Grower Meetings
January

Wilmar:
David Burgess
Neil Cawthorne
Richard McGuire
James Greenwood

QSL
Bryce Wenham
Samantha Santy
Carla Keith
Topics

QSL

- Review of 2013 QSL pools
  - Harvest Pool, Forward Season Pool, Discretionary Pool, Actively Managed Pool, Guaranteed Floor Pool, US Quota
- QSL Pools for 2014 Season
- QSL Forward Season Pools for 2015 & 2016

Wilmar

- 2014 Season
  - Wilmar’s Target & Call Pools
  - Nomination date and processes
- Other information
  - Availability of Wilmar grower pricing team
- Market Update

Discussion
QSL pool choices
2014 season
“The information provided in this document/these slides is designed to give you a summary update on QSL’s current marketing and pricing activity and does not constitute financial product, investment advice or a recommendation to allocate sugar to any particular pool and should not be construed as such. QSL has made every effort to accurately summarise the relevant arrangements, but this presentation cannot cover every aspect of the relevant contractual information. Information about past performance should not be relied upon and is not an indication of future performance. Pool performance figures presented in this document/these slides is indicative only as pool performance figures only become final on or after 30 June in any year.”

Note: The figures in this document have been rounded.
Creating prosperity for you by maximising the pool price.
Agenda

- 2013 season estimated pool returns
- QSL’s offerings
- QSL’s 2014 season pooling options
- Considerations for pricing your sugar
- Where do I go for further information?
- Questions
2013 season estimated pool returns

As at 17th January 2014

<table>
<thead>
<tr>
<th>Pool</th>
<th>Gross $A per mt IPS</th>
<th>Shared Pool Allocation</th>
<th>Net $A per mt IPS</th>
<th>Percentage Priced</th>
</tr>
</thead>
<tbody>
<tr>
<td>QSL Harvest Pool</td>
<td>$383.38</td>
<td>($0.96)</td>
<td>$382.42</td>
<td>69%</td>
</tr>
<tr>
<td>QSL Discretionary Pool</td>
<td>$395.14</td>
<td>($0.96)</td>
<td>$394.18</td>
<td>90%</td>
</tr>
<tr>
<td>QSL Actively Managed Pool</td>
<td>$404.41</td>
<td>($0.96)</td>
<td>$403.45</td>
<td>84%</td>
</tr>
<tr>
<td>QSL Guaranteed Floor Pool</td>
<td>$391.45</td>
<td>($0.96)</td>
<td>$390.45</td>
<td>100%</td>
</tr>
<tr>
<td>QSL Growth Pool</td>
<td>$420.19</td>
<td>($0.96)</td>
<td>$419.24</td>
<td>91%</td>
</tr>
<tr>
<td>QSL Forward Season Pool</td>
<td>$426.65</td>
<td>($0.96)</td>
<td>$425.70</td>
<td>90%</td>
</tr>
<tr>
<td>QSL US Quota Pool</td>
<td>$482.47</td>
<td>($88.32)</td>
<td>$394.15</td>
<td>76%</td>
</tr>
</tbody>
</table>
What pool offerings are available?

**COMMITTED POOLS**

**US Quota (0-5%) Compulsory**

**HARVEST POOL**

Minimum required 35% tonnage

Default pool for most growers

Generally no penalty for not delivering**

Optional tonnage (up to 60%)

- In-Season committed pools
- Future Season committed pools
- Fixed supply obligation

**In-Season:**
- Guaranteed Floor
- Actively Managed
- Discretionary
- Growth (new)

**Future Season:**
- 2-Season Forward Pool for 2015 Season
- 3-Season Forward Pool for 2016 Season

**Subject to production buffer failure costs**
**High price risk means potentially lower or higher returns**

*Collective risk is the costs incurred when the Production Buffer fails*

<table>
<thead>
<tr>
<th>QSL Guaranteed Floor Pool</th>
<th>QSL Discretionary Pool</th>
<th>QSL Actively Managed Pool</th>
<th>QSL Growth Pool</th>
<th>QSL Forward Season Pools</th>
<th>QSL Harvest Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committed</td>
<td>Committed</td>
<td>Committed</td>
<td>Committed</td>
<td>Committed</td>
<td>Uncommitted</td>
</tr>
<tr>
<td>Provides a guaranteed minimum return with the potential for higher returns</td>
<td>Targets the best return over the season</td>
<td>Targets the best return over the season by pricing more frequently as short-term market opportunities arise</td>
<td>Targets the best return over the season by pricing more frequently as short-term market opportunities arise utilising significant discretion</td>
<td>Priced over 2 or 3 seasons that targets the best return</td>
<td>Designed to manage production variations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current season</th>
<th>Current season</th>
<th>Current season</th>
<th>Current season</th>
<th>Subsequent seasons</th>
<th>Current season</th>
</tr>
</thead>
<tbody>
<tr>
<td>No discretion</td>
<td>+/-20% discretion</td>
<td>+/-30% discretion</td>
<td>+/-50% discretion</td>
<td>+/-30% discretion</td>
<td>+/-20% discretion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual production risk</th>
<th>Individual production risk</th>
<th>Individual production risk</th>
<th>Individual production risk</th>
<th>Individual production risk</th>
<th>Only paid for what is delivered</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>*Collective risk</th>
<th>Collective risk</th>
<th>Collective risk</th>
<th>Collective risk</th>
<th>Collective risk</th>
<th>Collective risk</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Low price risk</th>
<th>Moderate price risk</th>
<th>**High price risk</th>
<th>High price risk</th>
<th>High price risk</th>
<th>High price risk</th>
</tr>
</thead>
</table>

**Price Risk**

**High price risk means potentially lower or higher returns**

*Collective risk is the costs incurred when the Production Buffer fails*
Committed Sugar (maximum 65%)

Non-ICE 11 Pools

- QSL US Quota Pool
- Long Term Contract (LTC) Pool

Committed ICE 11 Pools

- Supplier Managed
- Refer to mill offerings

- QSL Managed
- Guaranteed Floor Pool
- Discretionary Pool
- Growth Pool
- Actively Managed Pool
- 2 – Season Forward Pool
- 3-Season Forward Pool

Un-Committed Sugar (minimum 35%)

Harvest Pool (ICE 11)

QSL Harvest Pool

Shared Pool Element

POOL NET PRICE
Shared Pool element

QSL Pools
(including Mill Forward Pricing options)

QSL Shared Pool

- Premiums earned by QSL’s marketing efforts
- Third party origin earnings
- Marketing costs
- RSSA operating costs
  - Storage and handling (costs of bulk sugar terminals)
  - QSL shared services costs
  - Quality scheme costs
  - Financing costs
- QSL Harvest Pool Production buffer failure Costs
Which pool has more or less risk?

**QSL pool objectives:**
- Exceed the market average price over the life of the pool
- Each pool has different mechanisms available to it in order to meet this objective
- Risk is measured relative to the likelihood that the pool’s final price could be more or less than the average price of the market during the life of the pool

**Passive Management Benchmark:**
- Assumes pricing occurs evenly from Pricing Declaration Date (28 February 2014) over the life of the pool and should achieve the average price of the market
Discretion and QSL ICE 11 Committed Pools

Derivative instruments may be used, including futures contracts and commodity swaps, and ability to actively buy and sell positions.

The higher the discretion the greater the price risk.

+/- 50%

+/- 30%

+/- 20%

Conversely below PMB

Note: Production buffer failure costs may still apply

Growth Pool
Actively Managed & Forward Season
Discretionary
Passive Management Bench
QSL Guaranteed Floor Pool

- QSL has the ability to set a known minimum price at pricing declaration date (28 Feb) and provides scope for limited participation in upwards market movements across full season
- Removes risk of downward market moves post 28 Feb
- No discretion to deviate from the benchmark
Current Market Price: 424 AUD/mt

Strike Price: 421 AUD/mt

Absolute Floor: 411 AUD/mt

Participation Rate: 50%

- Current Market Price
  - current market value of sugar if you outright forward price today

- Strike Price
  - the market level at which you begin to participate in price rises

- Absolute floor
  - minimum price the pool will achieve including the cost of insurance paid to secure the floor

- Participation rate
  - the amount of participation in price rises above the Strike Price
  - 50% participation means for every dollar ($1) the market trades above the strike the pool participates 50 cents
Until December you received payments based on the weighted average payment that your mill received (for all of its pools).

From December onwards, your payments are aligned to your choice (Harvest Pool) which is predominantly priced at the back end of the season.

Harvest has limited pricing it can do within the season.

Production buffer of Harvest Pool priced back end of season.

Approx. 50% priced.

All other pools priced throughout year based on known tonnage.
How will my choices affect my advance payments?

- Committed pools’ tonnage are known by March

- Harvest Pool tonnage varies until the end of the harvest
  - In-season crop fluctuations
  - The Production Buffer – priced only after it is received at the terminals

- This means for the Harvest Pool:
  - There is more late pricing than other pools and more exposure to world sugar prices at the back end of the season
  - More exposure to pricing fluctuations = more uncertainty than other pools throughout the season of your final price
  - More possibility of deviating from your mill’s average weighted price, which is used to calculate Advance payments prior to December.
  - A Harvest Pool price that is lower the Mill weighted average = a reduced flow after the season compared to other pools
## Historical overview of QSL pools

<table>
<thead>
<tr>
<th>QSL Pool /Bench</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 (est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passive Management Benchmark</td>
<td>$344</td>
<td>$529</td>
<td></td>
<td>$503</td>
<td>$417</td>
<td>$385</td>
</tr>
<tr>
<td>Actively Managed Pool</td>
<td>$334</td>
<td>$520</td>
<td>No</td>
<td>$693</td>
<td>$454</td>
<td>$404</td>
</tr>
<tr>
<td>Guaranteed Floor Pool</td>
<td></td>
<td></td>
<td></td>
<td>$480</td>
<td>$481</td>
<td>$391</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Floor =</td>
<td>Floor =</td>
<td>Floor =</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$463</td>
<td>$477</td>
<td>$389</td>
</tr>
<tr>
<td>Discretionary Pool</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$438</td>
<td>$395</td>
</tr>
<tr>
<td>Harvest Pool</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$431</td>
<td>$383</td>
</tr>
</tbody>
</table>

Note: Prices shown are gross and therefore do not include a Shared Pool component. Past performance is provided for reference only and may not be indicative of future performance.
Possible considerations for pricing

- Do I want to participate in a pooling arrangement or do I want to lock-in a guaranteed price?
  - Pools allow participation in markets over a defined timeframe
  - Individual forward pricing provides a known outcome

Pool considerations

- What requirements do I have when it comes to selecting pools e.g. committed vs uncommitted pools?

- How much sugar can I guarantee I will produce this season?
  - Am I willing to pay for not delivering (Individual production risk)

- How much risk am I willing to take on risk from the volatile sugar and currency markets? (price risk)

- How will my pricing choices affect my ongoing payments throughout the year (Advances Program)?
Your production risk

US Quota is standard [up to 5%] so what else can I do?

Do I want to commit tonnes?

- **YES**
  - Committed Tonnage Pools [ICE 11 Max 60%]
    - (get more choice)
  
  Do I Want To Make A Decision On Price?

  - **YES**
    - Mill’s Forward Pricing Products
      - Call Pool
      - Target price

  - **NO**
    - QSL Managed Pools
      - QSL Discretionary Pool
      - QSL Actively Managed Pool
      - QSL Guaranteed Floor Pool
      - QSL Growth Pool
      - Forward Season Pools

- **NO**
  - Uncommitted Tonnage Pool
    - Harvest Pool [Min 35%]

  Size of pool affects how it is managed
  The size of the production buffer depends on how many tonnes are in the overall pool & how sugar is priced/sold during the season.

Or a combination of mill products and QSL-managed pools
Where do I get more information?

- Growers should consider their individual circumstances before making choices regarding pricing.
- Therefore you should seek professional advice from your accountant and or Lawyer.
- Contact QSL’s Industry Relationship Managers
  - Cathy Kelly on 0409 285 074 or [cathy.kelly@qsl.com.au](mailto:cathy.kelly@qsl.com.au)
  - Carla Keith on 0409 372 305 or [carla.keith@qsl.com.au](mailto:carla.keith@qsl.com.au)

*QSL Pricing Declaration Date for mills is 28 February 2014.*

*Talk to your mill about your pricing declaration requirements.*
Serving the interest of our members for the long-term prosperity of the Queensland sugar industry
2014 Wilmar Pricing Options

Target Price

- Individual growers set their own price
- Pricing can start as early as 3 years before the crop is harvested
- Orders are in $A10 price increments
- Orders are good until cancelled and are the minimum price that will be achieved
- Minimum order size is 10 tonnes of sugar
- Tonnes must be committed by closing nomination date (Feb before harvest)
- Pricing must be completed by 15 September year of harvest.

Call Pool

- Individual growers set their own price
- Pricing can start as early as 3 years before the crop is harvested
- Orders are placed at the price requested by the grower
- Orders are good until cancelled and are the minimum price that will be achieved
- Order sizes are in multiples of 304.82 tonnes of sugar
- Tonnes must be committed by closing nomination date (Feb before harvest)
- Pricing must be completed by 20 February year after harvest
Committed Tonnage Pools - FAQ

- Call Pool or Target Pricing tonnage will not default into the Harvest Pool should it not be priced by the grower.

- Call Pool or Target Pricing tonnage that remains unpriced at the Pricing completion date will be priced by Wilmar the following business day at market prices

- Pricing for future season’s (2015 and or 2016) if a grower nominates tonnage into Call Pools or Target Pricing and that tonnage remains unpriced before the Nomination Close date a grower will have the opportunity to either cancel these orders and or transfer them to another committed tonnage pool
2014 Season – Declaration Date & Nomination Process

• Available now to nominate tonnage into, via the Wilmar Grower Pricing Web

• Nominations close Monday 24th Feb 2014 – this will be the last date to nominate to Committed Tonnage pools (i.e. QSL Fixed Tonnage Pools & Wilmar’s Target Price & Call Pools)

• The process for QSL’s Guaranteed Minimum Floor Price Pool will be a bit more complicated:
  - QSL will publish a daily indicative floor price in weeks prior to end February
  - Nomination into this pool will still occur by Mon 24th Feb
  - QSL will publish a price on Wed 27th Feb, which it will only lock-in on 28th Feb if it can achieve a floor price within $10/t of that price
  - Growers will need to contact Wilmar prior to 5pm on 27th Feb if they have nominated into this pool but no longer wish to nominate tonnage into this pool
  - If growers withdraw tonnage from this pool on 27th Feb, or QSL does not establish the pool on 28th Feb within $10 of the indication published on 27th Feb, growers will be able to renominate tonnage to other committed pools or have that tonnage default into the harvest pool at the latest Friday 1st March.

• The 24th Feb close date will also apply for QSL’s 2015 & 2016 Forward Season Pools:
  - 2015 Season - 50% allowable exposure
  - 2016 season – 30% allowable exposure
2014 Season Nominations

What you need to do prior to the 24th February

Grower’s who have already undertaken 2014 season Pricing:

Log in via the Grower Pricing Website and please check your:

– Nominated Ha’s and Tonnes
– Current Orders
– % of crop priced
– % of crop available to price
– View your FPPA Schedule 1
2014 Season Nominations

What you need to do prior to the 24th February

Grower’s who have not already undertaken 2014 season Pricing, but wish to do so:

Log in via the Grower Pricing Website and:

– Nominate your expected Hectares and Tonnes of cane production – via FORWARD PRICING page
– Next, click on CREATE/CHANGE ORDERS button to submit your orders/nominations
– View your FPPA Schedule 1

Growers who do not wish to undertake any Forward Pricing or commit sugar to a QSL fixed tonnage pool are **NOT** required to do anything. Your cane will be priced in the Harvest Pool as well as receiving US Quota (1 – 5%) and you will not have any fixed tonnage delivery obligation for the 2014 season
Herbert River Growers

- Richard will be available Monday and Tuesday until the pricing declaration date.
- Available between 8am and 5pm
- Call Richard McGuire to arrange an appointment time to discuss any pricing related matters
- Help with:
  - Cash Flow forecasts
  - Creating orders
  - Changing orders
  - Determining 2014 season position
Daily Indicative Forward Season Prices

ICE No.11 prompt (US c/lb)

2014 season
2015 season
2016 season
Prompt No.11

ICE No.11 A$/tonne Equivalent

2014 season
2015 season
2016 season
Prompt No.11
2014 Season Daily Indicative Prices

• 2014 season prices have fallen over the past 3 months from A$450/t to A$410/t

• There are two components to A$/t forward season sugar prices:
  – ICE No.11 swap prices for corresponding futures contracts
  – Forward AUD/USD exchange rate

• 2014 season underlying No.11 component has fallen by 2.70 c/lb (~ A$65/t)

• This has been partly offset by the forward AUD/USD weakening by more than 4.5 cents (~ A$25/t)
Market Outlook

• 2013/14 expected to be the 4th consecutive global production surplus

• Surplus is estimated at ~ 6 million tonnes which would take the 4 year cumulative surplus to more than 30 million tonnes (almost 20% of annual global consumption)

• There are concerns that:
  – India will introduce measures to support / encourage exports
  – China’s imports will fall (reduced stockpiling)

• However:
  – Brazil’s domestic sugar and ethanol prices are now 3-4 c/lb higher than export sugar (though current inter-crop period leads to some distortion)
  – Current low prices should encourage physical demand
Market Outlook

• Unlikely that No.11 prices can **sustainably** strengthen until the pattern of annual global production surpluses is broken

• Longer term (1-2 years or more) No.11 prices should trend higher (excluding significant exchange rate changes), otherwise there will be no incentive to meet growing global consumption

• However low price signals are not always transmitted quickly to producers (domestic policies in some countries) and cane does not need replanting every year

  ➢ Prices can remain below “cost of production” for extended periods of time
Thank you
Optional slides for New Selling Arrangements
New selling arrangements

All Queensland export sugar through QSL

**Financing**
- Low-cost financing through advance payments to members

**Pricing**
- Knowledge, expertise and experience in pricing and managing futures markets

**Marketing**
- Strong relationships with high-returning customers in the Asia Pacific region

**Logistics**
- Safe and efficient storage, handling and shipping of raw sugar

**QSL**
Aims to maximise the returns for the pools we manage

**Change**
- Millers now have the option to sell their economic interest (EI) sugar
  - Difference on premium earned (Currently less than 5% of total price)

**QSL remains largest seller of Australian raw sugar into international market**
QSL Pools
(including Mill Forward Pricing options)

QSL Shared Pool
- Premiums earned by QSL’s marketing efforts
- Third party origin earnings
- Marketing costs
- RSSA operating costs
  - Storage and handling
  - QSL shared services costs
  - Quality scheme costs
  - Financing costs
- QSL Harvest Pool Production buffer failure Costs

EI Pools

EI Shared Pool
- RSSA operating costs
  - Storage and handling
  - QSL shared services costs
  - Quality scheme costs
  - Financing costs
- Any specific costs incurred by the miller relating to EI activities e.g. financing