

Single Desk: Fact Sheet # 1

Your Single Desk - An Overview

AWB International (AWBI) has commissioned independent research to examine the value of the Single Desk. Key findings include:

- ▶ *The Single Desk system allows AWBI to establish an integrated marketing system, which captures benefits for growers right along the value chain.*
- ▶ *AWB Ltd through its subsidiary company AWBI, the holder of the Single Desk, is the only publicly listed company in the world constitutionally obliged to ensuring wheat producers receive the highest possible returns.*
- ▶ *Each season the Single Desk system aggregates the output of thousands of producers located across Australia and sells those outputs strategically to around 50 countries worldwide, over a period of approximately 18 months.*
- ▶ *On the benchmark APW grade, AWBI and the Single Desk system are capturing a premium of between \$15 and up to \$30 a tonne depending on the economic modelling approach used.*

Average Export Premiums for APW Produced Under Three In-Principle Differences Between the Three Models

Source: Econtech

| | <i>Carter-Knetter (CK)</i> | <i>Price Discrimination (PD)</i> | <i>Hedonic</i> |
|----------------------------|--|--|--|
| <i>Economic Assumption</i> | <i>price discriminating monopolist</i> | <i>price discriminating monopolist</i> | <i>buyer-seller bargaining</i> |
| <i>Base Price</i> | <i>base country price</i> | <i>modelled competitive price</i> | <i>competitors price on same market</i> |
| <i>Special Feature</i> | <i>exchange rate effects</i> | <i>welfare analysis</i> | <i>allowance for quality differences</i> |
| <i>Reference</i> | <i>Knetter, 1989; Carter, 1993</i> | <i>CIE, 1997; Econtech, 2003</i> | <i>Gans, 2000; Gans, 2004</i> |

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Key Findings (cont.)

- ▶ *Based on the most conservative estimate this means that AWBI through the Single Desk system is capturing a minimum of \$80 million in premiums per year for Australian wheat farmers on APW alone.*
- ▶ *The estimated average premium across all grades captured through the current wheat marketing arrangements is \$13 a tonne.*
- ▶ *On the current 2003/04 pool of 19 million tonnes, this has the potential to deliver approximately \$250 million back into the hands of Australian growers.*
- ▶ *The Single Desk gives growers the market power to achieve supply chain efficiencies and reduce costs.*
- ▶ *The Single Desk continues to underpin the market as the buyer of last resort.*
- ▶ *The abolition of the current wheat marketing arrangements could see a reduction in grower returns of at least \$US134 million and as much as \$563 million.*

While AWBI is not endorsing the various research methodological approaches used by the researchers, we believe Your Single Desk – value for wheat growers, rural communities and the Australian economy goes a long way towards establishing the value of the Single Desk as managed by AWBI.