QSL Pools Update

Agenda

• 2012 season QSL-Managed Pools Update
• 2013 season QSL-Managed Pool Offerings
• New Forward Season Pools
2012 Season QSL-Managed Pools Update
## 2012 Season Estimated Pool Returns

### As at 28 December 2012

<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>$430.95</td>
<td>($0.74)</td>
<td>$430.21</td>
<td>75%</td>
</tr>
<tr>
<td>QSL Discretionary Pool</td>
<td>$437.39</td>
<td>($0.74)</td>
<td>$436.65</td>
<td>78%</td>
</tr>
<tr>
<td>QSL Actively Managed Pool</td>
<td>$451.48</td>
<td>($0.74)</td>
<td>$450.74</td>
<td>77%</td>
</tr>
<tr>
<td>QSL Guaranteed Floor Pool</td>
<td>$481.07</td>
<td>($0.74)</td>
<td>$480.33</td>
<td>100%</td>
</tr>
<tr>
<td>QSL US Quota Pool</td>
<td>$566.08</td>
<td>($110.71)</td>
<td>$455.37</td>
<td>100%</td>
</tr>
</tbody>
</table>
How to read the Pool Price Matrix

QSL Harvest Pool Matrix

- Pool 75% priced + 25% unpriced valued latest prices

### QSL Harvest Pool price sensitivities $A per mt IPS

<table>
<thead>
<tr>
<th>AUD/USD exchange rate</th>
<th>ICE 11 Indicator Sugar Price US c/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17.5</td>
</tr>
<tr>
<td>0.99</td>
<td>426</td>
</tr>
<tr>
<td>1.04</td>
<td>421</td>
</tr>
<tr>
<td>1.09</td>
<td>416</td>
</tr>
<tr>
<td>1.14</td>
<td>412</td>
</tr>
</tbody>
</table>

Gross price $A per mt IPS | $430.95 | Shared Pool | ($0.74) | Net Price $A per mt IPS | $430.21

Gross price $A per mt IPS: $430.95

Net Price $A per mt IPS: $430.21

Shared Pool ($0.74)
2013 Season QSL-Managed Pool Offerings
• Documentation for all QSL-managed pools available from QSL website www.qsl.com.au

• Documentation available includes
  – Pool Description and/or Overview documents for each Pool
  – Revised QSL RSSA Marketing Guide (2013 Season)

• Printed copies of these documents available from Canegrowers and other representative offices and your mill

• QSL RSSA Pricing Declaration Date for mills is 28 February 2013
  – Some mills will require growers to nominate earlier for administrative reasons
2013 Season QSL-Managed Pool Offerings

• QSL Harvest Pool requirements are unchanged

• In-Season Committed Pools
  – Pricing for crop to be harvested in 2013
  – QSL Discretionary Pool (same as 2012 season)
  – QSL Guaranteed Floor Pool
  – QSL Actively Managed Pool

• Future Season Committed Pool (new pool)
  – 2-Season Forward Pool for 2014 season
    • Prices sugar for 2014 season over a two season period
    • Pricing for the crop to be harvested in 2014 nominated in February 2013
  – Availability pending the outcome of local arrangements
RSSA Pooling Environment

Committed Sugar (maximum 65%)

Non-ICE 11 Pools
- QSL US Quota Pool
- Long Term Contract (LTC) Pool

Committed ICE 11 Pools
- Current Season
  - Mill Fixed Price Forward Contract
  - QSL Guaranteed Floor Pool
  - QSL Discretionary Pool
  - QSL Actively Managed Pool
- Future Seasons
  - QSL 2-Season Forward Pool
  - QSL 3-Season Forward Pool

Uncommitted Sugar (minimum 35%)
- Harvest Pool (ICE 11)
  - QSL Harvest Pool

Shared Pool element

POOL NET PRICE
Which pool has more or less risk?

**QSL Pool objectives**
- Exceed the market average price over the life of the pool
- 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

**Neutral Profile**
- Assumes pricing occurs evenly from Pricing Declaration Date over the life of the pool and should achieve the average price of the market
• Pricing according to benchmark using no discretion means that the pool should achieve average price of the market during its life
• A pool manager may delay where he or she has the view that prices may be better later on and vice versa
QSL-Managed Sugar Pools
Key facts: QSL Guaranteed Floor Pool (same as 2012 season)

<table>
<thead>
<tr>
<th>POOL OBJECTIVE</th>
<th>A Committed Sugar Pool that provide a guaranteed minimum return with potential for higher returns</th>
</tr>
</thead>
</table>

- Current season pricing only
- Tonnage nominated at Pricing Declaration Date (28 Feb)
- Even exposure across marketing year

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<tr>
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</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

- Tonnage commitment gives:
  - QSL 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 year
  - Removes risk of downward market moves post 28 Feb

<table>
<thead>
<tr>
<th>Season</th>
<th>Floor price $A per mt IPS</th>
<th>Estimated gross price $A per mt IPS</th>
<th>Benchmark return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$452</td>
<td>$480</td>
<td>$503</td>
</tr>
<tr>
<td>2012</td>
<td>$477</td>
<td>$481</td>
<td>$424</td>
</tr>
</tbody>
</table>
Key facts: QSL Guaranteed Floor Pool
How to interpret price indication on QSL website

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Current market price</strong></td>
<td>$\text{A424}/\text{mt}</td>
</tr>
<tr>
<td><strong>Strike price</strong></td>
<td>$\text{421}/\text{mt}</td>
</tr>
<tr>
<td><strong>Absolute floor</strong></td>
<td>$\text{411}/\text{mt}</td>
</tr>
<tr>
<td><strong>Participation rate</strong></td>
<td>50%</td>
</tr>
</tbody>
</table>

- **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 floor
  - 50% participation means for every dollar ($1) the market trades above the floor the pool participates 50 cents
Payoff chart

- **Daily Price**
- **GFP Result (Assuming 50% Participation)**
- **Strike Price**
Key facts: **QSL Discretionary Pool (same as 2012 season)**

**POOL OBJECTIVE**

A Committed Sugar Pool that targets the best return over the season, through the use of discretion on the timing of pricing decisions

- Current season pricing only
- Tonnage nominated at Pricing Declaration Date (28 Feb)
- Even exposure across marketing year

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- Tonnage commitment gives QSL ability to:
  - Lead or lag the level pricing by +/-20% from the Neutral Profile
  - Limited discretion to reduce pricing to same level as benchmark

- Pool is similar to the old Seasonal Pool but with the added the benefit of certainty of tonnage supply

<table>
<thead>
<tr>
<th>Season</th>
<th>Estimated gross price $A per mt IPS</th>
<th>Benchmark return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$437</td>
<td>$424</td>
</tr>
</tbody>
</table>
**Key facts:** QSL Actively Managed Pool (same as 2012 season)

**POOL OBJECTIVE**

A Committed Sugar Pool that targets the best return over the season by pricing more frequently as short term market opportunities arise

- Current season pricing only

- Tonnage nominated at Pricing Declaration Date (28 Feb)

- Even exposure across marketing year

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<td>1</td>
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</table>

- Tonnage commitment provides wider discretion than other pools
  - Lead or lag the level pricing by +/-35 % from the Neutral Profile
  - Ability to buy back pricing and price again within limits (active trading)
Key facts: QSL Actively Managed Pool (continued)

- Pool has been run in most seasons since 2008

<table>
<thead>
<tr>
<th>Season</th>
<th>Estimated gross price $A per mt IPS</th>
<th>Benchmark return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$334</td>
<td>$344</td>
</tr>
<tr>
<td>2009</td>
<td>$520</td>
<td>$529</td>
</tr>
<tr>
<td>2010</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2011</td>
<td>$693</td>
<td>$503</td>
</tr>
<tr>
<td>2012</td>
<td>$451</td>
<td>$424</td>
</tr>
</tbody>
</table>
Key facts: QSL Harvest Pool (same as 2012 season)

<table>
<thead>
<tr>
<th>POOL OBJECTIVE</th>
<th>An Uncommitted Sugar Pool priced by QSL that is designed to manage production variations</th>
</tr>
</thead>
</table>

- Balance of tonnage not allocated to Committed Sugar Pools is priced in this pool
  - Default pool for most growers
  - Minimum allocation of 35% of estimated supply required at Pricing Declaration Date (28 Feb)
  - Absorbs change in supply estimate after Pricing Declaration Date
- Lack of supply commitment means
  - Limited the amount of pricing that can be done prior to harvest commencing
  - Component of the pool must be used as a production buffer
  - For this buffer to be effective this raw sugar cannot be sold or priced until it is received by QSL

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<th>Benchmark return</th>
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<tbody>
<tr>
<td>2012</td>
<td>$431</td>
<td>$424</td>
</tr>
</tbody>
</table>
Key facts:
QSL 2014 2-Season Forward Pool

- Allows QSL to price over a 2-season period for sugar delivered in 2014 season
  - Priced progressively during the 2013 and 2014 seasons
- Tonnage nominated 12 months prior to actual declaration date
- Even exposure across marketing year

- Tonnage commitment gives QSL ability to:
  - Price from 28% to 88% of pool in the preceding season (2013) at discretion of QSL
  - Use discretion to price any unpriced tonnage within discretionary limits after declaration date (28 Feb 2014)
  - Limited discretion to reduce pricing to same level as benchmark

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</tr>
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<td>Ratio</td>
<td>1</td>
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<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

QSL aims to maximise returns in this pool for the 2014 season by timing pricing decisions over the next 2 seasons to align with more favourable market conditions.
A pool manager may delay where he or she has the view that prices may be better later on and vice versa.
**Key facts:**

**QSL 2015 3-Season Forward Pool**

<table>
<thead>
<tr>
<th>POOL OBJECTIVE</th>
<th>QSL aims to maximise returns in this pool for the 2015 season by timing pricing decisions over the next 3 seasons to align with more favourable market conditions</th>
</tr>
</thead>
</table>

- Allows QSL to price over a 3-season period for sugar to be delivered in 2015 season
  - Priced progressively during the 2013, 2014 and 2015 seasons
- Tonnage nominated 24 months prior to actual declaration date
- Even exposure across marketing year

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</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

- Tonnage commitment gives QSL ability to:
  - Price from 40% to 100% of pool in the preceding 2 seasons (2013 and 2014) at discretion of QSL
  - Use discretion to price any unpriced tonnage within discretionary limits after Pricing Declaration Date (28 Feb 2015)
- Limited discretion to reduce pricing to same level as benchmark
A pool manager may delay where he or she has the view that prices may be better later on and vice versa.
Overview: ICE 11 Committed Pools

• All carry an obligation to supply nominated fixed amount of raw sugar
  – Individual production risk

• Tonnage commitments deliver certainty
  – Allows for a significant portion of raw sugar to be priced (where appropriate) before the harvest commences

• Pricing may be done by Supplier (maybe on behalf of growers) or by QSL in a pooled arrangement

• Either way, pricing can be done years ahead of actual production season
  – e.g. in 2013 there is scope to price out to 2014 season

• These pools all have a longer pricing window than the QSL Harvest Pool
Risk factors that affect your returns

• Your own individual production risk (*My Production Risk*)

• The production risk of others not delivering (*Collective Production Risk*)

• *Price Risk* - what happens in the market during the life of the pool

• *Logistics Constraints*
<table>
<thead>
<tr>
<th>Tonnage Type</th>
<th>Guaranteed Floor</th>
<th>Discretionary</th>
<th>Actively Managed</th>
<th>2-Season Forward</th>
<th>3-Season Forward</th>
<th>Harvest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pool Objective</td>
<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>Priced over 2 seasons that targets the best return</td>
<td>Priced over 3 seasons that targets the best return</td>
<td>Designed to manage production variations</td>
</tr>
<tr>
<td>Pricing Season</td>
<td>Current season</td>
<td>Current season</td>
<td>Current season</td>
<td>Subsequent season</td>
<td>Subsequent season</td>
<td>Current season</td>
</tr>
<tr>
<td>Production Risk</td>
<td>Individual and Collective</td>
<td>Individual and Collective</td>
<td>Individual and Collective</td>
<td>Individual and Collective</td>
<td>Individual and Collective</td>
<td>No Individual (only paid for what is delivered) but still has collective</td>
</tr>
<tr>
<td>Price Risk</td>
<td>Low price risk</td>
<td>Moderate price risk</td>
<td>High price risk</td>
<td>High price risk</td>
<td>High price risk</td>
<td>High price risk</td>
</tr>
</tbody>
</table>

**Price risk**

- Collective risk is the costs incurred when the production buffer fails
- High price risk means potentially **lower or higher** returns
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
• Fixed Priced Forward Contract

NO

QSL-Managed Pools
• Discretionary Pool
• Actively Managed Pool
• Guaranteed Floor Pool
• Forward Season Pools

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

- Check with your milling company for specifics on how to make a nomination for QSL pools

- Pool description documents are available from your mill or QSL website [www.qsl.com.au](http://www.qsl.com.au)

- Detailed information is also available in the latest QSL RSSA Marketing Guide (2013 season) which is on QSL’s website and is also available from Canegrowers
Thank you
Example One

Supplier has 100 tonnes of sugar

a) Nominates Harvest Pool
   - 5 tonnes US Quota Pool (mandatory) – Committed Pool
   - 95 tonnes QSL Harvest Pool – Uncommitted Pool

Delivers 45 tonnes.
QSL allocates this tonnage as follows:
   - 5 tonnes US Quota Pool
   - 40 tonnes QSL Harvest Pool

Committed tonnage has been delivered so no financial obligation for shortfall
Example Two

Supplier has 100 tonnes of sugar

a) Nominates up to 65% committed limit
   - 5 tonnes US Quota Pool (mandatory) – Committed Pool
   - 60 tonnes QSL Discretionary Pool – Committed Pool
   - 35 tonnes QSL Harvest Pool – Uncommitted Pool

Delivers 75 tonnes.
QSL allocates this tonnage as follows:
   - 5 tonnes US Quota Pool
   - 60 tonnes QSL Discretionary Pool
   - 10 tonnes QSL Harvest Pool

Committed tonnage has been delivered so no financial obligation for shortfall
Example Three

*Supplier has 100 tonnes of sugar*

*a) Nominates up to 65% committed limit*
- 5 tonnes US Quota Pool (Mandatory) – Committed Pool
- 60 tonnes QSL Discretionary Pool – Committed Pool
- 35 tonnes QSL Harvest Pool – Uncommitted Pool

*Delivers 45 tonnes.*

*QSL allocates this tonnage as follows:*
- 5 tonnes US Quota Pool
- 40 tonnes QSL Discretionary Pool

20 tonnes of Committed tonnage has not been delivered so financial obligation for shortfall exists.
How is financial obligation for 20 tonnes calculated?

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Committed Tonnes not delivered</th>
<th>Gross price in Committed Pool not Delivered</th>
<th>Gross price QSL Harvest Pool</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1</td>
<td>20 tonnes</td>
<td>$510</td>
<td>$550</td>
<td>Supplier pays $800 (20 tonnes @ $40)</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>20 tonnes</td>
<td>$510</td>
<td>$510</td>
<td>No charge</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>20 tonnes</td>
<td>$510</td>
<td>$450</td>
<td>Supplier receives $1,200 (20 tonnes @ $60)</td>
</tr>
</tbody>
</table>