Program Schedule & PPDG

2020/21 Strategic Program

21 September 2020

The Strategic Program offers participants the opportunity to participate in a sophisticated post-harvest marketing strategy. The program is open to contracting from the beginning of harvest through to the end of harvest, with final payments made the following November (at latest).

The Strategic Program 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 and storage locations.

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

Market Check retains discretionary right to close the operations of the Strategic Program at any time to protect participant returns.

Grain Marketing:

The Strategic 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 Strategic Program may use a combination of exchange listed futures and options contracts, over the counter (OTC) derivatives; forward and/or spot physical sales, and stock swaps.

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

Grower Payments:

The Strategic Program offers participants three 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.

12-month payment schedule:

Advance payments: Advance payments are available, amounting to 60% of the prevailing market price, and 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 outstanding advanced amount (plus interest) is reduced when the standard distributions would have been paid. Financing costs will only be charged on outstanding advance amounts. Once advance payments and finance costings have been paid in full, additional cash payments will be made to participants. E.g. an advance of 60% will be repaid as per the distribution payment schedule. It would be fully paid by July (20% in March, 20% in May, 20% in July).

In most cases, on-farm grain won't be executed during harvest, meaning harvest advances would not be an option. As an example, if 50% of contracted on-farm grain is executed, the grower will be eligible to receive 50% of the funds that would be available at that point in time, and will receive the regular distributions for that executed portion of their grain from then on.

Market Check reserves the right to accept or decline participants' request to receive advance payments.

Distribution payments: Payments are made through time. On-farm grain is eligible to receive distributions once grain has been physically delivered.

Deferred payments: Payments can 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.

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6-month payment schedule:

On a case-by-case basis, growers may be approved to participate in the Strategic Program on a short-dated payment schedule, with finalisation occurring in June (unless deferred). This option is generally not preferred from a strategic perspective, as the strategies employed in the program have historically performed better when it is exposed to the domestic market into the back end of the season, however it can be made available for those requiring more immediate cash flow.

12-Month Schedule	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Distribution					20%		40%		60%		80%		100%
Advance 60%		60%									80%		100%
Deferred									60%		80%		100%

6-Month Schedule	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Distribution					30%		60%	100%					
Advance 60%		60%						100%					
Deferred									100%				

*Market conditions and Estimated Pool Returns (EPRs) will determine how much is available in these tranches.

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

*Harvest advances generally not available for on-farm grain, as payments can only be released once tonnage has been executed.

Important note:

Each payment, regardless of payment schedule, is calculated by taking the total equity in that contract based on the latest available program valuations, multiplying by the total percentage available in that distribution, and subtracting all previously advanced payments against that contract. I.e. each time a payment is made, the value is based on the latest valuation, less previous payments. So any change in equity since the previous payment is mostly reflected in the subsequent payment, not spread out across all remaining payments.

For example, in July, a grower in the 12-month program on Distribution terms has received the first two payments. Their July payment is 60% of the latest valuation, less the total dollar amount previously paid out. As a result, if the program equity has increased/decreased since the previous payment, the July distribution may be greater/lower than the previous one. Then if the equity remains the same for the balance of the program, the Sep and Nov payments will be equal splits of the remaining 40%.

Strategic Program Costs:

All standard costs including storage, EPRs and levies, along with insurance, financing, NGR access and audit 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.

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.

Strategic 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 will be calculated using the average spread for each grade vs all other sites over a period of time (eg the duration of the program), weighted by inventory levels. Grain stored on-farm will be valued against the strongest actively traded

Market Check
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delivered markets during the season, and returns will be indexed accordingly.

Participant returns are indexed based on market conditions at the time of entry into the Strategic Program. Because of this, there is potential for two growers delivering 'like' parcels at harvest 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 - Strategic Program Costs as above +/- Site prem/disc +/- Hedge credit/debit +/- Time of entry indexing)

Strategic Program Risks:

Counterparty risk: the seller acknowledges that Market Check is selling the grain delivered under this Strategic 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 participant 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.

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.

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Program Schedule & PPDG

2020/21 Strategic Program

Pool Product Disclosure Guide (PPDG):

Item:	Description:
Aim of the pool:	To maximise returns for pool participants. The Strategic Pool offers participants the opportunity to participate in a sophisticated post-harvest marketing strategy.
Legal entity operating the pool:	AgRisk Management Pty Ltd.
Years this legal entity has run pools:	10 years
Legal Entity owning the pooled grain:	AgRisk Management Pty Ltd.
Name of responsible Pool Manager:	Tom Basnett
Pool managers years of relevant experience:	10 years
Period open for deliveries/contracts:	1st October 2020 to 31st January 2021 (inclusive)
Length of pool:	12 months (marketing period ends 31st October 2020 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 and/or spot physical sales, and stock swaps.
Payment options:	Advanced, distribution & deferred. 6-month early price-out option on case-by-case basis.
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 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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