



# Cane Pricing Guide

For growers who nominate MSF Marketing  
as their Pool Manager

# Welcome



As a valued supplier of cane to MSF Sugar mills, I welcome you to the Cane Pricing Guide. MSF Sugar is proud of the marketing business we have developed over the last decade, a business that has been founded on establishing trust with its suppliers through collaboration and transparency.

MSF Sugar and its parent company Mitr Phol continue to invest in the future of the sugar supply chain, to maximise the value of the sugar from the cane that you produce. A key to achieving this goal is ensuring that all participants achieve the best price possible, to encourage all participants in the supply chain to continue to invest in their businesses.

Regards,  
Mike Barry – CEO



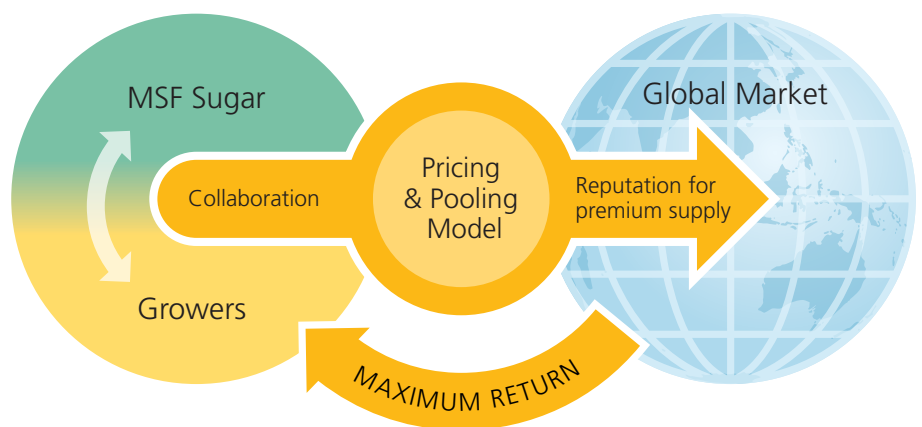
MSF Marketing has a long history of working with cane growers to maximise the profitability of cane enterprises. The key to our past success has been our open and transparent dealings with our suppliers and the valued input of grower representatives to the constant improvement of our Pricing & Pooling Model.

The sugar market remains as volatile as ever. To maximise your returns it is important that you are aware of the various alternative methods available to set your cane price. I encourage you to become familiar with all of the options available to you when using the MSF Pricing & Pooling Model.

MSF Marketing is proud of the connectivity that it has established across the supply chain, becoming known as a premium supplier of sugar on the global stage. Our direct link back to growers is an important factor in our market presence and we look forward to working with you to maximise the value of the sugar produced for the benefit of all participants in the supply chain.

I hope you will find this Guide helpful and encourage you to call us to discuss the ways we can help you achieve your pricing goals.

Regards,  
Paul Heagney – General Manager Marketing



**Trust and transparency in our supply chain**

# About MSF Marketing

MSF Marketing is a fully resourced commodity business with specialist commodity risk management, physical sales and logistics and support teams.



Strength in our region

MSF Marketing is a business unit of MSF Sugar and is responsible for the pricing and physical sales of all raw sugar marketed by MSF Sugar.

MSF Marketing manages the raw sugar produced from MSF Sugar's cane farms, mill margin sugar under the Cane Supply Agreements and Grower Cane Pay Sugar exposure where the grower has nominated MSF Marketing as the Pool Manager.

MSF Marketing is a fully resourced commodity business with specialist commodity risk management, physical sales and logistics and support teams to ensure the maximum value can be achieved for the sugar produced and marketed by MSF Sugar.

## MSF Sugar

MSF Sugar Limited is a wholly-owned subsidiary of the Mitr Phol Group.

Mitr Phol is the largest sugar producer in Asia and fourth-largest sugar producer in the world. Mitr Phol's key business activities are in sugar, ethanol, bio-energy, fibre products, logistics and paper. Mitr Phol has sugar operations in Thailand, China, Laos, Cambodia, Vietnam and Australia.

MSF Sugar is an integrated business centred on growing, milling, marketing and exporting raw sugar in Queensland. It has four mills, spread from Maryborough in the south to the Tableland Mill in Far North Queensland.

MSF Sugar is now part of an Asian network of sugar businesses that are focused on seeking sales opportunities in the Asian region where sugar consumption is greater than production.

This wide supply focus within Asia, together with MSF Sugar's reputation as a quality supplier of raw sugar, represents a stable, strongly resourced marketing operation for suppliers to MSF Sugar.

## History of MSF Marketing

Following deregulation in 2006, Mulgrave Mill began to independently market raw sugar produced at the Mulgrave and Mossman Mills for direct export. Simultaneously the Maryborough Mill began selling its production to a domestic refiner.

In 2008 MSF Sugar acquired The Mulgrave Central Mill Company Limited. Shortly after bringing the Maryborough Mill and

Mulgrave Mill operations together, the marketing function of the enlarged group was consolidated and all sugar from both mills was exported independently.

MSF Sugar is strongly focused on supplying the growing demand for sugar in Asia and has established strong customer relationships in all key importing countries in this region. MSF Marketing's main export markets include Japan, South Korea, China and Indonesia, with direct shipping arranged from Queensland to each of these destinations.

Beginning in the 2011 season, MSF Marketing has handled the sales and marketing of all MSF Sugar raw sugar production. MSF Marketing's customer focus, logistics management and pricing strategies have enabled us to take advantage of our position as an independent Australian seller to the export market. In 2013, MSF Sugar entered into a Raw Sugar Supply Agreement (RSSA) with QSL.

During this time, the Mulgrave Mill and Maryborough Mill suppliers had a choice whether to remain with MSF Sugar or return to QSL as their nominated Pool Manager.

Following the withdrawal of Wilmar from the new RSSA, MSF Sugar gave notice under the terms and conditions of that commercial contract, and were closely followed by Tully Sugar. The withdrawal from QSL takes effect at the commencement of the 2017 season.

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# MSF Marketing Pricing & Pooling Model

Growers who choose MSF Marketing as their Pool Manager to determine the Final Sugar Price as part of the Cane Price Formula have access to a wide range of choices for ICE Futures Sugar Pricing Pools and an inclusive and transparent Shared Pool model to manage physical premiums and costs.

The MSF Marketing Pricing & Pooling Model has been refined over the last decade and has an excellent history of performance, providing growers with market leading alternatives.

The MSF Marketing Pricing & Pooling Model has the following two key elements:

- All physical premiums and costs are equally shared between MSF Sugar and the growers.
- MSF Marketing provides transparency to growers via the Grower Reference Panel.

## Grower representation and participation

A key to the MSF Marketing Pricing & Pooling Model is the involvement of grower representatives in the formation of the Model as well as pricing decisions in the case of long term pricing.

### Grower Reference Panel

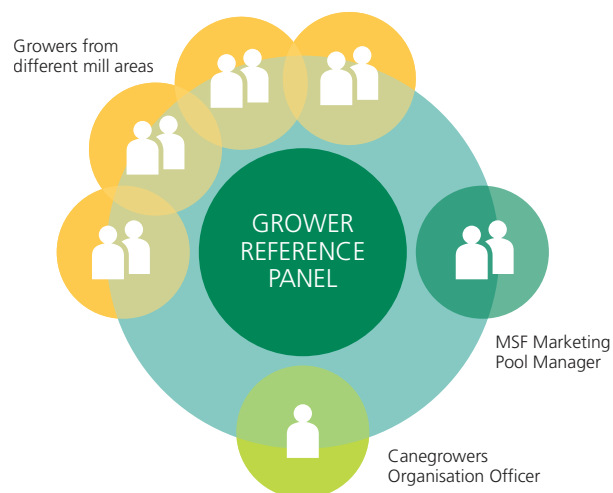
The Grower Reference Panel was initially established to enable grower representatives to contribute to the formation of the current version of the MSF Marketing Pricing & Pooling Model. Once the model was established, the role of the Grower Reference Panel was modified to facilitate the transparency measures of the Model's performance, which includes the Marketing Plan & Pool performance reporting and auditing.

The Grower Reference Panel is comprised of 2–3 growers from each mill area in which growers have nominated MSF Marketing as their Pool Manager, along with a Canegrowers organisation officer. The Grower Reference Panel meets quarterly. All members of the Grower Reference Panel enter into a confidentiality agreement due to their exposure to commercially sensitive material.

### Target Pricing Committees

Each mill area is able to establish a Collective Forward Pricing Pool (please see Choices on page 6 for more information). A committee of growers may be established in each area to set

target pricing levels. MSF Marketing provides these Target Pricing Committees with general market information, as well as regular hedge position updates.



The Grower Reference Panel meets quarterly



Accurate laboratory testing of sugar content in cane

# How is cane priced?

The Cane Price is determined using a formula that is based on the sugar content of your cane (CCS) and the value of that sugar on the world commodity market. Cane prices are therefore strongly influenced by international sugar prices.

The price paid by MSF Sugar to its contracted growers is determined using the following formula:

$$\text{Cane Price} = \text{Final Sugar Price} \times 0.009 \times (\text{CCS} - 4) + \text{Constant}$$

### Cane Price

The price of cane in Australian dollars (AUD) per tonne paid to growers during the milling season.

### Final Sugar Price

The price of raw sugar in AUD per IPS tonne.  
IPS – International Polarisation Scale taking into account futures, premiums and costs.

### 0.009

An average sugar recovery rate – an industry standard based on 90 tonnes of standard quality sugar recovered for each 100 tonnes of CCS.

### CCS

Commercial Cane Sugar – the recoverable sugar in cane expressed as a percentage.  
*This is relative CCS as defined in your Cane Supply Agreement.*

### 4

A one-third share of the CCS – an industry standard based on a one-third to two-thirds ratio split of CCS at 12%, where two-thirds goes to the grower and one-third to the miller.

### Constant

Expressed in AUD per tonne of cane – based on a series of adjustments made over time to reflect changed conditions.  
*This is detailed in your Cane Supply Agreement.*

The Final Sugar Price is the element of the Cane Price Formula that represents the most significant volatility, and therefore risk for the grower.

The two significant components of the Final Sugar Price are:

### ICE Futures Sugar Pricing Pools

Sugar futures price expressed in AUD per IPS tonne.

ICE – InterContinental Exchange, Inc. – An American network of exchanges and clearing houses for financial and commodity markets.

### Shared Pool

Direct and indirect revenues and costs associated with managing the pools and other marketing costs expressed in AUD per IPS tonne.

Under the Cane Supply Agreement, growers can choose MSF Marketing, or an alternative, as their Pool Manager to establish the Final Sugar Price.

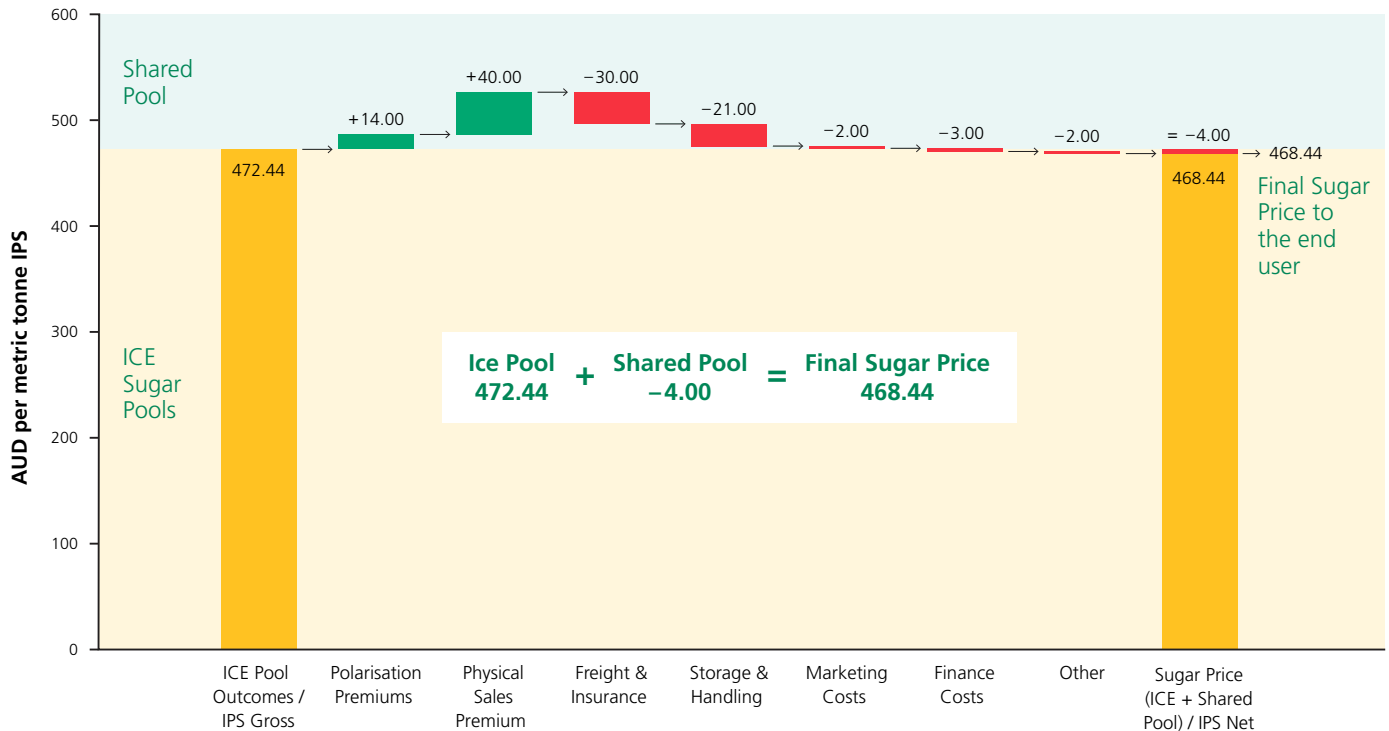
# Establishing a Final Sugar Price

The Final Sugar Price is a key component of the cane price formula.

The two significant components of the Final Sugar Price are:

- ICE Futures Sugar Pricing Pools – sugar futures price expressed in AUD per IPS tonne.
- Shared Pool – direct and indirect revenues and costs associated with managing the pools and other marketing costs expressed in AUD per IPS tonne.

Example of the Final Sugar Price:



## ICE Futures Sugar Pricing Pools

Growers are offered participation in a wide range of ICE Futures Sugar Pricing Pools, which all aim to maximise the value of the ICE Futures Sugar Pricing Pools, expressed in Australian dollars and included in the Final Sugar Price.

Sugar futures are traded on the InterContinental Exchange (known as ICE), which is one of the world's largest futures exchanges. Sugar futures are expressed in US cents per pound (US c/lb) and are traded for future delivery.

Most ICE Futures Sugar Pricing Pools are made up of Sold ICE 11 Sugar Futures, which is the futures contract generally used for price discovery for world raw sugar prices, and Foreign Exchange Contracts, which convert the futures from USD into AUD.

All growers will also participate in the US Quota Pool, which is the MSF Sugar share of US Quota allocated, and this Pool includes Sold ICE 16 Sugar Futures and Foreign Exchange Contracts. The US domestic sugar price is at a premium to world prices, and the Quota allocated to all Australian mills is usually 2.5% of total production.

The Sugar Futures price, expressed in AUD, is converted to a value per IPS tonne using the IPS Conversion Factor. The IPS Conversion Factor adjusts for the price for the polarisation differential from expected polarisation produced to 98.95 degrees, to create a common pricing specification across all mills and regions. The IPS Conversion Factor used by MSF Marketing when quoting prices or pool estimates is usually 1.037. See the example calculation opposite.

MSF Marketing provides growers with the opportunity to allocate their Cane Pay Sugar (underlying sugar exposure) to multiple ICE Futures Sugar Pricing Pools. More information can be found on page 6 outlining grower's choices.

## Shared Pool

Growers who choose MSF Marketing as their Pool Manager, as well as MSF's Mill Margin Sugar, participate in the Shared Pool. The Shared Pool contains physical premiums, which are net of all costs associated with managing the pools and other marketing costs and is expressed in AUD per IPS tonne.

The key components of the Shared Pool are:

- Premiums to ICE Futures achieved in the physical raw sugar sale.
- Polarisation premiums paid for raw sugar delivered above 96 degrees pol.
- Direct costs associated with physical sugar supply – e.g. storage, handling and freight.
- Costs of running the marketing program, e.g. finance, bank fees, brokerage and marketing fees.

Most of the items in the Shared Pool are denominated in USD and need to be converted into AUD per IPS tonne.

Physical raw sugar sales are generally negotiated as a differential to ICE Futures delivered to the buyer's home port, and the differential is usually a premium, and is therefore described in the Shared Pool as 'Premiums to ICE Futures achieved in the Physical Raw Sugar Sale'. Shortly before delivery takes place, MSF Marketing and the buyers enter into a futures transaction that establishes the futures price used in the physical transaction.

Sample calculations and conversions:

$$\text{Sugar Futures} = \left[ \frac{\text{Sold Sugar Futures}}{\text{US cents per lb}} \times \frac{2,204.623}{\text{lbs to kgs}} \right] \div \frac{\text{AUD : USD}}{\text{exchange rate}} \div \frac{1.037}{\text{IPS conversion}}$$

AUD per IPS tonne

Example:

**16.00** US c/lb × **2204.623** = **USD352.74** per tonne actual

**USD352.74** per tonne actual ÷ **0.7200** (AUD:USD exchange rate) = **AUD489.92** per tonne actual

**AUD489.92** per tonne actual ÷ **1.037** (IPS conversion) = **AUD472.44** per tonne IPS

This conversion table shows the impact of the ICE Futures Sugar Price and the Australian dollar when calculating a sugar futures price, expressed in AUD gross per IPS tonne, as part of the Final Sugar Price.

AUD	ICE Futures Sugar Price (US c/lb.)				
	12.00	14.00	16.00	18.00	20.00
<b>0.8500</b>	300	350	400	450	500
<b>0.8000</b>	319	372	425	478	531
<b>0.7500</b>	340	397	454	510	567
<b>0.7000</b>	364	425	486	547	607
<b>0.6500</b>	392	458	523	589	654
<b>0.6000</b>	425	496	567	638	709

This conversion table shows the estimated impact of the gross Final Sugar Price and CCS on the price of cane (excluding constant).

CCS	Final Sugar Price per MT IPS				
	350	400	450	500	550
<b>11.0</b>	22.05	25.20	28.35	31.50	34.65
<b>11.5</b>	23.63	27.00	30.38	33.75	37.13
<b>12.0</b>	25.20	28.80	32.40	36.00	39.60
<b>12.5</b>	26.78	30.60	34.43	38.25	42.08
<b>13.0</b>	28.35	32.40	36.45	40.50	44.55
<b>13.5</b>	29.93	34.20	38.48	42.75	47.03
<b>14.0</b>	31.50	36.00	40.50	45.00	49.50
<b>14.5</b>	33.08	37.80	42.53	47.25	51.98
<b>15.0</b>	34.65	39.60	44.55	49.50	54.45

# Choices

Growers are offered participation through allocation of Cane Pay Sugar into a wide range of ICE Futures Sugar Pricing Pools, which all aim to maximise the value of the ICE Futures Sugar Pricing Pools, expressed in Australian dollars, included in the Final Sugar Price.

Pool allocations can occur anytime after the required agreements are completed and up to three (3) seasons in advance for Forward Season Pools, with In-Season allocations usually made in March of the crush year.

There is also a compulsory allocation of US Quota Pool, which usually receives a premium to world sugar prices and represents approximately 2.5% of the Cane Pay Sugar exposure.

All Cane Pay Sugar not allocated into the Forward Season Pools, In-Season Pools or the US Quota Pool will be automatically allocated into the Default Pool, which also manages production risk for all MSF Marketing exposures.

All Cane Pay Sugar, as well as Mill Margin Sugar, will be adjusted by the outcome of the Shared Pool before determining the Final Sugar Price for the cane price formula.

As allocations are made before actual cane production is known, an estimate of the Actual Cane Pay Sugar available to be allocated to Forward Season and/or In-Season Pricing Pools is provided at various stages leading up to the crush, calculated using 5-year average historical production.

The maximum commitment of the Actual Cane Pay Sugar estimate as at 1 January, excluding US Quota is:

- Current season (C) 60%
- Current season plus 1 year (C+1) 60%
- Current season plus 2 years (C+2) 50%
- Current season plus 3 years (C+3) 40%

Maximum limits are often referred to as Production Risk Exposure Limits (PREL) because they are designed to reduce the risk of being over-committed or over-hedged.

More information on pools can be found in the Pool Terms, which MSF Marketing makes available to growers at the commencement of the allocation period of each pool.

MSF Marketing provides regular updates on Pool Mark To Market (pool estimate based on remaining exposures revaluated at current market) at [www.msfsugar.com.au](http://www.msfsugar.com.au)

The Final Cane Pay of each season is based on each grower's allocation. The Sugar Price Report – Final will outline the Final Pool Value and the Cane Pay Sugar allocated to each pool.

	Compulsory Pools	Optional Pools	Default Pools
Minimum and Maximum Quantity	Maximum of 60% of 5-year average + US Quota		Minimum of 35% of 5-year average
ICE Futures Sugar Pool Choices	US Quota Pool	<p><b>Forward Season</b></p> <ul style="list-style-type: none"> <li>• Individual Grower Pricing</li> <li>• Regional Collective <u>Forward</u> Pricing</li> </ul> <p><b>In-Season</b></p> <ul style="list-style-type: none"> <li>• Guaranteed Floor</li> <li>• Seasonal Pool</li> </ul>	<p><b>Late Season Pool</b></p> <ul style="list-style-type: none"> <li>• Production Buffer</li> <li>• All Cane Pay Sugar produced, less US Quota and Optional Pools</li> </ul>
Shared Pool	<p><b>Physical Premiums less costs</b></p> <ul style="list-style-type: none"> <li>• All Cane Pay Sugar is adjusted for the Shared Pool outcome</li> </ul>		



$$\text{Actual Cane Pay Sugar} = \left[ \text{Tonnes of Cane} \times 0.009 \times (\text{CCS} - 4) \right] \div \text{IPS Conversion Factor}$$

#### Actual Cane Pay Sugar

Underlying Sugar Exposure is expressed in tonnes actual.

#### Tonnes of Cane

The total volume of cane supplied by the grower for the season.

#### CCS

Relative CCS as defined in your Cane Supply Agreement.

#### IPS Conversion Factor

The factor to convert tonnes of actual sugar produced by MSF Sugar to IPS tonnes.

Pool	Type	Minimum allocation	Optional/ compulsory	Committed	Pricing decision maker	Allocation period	Pricing period	General comments
<b>US Quota</b>	Compulsory	No	Compulsory	No	MSF	Not applicable		Generally 2.5% of total exposure. US Quota trades at a premium to world prices, as it is a protected market.
<b>Individual Pricing Pool</b>	Forward Season	Yes – 50.8 tonnes actual sugar	Optional	Yes	Individual grower	Up to 3yrs forward	Up to 3yrs forward until Mar. of crush year	Priced in AUD/mt actual. Participation by placing orders. 50.8mt lots (same as 1 futures contract).
<b>Regional Collective Forward Pricing Pool</b>	Forward Season	No	Optional	Both	Target Pricing Committee	Up to 3yrs forward	Up to 3yrs forward until Feb. of crush year	Although in most cases is committed, this pool can be uncommitted. Regional Pools. Forward pricing.
<b>Seasonal Pool</b>	In-Season	No	Optional	Yes	MSF	March of crush year	Apr. of crush year to Mar. of next year	In-Season discretionary pool. Ability to price more than the Late Season Pool in the early stages of the season.
<b>Guaranteed Floor Pool</b>	In-Season	No	Optional	Yes	MSF – defined return	March of crush year	Apr. of crush year to Mar. of next year	Guaranteed minimum price, with 50% participation in beneficial moves above the strike price.
<b>Late Season Pool</b>	Default/ production buffer	No	Compulsory	No	MSF	Not applicable	Apr. of crush year to Mar. of next year	Default/production buffer pool. Prices most of the exposure after the middle of the crush, due to production uncertainty.



Raw sugar being loaded for export

# Documentation

Key agreement and supplementary information for participation in the MSF Marketing Pricing & Pooling Model:

## Cane Supply Agreement (CSA)

An existing CSA must be in place prior to participating in the MSF Marketing Pricing & Pooling Model. A CSA outlines all of the conditions of cane supply.

## Grower Pricing Agreement (GPA)

A GPA is a master agreement and outlines all standard terms and conditions relating to the MSF Marketing Pricing & Pooling Model. A GPA is required when nominating a Pool Manager and allocating Cane Pay Sugar to Optional Pools.

## Pool Terms

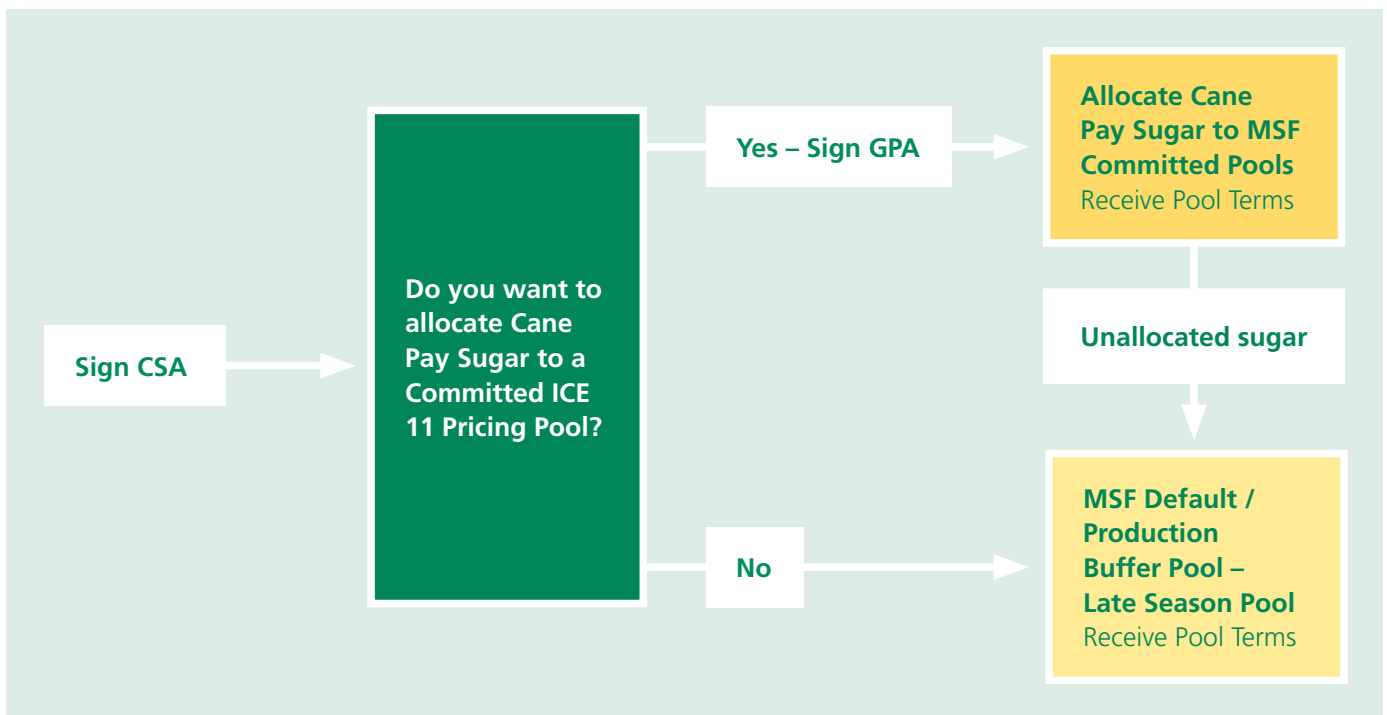
Pool Terms outline the specific terms and conditions that relate to each pool. MSF Marketing makes the Pool Terms available to growers at the commencement of the allocation period of each pool.

## Cane Pricing Guide *(this document)*

The Cane Pricing Guide is designed to provide growers with information on their available choices and to explain how cane prices are calculated.

## Final Sugar Price Calculation Procedures

The Final Sugar Price Calculation Procedures documents the methodologies, and where applicable underlying principles, that MSF Marketing is to follow when calculating the sugar price used when determining a grower's cane price. The Final Sugar Price Calculation Procedures is made available to various grower representative committees, including the Grower Reference Panel, as well as the auditor appointed at the conclusion of each season.



MSF Sugar provides growers with assistance to maximise their cane production

# Frequently asked questions

## Is this Guide for growers who have nominated an Alternative Pool Manager?

Although there is some useful information about how cane is priced in this Guide, the alternatives for setting the Final Sugar Price will vary when an Alternative Pool Manager is selected. The Alternative Pool Manager is likely to provide a similar Guide to assist in decision making. Growers who select an Alternative Pool Manager via the GPA will be subject to the Alternative Pool Manager's pool terms.

## Why would I participate in a Commitment Pool?

Growers usually participate because they want the opportunity to influence the price they receive for their cane. All Cane Pay Sugar not allocated to a Committed Pool defaults into the MSF Late Season Pool, which also serves as the Production Buffer Pool. This pool is typically priced towards the end of the crush when there is more confidence in the pool exposure, and therefore if you have all of your Cane Pay Sugar in this pool, you will not have much pricing prior to the commencement of the crush.

## What is Cane Pay Sugar?

Cane Pay Sugar represents your underlying share of the sugar produced from cane you supply and is the basis of your cane payment.

## What are my obligations if I participate in a Commitment Pool?

Individual ICE 11 and Collective Committed ICE 11 Pricing Pools require you to commit a fixed quantity of Cane Pay Sugar. You must meet your obligation to supply.

## What happens if I cannot supply all of the committed cane?

Any financial consequences, which may be positive or negative, of not meeting your commitment (obligation to supply) will be for your account. Financial consequences will be calculated on the basis of 'replacement cost or benefit'. For example (see table below) where:

- ABC Pty Ltd's 5-year average sugar production is 400mt.
- ABC Pty Ltd allocates 240mt (60% maximum) to the Collective Forward Pricing Pool.
- The Collective Forward Pricing Pool's final price is \$460/mt.
- ABC Pty Ltd has a major production event and only produces 180mt, and needs to Close Out the Commitment Short Fall.

## As a Committed Pool participant, will I be impacted if another Committed Pool participant does not meet their cane quantity obligations?

No. Any consequences of not meeting cane quantity obligations are for the account of the grower concerned.

## What happens if I sell my farm and I have made a commitment?

You can transfer your commitment/pricing to the new owner provided all parties agree and sign the required documentation. Otherwise, any financial consequences (positive or negative) of not meeting your commitment will be for your account.

## Can I transfer my commitment/pricing to another grower?

Yes, you can transfer pricing and therefore commitment to another grower, provided that all parties (including MSF Marketing):

- are in agreement, and
- read and sign the required documentation.

## Will other pricing pools be available in the future?

Yes, MSF Marketing works closely with the Grower Reference Panel to ensure that the most appropriate pools are available. Existing pools can be fine-tuned, new pools added and pools that receive little support may be removed.

## Am I limited to how much Cane Pay Sugar I can commit?

Yes. Maximum pricing limits are applied to your estimated Cane Pay Sugar to reduce your risk of overpricing. Therefore, you are limited in the tonnage of Cane Pay Sugar you are able to commit.

## How is estimated Cane Pay Sugar calculated?

The steps involved in calculating the tonnage of Cane Pay Sugar that you can commit (Production Risk Exposure Limit or PREL) are as follows:

- Your cane production is estimated using your 5-year average production adjusted for changes in area under cane (as agreed between you and MSF Marketing).
- Your CCS is estimated using your 5-year average Relative CCS.
- Your Cane Pay Sugar estimate is calculated using the formula shown on page 7 to determine the 5-year average.



Cairns Bulk Sugar Terminal

	Committed (mt)	Expected delivery prior to event (mt)	Actual delivery (mt)	Short Fall (mt)	Close out Profit if buy back price is \$430/mt	Close out Loss if buy back price is \$500/mt
<b>Collective Forward Pricing Pool</b>	240mt	240mt	180mt	60mt	\$30 per mt	\$40 per mt
<b>Late Season Pool</b>	0	160mt	0	0	0	0
<b>Total</b>	240mt	400mt	180mt	60mt	Profit \$1,800	Loss \$2,400

# Glossary of terms

The glossary of terms covers phrases that are used in the Guide, as well as others that relate to general marketing activity.

<b>Advance Payments</b>	The system of progressive payments by MSF Marketing to grower suppliers throughout the year.
<b>Against Actuals (AA)</b>	An AA is a pre-arranged Futures transaction between a Buyer and Seller of the physical sugar, whereby the Buyer of physical sugar receives Sold Futures and the Seller of physical sugar receives Bought Futures. The futures price agreed in the AA is then applied to the Physical Premiums to determine a final price for invoicing.
<b>Allocation Period</b>	The Allocation Period, determined in accordance with this document and the Pricing Pool Terms, is the period within which the Grower may submit an Election Notification to allocate Cane Pay Sugar for the Relevant Season to a Committed ICE 11 Pool.
<b>Alternative Pool Manager</b>	Pool Manager other than MSF Marketing.
<b>Arbitrage</b>	The simultaneous purchase and sale of similar commodities (or same commodity) in different markets to take advantage of price discrepancy.
<b>AUD</b>	Australian dollars.
<b>Back-wardation</b>	Market situation in which the futures prices are progressively lower in the distant delivery months.
<b>Basis</b>	The difference between the cash or physical price and the futures price.
<b>Bear</b>	One who expects a decline in prices.
<b>Bear Spread</b>	In most commodities and financial instruments, the term refers to selling the nearby month and buying the deferred month to profit from the change in the price relationship.
<b>Bid</b>	An offer to buy a specific quantity of a commodity at a stated price. Opposite of 'offer'.
<b>Broker</b>	A company or individual that executes futures and options orders on behalf of financial and commercial institutions and/or the general public.
<b>Bull</b>	One who expects a rise in prices.
<b>Bull Spread</b>	In most commodities and financial instruments, the term refers to buying the nearby month and selling the deferred month to profit from the change in the price relationship.
<b>Cane Payment</b>	Payment by MSF Marketing to the grower supplier for cane. Payment is made via an advance payment system with the final price paid being determined by the Cane Price Formula under the relevant Cane Supply Agreement.
<b>Cane Pay Sugar</b>	The nominal grower supplier share of the sugar produced from cane supplied, upon which Cane Payment is based.
<b>Cane Price</b>	Price received for cane.
<b>Cane Price Formula</b>	Formula used to calculate the Cane Price.
<b>Cane Price Guide</b>	This document, for the use of growers who nominate MSF Marketing as their Pool Manager.
<b>Cane Supply Agreement (CSA)</b>	An agreement between a grower supplier and a mill to supply all cane produced to that mill under a set of terms and conditions.
<b>Cash or Physical Market</b>	Market for delivery of, and payment for, physical commodities.
<b>Commencement of Pricing</b>	Any future-dated pool (Forward Pricing Pools) will become available for grower pricing from three (3) seasons prior to the commencement of the harvest relating to that pricing.
<b>Commercial Cane Sugar (CCS)</b>	An estimate of sugar yield from cane supplied.
<b>Committed Cane</b>	Cane that has been allocated to a specific Pool, which must be supplied.
<b>Contango</b>	Market situation in which prices are progressively higher in succeeding delivery months than in the nearest delivery months. Sometimes called a 'Carry-charge market'.
<b>Cost and Freight (CFR)</b>	An international term for Cost and Freight where the seller pays for the cost and freight necessary to move the commodity to the buyer's nominated port. Risk transfers to the buyer once the commodity is loaded at port of origin. Sometimes called 'C&F'.
<b>Committed Sugar Pools</b>	A tonnage of raw sugar a supplier must make under the terms of their nomination to a particular pool. This is a contractual commitment and must be supplied. Committed pools include all forward pricing pools and some in-season pools.

<b>Default Pool</b>	For a Relevant Season, the Pricing Pool of a Pool Manager which is neither the US Quota Pool nor a Committed ICE 11 Pool and, if there is more than one such Pricing Pool, that which is identified as the Default Pool in the relevant Pricing Pool Terms.
<b>Final Sugar Price</b>	Price for Sugar expressed in AUD per IPS tonne contained in the Cane Price Formula.
<b>Free on Board (FOB)</b>	An international term of sale that means the seller completes their obligation of delivery once the commodity is loaded on the vessel at the port of origin.
<b>Forward</b>	In the future.
<b>Fundamental Analysis</b>	A method of anticipating future price moves by studying the supply and demand information.
<b>Futures Contract</b>	A legally-binding agreement made on the futures exchange to buy or sell a commodity at a time in the future. Futures contracts have standardised terms and conditions – the only element that changes is the price.
<b>Forward Pricing Pool</b>	A cane pricing mechanism under which an individual grower, or a collective of growers, can commit to a pool that has the ability to price up to three (3) years forward.
<b>Good 'Til Cancelled (GTC)</b>	Good 'Til Cancelled orders remain in place at a set price until the investor decides to cancel the order or the trade is completed.
<b>Grower</b>	A supplier of cane to MSF Sugar Limited under a Cane Supply Agreement.
<b>Grower Pricing Agreement (GPA)</b>	An agreement that sets out the terms and conditions under which MSF Sugar Limited will provide access to Committed Pools.
<b>Grower Reference Panel (GRP)</b>	Panel of Regional grower representatives with the purpose to provide a mechanism to facilitate the practical implementation of transparency measures; specifically quarterly Marketing Plan preview and review meetings and reporting of Pool Audit outcomes.
<b>Hedger</b>	An individual or company owning, or planning to own a cash commodity (e.g. corn, soybeans, wheat, bank bills, wool, beef etc.), and are concerned that the cost of the commodity might change before either buying or selling it in the cash market. A hedger achieves protection against changing cash prices by purchasing (or selling) futures contracts of the same or similar commodity and later offsetting that position by selling (or purchasing) futures contracts of the same quantity and type as the initial transaction.
<b>ICE Sugar Pricing Pools</b>	Pricing Pools that contain Sugar Futures Contracts expressed in AUD per IPS tonne.
<b>ICE No.11 Pools</b>	Pools where the pricing mechanism is directly related to the ICE No.11 futures contract. This includes all pools except the US Quota.
<b>ICE No.11 Pool Price</b>	The ICE No.11 Pool price represents the price at the 'ship's rail'. In effect it is the combination of No.11 futures converted into AUD per tonne prior to any allocation of the Shared Pool.
<b>In-Season Pool</b>	A pool that only commences operation the day following the Allocation Close date for a particular season and remains in operation for the duration of the crush year.
<b>International Polarisation Scale (IPS)</b>	International Polarisation Scale is the price adjustment scale described in the rules of the Sugar Association of London. It defines incremental price premiums applied to sugar above 96 degrees polarisation.
<b>IPS Conversion Factor</b>	A factor used according to the International Polarisation Scale to convert Tonnes Actual to Tonnes IPS in a Relevant Season. The IPS Conversion Factor is determined by reference to the specifications of sugar supplied in that Relevant Season.
<b>Last Trading Day</b>	The final day when trading may occur in a given futures or options contract month. Futures contracts outstanding at the end of the last trading day must be settled by delivery of the underlying commodity (as is the case for ICE No.11) or by monetary settlement.
<b>Long</b>	Means that you have bought, or own, something and haven't yet sold it.
<b>Nearby Month</b>	The futures contract closest to expiration, also referred to as 'spot month'.
<b>Nomination Date</b>	The last Business Day in December in the year preceding the Relevant Season, or such other date as the Mill Owner notifies to the Grower in writing from time to time.
<b>Minimum Price Fluctuation</b>	See 'tick' as defined in the Glossary.
<b>MSF Marketing</b>	Refers to MSF Marketing Pty Ltd (ACN 147 832 853), which undertakes marketing activities for MSF Sugar, including Pool Management.
<b>MSF Sugar</b>	Refers to the legal entity undertaking the milling activities under the Cane Supply Agreement (CSA).

## Glossary continued

<b>Offer</b>	An indication of willingness to sell at a given price. Opposite of 'bid'.
<b>Open Interest</b>	The sum of futures contracts to one delivery month or one market that has been entered into and not yet liquidated by an offsetting transaction or fulfilled by delivery.
<b>Physical Premium</b>	Premiums to ICE Futures achieved in the Physical Raw Sugar Sale.
<b>Polarisation Premium</b>	This is a price adjustment to a sales contract that reflects the value of polarisation in the raw sugar supplied above 96 degree polarisation. Sugar traded on the ICE No.11 contract is for 96 degrees polarisation.
<b>Pool Manager</b>	Entity nominated to manage the pricing and physical sales of Cane Pay Sugar to establish a Final Sugar Price.
<b>Pricing &amp; Pooling Model</b>	Choices offered to growers who nominate MSF Marketing as their Pool Manager.
<b>Pricing Window</b>	The timeframe over which pricing decisions are made.
<b>Rally</b>	An upward movement in prices following a decline.
<b>Season Information Date</b>	The last Business Day in February in the year of the Relevant Season, or such other date as the Mill Owner notifies to the Grower in writing from time to time.
<b>Shared Pool</b>	The notional pool managed by a Pool Manager to which various premiums (not being sales revenue derived from ICE No. 11 or ICE No. 16 raw sugar futures contracts), costs, losses and financial gains are pooled and then allocated to Pricing Pools managed by that Pool Manager.
<b>Short</b>	This means you have sold something without having ownership of the item(s), or you have a requirement for the item(s) without having purchased it.
<b>Spot Month</b>	See 'nearby month'.
<b>Sugar Price</b>	Means the price of a relevant pool or pricing mechanism per tonne of IPS sugar as announced by the various Pool Managers.
<b>Target Price Committee</b>	Committee of grower representatives that set target price levels for Cane Pay Sugar committed by Growers to a Collective Pricing Pool.
<b>Target Pricing Levels</b>	ICE No. 11 Sugar Futures Prices expressed in AUD per metric tonne targeted by placing Good 'Til Cancelled (GTC) Orders.
<b>Technical Analysis</b>	An appraisal of future price movements using historical prices, trading volume, open interest and other trading data to study price patterns.
<b>Tick</b>	The smallest allowable increment of price movement for a contract. Also referred to as 'minimum price fluctuation'.
<b>Tonnes Actual</b>	An actual tonne of raw sugar.
<b>Tonnes IPS</b>	An IPS (International Polarisation Scale) tonne is a tonne of raw sugar equivalent to 98.95 polarisation. It takes more cane – or CCS – to produce an IPS tonne than a tonne of (say) 96 pol sugar because a tonne of IPS sugar has fewer impurities in it (less molasses). However, a higher pol sugar (98.95 pol is higher quality than 96 pol) is more valuable to a refiner. This additional value is embedded in the premium received in the Sugar Price.
<b>Volume</b>	The number of purchases or sales of a commodity futures contract made during a specified period of time, often the total transactions for one day.





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