Market Check

Program Schedule & PPDG

2018/19 Cash & Call Program

1 November 2018

The Cash & Call Program 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, or in some cases on-farm grain, 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.

The Cash & Call Program may use a combination of exchange listed futures and options contracts, over the counter (OTC) derivatives; forward/track and/or delivered sales.

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. If grain is stored on farm, the grower will be eligible to receive payments on any grain that has been physically delivered, when final weights and grades are confirmed.

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 (or in the case of on-farm grain, after the grain has been physically delivered. 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 earnt over the deferred period.

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
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 Program Costs:

All standard costs including storage, EPRs and levies, along with insurance and 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 earnt at the time the contract confirmation is issued, and it will be deducted from the initial payment.

Any costs directly incurred by the pool as a result of on-farm grain failing to meet the contracted specifications will be passed on to the individual participant responsible, not shared by other participants.

Cash & Call Program 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 Program Risks:

Counterparty risk: the seller acknowledges that Market Check is selling the grain delivered under this Cash & Call Program 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).

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Quality risk: bulk handlers generally provide a guarantee on the quality of the grain in warehousing, however such guarantees are not available for grain stored on farm. There is a risk that the pool could incur costs by delivering grain from a farm location which does not meet the contracted specifications or quality. In such instances, the costs will be borne by the individual participant just as they would be if delivering incorrect specifications on a cash contract.

Pool Product Disclosure Guide (PPDG):

Item:	Description:
Aim of the pool:	To offer participants exposure to market upside post-harvest, while limiting exposure to a falling market through the use of options. Ideal lower risk strategy for growers who would otherwise hold grain unhedged post-harvest hoping the market rallies.
Legal entity operating the pool:	AgRisk Management Pty Ltd.
Years this legal entity has run pools:	8 years
Legal Entity owning the pooled grain:	AgRisk Management Pty Ltd.
Name of responsible Pool Manger:	Tom Basnett
Pool managers years of relevant experience:	8 years
Period open for deliveries/contracts:	1st October 2018 to 31st January 2019 (inclusive)
Length of pool:	6 months (marketing period ends 31st May 2019 at the latest)
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, over the counter (OTC) derivatives; forward/track and/or delivered sales.
Payment options:	Distribution (90% at harvest) & deferred
Fees charged by the pool manager:	$7.50 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. Port-based EPR's published in these reports are generic, representing a weighted average of returns for each grade within each port zone.
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 which include all site/contract-specific scaling adjustments.
Does the pool provide participants with a Final Pool Return (FPR) *:	Y	FPR's are published and accessible via myMarketCheck grower portal, in the final pool report and in associated Recipient Created Tax Invoices (RCTI).
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 pools 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.

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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