QSL pool choices
2014 season
“The information provided in this document/these slides is designed to give you a summary update on QSL’s current marketing and pricing activity and does not constitute financial product, investment advice or a recommendation to allocate sugar to any particular pool and should not be construed as such. QSL has made every effort to accurately summarise the relevant arrangements, but this presentation cannot cover every aspect of the relevant contractual information. Information about past performance should not be relied upon and is not an indication of future performance. Pool performance figures presented in this document/these slides is indicative only as pool performance figures only become final on or after 30 June in any year.”

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

• 2013 season estimated pool returns

• QSL’s offerings

• QSL’s 2014 season pooling options

• Considerations for pricing your sugar

• Where do I go for further information?

• Questions
## 2013 season estimated pool returns

### As at 17th January 2014

<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>$383.38</td>
<td>($0.96)</td>
<td>$382.42</td>
<td>69%</td>
</tr>
<tr>
<td>QSL Discretionary Pool</td>
<td>$395.14</td>
<td>($0.96)</td>
<td>$394.18</td>
<td>90%</td>
</tr>
<tr>
<td>QSL Actively Managed Pool</td>
<td>$404.41</td>
<td>($0.96)</td>
<td>$403.45</td>
<td>84%</td>
</tr>
<tr>
<td>QSL Guaranteed Floor Pool</td>
<td>$391.45</td>
<td>($0.96)</td>
<td>$390.45</td>
<td>100%</td>
</tr>
<tr>
<td>QSL Growth Pool</td>
<td>$420.19</td>
<td>($0.96)</td>
<td>$419.24</td>
<td>91%</td>
</tr>
<tr>
<td>QSL Forward Season Pool</td>
<td>$426.65</td>
<td>($0.96)</td>
<td>$425.70</td>
<td>90%</td>
</tr>
<tr>
<td>QSL US Quota Pool</td>
<td>$482.47</td>
<td>($88.32)</td>
<td>$394.15</td>
<td>76%</td>
</tr>
</tbody>
</table>
What pool offerings are available?

COMMITTED POOLS

- Optional tonnage (up to 60%)
  - In-Season committed pools
  - Future Season committed pools
- Fixed supply obligation

US Quota (0-5%) Compulsory

HARVEST POOL

Minimum required 35% tonnage

- Default pool for most growers
- Generally no penalty for not delivering**

In-Season:
- Guaranteed Floor
- Actively Managed
- Discretionary
- Growth (new)

Future Season:
- 2-Season Forward Pool for 2015 Season
- 3-Season Forward Pool for 2016 Season

** Subject to production buffer failure costs
### Snapshot of QSL ICE 11 pool characteristics

<table>
<thead>
<tr>
<th>QSL Guaranteed Floor Pool</th>
<th>QSL Discretionary Pool</th>
<th>QSL Actively Managed Pool</th>
<th>QSL Growth Pool</th>
<th>QSL Forward Season Pools</th>
<th>QSL Harvest Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High price risk</strong></td>
<td></td>
<td></td>
<td><strong>High price risk</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Collective risk</strong></td>
<td></td>
<td></td>
<td><strong>Collective risk</strong></td>
<td></td>
<td><strong>Collective risk</strong></td>
</tr>
<tr>
<td>Low price risk</td>
<td>Moderate price risk</td>
<td><strong>High price risk</strong></td>
<td>High price risk</td>
<td>High price risk</td>
<td>High price risk</td>
</tr>
<tr>
<td>Current season</td>
<td>Current season</td>
<td>Current season</td>
<td>Current season</td>
<td>Subsequent seasons</td>
<td>Current season</td>
</tr>
<tr>
<td>No discretion</td>
<td>+/-20% discretion</td>
<td>+/-30% discretion</td>
<td>+/-50% 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>Individual production risk</td>
<td>Individual production risk</td>
<td>Only paid for what is delivered</td>
</tr>
<tr>
<td><em>Collective risk</em>*</td>
<td>Collective risk</td>
<td>Collective risk</td>
<td>Collective risk</td>
<td>Collective risk</td>
<td>Collective risk</td>
</tr>
</tbody>
</table>

**Price Risk**

**High price risk means potentially lower or higher returns**

*Collective risk is the costs incurred when the Production Buffer fails*
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
- QSL Managed
- Guaranteed Floor Pool
- Discretionary Pool
- Growth Pool
- Actively Managed Pool
- 2–Season Forward Pool
- 3-Season Forward Pool

Un-Committed Sugar (minimum 35%)

Harvest Pool (ICE 11)
- QSL Harvest Pool
- Supplier Managed Harvest Pool

Gross Price Element

Shared Pool Element

POOL NET PRICE
Shared Pool element

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
**QSL pool objectives:**

- Exceed the market average price over the life of the pool
- Each pool has different mechanisms available to it in order to meet this objective
- 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

**Passive Management Benchmark:**

- Assumes pricing occurs evenly from Pricing Declaration Date (28 February 2014) over the life of the pool and should achieve the average price of the market
Derivative instruments may be used, including futures contracts and commodity swaps, and ability to actively buy and sell positions.

The higher the discretion the greater the price risk.

- Growth Pool: +/- 50%
- Actively Managed & Forward Season: +/- 30%
- Discretionary: +/- 20%
- Passive Management Bench: Converges below PMB

Note: Production buffer failure costs may still apply.
QSL Guaranteed Floor Pool

- QSL has the 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 season
- Removes risk of downward market moves post 28 Feb
- No discretion to deviate from the benchmark

Floor Price with participation in 50% of market if it moves above the floor price

- Floor Price
- Price achieved
- Market Price
How to interpret price indication on QSL Website

<table>
<thead>
<tr>
<th>Current Market Price</th>
<th>424 AUD/mt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strike Price</td>
<td>421 AUD/mt</td>
</tr>
<tr>
<td>Absolute Floor</td>
<td>411 AUD/mt</td>
</tr>
<tr>
<td>Participation Rate</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 Strike Price
  - 50% participation means for every dollar ($1) the market trades above the strike the pool participates 50 cents
Until December you received payments based on the weighted average payment that your mill received (for all of its pools).

From December onwards your payments are aligned to your choice (Harvest Pool) which is predominantly priced at the back end of the season.

Harvest has limited pricing it can do within the season

All other pools priced throughout year based on known tonnage.
How will my choices affect my advance payments?

- Committed pools’ tonnage are known by March

- Harvest Pool tonnage varies until the end of the harvest
  - In-season crop fluctuations
  - The Production Buffer – 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 of your final price
  - 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 the Mill weighted average = a reduced flow after the season compared to other pools
### Historical overview of QSL pools

<table>
<thead>
<tr>
<th>QSL Pool /Bench</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 (est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passive Management Benchmark</td>
<td>$344</td>
<td>$529</td>
<td>No elections</td>
<td>$503</td>
<td>$417</td>
<td>$385</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>$404</td>
</tr>
<tr>
<td>Guaranteed Floor Pool</td>
<td></td>
<td></td>
<td>$480 Floor = $463</td>
<td>$481 Floor = $477</td>
<td>$391 Floor = $389</td>
<td></td>
</tr>
<tr>
<td>Discretionary Pool</td>
<td></td>
<td></td>
<td>$438</td>
<td>$395</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvest Pool</td>
<td></td>
<td></td>
<td>$431</td>
<td>$383</td>
<td></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.
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 risk 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%]
(get more choice)

Do I Want To Make A Decision On Price?

**YES**

Mill’s Forward Pricing Products
- Call Pool
- Target price

**NO**

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

**Uncommitted Tonnage Pool**

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.

**Harvest Pool [Min 35%]**

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

- Pool description sheets (www.qsl.com.au)
- Growers should consider their individual circumstances before making choices regarding pricing
- Therefore you should seek professional advice from your accountant and or Lawyer
- 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

QSL Pricing Declaration Date for mills is 28 February 2014.
Talk to your mill about your pricing declaration requirements.
Questions

Serving the interest of our members for the long-term prosperity of the Queensland sugar industry