



Your Trusted Partner

UPDATE

2017 MARKETING CHOICE

17 February 2017

By Greg Beashel, QSL Managing Director and CEO

Dear Grower,

Earlier this week the LNP asked that QSL and Wilmar formally agree that an On-Supply Agreement would be finalised by 28 February 2017. We met with Wilmar yesterday and the outstanding issues were not resolved. The required assurance sought was not able to be given to the LNP.

Given the very clear feedback we have had from Wilmar growers on the key issues in dispute and the impact of those issues on QSL's ability to offer marketing choice to them on competitive terms, we are not able to agree to the current position Wilmar has proposed and a resolution will require some significant movement from Wilmar on those matters.

Unlike Wilmar, QSL wants Wilmar growers to be able to choose QSL as their GEI Sugar marketer and it is not in our interests to delay an agreement. We have been committed to this course for many months and would like to see the issue resolved well before 28 February.

We have successfully negotiated supply agreements for the coming season with every Queensland miller, except Wilmar. We have already made significant and substantial concessions to Wilmar – concessions not sought by or given to any other mill – that have required QSL to spend considerable capital and resources on the unnecessary duplication of systems and services, all at added cost to Wilmar growers. These Wilmar-specific requirements have included but are not limited to the development and ongoing operation of an online grower pricing and payment platform for Wilmar growers and the establishment of regional offices and support staff to work directly with Wilmar growers, both initiatives driven by Wilmar's insistence on different marketing terms from the agreements we have in place with every other Queensland milling company.

Such considerable concessions and the comprehensibly different Wilmar OSA model and terms we have been discussing with Wilmar are evidence of our willingness to compromise in order to provide growers with the choice of marketer the current legislation envisaged. But as an industry service organisation committed to working in the best interest of Queensland growers and millers, we cannot agree to Wilmar requests that will see even more new and unnecessary costs and risks pushed onto the growers we are bound to serve.

We will continue to seek a commercial resolution with Wilmar, but we also welcome any effort that helps us move toward a speedy and fair resolution to the current impasse.

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Greg Beashel, QSL Managing Director and CEO



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DECLARATION DATE FOR WILMAR GROWERS

While 28 February has traditionally been the annual pricing Declaration Date for growers using QSL, Wilmar growers remain unable to submit marketing or pricing nominations to QSL for the coming season as there is no OSA in place with Wilmar.

As a result, QSL's traditional 28 February Declaration Date will be extended for Wilmar growers this year.

As soon as QSL secures an OSA with Wilmar, we intend to release details of the new marketing and pricing nomination dates that will apply specifically for Wilmar growers. These new dates will provide Wilmar growers with adequate time to fully consider and submit their pricing options under new Marketing Choice arrangements.

INTERIM PRICING – WILMAR GROWERS

Wilmar has not discussed its interim pricing arrangements with QSL and so we are unable to provide any information beyond that publicly available regarding the implications for growers who choose to pursue this option with Wilmar.

However, we continue to have grave concerns for growers who would enter into this agreement without full information regarding the potential costs associated with novating any pricing undertaken.

While QSL would do its best to accept novations of forward pricing from Wilmar Growers in such an agreement, it can only do so when there is an OSA to transition the pricing to.

There may also be costs associated with these kinds of transfers, which the relevant grower could be wholly liable for (these costs would vary on a case-by-case basis). Pricing may also need to be in an appropriate pricing ratio format to minimise any potential costs.

We strongly urge any Wilmar growers considering interim pricing options to make sure they understand the terms of any such agreement, the costs involved, and what it locks them into.

Regards,

A handwritten signature in black ink, appearing to read "Greg Beashel".

Greg Beashel
QSL Managing Director and Chief Executive Officer

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