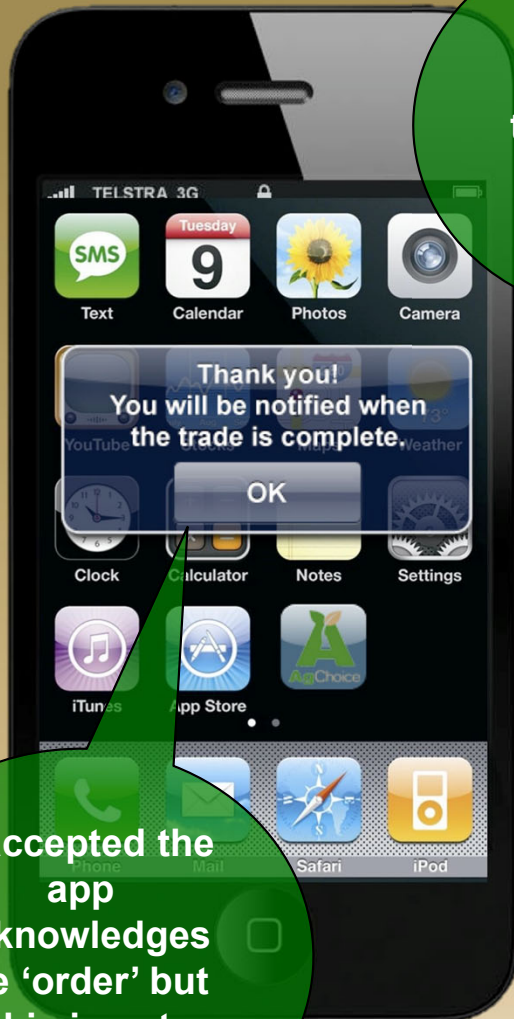
# The application

*...as simple as 1 2 3 (cont)*

Once the platform confirms the transaction a completed message is sent

If accepted the app acknowledges the 'order' but this is not confirmation

If the platform is unable to process the trade a declined message is sent



# Further possible enhancements: Live streaming news



# An information-rich environment

- With its live streaming channel and real-time market monitoring and analysis, AgChoice will become the dominant market news and analysis centre for Australian agriculture at first
- The platform and IP are able to be licensed and linked worldwide



# Sample page

**AgChoice**  
Grain



My account details

You are logged in as: flourpower2 | [Logout](#)

**STEP 1 continued**

By using the **AgChoice** – Grain marketing facility you undertake to describe your grain accurately and in accordance with industry standards.

The use of **AgChoice** – Grain in no way exonerates you from the obligations and undertakings of the contracts into which you enter through this site.

**Your grower number interface data**

Grower ID	<input type="text" value="123456"/>
Site	<input type="text" value="Westmere"/>
Grade	<input type="text" value="APH2"/>
Quantity (tonne)	<input type="text" value="428"/>

...and how you would like to sell it.




Contract type (pool, cash etc)	<input type="text" value="Pool"/>	How each works
Finance (harvest, flexi)	<input type="text" value="Flexi"/>	How each works
Transport required	<input type="text" value="Yes"/>	
Storage required	<input type="text" value="No"/>	

Next





# Sample page (cont)



My account details

You are logged in as: flourpower2 | [Logout](#)

### STEP 2

The offer on this page provides you with the best estimate of your net price per tonne. Remember, where the offer involves an Estimated Pool Return you must decide on whether your buyer has the capacity, experience and potential to outperform their competitors. [Click here](#) for a list of buyers and their performance claims and to [Exclude any buyers](#) with whom you do not wish to deal.

Your grain will remain online and for sale until you are happy with the price you're offered.

#### Highest offer

Location	Westmere, Vic
Product type	Wheat
Paygrade	APH2
Quantity (tonne)	428
Contract type (pool, cash etc)	Pool
Finance (harvest, flexi)	Flexi
Transport required	Yes
Storage required	No
Cash price	N/A
Estimated pool return per tonne	\$245
Deliver to	<input type="text" value="GrainCorp Westmere"/>
Estimated Net Price per tonne	\$231
Offer receipt number	23665777

Estimated net price per tonne is EPR - costs in red

Details of offer

Other offers

View contract

Accept offer

Reject offer

# Funding to date

Major shareholders have solely funded operations over past three years.

Specific expenditure totalling \$680,000 comprises:

- Graphics
- Platform development
- Salaries and on costs
- Administration
- Industry liaison
- Travel and accommodation
- Marketing services
- Legal and accounting

# Previous networks

Memoranda of Understanding have been prepared with:

- Agency agreements in Western Australia
- Growers networks in Victoria
- One major port handling facility

# Investor value

- The anticipated value of AgChoice was expected to rise from \$1.5 to between \$6 million\* and \$8 million\* on the completion of development and beta testing
- The value was expected to even further increase when it is presented to media entities with traditional and decade-long interests in rural and regional Australia
- Media entities are seeking income to replace traditional print advertising revenues lost to online marketing sites

\* Estimate based on advice, industry liaison, second stage interest, additional revenue streams and investments in associated businesses

# AGCHOICE – Another category killer

Sector	Sellers	Market mix	Previous marketing	New category killer
Motor vehicles	Private motorists Used car dealers New car dealers	Business to consumer Consumer to consumer Consumer to business Business to business	Classified print advertising mags Television	 Australia's No. 1 because it works!
Real estate	Predominantly private sellers through agents	Consumer to consumer Developer to consumer Developer to investor	Classified print advertising previously referred to as "Rivers of Gold"	 the biggest address in property
Consumer auctions	Consumers and wholesalers	Consumer to consumer Low overhead wholesalers to consumers International low unit price exporters to consumers	Print advertising Direct mail	
Employment	Employers and recruiters	Business to consumer	Classified and display print advertising	
Consumer travel	Airlines, hire car companies	Business to consumer	Classified and display print advertising Television Radio	
Accommodation	Two to five star accommodations	Business to business Business to consumer	Yellow pages Print advertising	
Agriculture	Growers of beef and sheep, wheat, wool, grain etc.	Grower to grower Grower to processor Trader to trader	Specialist rural weeklies Regional Press	

# Director of Business Development

## Justen Schofield



- Lifelong affinity with the land and agriculture
- Fourth generation farming background in North Western NSW
- More than 20 years grains industry experience with national and international food processing and trading companies
- Senior Merchant experienced in physical grain acquisitions, as well as risk management strategies and account management
- Broad experience in grain production, logistics and trading on both domestic & international markets