

## Sweet Investment in Fuel and Food

A Queensland based agricultural company claims to have a solution to the problem of biofuel crops competing with food crops - sweet sorghum, a crop that delivers both food and fuel with each harvest along with the potential for improved farm earnings.

Sweet sorghum has large grain heads that yield food while the stems are an ideal sugar based feedstock for ethanol production and have a higher ethanol yield than comparative sugar crops such as cane, says AgriFuels Ltd.

The business model is attractive because, unlike most fuel crops, sweet sorghum can yield up to three harvests per annum without soil degradation, says AgriFuels' adviser, Simon Clatworthy from the Sydney based Perspective Group.

The Perspective Group estimates that even without subsidies or carbon credits, an AgriFuels crop of sweet sorghum is significantly more profitable and capable of generating better cash flow than comparable biofuel crops such as sugar cane and sorghum grain.

AgriFuels is acquiring farms in the Childers region of southeast Queensland and has plans to construct an ethanol refinery Perspective Group expects AgriFuels to be able to produce commercial volumes of ethanol feedstock at significantly less cost than competitors, in addition to achieving solid earnings from sorghum grain and cane sales.

"AgriFuels' crop trials with strategic partners both locally and internationally have identified significant upside to cashflow by adding sweet sorghum into the local sugar cane and vegetable cropping cycle and using sweet sorghum grain heads for food and fodder products," said Mr Clatworthy.

The grain heads can be sold into the local or export markets. The plan is for the remaining stem (cane) to be harvested, transported and processed using the same infrastructure as sugar cane.

It will be sold to the AgriFuels refinery at a fixed price per metric tonne, underpinning farm profitability and ensuring control of ethanol production costs, he said.

The stem will be processed into juice and fibre (bagasse). The juice can be then be made into syrup, alcohol, extra neutral ethanol or biofuel, while the fibre can be used as fertiliser, animal feed, fibre products or combusted for electricity.

"We have estimated that by integrating sweet sorghum into the local rotational crop cycle of its property portfolio and supplying crops to the renewable energy project, AgriFuels has the potential to significantly increase on-farm EBIT [earnings before interest and tax], when compared to current local rotational crops," says Mr Clatworthy.

AgriFuels completed initial crop trials in 2007 and 2008, and further varietal comparison trials continue in 2009.

The company has agreements with technology developers to test new harvesting methods suited to both grain and stem harvesting.

"Sweet sorghum is one of the most resilient of all current commercial crops. It is sometimes referred to as a "universal crop" because it is photo-thermal insensitive because it's able to be grown year round and will mature within a regular time period irrespective of growing season.

It is drought resistant and able to be grown in tropical, sub-tropical, temperate and semiarid conditions." A public unlisted company, AgriFuels is seeking to raise an initial \$7.5 million by offering 15 million shares at 50 cents each to professional and sophisticated investors who can each commit a minimum of \$20,000.

The capital will be used to acquire additional land for cultivation, create positive operational cash flow, further research and develop the renewable energy initiatives, retire some existing debt and for working capital, says managing director, Brendon Ellett.



Sweet Sorghum

Mr Clatworthy says AgriFuels will appeal to investors who like the tangibility of an investment substantially based on quality agricultural land and with potential for a high level of upside in the event that the ethanol business delivers the kind of returns he believes it can.

Mr Clatworthy says AgriFuels has overcome the land-use conflict issues that have given biofuel a bad name in some parts of the world and provides a commercial solution for what he calls 'the essential three Fs - food, fuel and farmer. AgriFuels is a start-up with no current revenue.

It is a high risk investment for medium to long term capital gains based investors.