

Market Check

Pool Schedule

Cash & Call Pool 17/18



12 October 2017

The Cash & Call Pool offers participants the opportunity to participate in market upside post-harvest, while limiting exposure to a falling market through the use of options. It is the ideal alternative for growers who would otherwise hold grain unhedged post-harvest, as money saved on storage fees are instead used to fund the options position, thereby limiting downside in prices and providing harvest cash flow.

The program is open to contracting from the beginning of harvest through to the end of harvest, with final payments made in the following June (unless deferred).

The Cash & Call Pool is open to receivals of **wheat, barley and canola**, delivered into warehousing managed by a storage provider approved by Market Check. Market Check reserves the right to exclude certain grades if it is deemed they would be detrimental to the performance of the pool.

Participants commit to deliver physical grain into title of AgRisk Management.

Market Check retains discretionary right to close the operations of the Cash & Call Pool at any time to protect participant returns.

Grain Marketing:

The Cash & Call Pool is marketed according to a pre-defined strategy of selling grain during harvest and replacing the sold grain with call option contracts. Unless otherwise communicated by Market Check, the call options portfolio will give participants exposure to upside until the end of May after harvest.

All grain sales are credit insured by a leading credit insurer.

Grower Payments:

The Cash & Call Pool offers participants two payment options. Participants who fail to nominate a payment option are allocated payments per the Distribution schedule.

Distribution payments: Since grain is sold soon after delivery to the Cash & Call Pool, 90% of the value (less management fee) is distributed to participants in a single payment. These are paid on the 15th and 30th of the harvest months (Nov, Dec & Jan), after title has been transferred to AgRisk Management Pty Ltd. The final payment in June consists of any residual value not already paid to the grower or spent on options, plus any profits associated with the options strategy.

Deferred payments: Payments are able to be deferred, either in full or partially, until July of the following year, with an appropriate credit applied to the deferred payment that reflects foregone interest earned over the deferred period.

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Distribution	90%							10%				
Deferred									100%			

*Market conditions and proceeds to date will determine how much is available in these tranches.

*Market Check reserves the right to make earlier payments to participants

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Cash & Call Pool Costs:

All standard costs including storage, EPRs and levies, along with insurance financing costs are deducted from payments.

Market Check's management and administration fee is \$7.50 per tonne (excl GST).

Market Check deem the management fee to have been earned at the time the contract confirmation is issued, and it will be deducted from the initial payment.

Cash & Call Pool Returns:

Payments received by participants include premiums/discounts associated with their storage site (i.e. the return is site specific, not simply a port price minus the GTA location differential). This is calculated using the spread from other grades & sites at the time of delivery. Similarly, the point at which participants enter the call options strategy is indexed according to the time of delivery.

Participant returns are indexed based on market conditions at the time of entry into the Cash & Call Pool. Because of this, there is potential for two growers delivering 'like' parcels on different days to receive different program outcomes. Scaled returns based on the time of entry provide the 'fairest' and most equitable returns to participants, i.e. it better reflects the outcome of a grower implementing a similar strategy themselves on that entry date (entrants at high market prices don't subsidise entrants in a lower price environment).

Canola oil bonifications are applied as per AOF standards, up to a maximum of 46%.

Each payment made to participants will be accompanied by a Receipt Created Tax Invoice (RCTI) and a payment advice.

Final returns are determined using the items described above, as per the following calculation:

Final Return = Tonnage x (Total pool sale proceeds per tonne – Cash & Call Pool Costs as above +/- Site prem/disc +/- Options credit/debit +/- Oil bonifications [canola only] +/- Time of entry indexing)

Cash & Call Pool Risks:

Counterparty risk: the seller acknowledges that Market Check is selling the grain delivered under this Cash & Call Pool contract and will receive payment from a third party. In the event that third party defaults on payment to Market Check due to insolvency, the seller acknowledges that Market Check's payment obligation under this contract will be limited to the proceeds of any insurance claims made by Market Check (estimated at approximately 90% of the sale price). Any issues around credit exposure are shared by all participants.

Market risk: Market risk is largely mitigated by the upfront sales and subsequent purchase of options conducted in this program. However sharp market movements in physical/derivative markets during the contracting period can affect Market Check's ability to capture prices in line with grower bids on the date of contracting. If the market does not rally post-harvest, downside is limited to the amount spent on options (excluding management fee).