



UNDERSTANDING FORWARD PRICING

MARKETING WITH WILMAR

Marketing with Wilmar means you reap the benefits of our local presence and global reach. As part of Wilmar International, one of the world's largest sugar traders, we leverage our extensive global network to connect growers' farms to the world.

OUR OFFER

We offer growers the opportunity to leverage our pricing and marketing knowledge, and resources, through a range of competitive pricing, pooling and payment options. Our goal is to provide professional marketing services that growers won't find anywhere else: The ability to price more sugar and receive the benefit or cost of their own choices; personal, specialised support; and innovative products and tools to help make running their business as simple as possible.

Growers who nominate us as their marketer of Grower Economic Interest (GEI) Sugar can choose from various forward pricing mechanisms or fixed-tonnage pools to achieve a price outcome, and payment options designed with flexibility in mind. As every grower's business is different, our offer allows them to choose the arrangements that best suit their individual needs and equip them for the demands of the season.

WANT TO KNOW MORE? Read about some of our forward pricing options over the page.

FORWARD PRICING IN A NUTSHELL

Forward pricing offers growers the opportunity to actively manage their own price outcome, meaning they have greater control over the price they are paid for their cane. It involves growers using our online GrowerWeb system to specify at what market value(s) they would like to price their GEI Sugar, should the market allow it.

FORWARD PRICING ALLOWS GROWERS TO POTENTIALLY:

- ✓ Target prices which lock-in profits compared with the cost of production
- ✓ Manage with more certainty their revenue, budgets and conversations with bank managers
- ✓ Match the forward pricing levels being targeted with the appetite for risk
- ✓ Diversify the management of price risks
- ✓ Capture attractive sugar prices during market rallies through the life of a 3-4 year time cycle

Remember however that with opportunity comes different levels of risk, and it's important to understand the possible implications of forward pricing before using it.

FORWARD PRICING TOOLS

Our key forward pricing mechanisms offer choice and flexibility, depending on the level of control growers are looking for. In the 2021 season, 88% of growers who nominated Wilmar as their GEI Marketer used either Call, Target or GMPRS forward pricing to some extent, and 88% of the GEI tonnage nominated to Wilmar was priced via forward pricing.

CALL AND TARGET PRICING MECHANISMS

Growers have been using these two pricing mechanisms since we first introduced forward pricing in 2008. Growers can allocate up to 70% of their exposure to these pricing tools, and have access to change and manage their orders online, 24/7.

We have seen more growers year-on-year turn to forward pricing as a tool. Of the growers nominating Wilmar as their GEI Marketer, 78% used forward pricing to some extent in the 2019 season. This increased to 86% in the 2020 season and 88% in the 2021 season.

Call and Target are very similar pricing mechanisms. However, with a minimum tonnage commitment of 304.82 tonnes of GEI Sugar (and only multiples of this quantity accepted), the Call Pricing Mechanism is designed for larger growers. Those using Call Pricing can also specify any price level when setting a price.

Our Target Pricing Mechanism only requires a minimum of 10 tonnes of GEI Sugar, but target prices can only be set in \$5 increments.

GROWER-MANAGED PRODUCTION RISK SCHEME

Wilmar's Grower-Managed Production Risk Scheme (GMPRS) was a first for the sugar industry, offering growers the ability to directly manage the price outcome for almost 100% of their GEI Sugar. Instead of having a minimum of 25-28% of GEI price exposure committed to the Production Risk Pool, growers can use GMPRS to have full control of the price outcome for all of the GEI Sugar nominated to Wilmar (excluding the 2-5% allocated to the US Quota Pool).

We first introduced GMPRS for the 2017 season and it attracts increasing nominations of GEI Sugar every year. It remains the most flexible tool in the industry for allowing growers such a high level of control over their price.

Some growers might think GMPRS means taking on more risk. However, it actually allows a grower to decide how much risk *they* wish to take. Because the grower takes responsibility for the last 25-28% of the crop's production, they can choose to price the GMPRS portion before or during the harvest if they are confident of their production outcome and like the price available. Alternatively, they can wait until the end of the harvest when the sugar has actually been produced. The grower decides when to price and at what level, rather than a pool manager.

WE'RE HERE TO HELP

To find out more about our forward pricing tools, contact our experienced Grower Marketing Team. With strong agribusiness backgrounds, they provide one-on-one support to help you make informed choices.



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