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PROGRAM	
10.00 am	SIGN-IN
10.05 am	INTRODUCTION & WELCOME
10.10 am	Activities & Actions facilitating Trade - Grain Trade Australia <i>Pat O'Shannassy, CEO Grain Trade Australia</i>
10.30 am	Arbitration Lessons – When is a contract not a contract, avoidance & more <i>Cliff Farnsworth, Partner Hedley Baskin</i>
11.30 am	MORNING TEA BREAK
11.50 am	AFSL – Current Issues and FASEA update <i>Sophie Geber, Sophie Grace Compliance & Legal (TSC)</i>
12.40 pm	Compliance for Market Access – ISCC Program <i>Nick Goddard, Executive Officer, AOF</i>
1.00 pm	LUNCH BREAK
1.30 pm	Are "mistakes" really "Avoidable Problems" – Lessons in establishing and executing contracts <i>Stuart Richardson, Managing Director - McDonald Pils</i>
2.00pm	Shipping Issues – Repercussions through the Chain <i>Paul Sukidjian, Chartering Manager, Oldendorff</i>
2.30 pm	AFTERNOON TEA BREAK
2.50 pm	ASX Derivatives - Update and future directions <i>Ian Waddell, ASX Manager Commodities, ASX</i>
3.10 pm	Conveyance and Delivery Issues <i>Lloyd George, Principal, AgScientia</i>
3.35 pm	Greenhill and Supply Chain Finance Implications for Grains Industry <i>Benjamin Sander, Partner, PwC</i>
4.10 pm	Open Forum – Issues in the Industry
4.25 pm	Closing Remarks & AFSL – Professional Development Assessment
4.30 pm	CLOSE

Attendees who complete the assessment will receive a certificate from GTA attesting to the successful completion of one day structured training that could be utilised by Australian Financial Services Licence holders.

All times are AEST (Sydney time)

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CONFIDENCE DRIVES MARKETS – Code of Practice



- A. Across the Supply Chain
- B. Production Guidelines
 - Crop Growing
 - Harvesting & Storage
- C. Sampling and Testing
- D. Storage and Grain Hygiene
- E. Chemical Use
- F. Grain Quality Management
 - Receiving
 - Storage
 - Ditturn
- G. Marketing
 - Contracting
 - Trade Rules & Documentation



CONFIDENCE DRIVES MARKETS!!!

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New Guidelines to Note




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Modernising the grain supply chain
- from Drought, through Covid-19 to 2030

An Innovative Growth & Investment Strategy for the Grain Supply Chain



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Supply Chain – impacts every tonne





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Industry and Government Alignment

Modernising the grain supply chain
- from Drought, through Covid-19 to 2030
An Innovative Growth & Investment Strategy for the Grain Supply Chain



GTA has a comprehensive strategy to improve the competitiveness of the grain industry through to 2030.

Plant Export Operations Strategic Plan 2020-2030



Similarly Government has released its PEO Strategy from 2020-2030 -


Opportunities to modernise and increase efficiency exist. Government and industry together need to take the initiative and seize the opportunity.



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The Challenges

Evolving Supply Chain	<ul style="list-style-type: none"> Customer requirements are more demanding and seeking transparency BNC industry stewardship is evolving Rather than consolidating the supply chain is fragmenting into a multi operator model with narrowing planning windows 	<ul style="list-style-type: none"> Recognise the issue Develop the strategy Engage
Technology	<ul style="list-style-type: none"> Technology is coming - but how does industry uptake, manage and monitor technology? Where does the reference material come from and how is it managed? 	<ul style="list-style-type: none"> IT Roadmap for direction Engage Collaborative across industry & Govt
Assets and Operational Standards	<ul style="list-style-type: none"> How do we integrate the multitude of storage operators into a quality assured supply chain? 	<ul style="list-style-type: none"> Working with DAWE on Congestion Busting Strategy Industry led supply chain model
Skills & Capability	<ul style="list-style-type: none"> How do we ensure the industry has the knowledge and skills to operate in the evolving paradigm? 	<ul style="list-style-type: none"> Training Programs Code Assessment Program Additional training on sampling & COR




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Proposed new wheat class - AWW

- WQA proposing
 - New Class – Aust White Hard Wheat (AWW)
 - Targeting markets that target Aust Hard wheat for GP requirements.
 - Current Breeder focus is purely on APH / AH
 - Focus is high yielding Hard varieties at reduced protein levels.
 - Proposed that AWW varieties do not require 'end product' testing.
 - Provides breeding flexibility and yield opportunities

Provides breeding flexibility and yield opportunities



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Proposed new wheat class - AWW

- Benefit for wheat Breeders
 - Only breeding Hard lines
 - Up to 5% to 15% yield benefit
 - Faster Genetic improvement (less traits)
- Benefit for storers – reduces segregations ~~GP Off Grds~~
- May replace ASW into SE Asia Feed and low grist milling
- Removes the issues of FEED = Failure.
- Growers yield / \$

Benefits Breeders and Storage Companies



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Proposed new wheat class - AWW

- GTA Trading Standards Process
 - Working Group
 - Trade
 - Storage Companies / Container Packers
 - Stock Feed Industry
 - Millers
 - Process of engagement and discussion to understand the consequences / value proposition
 - Engage with WQA – communication is key

GTA TSC – This is a major change – like the introduction of APW



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WTO Dispute Resolution

- 🔄 Remove the Politics from the Trade
- 🔄 Formal Dispute Resolution Framework
- 🔄 Instils a Process Parties must consult and engage
- 🔄 Time Frame – up to 5 years




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Grain Industry Market Diversification and Recovery Roadmap

Current situation

- Market concentration (China – barley, EU – canola)
- Market access to China blocked
- Uncertainty over future access and implications for other products
- Lack of market depth

- 🔄 Enhancing relationships – market prioritisation
Technical market access – maintain and improve
- 🔄 Meeting market requirements - sustainability
- 🔄 Expanded access to growing feed milling market
- 🔄 Value adding, processing, new products
Expanded access to growing feed milling market
- 🔄 Strategic market partnerships – India
- 🔄 Supply chain modernisation
- 🔄 Barley recovery

Diversified pipeline of markets and products





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Technical Committees...

Standards	Commerce
<ul style="list-style-type: none"> • Committee – cross section (Growers) • Criteria <ul style="list-style-type: none"> – Regulatory – Production – Supply Chain – End-use • Annual Review & Submissions • SFW1 reviewed (relax specs & red wheat) • Maize moisture • Proposed AWW class • VRSG Updated again • Sampling TGD 21 (DA endorsement) 	<ul style="list-style-type: none"> • Container Issues, Shipping Container Std • Delivery Issues, truck/drivers • Trade Rules & calls (DCT, SIC, Delivery, TR 13.1) • LD Process – new sites, Road/Rail • Revised Growers Guide to Grain Contracts • Reviews - DCT Contract; Ausgrain 2015 Charter Party • Contract Assignment (Trade Rules) • Proof of Contract <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center; margin: 0;">Dispute Resolution System</p> <ul style="list-style-type: none"> • Links Contract performance with market confidence • Arbitrator Criteria & Training • Contractual confidence => value • Commercial Arbitration Act • Lessons learned - Published </div>



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...Technical Committees

Trade Market Access	Transport Ports Storage
<ul style="list-style-type: none"> TMA Strategy Working with Government (inc GPPEICC, RFPs) Trade policy <ul style="list-style-type: none"> – Global (IGTC) – Local China – Mofcom, WTO, GACC Regs Export legislation NTMs, MRLs IGTC – ISPM, Plant Breeding Tech, e-phytos PBI & Market Choices Framework AGIC Asia Multi-lateral – APEC, ASEAN work Container Guidelines Ag Chemical Review (APVAM) Sustainability 	<ul style="list-style-type: none"> CDR & NHVR (HVNL) Code of Practice (Code Assessment) Transport Code Revised TGDs Contamination in supply chain (truck wash) Safety Guidelines & Covid Supply Chain Studies Wheat Port Code Rec 12 Storage Asset & Operation Stds Container Issues and Stds Coastal Shipping
ITAC	
<ul style="list-style-type: none"> IT Road Map Site Codes Varietal Codes E-Phyto IT Standard Formats 	<ul style="list-style-type: none"> E-CVD Global ABCD Trade Execution Project

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Training & Development

Training offered:

- ☞ GTA Grain Standards
- ☞ Understanding Grain Markets
- ☞ Grain Merchandising
- ☞ GTA Trade Rules and Contracts
- ☞ Grain Accounting
- ☞ GTA Dispute Resolution service
- ☞ GTA Code Assessment Program

Professional Development Programs

- ☞ Advisory and compliance workshop
- ☞ Export Contracts, Docs & Chartering
- ☞ Chain of Responsibility Workshops
- ☞ **A BETTER SKILLED INDUSTRY TO FACILITATE TRADE**

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Thank you!!!

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Arbitration Lessons

Geoff Farnsworth
27 July 2021

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Contract Essentials

- › The law (inc an arbitration tribunal) will recognise and enforce a contract.
- › The essential ingredients of contract formation –
 - › Offer
 - › Acceptance
 - › Consideration
- › What is the intention of the parties?
- › Assessed by **objective evidence**.

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Arbitration Essentials

- › Commercial Arbitration Act 2010 (NSW)(CAA)
- › Paramount Object – “cost effective manner, informally and quickly” (s1C CAA)
- › Must be an ‘arbitration agreement’ (s7 CAA) to invoke the jurisdiction of a tribunal
- › The arbitral tribunal may rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement (s16(1) CAA)
- › Tribunals are not bound to follow previous Awards ie no binding precedents.

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Proof of Contracts

- › Role of a GTA Arbitration Tribunal to;
 - i. make objective findings of fact;
 - ii. based on the evidence;
 - iii. presented by the parties;
 - iv. on the balance of probabilities.
- › If it appears by the parties' words and conduct that they intended to enter into a contract, then the Tribunal may find that they did.
- › Silence/inaction will rarely amount to acceptance.

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Typical Scenario I

- › An allegation of discussions/negotiations concerning a sale and purchase of grain. This can be face to face, via phone or text message, or any other means (**Negotiation Phase**).
- › Following the Negotiation Phase, Party A may believe that a contract has been agreed (that is, that an Offer made by A has been accepted by B, and sends B a written contract document (**Contract Confirmation**). This document may be signed by A and on its face incorporate
 - the GTA Trade and Dispute Resolution Rules, and/or
 - A statement to the effect that the recipient should carefully review the document and advise any changes/inaccuracies, failing which they will be deemed to be bound by the contract.
 (**Confirmation Phase**)
- › B never signs the Contract Confirmation document, and subsequently denies when asked that a contract came into existence.

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What was agreed?

- › Order of precedence
- 1. Essential terms
 - a) Goods (description and specification)
 - b) Price
 - c) Delivery
 - d) Payment
- 2. Express Terms
- 3. Other incorporated terms and condition (eg GTA Trade Rules)

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Typical Scenario II

- › Negotiation (via broker)
- › Broker's Note Issued (incorporating GTA Trade Rules)
- › Each party issues a Contract Confirmation
- › What are the terms of the contract?

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Assignment of Contracts – Arb 312

- › Note: Trade Rules have been amended (effective 1 March 2021) to require consent prior to transfer/assignment – see Rule 25
- › Otherwise, transfer of contracts regulated by section 12 of Conveyancing Act 1919 (NSW).
- › “The parties agree that for an assignment under section 199 (of the Queensland Act) to be effective, there must be; (a) an ‘absolute assignment by writing’; (b) under the hand of the assignor; (c) of a debt or legal chose in action; and (d) notified expressly in writing to the debtor, trustee or other person from whom the assignor would have been able to claim such debt or thing in action.
- › **No assignment in that case because no valid instrument of assignment.**

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Extension of Time for Commencement of Arbitration – Arbs 231-276

- › GTA Dispute Resolution Rules Article 3 Rule 1
- › *A Request must be lodged with GTA and the filing fee paid by the Claimant, or on before 12 (12) months after the expiration date for performance of the contract(s) otherwise any claim is deemed to be waived and absolutely barred unless a GTA Arbitration Tribunal extends the time for commencing arbitration.*

“The parties accept that we have a wide but not unfettered discretion in the sense that we cannot act on a whim, but must apply our discretion according to a consideration of the following factors, namely;

1. The length and reasons for the delay;
2. Whether the Respondent caused or contributed to the delay
3. Prejudice occasioned by allowing, or disallowing the Application; and
4. The merits of the underlying claim.”

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Repudiation – Arb 333

- › Contract for supply of 500mt of almond hulls for delivery commencing March-April then even spread to end September.
- › Respondent took delivery of 20.86mt on 13 May but otherwise failed to take delivery.
- › Market price fell from \$205/tonne to below \$30/tonne.
- › Following discussions, Claimant held the Respondent in default on 2 July, in respect of the tonnes not taken at that point, plus the balance of the contract tonnes.
- › “It is well established law and practice that faced with a contract default by way of non-performance, a party does not have to wait for its remedy until the end of the contract period. If a party by its words or deeds clearly and unambiguously expresses its intention no longer to be bound by the contract, the other party has an election to affirm the contract, and call for performance, or the accept the words or conduct as repudiatory, terminate the contract and claim damages.”
- › Reference also to section 34(2) of the Sale of Goods Act 1923 (NSW).

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Trade Rule 17 - Washout on insolvency – Arb 336

- › It is a feature of the GTA Trade Rules that following an event of insolvency, the solvent party may be required to account to the insolvent party (its Administrator, or Liquidator) if the insolvent party was ‘in the money’ at the date of insolvency.
- › Somewhat controversial and understandable that solvent parties wish to resist.
- › The Tribunal in Arb 336 determined that the operation of Trade Rules 17(8), 17(9) and 17(10) is triggered by the happening of the insolvency event, not by the giving of notice by the insolvent party.
- › The consequence of a delay or failure to give the notice in Trade Rule 17(8) is described in Trade Rule 17(10). It is NOT that the contract remains on foot.

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Thank you

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ADVISORY & COMPLIANCE DAY



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MORNING TEA BREAK

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Compliance Update

July 2021

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Key Issues

- FASEA changes
- Director Identification Number
- AFSL Inactivity Provisions
- Design and Distribution Obligations (DDO)
- Breach Reporting Regime changes
- Complaints changes

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COMPLIANCE

Interconnected Regulatory Reform

- Breaches Reform
 - The investigation of a complaint may lead to the need to report a breach to ASIC or customer remediation.
 - Everyone involved in the investigation and management of complaints needs to have a comprehensive understanding of the general conduct obligations.
- DDO
 - One of the keys to an effective DDO framework is an effective complaints management framework.
 - Complaints may be evidence that products are being issued and distributed to customers outside the Target Market Determination.

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COMPLIANCE

RG271

- Commencement date is 5 October 2021.
- Applies to retail AFSLs and all ACLs.
- Enforceable provisions highlighted in RG271.
- General conduct obligations
 - 912A(1)(a) and (g) Corporations Act.
- A breach of the enforceable provisions:
 - may attract civil penalties;
 - will trigger obligations under the new breach reporting regime.

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COMPLIANCE

New
Definition of
Complaint

- AS/NZS 10002:2014 definition:
An expression of dissatisfaction made to or about an organisation, related to its products, services, staff or the handling of a complaint, where a response or resolution is explicitly or implicitly expected or legally required.
- Includes complaints from small businesses – definition has been aligned to the definition AFCA uses.

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New
Definition of
Complaint

- Expanded to include:
 - posts on a social media channel or account owned or controlled by the licensee that is subject of the post, author must be identifiable and contactable;
 - complaints about a matter that is subject of an existing remediation program or about the remediation program itself; and
 - complaints about the handling of an insurance claim.

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Timeframes

- **Acknowledgement** of complaint: within 24 hours (or one business day) or as soon as reasonably practicable.
- **IDR Response** (final response):
 - *Standard complaints*: within 30 calendar days of receiving the complaint.
 - *Credit-related disputes involving a default notice*: within 21 calendar days of receiving the complaint.
 - *Credit-related disputes involving hardship notice/postponement request*: within 21 calendar days of receiving the complaint (there are some exceptions to this).
- **IDR Delay Notification**: provided before the 30 calendar days expires to notify client of the reasons for the delay.

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Acknowledgement

- Can be done verbally or in writing (email, post or social media) – generally should be done in the same method as the client has made the complaint.

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IDR Response

- **Must be in writing and include:**
 - the final outcome of client's complaint, including either:
 - confirmation of the actions taken to fully resolve the complaint; or
 - reasons for the rejection or partial rejection of the complaint;
 - right to take the complaint to AFCA if client is not satisfied with the IDR Response; and
 - contact details for AFCA.

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COMPLIANCE

IDR
Response

- Where the complaint is rejected, or partially rejected, the IDR Response must clearly set out the reasons for the decision by:
 - identifying and addressing the issues raised in the complaint;
 - Setting out the finding on material questions of fact and referring to the information that supports those findings; and
 - providing enough detail for the complainant to understand the basis of the decision and to be fully informed when deciding whether to escalate the matter to AFCA.

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IDR
Response

- **Not** required where:
 - complaint is resolved within 5 business days to the client's satisfaction and this is:
 - Confirmed verbally or in writing by the client;
 - A reasonable view to take in the circumstances.
 - The licensee has given the client an explanation or apology when it can take no further action to reasonably address the complaint.
 - There has been no reasonable opportunity to provide the IDR Response and the licensee has provided an IDR Delay Notification.

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IDR
Response

- Must be provided where:
 - The complainant requests a written response; and
 - The complaint is about:
 - hardship;
 - a declined insurance claim or the value of an insurance claim; or
 - a decision of a superannuation trustee.

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IDR Delay Notification

- Must be given where:

Requirement	Examples (provided by ASIC)
<p>There has been no reasonable opportunity to provide the IDR Response within the 30 calendar days because of complexity of the complaint</p> <p>Delays outside of licensee's control are causing complaint management delays</p>	<ul style="list-style-type: none"> the individual complaint is about a transaction or event that occurred more than six (6) years ago and requires reconstruction of account information. the complainant is waiting on a medical appointment that licensee reasonably requires them to attend the complainant is unable to respond to the licensee due to illness or absence information must be obtained from third parties to a complaint – note, this DOES NOT include an authorised representative who is a party to the complaint

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IDR Delay Notification

- These exceptions for providing an IDR Response do not prevent the client going to AFCA.
- Must be in writing and include:**
 - reasons for the delay;
 - right to take the complaint to AFCA if client is not satisfied with the IDR Response; and
 - contact details for AFCA.

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Public Complaints Management Policy

- Licensee must have a Complaints Management Policy which is publicly available free of charge.
- The Policy must be accessible to those with a disability or language difficulties.

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Public
Complaints
Management
Policy

- The Policy must cover:
 - How clients can lodge a complaint;
 - The options available for clients who may need additional assistance to lodge a complaint;
 - The licensee's key steps for dealing with complaints
 - Response timeframes; and
 - Details about accessing AFCA where the complaint is not resolved.

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IDR Link with
AFCA

- Must be appropriate links between the licensee's IDR process and AFCA.
- IDR Responses and IDR Delay Notifications must include:
 - Client's right to pursue their complaint through AFCA; and
 - AFCA's contact details.
- AFCA's details should also be included in:
 - FSG, PDS, credit guides, forms issued under the National Credit Code; and
 - Website and FAQs.

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Complaints
Data

- Licensees must:
 - have an effective system to record complaint data and track the progress of each complaint;
 - conduct ongoing data analysis and performance reviews of their IDR procedures;
 - regularly report to senior management/Board of Directors regarding complaints data; and
 - Conduct an annual audit of the IDR procedures and any non-compliance with RG271 or the licensee's IDR policy.

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Resources

- Licensees must be appropriately resourced to manage complaints in a fair and efficient manner, including having appropriate human resources.
- Licensees may need to divert resources to IDR procedures during times of increased numbers of complaints.
- Staff must have appropriate authority to deal with complaints and determine appropriate remedies – including remediation.

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Systemic Issues

- Licensees must have clear accountability for managing complaints and identifying systemic issues.
- Systems must encourage:
 - Reporting and escalation of possible systemic issues (by all staff);
 - Regular analysis of complaint data; and
 - Report internally on investigations into systemic issues and take appropriate action.

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Unreasonable Complainant Conduct

- Our Dispute Resolution Policy precedent now includes a separate section in relation to dealing with unreasonable complainant conduct.
- Includes:
 - Description of what unreasonable complainant conduct is; and
 - How the licensee will manage this type of conduct.

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What Do Our Clients Need To Do?

- Implement the new version of the Dispute Resolution Policy.
- Train staff – everyone at a basic level; compliance, risk and management/Board members should be trained at a more comprehensive level.
- Consider resourcing – human, IT and financial.
- Test the new policy for effectiveness.
- How will they demonstrate compliance with RG271?
 - Reviews/audits;
 - Reporting to the Board of Directors; and
 - Monitoring of complaints data.

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COMPLIANCE

New Breach Reporting Regime

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COMPLIANCE

New Definitions

- Reportable Situation.
- Core Obligations.
- Significant Breaches
 - Deemed; and
 - Assessed as.

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COMPLIANCE

Reportable Situations

- Significant breach of a Core Obligation;
- Likely significant breach of a Core Obligation;
- An investigation into a breach or likely breach has continued for more than 30 days; or
- Gross negligence or serious fraud.

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Core Obligations

- Obligations under sections 912A and 912B;
- Obligation under section 912A(1)(c) of the Corporations Act to comply with certain financial services laws;
- For Responsible Entities – an obligation under section 601FC, 601FD or 601FE.

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Significance

- **Deemed Significant (objective test)**
 - the Breach is the commission of an offence which is punishable by imprisonment for 12 months or more (or 3 months where the offence involves dishonesty);
 - the Breach is the contravention of a civil penalty provision under any law;
 - the Breach is the contravention of provisions of the Corporations Act and ASIC Act relating to misleading or deceptive conduct;
 - the Breach results, or is likely to result in material loss or damage to:
 - members of a managed investment schemes operated by the licensee;
 - the licensee's clients.

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Significance

- **Assessment (subjective test)**
 - the number or frequency of similar Breaches;
 - the impact of the Breach on the licensee's ability to provide services covered by the licence; and
 - the extent to which the Breach indicates that the licensee's arrangements to ensure compliance are inadequate;
 - any other matters prescribed by regulations.

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Reporting to ASIC

- **Two instances where reports are required:**
 - In relation to the licensee itself and a reportable situation arising; and
 - In relation to another licensee, where a reportable situation has arisen.
- Need reasonable grounds to believe a reportable situation has arisen for both instances.

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Reporting to ASIC

- Where there are reasonable grounds to believe that a Reportable Situation has arisen, the licensee is required to lodge a report with ASIC.
- Breach reports must be lodged within thirty (30) days after:
 - the licensee first knows that there are reasonable grounds to believe the Reportable Situation has arisen; or
 - is reckless with respect to whether there are reasonable grounds to believe the Reportable Situation has arisen.
- Reports are to be lodged in the appropriate form – which is still through ASIC's Regulatory Portal.

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Reporting to ASIC

- Reporting to ASIC about another licensee:
 - Not required where there are reasonable grounds to believe ASIC is already aware of the breach and all the information relating to the breach.
 - Where the licensee makes a report to ASIC regarding another licensee, must give a copy of the report to the other licensee within 30 days of having knowledge of the reportable situation.

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Reporting to ASIC

- ASIC will publish data in relation to:
 - Breaches and likely of core obligations
 - The entities which those reports are lodged about.
- The information will be published on ASIC's website each financial year.

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Investigation

- Investigations are required by legislation where:
 - Personal advice to retail clients has been provided; or
 - A mortgage broker has provided credit assistance;
 - There are reasonable grounds to believe there has been a significant breach of a Core Obligation or gross negligence or serious fraud; and
 - The affected client has suffered (or will suffer) loss as a result and the client has a legally enforceable right to recover the loss.

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Investigation

- Financial Product advice that is given or directed to a person where:
 - The provider has considered the person's objectives, financial situation or needs; or
 - A reasonable person might expect the provider to have considered one or more of those things;
 - s766B.

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Investigation

- Must be commenced within 30 days of having knowledge, or being reckless to circumstances to the Reportable Situation.
- Must:
 - identify the conduct that lead to the Reportable Situation; and
 - quantify the loss or damage a client has suffered (or will suffer) and is legally enforceable.
- Must be resolved as soon as practicable.

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Notification to Clients

- Required where:
 - Personal advice has been provided;
 - there has been a breach of a Core Obligation or gross negligence or serious fraud; or
 - Client has or will suffer loss which is enforceable.
- Must occur within 30 days of having knowledge or being reckless to these circumstances.

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SOPHIEGRACE.
COMPLIANCE

Notification to Clients

- Must notify clients of the outcome of the investigation.
- Must be in writing and within 10 days of completing the investigation.

85

SOPHIEGRACE.
COMPLIANCE

Compensating Clients

- Required where the licensee has reasonable grounds to believe:
 - The affected client has (or will) suffer loss or damage as a result of the Reportable Situation;
 - The affected client has a legally enforceable right to recover the loss or damage.
- Need to take reasonable steps to pay compensation within 30 days of completing the investigation.

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Australian Grain Sustainability Certification

Reinforcing Australian grain farms' and farmers' global best practice



ADVISORY & COMPLIANCE DAY

GRAIN TRADE AUSTRALIA

July 2021
Nick Goddard- AOF

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91

What is Sustainable Grain?

- Grain that is produced according to:
 - Achievable standards
 - Internationally recognised standards
 - Food, feed and beverage industry recognised standards
- In Australia, the grains industry has adopted the 'International Sustainability and Carbon Certification' (ISCC) Scheme.
 - 5000+ farms accredited in 2020
 - 3 million tonnes traded as ISCC Certified Sustainable grain
 - Canola, Barley, Oats.....




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The ISCC System is built on six pillars



Principle 1: Protection of Biodiverse and Carbon Rich Areas



Principle 2: Good Agricultural Practice



Principle 3: Safe Working Conditions



Principle 4: Compliance with Human, Labour and Land Rights



Principle 5: Compliance with Laws and International Treaties



Principle 6: Good Management Practices and Continuous Improvement



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Principle 1: Biodiverse and carbon rich areas are protected under ISCC. Land use change in or after January 2008 is not allowed

Primary forests and other wooded land Forested areas Designated nature protection areas

Highly biodiverse grassland Wetland Peatland

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Principle 2: Environmentally responsible cultivation, protection of soil, water and air, application of Good Agricultural Practices (GAP) (I)

Applicants of PPP are competent and protected Fertilizers applied according to soil analysis and nutritional requirements Seedlings from legitimized sources

Only allowed plant protection products (PPP) applied Natural vegetation around water-courses are maintained Storage of PPP in appropriate facilities

ADOF **Sustainable Grain Australia**

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Principle 2: Environmentally responsible cultivation, protection of soil, water and air, application of Good Agricultural Practices (GAP) (I)

Appropriate diesel storage Correct disposal of plant protection products (PPP) and containers PPP mixing in appropriate facilities

Soil erosion and compaction should be avoided Irrigation in a social and environmental sustainable way Burning as part of land clearance is prohibited

ADOF **Sustainable Grain Australia**

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Principle 3: Safe working conditions

Workers equipped with suitable protective clothing

Potential hazards are clearly identified by warning signs

Accident procedures and equipment are available

Adequate training to minimize health and safety risks

Health, safety, hygiene policy and risk assessment

Facilities to deal with accidental operator contamination

Sustainable Grain Australia

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Principle 4: No violation of human, labour and land rights

Access to primary school education

No forced labour & no discrimination

Only competent and non-vulnerable workers do hazardous work

Fair contracts and farming arrangements

Payment of a minimum wage

Labour organisation and collective bargaining are allowed

Sustainable Grain Australia

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Principle 5: Compliance with relevant regional and national laws, and with relevant international treaties

Legitimate use of land and secured traditional land rights

Awareness of & compliance with national and international laws/treaties

Documents showing legal ownership/lease should be available

Legal requirements regarding GAP

Legal requirements land use (e.g. Brazilian Forest Code)


Identification of clear boundaries (e.g. Conservation Area)

Sustainable Grain Australia



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Principle 6: Use of good management practices

Economic stability and management





Records for all production areas Recording system for production Records on all subcontractors and documentation by subcontractors

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Why AOF- Why ISCC ?

- Why AOF?:
 - Canola sustainability certification commenced in 2009
 - ~80% of the canola crop certified in recent years
 - Process fragmented, costly and confusing
 - AOF established Central Office in 2018 to simplify the process
- Why ISCC?:
 - Internationally recognised
 - Finely tuned, clearly documented, approachable.
 - Equivalence with SAI (Sustainable Agriculture Initiative)

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Sustainable Grain Australia

- Developed by AOF initially to simplify ISCC canola certification for the EU biofuels market
 - Initially oriented towards medium to large grain exporters
- 2020 extended to barley and oats.
- 2021 modified to support smaller traders and exporters




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The SGA System has been designed to simplify ISCC Certification.

- One common grower declaration
- One common management team
- One common process
- Consistent and common communication
- Greater access for smaller exporters (cheaper, simpler)
- Less audits
- Pre-audit assistance
- Administered and led by Australian Oilseeds Federation
- Delivered through Commodity Inspection Services

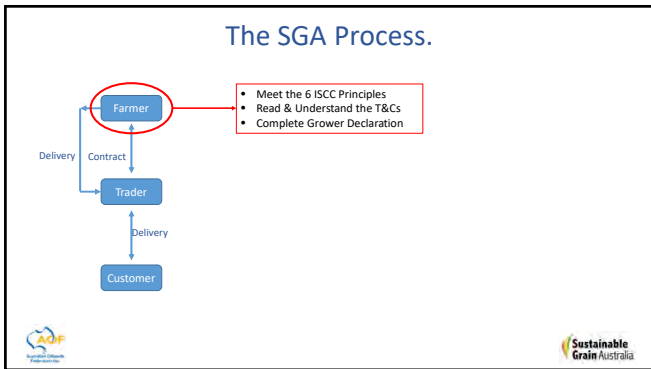




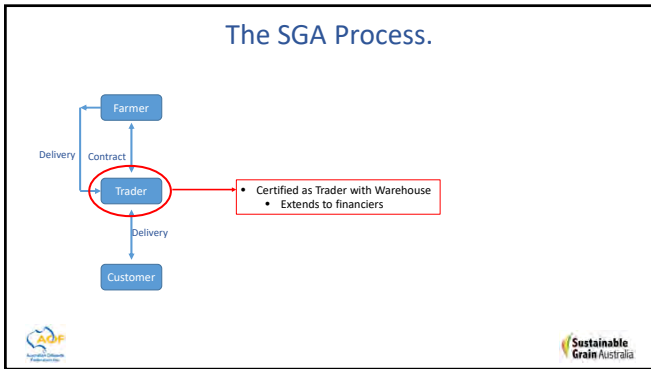
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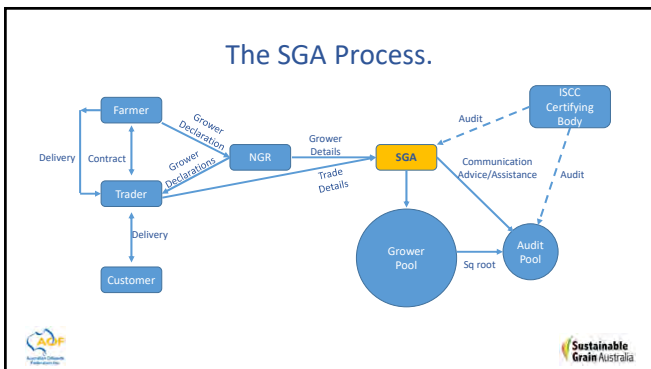
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Who Pays and How Much?

- ISCC Central Office and SGA scheme is funded by traders/exporters.
 - No cost to growers
- Fee based model based on:
 1. Fixed per farm rate
 2. Variable entry and annual fee according to trader/exporter size.

2021/22 Fees

Entity Size (as per GTA list) t per annum	Entry/Sign on Fee	Per Farm Fee+	Annual Fee (waived for AOF members)
<100kt	\$2000	\$65.00	\$1000
100kt-500kt	\$5000	\$65.00	\$2000
501 kt-3 mln t	\$10000	\$65.00	\$4000
>3 mln t	\$15000	\$65.00	\$6000



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Thankyou!

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ADVISORY & COMPLIANCE DAY

LUNCH BREAK

111

Execution challenges 2021

McDonald Pelz Australia

AGIC Compliance day July 2021


Stuart Richardson



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HOW BUSINESS WORKS:

First, representatives from each business meet, discuss mutual interests, and forge an agreement.




They draft a contract...

CONTRACT SIGNED!



Then they try to piss all over each other without getting the contract wet.



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Execution of deals

- Establishing a deal – intent to trade
- Formalising a contract
 - Easier domestically
 - CFR and FOB more bespoke
- Notices
 - Timely management
- Domestic
 - Generally straightforward
- Export
 - Takes more monitoring – even as a broker
- Getting it right



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Communication is tricky

- 21st century comms
- Of course voice
- Record/history of discussions
- Detail
 - Don't leave it unsaid
- Buyer and seller may use different media
- Clarity and language










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The deal

- Price
- Date
- Volume
- Parity – FOB/CFR/TRACK/DCT/Delivered
- Delivery period
- Location – FOB SA, CFR China, etc
- Load terms
- Payment term
- Any relevant other term –
 - Documents
 - Testing
 - Duties and taxes
 - Notices
 - Import Permits
- Base contract – GTA / GAFTA / Sellers/Charter Party



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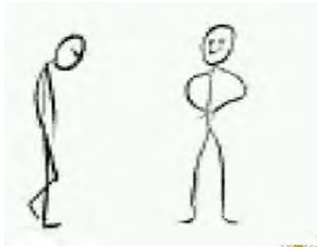
Right of rejection.....

- Before the deal is agreed
 - Counterparties have the right to reject one or the other
 - Longer term ramifications exist
 - Terms need to be agreed within commercial reason
 - No place to apply overly stringent terms to frustrate a negotiation
 - Intent to trade
- Booked or confirmed
 - Is a text ok?
 - Is a clean booking without formal confirmation ok?
 - Markets change and quickly!!



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So we have a contract



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Things can and do go wrong

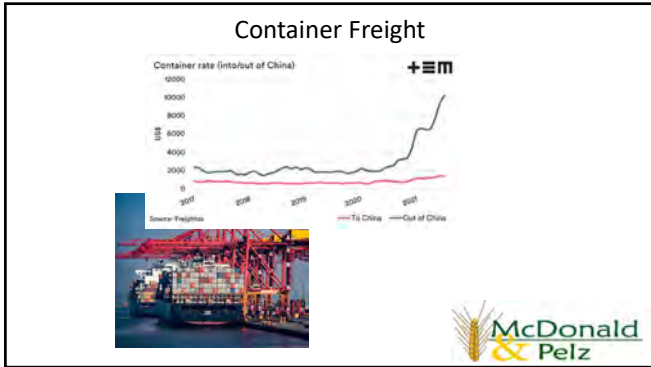


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Things can and do go wrong



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Container issues 2021

Free time at port

- Traditionally 14 days combined.....now;
- New terms
- 14 days detention, demurrage as per destination CY
- 7+7
- Buyers want 10Det+4Dem....or 4Det+10Dem!!
- Lines want their containers back
- But COVID Causing issues

Documents.....a new nightmare

McDonald & Pelz

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Container issues 2021

Documents.....a new nightmare

- Consolidation of lines
- Back offices in 3rd country
- Big problems
- Bills of lading delays
- Pressure on containers / equipment availability

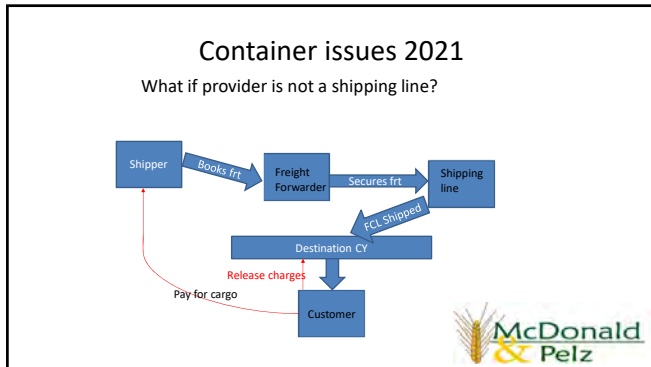
E.g. True story

- Shipment dox delays – shipment to main ports can be 10-14days
- Containers on demurrage at destination CY – USD85/day/FCL
- Moved to secondary store – increases to USD95/day/FCL
- Demurrage bill amounts to \$180K!!
- End customer has to pay it to get goods.....
- Outstanding Cargo invoices unpaid of \$195K
- Customer offsets and pays net \$15k for the cargo
- Shipper has to make good and recover from freight provider

But.....


McDonald & Pelz

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Container lessons




- DTHC buyers account**
- 14 days Combined Dem+det....changing**
- Longer dated bookings dangerous**
- Be Aware of who your C/P's are**
 - Credit risk is not always the customer
- Rates are volatile**
 - Bypass, Rolls
 - GAFTA ext + "new negotiation"
 - Reduced equipment supply
 - Older equipment on lower value cargo
 - Lower price not always best price

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GAFTA and delays

GAFTA Extension Seller shall make an allowance to buyer, to be deducted in the invoice from the contract price, based on the number of days by which the originally stipulated period is exceeded, in accordance with the following scale :-

- 1 - 4 additional days 0.50 % of the gross contract price
- 5 or 6 additional days 1.00 % of the gross contract price
- 7 or 8 additional days 1.50 % of the gross contract price
- 9 or 10 additional days 2.00 % of the gross contract price
- 11 or 14 additional days 2.50 % of the gross contract price



- Frt booking rolls and delays not helping

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Damaged containers – grey area??



- Gated in OK
- Subsequently damage "observed"
- Cargo degradation
 - Insured
- Container damage?
 - Lines are charging shipper
 - Cargo cause claims
 - Older equipment?



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Bulk sales 2021....

- Selling was like the golden goose....or was it....



21/07/2021	2020/21	Q1/21	PAD	SA PLO	VIC G/M	NSW FRE	WA KWIN
APW Sale	331	331	331	331	331	331	331
APW Offtar/Trade	331	330	330	330	330	330	330
FOB & Logistics Cost(Excesses)	46	46	46	46	46	46	46
AUD FOB Offer value	375	375	375	375	375	375	375
FX Forwarder	0.7395						
FX Spot	0.7262						
APW			276.86	274.87	264.44	257.87	276.13



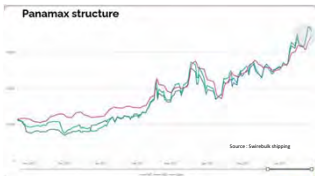
- +ve Track to FOB margins
- Notionally there even today



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Bulk export issues

- Max demurrage rates
 - Used to be \$10k/day time charter
 - So who cares about demurrage of a day or two!!
 - Now



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Export issues 2021

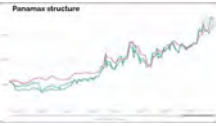
- Bulk freight rally
 - Demurrage rates \$10K/Day to \$30K/day
 - Frt mark to market on sales
 - Port delays – who is paying demurrage?
Eg. FOB seller WA
 - Port delays up to 30days
 - Vessel arrives and has 5 days allowed load time
 - 25 days demurrage x \$30k/day = USD750,000




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FOB issues 2021

- Track – FOB Margins
 - Notionally AS15-20/mt
- Offset by demurrage risk of \$750,000 or USD15/mt for a 50kt vessel
 - Limited BHC compensation – depends on port protocols
- Contagion congestion in other ports






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What about loadport congestion?

- Vessel variation charges
 - Eg In WA
 - Vessel ETA provided on nomination (typically 22days in advance, but final vessel may be 10-15days from ETA)
 - Vessel variation allows +/- 5days arrival and presentation of NOR from original ETA
 - Charges can accrue at \$0.50/mt/day after that
 - What if cargo unavailable????



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Bulk Contract issues – example 1 buyer / 2 sellers

Need to careful not to cross-up terms

- Charter parties
- Load port terms
- Sellers Load terms

Real example

- One vessel
- 2 load ports
- 2 sellers
- Can the contracts operate in tandem??
 - Rarely!!!



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Contract issues – Buyer confusion

Vessel loading delayed Port #1

- Tendered within contract term
- Loads late – still within contract term
- Seller #1 still in contract

Sails to Port #2

- Vessel tendered outside contracted “Delivery period”
- Seller #2 cancels!!
- Price re-negotiation!!



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Domestic.....

- Even spread vs Buyers call contracts
 - Rule 13.1 covers Buyers call
 - **Even Spread** means an equal spread of the total quantity divided by the number of weeks as defined by the term ‘Weekly’ within the contracted delivery/shipment period.




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Domestic.....E/spread

- 2021 even spread delivery
 - Downs trading Jan-June even spread (say 1kt)
 - That's approx. 150mt/month
 - NOT 500mt in last week of the 3rd month
- Sellers right of conveyance....Rule 13
 - Are appropriate notices of intention to deliver provided?
 - Notice to be provided 7 days prior
- Is the industry too lenient??
 - Cancelling un-delivered tonnes?
 - Is this a market equation
 - What happens next time C/P's meet in a trade?



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Lessons.....

- Check and clearly confirm terms
 - Especially in this volatility
- Don't take short cuts / Don't leave it unsaid
- Notices mean evidence
- Re-negotiate where needed and get agreement
- Finalise contracts
 - Can take time!!
- Respond quickly to queries and questions



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End



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GRAIN TRADE AUSTRALIA

Dry bulk ocean freight:
An introduction

OLDENDORFF 

12 May 2021

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Oldendorff Carriers OLDENDORFF  | -100-

- Established in 1921, Germany
- Ship owner and dry bulk operator
- Privately held and family-owned



CELEBRATING 100 YEARS

Our story goes back to 1921, when 21-year-old Egon Oldendorff became a partner in a small Hamburg shipping business, renamed Lillienfeld & Oldendorff. The business endured the hardships of two world wars and several financial recessions, but in the 1950s a freight boom saw the fleet rebuilt rapidly. From a local focus in the Baltic timber trade, Oldendorff grew into becoming one of the largest drybulk shipowners and operators in the world.



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Oldendorff Carriers – Key Facts OLDENDORFF  | -100-

Oldendorff Key Facts

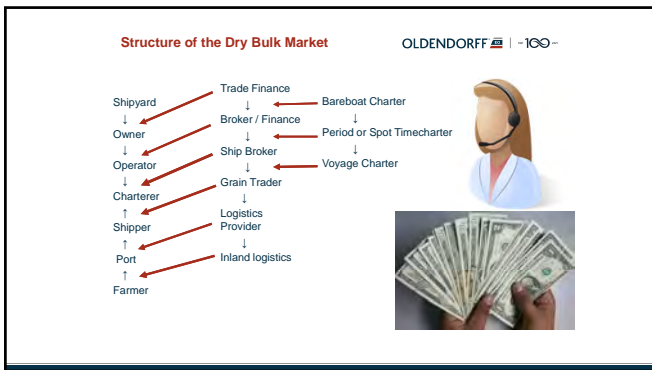
 750 OPERATED SHIPS	 335 MPTA CARGO CARRIED	 10 TRANSHIPMENT SITES
 14,000 PORT CALLS	 4,500 EMPLOYEES	 20 OFFICES WORLDWIDE
 60 NATIONALITIES		
 \$5 BILLION TYPICAL TURNOVER		

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My background OLDENDORFF  | TGO 

- Worked in Dry Bulk for almost 20 years
- Been with Oldendorff for 5 years, specialized as an account manager for Australian Grain exporters. On average, ship around 3-4MT of Australian grain per annum.
- Other parts of Oldendorff are active in the soybean from Sth America shipping, along with other grains from Pacific North West and Black Sea with a total annual volume of seaborne grains of approx. 20M (Total global market around 550M)
- Oldendorff is one of Australia's largest grain carrying Ship Owners and pioneered cleanliness surveys and in-house Port Captains to support grain trade

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Types of Shipping Charters OLDENDORFF  | TGO 

- Bareboat (aka demise) Charter
 - No crew or provisions included as part of the hire agreement - eg the charterer is responsible for crewing and technical matters. Generally seen as a financial arrangement or a lease
- Period Time Charter
 - Charterers hire the vessel for a specified period of time. Owner retains control of the vessel through employment of Master and Crew. Payment is US\$ per day and known as "hire"
- Spot (aka trip) Time Charter
 - Charterers hire the vessel for a specified trip or a specified duration. Owner retains control of the vessel through employment of Master and Crew, Charterer bears majority of all the other risks and costs. Payment is typically US\$ per day and known as "hire"
- Voyage Charter
 - Ship is chartered for a one-way voyage between specific ports with a specified cargo on specified dates (laycan) at a negotiated rate. Owner bears all responsibility for fuel, port-costs, weather risks etc. Payment is typically US\$ per tonne and known as "freight"

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Risks – who takes them and for what? OLDENDORFF | TCO

	Voyage Charter	Timecharter
Weather	Owner	Charterer
Port costs (excluding stevedoring)	Owner	Charterer
Currency Exposure	Owner	Charterer
Fuel costs	Owner	Charterer
Crewing	Owner	Owner
Vessel technical issues	Owner	Owner
Operational control	Owner	Charterer
Loading the vessel	Charterer	Charterer
Discharging the vessel	Charterer	Charterer

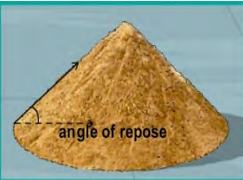
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Some Shipping jargon – what does it mean? OLDENDORFF | TCO


- FIOST - Free In Out Stowed Trimmed

Voyage Charter term - means the Charterer is responsible for (and pays for) the Stevedoring, ensuring the vessel is not only "stowed" but "trimmed". In / out refers to both load and discharge. For grains, this is important as it impacts the stability of the ship

Untrimmed



Trimmed



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Some Shipping jargon – part 2 OLDENDORFF | TCO

- LINER OUT**
Voyage Charter term - means the Owner is responsible for the stevedoring, rather than the Charterer - and so will have to arrange shore-side logistics. They will then include this cost in the price of the freight rate
- ATDN SHINC**
Any time day night Sundays Holidays included. Unusual in grains as typically some variant of SHEX terms apply
- FORCE MAJEURE**
Topical this year - here is a definition I stole from somewhere:

Force majeure clauses are contractual clauses which alter parties' obligations and/or liabilities under a contract when an extraordinary event or circumstance beyond their control prevents one or all of them from fulfilling those obligations.

Also known as "Acts of God" - severe weather events are one example

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Market dynamics – Baltic Freight Index OLDENDORFF | TGO

Baltic Panamax Index 22/07/2021
 Route Description Size Value Change
 P1A_82 Skaw-Gib transatlantic round voyage 82,500mt 21900 \$/day -225
 P2A_82 Skaw-Gib trip HK-S Korea incl Taiwan 82,500mt 24864 \$/day 205
 P3A_82 HK-S Korea incl Taiwan Pacific round voyage 82,500mt 24812 \$/day 354
 P4_82 HK-S Korea incl Taiwan trip to Skaw-Gib 82,500mt 12861 \$/day 72
 P6_82 Dely Spore round voyage via Atlantic 82,500mt 25750 \$/day -300
 Weighted Time Charter Average 24176 -30

Baltic Panamax vessel for Timecharter routes is a non-scrubber fitted vessel based on the following description:
 82,500mt dwt on 14,43m SSW draft
 Max age 12 yrs
 LDA 22m, beam 32.25m, TPC 70.5
 97,000 cbm grain
 13.5 knots laden on 33mt fuel oil (380cs t) / 14 knots ballast on 31mt fuel oil (380cs t) + 0.1 MGO at sea
 11.5 knots laden on 22mt fuel oil (380cs t) / 12.5 knots ballast on 23mt fuel oil (380cs t) + 0.1 MGO at sea
 Timecharter Weightings : P1A_82 - 25%, P2A_82 - 10%, P3A_82 - 25%, P4_82 - 10%, P6_82 - 30%

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Determining freight rates – part 2 OLDENDORFF | TGO

- Once have established all the costs, then need to divide by volume loaded to determine \$ per tonne "freight rate"
- Cargo loaded is not just as simple as carrying capacity
- This is to do with the density/volume of the cargo
- Eg, 50,000mt of canola takes up more space than 50,000mt of wheat - this is logical as canola is a lighter grain
- In freight terms this is known as a "stow factor"
- Also - ships with the same carrying capacity may have differently configured holds which are more or less good for loading grain

Example

- Vessel is a 82,000 Kamsarmax loading wheat
- It's grain cubics are 96,749 cubic metres (cbm)
- Aussie wheat usually stows at around 1.2 cbm
- So maximum intake is $96749 / 1.2 = 80,624$ metric tonnes

HOWEVER

- This doesn't consider fuel and constants on board OR if any draft restrictions at load or discharge ports

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Different grain stow factors OLDENDORFF | TGO

Stowage factor (SF) - definition

- SF is the volume occupied by one unit of weight when stowed in a cargo space.

- Some typical stow factors of Australian grains - approximate

Wheat - 1.2cbm
 Lentils / peas - 1.26 cbm
 Sorghum - 1.28 cbm
 Malt barley - 1.37 cbm
 Feed barley - 1.4 cbm
 Canola - 1.5 cbm
 Oats - 1.65 cbm

What it means - 1 metric tonne of wheat takes up 1.2 cubic tonnes of space. 1 mt of Canola takes up 1.5 cbm of space

These can vary between old crop to new crop and between different origins

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Determining freight rates – part 3 OLDENDORFF | TGO

- Australian Load Port Differentials
 - A function of:
 - Where does the vessel come from? Eg, distance
 - Draft of the port - main determinant of cargo intake
 - Port Costs
 - Any covid quarantine incurred
 - Eg Kwinana v Geraldton
 - 60,000/10 cargo using a STD82
 - Kwinana port cost US\$55,000
 - Geraldton port cost US\$120,000
 - 13.5m v 11.6m (65,000mt v 59,500mt)
 - Quarantine v no quarantine
 - Usd 3.25 pmt HIGHER for Geraldton despite being geographically closer to Asian markets

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Vessel Construction for grains OLDENDORFF | TGO

- Traditional grain carrying ships have frames and hoppers in the holds which reduces the grain cubics of the vessels - but makes them easier to stow/trim
- The newer design box-shaped holds are much easier to clean and have more cubic capacity, but make the trimming harder

Box-shaped Conventional

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Freight Matrix – Geography is still important OLDENDORFF | TGO

Trade: 60000t wheat into Phu My + Cai Lan
Panamax
Assumed Fronthaul correlation: 1.7 x average TCs

Bunkers (USD per tonne)	Timecharter Rates (USD per day)		
	10000	20000	30000
250			
Kwinana	12.2	18.25	24.5
Vancouver	19.65	29.7	40.2
Novorossiysk	27.95	42.8	50
350			
Kwinana	13.5	19.5	25.75
Vancouver	21.5	32	42.5
Novorossiysk	29.75	44.0	51.9
450			
Kwinana	17.35	25.8	34.25
Vancouver	25.65	37.15	48.65
Novorossiysk	31.25	47	62.8
550			
Kwinana	18.75	27.2	35.65
Vancouver	27.8	39.3	50.8
Novorossiysk	33.05	48.85	64.65

Right now fuel is around 500pmt and a pacific voyage is around 25,000 per day – while Atlantic to Pacific "Fronthaul" is around 35,000 per day

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Grain Operational Issues OLDENDORFF  | TCO 

- Strict cleanliness guidelines
- Failure is costly from reputation and financial aspect
- Tight cancelling dates with penalties for missing
- Not always straightforward – slack holds / stability issues mean that extra resource must be dedicated to support the business
- Despite this, there is no real premium paid for shipping grain



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Grain Operational Issues OLDENDORFF  | TCO 


Loose rust - not good



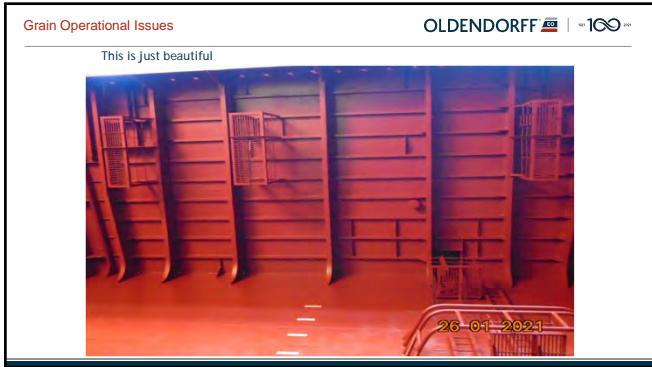
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Grain Operational Issues OLDENDORFF  | TCO 

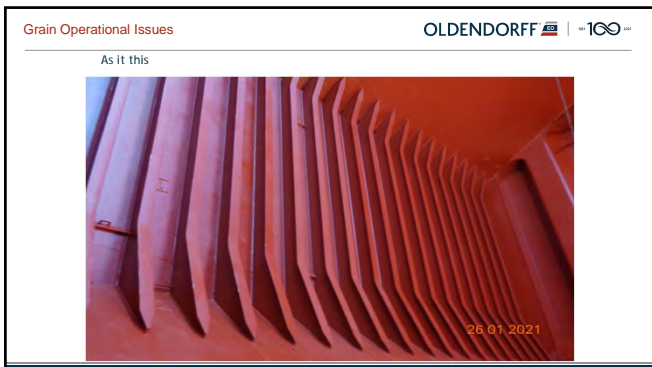
Previous grain residues - also not good



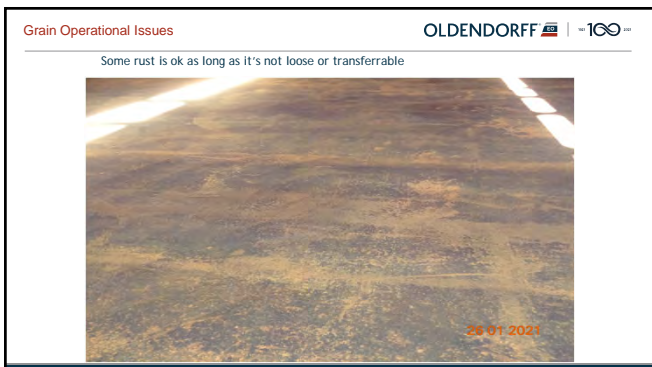
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Grain Operational Issues OLDENDORFF  | TGO 

STOWS

- Multiple grades, restrictive tolerances, draft restrictions - all these are problematic
- The physical properties of grain mean that vessel stability is a big issue
- Many customers insist on natural separation between grades/ports - this is ok, but not every vessel is the same - so not every vessel can manage stability the same.
- Can't presume that what works on one specific vessel will work for every vessel
- Box-shaped hold vessels generally have more uniform-sized holds. The more traditionally bulkers typically have much smaller holds 1 and 5 or holds 1 and 7 (in the case of a Panamax).
- Centre holds are typically the largest in terms of cubics

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Grain Operational Issues OLDENDORFF  | TGO 

STOWS - an example



- 3 grades of wheat - STD62 (Ultramax) - 13m draft restriction at discharge port

Grade 1 - 5000/5 per cent moloo (more or less owner's option)
 Grade 2 - 20,000 - 5 / + 10 per cent moloo
 Grade 3 - 30,000 / 5 per cent moloo

H1/Grade B/11433 MT/full
 H2/Grade C/13606 MT/full
 H3/Grade A/5250 MT/40%
 H4/Grade C/13606 MT/full
 H5/Grade B/11516 MT/full
 Total: 55411 MT

Grade A/5250 MT - meets 5k 5%
 Grade B/22949 MT - Over 20k 5% and 10% max.
 Grade C/27212 MT - Below 30k 5%
 Total: 55,411mt

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Grain Operational Issues OLDENDORFF  | TGO 

Current season has been great for crop but poor for execution

- Freight market has tripled Year-on-Year!
- High freight market means less availability of ships means less clean ships
- Vessels stuck in congestion - huge demurrage losses for both Grain Houses and Ship Owners
- Less availability of vessels, more failures this season
- Failures not only damage owners reputations, but put further strain on the logistics chains

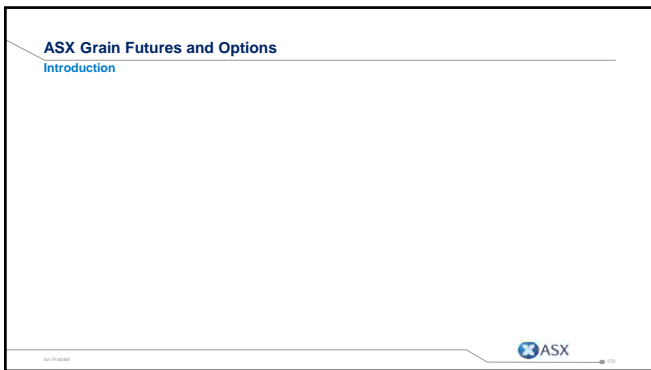
Owners need to get back to basics

- Inspections prior to sailing previous discharge port
- Photos in advance
- Cleaning equipment on board
- Cleaning plan (if needed)
- Pro-active pre-inspections at anchorage

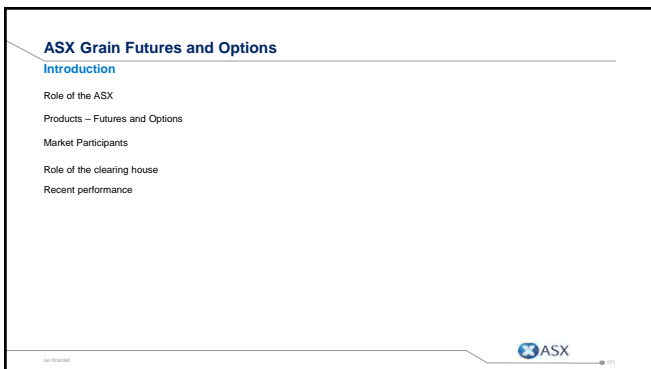
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ASX Grain Futures and Options

Disclaimer


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Forward-looking statements may be identified by words such as "aim", "anticipate", "assume", "continue", "could", "estimate", "expect", "intend", "may", "plan", "predict", "should", "will", or "would" or the negative of such terms or other similar expressions that are predictions of or otherwise indicate future events or trends.

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Commodities – The Role of ASX

Grains

Price discovery


- ASX provides forward price transparency validated and used by a wide variety of market participants.

Historical and Benchmark.




Risk mitigation


- The ASX Grains futures and options are physically delivered, and are used to hedge the risk caused by price fluctuations



Trading Opportunities

- As wheat markets are traded globally, the ASX offers opportunities to capitalize of price fluctuations around the world.





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Commodities – The Role of ASX

Grains

Price discovery

- ASX provides forward price transparency validated and used by a wide variety of market participants.

Historical and Benchmark.




ASX future prices look forward 3 years (always 3 January contracts).

Would you hedge this far out? Maybe

Would you borrow this far out? Yes

Price discovery important for the market in a variety of ways.

Looking backwards, having a reliable EDSP (End of Day Settlement Price) helps understand how the market behaves. ASX will provide an EDSP on all futures products and expiries.



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Commodities – The Role of ASX

Grains

Risk mitigation

- The ASX Grains futures and options are physically delivered, and are used to hedge the risk caused by price fluctuations

Manage Price risk – hedging

Geelong APW1 and Jan ASX Wheat

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Commodities – The Role of ASX

Grains

Risk mitigation

- The ASX Grains futures and options are physically delivered, and are used to hedge the risk caused by price fluctuations

Manage Price risk – hedging

Manage production and/or consumption risk by being physically delivered. (Physical delivery means price convergence and validates futures prices)

Reduce counterparty risk - novation

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Hedging

Hedging refers to taking offsetting positions in the derivatives market to that held in the cash market. The aim of hedging is to reduce the risk of unfavourable price movements.

The principle of hedging is to protect your input costs, return or margin by reducing your exposure to price risk.

Hedging involves the exchange of outright price risk for basis risk. (Basis risk is a lot smaller than price risk)

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Novation


Novation is the name given to the process that occurs when a Futures trade is registered to an account of the Clearing Participant, who is ultimately responsible for the trade.

ASX Clear (Futures) becomes the counterparty to the net exposure in the market held by the Clearing Participants.

ASX Clear (Futures) **manage Clearing Participants** so they fulfil their obligations in relation to the contract. The total exposure of the futures market is balanced (each buyer has an equal and opposite seller).

The **financial integrity** of the market is managed by the continuous mark to market function performed by ASX Clear (Futures). Positions that are out of the money are **margin**ed to ensure the risk of default is minimised.

The EDSP (End of Day Settlement Price) is used to calculate the daily P&L of a position and the need to pay or receive margin.



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Commodities – The Role of ASX

Grains



Trading Opportunities

- As wheat markets are traded globally, the ASX offers opportunities to capitalize of price fluctuations around the world.

Provide leverage

Market anonymity

Basis trading/risk

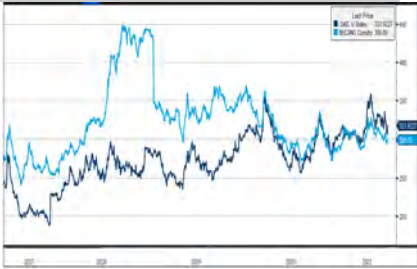

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Basis Trading/Risk

Basis risk is the difference between local cash price and futures price. More commonly, basis is any traded relative value spread by location, quality, physical or derivative.

Trading opportunities


- Take advantage of global anomalies
- Wheat spreads across global markets
- Best hedge for Australian Wheat is in the Australian futures market

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Benefits of futures and options


- Manage price risk
- Manage production/consumption risk
- Reduce counterparty risk
- Provide leverage
- Market anonymity
- Price transparency



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ASX Grain Futures and Options
ASX Products – Key features


<p>Futures</p> <p>Standardised – Specific contract size, grade, expiry date, increases liquidity</p> <p>Transparent – easy price discovery, becomes a benchmark</p> <p>Centrally cleared – Reduces counterparty risk, delist products</p> <p>Daily margined - Ensures integrity of market – Initial and Variation - EDSP</p> <p>Market anonymity</p> <p>Physically delivered – price convergence /GTA LD/ Skrinkage</p>	<p>Options</p> <p>Calls and Puts – buying and selling the ‘RIGHT TO...’</p> <p>More leveraged – paying the premium</p> <p>Different market participants</p> <p>‘Insurance’</p>
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Commodities
Market participants

<p>End users/ Producers</p> <ul style="list-style-type: none"> • Both domestically and internationally end users such as millers etc will be end clients of ASX wheat. • Producers/Growers <ul style="list-style-type: none"> • Taking or delivering physical wheat • Removing price fluctuation risk • Removing counterparty risk 	<p>Banks</p> <ul style="list-style-type: none"> • Banks loan money to various market players eg Farmers. Inventory financing is where money is lent and secured against an expected crop. Banks will not want price risk on that future crop so will employ futures contracts to lock that in. • Banks might offer OTC products that they will then hedge with Exchange futures. 
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Commodities
Market participants



Physical trade house/bulk handlers

- Source grain for export and domestic use.
- Have warehousing facilities.
- Domestic and globally recognized names



Brokers (Grower and non)

- Unlike the US, less pure farmer participation. However Grower brokers will pool crop, offer farmers advice on wide range of topics (fertilisers, weather, etc), including hedging price risk, option strategies. Maximising revenue for farmers.
- Bring clients together

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ASX Grains

Contract Specifications –
www.asx.com.au

Eastern Australia Wheat

Futures

Underlying Commodity Milling Wheat of Australian origin, deliverable at Queensland (QLD), New South Wales (NSW) and Victoria (VIC) and is a minimum of 51% wheat Standard APW's Standard Reference number 150-101 as specified by the Grain Trade Australia (GTA) 'Wheat Standard' and listed in accordance with the GIA Reciprocal Standard Procedures or Approved Bulk Handler Reciprocal Standard Procedures.

Commodity Code WH

Contract Unit 20 metric tonnes

Price Quotation Australian Dollars (AUD) per tonne

Tick Size \$0.10 per tonne. Tick value of \$2.00 per contract

Settlement Months January, March, May, July, September
The new crop month (January) is listed out three years.

Trading Hours Day Session: 11:00am to 4:30pm
Night Session: 5:30pm to 5:00pm
Trading ceases at 12:00pm on the final trading day.

Final Trading Day The final Friday of the Settlement Month, provided this is a Business Day.


Options

Underlying Commodity The Eastern Australia Wheat Futures Contract is underwritten on behalf of the Australian Government by the Australian Wheat Board (AWB).

Settlement Multiple of 1000

Exercise European Style, Cash, Regular Settlement

Settlement Date The Eastern Trading Day of the month immediately preceding the settlement month, or the Eastern Trading Day of the month immediately preceding the settlement month, if it is a Business Day.



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ASX Grains - Standardised

Eastern Australia Wheat

Futures

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Settlement Multiple of 1000

Exercise European Style, Cash, Regular Settlement

Settlement Date The Eastern Trading Day of the month immediately preceding the settlement month, or the Eastern Trading Day of the month immediately preceding the settlement month, if it is a Business Day.



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ASX Grains - Delivered

Eastern Australia Wheat

Settlement Method	Physical delivery (New Crop / Current Season)
Delivery Period	Begins on the second business day of the Settlement Month and ends at 3:00pm on the Final Trading Day.
Approved Delivery Locations	Up-country locations in QLD, NSW and VIC of an Approved Bulk Handler, tributary to either Brisbane, Newcastle, Port Kembla, Melbourne or Geelong with rail and road out loading capability.
Settlement Amount	The final settlement amount is calculated from the settlement price on the Notice Day. This price is adjusted for GTA location differentials, shrinkage, receival fees and GST.

Futures

Listing symbol of Australian grain futures contracts is **WHEAT**. The contract size is 20 metric tonnes. The contract is listed on the ASX. The contract is listed on the ASX. The contract is listed on the ASX.

Options

The ASX provides options on the Eastern Australia Wheat contract. The contract is listed on the ASX. The contract is listed on the ASX. The contract is listed on the ASX.



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Eastern Australia Wheat (WM)

Delivery requirements

EA Wheat (WM) is a Brisbane, Newcastle, Port Kembla, Melbourne and Geelong Track contract.

The following conditions must be met to deliver EA Wheat:



- The location must be in Queensland, New South Wales or Victoria.
- The location must be up-country and not at a port site.
- The location must have rail out loading capability.
- The delivered grain must be current season.
- The delivered grain must meet or exceed minimum Grain Trade Australia (GTA) Wheat Standard

CSG 103 (APW1) 10.5% protein. For example: APW1, H1, H2 and APH2 are deliverable grades.

- The GTA Location Differential applied is either Brisbane, Newcastle, Port Kembla, Melbourne or Geelong whichever is the least cost.

Approved Bulk Handlers

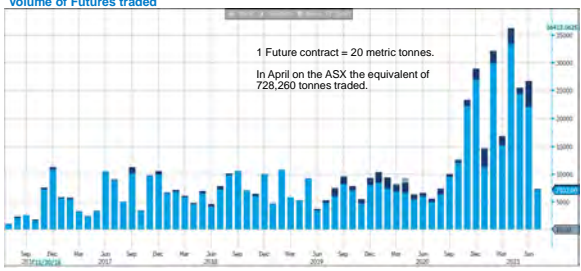
- GrainCorp
- AWB GrainFlow
- Emerald Grain


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ASX Grain Futures and Options

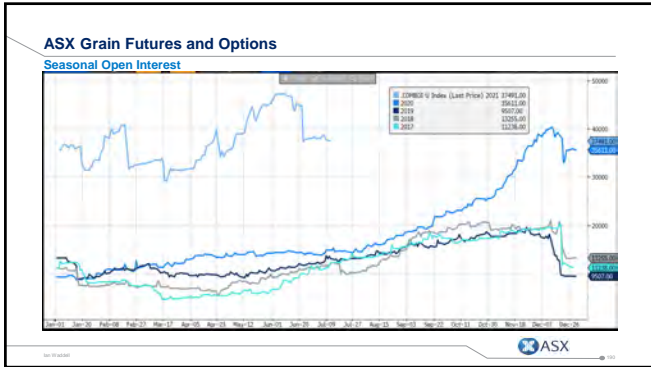
Volume of Futures traded



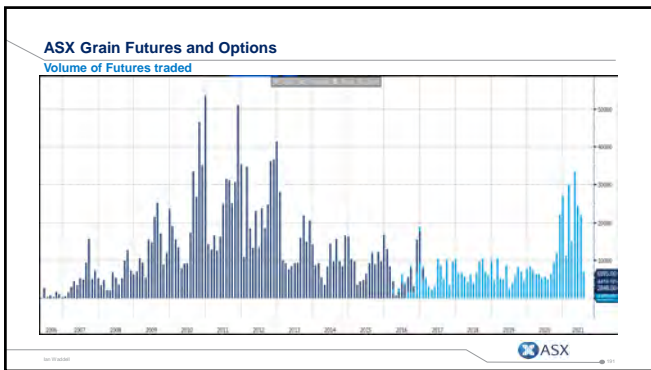
1 Future contract = 20 metric tonnes.
In April on the ASX the equivalent of 728,260 tonnes traded.



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ASX Grain Futures and Options
In Summary

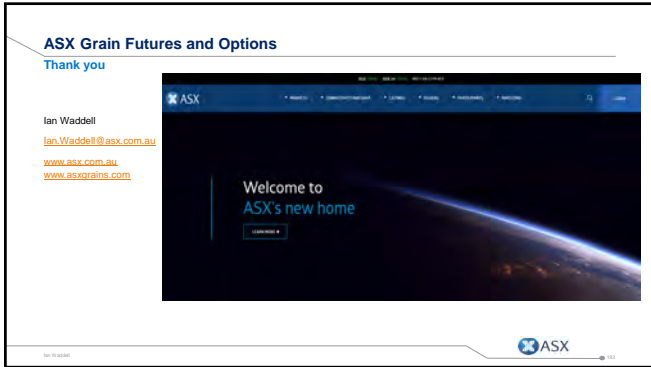
The ASX is here for the Australian Grains Market

Offer tools to help manage Risk, on many levels (counterparty, price, delivery etc)

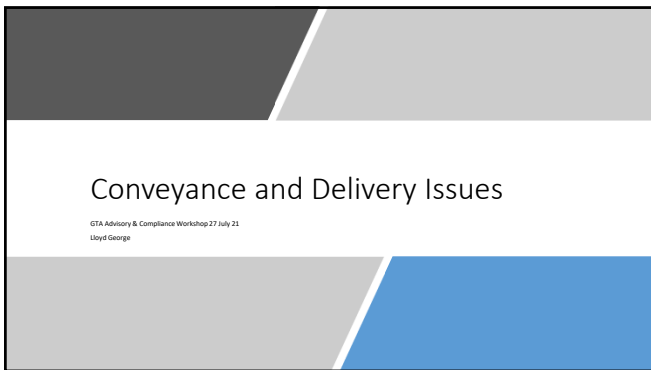
Transparent Price discovery

ASX

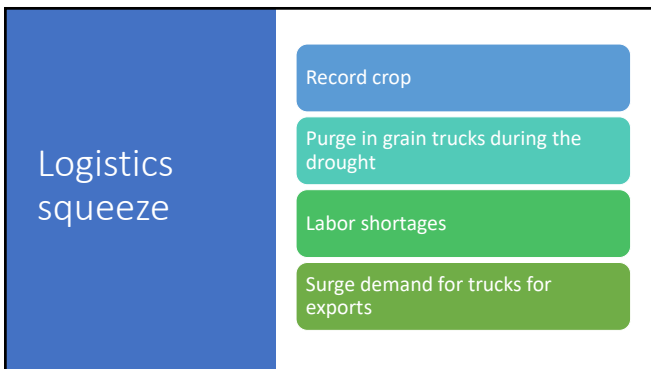
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GTA TR's Rule 13.0 Conveyance & Delivery Instructions

13.0 SELLER has the right of conveyance

13.1 Buyers Call (BUYER has the right of conveyance)

- Seller shall have not less than 15 calendar days, UNLESS otherwise specified, after receipt of delivery instructions to make delivery

13.2 Delivery instructions

- Delivered : seller gives buyer 7 business days notice of readiness to commence delivery. After which the buyer has 5 days to provide delivery instructions
- FOT, ex-farm: seller gives buyer 7 days notice of readiness to present transport. After which the buyer has 5 days to provide loading instructions

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Complex supply chain & many different scenarios

Where is the grain coming from

- Storage
- Ex-farm
- Trader

Access & reliability of transport

Timing of demand

- Steady
- Surge, at call

Plan to fail

- Fragile supply chain
- Preferred partners
- Buffer supplies

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Simmering issues & observations

Lengthy storage out turn advice requirements

- Difficult & best dealt by management
- Industry practice has changed

Contract strings – pass the problem down the line

- Seller can't abdicate delivery responsibility
- First seller has a contract to deliver grain to a site

Farmer applications

- Understand contract and implications (ex-farm, delivered)

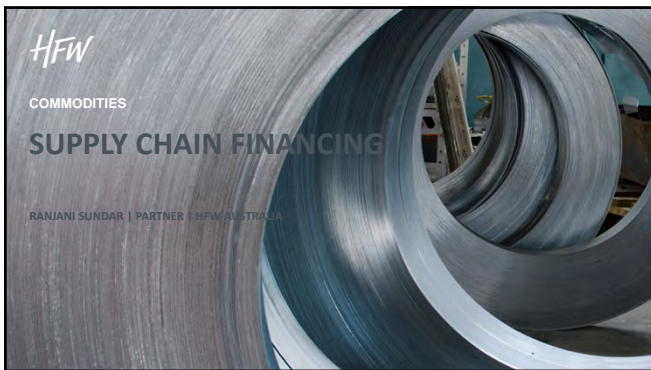
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Keeping deliveries on track...




- Complicated & prescriptive rules won't cover all circumstances
- Management, planning & communication

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HFW
COMMODITIES
SUPPLY CHAIN FINANCING
RANJANI SUNDAR | PARTNER | HFW AUSTRALIA


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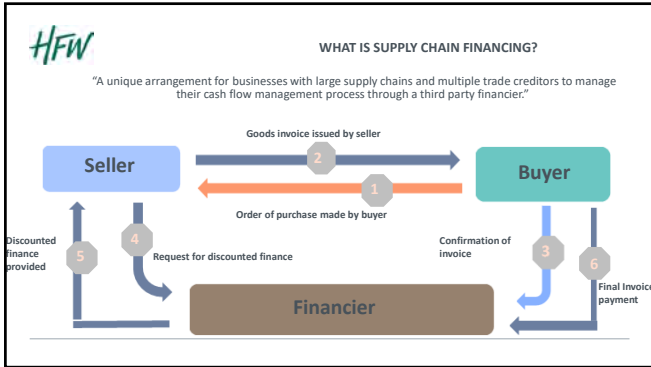
TRADITIONAL FORMS OF FINANCING

Traditional forms of commodity financing include:

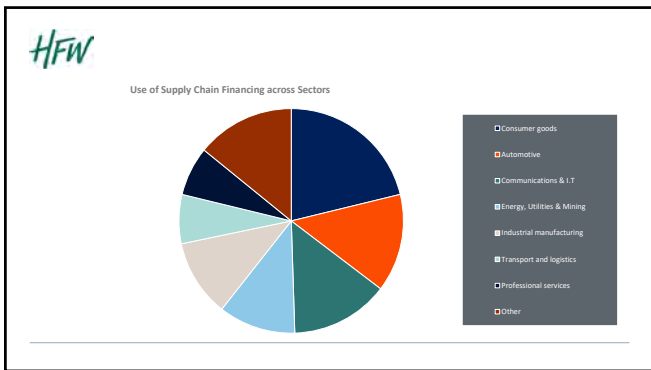
- ❖ letters of credit (L/C)
- ❖ shipping guarantees
- ❖ bills of exchange
- ❖ promissory notes
- ❖ revolving credit facility
- ❖ pre-export finance
- ❖ pre-payment



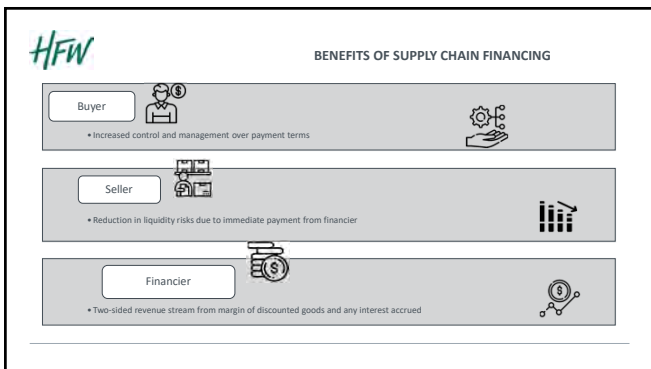
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BENEFITS OF SUPPLY CHAIN FINANCING

- Strengthens relationships with key counterparties
- Increases control over cash flow management
- Reduces buyer/seller liquidity risks
- Boosts cash flow forecasts
- Improves financial performance by maximizing working capital
- Increases supply chain stability

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HFW

KEY CONSIDERATIONS: VALUE OF RECEIVABLES

SOURCES OF RISK	POSSIBLE SOLUTIONS
Provisions which allow the value of the receivable to be reduced / diluted e.g. rights of set-off, rebates or discount	Buyer to confirm in acknowledgement of notice of assignment that it will not exercise any right of set-off or counterclaim and that debt is undisputed
Drawdown against provisional invoices (e.g. because there is a subsequent quality adjustment or because pricing is not final)	Pay against final invoice, or ensure that any reconciliation between provisional invoice and final invoice are dealt with between buyer and seller only.
Fraudulent documents	Ensure that you only take the benefits and not the obligations of the contract. Due diligence on buyer and the trade! Digital solutions?


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KEY CONSIDERATIONS: THE SALE CONTRACT

Sources of risk:

- Contracts that are not in writing or not executed via a formal agreement (or not properly executed)
- Contracts that are missing key terms
- Contracts that are entered into with incorrect parent / subsidiary entities of the borrower
- Contracts for trades which are inherently not credible (in terms of pricing, goods traded, timing etc.)
- Multiple financings of the same invoice/contract
- Prohibitions or restrictions on transferring the receivable to the financier
- Contracts allowing set-off or penalties



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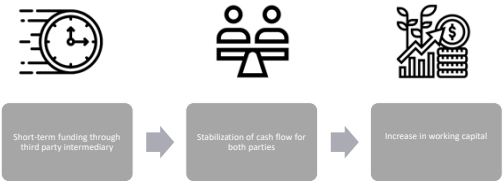
HFW KEY CONSIDERATIONS: FINANCIERS

- Do the underlying goods exist?
- Is there a genuine contract between the correct parties? Is it signed and does it satisfy any other legal formalities?
- Is the assignor legally capable of selling / assigning the debt to the financier?
- Is the debt enforceable for full value against the debtor?
- Are there any disputes under the underlying contract or any rights of set-off?



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HFW KEY CONSIDERATIONS: WORKING CAPITAL FOR THE GROWER



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HFW SUPPLY CHAIN FINANCING IN A TURNAROUND SCENARIO

The perceived benefits of supply chain financing are amplified in the context of turnaround scenarios due to its:

- ❖ positive impact on a businesses' liquidity and operating cash flow
- ❖ ability to allow for extended payment negotiations
- ❖ ability to operate in conjunction with other funding facilities that require a negative pledging or first ranking security



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HFW CASE STUDY: GREENSILL CAPITAL



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HFW THE COLLAPSE OF GREENSILL CAPITAL



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HFW LESSONS LEARNED

- ❖ Supply chain financing presents significant capital risks when packaged and sold as bond-like investments
- ❖ Companies should be wary of the accounting loopholes of supply chain financing
- ❖ Future receivables... create problems for the future
- ❖ When used effectively, supply chain financing is a legitimate and safe financial practice that is beneficial to



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HFW FEDERAL PARLIAMENTARY HEARING

Should supply chain financing be regulated in Australia?



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ADVISORY & COMPLIANCE DAY



GRAIN TRADE AUSTRALIA

**OPEN INDUSTRY FORUM
CLOSING REMARKS & ASSESSMENT**

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