

# Pool Schedule

## 2016/17 Wheat & Barley Carry-Over Program



08 May 2017

The Carry-Over Program offers participants the opportunity to extend participation in the market up until July 2018 through an actively managed long term trading strategy whilst accessing flexible payment terms. This pool suits growers who want to offset carry costs through hedging whilst participating in any production led rally and avoiding selling for cash. Growers with grain stored on farm can minimise quality risks by delivering to a local bulk handling site and contracting into the Carry-Over Program.

The Carry-Over Program is open to receivals of **wheat and barley**, 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 Carry-Over Program at any time to protect participant returns.

### Grain Marketing:

The Carry-Over Program operates under a responsive and flexible strategy that best applies to market conditions and the program's extended time offering. As such, there is no mandated sale level at any point in time during the program. The core strategy is a hedging program focussed on capturing carry in the futures market into mid-2018, and swapping old crop into new crop stock to avoid added carry costs.

The Carry-Over Program may use a combination of exchange listed futures and options contracts, over the counter (OTC) derivatives; forward/track and/or delivered sales, and stock swaps.

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

### Grower Payments:

The Carry-Over Program offers participants three payment options. Participants who fail to nominate a payment option are allocated payments per the "On Request" schedule.

**Advance payments:** Advance payments are available, amounting to 70% of the prevailing market price, and are paid on the 15<sup>th</sup> and 30<sup>th</sup> of the contracting months (Jun, Jul & Aug), after title has been transferred to AgRisk Management Pty Ltd. Market Check reserves the right to accept or decline participants' request to receive advance payments.

**"On Request" payments:** Growers can access income on request in either Sep-17, Nov-17, Dec-17, Jan-18, Mar-18 or May-18 with final equity paid out in Jul-18.

**Deferred payments:** Payments can be deferred, either in full or partially, until Jul-18, with an appropriate credit applied to the deferred payment that reflects foregone interest earned over the deferred period.

	2017							2018						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
<b>Advance 70%</b>	70%													30%
<b>"On Request**"</b>				X		X	X	X		X		X		30%
<b>Deferred</b>														100%

\* On Request means growers can request up to 70% of equity be paid out in any of the months marked with an X, with the balance paid in Jul-18

\*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 unless deferred option is selected.

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### Carry-Over 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 earned at the time the contract confirmation is issued, and it will be deducted from the initial payment.

### Carry-Over Program Returns:

Payments received by participants include all premiums and discounts particular to their storage site, i.e. the return to the grower is site specific, not simply a port price minus GTA location differential. This will be calculated using the average spread for each grade vs all other sites over the duration of the program, weighted by inventory levels.

Participant returns are indexed based on market conditions at the time of entry into the Carry-Over Program. 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).

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 – Carry-Over Costs as above +/- Site prem/disc +/- Hedge credit/debit +/- Time of entry indexing)

### Carry-Over Program Risks:

Counterparty risk: the seller acknowledges that Market Check is selling the grain delivered under this Carry-Over 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 Check will endeavour to maximise grower returns, however market risk does exist given the long-dated structure of the pool and therefore minimum returns for grain in this program cannot be guaranteed.