

# A Closer Look at the AWB Spring Starter™

This Guide contains information to help you understand certain features of the 2015/2016 AWB Spring Starter™ program (**Spring Starter™**) offering. This is not a complete summary or list of all the features of the Terms and Conditions. You should read the Terms and Conditions and consult with your advisors before choosing to deliver into the Spring Starter™ or any other of the AWB Managed Programs (**AWB Programs**).

The Spring Starter™ program is marketed over a 9 month period with the program commencing from September once Spring Starter™ contracts are written. The pricing mandate in place for the Spring Starter™ is designed to ensure that the program can participate in market opportunities across the Spring Starter™ pricing window. The

Manager has discretion regarding how to manage pricing (including physical sales and hedging) subject to the published pricing mandate. The Manager cannot commence selling and hedging prior to participants committing to the program. Following closure of the contracting window the Manager may participate in pre-harvest and post-harvest selling strategies. Marketing opportunities may be limited or enhanced by any number of variables including global and domestic supply and demand.

You may request further information about the AWB Spring Starter™ program or any other AWB Program by contacting us through our Grower Service Centre at 1800 447 246. You can obtain additional or updated copies of this document by visiting our website at [www.awb.com.au](http://www.awb.com.au).

## Key Spring Starter™ program information

<b>Commodity</b>	Offered for Wheat only
<b>Contracting Period</b>	September 2015 – One week only
<b>Finalisation</b>	July 2016
<b>Locations Offered</b>	Western Australia, South Australia, Victoria/Southern NSW and Northern NSW/Queensland
<b>Contract Size</b>	Minimum contract size is 100 tonnes
<b>Contract Tolerance</b>	+/-10%
<b>Grades and Delivery locations</b>	Grades and Delivery locations are limited. For the schedule for deliverable grades and applicable delivery periods/locations call 1800 447 246 or visit <a href="http://awb.com.au">awb.com.au</a>
<b>Pre-Harvest Finance</b>	Spring Starter™ participants are able to apply for a Production Advance™ from date of contracting into the program. Separate terms and conditions apply for Production Advance™ call 1800 447 246 or visit <a href="http://awb.com.au">awb.com.au</a> for details
<b>Management Fee</b>	See “What are the fees and charges and how are they paid?”
<b>Important Information</b>	2015/16 Spring Starter™ Pool Payment Terms and Conditions

## How does the Spring Starter™ work?

Under the Spring Starter™ you sell your grain to AWB Harvest Finance Pools Pty Ltd as trustee for the 2015/16 AWB Pools Trust (ABN 95 836 060 571 ) (**AWB**). Upon delivery of your grain, title in the grain passes to us. At the close of contracting into the Spring Starter™ we will commence hedging strategies to price grain committed into the Spring Starter™. The use of pricing instruments aimed at locking in the Guaranteed Minimum Return (see details below) at the time of

contracting may provide for some participation by the Spring Starter™ in any positive moves in grain prices above the Guaranteed Minimum Return. In addition to hedging the price, we will target physical sales for delivery within the December to March period to seek to bring marketing efforts to an end and finalise pool payments by 30 June 2016. We will pay you for the grain purchased from you in accordance with the terms of the particular payment option chosen by you.

## For which grains do we offer the Spring Starter™ program?

For the 2015/16 AWB will be only offering the Spring Starter™ for wheat. We may at our discretion open new grain programs, establish local sub-programs or close existing programs at any time.

## Guaranteed Minimum Return

AWB will assist you to manage your price risk by including in your program payment calculation a guaranteed minimum return for particular pay grades of grain and a cap on certain costs. This guaranteed minimum return amount and capped costs automatically applies to all program participants unless you choose to opt out of them at the time of contracting.

The Guaranteed Minimum Return (**GMR**) in respect of a pay grade of grain is the amount published by us for that pay grade at the time of contracting into the Spring Starter™. The GMR represents 85% of the Spring Starter™ estimated return for that pay grade of grain. Your minimum return from the Spring Starter™ is determined as follows:

- Take the GMR for a pay grade of grain;
- Adjust by 85% of any applicable Port Differential;
- Subtract 100% of the applicable 'Capped Costs'.

The Spring Starter™ estimated return and GMR are quoted on a port basis and are exclusive of GST. The returns are quoted net of the applicable program management fee. A different management fee may apply based on your selection of program features: see "What are the fees and charges and how are they paid?".

The GMR, Port Differential and Capped Costs are published by AWB at the time of contracting into the Spring Starter™. See the AWB website: [www.awb.com.au](http://www.awb.com.au) or contact your AWB representative.

## What are Capped Costs?

Capped Costs reflect our expectation of scheduled costs incurred, in handling and moving grain to port. The costs of storing grain and moving grain through a port are not captured in Capped Costs.

Capped Costs only include those costs incurred by the Spring Starter™ once title in the grain has transferred to us and excludes costs which may be applied by third parties against your delivery of grain (for example on farm pick up or grower organised storage and handling fees).

The cap includes a risk premium to cover potential increases in scheduled bulk handling costs which remain unknown at the time of contracting.

Capped Costs are published at the time of contracting and are published on an aggregate basis.

## How does the GMR and Capped Costs work?

If actual scheduled costs are lower than the Capped Costs, the actual costs will be applied to determine your program payment. If actual scheduled costs are above the Capped Costs, only the Capped Cost will be included in the calculation of your program payment.

The table below illustrates how the GMR and Capped Costs work. Other program fees and charges may also apply.

All figures presented in the table are representative only and for demonstration purposes. The figures are not estimated or actual returns or actual Capped Costs for the 2015/16 Spring Starter.

At Contracting		Scenario A Higher Actual Return, Higher costs at Finalisation	Scenario B Lower Actual Return, Higher costs at Finalisation	Scenario C Lower Actual Return, Lower costs at Finalisation
Spring Starter Estimated Return	= \$280.00	\$320.00	\$230.00 (adjusted up to GMR of \$238.00)	\$230.00 (adjusted up to GMR of \$238.00)
Guaranteed Minimum Return (GMR) (85%)	= \$238.00			
Capped Costs	= \$60.00	\$70.00 (adjusted down to Capped Cost of \$60.00)	\$70.00 (adjusted down to Capped Cost of \$60.00)	\$50.00
(GMR net of capped costs per tonne (ex GST))	= \$178.00	<b>\$260.00</b>	<b>\$178.00</b>	<b>\$188.00</b>
		<b>Actual Pool Return</b>	<b>Actual Costs</b>	<b>Net Return</b>

## What is a Port Differential?

AWB publishes returns on a regional basis. However, the market value or the proceeds received by us when selling grain in each port zone within a region may be different. AWB will therefore estimate and publish 'port differentials' for each regional program representing the differences between a reference port (selected by us) and each other port zone within the region. The port differential will apply to all grades acceptable in the Spring Starter™ and may be zero, a premium or a discount to the Spring Starter™ estimated return at the reference port within the region. Port differentials are published at the time of contracting and remain an estimate until the Spring Starter™ is finalised.

## Am I eligible to participate in the Spring Starter™?

You are eligible to participate in the Spring Starter™ if you are a grower who:

[Option A]

- (i) has produced the grain you wish to sell to AWB in the ordinary course of your grain business;
- (ii) is registered as a grower on the National Grower Register maintained by the National Grower Register Pty Ltd ACN 095 857 266 or the AWB Grower Register maintained by AWB (Australia) Pty Ltd ACN 081 890 502;
- (iii) is an income tax exempt charity under the Income Tax Assessment Act 1997 (Cth).

OR

[Option B] meets the Corporations Act definition of a 'wholesale client'.

Potential program participants who do not satisfy one of Option A or Option B are not able to participate in the Spring Starter™.

If you apply to participate in the Spring Starter™ based on your satisfaction of Option B you must complete and return to us the "Wholesale Client" declaration form which is available by contacting the Grower Service Centre on 1800 447 246.

## How do I participate in the Spring Starter™?

You can apply to participate in the Spring Starter™:

- by contacting our Grower Service Centre on 1800 4 GRAIN (1800 447 246); or
- faxing/emailing an executed AWB Spring Starter™ Contract to us; or
- in person with one of our representatives.

AWB publishes a list of approved bulk handler sites via the ESR calculator which can be found

at [www.awb.com.au](http://www.awb.com.au) – if a site does not appear in the ESR calculator AWB will not be taking grain at that site.

## What are the payment options available?

The Spring Starter™ offers you access to a range of different payment options. Payment Options Available:

### **1. Distribution Method: with Guaranteed Distribution Dates:**

- 26 February 2016 (interim payment)
- 30 June 2016 (remaining payment)

### **2. Deferred Distribution: with a Guaranteed Distribution Date**

- 15 July 2016 (100% payment)

### **3. Flexible Loan**

- Available from delivery
- Automatic repayment via Deferred

### **Distribution payment in July**

- Loan draw down available until 15 June 2016
- Additional fees apply

The key features of the payment options offered for the 2015/16 Spring Starter™ are as follows:

**Distribution:** Cash flow and income are spread between February and June following harvest. Guaranteed payment dates apply to distribution payments. Estimated distribution payment levels will be forecast via the ESR Calculator to assist with budgeting.

**Deferred Distribution:** Comprises one payment representing 100% of net proceeds due from the Spring Starter™ in July. Your July payment will include an additional amount (as determined by us) above the standard program return which represents interest earned on so much of the funds held by the relevant program as we determine is attributable to growers who deliver under the Deferred Distribution Option.

### **AWB Flexible Loan**

The AWB Flexible Loan provides a convenient and flexible line of credit with no additional security required. For each tonne delivered into the program, the flexible loan credit limit is calculated with reference to the GMR, adjusted for 85% of any applicable Port Differential, less Capped Costs and less estimated finance charges applied in calculating your credit limit. The interest rate applicable to the loan is variable and published on the AWB website. Interest is capitalised on a monthly basis and loan repayments are made directly from program deferred distribution payments. Under the AWB Flexible Loan option, you can choose the timing

and extent of draw down, subject to specified limits. You may repay the loan at any stage and you are permitted to redraw the amount that you have repaid up to the prevailing credit limit in certain circumstances.

By selecting the AWB Flexible Loan option, you agree to pay a facility fee.

If you are an individual, you will not be eligible to apply for the AWB Flexible Loan unless you have completed a business declaration form declaring that the loan facility is strictly used for business and/or investment purposes. A copy of the form can be accessed by contacting our Grower Service Centre on 1800 447 246.

### **Exposure to costs incurred in the Spring Starter™**

By committing grain to the Spring Starter™ you may be exposed to, or benefit from, costs incurred by the Spring Starter™ being spread across some or all of the participants in that program. The allocation of costs across participants is at the discretion of the Manager. The spreading of costs by the Manager means

that the impact of one off events that may directly affect costs in a particular site or region may be spread beyond that site or region. AWB will publish site based costs in the ESR calculator and will advise of any material change to the estimated costs.

### **What are the fees and charges and how are they paid?**

All fees, expenses and costs arising from the establishment and operation of the Spring Starter™ and the marketing and sale of the grains (including costs associated with hedging activities) are deducted from the gross proceeds received by us when we sell the grain. These costs and charges include fees paid to related entities of AWB for services rendered. The net return from the sale of the grain is returned to you as consideration for the sale of your grain to us after taking into account the site-to-sea costs of handling and moving grain to port (which may differ on a site basis). For more information about the Spring Starter™ estimated return and site related costs, please see

The fees applicable for the Spring Starter™ are:

Fees: Applicable to AWB Season Starter Participants	
Management fee - with GMR	\$9.90 per tonne
Management fee - without GMR	\$8.90 per tonne
Fees: Applicable to all AWB Season Starter Participants	
Ticket reversal administration fee	\$200.00
Encumbrance administrative fee	\$200.00
Washout administrative fee	\$200.00
Fees: Apply exclusive to Flexible Loan Customers	
Facility fee	\$1.00 per tonne
Estimated finance costs	Estimated interest costs TBA prior to harvest, refer; <a href="#">(Published on the AWB ESR Calculator) www.awb.com.au</a>
Variable interest rate	TBA prior to harvest
Royalties and Levies	
End point royalties	Charged to all grower participants who use seed varieties that are subject to end point royalty collection arrangements.
Commonwealth, State and Association grain levies	We recover all compulsory statutory levies on behalf of government authorities and where instructed.

## How is the Spring Starter™ estimated return quoted and does it take account of fees and charges?

The published Spring Starter™ estimated return is quoted on an Australian dollar port price basis and is net of all establishment, operating, sales and marketing expenses, general expenses and costs, including costs associated with hedging activities. The Spring Starter™ estimated return does not include the costs of handling and moving grain to port. These costs differ between sites and are charged to you in relation to each delivery of your grain based on your delivery location.

Due to regional differences in price, demand and supply factors and certain costs and liabilities we publish different Spring Starter™ estimated returns for Western Australia, South Australia, Victoria/Southern NSW and Northern NSW/Queensland geographies. Despite the different Spring Starter™ estimated returns for these geographies, the Spring Starter™ is managed on a national basis and growers may share in the benefits, risks and costs of the larger national program as determined by us.

Our estimates and projections (including in relation to the published Spring Starter™ estimated returns) are based on assumptions made by us as to developments in the relevant grain market. They are estimates and projections only and we cannot and do not guarantee that the estimates and projections will be met. A range of factors (including those identified in this document) affect the performance of the Spring Starter™, many of which are beyond our control.

## How do we manage the Spring Starter™ risks?

There are risks involved in marketing grain in Australian and international commodity markets. There are explicit production and price risks, and also a number of implicit risks associated with participating in the Spring Starter™. Due to the nature of the risks, quantifying and managing such risks is a complex task.

As part of Cargill's global network of businesses we seek to manage and mitigate the risks associated with the Spring Starter™ as follows:

- **Production Risk:** Generally, production and delivery risk rests with growers. The Manager is in the business of on-selling the physical grain you commit to the Spring Starter™ to third parties and may enter into commodity futures or options arrangements or engage in hedging against fluctuations of currency (including using derivatives). As we rely on your delivery of the grain you have committed to the Spring Starter™, if you are in default of

your obligations, including your obligation to deliver committed grain, the Spring Starter™ may suffer loss (including loss of profit). If a grower fails to deliver committed grain, we may at our discretion recover that loss including by (a) buying grain on behalf of the defaulting grower and delivering it to the Spring Starter™ and claiming the money so expended plus interest and costs from the defaulting grower or (b) claiming from the defaulting grower the difference between the Spring Starter™ estimated return for the undelivered tonnage and the cost (if higher) of buying replacement grain, plus administrative costs (c) requiring payment of the management fee (or part thereof) that would have been paid had the grain been delivered or (d) wash out the grower's contract, in accordance with the Terms and Conditions.

- **Liquidity Risk:** To manage liquidity risk, AWB has negotiated funding arrangements with financial institutions and other finance providers to provide a funding base for the term of the Spring Starter™. Upon delivery of the Contracted Tonnage the Spring Starter™ would hold a portfolio of assets to cover unforeseen funding requirements.
- **Fluctuation in expected volumes of supply or demand:** The Manager reviews and analyses key factors that impact domestic and global grain markets, including macroeconomics, weather, supply and demand, exports, production changes, consumption and government programs with a view to formulating marketing and risk management strategies that support estimated returns.
- **Fluctuation of grain prices: Management of grain price risk can be broken into three key components; currency (FX), commodity price and basis risk.**
  - **Currency and Commodity Price risk:** In today's volatile markets, growers look for a steady hand of experience to help them manage their exposure to commodity price risk. For years, Cargill has been identifying, measuring and managing its own exposure to risk. The Spring Starter™ strategy involves participating in and being exposed to a mix of domestic and export market opportunities over a set time frame. However, the relativities between Australian wheat prices and global commodity markets cannot be ignored and we will hedge using a mix of domestic and international market sales and hedges to manage price risk. Commodity hedging

may be undertaken in local and international commodity exchanges and may include a combination of wheat and feed grain futures and options and may also include intra-market spread trades. To minimise the effects of adverse movements in the exchange rate we have in place a hedging framework designed to reduce currency risk over the term of the Spring Starter™. The hedging framework allows the use of FX forward and options contracts and may include the buying and selling of both of these instruments.

- **Basis Risk: Broadly, basis can be described as the difference between any two price points. This is generally a cash price and the futures price of a particular commodity on a given futures exchange.**

The factors that affect basis include expected supply and demand for grains at the storage and receival sites, supply and demand for transportation, variations in quality between what is grown and the futures contract, and the unavailability of substitutes at a particular location. To manage basis risk we employ a number of strategies including leveraging the Cargill domestic and global information network to structure and plan a targeted physical sales program. Cargill's extensive global information network is accessed to provide us with the most up to date supply and demand analysis to make decisions in physical and derivative markets. We also set minimum physical sales targets which seek to reduce basis risk over the term of the Spring Starter™.

- **Deliveries outside specifications:** To minimise the risk of your deliveries being outside of the Grain Receival Standards, which could lead to your grain being rejected, we publish acceptable grades and links to applicable Bulk Handler or Grain Trade Australia receival standards at [www.awb.com.au](http://www.awb.com.au). This is particularly important because if your load is rejected you will still be expected to deliver the Contracted Tonnage. Please be aware of the limited grades acceptable under the Spring Starter™ and call our grower services centre on 1800 447 246 or visit our website for a full list of acceptable grades.
- **Freight, storage, infrastructure and logistics:** Like all grain industry participants, the Spring Starter™ requires access to

significant amounts of freight, upcountry storage, infrastructure and logistics support and is subject to increases in the costs thereof. AWB will publish a capped value of certain scheduled costs at time of contracting and for those growers that have not opted out of the GMR and Capped Cost features, will continue to provide updates should costs materially change. Certain execution challenges (including delivery interruptions and associated financial consequences) are sought to be mitigated by leveraging Cargill's local export execution and logistics teams. Similarly, participating in a national program provides the Manager with increased flexibility to work through logistical issues by considering alternatives such as shifting of sales to different regions to minimise non-performance.

- **Counterparty insolvency, credit and performance risk:** As a grain marketing vehicle the 2015/16 AWB Pools Trust is subject to non-performance risk by pool participants, suppliers and hedging counterparties. In circumstances where a participant in the Spring Starter™ is or becomes insolvent or otherwise defaults under its contract with AWB the performance risk of that participant in connection with their contract is shared amongst all Spring Starter™ participants and may also affect participants in other AWB Programs (and vice versa). In order to minimise non-performance exposures by growers we have the right to and enforce washout clauses to seek to recover any value lost in the program. In relation to sales, we seek to sell on terms which ensure we receive payment prior to passing of title.
- **Single seasonal trust:** The 2015/16 AWB Programs, including the Spring Starter™, are managed as a series of sub-funds within a single, seasonal trust: the 2015/16 AWB Pools Trust. Further, we may at our discretion establish and manage local sub-programs within a sub-fund and references to the "Spring Starter™" and to "sub-funds" in this document should be read accordingly. This seasonal trust structure seeks to protect the sub-funds within one seasonal trust from sub-funds within the seasonal trusts from prior or subsequent crop years. Some fees, costs and expenses are incurred in respect of the establishment and management of all the 2015/16 sub-funds, and are therefore apportioned between all of them. Where AWB incurs liabilities in managing the 2015/16 sub-funds that are referable to a particular sub-fund, it is able to attribute those liabilities to the

relevant sub-fund. However, as each sub-fund is part of single, seasonal trust if the liabilities of one of the 2015/16 sub-funds exceeds its assets, it is possible that those excess liabilities may be met from the assets of the other 2015/16 sub-funds.

- **Timing of sales:** AWB intends to fully sell down the Spring Starter's grain over a 10 month period ending June 2016. The Spring Starter™ program will not carry an exposure from grain being sold into the program from prior AWB Programs (carry in) but may sell grain into a future AWB Program to manage the finalisation of the Spring Starter™.
- **Attribution of sales:** AWB at its discretion may choose to participate in sales depending on its ownership of grain and its market view. Once a decision to participate in a sale has been made AWB at its discretion may attribute sales activity across various AWB Programs that operate in a given region. Attribution of sales to a particular AWB Program may depend on physical grain ownership and the AWB Program's specific pricing strategy in place at the time of booking a new sale. Each AWB Program adopts a separate pricing strategy representing the time frame applicable to each AWB Program. The duration of the AWB Program may also be taken into consideration when making attribution decisions. AWB is under no obligation to effect sales of the grain committed to one AWB Program in priority to any of its other existing AWB Programs.
- **Conflict of interest:** Cargill Australia Limited (CAL) is appointed to provide services to AWB and the AWB Programs. CAL's extensive international network provides access to world markets for Australian grain and oilseeds. As CAL and other members of the Cargill Group are in the business of grain marketing and trading on their own account, the objectives of the Cargill Group (as well as the way in which the Cargill Group seeks to achieve these objectives) may be different to that of the AWB Programs. For example, CAL may employ different hedging strategies and tools in conducting its own business as compared with providing similar services to the AWB Programs. Consequently, the financial performance of CAL in conducting its own business is not indicative of the financial performance of the AWB Programs. In order to manage any potential conflicts of interest that may arise between the interests of CAL or its associates and related bodies corporate and the AWB Programs or between AWB managed programs, the directors of

AWB and CAL will at all times pay regard to their obligations and will ensure that all such potential conflicts are resolved fairly. In particular, when allocating sales opportunities, CAL has agreed to ensure that all such opportunities will be allocated in a fair and equitable manner between its own trading business and the AWB Programs.

- **Geopolitical risks:** We take advantage of our access to Cargill's global network in buying, selling, marketing and distributing grains to minimise the potential adverse impact of uncertainties such as international political development, changes in government policies, restrictions on foreign trade and government sanctioned embargos, currency repatriation and other developments in the laws and regulations of countries in which the end customers reside.
- **Key personnel:** CAL, as a service provider to AWB and the AWB Programs, employs a dedicated management team. The management team sets strategies for and oversees the operation and management of the AWB Programs in addition to working with the broader team to seek opportunities to market and sell the grain. The risk of the death, disability or withdrawal of key personnel in the management team adversely affecting the operations and management of the AWB Programs is mitigated by Cargill's global strength. Should anything unforeseen arise in relation to key management resources Cargill has access to a global trading and marketing team to cover personnel changes.

The foregoing is not a complete list of the risks involved in selling your grain to an AWB Program.

You should read the Terms and Conditions in its entirety and consult with your advisers before making an offer to sell your grain to any AWB Programs.

## Governance

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AWB has implemented a number of policies and procedures to ensure it is able to achieve its commitment to conducting the AWB Programs in a way that promotes fairness, transparency and accountability. This includes adhering to Cargill's Guiding Principles and having each AWB Program independently audited prior to finalisation. Our policies and procedures enable us to meet marketplace expectations of sound corporate governance practices and cover such areas as governance, program access and origination, program returns and payments, interaction between business areas and risk management policies which include program

closure, foreign exchange and commodity risk.

## **Important Notice - Disclaimer**

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This document (**Guide**) has been prepared by AWB Harvest Finance Pools Pty Ltd as trustee for the 2015/16 AWB Pools Trust (ABN 95 836 060 571) (in this document '**AWB**', '**we**', '**us**' or '**our**') for circulation to growers ('**you**') who are 'eligible growers' and is not intended for use by any other person. This Guide contains information of a general background or summary nature about certain aspects of the Spring Starter™ and the 2015/16 AWB Pools Trust but is not comprehensive and accordingly you should not base your decision or action solely on the information in this Guide. Please refer to the 2015/16 Spring Starter™ Pool Payment Terms and Conditions (**Terms and Conditions**) for the full terms and conditions governing the Spring Starter™. Certain capitalised or otherwise highlighted terms used in this Guide refer to those terms as defined in the Terms and Conditions. References to the 'Spring Starter™ estimated return' in this Guide are references to the 'Estimated Pool Return' as defined in the Terms and Conditions. Nothing in this Guide constitutes financial product or investment advice, a risk management strategy, a recommendation or an offer with respect to the Spring Starter™ or the 2015/16 AWB Pools Trust. No representation or warranty is provided in relation to the accuracy, completeness or reliability of the information contained herein. The contents of this Guide remain subject to change without notice and we are not under any obligation to correct or update its contents. Any estimates, forecasts or other forward looking information in this Guide are based on many assumptions and are subject to significant uncertainties many of which are outside of our control. Nothing in this Guide should be relied upon as a representation as to future matters. This Guide is not the basis for any contract for us to buy grain from you, or for us or our associates and related bodies corporate (as defined in the Corporations Act 2001) (**Associates**) to enter into or arrange any type of transaction as a consequence of any information contained herein. To the fullest extent permitted by law, neither us nor any of our Associates (or any of our or their directors, employees or agents) accept any liability for any loss or damage arising out of the use of all or any part of this Guide. This disclaimer section will prevail in the event of any inconsistency other provisions of this Guide.