TRADING RULES

OF THE

THE AUSTRALIAN COTTON SHIPPERS ASSOCIATION



Effective

31st March 2003

(Amended June 2005)

SECTION 1 PRELIMINARY

RULE 1 INCORPORATION OF RULES INTO CONTRACTS

Members of Australian Cotton Shippers Association ("**the Association**") agree to include in their contracts relating to the purchasing of cotton from or the selling of cotton to parties who are not Members a provision incorporating into such contracts:

- (a) the Obligatory Contract Rules in Section 2 and,
- (b) except to the extent that such rules are inconsistent with any other provision of such contracts the Optional Contract Rules in Section 3.

SECTION 2 OBLIGATORY CONTRACT RULES

RULE 2 CONTRACTS NOT ASSIGNABLE

Neither party to the contract may assign his interest therein without the written consent of the other party.

RULE 3 MULTIPLE CONTRACTS FOR SEASON'S COTTON

3.1 NO PREVIOUS CONTRACT UNLESS DISCLOSED

The seller warrants that unless he has set out in the contract the details of the number of bales of cotton already sold for the same season as is specified in the contract the cotton sold is the first cotton sold by him grown in the season referred to in the contract.

3.2 ALLOCATION OF COTTON TO DIFFERENT CONTRACTS

The seller shall if he has already entered into another contract or contracts for the sale of bales of cotton as referred to in Rule 3.1 allocate cotton grown by him to those contracts and this contract such allocation to be made at the time of the building of modules with the first cotton picked to be allocated to fill the earliest dated contract and so on thereafter, unless contracts for a specified bale sequence has been agreed which shall take precedence.

A rolled over contract (being a contract rolled over from one season to the following season) is deemed to be a contract for the season into which it is rolled and will be dealt with under this clause as if it were entered into on the date of the rollover.

SECTION 3 OPTIONAL CONTRACT RULES

RULE 4 NOTIFICATION & ACCESS TO COTTON

4.1 GIN YARD COTTON

If cotton is sold Ex Gin or FOB Gin Yard:

- (a) The seller shall notify the buyer, or cause the buyer to be notified by the ginner, in writing when the cotton is ready to be collected from the gin yard such notification to be given within one (1) Business Day after the day of ginning of that cotton.
- (b) Such notification shall be deemed to have been given to the buyer at the time of receipt by the buyer of documentation containing the information specified in Rule 10.1.
- (c) If the buyer pays ginning charges relating to the cotton the seller shall procure the ginner to forward a ginning invoice to the buyer within one (1) Business Day after the ginning of that cotton.
- (d) The seller warrants that the buyer has a seven day period after such notification to remove cotton from the gin pad such period to be free of storage and/or demurrage charges.
- (e) The seller will procure that the buyer or an independent controller appointed by the buyer has access to the cotton in the gin yard at any time during normal business hours between completion of ginning and collection of cotton to test for internal moisture content and/or weight.
- (f) "Business Day" means any day other than Saturday Sunday or a public holiday.

4.2 WAREHOUSE COTTON

If the cotton is sold ex Warehouse:

- (a) The seller shall notify the buyer in writing when the cotton is ready to be collected from the warehouse.
- (b) Prior to collection the seller shall provide to the buyer the information specified in Rule 10.1.
- (c) The seller warrants that the buyer has a seven day period after such notification to remove cotton from the warehouse such period to be free of storage and/or demurrage charges.
- (d) The seller will procure that the buyer or an independent controller appointed by the buyer has access to the cotton in the warehouse at any time during normal business hours between time of sale and collection of cotton to test for internal moisture content and/or weight.

RULE 5 DEMURRAGE

Any demurrage caused by the delay of the seller or buyer shall be to the account of the seller or buyer respectively.

RULE 6 SPECIFICATIONS FOR COTTON

6.1 COMPLIANCE

All cotton sold under the contract must conform to the following specifications in default of which it may be rejected by the buyer.

6.2 GRADES

The cotton must be of a colour or have leaf grades, micronaire, staple, strength or other properties of cotton contemplated as acceptable by the Premiums and Discounts Table forming part of the contract, lowest side of the bale to govern.

6.3 AREA AND VARIETY OF GROWTH

- (a) The cotton must be sourced from the property (and individual fields if so described) specified in the contract and the seller shall if requested by the buyer provide to the buyer adequate proof that the cotton was so sourced.
- (b) The cotton must be of the year of growth specified in the contract.
- (c) The cotton must be ginned at the gin specified in the contract.

6.4 INTERNAL MOISTURE

- (a) Internal moisture must not exceed 7.5%.
- (b) Any dispute as to level of internal moisture shall be governed by Liverpool Cotton Association Rules 233 to 236 inclusive.

6.5 CONDITION

- (a) The cotton must not be wet or country damaged at time of delivery.
- (b) If the buyer takes delivery of wet or country damaged cotton he may claim against the seller for damages in respect of such affectation. If the buyer accepts delivery into his warehouse he must within 10 days after such delivery serve on the seller a notice of intended claim specifying the damage. If the buyer delivers cotton direct to a purchaser without accepting same into his warehouse he must within 10 days after receiving notice of such affectation serve such notice of intended claim on the seller. Within 90 days after service of such notice of intended claim the buyer must serve on the seller a formal claim specifying the amount claimed in respect of the damage.

6.6 UNACCEPTABLE COTTON

Cotton shall not be re-ginned, re-baled, plated, fraudulently packed, badly gin cut, scorched, smoky, damaged, water packed, seedy, sandy, dusty, greasy, contaminated with foreign matter or oily and shall not contain gin motes or have perished staple or otherwise not be in a fit and proper condition for immediate shipment to a buyer and the seller shall indemnify the buyer against all losses penalties and costs suffered or incurred by the buyer as a result of cotton being affected as aforesaid.

RULE 7 PACKAGING AND TARE

7.1 PACKAGING

Cotton shall be wrapped in bagging and tied with ties approved by the Association and the Australian Cotton Ginners Association.

7.2 TARE

The weight of each bale measured immediately after the pressing of the bale must be the net weight of lint – ie. after allowing for the weight of wrapping and bands ("the Gin Weight").

RULE 8 WEIGHTS

8.1 STANDARD BALE WEIGHT

If the contract is for forward delivery of cotton the parties agree that it is based on a net weight of 227 kilograms per bale with zero contract weight tolerance.

8.2 VARIATION IN BALE WEIGHT

A bale of cotton of net weight less than 185 kilograms or more than 245 kilograms may be rejected at the option of the buyer.

8.3 GIN YARD WEIGHT

Weight of cotton purchased FOB Gin Yard shall be the Gin Weight.

8.4 WAREHOUSE WEIGHT

Weight of cotton purchased for delivery at warehouse or gin yard (other than cotton purchased immediately following ginning at that gin) shall be the weight as measured at a weighbridge allowing for tare.

8.5 REWEIGHING

- (a) The buyer may have the cotton reweighed on arrival at the buyer's warehouse by an independent controller and both parties may appoint a representative to witness such reweighing.
- (b) If the Gin Weight and the weight determined by the independent controller are different then the latter shall be used for the purposes of the contract.

8.6 EXPENSE OF REWEIGHS

- (a) The cost of the reweigh shall be borne by the party requesting it.
- (b) If a claim is successful based on the result of the reweigh the claimant, if he paid for the reweigh, shall be reimbursed therefor by the other party.

RULE 9 DELIVERY & SHIPMENT

9.1 PROMPT DELIVERY

If no date for delivery or shipment is specified in the contract prompt delivery or shipment shall be deemed to apply and "prompt" means within 14 days after date of the contract Sundays and Holidays excluded.

9.2 IMMEDIATE DELIVERY

The terms "immediate delivery" or "immediate shipment" mean delivery or shipment within 3 days after the date of contract Sundays and Holidays excepted.

9.3 DELIVERY AT ONE LOCATION

All cotton covered by the contract shall be delivered at the one location.

9.4 LANDED

The term "landed" means delivery free of freight and other expenses (but not including demurrage as a result of the buyer delaying or refusing delivery of cotton without reasonable cause) at the destination designated in the contract.

RULE 10 FOB GIN YARD TERMS

10.1 INFORMATION REQUIRED

If cotton is sold FOB Gin Yard terms the seller shall promptly after such information becomes available notify or cause to be notified the buyer in writing of such ginning details as are necessary to enable the buyer to complete his contractual obligations including: .

- Bale numbers
- Bale weights
- Variety of cotton and whether or not it is genetically modified organism cotton
- Module number
- Farm and field identification
- Date of ginning

10.2 NON PROVISION OF INFORMATION

If the seller fails to provide or cause to be provided the above particulars to the buyer, the buyer shall not be responsible for consequent delays in the execution of the contract and must be reimbursed by the seller for any charges incurred by the buyer for demurrage which arises as a result of the seller's failure as aforesaid.

RULE 11 SAMPLES

11.1SAMPLES

- (a) For cotton sold FOB Gin Yard terms or ex Warehouse terms, the seller shall at his cost provide to the buyer, or procure the provision to the buyer of, individual bale samples. If additional samples are required by the buyer, he shall pay for them.
- (b) If there is a dispute as to the classing of the cotton the sample submitted by the seller to the buyer shall be the sample used in resolution of the dispute.

RULE 12 TITLE TO COTTON & PAYMENT

12.1 TITLE

Title to cotton sold under FOB Gin Yard terms shall pass once cotton has been placed on the truck of the buyer or his representative and in all other cases shall pass at the time of delivery.

12.2 PAYMENT TERMS

Payment will be made at the time and in the manner specified in the contract.

12.3 LATE PAYMENT

If the buyer does not pay in accordance with the said payment terms the buyer shall pay to the seller interest on the overdue amount at the rate of 5% over the prevailing published BBSW 90-day bank bill rate from the due date for payment until payment is made.

RULE 13 DISPUTES

13.1 ARBITRATION

Arbitration of disputes (other than classing disputes as to which see Rules 13.2-13.4) shall be governed by the contract.

13.2 CLASSING DISPUTES

- (a) If the buyer is responsible for classing the cotton and the seller wants to challenge the results he must serve written notification of the dispute on the buyer within 7 days after despatch by the buyer to the seller of the classing results.
- (b) If the seller is responsible for classing the cotton and the buyer wants to challenge the results he must serve written notification of the dispute on the seller within 7 days after the cotton samples have been delivered to the buyer.

13.3 RESOLUTION PROCESS

If there is a dispute between the buyer and the seller in respect of the classing results the parties shall:

- First, endeavour to resolve the dispute amicably between them.
- Secondly, if not resolved the parties shall submit samples of the cotton to the Australian Cotton Classers Association Review Committee in accordance with that Association's review procedure.
- Thirdly, if not resolved following submission of samples to the Review Committee, either
 party may refer the matter to arbitration or other form of resolution in accordance with the
 contract.

13.4 EXPENSE OF RETESTING

If the buyer and the seller agree to retest cotton samples in order to resolve a classing dispute between them then:

(a) the cost of the retest shall be borne by the party requesting it; and

(b) if a claim is successful based on the result of the retest the claimant, if he paid for the retest, shall be reimbursed therefor by the other party.

RULE 14 UNACCEPTABLE PRACTICES

14.1 REGINNED BLENDED OR RECLEANED COTTON

The seller acknowledges that delivery in satisfaction of a contract of cotton which has been reginned reballed or recleaned is (unless so provided for in the contract) an unacceptable practice and constitutes a fundamental breach of the contract.

14.2 IRRIGATED OR RAINGROWN COTTON

The seller acknowledges that delivery in satisfaction of a contract for irrigated cotton of raingrown cotton or vice versa is an unacceptable practice and constitutes a fundamental breach of the contract.

14.3 REMOVAL OF BALE TAGS ETC

The parties agree that removal of any bale tag or the failure to replace any such tag on re-covered bales or the obscuring of origin or growth detail is an unacceptable practice and constitutes a fundamental breach of the contract.

14.4 HVI DATA

HVI data supplied by one party to the other must be accurate as regards the cotton referred to in the contract and any breach of this requirement is an unacceptable practice constituting a fundamental breach of the contract.

14.5 FALSE SAMPLES

The submission by one party to the other of false samples (ie samples which were not sourced from the cotton the subject of the contract) is an unacceptable practice and constitutes a fundamental breach of the contract.

SECTION 4 GENERAL RULES

RULE 15 PROSECUTION

If a Member becomes aware that a person has engaged in unacceptable practices as referred to in Rule 14 or has breached Rule 3 he shall report same to the Secretary of the Association who shall conduct such enquiries as he considers appropriate. The Member and the Secretary shall render such assistance as they can if such person is prosecuted.

Australian Cotton Shippers Association Trading Rules effective 31st March 2003