

## 2016-17 Final Strategic Pool Valuations

Strategic Wheat & Barley | (12 months)



The 2016-17 Strategic Pool has now been finalised, and we are very pleased to announce these results. Market Check remains the most consistently performing independently managed pool in the market, and we thank you for trusting us to manage your grain marketing over the past 12 months.

What a year it's been! Over the duration of this year's pool, the market has thrown up a number of unique situations including a record domestic crop, a record export program, a dry new crop growing season and a short-lived spike in US futures on the heels of a spring wheat drought. Domestic wheat prices started the year at multi-year lows as our huge production weighed on the market, before finding significant offshore demand led by the re-emergence of India as a major importer of wheat. Domestic prices strengthened on this increased demand, before finding further strength as the 2017 winter crop got off to a poor start. As the year progressed, domestic price spreads widened out (i.e. northern markets built in a premium over the south) in order to attract enough grain into up-country consumptive markets, meanwhile southern zones needed to remain somewhat competitive on the export market which remained relatively low. As a result, the most pronounced (and sustained) basis appreciation took place in Brisbane/Newcastle/Port Kembla zones.

This season was another textbook example of how implementing a disciplined post-harvest hedging program consistently puts us in the upper echelon of the season's prices. The strategy has performed well in what was almost the polar opposite of the previous year's market, where it also outperformed most alternative strategies. Implementing the strategy consistently year after year protects against falling prices, allows us to participate in domestic strength post-harvest and takes the volatility out of your farm returns. While the pool returns in some zones don't reflect the full extent of the post-harvest rally, the strategy allowed us to pick up a good chunk of it without taking on excessive risk. Without a dry season, prices would not have rallied the way they did and carry costs would have eroded returns. The entire crop would have needed to remain unsold beyond June to outperform a hedging strategy, as prices were generally weaker to flat over the first 6 months of the season, especially once the cost of carry is taken into account. Carrying large quantities unhedged post-harvest leads to massive volatility year-on-year (e.g. last year would have been a disastrous result), while a consistent hedging program which takes advantage of strong futures carry removes much of this volatility while providing strong returns in a wide range of market environments.

### 12 Month Program | Pool Valuations as of 31<sup>st</sup> October

	APH2	H2	APW1	AUH2	ASW1	AGP1	FED1	HIND1	F1	F2
Mackay	272	248	242	242	236	232	227			
Gladstone	271	249	241	242	236	232	227			
Brisbane	314	269	264	264	263	262	257		245	
Newcastle	311	263	252	257	244	241	236		221	211
Port Kembla	305	269	246	255	232	225	216	201	199	189
Melbourne		245	228	230	215	206	197	192	189	179
Geelong		245	228	230	215	206	197	192	189	179
Portland		233	221	220	208	199	190	187	184	174
Port Adelaide		234	225	223	211	205	194	183	180	175
Walleroo		225	216	214	204	197	186	176	173	168
Port Giles		231	223	221	212	207	196	183	180	175
Port Lincoln		224	214	212	203	197	186	177	174	169
Thevenard		221	212	210	201	195	184	165	162	157

**Please note** - Returns are net of all costs including administration, management and storage and are a weighted average return across all pool participants. Individual returns are scaled according to time of entry and site premium/discount and will range either side of these values (click link below for more information). These valuations are a mark-to-market of the pool position from month to month, and do not factor in any subjective judgments on future changes in value.

### 12 Month Payment schedules | Payments are scheduled for the 20<sup>th</sup> day each payment month

	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
Distribution				20%		20%		20%		20%		20%
Deferred								60%		20%		20%
Advance 60%	60%									20%		20%

## 2016-17 Strategic Pool October Valuations

(Strategic Pool | 12 months)

— Net Pool Valuation 
 ■ Weighted ave. harvest price 
 — Cash Price (Net of carry costs)

