



20 June 2014

Dear grower

By now you may have received a letter from Wilmar and an attached information update.

In those documents Wilmar makes it clear its proposed interim forward pricing arrangements cannot be finalised by 1 July 2014. Wilmar also writes that that it “strongly supports an effective engagement process and understands that it will take time to properly review and consider the new concepts it is proposing.” Nonetheless, Wilmar continues to deny growers their right to determine how their grower economic interest (GEI) sugar is sold.

CANEGROWERS and Australia Cane Farmers Association (ACFA) have very strong reservations and deep concerns about the proposal Wilmar is demanding growers accept. Wilmar is proposing a very significant shift in the industry’s risk / reward profile. Wilmar will have the ability engage in transfer pricing, capturing profits from a range of trading activities on Wilmar Sugar Trading’s (WST) Singapore account while transferring risk to growers.

Wilmar’s information makes it very clear the proposed Joint Marketing Company (JMC) will have no direct marketing responsibility. Marketing of JMC sugar will be outsourced to WST under an exclusive fifteen year service agreement. The terms of that agreement will not be determined as the result of a competitive market process.

The most recent information from Wilmar adds to these concerns when it describes the proposed “Certification Audit” process to review the “accuracy of (Wilmar Sugar Australia) WSA’s marketing outcomes for the season.” But, WST will be doing the marketing not WSA.

- There is no mention of an audit of WST in the document. Other than to receive a copy of the audit report, there is no indication of any grower involvement in Wilmar’s proposed audit process. Wilmar alone will select the auditor and determine the scope of the audit.
- Although provision is made for a grower audit, the agreed scope of the audit will be subject to WSA’s approval. This vetting, calls into question the independence of the process. Like Wilmar’s “Certification Audit” it will examine only WSA, not the trading company WST.

By linking growers forward pricing decisions for 2017 to Wilmar Sugar Trading’s sales program for the associated GEI sugar, Wilmar is hastening change. Although full detail is yet to be made available, temporary forward pricing arrangements could capture growers in a contract which locks their GEI sugar into the processes laid down by Wilmar.

Wilmar's proposed new Pricing and Pooling Agreement (PPA) mentioned in its Information Update No.3 gives further cause for concern in that it not only excludes a QSL option but also removes the words “Sugar Value” from the cane price formula. This proposal, designed to disconnect a grower's cane price entitlement from the value of sugar, is further evidence of the

deeply concerning direction Wilmar is pursuing and would represent a very significant and historical change in payment arrangements.

The ACCC is investigating concerns about Wilmar's potentially anti-competitive behaviour and its possible misuse of market power.

In the meantime, CANEGROWERS and ACFA are proposing an alternative approach, Pathways to Market for GEI Sugar, which is designed to give growers real choice over how their GEI sugar is priced and sold. Key elements of the proposal are attached. Its central principle is Real Choice.

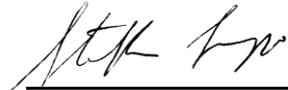
Wilmar is yet to explain why it plans to deny growers Real Choice over who sells and prices GEI sugar. CANEGROWERS thanks you for your support as we work to secure growers' rights and until the market structures are resolved for the long term encourages you to be very cautious in your dealings with Wilmar.

Yours sincerely



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Phil Marano  
Chairman  
Burdekin



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Steve Guazzo  
Chairman  
Herbert River



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Glenn Clarke  
Chairman  
Proserpine



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Kevin Borg  
Chairman  
Plane Creek



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Paul Schembri  
Chairman  
Queensland