

4 November 2016

Burdekin District Cane Growers Organisation Limited
142 Young Street
AYR QLD 4807

Attention: Julie Artiach

Partner Geoff Farnsworth
Direct Line (02) 8083 0416
Email geoff.farnsworth@holdingredlich.com
Our Ref GEF 16730210

By email to manager@pcgo.com.au

Dear Julie

Cane Supply Agreement Negotiations with Wilmar Group Companies

You have asked for our comments on certain statements made by Wilmar Sugar in an email sent to grower on 2 November 2016.

Wilmar has complied with the law and acted at all times in an ethical, reasonable and commercially responsible manner.

As you know, we have been attempting to negotiate a Cane Supply Agreement and Forward Pricing Agreement with companies in the Wilmar Group.

On 30 June 2016 you provided Wilmar with a draft Cane Supply Agreement and Pricing and Pooling Agreement. Growers currently contract with Wilmar Sugar Australia Ltd and this was maintained in your proposed contracts for 2017.

Wilmar's response was to reject your draft and to promote a CSA with Wilmar Sugar Australia Pty Ltd on behalf of Pioneer Sugar Mills Pty Ltd (and the other 2 Burdekin mill-owning entities).

According to Wilmar, this change in contracting entity was opportunistic rather than necessary under the new legislation. No reasons have been given as to why the change is necessary or desirable.

Wilmar refused to negotiate a Pricing and Pooling Agreement on the basis that pricing was not a matter governed by the Sugar Industry Act.

On 28 September 2016 you gave notice under section 33A of the SIA that you required Wilmar to use reasonable endeavours to negotiate a supply contract on or before 14 October 2016. You also submitted an updated CSA and PPA and invited negotiation.

Wilmar did not respond until 11 October 2016, when it advised that your draft CSA did not provide a "useful basis" for negotiation and that "the CSA provided by us some time ago" "is the appropriate agreement and is the basis on which we intend to proceed. "

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it is always Wilmar's intention to act reasonably in relation to cane refusal.

Wilmar has removed the requirement that it act reasonably from its proposed CSA.

Under clause 6.2 of the current CSA (originally with CSR), the mill owner "may refuse to accept Cane on the grounds that, in the opinion of CSR **acting reasonably**, the Cane is not fit for the manufacture of raw sugar of acceptable quality."

For reasons unknown, this clause was replaced by clause 4.3 of the current Wilmar draft which provides that "The Mill Owner may refuse to accept a Delivery on the grounds that, in the Mill Owner's **sole opinion**, the Delivery is not fit for crushing...".

Transfer of land provisions have also been in our cane supply agreements for many years.

This is partially true however under clause 13(d) of Wilmar's proposed CSA, a grower who sells his land to a purchaser who is not prepared to take on the Wilmar contract remains liable to Wilmar under the CSA notwithstanding the sale of the grower's interest in the land.

By comparison, the current BDCG proposal contains a 1-year/3-year term option, plus the ability for the grower to reduce the contract area where notice is given to the mill owner prior to 15 December.

While these and other terms may be capable of being resolved by negotiation, there are significant differences between the contracts currently on foot, and the terms being proposed by Wilmar and BDCG.

Yours sincerely

A handwritten signature in blue ink that reads "Holding Redlich". The signature is written in a cursive, flowing style.

Holding Redlich