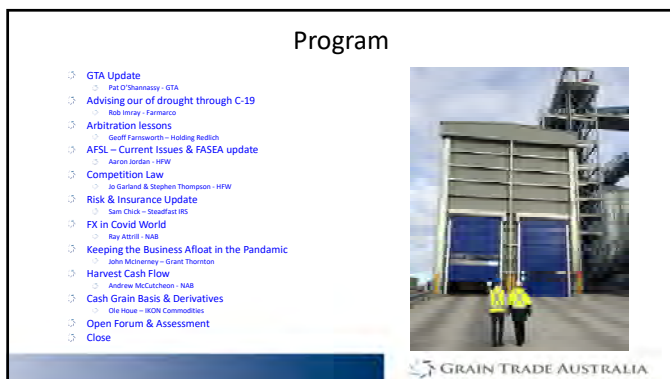




1



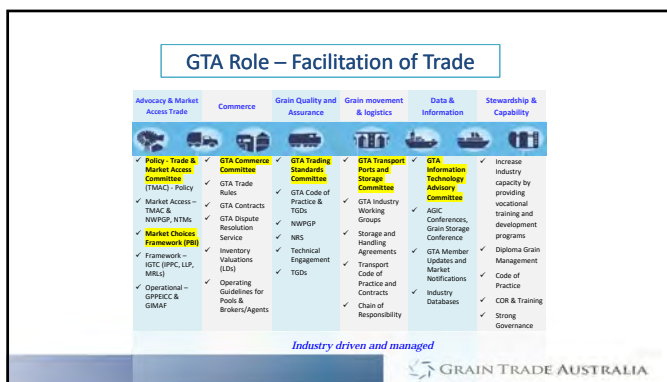
2



3



4



5



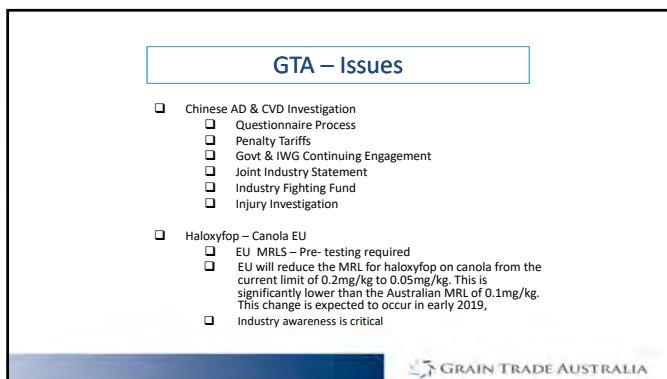
6



7



8



9

GTA – Projects for Discussion

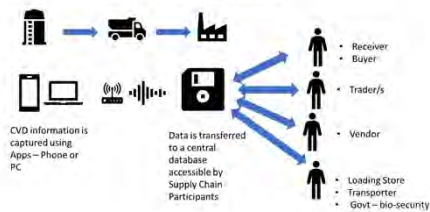
- ☐ Truck Wash Pilot Project
 - ☐ Biosecurity management
- ☐ Technical S/C review EyeFoss
 - ☐ National Calibration Sample
- ☐ Vacuum Probes
- ☐ E-CVD
 - ☐ Industry database with commercial interfaces

GRAIN TRADE AUSTRALIA

10

E-CVD – Supporting Quality Assurance

Overview of the e-CVD Process



GRAIN TRADE AUSTRALIA

11

Technical Committees – key strength of GTA

- Draw on industry knowledge & experience
- Develop policy & products
- Involve & engage members
- Advise Board on technical matters & industry perspective
- Oversight by Technical Charter & guidelines with oversight by Board
- Includes & Needs Production sector Representation



GRAIN TRADE AUSTRALIA

12

GTA – Member Updates

- ☐ Member Updates
 - ☐ Standards Consult Paper
 - ☐ Grain Industry Safety Guidelines
 - ☐ Trade Rules – 13.1 Conveyance and Delivery

GRAIN TRADE AUSTRALIA

13

Modernising the grain supply chain – from Drought, through Covid-19 to 2030

An Innovative Growth & Investment Strategy for the Grain Supply Chain



14

Grains Supply Chain & GTA Committees



GRAIN TRADE AUSTRALIA

15

Introduction

"complexity makes optimising asset utilisation and efficiency challenging particularly at a strategic industry level"



GRAIN TRADE AUSTRALIA

16

The need for Supply Chain Investment

Investment in industry is critical to remain competitive into the future and to capture the benefits and deliver economic growth



GRAIN TRADE AUSTRALIA

17

The need for Supply Chain Investment



30-35% of a grower's total cost are supply chain costs

Grain producers more than ever can extract and capture value from the post farm gate supply chain

Industry cannot make the required investments or drive system wide operational efficiencies on its own

Investment in industry is critical to remain competitive into the future and to capture the benefits and deliver economic growth

This is due to several reasons including:

- The overall size and quantum of investment required.
- The risk around developing new technology.
- The limited base of beneficiaries across the value chain.
- Limited "first mover advantage" for developing new technology.
- Limited time available for developing a capital structure leading to pre-competitive activities.

Figure 1 Supply Chain Comparison - base case

Category	Base Case	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7	Scenario 8	Scenario 9	Scenario 10
Production	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Harvesting	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Storage	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Transport	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Processing	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Marketing	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Total	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00



GRAIN TRADE AUSTRALIA

18

Technical Committees...

Standards	Commerce
<ul style="list-style-type: none"> Committee – cross section (Growers) Criteria <ul style="list-style-type: none"> Regulatory Production Supply Chain End-use Release 1st August 2020 for 2020/21 VRSG Updated again Weed Seed Apps GGL Wheat Qly Rpt Sampling TGD (DA endorsement) Vacuum Probe Project Eye Foss (objective assessment) Annual Review & Submissions <ul style="list-style-type: none"> Member Update PM Contaminants 	<ul style="list-style-type: none"> Contracts & CVD Trade Rules <ul style="list-style-type: none"> No Major Revisions LD Process <ul style="list-style-type: none"> EC for Aug/Sep, SA & WA TBA Review EC LD's Revised Growers Guide to Grain Contracts Facilitation of Trade Arbitration Process <ul style="list-style-type: none"> Links Contract performance with market confidence Arbitrator Criteria Contractual confidence => value Commercial Arbitration Act Lessons learned Guidelines and Rules Revised

GRAIN TRADE AUSTRALIA

22

...Technical Committees

Trade Market Access	Transport Ports Storage
<ul style="list-style-type: none"> TMA Strategy Working with Government Trade policy <ul style="list-style-type: none"> Global (IGTC) Local China AD/CVD Work – next steps Export legislation Market Access Issues – MRL, Haloxypol IA-CEPA "Live" NTMs Rpt Updated IGTC – ISPM, Plant Breeding Tech, e-phytos MRL Strat, CRA – Indo, Vietnam PBI & Market Choices Framework AGIC Asia Multi-lateral – APEC, ASEAN work Container Guidelines GGL Wheat Qly Rpt 	<ul style="list-style-type: none"> COR & NNNR Code of Practice (Code Assessment) Transport Code Review TGDs Contamination in supply chain (truck wash) Safety Guidelines
ITAC	
<ul style="list-style-type: none"> Site Codes Varietal Codes E-Phyto IT Standard Formats Block chains? E-CVD Global ABCD Trade Execution Project 	

GRAIN TRADE AUSTRALIA

23

Non-Tariff Measures in Agriculture & Food

- NTMs = Non-Tariff Trade Measure
- Often imposed by government agencies to protect consumers, the environment and producers by ensuring biosecurity, integrity and food safety standards.
- In most cases, such measures are legitimate. However, where NTMs act as barriers to trade they can restrict the trade of goods and add costs to producers, exporters and consumers.

Grain NTMs by UNCTAD and grains industry classification

GRAIN TRADE AUSTRALIA

24

Global Framework via IGTC

Active IGTC Teams	Key objective
International Standard on Phytosanitary Measures (ISPM) on the International Movement of Grain	Develop policy regarding the drafting process of the Grain Standard. Issues around FM. Aust Govt leading
Global Low Level Presence (LLP) initiative	Address all matters related to LLP, including Global Low-Level Initiative (GLI), definitions
Cartagena Protocol on Biodiversity	Policy development for upcoming COP/MOP meetings
E-Documentation for grain trading	Assess potential introduction of e-Phytos on a global basis via a dedicated IT hub
New Plant Breeding Techniques (NPBTs)	Prepare IGTC policy to enhance science based approach to regulation of NPBTs
Maximum Residue Levels (MRLs)	New working group to develop strategy
Non-IGTC International Issues:	
APEC Standards Harmonisation	Australia leading (GMC advisor)

GRAIN TRADE AUSTRALIA

25

GTA – Conferences

- AGIC Asia
 - a) Indonesia & China
 - b) 2020 – Vietnam & China (?)
- IGTC & IGC – China, UK
- Australian Conferences 2019
 - a) COR Awareness session
 - b) April – Australian Grains Industry Logistics Conference – Melbore
 - c) June – Australian Grain St and Protection Conference
 - d) June – Chemical Compliance June 3
 - e) 31 July – 1 August AGIC Australia

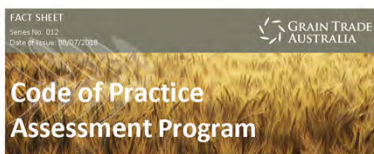
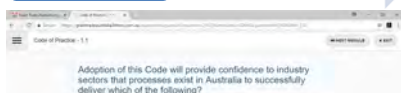


GRAIN TRADE AUSTRALIA

26

Code Assessment Program

The answer is...?




GRAIN TRADE AUSTRALIA

27

Code Assessment Program → **Industry Pathway Programs**

1. Grain Industry Code of Practice
2. Transport Code of Practice
3. Grain Handling
4. Grain Assessment
5. Grain Industry Operating Standards & Issue Management



Australian Grain Industry Code of Practice (AGCP)
Learning Path

GRAIN TRADE AUSTRALIA

28

The Code →



MANAGEMENT OF GRAIN WITHIN THE AUSTRALIAN GRAIN SUPPLY CHAIN
Australian Grain Industry - Code of Practice



Code of Practice for the Grain Industry

GRAIN TRADE AUSTRALIA

29

Training & Development

Training offered:

- ❑ GTA Grain Standards
- ❑ Understanding Grain Markets
- ❑ Grain Merchandising
- ❑ GTA Trade Rules and Contracts
- ❑ Grain Accounting
- ❑ GTA Dispute Resolution service
- ❑ GTA Code Assessment Program

Professional Development Programs

- ❑ Advisory and compliance workshop
- ❑ Export Contracts, Docs & Chartering
- ❑ Chain of Responsibility Workshop
- ❑ **A BETTER SKILLED INDUSTRY TO FACILITATE TRADE**



GTA TRAINING AND DEVELOPMENT PROGRAM



Code of Practice Assessment Program

GRAIN TRADE AUSTRALIA

30

GTA – Training & Development

- ❑ Chain of Responsibility Practical Training
 - ❑ Design stage – rollout July/Aug 2019
 - ❑ Outcomes
 - ❑ Risks review and management
 - ❑ Policy – Procedures
 - ❑ Ongoing records / audits

GRAIN TRADE AUSTRALIA

31

Thank you!!!



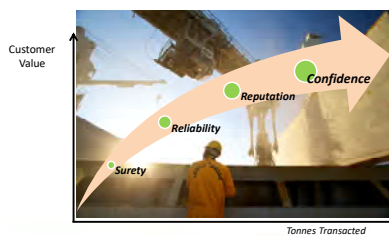
GRAIN TRADE AUSTRALIA

E: pat.oshannassy@graintrade.org.au
W: www.graintrade.org.au

GRAIN TRADE AUSTRALIA

32

QUESTIONS?



GRAIN TRADE AUSTRALIA

33

Our advising ecosystem

- Biotic factors – pathogens, disease etc
 - Plague, Flu, SARS, MERS, Swine Flu (H1N1), COVID
 - Swine Fever, Mad Cow, Avian Flu



UN FAO (2013) - 70% of new diseases that have emerged in Humans in the past few decades are of animal origin

Tend to impact on the demand side of the equation (can create supply disruption), but can be crop disease.

Relatively common (usually localised)

See an increase in short term volatility

Wider financial market impact

Samantha Chick- COVID impact on Insurance

FARMARCO

37

Our advising ecosystem

- Geopolitical factors – trade deals, politics, foreign policy

- The Asian Century – more than one bargained on?
 - 19th British
 - 20th United States
 - 21st dominance of Asian (China) politics??? India???
- Authoritarian v Democracy
 - Not the cold war of old
 - This time a globally economically engaged country
- Mercantilism
- More Government Intervention in markets
 - Populism/Domestic Support/Inflation
- Trade as a Weapon
- Australia is a trading nation
 - Grains/cotton
- Currency Wars?

"I don't think about it now... The relationship with China is severely damaged" – President Trump on "Phase Two" Jul 2020

- Two largest market moving factors
- Weather
 - Politics



"a really incredible breakthrough....a transformative deal" – President Trump on "Phase One" Jan 2020

FARMARCO

38

Volatility and Velocity

Volatility – opportunistic but choppy markets



Ample examples prior and since – this is not the new normal

FARMARCO

Velocity > sharp sustained moves can lead to large MTM losses.

- Volatility becomes a problem of liquidity
- Breakdown in correlation between cash and futures
- Raises Counterparty Risk
- In this case it led to
 - Winding down the biz
 - Reducing trading exposure
 - Mergers
 - Bankruptcy

39

Velocity in markets

- Someone is hurting – who is not always readily known
- What is my/client exposure to that market?
- Who are my/client counterparties?
- How good is the contract (performance risk)?
- What action can be taken? Minimum a type of risk assessment.

Geoff Farnsworth–
Arbitration Lessons



Monitoring Counterparties

- Trading in markets that are not core/familiar
- Trading in too many markets (result of lack of liquidity perhaps)
- Where the destination sale relies on markets where trade is a weapon/cultural ethics
- Early signs of financial stress – ? ethics, contract sanctity, lack of communication
- Credit issues can go viral (especially when liquidity dries up)

FARMARCO

40

Counterparties – will remain the key

- Multi-origin, multi-commodity business tend to be stronger
 - Larger Balance Sheets
 - Mix of risk
- ABCD – New larger players are Asian based
 - Different trading cultures (contract sanctity may be different)?
 - Underlying control maybe the state (or linkages to the state) – China/Russia
 - Regional subsidiaries (will the parent back them)?
- Continued Consolidation?
 - Will it lessen competition?
 - Margins do need to increase
 - At what point does the expansive phase begin?
- Regional markets - market power
 - China/Asia
 - Black Sea/Mediterranean
 - Brazil/Argentina

Jo Garland/Stephen
Thompson– Competition
Law

FARMARCO

41

Market Features looking toward 2030

- FX will remain a major driver of price and competitiveness
 - The US farmer struggling with their firm \$
 - Brazil/Argentina/Ukraine/Russia finding assistance
 - Australia – middle of the road?
- Demise of old hedging/spread relationships is on-going?
 - Increased risk?
- East Coast export increasingly a residual market
 - The opposite for SA and WA (regions perhaps more exposed to geopolitics)
- Who will finance the grain?
 - Will the farmer?
 - Will the trade have the balance sheet or appetite?
- Will margins increase between ex-farm and CFR?
- The shuffling of chairs – fluid trade matrix – driven by politics

Ray Attrill – FX in a Covid
world

Ole Houe – Cash Grain
basis

Andrew McCutcheon–
Harvest and Cashflow

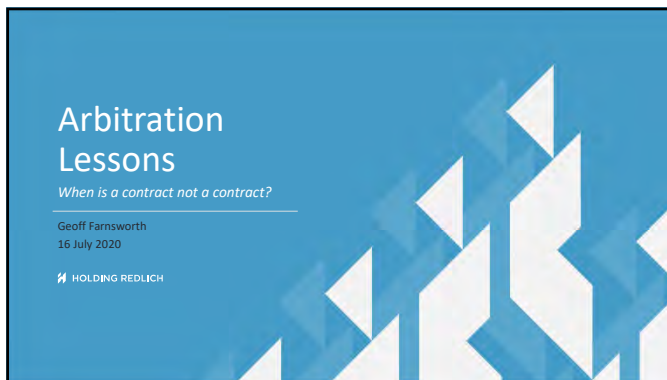
FARMARCO

42

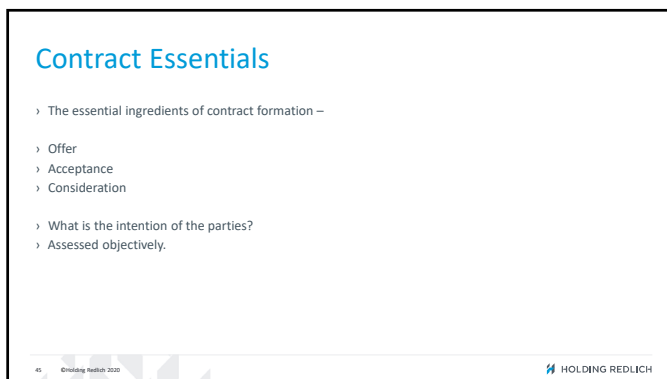


Thank you

43



44



45

Proof of Contracts

- › Role of a GTA Arbitration Tribunal to;
 - i. make objective findings of fact;
 - ii. based on the evidence (witness statements and documents);
 - iii. presented by the parties;
 - iv. on the balance of probabilities.
- › If it appears by the parties' words and conduct that they intended to enter into a contract, then the Tribunal may find that they did.
- › Silence/inaction will rarely amount to acceptance.

46 ©Holding Redlich 2020

HOLDING REDLICH

46

Typical Scenario I

- › An allegation of discussions/negotiations concerning a sale and purchase of grain. This can be face to face, via phone or text message, or any other means (**Negotiation Phase**).
 - › Following the Negotiation Phase, Party A may believe that a contract has been agreed (that is, that an Offer made by A has been accepted by B, and sends B a written contract document (**Contract Confirmation**). This document may be signed by A and on its face incorporate
 - the GTA Trade and Dispute Resolution Rules, and/or
 - A statement to the effect that the recipient should carefully review the document and advise any changes/inaccuracies, failing which they will be deemed to be bound by the contract.
- (**Confirmation Phase**)
- › B never signs the Contract Confirmation document, and subsequently denies when asked that a contract came into existence.

47 ©Holding Redlich 2020

HOLDING REDLICH

47

What was agreed?

- › Order of precedence
- 1. Essential terms
 - a) Parties
 - b) Goods (description and specification)
 - c) Price
 - d) Delivery
 - e) Payment
- 2. Express Terms
- 3. Other incorporated terms and condition (eg GTA Trade Rules)

48 ©Holding Redlich 2020

HOLDING REDLICH

48

Typical Scenario II

- › Negotiation (via broker)
- › Broker's Note Issued (incorporating GTA Trade Rules)
- › Each party issues a Contract Confirmation
- › What are the terms of the contract?

49 Building Fresh 2020

HOLDING REDLICH

49

Thank you

Disclaimer
The information in this publication is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, we do not guarantee that the information in this publication is accurate as the date it is received or that it will continue to be accurate in the future. We are not responsible for the information of any source to which a link is provided or reference is made and exclude all liability in connection with use of these sources.

HOLDING REDLICH

50

Contacts



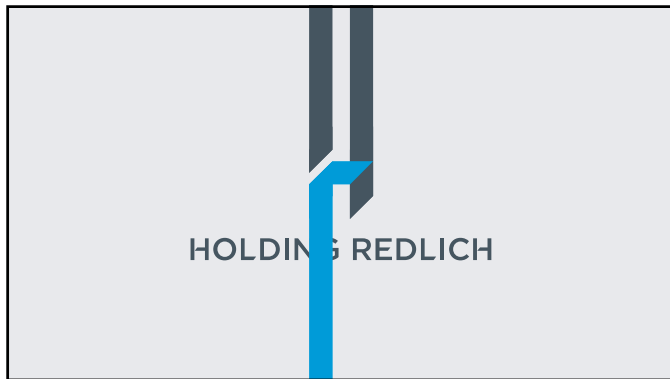
Geoff Farnsworth
Partner
T 02 8083 0416
E Geoff.Farnsworth@holdingredlich.com

Disclaimer
The information in this publication is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, we do not guarantee that the information in this publication is accurate as the date it is received or that it will continue to be accurate in the future. We are not responsible for the information of any source to which a link is provided or reference is made and exclude all liability in connection with use of these sources.

51

HOLDING REDLICH

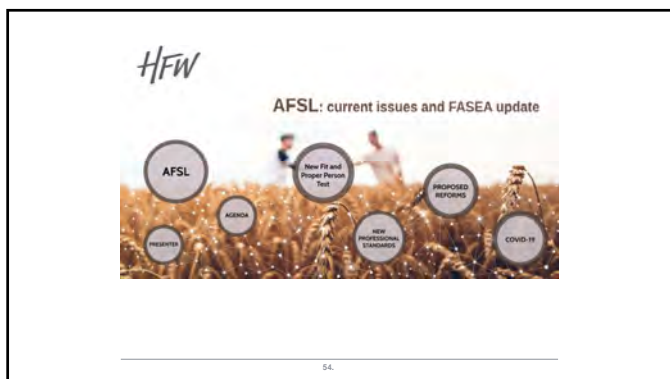
51




52



53



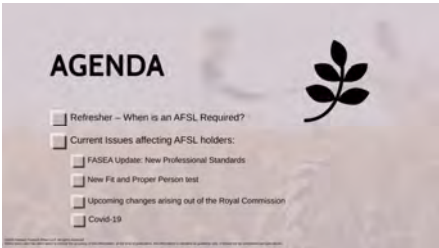
54



Aaron Jordan
Partner HFW

55.

55



AGENDA

- Refresher – When is an AFSL Required?
- Current Issues affecting AFSL holders:
 - FASEA Update: New Professional Standards
 - New Fit and Proper Person test
 - Upcoming changes arising out of the Royal Commission
 - Covid-19

NOTES:

56.

56



When is an AFSL required?

- Any person who carries on a financial services business in Australia is required to hold an AFSL, covering the provision of those services, unless an exemption applies.
- AFSLs are issued subject to legislative licence conditions which permit licence holders to:
 - provide designated types of financial services
 - provide designated types of financial products
 - provide designated types of services to designated classes of clients
- Significant penalties for operating a financial services business without an AFSL.

NOTES:

57.

57

[illegible]

61

New professional standards specify that financial advisers must:

- meet new minimum education requirements
- complete training (begin at equivalent level qualifications (preparation for existing advisers)
- complete eight levels of ethics training
- meeting adviser have until 1 January 2020
- new entrants must comply before they commence Professional fee
- meet the FASDA code
- meeting adviser's have until 1 January 2020
- new entrants must be halfway through Professional fee
- comply with Financial Planners and Advisers Code of Ethics - all to comply from 1 January 2020
- undertaking professional development - 40 hours per annum from 1 January 2019
- complete full time professional year (new entrants from 1 January 2020)
- failures to meet standards = loss of authorisation

NOTE:

62.

62

Takeaways for AFSL Holders

- ☐ In light of the new professional standards:
- ☐ AFSL holders must ensure new financial advisers meet the proposed standards
- ☐ AFSL holders should immediately take reasonable steps to ensure that the level of oversight complies with the new Code of Ethics. AFSL requires further action by:
 - ☐ Offer new advisers an area of the Code
 - ☐ Provide training and/or guidance to advisers
 - ☐ Give the new adviser 12 months to provide that on the interim and pending
 - ☐ Offer a second compliance with the Code
 - ☐ Ensure the Financial Advisers Program is updated as advisers achieve compliance

NOTES:

63.

63

As of 13 February 2020 new more stringent "fit and proper person test" replaced the historical "good name and character test" making it harder to apply for or vary an AFSL.



1. **What was the biggest challenge you faced in your career?**
The biggest challenge I faced was when I was first promoted to a senior position. I had to learn a lot of new things and take on a lot of responsibility. It was a steep learning curve, but I managed to overcome it by seeking out mentors and taking on additional projects.

2. **How do you stay motivated and inspired in your work?**
I stay motivated by setting goals for myself and tracking my progress. I also find inspiration in the work of others and in the challenges I face. I believe in continuous learning and growth, and I try to stay curious and open-minded.

3. **What is your favorite part of your job?**
My favorite part of my job is the opportunity to work with a talented team and to solve complex problems. I enjoy the collaborative nature of the work and the sense of accomplishment when we achieve our goals.

4. **How do you handle stress and pressure?**
I handle stress and pressure by staying organized and prioritizing my tasks. I take breaks when I need them and practice self-care. I also try to maintain a positive attitude and focus on the things I can control.

5. **What advice do you have for young professionals entering the field?**
My advice for young professionals is to be proactive and take initiative. Don't be afraid to ask questions and seek out opportunities for growth. Build a strong network and stay committed to your career.

6. **What is your long-term career goal?**
My long-term career goal is to continue to grow and develop in my field. I want to take on more challenging projects and to contribute to the success of my organization. I also hope to mentor and inspire the next generation of professionals.

7. **How do you see the future of your industry?**
I see the future of my industry as bright and full of opportunity. There are many challenges to be overcome, but there are also many exciting possibilities for innovation and growth. I believe in the power of technology and the potential of the human mind.

8. **What is your favorite quote or motto?**
My favorite quote is "The only way to do great work is to love what you do." I believe that passion and dedication are essential for success in any career.

9. **What is your favorite book or movie?**
My favorite book is "The Power of Now" by Eckhart Tolle. It has helped me to understand the importance of living in the present moment and to let go of my worries and fears. My favorite movie is "The Pursuit of Happyness" because it is a story of perseverance and the power of the human spirit.

10. **What is your favorite hobby or interest?**
My favorite hobby is reading. I love to explore new worlds and ideas through the written word. I also enjoy hiking and spending time in nature.

11. **What is your favorite food or drink?**
My favorite food is Italian cuisine, and my favorite drink is a good cup of coffee. I enjoy trying new recipes and exploring different flavors.

12. **What is your favorite travel destination?**
My favorite travel destination is Italy. I love the history, the art, and the food. I have visited many times and always find it to be a wonderful experience.

13. **What is your favorite season or time of year?**
My favorite season is autumn. I love the change in colors and the crisp air. I also enjoy the holidays and the time spent with family and friends.

14. **What is your favorite animal?**
My favorite animal is a dog. I love their loyalty and their ability to bring joy and companionship to our lives.

15. **What is your favorite color?**
My favorite color is blue. It is a calming and trustworthy color, and it is also my favorite color.

16. **What is your favorite flower?**
My favorite flower is a rose. It is a symbol of love and passion, and it has a beautiful fragrance.

17. **What is your favorite sport or game?**
My favorite sport is basketball. I love the fast-paced action and the teamwork involved in the game.

18. **What is your favorite TV show or movie?**
My favorite TV show is "The Mindy Project" because it is a fun and funny show that explores the life of a single woman in her 30s. My favorite movie is "The Shawshank Redemption" because it is a powerful story of hope and redemption.

19. **What is your favorite music or artist?**
My favorite music is jazz, and my favorite artist is Miles Davis. I love the improvisation and the creativity of jazz music.

20. **What is your favorite holiday or celebration?**
My favorite holiday is Christmas. I love the traditions, the decorations, and the time spent with family and friends.

21. **What is your favorite memory?**
My favorite memory is the first time I fell in love. It was a magical moment that changed my life forever.

22. **What is your favorite childhood memory?**
My favorite childhood memory is the first time I rode a bicycle. It was a scary but exciting experience that taught me the importance of perseverance.

23. **What is your favorite childhood toy or game?**
My favorite childhood toy was a doll, and my favorite game was hide-and-seek. I loved the imagination and the fun of these activities.

24. **What is your favorite childhood friend?**
My favorite childhood friend was a girl named Sarah. We were best friends for many years and shared many adventures together.

25. **What is your favorite childhood book or movie?**
My favorite childhood book was "The Wizard of Oz", and my favorite movie was "The Sound of Music". Both of them inspired my imagination and love for storytelling.

26. **What is your favorite childhood dream or aspiration?**
My favorite childhood dream was to become a ballerina. I loved to dance and to imagine myself as a professional performer.

27. **What is your favorite childhood pet or animal?**
My favorite childhood pet was a cat named Mittens. I loved to pet her and to play with her.

28. **What is your favorite childhood friend's name?**
My favorite childhood friend's name was Sarah. We were best friends for many years and shared many adventures together.

29. **What is your favorite childhood friend's hobby or interest?**
My favorite childhood friend's hobby was reading. She loved to explore new worlds and ideas through the written word.

30. **What is your favorite childhood friend's favorite food or drink?**
My favorite childhood friend's favorite food was pizza. She loved to eat it and to share it with her friends.

31. **What is your favorite childhood friend's favorite TV show or movie?**
My favorite childhood friend's favorite TV show was "The Simpsons". She loved to watch it and to discuss the episodes with her friends.

32. **What is your favorite childhood friend's favorite music or artist?**
My favorite childhood friend's favorite music was pop music. She loved to listen to it and to sing along to the songs.

33. **What is your favorite childhood friend's favorite holiday or celebration?**
My favorite childhood friend's favorite holiday was Halloween. She loved to dress up and to trick-or-treat with her friends.

34. **What is your favorite childhood friend's favorite memory?**
My favorite childhood friend's favorite memory was the first time they fell in love. It was a magical moment that changed their life forever.

35. **What is your favorite childhood friend's favorite childhood toy or game?**
My favorite childhood friend's favorite toy was a doll. She loved to play with it and to imagine it as a real person.

36. **What is your favorite childhood friend's favorite childhood book or movie?**
My favorite childhood friend's favorite book was "The Wizard of Oz". She loved to read it and to imagine the adventures of Dorothy and her friends.

37. **What is your favorite childhood friend's favorite childhood dream or aspiration?**
My favorite childhood friend's favorite dream was to become a ballerina. She loved to dance and to imagine herself as a professional performer.

38. **What is your favorite childhood friend's favorite childhood pet or animal?**
My favorite childhood friend's favorite pet was a cat. She loved to pet it and to play with it.

39. **What is your favorite childhood friend's favorite childhood friend's name?**
My favorite childhood friend's favorite friend's name was Sarah. They were best friends for many years and shared many adventures together.

40. **What is your favorite childhood friend's favorite childhood friend's hobby or interest?**
My favorite childhood friend's favorite friend's hobby was reading. They loved to explore new worlds and ideas through the written word.

41. **What is your favorite childhood friend's favorite childhood friend's favorite food or drink?**
My favorite childhood friend's favorite friend's favorite food was pizza. They loved to eat it and to share it with their friends.

42. **What is your favorite childhood friend's favorite childhood friend's favorite TV show or movie?**
My favorite childhood friend's favorite friend's favorite TV show was "The Simpsons". They loved to watch it and to discuss the episodes with their friends.

43. **What is your favorite childhood friend's favorite childhood friend's favorite music or artist?**
My favorite childhood friend's favorite friend's favorite music was pop music. They loved to listen to it and to sing along to the songs.

44. **What is your favorite childhood friend's favorite childhood friend's favorite holiday or celebration?**
My favorite childhood friend's favorite friend's favorite holiday was Halloween. They loved to dress up and to trick-or-treat with their friends.

45. **What is your favorite childhood friend's favorite childhood friend's favorite memory?**
My favorite childhood friend's favorite friend's favorite memory was the first time they fell in love. It was a magical moment that changed their life forever.

46. **What is your favorite childhood friend's favorite childhood friend's favorite childhood toy or game?**
My favorite childhood friend's favorite friend's favorite toy was a doll. They loved to play with it and to imagine it as a real person.

47. **What is your favorite childhood friend's favorite childhood friend's favorite childhood book or movie?**
My favorite childhood friend's favorite friend's favorite book was "The Wizard of Oz". They loved to read it and to imagine the adventures of Dorothy and her friends.

48. **What is your favorite childhood friend's favorite childhood friend's favorite childhood dream or aspiration?**
My favorite childhood friend's favorite friend's favorite dream was to become a ballerina. They loved to dance and to imagine themselves as professional performers.

49. **What is your favorite childhood friend's favorite childhood friend's favorite childhood pet or animal?**
My favorite childhood friend's favorite friend's favorite pet was a cat. They loved to pet it and to play with it.

50. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's name?**
My favorite childhood friend's favorite friend's favorite friend's name was Sarah. They were best friends for many years and shared many adventures together.

51. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's hobby or interest?**
My favorite childhood friend's favorite friend's favorite friend's hobby was reading. They loved to explore new worlds and ideas through the written word.

52. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite food or drink?**
My favorite childhood friend's favorite friend's favorite friend's favorite food was pizza. They loved to eat it and to share it with their friends.

53. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite TV show or movie?**
My favorite childhood friend's favorite friend's favorite friend's favorite TV show was "The Simpsons". They loved to watch it and to discuss the episodes with their friends.

54. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite music or artist?**
My favorite childhood friend's favorite friend's favorite friend's favorite music was pop music. They loved to listen to it and to sing along to the songs.

55. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite holiday or celebration?**
My favorite childhood friend's favorite friend's favorite friend's favorite holiday was Halloween. They loved to dress up and to trick-or-treat with their friends.

56. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite memory?**
My favorite childhood friend's favorite friend's favorite friend's favorite memory was the first time they fell in love. It was a magical moment that changed their life forever.

57. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood toy or game?**
My favorite childhood friend's favorite friend's favorite friend's favorite toy was a doll. They loved to play with it and to imagine it as a real person.

58. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood book or movie?**
My favorite childhood friend's favorite friend's favorite friend's favorite book was "The Wizard of Oz". They loved to read it and to imagine the adventures of Dorothy and her friends.

59. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood dream or aspiration?**
My favorite childhood friend's favorite friend's favorite friend's favorite dream was to become a ballerina. They loved to dance and to imagine themselves as professional performers.

60. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood pet or animal?**
My favorite childhood friend's favorite friend's favorite friend's favorite pet was a cat. They loved to pet it and to play with it.

61. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood friend's name?**
My favorite childhood friend's favorite friend's favorite friend's favorite friend's name was Sarah. They were best friends for many years and shared many adventures together.

62. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood friend's hobby or interest?**
My favorite childhood friend's favorite friend's favorite friend's favorite friend's hobby was reading. They loved to explore new worlds and ideas through the written word.

63. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite food or drink?**
My favorite childhood friend's favorite friend's favorite friend's favorite friend's favorite food was pizza. They loved to eat it and to share it with their friends.

64. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite TV show or movie?**
My favorite childhood friend's favorite friend's favorite friend's favorite friend's favorite TV show was "The Simpsons". They loved to watch it and to discuss the episodes with their friends.

65. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite music or artist?**
My favorite childhood friend's favorite friend's favorite friend's favorite friend's favorite music was pop music. They loved to listen to it and to sing along to the songs.

66. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite holiday or celebration?**
My favorite childhood friend's favorite friend's favorite friend's favorite friend's favorite holiday was Halloween. They loved to dress up and to trick-or-treat with their friends.

67. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite memory?**
My favorite childhood friend's favorite friend's favorite friend's favorite friend's favorite memory was the first time they fell in love. It was a magical moment that changed their life forever.

68. **What is your favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite childhood friend's favorite**

64.

Takeaways for AFSL Holders

Given these changes AFSL holders should:

- update their procedures to ensure that appropriate suitability checks are restricted on persons that could be scrutinised by ASAC;
- ensure external due to necessary also undertaken periodically
- if applying for, or varying an AFSL – be prepared to provide information about the suitability of a much broader number of persons and entities associated with the licensee.

65.

Proposed reforms scheduled for 2021

In response to the Financial Services Royal Commission a package of draft legislation was released for consultation on 31 January 2020 aimed at bringing even greater accountability and integrity to the financial services industry.

The legislation is yet to be passed (delayed due to COVID-19) however a number of proposed changes are anticipated to come into effect on a rolling basis throughout 2021 including:

- ☐ For all AFSAs, holders are joining the existing breach reporting regime
 - ☐ AFSAs, holders that provide personal advice to retail clients
 - ☐ new information checking and information sharing obligations in relation to financial advisers
 - ☐ new requirements for investigating and remedialing misconduct
 - ☐ In response to a 'look for no action' conduct AFSAs, holders that receive 'long-term lists' will need to:
 - ☐ make personal disclosures to clients in order that they aren't caught
 - ☐ ensure no sales the sales have not be changed
 - ☐ tell of the services that will be provided during the following 12-18 months
 - ☐ ensure relevant advice has been obtained from a direct source (not an external host)
 - ☐ Use more complex compliance obligations
 - ☐ There will be a new requirement for AFSAs, holders to appropriately disclose in writing if they are not independent and why this is the case
- Watch this space for details so that appropriate processes can be put in place to meet obligations

66.

COVID-19

ASIC released guidance for advising during COVID-19 pandemic:

- ASIC's 198 series "COVID-19 information for financial advisers and advisers" (ASIC 198) is updated by ASIC to reflect the latest information and advice.
- ASIC is also updating its guidance on the importance of keeping records of the financial adviser's advice.
- ASIC is also updating its guidance on the importance of keeping records of the financial adviser's advice.
- ASIC is also updating its guidance on the importance of keeping records of the financial adviser's advice.

ASIC has introduced temporary relief measures:

- ASIC has introduced temporary relief measures to help financial advisers and advisers during the COVID-19 pandemic.
- ASIC has introduced temporary relief measures to help financial advisers and advisers during the COVID-19 pandemic.
- ASIC has introduced temporary relief measures to help financial advisers and advisers during the COVID-19 pandemic.

NOTES:

67.

67

AFSL: current issues and FASEA update

68.

68

COMPETITION LAW



Presented by HFW

69.


69

23

PRESENTERS

Matthew Thompson Jo Garland



70.

70

COMPETITION LAW

- Designed to promote competition by eliminating unfair business conduct that harms businesses or consumers
- Regulators are armed with extensive investigative and enforcement powers
- Whistleblowing regimes incentivise exposing anti-competitive behaviour

NOTES:

71.

71

WHY MUST COMPANIES AND INDIVIDUALS COMPLY

- Significant financial penalties for corporations and individuals
- Investigations and court proceedings are expensive and time consuming
- Criminal convictions
- Disqualification of directors from management
- Contracts may be voided
- Actions / complaints by competitors and/or customers
- Reputation and brand risk

NOTES:

72.

72

ANTI-COMPETITIVE CONDUCT AND AGREEMENTS

Coordinated conduct designed to prevent price competition

Horizontal - collusion between competitors

- cartel conduct
- concerted practices - sharing commercially sensitive information

Vertical - collusion up and down the supply chain

- resale price maintenance

NOTES:

73.

73

CARTEL CONDUCT

Competitors who deliberately agree to act together, instead of competing against each other

Cartel conduct is prohibited as it prevents the benefits of price competition between competitors

Types of cartel conduct

- price fixing
- market sharing
- restricting output
- tender/bid rigging

PRICE
FIXING

RESTRICTING
OUTPUTS

MARKET
SHARING

TENDER / BID
RIGGING

NOTES:

74.

74

PRICE FIXING

Competitors fix, control or maintain the price of goods or services



NOTES:

75.

75



NOTES:

76.

76



NOTES:

77.

77



NOTES:

78.

78

RESTRICTING OUTPUTS

Competitors agree to prevent, restrict or limit the volume or type of particular goods or services available






NOTES:

79.

79



CLOSE CALL...

"...statements calling for competitors to agree to limit production or to raise price may constitute a serious cartel offence."


NOTES:


80.

80

TENDER / BID RIGGING

Competitors communicate before bidding tenders and agree amongst themselves who will win and at what price

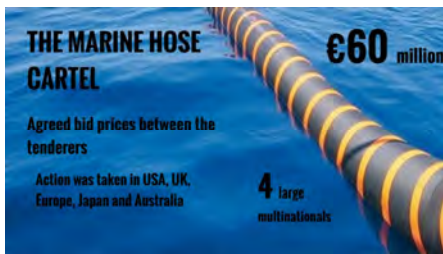




NOTES:

81.

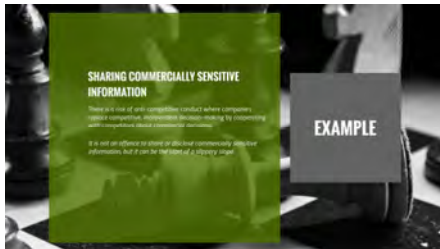
81



NOTES:

82.

82



NOTES:

83.

83



NOTES:

84.

84

RESALE PRICE MAINTENANCE

Resale price maintenance is when a supplier refuses to supply goods unless the reseller agrees to a minimum price.

Suppliers/manufacturers can recommend a resale price, but cannot impose it upon a reseller.

EXAMPLE

NOTES:

85.

85

MEDICAL EQUIPMENT SUPPLIERS CASE

Resale prices - for distributors and sales to hospitals

Minimum bidding prices

\$17.2 million

NOTES:

86.

86

MARKET DOMINANCE / POWER

Having market power is not necessarily abusive, it is how power is used and the impact on clients.

A company is generally considered to have dominance / power in a market where it can act unconstrained by competitors or customers.

ABUSES OF MARKET POWER CAN INCLUDE

- Exclusive dealing agreements
- Refusal to supply / deal
- Predatory pricing
- Price / volume discounts
- Tying / bundling
- Loyalty contracts

EXAMPLE

NOTES:

87.

87

GTA ADVISORY & COMPLIANCE WORKSHOP PROGRAM

Risk and Insurance update -
the Impacts of Covid-19 on
Insurance / Cyber Security

16th July 2020

Presenter: Samantha Chick



91

Who are Network Steadfast?

- Local specialists for Australian and International risk & insurance solutions
- Network Steadfast
 - Specialists – Agricultural Risks, Professional Financial Lines, Transport & Logistics, Construction, Workers Compensation, Origin, etc
- Network Steadfast are a member of world leading global insurance broking network, unisonSteadfast, which has 590 partners in 130 countries with USD 20bn in GWP



92

Network Steadfast Profile



65% owned by ASX: SDF Steadfast Group Ltd
35% owned by CEO & GM in the business

5 Locations in 4 states
(NSW/VIC/QLD/TAS)
Plus Singapore

140 employees

5 Trading Brands
(Network Steadfast, Quattro Risk Services, Steadfast IIS, EUS, Origin)

Network Steadfast \$175M GWP
Steadfast Group \$7bn GWP
unisonSteadfast USD 20bn GWP



93

Overview – Insurance and COVID19

- State of the Insurance Market
- Main Types of insurance Classes impacted:
 - D&O Liability / Management Liability (ML)
 - Employment Practices Liability (EPL)
 - Professional Indemnity (PI)
 - Statutory Liability (SL)
 - Business Interruption (BI)
 - Cyber (Event, Liability & Crime)
 - Marine Cargo & Transit
 - Logistic / Storage / Property



94

Cyber Security

Other Viruses can be overlooked during COVID19



95

Cyber – sobering statistics

- Australia is one of the world's most hacked countries: equal sixth as targets of "significant" cyber attacks, 16 major incidents since 2010.
- This pace has escalated as opportunistic cybercriminals take advantage of the systemic global instability caused by the COVID-19 pandemic
- A major cybersecurity incident could cost \$30b and 163,000 jobs, modelling from a "critical and deliberate" analysis of Australia's cybersecurity industry
- The quality of the post-pandemic recovery is directly linked to the trust businesses have in the cybersecurity protections put in place to protect them.
- 2 out of 3 companies have had an unauthorised breach in last 3 years.
- 54% of Cyber insurance losses caused by Human error / lapses
- Sources:
 - ◆ security company Specops Software
 - ◆ AustCyber
 - ◆ Center for Strategic and International Studies
 - ◆ Information Age ACS



96

Cyber Security

- Suggested minimum measures
- Review your Insurances:
 - Cyber is different type of insurance – why?
 - Cyber Liability vs Cyber Insurance
- Understand coverage different sections:
 - Own Risks
 - Third Party Risks
 - Interruption to Business
- Reviewing limits



97

Human Risk Issues: Workplace

What is a Workplace?

WFH Assessments – periodical not just once

RTW – collaborative, flexible, communicated



98

Human Risk Issues: Workers Compensation

- Travel to & from “Workplaces”
- Employee Journey Cover
- A new section (198) has been added to NSW Workers Compensation Act 1987. This section states if a worker in *prescribed employment* contracts COVID19 then it is presumed the disease was contracted during the course of their employment and employment was a substantial and main contributing factor to contracting COVID19 disease.

We are expecting the other states to follow



99

Conclusion & Recommendations

- Review Human Risk exposures
- Update your Cyber security, penetration testing & employee training – ensure this is part of your businesses continuing review
- Discuss your risk review and insurance requirements with your Insurance Broker, if you have not already undertaken in the last 3 months. This should be an ongoing discussion as COVID19 situation evolves



100

THANK YOU

Contact:

Samantha Chick
 Divisional Manager, Professional & Financial Lines
 Network Insurance Group
 Ph 0428 040 316
schick@networksteadfast.com.au



101

**ADVISORY &
COMPLIANCE
DAY**

Brought to you by
 **GRAIN TRADE AUSTRALIA**

LUNCH BREAK

 **GRAIN TRADE AUSTRALIA**

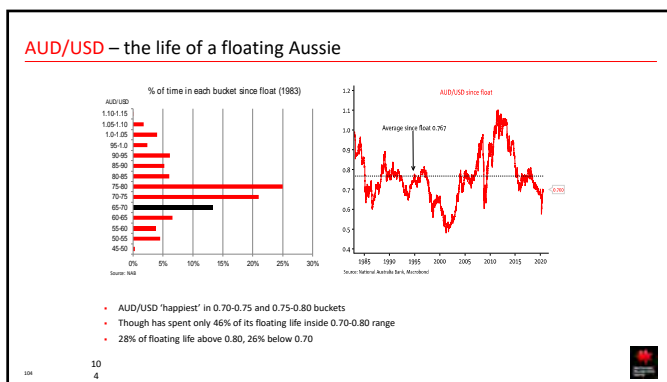
102



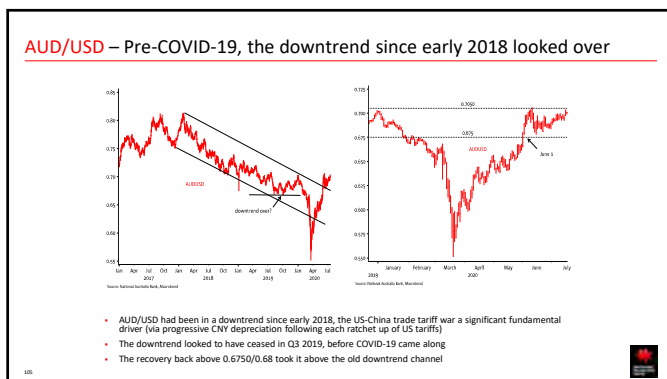
AUD FX RISK VERSUS USD, EUR AND CAD

GTA - July 16 2020
Ray Attrill, Head of FX Strategy, National Australia Bank

103

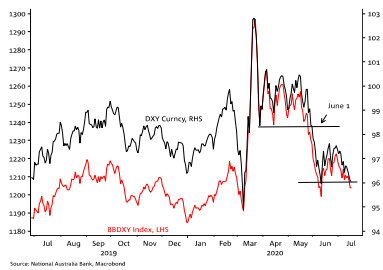


104



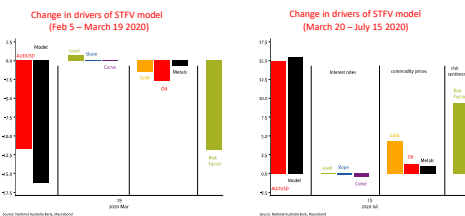
105

AUD/USD – Broke up at same time USD indices broke down



106

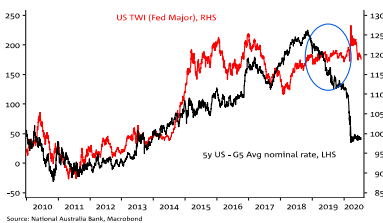
AUD/USD MODELS – Fall and rise fully justified by our STFV model



- STFV AUD model gapped lower in March with risk factor the main culprit, plus some support from lower commodity prices, oil especially (model low of ~0.53)
- AUD bounce back since March 19 low ~0.55 is mostly about risk sentiment plus some support from commodities (gold, oil, industrial metals)
- AUD/USD spot and model values now very much in line at 0.69-0.70 level

107

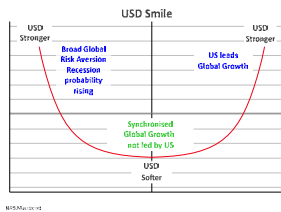
USD INTEREST RATE ADVANTAGE COLLAPSES – USD strength on borrowed time?



- The USD is no longer supported by wide US rate spreads. Fed Unlimited US Treasury QE programme along with a zero (0 to 0.25%) funds rate policy has resulted in an ominous crunch in USD-favourable yield spreads

108

IS THE USD RIDING FOR A (BIG) FALL? – The USD ‘Smile’

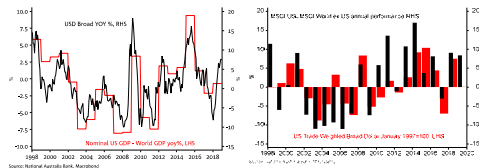


- The USD Smile concept (first proposed by Stephen Jen at Morgan Stanley) postulates that the USD has a strong tendency to appreciate when US GDP growth is improving relative to global growth or when there is an increase in broad global risk aversion (the edges of a “smile”).
- The bottom part of the smile is where synchronised global growth is not led by the US, risk appetite is high and other central banks are more hawkish (less dovish) than the Fed

109

109

KING DOLLAR – The USD Smile theory in practice

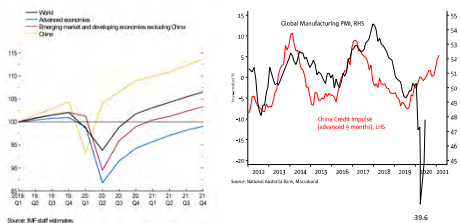


- The USD outperforms when US GDP growth is improving relative to global growth
- If the US economy is outperforming others it tends to attract more foreign capital/stock market outperformance, with its currency benefiting from the increase in investment inflows

110

110

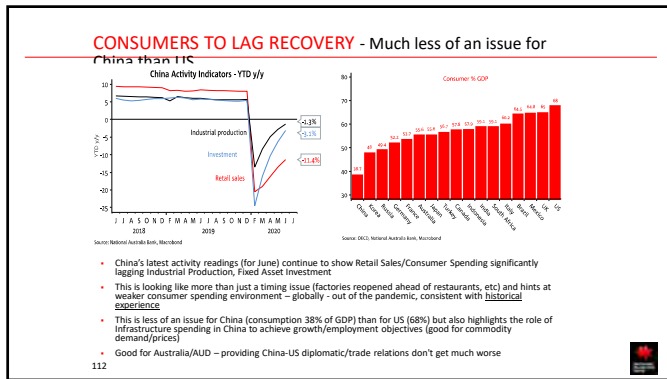
FIFO – China’s credit impulse leads global growth – IMF says the same



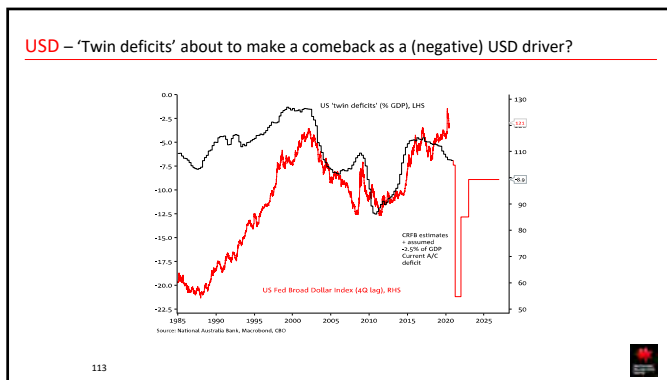
- China credit impulse (essentially the annual change in aggregate financing) leads a global PMI by 9 months
- IMF’s latest forecasts have China rebounding faster and further than rest of world

111

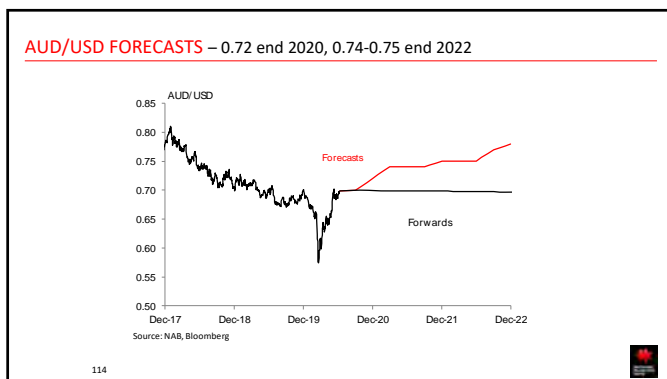
111



112

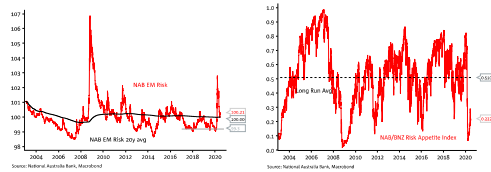


113



114

RISK TO THE AUD OUTLOOK – The Good news first

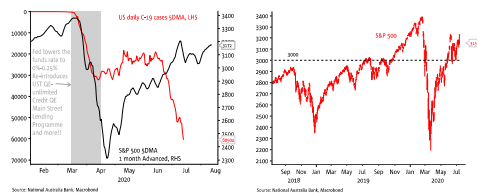


- Equity markets continue to look on the bright side of life. The Fear Of Missing Out (FOMO) alongside the need to put cash to work against the backdrop of a stimulus deluge continues to be the overwhelming force, notwithstanding worrying US virus infection rates
- Measures of risk sentiment that we follow are still trading below long term averages; the law of averages suggests they still have room for improvement
- For instance on its own, if our NAB/BNZ Risk Appetite Index moves back to its LT average this would add around 3.5 cents to the our M/T AUD/USD fair value estimate

115

115

RISK TO THE AUD OUTLOOK – US infection rates continue to rise

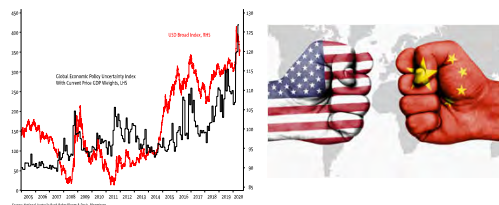


- Speaking before the US Senate, top US disease researcher Dr Anthony Fauci expressed concerned about the trend in US case numbers and said he wouldn't be surprised if the number reached 100,000 per day
- Can the US equity market cope with an acceleration in US infections?
- 3000 is the key support level to watch on the S&P 500

116

116

RISK TO THE AUD OUTLOOK RISK – Global policy uncertainty

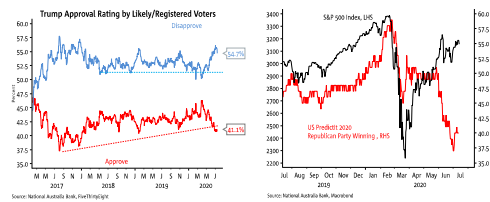


- Even though risk sentiment has dramatically improved since late March, global (policy) uncertainty hasn't – at record highs in May (but fell back a bit in June)
- This is historically associated with USD strength

117

117

RISK TO THE AUD OUTLOOK - US election risk

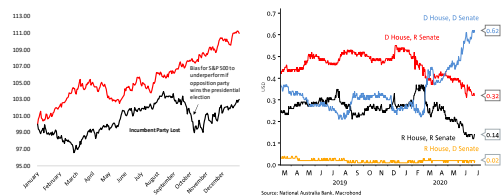


- Impeachment acquittal and rise of Bernie Sanders as a potential Democratic Presidential nominee coincided with a resurgence in President Trump's approval ratings and expected probability of winning a second term...
-prior to Joe Biden's showing on 'Super Tuesday'
- President Trump's approval rating has slumped since the COVID-19 crisis began, and has fallen more sharply since George Floyd/Black Lives Matter protests began
- Oddschecker have Biden (\$0.57) well ahead of Trump (~\$1.60) as of July 14

118

118

RISK TO THE AUD OUTLOOK – US elections could come with some market volatility

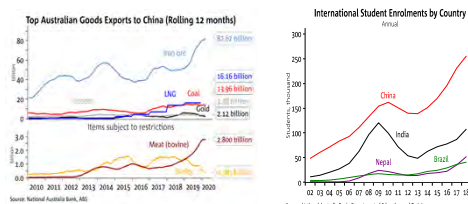


- History is not in favour of President Trump being re-elected
- US Presidents haven't won a 2nd term if the unemployment rate isn't falling towards the end of their 1st term
- Prospect of a Democratic 'clean sweep' in November has the potential to spook equity markets at some point (implications for corporate taxation, regulation)
- The years where the incumbent party retains power/presidency the S&P 500 tends to perform well. Performance when there has been a change in Presidency have been more varied (up only 5 occasions out of 9 and with a bias to underperform in the months ahead of the election)

119

119

RISK TO THE AUD OUTLOOK : Australia –China trade tensions

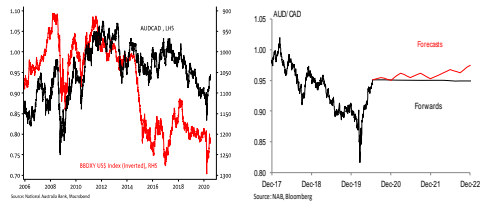


- China is also now back impeding thermal coal exports from Australia, has imposed punitive tariffs on barley – but unlikely to want to block Australian iron ore
- Ex-iron ore, coal - bigger risk to Australian economy come from education, tourism
- Total Australian exports to China worth ~\$150bn a year (7.5% of GDP)
- Chinese students worth \$12.1bn in education exports in 2019 (~32% of total)
- China inbound tourism 9% of total by number but 27% of total by spend (~A\$12bn)

120

120

AUD/CAD – fortunes tied to USD

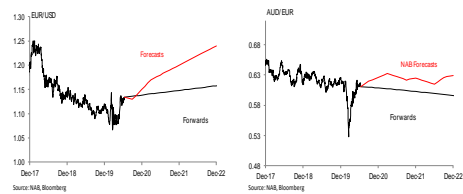


- CAD tends to outperform AUD when USD (and US economy) is strong and vice versa (Canada's economy tied more to the US, Australia's to China)
- With China leading the global recovery and the USD starting to weaken, AUD/CAD can rise further from here

121

121

NAB FX FORECASTS VS. FORWARDS – EUR/USD & AUD/EUR



- EUR seen strengthening if EU Recovery Fund approved in something close to currently proposed form
- But if so, AUD/USD seen strengthening alongside (risk positive event) to leave AUD/EUR little changed

122

122

NAB FX FORECASTS

		16-Jul-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Australian Dollar	AUD/USD	0.7009	0.70	0.720	0.74	0.740	0.74	0.75	0.75	0.75	0.77	0.78
New Zealand Dollar	NZD/USD	0.6574	0.64	0.66	0.67	0.68	0.69	0.70	0.70	0.71	0.72	0.73
Japanese yen	USD/JPY	106.92	109	109	109	109	108	108	107	106	106	105
Euro	EUR/USD	1.1417	1.13	1.15	1.17	1.18	1.19	1.20	1.21	1.22	1.23	1.24
British Pound	GBP/USD	1.2592	1.27	1.30	1.32	1.33	1.35	1.36	1.37	1.39	1.40	1.41
Swiss Franc	USD/CHF	0.9441	0.96	0.95	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94
Canadian Dollar	USD/CAD	1.3507	1.36	1.32	1.30	1.29	1.30	1.27	1.28	1.29	1.25	1.25
Chinese New Yuan	USD/CNY	6.9889	7.10	7.05	6.95	6.85	6.80	6.70	6.70	6.70	6.60	6.60
China Rates												
AUD/NZD		1.0662	1.09	1.10	1.10	1.09	1.07	1.07	1.07	1.06	1.07	1.07
AUD/JPY		74.94	76	76	81	81	80	81	80	80	82	82
AUD/EUR		0.6139	0.62	0.63	0.63	0.63	0.62	0.63	0.62	0.61	0.63	0.63
AUD/GBP		0.5586	0.55	0.55	0.56	0.56	0.55	0.55	0.55	0.54	0.55	0.55
AUD/CHF		0.8617	0.87	0.86	0.70	0.70	0.71	0.71	0.71	0.71	0.72	0.73
AUD/CAD		0.9467	0.95	0.95	0.95	0.95	0.95	0.95	0.96	0.97	0.96	0.98
AUD/CNY		4.8985	4.97	5.08	5.14	5.07	5.03	5.03	5.03	5.03	5.08	5.15
Trade-Weighted Index	AUD TWI	60.80	60.2	61.5	62.6	62.0	61.6	62.1	62.1	61.9	63.2	63.8

123

123

26


-

26

 **Grant Thornton**
An instinct for growth

Keeping the business afloat in the Pandemic

John McInerney
Partner – Financial Advisory
Grant Thornton Australia




©2020 Grant Thornton Australia Limited. All rights reserved.

127

What we already know...and should still be doing

- 1 People – Provide a safe & healthy workplace
- 2 Cash management – stockpile cash, negotiate payment deferrals & take advantage of Government support
- 3 Contingency planning – have a plan B ready....and a plan C

128 ©2020 Grant Thornton Australia Limited. All rights reserved.


 **Grant Thornton** | An instinct for growth

128

Zombie companies & counterparty risk

- Companies on life support by Government stimulus
- Tsunami of insolvencies
 - 1,000 fewer insolvencies to June (another 600 to Sept)
- Fiscal cliff affecting revenues & debt mountain to climb

129 ©2020 Grant Thornton Australia Limited. All rights reserved.

 **Grant Thornton** | An instinct for growth

129

What else can we do?

- Ask the hard questions
- Anticipate issues before they become problems
- Survival via restructure

130 ©2020 Grant Thornton Australia Limited. All rights reserved.

Grant Thornton | An instinct for growth

130



AFTERNOON TEA BREAK

GRAIN TRADE AUSTRALIA

131

Rural Banking – Big Harvest & Cash Flow – Raising debt or cashing grain

Andrew McCutcheon
Specialist Banking Manager, Business Development
Trade and Working Capital



132

Agenda

- Introduction
- Banking in 2020 (have you noticed a change?)
- Bank Appetite (the good news for the Agribusiness Sector)
- Balance Sheet and cashflow lending – working capital 101

The diagram illustrates the working capital cycle. It shows 'Earnings in EBITDA' on the left, followed by a plus sign, then a circular flow labeled 'Working capital cycle' in the center, and finally an equals sign followed by 'Operating cash flow' on the right.

- Funding Options
- Nab Borrowing Base a worked example
- Suitability, what do we look for?

133

How does this work

The flowchart shows four steps: 1. Assess inventory and receivable types and values. 2. Agree advance rates and transaction cycle with customer. 3. Customer report on asset positions on agreed regular cycles. 4. Finance provided based on lower of calculated asset base and overall facility limit.

- Advance rates (% of inventory and debtor valuation NAB is willing to lend) reflect the type of inventory, its valuation method and its marketability together with the profile of accounts receivable.
- Transaction cycles are typically weekly, fortnightly or monthly

Example of a Borrowing Base Limit Calculation

Type	Volume (m/t)	Reference Price (\$)	Price Spread (\$/m)	Value	NAB advance rate	Max value able to be drawn down
Hay 1 Grass	10,000	\$250.00	\$15	\$2,500,000	80%	\$2,000,000
Hay 2 Grass	10,000	\$250.00	\$15	\$2,500,000	80%	\$2,000,000
Interest (Gross)	N/A	N/A	N/A	\$2,500,000	80%	\$2,000,000
Unsettled (Approved) Debtors	N/A	N/A	N/A	\$1,000,000	80%	\$800,000
Borrowing Base Limit						\$7,140,000

Transactionally controlled facility allows NAB to monitor customer's working capital needs and supports higher than usual leverage of customer's assets.

"A tailored working capital solution"

134

Thankyou

Andrew McCutcheon
 (Specialist Banking Manager, Business Development, Trade and Working Capital)
 Andrew.J.McCutcheon@nab.com.au
 0427 355 612

135

Australian Basis

OLE HOUE

IKON COMMODITIES

136

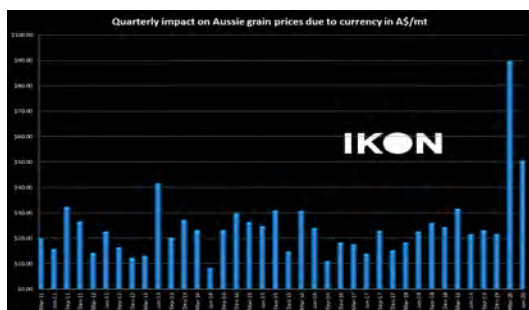
Few notes

- Charts and discussions mainly in A\$/mt – to make comparisons easier
- Focus on ASX/Vic track and WA APW track – as too extensive to do all zones



137

Volatile currency adds to the need for hedging!



138

Basis

- Aussie basis is almost always a function of:
 - Local Crop size – how far does our grain need to go.
 - Global Crop size in competing nations – how far does their grain need to go.
 - Logistics/storage – what is scarce? Logistics or grain?
 - Willingness of traders to cut margin.
 - Willingness of growers and/or traders to hold grain.
- Some basis changes are PERMANENT:
 - Increase in storage decrease the value of it.
 - Bigger trains make movements to port cheaper.
 - Increase in port capacity decrease the value of it.
 - Less reliance on Aussie grain increase price elasticity.
 - Global Sulphur rules increase cost of transport.
 - Cheap money makes storing grain more palatable.



139

US futures make sense!

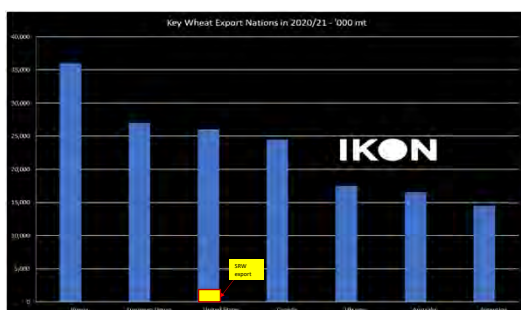
- Because we said so.

USA	Rank	Australia	Rank	Russia	Rank	EU	Rank
Mexico	1	Indonesia	1	Egypt	1	Algeria	1
Japan	2	Vietnam	2	Turkey	2	Saudi Arabia	2
Philippines	3	Korea (S)	3	South Africa	3	Egypt	3
Brazil	4	China	4	Israel	4	Vietnam	4
Nigeria	5	Japan	5	Nigeria	5	Sudan	5
Korea (S)	6	Philippines	6	Bangladesh	6	Nigeria	6
EU	7	Vietnam	7	Iran	7	Libya	7
Canada	8	India	8	EU	8	Iran	8
Colombia	9	Nigeria	9	Yemen	9	Cuba	9
Indonesia	10	Egypt	10	Vietnam	10	Cote d'Ivoire	10
Peru	11	Thailand	11	Kenya	11	Korea (S)	11
Thailand	12	Iran	12	Mexico	12	Turkey	12
Vietnam	13	Iraq	13	Sudan	13	Indonesia	13
Venezuela	14	EU	14	Libya	14	Norway	14
Vietnam	15	Bangladesh	15	Indonesia	15	Yemen	15
Canada	16	Sudan	16	Peru	16	Morocco	16
Algeria	17	South Africa	17	Morocco	17	Israel	17
Saudi Arabia	18	Saudi Arabia	18	Philippines	18	Turkey	18



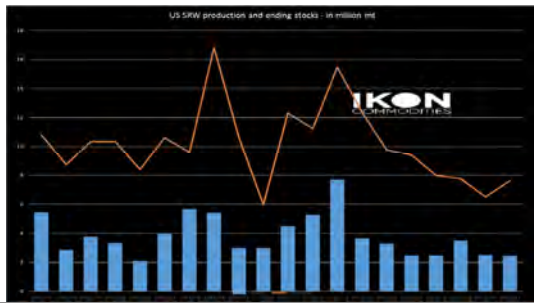
140

Key wheat exporting nations



141

The Perennial Problem has gotten worse



142

The Perennial Problem has gotten worse



143

Do our markets correlate at all?

- For statistical purity it is preferred correlation is 0.8 or above!
- Long term correlations as per below:

- Droughts over the last couple of years surely destroy the correlations!

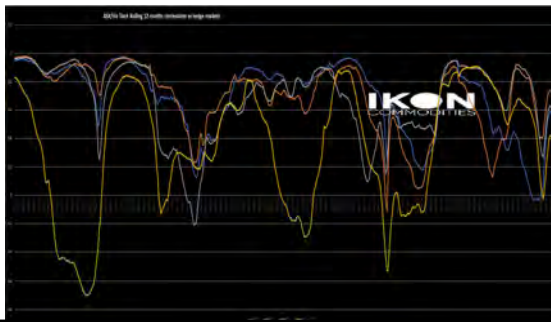
Correlation - since Jan 2010	CME	KCBT	Matif	Russia FOB
ASX/Vic Track AWP	0.649	0.336	0.697	0.561
WA Track APW	0.799	0.636	0.835	0.553

- Or not...

Correlation - since Jan 2018	CME	KCBT	Matif	Russia FOB
ASX/Vic Track AWP	0.520	0.462	0.810	0.715
WA Track APW	0.772	0.718	0.914	0.909

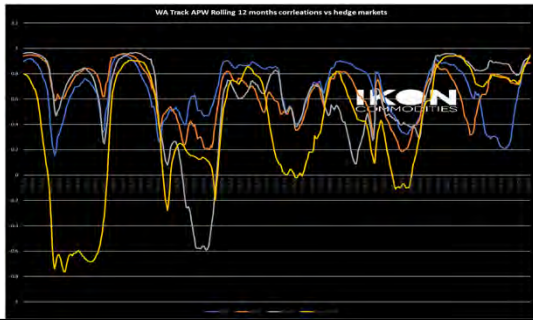
144

Rolling 12 mths correlations



145

Rolling 12 mths correlations



146

Parameters of ASX basis

ASK/Vic track APW vs	Track Flat Price	CME	KCBT	Montf	Russia FOB
Min	\$188	-\$38	-\$60	-\$77	-\$115
Max	\$445	\$184	\$188	\$120	\$140
Average	\$286	\$40	\$34	\$10	\$9
Median	\$282	\$37	\$23	\$11	\$10
10th pctile	\$214	-\$9	-\$26	-\$36	-\$54
25th pctile	\$253	\$13	-\$1	-\$21	-\$23
75th pctile	\$310	\$59	\$54	\$32	\$35
90th pctile	\$359	\$80	\$125	\$62	\$70
Spread from Min to Max	\$257	\$222	\$249	\$197	\$255
Spread from 25th to 75th percentile	\$57	\$45	\$55	\$52	\$58
Today NEW crop basis		\$15	\$55	\$19	-\$9
NEW crop basis Percentile		0.266	0.755	0.592	0.313

147

Parameters of WA basis

WA track APW vs	Track Flat Price	CME	KCBT	Matf	Russia FOB
Min	\$209	-\$30	-\$32	-\$56	-\$66
Max	\$415	\$131	\$134	\$80	\$153
Average	\$292	\$46	\$40	\$16	\$15
Median	\$292	\$41	\$35	\$17	\$13
10th pctlile	\$235	\$17	-\$2	-\$14	-\$34
25th pctlile	\$259	\$30	\$15	\$2	-\$11
75th pctlile	\$323	\$61	\$61	\$30	\$32
90th pctlile	\$350	\$84	\$95	\$47	\$65
Spread from Min to Max	\$206	\$161	\$166	\$136	\$219
Spread from 25th to 75th percentile	\$64	\$32	\$46	\$28	\$43
Today NEW crop basis		\$20	\$59	\$24	-\$4
NEW crop basis Percentile		0.128	0.739	0.642	0.334



148

Australian Basis

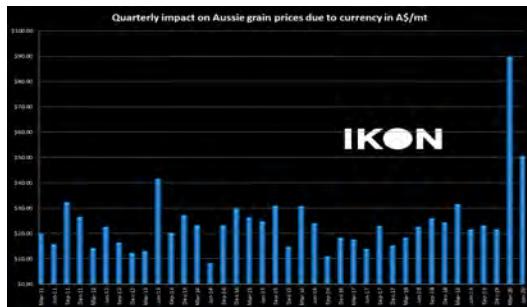
149

Few notes

- Charts and discussions mainly in A\$/mt – to make comparisons easier
- Focus on ASX/Vic track and WA APW track – as too extensive to do all zones

150

Volatile currency adds to the need for hedging!



151

Basis

- Aussie basis is almost always a function of:
 - Local Crop size – how far does our grain need to go.
 - Global Crop size in competing nations – how far does their grain need to go.
 - Logistics/storage – what is scarce? Logistics or grain?
 - Willingness of traders to cut margin.
 - Willingness of growers and/or traders to hold grain.
- Some basis changes are PERMANENT:
 - Increase in storage decrease the value of it.
 - Bigger trains make movements to port cheaper.
 - Increase in port capacity decrease the value of it.
 - Less reliance on Aussie grain increase price elasticity.
 - Global Sulphur rules increase cost of transport.
 - Cheap money makes storing grain more palatable.

152

US futures make sense!

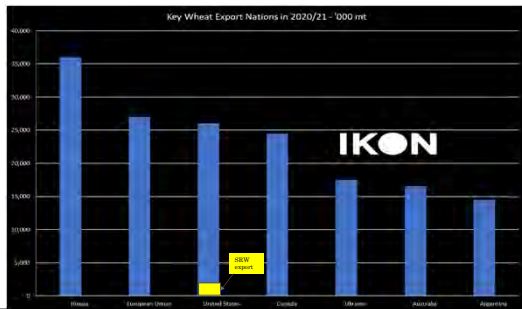
- Because we said so.

USA	Rank	Australia	Rank	Russia	Rank	EU	Rank
Mexico	1	Vietnam	1	Egypt	1	Algeria	1
Japan	2	Korea (S)	2	Turkey	2	Saudi Arabia	2
Philippines	3	China	3	South Africa	3	Egypt	3
Brazil	4	Japan	4	Iran	4	Thailand	4
Japan	5	Philippines	5	Nigeria	5	Sudan	5
Korea (S)	6	Yemen	6	Bangladesh	6	Senegal	6
EU	7	India	7	Iran	7	Libya	7
China	8	India	8	EU	8	Iran	8
Colombia	9	Yemen	9	Yemen	9	Qatar	9
Indonesia	10	Egypt	10	Vietnam	10	Cote d'Ivoire	10
Peru	11	Thailand	11	Kenya	11	Kuwait	11
Thailand	12	Iran	12	Mexico	12	Tunisia	12
Kenya	13	Iraq	13	Sudan	13	Philippines	13
Venezuela	14	EU	14	Libya	14	Norway	14
Vietnam	15	Bangladesh	15	Indonesia	15	Yemen	15
Canada	16	Sudan	16	Peru	16	Morocco	16
Algeria	17	South Africa	17	Morocco	17	Israel	17
Egypt	18	Saudi Arabia	18	Philippines	18	Turkey	18

153

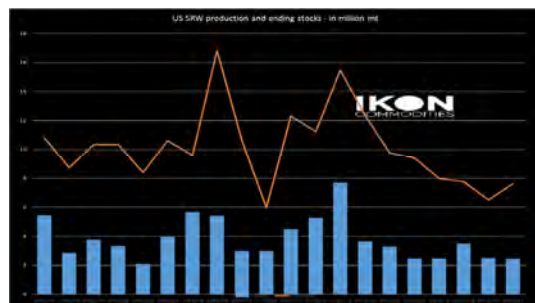
153

Key wheat exporting nations



154

The Perennial Problem has gotten worse



155

The Perennial Problem has gotten worse



156

Do our markets correlate at all?

- For statistical purity it is preferred correlation is 0.8 or above!
- Long term correlations as per below:

Correlation - since Jan 2010	CME	KCBT	Matif	Russia FOB
ASX/Vic Track AWP	0.649	0.336	0.697	0.561
WA Track APW	0.799	0.636	0.835	0.553

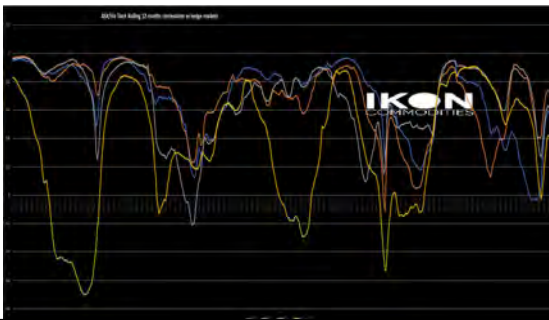
- Droughts over the last couple of years surely destroy the correlations!

Correlation - since Jan 2018	CME	KCBT	Matif	Russia FOB
ASX/Vic Track AWP	0.520	0.462	0.810	0.715
WA Track APW	0.772	0.718	0.914	0.909

- Or not....

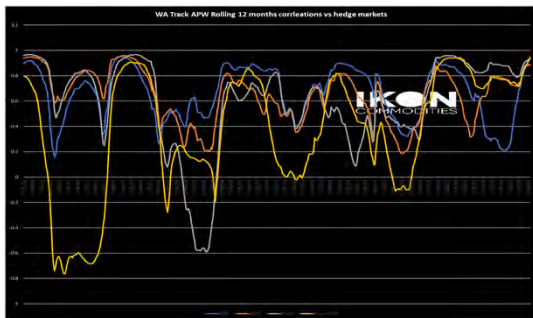
157

Rolling 12 mths correlations



158

Rolling 12 mths correlations



159

Parameters of ASX basis

ASX/Vic track APW vs	Track Flat Price	CME	KCBT	Matif	Russia FOB
Min	\$188	-\$38	-\$60	-\$77	-\$115
Max	\$445	\$184	\$188	\$120	\$140
Average	\$286	\$40	\$34	\$10	\$9
Median	\$282	\$37	\$23	\$11	\$10
10th pctlle	\$214	-\$9	-\$26	-\$36	-\$54
25th pctlle	\$253	\$13	-\$1	-\$21	-\$23
75th pctlle	\$310	\$59	\$54	\$32	\$35
90th pctlle	\$359	\$90	\$125	\$62	\$70
Spread from Min to Max	\$257	\$222	\$249	\$197	\$255
Spread from 25th to 75th percentile	\$57	\$45	\$55	\$52	\$58
Today NEW crop basis		\$15	\$55	\$19	-\$9
NEW crop basis Percentile		0.266	0.755	0.592	0.313

160

Parameters of WA basis

WA track APW vs	Track Flat Price	CME	KCBT	Matif	Russia FOB
Min	\$209	-\$30	-\$32	-\$56	-\$66
Max	\$415	\$131	\$134	\$80	\$153
Average	\$292	\$46	\$40	\$16	\$15
Median	\$292	\$41	\$35	\$17	\$13
10th pctlle	\$235	\$17	-\$2	-\$14	-\$34
25th pctlle	\$259	\$30	\$15	\$2	-\$11
75th pctlle	\$323	\$61	\$61	\$30	\$32
90th pctlle	\$350	\$84	\$95	\$47	\$65
Spread from Min to Max	\$206	\$161	\$166	\$136	\$219
Spread from 25th to 75th percentile	\$64	\$32	\$46	\$28	\$43
Today NEW crop basis		\$20	\$59	\$24	-\$4
NEW crop basis Percentile		0.128	0.739	0.642	0.334

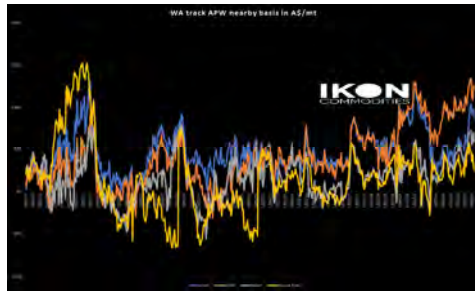
161

ASX/Vic Track APW nearby basis in A\$/mt



162

WA Track APW nearby basis in A\$/mt



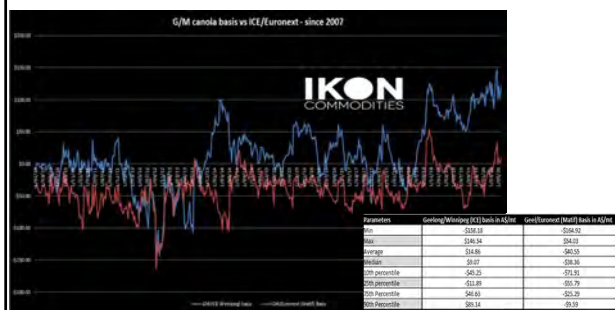
163

Different States “predicted” prices based on current Russian values

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
2007	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2008	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2009	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2010	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2011	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2012	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2013	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2014	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2015	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2016	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2017	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2018	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2019	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
2020	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
Average of 2007-2010	1,114	1,081	1,077	1,078	1,072	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078

164

G/M Canola vs Winnipeg and Matif



165

Lessons learnt

- Choosing hedge markets have become more difficult.
- Basis HAS to be dynamic – right hedge market for right time.
- Currency swings means MORE need to hedge.
- CME as hedge market is being called more and more into question.
- Makes it hard for a grower who is “set and forget”.

166

This year?

- Lessons learnt by traders – hundreds and millions of dollars lost in last financial year (capping off 5 generally bad years for large traders).
- Number of players less than 5 years ago!
- Crop size looks to be large – potentially close to 16/17 record
- NSW/QLD growers likely need cash-flow
- CME particularly erratic and crop particularly small
- Currency alone easily means +/- \$50/mt on grain

167

Questions?



168



**ADVISORY &
COMPLIANCE
DAY**

Brought to you by
GRAIN TRADE AUSTRALIA

OPEN FORUM – ISSUES IN THE INDUSTRY

GRAIN TRADE AUSTRALIA

169



**ADVISORY &
COMPLIANCE
DAY**

Brought to you by
GRAIN TRADE AUSTRALIA

ONLINE ASSESSMENT

GRAIN TRADE AUSTRALIA

170
