Market Check

Program Schedule

2019/20 Pre-Harvest Options Programs

13 February 2019

Program Overview:

The Pre-Harvest Options Programs offer participants access to marketing strategies that aim to hedge price risk and minimise downside during the growing season up until the time of delivery into one of Market Check's post-harvest programs. The Pre-Harvest Options Programs are open to contracting during the pre-harvest season and close at Market Check's discretion to protect participant returns.

Market Check collects non-refundable deposits from all participants and invests funds in a portfolio of options in order to hedge price risk from the time of contracting to the time of delivery at harvest. For participants, downside from the options portfolio is limited to the deposit paid initially.

The Pre-Harvest Options Programs are open for contracting of **wheat, barley and canola** Australia-wide, delivered into warehousing managed by a storage provider approved by Market Check.

In the case of crop failure, the wash out cost is nil for all contracted tonnage.

Market Check is authorised to sell physical grain as per the schedule of the elected post-harvest product.

Requirements for Participation:

Participants commit to pay Market Check a non-refundable deposit to fund the options position – $20 per contracted tonne for wheat & barley; $25 per contracted tonne for canola. These are invoiced from the date of contracting and are payable immediately. If a participant has sufficient equity in a harvest program from the previous season, they may elect to use it to fund the deposit.

Participants commit to deliver physical grain into the title of AgRisk Management and participate in a Market Check post-harvest program.

Participants are required to notify Market Check of their choice of Post-Harvest program prior to grain being transferred. Programs available for selection are the Strategic, Cash & Call, and Express Plus.

Production failure is the only valid reason for not committing tonnes to a post-harvest program. Signed documentation confirming production failure from an agronomist is required.

Grain Marketing:

The Pre-Harvest Options Programs may use a combination of exchange listed futures and options contracts, and over the counter (OTC) derivatives. Funds will be invested in a portfolio of put options on either the Australian, U.S., Canadian or European exchange, or a combination of these exchanges depending on market conditions. Put options give the buyer the right, but not the obligation to sell the underlying product at a pre-defined price. If the underlying market rises significantly in the pre-harvest period, the options are not exercised and participants are still benefiting from the higher prices after forfeiting the initial deposit (premium). If the underlying market falls, the options provide protection by allowing the owner to sell at the pre-determined level established at the start of the program.

The program's duration is from the time of contracting pre-harvest, up until the time of delivery into one of Market Check's harvest programs (latest date is Thursday 19th December 2019).

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Pre-Harvest Options Program Costs:

Market Check's management & admin fee for the Pre-Harvest Options Programs is $2.50 per tonne (excl GST).

Pre-Harvest Options Program Returns & Payments:

Returns associated with the Pre-Harvest Options Programs are applied to individual participants based on contracted tonnage, time of contracting and time of delivery at harvest, i.e. returns are indexed based on the period of time each grower was participating in the program. As this is a pre-harvest program, there are no GTA location differentials applied to participants returns (these will apply to the returns in the harvest pool which the grain ultimately participates in).

The options position is managed as a portfolio. Market Check has discretion to move the derivatives position between markets/maturities/strike prices based on market conditions. Equity is determined by the portfolio returns as a whole, and is allocated to growers based on the time of entry & delivery.

Equity associated with the Pre-Harvest Options Program is paid to the grower once finalisation has occurred after the harvest contracting window.

Market Check are authorised to use payment information obtained from the National Grower Register (NGR). Market Check is not responsible for payments made to incorrect NGR details as it is the responsibility of individual participants to ensure data maintained by the NGR is current, true and correct.

Pre-Harvest Options Program Risks:

The financial risk to participants in the Pre-Harvest Options Programs is limited to the amount of the initial non-refundable deposit. Participants have no further liability in excess of that amount, regardless of market movements.

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Pool Product Disclosure Guide (PPDG):

Item:	Description:
Aim of the pool:	To hedge price risk and minimise downside during the growing season up until harvest, utilizing a lower risk strategy than traditional forward selling. By utilizing put options, growers can participate in potential future upside while protecting against lower prices, and removing the risk of costly washouts if production failure occurs.
Legal entity operating the pool:	AgRisk Management Pty Ltd.
Years this legal entity has run pools:	9 years
Legal Entity owning the pooled grain:	AgRisk Management Pty Ltd.
Name of responsible Pool Manger:	Tom Basnett
Pool managers years of relevant experience:	9 years
Period open for deliveries/contracts:	20^{th} November 2018 to 30^{th} September 2019 (inclusive)
Length of pool:	3-13 months depending on entry date (marketing period ends 19^{th} December 2019 at the latest), then the grower can elect which Market Check harvest program to participate in (see PPDG for relevant harvest pools).
Area where pool is offered:	Australia wide. All port zones in approved bulk handlers and approved on farm storage facilities (additional requirements apply).
Commodities/Grades accepted:	All wheat, barley & canola grades
Hedging tools used (if any):	Pool may use a combination of exchange listed futures and options contracts or over the counter (OTC) derivatives
Payment options:	Distribution & deferred
Fees charged by the pool manager:	$2.50 per tonne (excl GST)

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Key details:

Item:	Y/N	Further information
Will the pool be offered according to the GTA operating standard for pool providers?	Y	Market Check strongly supports the GTA operating standard, and pools are externally audited within 6 months of pool closure, with audit report published on the Market Check website - http://marketcheck.com.au/
Does the pool provide participants with an Estimated Pool Return (EPR) *:	Y	EPR's are published monthly once the pool is closed for contracting, via a monthly pool report. This allows the published EPR to be fair and reasonable mark to market valuation of the pool's assets & liabilities.
Does the pool provide participants with an Estimated Silo Return (ESR) *:	Y	ESR's are updated monthly once the pool has closed for contracting. Participants can log into the myMarketCheck grower portal to view individual contract ESR's.
Does the pool provide participants with a Final Pool Return (FPR) *:	Y	FPR's are published and accessible via myMarketCheck grower portal.
Does the Pool provide a Guaranteed Pool Return (GPR) *:	N	
Does the Pool provide and Underwritten Pool Return (UPR)*:	N	
Is there a potential for conflict between the pool manager and related entities?	N	AgRisk does not have a trading division so there are no conflicts between the pool management & trading functions. All trading is to maximise returns for participants.
Are the pool assets owned in a separate entity from the pool managers assets?	N	Each pool is setup with its own General Ledger to properly segregate each pool's activity, including revenue and costs.
Are the pool activities conducted separately from the pool manager's activities?	Y	As AgRisk does not have a trading division there are no conflicts between the pool management & trading functions. All trading is to maximise returns for participants.

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Defined Terms:

Estimated Pool Return (EPR):	Means an estimate of the Pool Return in $A/t excl of GST provided by the Pool Provider to Pool Participants. The EPR must also be quoted at Track or track equivalent level for East Coast and SA or FIS for WA and net of all costs, management fees, any other fees (including estimates of any costs and fees) where possible, otherwise explicitly define what costs, fees and charges are included and excluded in the published figure.
Estimated Silo Return (ESR):	Means an Estimated Pool Return quoted at up country silo level. It shall be the EPR (ie quoted at Track level on East Coast/SA, or FIS level in WA) less the applicable freight and any other costs for the respective silo.
Final Pool Return (FPR):	Means a final Pool Return in $A/t excl of GST provided by the Pool Provider to Pool Participants. The FPR must also be quoted at Track or track equivalent level for East Coast and SA or FIS for WA and net of all costs, management fees, any other fees (including estimates of any costs and fees) where possible, otherwise explicitly define what costs, fees and charges are included and excluded in the published figure.
Final Silo Return (FSR):	Means a Final Pool Return quoted at up country silo level. It shall be the FPR (ie quoted at Track level on East Coast/SA, or FIS level in WA) less the applicable freight and any other costs for the respective silo.
Guaranteed Pool Return (GPR):	Means the guaranteed minimum payment ($A/t) (excl GST) the Pool Provider will pay Pool Participants net of all Pool Provider charges at a designated price basing point, i.e. country silo, track, free in store ("FIS") excl of GST. A GPR is in effect a guaranteed minimum FPR.
Underwritten Pool Return (UPR):	Means the guarantee by a Pool Provider that a payment or loan made to a Pool Participant, if nominated as "Underwritten", is non-recourse should the subsequent proceeds, of Final Pool Return from the Pool be less than the Underwritten amount. Consequently, the Pool Participant shall have no further debt or liability to the Pool Provider (or associated provider) with respect of the Underwritten amount and that the Pool Provider guarantees the FPR paid to the Pool Participant will not be less than the Underwritten return.
Ring Fencing of Assets:	Means the activities undertaken by the Pool Provider to quarantine or separate pool participants net assets, and equity from the assets and liabilities of the Pool Provider for the purpose of protecting the Pool Participants net assets, and equity from any administration or liquidation proceedings or actions should the Pool Provider become insolvent or be subject to administration or liquidation proceedings.
Ring Fencing of Activities:	Means the clear identification of grain belonging to a Pool and the separation of Pool assets and liabilities from other Pools and that of the Pool Provider. The fiduciary responsibility should be prioritised to Pool Participants at all times.

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