QSL pool choices
2016 season
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Note: The figures in this document have been rounded.
Creating prosperity for you by maximising the pool price
Agenda

- 2015 Season estimated pool returns
- QSL’s 2016 Season pooling options
- Changes to QSL’s offerings
- Considerations for pricing your sugar
- Where do I go for further information?
- Questions
1. 2015 Season estimated pool returns **

As at 27 November 2015

<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>$387</td>
<td>($1)</td>
<td>$386</td>
<td>62%</td>
</tr>
<tr>
<td>QSL Actively Managed Pool</td>
<td>$416</td>
<td>($1)</td>
<td>$415</td>
<td>76%</td>
</tr>
<tr>
<td>QSL Guaranteed Floor Pool</td>
<td>$408</td>
<td>($1)</td>
<td>$407</td>
<td>100%</td>
</tr>
<tr>
<td>QSL 2 Season Forward Pool</td>
<td>$435</td>
<td>($1)</td>
<td>$434</td>
<td>93%</td>
</tr>
<tr>
<td>QSL 3 Season Forward Pool</td>
<td>$420</td>
<td>($1)</td>
<td>$419</td>
<td>95%</td>
</tr>
<tr>
<td>QSL US Quota Pool</td>
<td>$704</td>
<td>($103)</td>
<td>$601</td>
<td>95%</td>
</tr>
</tbody>
</table>

** Prices have been rounded and are an estimate only until pricing for the season is completed. Past performance is provided for reference only and may not be indicative of future performance.
2. QSL’s 2016 Season pool offerings

- Pools for 2016 Season will essentially be same as 2015 Season with slightly different parameters

1. QSL Guaranteed Floor Pool
2. QSL Actively Managed Pool +/- 30%
3. QSL 2-Season Forward Pool +/- 30% **
4. Harvest Pool +/- 20%

- Committed pools
  - No discretion – pricing rules are fixed
  - Similar structure priced during the current season or over seasons

- Uncommitted pool
  - No tonnage commitment other than 35% initial allocation

** QSL 2 Season Forward Pool for 2017 will not be available in Wilmar areas
How much tonnage can be put into each pool?

**COMMITTED POOLS**
- No changes in commitment limits from 2014 season
- Optional tonnage (up to 60%)
  - In-season committed pools
  - Future season committed pool
  - Fixed supply obligation

**HARVEST POOL**
- Minimum required tonnage
  - Default pool for most growers
  - Generally no penalty for not delivering**

**In-season pools:**
- QSL Guaranteed Floor
- QSL Actively Managed

**US Quota (0-5%) Compulsory**
**Subject to Production Buffer failure costs**
**Snapshot of QSL ICE 11 pool characteristics**

<table>
<thead>
<tr>
<th>QSL Guaranteed Floor Pool</th>
<th>QSL Actively Managed Pool</th>
<th>QSL 2-Season Forward Pool (not available in Wilmar areas)</th>
<th>QSL Harvest Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Committed</strong></td>
<td><strong>Committed</strong></td>
<td><strong>Committed</strong></td>
<td><strong>Uncommitted</strong></td>
</tr>
<tr>
<td>Provides a guaranteed minimum return with the potential for higher returns</td>
<td><em>Targets the best return over the season by pricing more frequently as short-term market opportunities arise</em></td>
<td><em>Priced over 2 seasons that targets the best return, with some pre-set triggers</em></td>
<td><em>Designed to manage a limited amount of production variation</em></td>
</tr>
<tr>
<td>Current season</td>
<td>Current season</td>
<td>Next Season</td>
<td>Current season</td>
</tr>
<tr>
<td>No discretion</td>
<td>+/-30% discretion</td>
<td>+/-30% discretion</td>
<td>+/-20% discretion</td>
</tr>
<tr>
<td>Individual production risk</td>
<td>Individual production risk</td>
<td>Individual production risk</td>
<td>Only paid for what is delivered</td>
</tr>
<tr>
<td><strong>Collective risk</strong></td>
<td><strong>Collective risk</strong></td>
<td><strong>Collective risk</strong></td>
<td><strong>Collective risk</strong></td>
</tr>
<tr>
<td>Low price risk</td>
<td>***High price risk</td>
<td>*** High price risk</td>
<td>*** High price risk</td>
</tr>
</tbody>
</table>

**Price risk**

* QSL cannot guarantee the price performance of these pools
** Collective risk is the costs incurred when the Production Buffer fails
*** High price risk means potentially **lower or higher** returns
QSL pool price components

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 (includes forward pricing)
  - QSL Guaranteed Floor Pool
  - QSL Actively Managed Pool
  - QSL 2–Season Forward Pool
- QSL managed

Un-committed sugar (minimum 35%)
- Harvest Pool (ICE 11)
  - QSL Harvest Pool
  - Supplier managed Harvest Pool

Shared Pool Element

Pool net price
Shared Pool element

No changes from 2015 Season

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
In-season pools

Pools that price the current season’s production
2016 season QSL Guaranteed Floor Pool

**POOL OBJECTIVE**

A Committed sugar pool that provides a guaranteed minimum return with potential for higher returns and an accelerated Advances program

- QSL has the ability to set a known minimum price at pricing declaration date (29 Feb 2016) and provides scope for limited participation in upwards market movements across the full season
- Removes risk of downward market moves post 29 Feb 2016
- No discretion to deviate from the benchmark

*Floor price with participation in 50% of market if it moves above the floor price*
• 2016 Guaranteed Floor Pool will have an accelerated advances program
• May through to November the Advances rate will be the same as other pools, as determined by QSL Board
• In December 2016 the Advances rate in this pool is guaranteed to increase to at least 90% regardless of the Advances rate in other pools
• Payments from January 2017 to June 2017 will only be made once the Advances rate for other pools exceeds 90% (expected to be in May 2017)
• Cost of finance for extra payments will be built into the Gross price of the pool
• Finance cost of other pools will not be affected by this pool
QSL Guaranteed Floor Pool
– Nomination process

• Nominations for this pool will open via the Wilmar Grower Pricing web portal in Feb 2016
• Nominations must be made by **5pm 23 February 2016** on Wilmar’s Grower Pricing website
• No further nominations will be accepted after this time
• Growers will have an exposure to the market until the actual floor price is locked in
• The actual floor price will not be locked in until after **5pm Monday 29 February 2016**
• Indications of the expected floor price will be updated daily on **QSL’s website**
• Wilmar will allow Growers to withdraw their nomination at any time up until **5pm 26 February 2016** and place their nominated tonnage into another Committed Pool or the QSL Harvest Pool
QSL Guaranteed Floor Pool
– Nomination process

• The final floor price indication will be published on QSL’s website by **11am Monday 29 February 2016** based on the closing prices from the ICE 11 trading session for **29 February 2016**

• QSL will establish the floor price during the ICE 11 trading session on **29 February 2016**, provided it can establish a floor within A$10 per metric tonne of the final floor price indication published on the QSL website that day, otherwise the pool will be cancelled

• QSL will advise Wilmar on **1 March 2016** whether the floor price was established or whether pool has been cancelled

• Should the pool not proceed, Wilmar will contact growers to discuss whether those growers would like to place their nominated tonnage into another Committed Pool or the QSL Harvest Pool
2016 Season QSL Actively Managed Pool

<table>
<thead>
<tr>
<th>POOL OBJECTIVE</th>
<th>A Committed Sugar Pool that targets the best return over the season by pricing more frequently as short-term market opportunities arise</th>
</tr>
</thead>
</table>

- Current-season pricing only
- Tonnage commitment provides wider discretion than the Harvest and Guaranteed Floor pools
- Tonnage commitment gives QSL ability to:
  - Lead or lag the level pricing by +/-30% from the Benchmark Profile
  - Ability to buy back pricing and price again within limits (active trading)
  - Even exposure across the marketing year (1:2:2:1 ratio)
- **This pool is unchanged from the 2015 Season**
**2016 Season QSL Harvest Pool**

<table>
<thead>
<tr>
<th>POOL OBJECTIVE</th>
<th>An uncommitted pool designed to manage a limited amount of production variation</th>
</tr>
</thead>
</table>

- Balance of tonnage not allocated to Committed sugar sools is priced in this pool
- Absorbs change in supply estimates after Pricing Declaration Date (27 Feb 2016)
- Minimum allocation of 35% of estimated supply required at Pricing Declaration Date
- Default pool for most growers
- Other than Production Buffer failure costs, generally no cost for not delivering original allocation

**Changes proposed for 2016 season**

- Rules for allocating tonnage to the Production Buffer and Storage Peak **unchanged**
- Rules for allocating Production Buffer Costs **unchanged**
- Rules when tonnage in production buffer may be priced are **unchanged**
- Sales to Customers for 50% of the expected buffer may be made prior to physical delivery

* These changes have not been signed off by all milling companies
* Further consultation will occur with Grower organisations before implementation
Production Buffer restrictions

• The RSSA does not differentiate between the commencement of sales and pricing (except in regards to the use of put options) for the management of the On-delivery Component of Production Buffer

• Harvest Pool was amended last year to permit the use of put options for price protection of the buffer prior to its delivery

• The current structure has acted as a brake on returns

• We are now seeking changes around the physical selling to customers of the Production Buffer to provide increased flexibility to place this sugar in the market

• There will be no changes to ICE 11 price risk management

• Growers consulted thus far are supportive of further change
  – (ACFA, Canegrowers and QSL Grower Rep Members)
Why seek the change?

• Current restrictions prevent QSL from being able to deal with directly customers in a manner consistent with its marketing strategy (more sugar is having to be sold via trade)

• In a surplus market this is forcing us to sell later at lower values

• A reduced time to move the sugar reduces flexibility as to when to sell, which is likely to result in lower premiums

• There has been a knock-on effect to pricing of the pool
Proposed market periods for Harvest Pool

Proposed marketing and pricing 2016 Harvest Pool

- **Pricing declaration**
- **Buffer sales**
  - Maximum 50% of buffer can be committed to customers prior to actual delivery provided sales has omnibus supply option
- **Buffer delivery commencement**

**Dates**:
- Dec-15
- Jan-16
- Feb-16
- Mar-16
- Apr-16
- May-16
- Jun-16
- Jul-16
- Aug-16
- Sep-16
- Oct-16
- Nov-16
- Dec-16
- Jan-17
- Feb-17
- Mar-17
- Apr-17
- May-17

**Legends**:
- Storage Peak - Sales & Pricing
- On-delivery Sales
- On Delivery Pricing
Pricing opportunities have been lost versus March and May

2014 Season On-delivery Component pricing period

QSL has been forced to price more at the back end of season
Harvest Pool amendment – Next Steps

• QSL would like to apply this change for 2016 Season

• An amending deed for the RSSA is currently being considered by Milling companies

• Sign-off will also be required from QSL’s banks

• Key grower groups are now being consulted
How will my choices affect my Advance Payments?

- Committed pools’ tonnages are known by March (straight after the Declaration Date)

- The Harvest Pool tonnage varies until the end of the harvest
  - In-season crop fluctuations
  - Contains the production buffer which is 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
  - 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 than your mill’s weighted average = a reduced flow after the season compared to other pools
## Historical overview of QSL pools

<table>
<thead>
<tr>
<th>QSL pool /benchmark</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015 (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>$383</td>
<td>$394</td>
<td>$395</td>
</tr>
<tr>
<td>Guaranteed Floor Pool</td>
<td></td>
<td></td>
<td></td>
<td>$480 Floor = $463</td>
<td>$481 Floor = $477</td>
<td>$392 Floor = $389</td>
<td>$429 Floor = $427</td>
<td>$408 Floor = $405</td>
</tr>
<tr>
<td>Discretionary Pool **</td>
<td></td>
<td></td>
<td></td>
<td>$438</td>
<td>$394</td>
<td>$439</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actively Managed Pool</td>
<td>$334</td>
<td>$520</td>
<td>No elections</td>
<td>$693</td>
<td>$454</td>
<td>$408</td>
<td>$443</td>
<td>$416</td>
</tr>
<tr>
<td>Growth Pool **</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-Season Forward Pool</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-Season Forward Pool **</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvest Pool</td>
<td></td>
<td></td>
<td></td>
<td>$431</td>
<td>$389</td>
<td>$405</td>
<td>$387</td>
<td></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. ** These pools are no longer offered.
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 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%]

Do I want to make decision on pricing?

YES

QSL-Managed Pools
- QSL Actively Managed Pool
- QSL Guaranteed Floor Pool
- 2-Forward Season Pool
Mill-Managed Pools
- See your mills documentation

NO

Uncommitted tonnage pool

NO

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 go for further information?

- QSL’s Pricing Declaration Date for mills is **29 February 2016**
- For administrative reasons Wilmar requires you to nominate by **23 February 2016** so you need to talk to your mill about your pricing declaration requirements
- Growers should consider their individual circumstances before making choices regarding pricing
- Seek professional advice from your accountant and/or solicitor
- Contact QSL’s Industry Relationship Managers
  - Cathy Kelly on 0409 285 074 or cathy.kelly@qsl.com.au
  - Carla Keith on 0409 372 305 or carla.keith@qsl.com.au
Serving the interests of our members for the long-term prosperity of the Queensland sugar industry