QSL Your Trusted Partner

UPDATE

2017 MARKETING CHOICE

22 November 2016

By Greg Beashel, QSL Managing Director and CEO

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Dear Grower,

Reading yesterday's communications from Wilmar, growers could be forgiven for thinking that Wilmar has bent over backwards to deliver a fair deal. While progress has been made on a number of important points, Wilmar's proposal contains several issues that adversely impact growers and must be addressed. Unsurprisingly, Wilmar has been less eager to promote these issues in its grower communications.

Some unresolved issues Wilmar has not been upfront about include:

LOWER QUALITY SUGAR = LOWER PREMIUMS

Wilmar is unwilling to provide sufficient assurances around the quality of sugar it delivers. Wilmar continues to insist QSL must accept sugar that does not meet the pol specification in their GEISSA, rather than being entitled to request a replacement quantity of compliant sugar. This has impacts for growers, including the likelihood of lower premiums for that lower quality Growers' Economic Interest in Sugar (GEI Sugar) supplied on their behalf. While producing lower quality sugar reduces costs for the miller, it just transfers those costs to growers and marketers by making the sugar less attractive in the market place. As such, we want an On-Supply Agreement featuring reasonable quality arrangements for GEI Sugar delivered by Wilmar.

TAX ISSUES FOR GROWERS

Wilmar has proposed a complicated payment mechanism which QSL is concerned may have adverse tax implications for growers as well as impacts on the timing of grower payments. QSL won't agree to a GEISSA that contains these risks, and has sought urgent tax advice to try and make Wilmar's position workable.

IMPACT OF MILL FAILURES

QSL believes that when we do not receive GEI Sugar from Wilmar due to a mill breakdown, Wilmar should be liable for the loss suffered by QSL, as QSL will have entered into pricing on behalf of growers, and growers will be exposed to potential adverse financial consequences despite being able to perform their cane delivery obligations.

ADMINISTRATION DATA AND PRICING OPPORTUNITIES

Wilmar has advised QSL that it will not commence the estimated 6-week development of its proposed automated email system to notify QSL of grower marketing nominations until after the CSA and GEISSA are

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signed. This means that QSL would not be advised by Wilmar when a grower nominates QSL as their GEI Sugar marketer until after the marketing nomination date – which will clearly have an adverse impact on a grower's ability to price with QSL once this agreement is finally completed.

CONTROL OF STORAGE

Wilmar continues to seek unreasonable controls over QSL's storage arrangements, including seeking constraints on and indemnities from QSL that it is not offering over its own sugar, which will adversely impact on QSL marketing flexibility (and the pricing that can be obtained for growers).

So in summary, major sticking points with this contract that remain unresolved include:

- Potential for lower quality sugar to be provided on behalf of growers, bringing lower premiums
- Exposing growers to potential tax risks
- Slowing down disclosure of grower nominations which will hinder immediate pricing
- Providing no recourse to seek compensation for Wilmar's mill failures
- Unreasonable constraints on QSL's storage arrangements.

QSL takes its commitment to serving our industry very seriously and while we have shown repeatedly that we are happy to make some concessions to progress negotiations, we are not eager to sign off on a proposal that would expose growers to lower premiums, tax risks and pricing restrictions.

We share growers' frustration at the pace of this process, but believe these issues need to be addressed and Wilmar's 'all or nothing' approach to their proposal does nothing to progress these very real concerns. We remain optimistic that a solution can be found if Wilmar genuinely wants to return to the negotiating table – and invites growers to join us – rather than wasting valuable time trying to win a media war.

We intend to continue to work to progress these negotiations so that growers can price with QSL as soon as possible, without any grower being worse off as a result of exercising their legal right to choose a GEI Sugar marketer. The ball is back in Wilmar's court, and we await their responses to the issues we have already raised with them. In the meantime, QSL will continue to focus its energies on achieving the best possible outcome for the industry in the 2017 Season and beyond.

Regards,

Greg Beashel
QSL Managing Director and Chief Executive Officer