

MSF Marketing – 2017 Early Season Pool Terms

1 KEY FEATURES

1.1 Overview

- (i) The 2017 Early Season Pool (**Pool**) is an in-season Committed ICE 11 Pool.
- (ii) All growers for whom MSF Marketing is the Pool Manager under their respective Grower Pricing Agreements and mill owners whose sugar production is marketed by MSF Marketing (**Mill Owners**), will receive the same Early Season Pool price.
- (iii) The gross price achieved in respect of the Pool for the 2017 Relevant Season will be derived from a combination of prices achieved from the ICE 11 futures market, converted from US dollars (**USD**) to an AUD return, adjusted after deducting the direct costs for the Pool determined in accordance with these Pool Terms, expressed on an AUD per tonne IPS basis (**Gross Pool Price**). The net price achieved in respect of the Pool will be the Gross Pool Price, adjusted after allowing for the Shared Pool allocation for the Pool determined in accordance with the Shared Pool Terms, expressed on an AUD per tonne IPS basis (**Net Pool Price**). As no Administration Fee is charged in respect of this Pool (see paragraph 3.7 below), the **Final Pool Price** for this Pool shall equal the Net Pool Price.

1.2 Pool Manager

The Pool is managed by MSF Marketing. MSF Marketing is responsible for all of the management functions of the Pool, including decisions which determine the Net Pool Price outcome of the Pool.

1.3 Pre-conditions

There are no pre-conditions to the operation of the Pool. The Pool will operate regardless of the quantity of Cane Pay Sugar allocated to the Pool by growers.

1.4 Pricing Window

MSF Marketing will undertake ICE 11 pricing for approximately 13 months: between 3 April 2017 and 27 April 2018 (Pricing Window).

1.5 Pool Size and Mill Margin Sugar

- (i) MSF Marketing will guarantee that the minimum pool size is 5,000 metric tonnes.

- (ii) The Pool will contain Mill Margin Sugar¹ if the aggregate Cane Pay Sugar allocated to the Pool by growers is less than 5,000 metric tonnes. The amount of Mill Margin Sugar allocated to the Pool will be the difference between total Cane Pay Sugar allocations from all growers and approximately 5,000 metric tonnes.

1.6 Allocation Requirements

- (i) The Allocation Period for the Pool is from 1 March 2017 until 31 March 2017. The Pool will be closed to new participants from 31 March 2017 and growers that have previously submitted an Election Notification are unable to change their Election Notification as at that date.
- (ii) To participate in the Pool, the Grower must (through its Authorised Person) give an Election Notification to the Mill Owner during the Allocation Period.
- (iii) The Election Notification must specify the tonnage of Cane Pay Sugar which the Grower wishes to allocate to the Pool.

1.7 Minimum / maximum allocation

- (i) The Grower is not required to allocate a minimum tonnage to the Pool in order to participate.
- (ii) Including Existing Pricing, a grower must not allocate Cane Pay Sugar to this Pool if that allocation would result in the grower's aggregate allocations of Cane Pay Sugar to Committed ICE 11 Pools to exceed its Production Risk Exposure Limit at that time.

1.8 Application of Pool Terms

These Pricing Pool Terms will apply to the 2017 Season and to Cane Pay Sugar for the 2017 Season.

2 MANAGEMENT STRATEGY

2.1 Objective

The aim of this pool is to exceed the average AUD return that could have been achieved by adopting a passive (low discretion) approach to price risk management.

2.2 Management Parameters

- (i) The Pool Manager will have price execution discretion of +/-20% of

the level indicated by a Pool Specific Neutral Profile².

- (ii) The conversion of net USD revenues into AUD must be in accordance with MSF Marketing's Risk Management Policy.
- (iii) The Pool Manager is able to use the following derivatives in managing the Pool: ICE 11 futures contracts, foreign exchange contracts, option contracts (both currency and commodity) and raw sugar commodity swaps (both AUD and USD denominated).

3 KEY CHARACTERISTICS

3.1 Marketing Responsibilities

MSF Marketing will undertake the physical marketing of Cane Pay Sugar in the Pool.

3.2 Price and currency risk

MSF Marketing is responsible for managing the ICE 11 sugar price risk in USD and the associated foreign exchange management to deliver an AUD price.

3.3 Futures Exposures

The ICE 11 futures exposure of the Pool is as follows:-

| Futures Contract | OCT16 | MAR17 |
|-------------------|-------|-------|
| Approx. % of Pool | 50 | 50 |

3.4 Supply Obligations

- (i) The Pool is a Committed ICE 11 Pool which means that if the Grower allocates Cane Pay Sugar to the Pool, the Grower is required to deliver sufficient Cane to the Mill Owner to produce the relevant Cane Pay Sugar.
- (ii) In the event that the Grower is unable to meet this commitment, the financial consequences for the Grower will be determined in accordance with the Grower Pricing Agreement (which include, for example, the triggering of Close-Out Losses or Close-Out Profits).
- (iii) The financial consequences associated with the failure of a grower to supply required Cane will not impact other participants in the Pool.

3.5 Cane Pay Advances

Advance payments for Cane supplied by the Grower will be made on the basis of and in accordance with the Cane Supply Agreement.

¹ Mill Margin Sugar is the difference between total raw sugar production for the 2017 Relevant Season less total Cane Pay Sugar of all growers.

² A benchmark that illustrates the progressive amount of pricing that would accumulate had a passive approach to managing price risk been adopted by the Pool Manager.

3.6 Costs of Pool Operation

- (i) All costs and expenses directly associated with the operation of the Pool will be included in the calculation of the Gross Pool Price. These costs are likely to include, but will not be limited to, the cost of buying put options, futures brokerage fees, and interest on margin calls.
- (ii) Any other costs and expenses associated with the operation of the Pool will be allocated to the Pool in accordance with the Shared Pool Terms.

3.7 Pool Administration Fee

All growers for whom MSF Marketing is their Nominated Pool Manager, share in the cost to administer and manage grower Cane Pay Sugar allocations through the MSF Shared Pool. As such, a separate fee to administer and manage grower Cane Pay Sugar allocations (Administration Fee) is not charged.

4 RISK PROFILE

4.1 Price Risk

- (i) Given MSF Marketing has discretion on the timing of both ICE 11 and currency transactions, the price risk associated with the Pool is higher than what would be expected had a passive approach to pricing been adopted in this Pool.
- (ii) Price risk is managed in accordance with MSF Marketing's Risk Management Policy³.

4.2 Production Risk

- (i) The production risk for a Grower is higher in respect of this Pool when compared to Non-Committed ICE 11 Pools due to the Grower having to commit Cane to produce the Cane Pay Sugar allocated to the Pool before it is actually produced.
- (ii) In the event that the Grower is unable to meet this commitment, the financial consequences for the Grower could include Close-Out Losses.

4.3 Audit

The Net Pool Price and MSF Marketing's adherence to the Risk Management Policy will be independently audited on the basis determined by MSF Marketing from time to time in consultation with a panel of growers established for the purpose of providing a single point of reference for such transparency related matters (Grower Reference Panel).

5 DISCLAIMER

5.1 Limitation

To the extent permitted by law, MSF Marketing is not liable for and disclaims all liability for any Loss suffered or incurred by any person which arises out of these Pool Terms, and whether the Loss arises as a result of any negligence by MSF Marketing or any other cause.

5.2 Release

The grower releases MSF Marketing and its officers, directors, employees, agents or related bodies corporate from its liability for any Loss suffered by the grower arising out of these Pool Terms.

5.3 Indemnity

The grower indemnifies MSF Marketing against all liability or loss in relation to, or in connection with or as a result of a breach of these Pool Terms.

5.4 AFSL

The grower acknowledges that:

- (i) MSF Marketing does not hold an AFSL; and
- (ii) within a reasonable period before these Pool Terms were entered into, MSF Marketing informed the grower that MSF Marketing did not hold an AFSL.

5.5 Reliance on Information

- (i) MSF Marketing may, from time to time, provide the grower with information, documents, statements, opinions and data (both in written and oral form) in relation to Cane and sugar pricing, including in relation to this Pool (Information).
- (ii) MSF Marketing and its Related Bodies Corporate, directors, officers,
- (iii) employees or representatives do not make any representation or warranty, express or implied as to the currency, accuracy, reliability or completeness of the Information.
- (iv) The grower acknowledges and agrees that:
 - A. it must make and solely rely upon its own independent investigation, judgment and assessment of the Information;
 - B. it will obtain its own independent legal, financial and other advice in relation to the content of the Information; and
 - C. MSF Marketing and its Related Bodies Corporate, officers, employees, independent contractors and representatives do not accept liability for any reliance placed on the Information by the grower.

- (v) The grower is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of these Pool Terms.
- (vi) The grower is capable of assuming, and assumes, the risks of or in any way connected with these Pool Terms and amongst other risks, understands that past performance of the Pool is not indicative of future performance.

6 INTERPRETATION AND RELATED DOCUMENTS

6.1 This document is to be read in conjunction with the following documents:

- (i) The relevant grower's Grower Pricing Agreement;
- (ii) The relevant grower's Cane Supply Agreement; and
- (iii) Pricing Pool Terms for MSF Marketing Pricing Pools.

6.2 Capitalised terms not otherwise defined in these Shared Pool Terms have the same meaning as in the relevant grower's Grower Pricing Agreement.

6.3 A reference to Cane Pay Sugar is a reference to Cane Pay Sugar of all growers for whom MSF Marketing is the Pool Manager under their respective Grower Pricing Agreements unless the reference is to that of a specific grower only.



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³ The risk management policy adopted by MSF Marketing from time to time to manage Pool price risk.