



# S&G COTTON CO., LIMITED

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## COMMITMENT AGREEMENT CONSIGNMENT COTTON

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### **Background:**

Australian Cotton is currently being sold out of warehouses located in the Chinese Free Trade Zones at significant premiums to regular pre-shipment sales. S&G Cotton is currently providing a facility that will allow individual growers to take advantage of this situation. Growers will contract cotton to S&G under a Commitment Agreement. S&G will move this cotton from gin to Chinese Free Trade Zone Warehouses. All costs incurred in this process will be covered by S&G including the ginning cost. S&G will offer a daily price to the grower based on the current price at the consignment stock warehouse adjusted for costs back to ex gin.

**Crop year:** 2015                      **Min Bales:** 1000 Bales (smaller lots may be accepted, please talk with your local S&G Representative)

### **Workings:**

- The grower commits bales (or estimated bales) to S & G unpriced. Grower advises their ginner that S&G is the merchant for these respective bales
- S & G take delivery of the bales at gin yard and moves them directly to China
- When bales arrive in China they will be sorted into quality lots and stored in modern port warehouses located in a free trade zone
- S & G will cover all costs incurred in this process including ginning, classing and logistic costs
- Once bales are warehoused (expected 35 days after ginning) S & G will advise growers of current consignment stock pricing levels for the quality delivered
- The grower will advise S&G of their selling intentions who will then convey this to the consignment stock buyers and assuming both parties agree conclude the sale.
- If a sale is not made S&G will provide the grower with relevant market feedback
- Once a sale is concluded S&G will pay the grower an amount calculated by subtracting the costs they incurred in the process of moving the bale from gin yard to the consignment stock sale point and any ginning charges paid, from the agreed consignment stock sale price in either USD or AUD (converted at spot)
- Payment will be made once S&G has received payment from the buyer. This is expected to be 10 to 14 days after grower locks in a price

- The grower has the option to price the cotton prior to it reaching the Free Trade Zone warehouse at S&G's daily ex gin rate. This price will not include the consignment premium.
- Grower must sell the cotton prior to FND December 2015
- In order to ensure full cost recovery S&G have the right to fix the price if the daily price reaches the equivalent of A\$400/bale ex gin yard or lower.
- All terms of this agreement are to be kept confidential as this option is not available to the wider market