PRICE MANAGEMENT FACT SHEET

NET SUGAR PRICE

wilmar

Net Sugar Price

Under the cane price formula, the price of cane is a function of the sugar content of the cane (CCS) and the Net Sugar Price received.

The Net Sugar Price on which any individual grower's cane payments are made is based on the ICE #11 outcome of that grower's individual price risk management decisions and the marketing premiums and costs which are averaged across all QSL managed sugar sales.

Based on the average of the last five years of data from QSL and using the QSL Harvest Pool price as the reference:

- The ICE#11 price represent approximately 99 per cent of the Net Sugar Price
- Marketing Premiums represent approximately 8 per cent of the Net Sugar Price
- Marketing Costs represent approximately 7 per cent of the Net Sugar Price

This is outlined in more detail below.

ICE#11 Price

Raw sugar is traded in a global market. The Intercontinental Exchange No.11 contract (ICE#11) is a futures contract for the physical delivery of raw cane sugar and is the benchmark and basis for the price risk management and physical trading of raw sugar around the world.

The ICE #11 contract is based on free on board (FOB) sales of raw sugar assuming 96 degrees polarisation (i.e. equivalent to 96% sucrose) and is measured in US cents per pound. The ICE#11 contract terms specify standard payment adjustment factors to account for sugar of different polarisation.

Grower price risk management is effected via management of the ICE#11 component of Net Sugar Price.

Growers can exercise choice, either directly (e.g. using forward pricing) or indirectly (through pool and pool manager selection), which determines the ICE#11 price outcome for their Nominal Sugar Exposure on which the price of their cane is based.

The ICE#11 price makes up approximately 99 per cent of the Net Sugar Price. Therefore, via grower price risk management, growers exercise choice that determines ~99 per cent of the Net Sugar Price used to calculate the price of their cane. As growers make hedging choices individually, net sugar price outcomes will vary between growers. Importantly, growers exercise the price risk management choices independently of the price risk management choices that millers make on their own price exposure.

Net Sugar Price can be expressed as:

Net Sugar Price = ICE#11 Price + Marketing Premiums – Marketing Costs

Marketing Premiums

Physical raw sugar sales contracts are typically quoted with reference to a particular ICE#11 sugar futures contract. The invoice price reflects the underlying settlement price of the ICE#11 contract, plus adjustments for sugar polarisation, plus any additional price components negotiated between the buyer and seller.

Marketing Premiums = Physical Premiums + Polarisation Premiums

The additional price components over and above the underlying ICE#11 future price are referred to as Marketing Premiums and consist of physical premiums and polarisation premiums.

Physical Premiums arise for Queensland sugar producers because we are closer to Asian markets than other suppliers such as Brazil. Sometimes the Physical Premium might be referred to as the 'Regional Premium' or the 'Far East Premium'.

Polarisation Premiums are price premiums paid, as specified under the ICE#11 contract, for sugar that has higher sucrose purity (or polarisation) than the ICE#11 reference of 96 degrees polarisation. The Queensland sugar industry typically produces sugar close to 99 degrees polarisation. As an example, 98.95 degrees polarisation would give rise to a polarisation payment adjustment of an additional ~3.7 per cent*. The Polarisation Premium is by convention applied to the sum of the ICE#11 price plus the Physical Premium.

Marketing premiums typically contribute approximately 8 per cent of the Net Sugar Price.

Marketing Costs

Marketing Costs are incurred in managing the physical sale and associated price risk management activities of sugar marketing. Queensland mills have traditionally delivered sugar to QSL on a free in store (FIS) basis, at the bulk sugar terminals. Marketing costs include items such as:

- Storage and handling costs in Queensland sugar terminals
- Finance charges for advance payments to the industry ahead of sugar sales
- Indirect marketing charges/costs for sugar quality sampling and management
- Marketing services charges for managing the pricing and pooling, physical sales, operations, funding, advances and administration

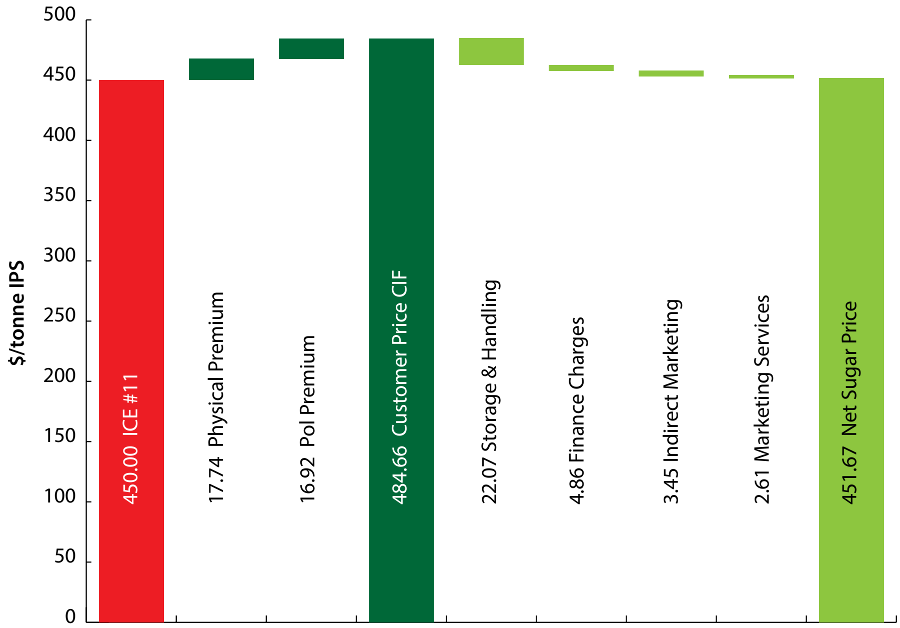
Marketing costs typically account for approximately 7 per cent of the Net Sugar Price.

Net Marketing Premiums and Costs

Marketing Premiums and Marketing Costs are of similar magnitude and have tended to net each other out. Over the last 5 years, QSL's Marketing Premium net of Marketing Costs has averaged $1.67/tonne IPS, representing approximately 1 per cent of the Net Sugar Price. Marketing Premium net of Marketing Costs over that period has ranged from minus $1/tonne IPS to plus $6.50/tonne IPS of sugar.

Figure 1 shows the average marketing premiums and costs from the Table 1, using an example ICE#11 price of $450/tonne. The net premium in this instance is $1.67 resulting in a net sugar price of $451.67/tonne IPS, of which the ICE#11 is 99.6%.

Figure 1



QSL 5 Year Average Data (2009 – 2013 seasons)

Table 1

	A$ per tonne IPS
Marketing Premiums	**34.66**
Physical Premiums	17.74
Pol Premiums	16.92
Marketing Costs	**33.00**
Storage & Handling	22.07
Finance Charges	4.86
Indirect Marketing	3.45
Marketing Services	2.61
Net premium / (cost)	**1.67**

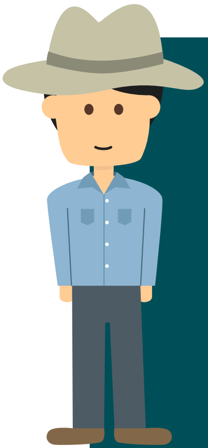
*Please note that Physical Premiums and the Polarisation Premium are calculated across all raw sugar.

How does the International Polarisation Scale for the sale of raw sugar work?

The International Polarisation Scale specifies premiums and discounts applied to the trade of raw sugar on the basis of polarisation. The thresholds and premiums applied are:

Degrees Polarisation	96 to 97	97 to 98	Above 98
Premium	1.5% of the underlying value of the raw sugar	1.25% of the underlying value of the raw sugar	1% per degree of pol, pro-rata, of the underlying value of the raw sugar

As a result, for raw sugar of 98.95 degrees polarisation the premium is calculated as 1.5% + 1.25% + 0.95% = 3.7%.



MICK AND TONY*

Mick's Burdekin farm produces 25,000 tonnes of cane, and has forward priced the maximum Nominal Sugar Exposure for his production; a total of 2,441 nominal sugar tonnes.

The ICE#11 price he has locked in is an average of AUD465/tonne IPS.

Tony's farm in the Herbert produces 12,000 tonnes of cane, and has also forward priced the maximum Nominal Sugar Exposure for his production, 1,011 nominal sugar tonnes. The ICE#11 price he has secured is AUD480/tonne IPS.

A standardised method is used to convert tonnes of sugar at its typical production quality of 99 degrees polarisation, to an equivalent amount of tonnes of sugar at 96 degrees polarisation or tonnes IPS.

In the harvest year the marketing premiums and costs achieved are:

	Mick	Tony
ICE#11	465.00	480.00
Marketing Premiums	**35.00**	**35.00**
Physical Premiums	18.00	18.00
Pol Premiums	17.00	17.00
Marketing Costs	**33.50**	**33.50**
Storage & Handling	22.10	22.10
Finance Charges	5.00	5.00
Indirect Marketing	3.40	3.40
Marketing Services	3.00	3.00
Net premium / (cost)	**1.50**	**1.50**
Net sugar price	**466.50**	**481.50**

*Hypothetical case studies, not based on any individual farm or cane grower.

CONTACTS

Shirley Norris (Proserpine): 0437 803 019
Angus McKerrow (Plane Creek): 0419 238 536
Franco Zaini (Herbert): 0419 476 770
Yolanda Hansen (Burdekin): 0439 002 240