

QSL Weekly Update

9 February 2018

Daily Price

Friday, 9th Feb 2018

13.58 US c/lb prompt

0.7781 AUD/USD spot

\$A382.54 MT OTC

\$A368.89 MT IPS OTC

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Indicative Pool Prices

The table below provides an overview of QSL's indicative gross pool prices as of **26 January 2018**. Please note that these prices are **indicative only** and do not include an allocation from the QSL Shared Pool. Growers can access milling-district specific indicative pool prices and applicable Shared Pool results at www.qsl.com.au.

QSL POOL	GROSS AUD/TONNE IPS
2017 HARVEST POOL	\$420
2017 ACTIVELY MANAGED POOL	\$444
2017 GUARANTEED FLOOR POOL	\$515
2018 2-SEASON FORWARD POOL	\$493
2017 ACTIVELY MANAGED POOL (WILMAR GROWERS)	\$403
2017 GUARANTEED FLOOR POOL (WILMAR GROWERS)	\$368
2017 US QUOTA	\$694

QSL Market View

Current as of 5 February 2018

● Trend is more favourable to positive \$A/mt returns.
 ● Trend is neutral to \$A/mt returns.
 ● Trend is less favourable to \$A/mt returns.

MARKET COST DRIVERS	PROMPT (Mar 18) A\$/mt	2018 SEASON A\$/mt	COMMENTS
Market as of 5.2.18	\$377.40	\$403.26	
Sugar Fundamentals - Global exc. Brazil	●	●	The world sugar conference in Dubai is underway and it will be interesting to see what the market makes of the current conundrum. Data is showing production in Uttar Pradesh (India) at 5.44 million tonnes versus 4.51 million tonnes last year and yields up 2.5%. It looks likely that Pakistan will subsidise 2 million tonnes of exports as opposed to the 1.5 previously reported.
Sugar Fundamentals - Brazil	●	●	Much discussion in Dubai is centring on how low the sugar/ ethanol mix can go. 40% seems the likely number for a variety of logistical, industrial and financial reasons. Not likely that this will be enough to chew into the significant global surplus. Lower cane figures for this season are likely to be offset by the cutting of some of the 18-month-old cane from last year's crop.
Macro Issues/ Specs	●	●	Friday's COT report sprung a bit of surprise. Despite the market lifting 53 points over the reporting period, non-index funds added to their net-short position, posting another new record of net-short 183,000 lots. Given the market is still up around those Tuesday levels, its likely many of those shorts that were added are 'underwater'. Will the speculators panic and begin buying now? If last week's post-COT action is anything to go by, we could well see another rally off the back of this number.
AUD/USD	●	●	The AUD faced significant headwinds last week. After making new highs the market turned lower off the back of a poor local CPI print. Then the US took over, with Yellen chairing her final FOMC meeting and setting the market up for a March rise in the US cash rate. Solid US employment data then added to the AUD's woes as it finished up the week nearly 200 points lower.
Overall Comments	Sugar was a mixed bag last week, roaring higher early off the back of a record spec net-short number, before stalling at strong overhead resistance around 13.70 c/lb and selling off sharply on Wednesday. Thursday and Friday's partial recovery coupled with the AUD finally having its wings clipped has pushed 2018 back above \$400/mt and 2019 back to near \$425/mt. Spreads have narrowed, which suggests spec rolling from MAR to MAY has already started. Market chatter out of Dubai suggests a tight physical market in March so we could still see a squeeze back up to the 14-15 c/lb range again.		

Please refer to QSL's website for the latest market information via the daily Market Snapshot:

<http://www.qsl.com.au/sugar-prices/daily-indicative-prices>.

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Annual IPS adjustment

Not all tonnes of sugar are equal, with the sucrose content of sugar – as measured by Polarisation – varying from batch to batch.

The ICE 11 sugar prices are quoted on a basis of 96 degrees of polarisation (pol), which means that the price assumes the sugar's pol will be 96 degrees. The International Polarisation Scale (IPS), below, is then used to adjust the ICE 11 price for sugar that has a polarisation above or below 96 degrees.

POLARISATION (POL) LEVEL	ADJUSTMENT
above 96° to and including 97°	add 1.5%
above 97° to and including 98°	add an additional 1.25%
above 98° to and including 99°	add an additional 1%
above 99 to 99.3°	add an additional 0.3%
below 96° to and including 95°	deduct 1.60%
below 95° to and including 94°	deduct an additional 2%
below 94° to and including 93°	deduct an additional 2.5%

It is important to note that the adjustments above are **cumulative**. For example, the adjustment for sugar at 98 degrees would be the adjustment for 96 to 97 degrees (1.5%) plus the adjustment for 97 to 98 degrees (1.25%) – a total adjustment of 2.75%.

Under the Cane Supply Agreement (CSA), the cane payment formula initially assumes all sugar will be produced at a standard polarisation of **98.95** degrees. As a result, QSL adjusts the ICE 11 and QSL pool prices quoted throughout the season to incorporate an IPS calculation based on a pol of 98.95 degrees (hence the reference to 'IPS tonnes' for most QSL pricing figures).

While 98.95 degrees may be the basis for IPS calculations for Queensland growers, in reality, the polarisation achieved during the season is usually different. So at the end of each season, once all sugar deliveries are completed, the true polarisation figure can be determined and the real IPS factor applied. As a result, when the final IPS results are released in late February each year, QSL needs to make one final adjustment to ensure the ICE 11 prices paid to growers reflect their actual IPS result.

The final IPS factor changes the amount of sugar in tonnes actual that is deemed to have been produced from a grower's cane tonnage. This change in the final amount of sugar delivered is reflected in the tonnes of sugar a grower has in the Harvest Pool. **In recent years this final IPS adjustment has seen a change of less than 0.5% per tonne of sugar.**

As was the case in the past, this month most growers will likely see a small adjustment to their Grower's Economic Interest in sugar (GEI Sugar) tonnes on their payment statements, reflecting the final polarisation results for the season. At this stage it appears likely that the average polarisation of sugar produced in the 2017 Season will be lower than 98.95 degrees, but current indications suggest that any adjustment will again be less than a 0.5% adjustment to sugar tonnages.

Important QSL dates

Key QSL dates in coming months include:

WHEN	WHAT
15 February 2018	Last day to complete pricing for MAR18 contract orders in the 2017 In-Season Fixed Price Contract and 2017 In-Season Target Price Contract .
28 February 2018*	Last day to nominate tonnes to the 2018 QSL Early-Start Actively Managed Pool .
1 March 2018	Nominations open for the 2018 QSL Harvest, Actively Managed and Guaranteed Floor Pools , as well as the 2019 2-Season Actively Managed Pool .
30 April 2018*	Last day to nominate tonnes to the 2018 QSL Actively Managed Pool, 2018 QSL Guaranteed Floor Pool and/or 2019 2-Season Actively Managed Pool .
30 April 2018	Last day to transfer any unfilled orders from the QSL Target Price Pool and/or QSL Individual Futures Contract Pool to other QSL pools for the 2018 Season. <i>Please note: Growers can only transfer unfilled orders from the QSL Individual Futures Contract Pool if they have not priced any portion of their nominated tonnage.</i>

*** Please note: Isis Central Sugar Mill, Mackay Sugar and Bundaberg Sugar growers will be advised by their miller of their local QSL Pool nomination deadlines for 2018.**