QSL Weekly Update

Week ending 24 February 2017

Daily Price

Friday, 24th Feb 2017

20.16 US c/lb prompt

0.7715 AUD/USD spot

$A 572.65 MT OTC

$A 552.22 MT IPS OTC

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Indicative Pool Prices

The table below provides an overview of the QSL Pool Prices Matrices available at www.qsl.com.au.

All prices quoted are **indicative only** and do not include an allocation from the QSL Shared Pool. Growers should always consult their mill for information about their individual cane payments.

2016 as at Friday 10th February 2017

Harvest	$526 IPS GROSS
Actively Managed	$561 IPS GROSS
Guaranteed Floor	$466 IPS GROSS
US Quota	$774 IPS GROSS

Multi-season Pools

2-Season Forward 2016	$479 IPS GROSS
3-Season Forward 2016	$499 IPS GROSS
2-Season Forward 2017	$504 IPS GROSS

QSL Weekly

QSL Market Snapshot

Read this week's QSL Market Update here.

QSL updates the indicative prices for 2016, 2017, 2018 and 2019 Seasons daily. The graph below tracks ICE #11 movement for the 2017 Season.

Indicative Prices as at 24 February 2017

Indicative Prices

ICE 11 US c/lb	20.16	24-Feb-17
Season	0.7715	

AUD/mt

Season	2016	2017	2018	2019
Whole Season	572.66	563.36	523.23	500.00
July		566.28		
Oct		565.12		
Mar	572.86	567.14		
May	572.49	549.16		

Please note : The figures quoted are weighted in a 1:2:2:1 ratio over the four relevant futures contracts and have been adjusted to include Over-the-Counter (OTC) margin fees charged by banking institutions and may differ from the actual prices quoted on the ICE #11 exchange. Values also do not account for any adjustments resulting from local grower-miller pricing arrangements.

2016-Season Advance Payments rates

The QSL Board has this week considered the remaining Advances program rates for 2016 Season. The following rates have been approved:

	Percentage	Prices
March 2017	87.5%	Basis Feb-17 Pool price values
April 2017	90%	Basis March-17 Pool price values

Growers seeking information about individual payments should contact their Mill representatives.

2017-Season Pricing Declarations deadline looms

While 28 February is traditionally QSL's annual Pricing Declaration Date, the implementation of Marketing Choice has seen adjustments to this schedule for some Growers this year.

Miller	Declaration Date deadline
Bundaberg Sugar, Isis Central Sugar Mill & Mackay Sugar	• Refer to your miller for details of your local pricing nomination deadlines.
MSF Sugar	• **28 February 2017**
Tully Sugar Limited	• GEI Sugar Marketer nomination paperwork due by **28 February 2017** • Pool and pricing nominations due by **14 March 2017**
Wilmar Sugar	• Growers remain unable to submit marketing or pricing nominations to QSL for the coming season as there is no OSA in place with Wilmar. • **As a result, QSL's traditional 28 February Declaration Date will be extended for Wilmar Growers this year.** • As soon as QSL secures an OSA with Wilmar, we intend to release details of the new marketing and pricing nomination dates that will apply specifically for Wilmar growers.

Dubai Conference offers market insights

By QSL Trading and Risk General Manager, Dougall Lodge

Earlier this month QSL's Treasury Analyst Matthew Page and I attended the annual Kingsman Sugar Conference in Dubai. This year's event attracted around 750 representatives from the global sugar industry, including international producers, millers, refiners, traders, end users and service partners.

Here's what we considered to be the key takeaways from the event and how they could impact the direction for sugar market prices in 2017 and beyond.

1. REFINED SUGAR DEFICIT

A white sugar deficit is likely to continue in the near term and through to year-end 2017. Smuggling into China is not expected to slow anytime soon, with the expected MOFCOM (Chinese Ministry of Commerce) announcement of a tariff increase likely to mean that the market for smuggled white sugar will be even more attractive and that any Indian requirements are likely being in white form.

2. THE BEET IS BACK

European sugar beet is back for 2017/18 and will be a major feature of the market in the future, as European beet is now the highest yielding sugar output per hectare in the world, compared to all cane producers and other beet markets. Key producers confirmed future expansion plans, with one key producer also making moves to establish trading teams across the world, including Asia, to handle their anticipated growth in export volumes.

Eastern Europe, Russia, Poland and Ukraine have also been increasing their production. These beet producers do not focus too much on the white premium over raw sugar, like the refiners that QSL and other raw sugar marketers sell to, and we've already seen a deterioration of the white premium levels in 2016 and 2017 delivery periods of around $100 per tonne to a lower level of around $70 per tonne for 2018 delivery periods in anticipation of the new sugar availability. Time will tell if this will go even lower?

3. THAIS ON THE RISE

Thailand's 2016/17 raw sugar production is expected to be higher than expected, with analysts suggesting production coming in at around 95-100 million mt, compared to earlier forecasts of around 90 million mt. The harvest is very much underway, with near perfect crushing conditions, so we'll be watching this one closely. Any extra sugar will weigh on the MAR18 and MAY18 contracts.

4. BRAZIL ESTIMATE LOOKING STRONG

Brazil may have more sugar production than expected. We've heard some indications that 2016/17 may wind up more than 36 million mt vs 35.5 million mt. While this increase may not sound like much, the additional sugar will overhang the March delivery period and could plug the intercrop shortfall. Crystallization capacity has been expanded for 2017/18.

5. BUYING AHEAD

It feels a little like 2016 déjà vu, with the funds seeming to be bullish and itching to jump into buying again and the trade still have to buy. After a good year in 2016 beating the sugar trade, the speculators may try to double up again in 2017. The actual commercial sugar trade is still net short. Producers like Brazil and Thailand have largely sold already but the buyers who use the sugar have not yet bought and still have to come to the market.

Despite the expectation of potential additional sugar requirements as outlined for Europe, Brazil and Thailand, the futures market has already begun to price this in. The commercial sugar buyers still have to buy futures in MAR17, MAY17 and JUL17 to match their needs. Any bullish news like India's needs and the ongoing massive Chinese requirements could continue to fuel a resurgence of speculator buying and flush out some more end-user and refinery-related buying activity. We heard some people in the trade are expecting up to 25 c/lb, and on the higher end even up to 28 c/lb.

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