

# UNDERSTANDING FORWARD PRICING

## MARKETING WITH WILMAR

From our base in regional communities, we ship the sugar we manufacture all over the world. As part of one of the largest international sugar traders, we leverage our extensive global network and expertise to connect growers' farms to the world and help secure the best prices for our product.

## OUR OFFER

We offer growers the opportunity to leverage our pricing and marketing knowledge, and resources, through a range of competitive pricing, pooling and payment options. Our goal is to provide professional marketing services that growers won't find anywhere else: The ability to price more sugar and receive the benefit or cost of their own choices; personal, specialised support; and innovative products and tools to help make running their business as simple as possible.

Growers who nominate us as their marketer of Grower Economic Interest (GEI) Sugar can choose from various forward pricing mechanisms or fixed-tonnage pools to achieve a price outcome, and payment options designed with flexibility in mind. As every grower's business is different, our offer allows them to choose the arrangements that best suit their individual needs and equip them for the demands of the season.

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**WANT TO KNOW MORE?** Read about some of our forward pricing options over the page and find out how to contact our experienced team.

## FORWARD PRICING IN A NUTSHELL

Forward pricing offers growers the opportunity to actively manage their own price outcome, meaning they have greater control over the price they are paid for their cane. It involves growers using our online GrowerWeb system to specify at what market value(s) they would like to price their GEI Sugar, should the market allow it.

## FORWARD PRICING ALLOWS GROWERS TO POTENTIALLY:

- ✓ Target prices which lock-in profits compared with the cost of production
- ✓ Manage with more certainty their revenue, budgets and conversations with bank managers
- ✓ Match the forward pricing levels being targeted with the appetite for risk
- ✓ Diversify the management of price risks
- ✓ Capture attractive sugar prices during market rallies through the life of a 3-4 year time cycle

Remember however that with opportunity comes different levels of risk, and it's important to understand the possible implications of forward pricing before using it.

## FORWARD PRICING TOOLS

Our key forward pricing mechanisms offer choice and flexibility, depending on the level of control growers are looking for.

### CALL AND TARGET PRICING MECHANISMS

Growers have been using these two pricing mechanisms since we first introduced forward pricing in 2008. Growers can allocate up to 70% of their exposure (the highest in the industry) to these pricing tools, and have access to change and manage their orders online, 24/7.

Of the growers who nominated Wilmar as their GEI Marketer in the 2019 season, 78% used forward pricing to some extent. Furthermore, 64% of the GEI tonnage nominated to Wilmar was priced via forward pricing.

Call and Target are very similar pricing mechanisms. However, with a minimum tonnage commitment of 304.82 tonnes of GEI Sugar (and only multiples of this quantity accepted), the Call Pricing Mechanism is designed for larger growers. Those using Call Pricing can also specify any price level when setting a price.

On the other hand, our Target Pricing Mechanism only requires a minimum of 10 tonnes of GEI Sugar, but target prices can only be set in \$10 increments.

### GROWER-MANAGED PRODUCTION RISK SCHEME

Wilmar's Grower-Managed Production Risk Scheme (GMPRS) was a first for the sugar industry, offering growers the ability to directly manage the price outcome for almost 100% of their GEI Sugar. Instead of having a minimum of 25-28% of GEI price exposure committed to the Production Risk Pool, growers can use the GMPRS to have full control of the price outcome for all of their GEI Sugar nominated to Wilmar (excluding the small 2-5% allocated to the US Quota Pool).

We first introduced the GMPRS for the 2017 season and it continues to attract increasing nominations of GEI Sugar every year. It remains the only tool in the industry that allows growers such a high level of control over their price.

While some might consider that using the GMPRS requires taking on more risk, because the grower takes responsibility for the last 25-28% of the crop's production, any such risk can be managed. A grower can choose to price the GMPRS portion before or during the harvest if they are highly confident of the crop production outcome, or they can wait until the GEI Sugar is actually produced at the end of the harvest.

## WE'RE HERE TO HELP

To answer any queries, or to learn more about our forward pricing tools, our Grower Marketing Team are experienced agribusiness and finance professionals based in your local region. Whether in the office, on the phone or on-farm, they're here to help you determine how to get the best value from our marketing offer.

For more information, contact Wilmar's Grower Marketing Team.



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