FINANCIAL SERVICES GUIDE

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Farmanco Marketing Pty Ltd (Farmanco Marketing) is a Corporate Authorised Representative (No 341189) of Primary Financial Services Pty Ltd (AFSL No 338360).

Primary Financial Services Pty Ltd (Primary Financial Services) authorises the distribution of this Financial Services Guide.

You should read this document carefully, including the section headed *Risk Statement*. If you need more information or clarification, it is important you ask us.

Before seeking our advice, you probably have a number of questions you would like to ask about Farmanco Marketing and/or Primary Financial Services. You have the right to ask us about our charges, the type of advice we will give you and what you can do if you have a complaint about our services. Key information is set out in answer to the questions below.

You should also be aware that you may be entitled to receive a Statement of Advice whenever we provide you with any advice which takes into account your objectives, financial situation and needs. The Statement of Advice will contain the advice, the basis on which it is given and information about fees, commissions and associations which may have influenced the provision of the advice.

Some financial products which we recommend will be offered in association with a Product Disclosure Statement containing information about the particular financial product which will enable you to make an informed decision in relation to the acquisition of that product.

As a financial service provider, we have an obligation under the Anti Money Laundering and Counter Terrorism Finance Act to verify your identity and the source of any funds. This means that we will ask you to present identification documents such as passports and drivers licence. We will also retain copies of this information. We assure you that this information will be held securely.

BEFORE YOU GET OUR ADVICE

Who are your advisers?

Please refer to the attached Adviser Profile.

What advisory services are available to you?

Farmanco Marketing is authorised to:

Provide financial product advice for the following classes of financial products:
- Derivatives relating to the wholesale price of grain only; and
- Foreign exchange contracts

Deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of the following classes of products:
- Derivatives limited to:
    - Derivatives relating to the wholesale price of grain; and
    - Other derivatives which are entered into for the purpose of managing a financial risk that arises in the ordinary course of the activities of the person where the person
        - is not making a market for any such derivatives; and
        - is only dealing in any such derivatives on the person's own behalf; and
- Foreign exchange contracts.

Farmanco Marketing does not provide any advice beyond the scope of authorisations listed above. Neither Farmanco Marketing nor Primary Financial Services are commodity or futures brokers, and as such does not buy, sell or make a market in relation to any financial products.

How will you pay for the service?

Financial Product advice and dealing service - a fee of *up to* $2.20 (including GST) per tonne. This fee is paid to Farmanco Marketing, however part or all of it may be paid to your adviser. If this is the case it will be communicated to you before any financial products are recommended or transacted.

Some financial product providers may pay the *Financial Product advice and dealing service* fee to Farmanco Marketing on behalf of you. This will be taken into account and communicated to you before any financial products are recommended or transacted.

Your adviser *may* also charge an advisory fee of up to $2.20 (including GST) per tonne. If your adviser charges this fee it will be communicated to you before any financial products are recommended or transacted.

Farmanco Marketing does not receive commission for the advice of its authorised representatives.

All levels of service, their associated calculations for fees and charges and the ongoing services provided are discussed in the first meeting and subsequently disclosed, prior to implementation of any recommendations, in the Statement of Advice.

Farmanco Marketing and your Adviser may from time to time receive a benefit from preferred product providers by way of sponsorship of educational seminars, conferences or training days. Details of amounts exceeding $300 will be kept in a Soft Dollar Benefit Register and you have a right to view it.

WHAT RELATIONSHIP WILL YOU HAVE WITH PRIMARY FINANCIAL SERVICES?

Farmanco Marketing will act as your Financial Product adviser in the area of price risk management in relation to your wheat. Our duty is to assist you and place your interests first. We are free from any ownership links that may tend to create a position in favour of any associated financial group. Farmanco Marketing is free to analyse the market and to provide you with the best advice for your circumstances.

WHEN YOU GET OUR ADVICE

Do you get detailed information about actual commissions and other benefits your adviser gets from making the recommendations?

Yes. You have the right to know about details of commissions and other benefits your adviser receives for recommending Financial Products. Neither Farmanco Marketing nor any of its Representatives receive any commission for the advice provided to you. We will provide this information to you when we make specific recommendations.

Will Farmanco Marketing give you advice that is suitable to your needs and financial circumstances?

Where you request specific advice relating to your objectives, financial circumstances or needs, Farmanco Marketing will provide you with such advice. However, to do so we need to find out your individual objectives, financial situation and needs before we recommend any Financial Product to you. You have the right not to divulge this information to us, if you do not wish to do so. In that case, we are required to warn you about the possible consequences of us not having your full personal information. The warnings will appear in a number of documents including the Statement of Advice. You should read the warnings carefully. In essence, we need to warn you that providing Farmanco Marketing incomplete or inaccurate information may result in you obtaining advice, or acquiring financial products, that may be inappropriate for your objectives, financial circumstances or needs.

Does Farmanco Marketing or any of its employees or Representatives trade on their own futures account?

Farmanco Marketing and its Representatives may trade in futures and/or foreign exchange and utilise Farmanco Marketing's Futures Account. Neither Farmanco Marketing nor its Representatives trade in conflict with any clients. Farmanco Marketing has operational processes in place to ensure that no conflicts arise.

What should you know about any risks of the financial products or strategies recommended to you?

We will explain to you the significant risks in relation to our advice in our Statement of Advice and our "Risk Statement", a copy of which is included in this document. If after reading either document, you are still uncertain about any issues you should ask us for further clarification **before** acting on any of our advice.

What information does your adviser maintain in your file and can you examine your file?

Your adviser maintains a record of your personal profile that includes details of your objectives, financial situation and needs. We also maintain records of any recommendations made to you. If you wish to examine your file, you should ask us and we will make arrangements for you to do so. We may charge a fee to cover the cost of locating, retrieving, reviewing and copying any material requested. If the information sought is extensive, we will advise you of the likely cost in advance and can help to refine your request if required.

We are committed to implementing and promoting a privacy policy which will ensure the privacy and security of your personal information. A copy of our privacy policy will be provided to you at the same time as this document.

Can you tell Farmanco Marketing how you wish to instruct them and how you wish to obtain advice?

Yes. You may specify how you would like to give us instructions, for example by telephone, fax or other means. But in all cases we must receive a written confirmation of these instructions.

What compensation arrangements do Farmanco Marketing and/or Primary Financial Services have in place?

Primary Financial Services has arrangements in place to ensure it continues to maintain Professional Indemnity insurance in accordance with s.912B of the Corporations Act 2001 (as amended). In particular our Professional Indemnity insurance, subject to its terms and conditions, provides indemnity up to the Sum Insured for Primary Financial Services and our authorised representatives, representatives and employees in respect of our authorizations and obligations under our Australian Financial Services Licence. This insurance will continue to provide such coverage for any authorised representative, representative or employee who has ceased work with Primary Financial Services for work done whilst engaged with us.

IF YOU HAVE ANY COMPLAINTS

Who can you speak to if you have a complaint about the service?

Farmanco Marketing is committed to providing quality advice to our clients. This commitment extends to providing accessible complaint resolution mechanisms for our clients. If you have any complaint about the service provided to you, you should take the following steps:

1. Contact your adviser and tell your adviser about your complaint.

2. Detail your complaint in writing and address it to Rob Sands – Director, PO Box 260, MUNDARING WA 6073. This will ensure that all parties involved fully understand your complaint.
3. You will be notified of the receipt of your complaint and any outcome or further discussions that need to occur. We will try to resolve your complaint quickly and fairly.
4. If you still do not receive a satisfactory outcome, you have the right to complain to the Financial Ombudsman Service Ltd at GPO Box 3, Melbourne VIC 3001. Their telephone number is 1300 780 808 and email address is info@fos.org.au. Primary Financial Services is a member of this scheme.
5. If you still do not receive a satisfactory outcome, you can contact the Australian Securities and Investments Commission (ASIC) at their Freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

ADVISER PROFILE

Farmanco Marketing is a Corporate Authorised Representative No. 341189 of Primary Financial Services Pty Ltd. Primary Financial Services Pty Ltd is the holder of Australian Financial Services Licence No. 338360 and is responsible for the advice provided by its representatives within the authorisation scope of its licence.

The following advisers are representatives of Farmanco Marketing Pty Ltd.

Contact details

Farmanco Marketing Pty Ltd
PO Box 260
MUNDARING WA 6073

Ph: 08 9295 0222
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Email: marketing@farmanco.com.au

Who are your advisers?

Your advisers are Donald McTaggart, Mae Connelly and Ryan Duane.

Donald McTaggart

Donald has worked in the Agribusiness industry since 2003, most recently as a Grain Marketer for AWB based in Katanning. He joined Farmanco in February 2006. Donald provides grain marketing advice to grain growers across Western Australia.

Mae Connelly

Mae has worked in the grain marketing industry around Australia in various roles since 2001 and joined Farmanco Marketing in October 2008. Mae provides grain marketing advice to grain growers all throughout the southern half of the grain growing area of WA.

Ryan Duane

Ryan has worked in the grains industry since 2004, most recently as a Grain Marketer for AWB based in Perth. He joined Farmanco in September 2009. Ryan provides grain marketing advice to grain growers across Western Australia.

RISK STATEMENT

If you do not understand or are not comfortable with these risks, you should not enter into derivatives based hedging contracts. Please talk to your adviser or Primary Financial Services if you require additional information.

Risk of Using Wheat Futures

The risk of loss in trading in futures contracts can be substantial. You should therefore carefully consider whether this type of transaction is appropriate for you in light of your personal circumstances. Before conducting any futures trading, you should be aware of the following:

- Using Over-the-Counter (OTC) products such as bank swaps or basis contracts involve similar risk to trading in futures directly. The main difference is that when you trade futures directly, you will be margined on a daily basis. When you use OTC products, you will not be margined on a daily basis but are liable to pay any loss at the expiration of the contract or on exiting the position.
- Under certain conditions, it could become impossible for you to liquidate a position (this could happen when there is a substantial change in prices over a short period).
- The placing of contingent orders, such as “stop-loss” orders may not always limit your losses to the amount that you specify. Market conditions may make it impossible to execute such orders.
- A “spread” position is not necessarily less risky than a simple “long” or “short” position.

If you trade futures in your own futures account set up with a broker:

- You could sustain a **total loss** of initial funds that your deposit with your futures broker to establish and maintain your futures position. Please also note that your potential liability under a futures contract is not limited to the amount of the deposit or margin that you paid at the time the futures contract was opened.
- If the futures market moves against your position you may be required, at very short notice, to deposit with your futures broker additional funds in order to maintain your position. These additional funds may be substantial and can easily exceed the amount of your initial deposit of margin payment at the time the futures contract was opened. If you fail to provide these additional funds within the required time, your position may be liquidated at a loss. In the event you may be liable for any short fall in your account resulting from such a failure.

Please note that the above mentioned issues have been provided to alert you to a sample of issues that you need to consider. **The statement does not disclose every risk or other significant aspects involved in trading on the futures market**. You should study futures trading carefully, and read the materials provided to you by your futures broker and any Product Disclosure Statements before becoming involved.

Risk of Using Options

The purchase and granting of commodity options involves a high degree of risk. You should therefore carefully consider whether this type of transactions is appropriate for you in light of your personal circumstances. Before conducting any options trading, you should be aware of the following:

- You should not purchase any commodity options unless you are able to sustain a **total loss** of the premium and transaction costs of purchasing the option. You should also not grant a commodity option unless you are able to meet additional margin calls if the market moves against your position. In such circumstances you may sustain a very large loss.
- You should be aware, if you purchase a commodity option, that in order to realise any value from the option, it will be necessary either to offset the option position or to exercise the option. If you do not understand how to offset or exercise an option, you should obtain written advice from your futures broker before conducting any transactions.
- You should be aware, that in difficult market conditions, it may be impossible to offset an existing options position on an exchange.
- You should be aware that some options contracts may only provide a limited period of time for exercise of the option. If you purchase a put or call option you are subject to the risk of losing the entire purchase price of the option.

Please note that the above mentioned issues have been provided to alert you to a sample of issues that you need to consider. **The statement does not disclose every risk or other significant aspects involved in trading commodity options.** You should study commodity options trading carefully, and read the materials provided to you by your broker and any Product Disclosure Statements before becoming involved.

Risks involved in hedging Australian Grain with Foreign Derivatives contracts.

There are a number of **significant risks** involved in hedging Australian Grain with foreign derivatives contracts such as Chicago Board of Trade (CBOT) wheat futures. These include, but are not limited to:

Basis Risk

Basis risk is the risk that the price of a derivative instrument will vary from that of the underlying commodity. In the case of grain, basis risk refers to the risk that the change in the price of the underlying derivatives instrument, will not move at the same rate or direction as the underlying physical commodity.

Because the commodity derivatives used to hedge your wheat price are normally CBOT futures contracts, the difference between the CBOT futures price and the price of wheat out of WA (i.e. the basis) can be significant.

In the past we have been aiming to achieve a free-in-store (FIS) basis of -20c/bu or better. In reality, we have been able to achieve better than 0c/bu. However, you need to understand that the risk of basis being significantly worse than what we are used to is very real.

Example: Assume you are targeting a net delivered port price of $315/mt (~$355/mt FOB). The net delivered port price is calculated as follows:

> [Futures sell price (US cents/bushel) +/- Basis sell price (US cents/bushel)] *multiply by* 0.3674371 *divided by* AUD/USD FX rate *equals* net delivered port price (A$/mt).

Your strategy might be to target the following components of your wheat price to achieve $315/mt:

Sell Dec-09 futures at 590c/bu, hedge your AUD exposure at $0.6500 and sell basis at -20c/bu. If you are able to execute these components at your target levels, your effective price (after product & advice fees of $5mt) would be approximately $317/mt free-in-store. Using the above calculation this was achieved as follows:

(590 – 20) x 0.3674371 / 0.6500 = A$322/mt or A$317/mt after fees of A$5.00/mt.

- **What if basis is -100c/bu?** The price you achieve would be approximately $272/mt free-in-store which is a$43/mt below your target price of $315/mt.

  (590 – 100) x 0.3674371 / 0.6500 = A$277/mt or A$272/mt after fees of A$5.00/mt.

- **Could basis get this bad or worse?** Yes, theoretically the risk is unlimited and so you need to be aware that as basis gets less, so will the final price that you achieve.

- **Could I end up get nothing for my wheat?** Yes, in fact if you sold futures for 590c/bu and basis went to -590c/bu, then you would end up owing money for your wheat.

Foreign Exchange Risk

Because foreign derivative contracts are traded in foreign denominated currencies, any movement in the price of the underlying derivative may be affected by movements in currency. Because the final price received for your physical grain is in $Australian, the $US value of that grain at any point in time can only be estimated.

As a result of this, you need to be fully aware that at any given point in time, your foreign exchange hedge may not fully off-set your underlying physical exposure. Because of this mismatch, you face the risk that any gains/losses on your foreign exchange contracts will not be fully off-set by the gains/losses of your physical exposure.

Production Risk

Most derivatives based products we recommend are likely to be non-deliverable. That is, if you do not have the grain you can cash settle the position.

Regardless of the deliverability of the product, a hedge position when you won't produce the grain becomes a speculative position. That is, it is no longer a hedge and you will be either making a windfall profit or loss depending on where the market ends up.

The following formula illustrates how to work out your financial profit (or loss) on a futures position:

> Entry (sell) price *minus* Exit (buy) price *multiply by* 50 *multiply by* No. of Contracts *divide by* AUD/USD FX rate *equals* Profit (loss) in AUD.

Example:
Assume you sell 7 futures contracts (952mt) at 600c/bu and you need to exit your position (eg. because of production failure) at 650c/bu. The AUD/USD rate at the time is $0.6500.

[(600 – 650) x 50 x 7] / 0.6500 = -A$26,923 (i.e. a loss)

Risks associated with using derivatives contracts to hedge Australian grain being delivered under a pooling arrangement

In order to hedge physical grain using derivatives contracts, you should buy/sell the derivatives contract that corresponds to when you intend to buy/sell your underlying physical exposure. When the time comes to buy/sell your physical exposure, you should then act to lift your hedge cover at the same time. This could be referred to as the process of "perfect hedging".

In the case of pools, the physical grain is sold over an extended period of time. This means that "perfect hedging" cannot be conducted, but one can seek to approximate it based on an understanding and forecast of the grain pool sales. Because the exact timing of these sales is unknown, advice is based on an estimate of the pools sales program. In addition to this, the manager of the pool may also decide to implement a strategy to hedge the underlying physical exposure of that pool in the derivatives market. This will also affect the open remaining un-hedged exposure of your grain within that pool at any given point in time.

As a result of this, you need to be fully aware that at any given point in time, your derivatives hedge may not fully off-set your actual underlying physical exposure. Because of this mismatch, you face the risk that any gains/losses on your derivatives contracts will not be fully off-set by the gains/losses of your physical exposure.

Risks associated with using foreign exchange contracts to hedge Australian grain being delivered under a pooling arrangement

In order to hedge physical grain using foreign exchange contracts, you should buy/sell the foreign exchange contract that corresponds to when you intend to convert your foreign currency to Australian Dollars. When the time comes to convert the foreign currency, you should then deliver that currency against your foreign exchange contract or, convert your foreign currency at the spot rate and close out of your foreign exchange contract.

In the case of pools, the foreign currency is converted to Australian Dollars by the pool manager over an extended period of time. Because the exact timing of this is unknown, advice is based on an estimate of when the pool is converting foreign currency. In addition to this, the manager of the pool may also decide to implement a strategy to hedge the underlying physical exposure of that pool in the foreign exchange market. This will also affect the open currency exposure of your grain within that pool at any given point in time.

As a result of this, you need to be fully aware that at any given point in time, your foreign exchange hedge may not fully off-set your underlying physical exposure. Because of this mismatch, you face the risk that any gains/losses on your foreign exchange contracts will not be fully off-set by the gains/losses of your physical exposure.