

# MSF Marketing – 2022 US Quota Pool Terms

## 1 KEY FEATURES

### 1.1 Overview

- (i) In this Pool, all growers and Mill Owners share in the returns from export sales of raw sugar to the United States through its quota system.
- (ii) All growers for whom MSF Marketing is the Pool Manager under their respective Grower Pricing Agreements and the mill owners whose sugar production is marketed by MSF marketing (**Mill Owners**) will receive the same US Quota Pool price.
- (iii) The gross price achieved in respect of the Pool for the 2022 Season will be derived from a combination of prices achieved from selling ICE 16 futures contracts<sup>1</sup> and direct negotiation with customers, converted from US dollars (**USD**) to an AUD return, 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 3.5 below), the **Final Pool Price** for this Pool shall equal the Net Pool Price.

### 1.2 Application of Pricing Pool Terms

These Pricing Pool Terms will apply to the 2022 Season and to Cane Pay Sugar and Mill Margin Sugar<sup>2</sup> for the 2022 Season

### 1.3 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.

### 1.4 Availability

This Pool applies to all growers who supply cane to Mill Owners and for whom MSF Marketing is their Pool Manager and to all Mill Owners.

### 1.5 Pre-conditions

Subject to 2.1, it is a pre-condition for the operation of this Pool that the Mill Owners are entitled to export raw sugar.

### 1.6 Mill Margin Sugar

The Pool will contain Mill Margin Sugar.

## 2 MANAGEMENT STRATEGY

### 2.1 Objective

MSF Marketing aims to secure the best possible returns for this Pool from the US Quota system, within the constraints of customer requirements and market liquidity on the ICE 16 futures market. MSF Marketing continually assesses where the best return can be gained and if a higher value can be obtained by selling the raw sugar to an alternative market, MSF Marketing will do so. If this occurs, then the raw sugar that has been provisionally assigned to this market will be allocated to the MSF Marketing 2022 Late Season Pool rather than to the MSF Marketing 2022 US Quota Pool.

### 2.2 Management Parameters

- (i) MSF Marketing is able to use the following derivatives in managing the Pool: ICE 16 futures contracts and foreign exchange contracts.
- (ii) The conversion of net USD revenues into AUD must be in accordance with the Risk Management Policy<sup>3</sup>.

## 3 KEY CHARACTERISTICS

### 3.1 Marketing Responsibilities

MSF Marketing will determine whether it or another entity undertakes the physical export marketing of Cane Pay Sugar and Mill Margin Sugar in the Pool.

### 3.2 Price and currency risk

MSF Marketing is responsible for managing the ICE 16 sugar price risk in USD and the associated foreign exchange management to deliver an AUD price.

### 3.3 Allocation Requirements

- (i) The returns from this market are usually anticipated to be higher than other markets. For this reason, subject to paragraph 2.1, it is compulsory for all growers for whom MSF Marketing is their Pool Manager and the Mill Owners to participate and therefore not necessary for growers to allocate Cane Pay Sugar to this Pricing Pool.
- (ii) Subject to paragraph 2.1, MSF Marketing will automatically allocate the first Cane Pay Sugar produced from a grower's cane to this Pool.
- (iii) The amount of Cane Pay Sugar automatically allocated to this Pool on behalf of a grower will depend on the

amount of sugar comprising this Pool and will be based on a grower's pro-rata share of all sugar marketed by MSF Marketing for that season. Typically, the amount of sugar comprising this Pool amounts to 2 – 5% of the total amount of sugar marketed by MSF Marketing and therefore 2 – 5% of the Cane Pay Sugar produced from cane supplied by each grower.

### 3.4 Costs of Pool Operation

- (i) MSF Marketing does not directly charge fees for this Pool.
- (ii) Any costs and expenses associated with the operation of the Pool will be allocated to the Pool in accordance with the MSF Shared Pool Terms.

### 3.5 Pool Administration Fee

Given growers do not make allocations of Cane Pay Sugar to this Pool, the administrative and managerial input required from MSF Marketing is relatively low. As such a fee to administer and manage grower Cane Pay Sugar allocations (Administration Fee) is not charged for this pool.

### 3.6 Other Fees, Costs and Deductions

- (i) If the supply of raw sugar falls below the quantity that has been priced and/or sold in the Default Pool, then, depending on the circumstances, there may be costs to correct the export sales program.
- (ii) Any production shortfall related costs (or gains) remaining, after financial compensation has been received from any growers who failed to deliver Committed Cane, Mill Owners who failed to deliver Mill Margin Sugar allocated to Committed ICE 11 Pools and Mill Owners who failed to deliver Mill Margin Sugar priced via an ICE 11 Pool comprising Mill Margin Sugar only (Mill Owners' Pool), would be passed to all growers and Mill Owners via an allocation from the MSF Shared Pool (i.e. the MSF Shared Pool element of the 2022 US Quota Pool may be significantly negative thereby reducing the 2022 US Quota Net Pool Price).

### 3.7 Cane Pay Advances

Advance payments for Cane supplied by a grower will be made on the basis of and in

<sup>1</sup> The ICE 16 futures market reflects the value of raw sugar within the United States of America only.

<sup>2</sup> Mill Margin Sugar is the difference between total raw sugar production from Mill Owners' mills for the 2022 Season less total Cane Pay Sugar of all growers supplying those mills.

<sup>3</sup> The risk management policy adopted by MSF Marketing from time to time to manage price and other risks.

accordance with its Cane Supply Agreement.

## 4 RISK PROFILE

### 4.1 Price Risk

- (i) Given MSF Marketing has discretion on the timing of both ICE 16 and currency transactions there remains variability in the forecast marketing revenue in the Pool until all of the raw sugar exported to the United States during the Season is priced and the associated USD are converted to AUD. As such, growers can expect the US Quota Net Pool Price to remain volatile until this time.
- (ii) Price risk is managed in accordance with MSF Marketing's Risk Management Policy.

### 4.2 Production Risk

The quantity of raw sugar comprising this pool is small relative to the total amount of sugar marketed by MSF Marketing, and given that this pool takes priority over all other pools, the production risk in this pool is very low.

### 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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