

QSL Weekly Update

18 April 2018

Daily Price

Wednesday, 18th Apr 2018

11.65 US c/lb prompt

0.7766 AUD/USD spot

\$A328.74 MT OTC

\$A317.01 MT IPS OTC

[More info >](#)

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Indicative Pool Prices

The table below provides an overview of QSL's indicative gross pool prices as of **30 March 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	\$417
2017 ACTIVELY MANAGED POOL	\$445
2017 GUARANTEED FLOOR POOL	\$517
2017 2-SEASON FORWARD POOL	\$506
2017 ACTIVELY MANAGED POOL (WILMAR GROWERS)	\$400
2017 GUARANTEED FLOOR POOL (WILMAR GROWERS)	\$369
2017 US QUOTA	\$715
2018 EARLY-START ACTIVELY MANAGED POOL	\$374
2018 2-SEASON FORWARD POOL	\$406

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QSL Monthly Market Update

By QSL Treasury Manager **Ginette Barrett**

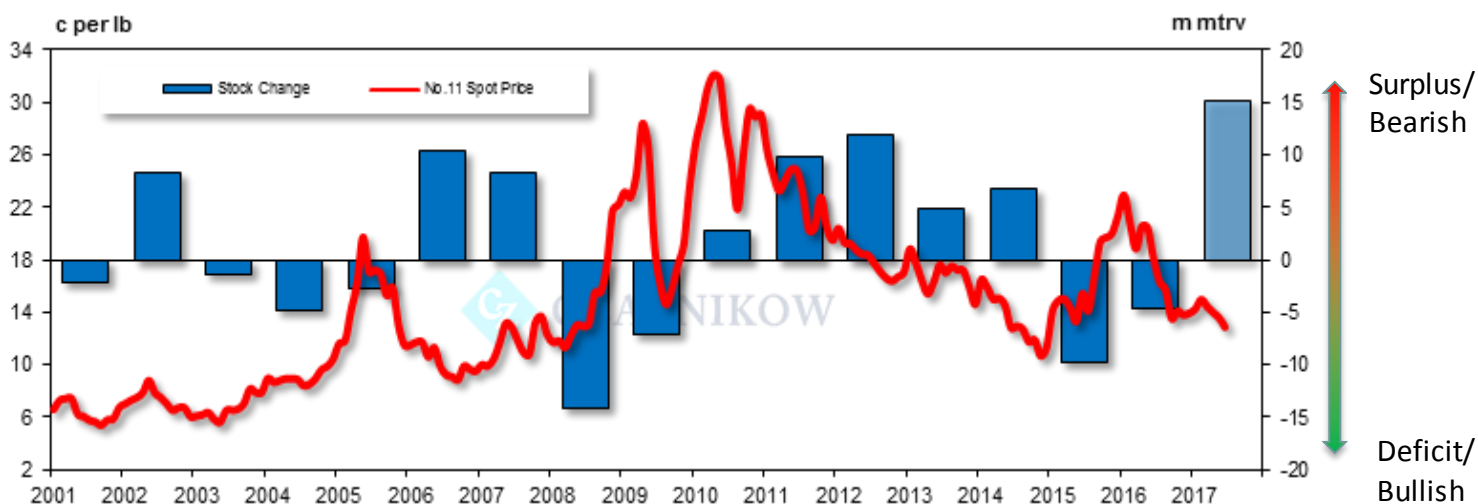
As we head into a new season, it has become clear that the big fundamental market driver of the ICE 11 raw sugar market right now is the growing surplus of production over consumption (i.e. grower sugar stocks). The key driver of this is the growing size of the crops out of India and Thailand, with current expected production levels of approximately 31.5 million tonnes and 13.6 million tonnes respectively. On the back of these upward revisions, the raw sugar price has had continuous downward pressure, holding the price below 13c/lb for the front three contracts on the pricing curve (July 2018, October 2018, and March 2019). The global surplus for the 2017/18 season is now expected to be in excess of 9 million tonnes of sugar. Focus is also moving forward to the 2018/19 Season where the surplus is expected to continue in excess of 6 million tonnes. As a result, the outlook for the global raw sugar market is an extended period of low prices until we can absorb this excess sugar tonnage.



As the Brazilian harvest gets underway, the raw sugar price remains under ethanol parity, which has never been seen before. This will encourage Brazil to maximize ethanol production from their cane crop over sugar production. But even pushing this sugar mix to the limits will not be enough to swallow up the imbalance between the supply and demand of sugar, and should ethanol prices fall this should further increase the pressure on the sugar price to stay at lower levels.

LOOKING BACK

The following chart illustrates the raw sugar trade flows over the last 18 years and shows the correlation between surplus/deficit (the blue bars) and the decrease/increase in the sugar price (red line). More importantly it shows that it takes a lot longer for the price to increase once the market is in deficit than it does to fall when the market is in surplus. For the coming 2018 Season as the surplus grows, raw sugar prices look set to continue to fall, and based on the trends shown in this chart, it would seem any price weaknesses will be slow-moving and prolonged.



Source: Czarnikow

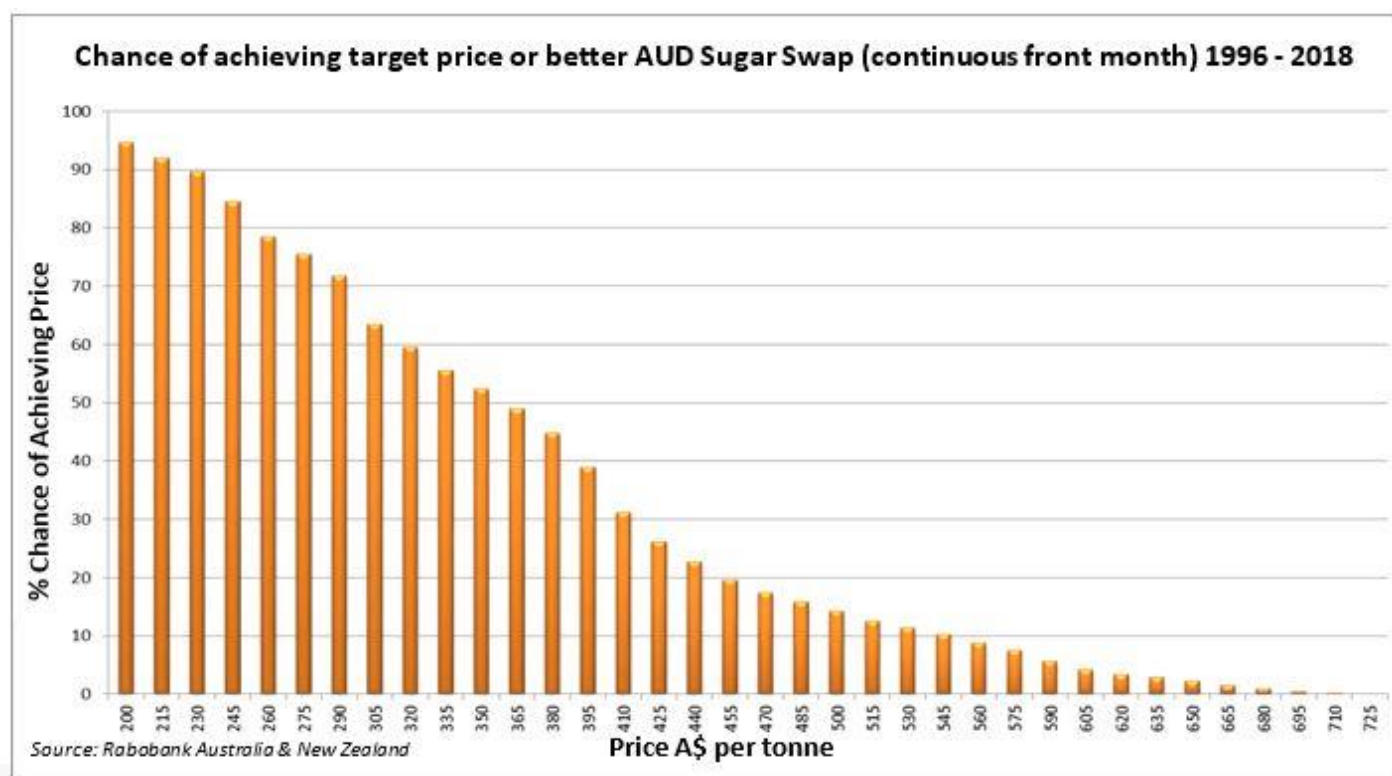
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The Australian/US dollar exchange rate value (AUD) over the last 20 years shows the average price sitting around **\$375 per tonne** based on the front contract, with the average sugar price at 13.70 c/lb and AUD value at an average level of 0.7800. Looking at the AUD/metric tonnage (mt) graph over this period of time, the price mainly traded between \$300 and \$430 AUD/mt, and prior to 2009 generally sat inside the \$200 to \$350 AUD/mt range.

GOING FORWARD

Unfortunately the price outlook does not look good for the next few years as the expected record raw sugar surplus for this year and next will take time to filter through the global market. Prices will need to stay low for long enough to see a supply-side response in the market through mechanisms such as lower plantings, lower levels of husbandry and switches to alternative crops. Given the three to four year average lifecycle of cane crops, this will likely take a couple of years before we see these required responses from producers.

For those growers considering their pricing decisions and the chance of achieving their targeted prices, the following graph looks at the prompt contract price over the last 20 years (The prompt contract is always the closest contract, and so changes from July to October to March and finally to May as we work our way through each season).



As you can see on the chart above, during the last 20 years prices traded at or below A\$450 per tonne 80% of the time. **Prices above \$450 were not available very often – the majority of the time prices were between \$300/tonne and \$400/tonne.**

Looking at what grower pricing orders have been filled and what orders are outstanding for the 2018 Season with QSL, it is evident that there still appears to be a lot of pricing to be completed as the market continues to fall away. Of the grower pricing orders filled to date by QSL, around 64% of the tonnage was priced around the \$450 AUD/mt level. But looking to unfilled orders, around 70% is sitting at pricing targets of \$450 AUD/mt or above.

It is vital that during a surplus market environment, growers revisit their pricing targets in light of current pricing levels and resist the tendency to become complacent with a 'set and forget' approach to their orders. Growers need to consider what is an acceptable level of returns in what is likely be a low price environment.

Any sort of rally in raw sugar prices looks set to be jumped on heavily by under-priced producers worldwide, with the chance of prices exceeding \$450 looking remote. The market has now moved to a new floor and in the absence of any fresh news to provide support on a fundamental basis, we are at the mercy of technical drivers and the surplus ahead. Any glimmer of hope for an increase in the sugar price will possibly be left up to a weather event to change the course of the surplus.

PRICING UPDATES

Want to know more about current sugar market prices and trends? Then don't miss QSL's Daily Price Update email. To subscribe, email your details to info@qsl.com.au.

2017 and 2018 Advances rates

The QSL Board has confirmed the remaining QSL Advances payments for the 2017 Season as the following:

Applicable from	QSL Standard Advance Rate	QSL Accelerated Advance Rate
16 May 2018	95%	95%
20 June 2018	97.5%	97.5%
20 July 2018	100%	100%

The May and June payments will be based on estimated pool values as of 27 April 2018 and 25 May 2018 respectively, with the final payment date for all 2017-Season QSL pools and pricing platforms to be Friday 20 July 2018. While QSL's 2018-Season Indicative Advances Program is yet to be released, the initial Advances payment has been confirmed at 60%.

Please note that the Advances dates above are the dates when QSL pays its Milling suppliers. However, miller and bank processing times may result in later local payment arrangements. QSL usually pays Wilmar growers on a Thursday, with bank processing times meaning most growers receive their payments on a Thursday evening or Friday.

Indicative pricing now available for select 2018 pools

QSL is now publishing indicative prices for the **2018 Early-Start Actively Managed Pool** and the **2018 2-Season Forward Pool** on our website. You can find a pricing matrix for each by [clicking here](#).

It is important to remember that while QSL provides a pricing matrix for each pool we operate, these matrices are not forecasts, but representations of the current indicative mark-to-market valuation of each pool. This valuation is a combination of the price achieved for that component of the pool that has already been priced, plus the weighted average market valuation of the pool's unpriced sugar, based on our current expectation of the tonnages yet to be priced against particular future delivery months for the pool.

Each matrix provides a sliding scale of potential ICE 11 prices and AUD/USD levels to illustrate how future market and currency movements in the ICE 11 price and AUD/USD could potentially change the value of each pool. It is also important to note that while the change in value may be broadly as shown in each matrix, final pool values will also be

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impacted by QSL's actions and pricing activities as the market moves. The gross prices quoted in each matrix are also prior to the allocation from the Shared Pool, which is not finalised until the end of each season, with estimates to be published by QSL from 5 June 2018.

Reporting of the indicative prices for the **2018-Season QSL Harvest Pool, Actively Managed Pool and Guaranteed Floor Pools'** gross prices will commence after nominations for these pools close on 30 April 2018.*

* Mackay Sugar, Isis Central Sugar Mill and Bundaberg Sugar growers should contact their miller for details of the Pricing Declaration Dates applicable in their milling district).

Pool nomination deadline approaching fast

QSL's 2018-Season Pricing Declaration Date is almost upon us, with nominations for this season's pools closing on 30 April 2018. While this new, later Pricing Declaration Date applies to most growers, those growers supplying Isis Central Sugar Mill, Bundaberg Sugar and Mossman Mill should note that they must finalise their nominations prior to this date, as per the local deadline advised by their Miller.

Growers can change their QSL pool nominations at any time up to their Pricing Declaration Date, including moving unfilled 2018-Season Target Price Pool pricing to other QSL-managed pools. Unfilled pricing for the 2018-Season Individual Futures Contract Pool can also be moved prior to the Pricing Declaration Date, if no portion of the nominated tonnage has been priced.

For the 2018 Season, growers using QSL's marketing services can choose either the QSL Harvest Pool or the QSL Harvest Pool in combination with one or more of the following QSL pools and pricing products. Please note that the descriptions below provide a high-level summary only and growers should read the full Pricing Pool Terms ([available by clicking here](#)) and seek their own independent financial advice before committing to any QSL product.

QSL-MANAGED POOLS

2018 QSL Harvest Pool: A QSL-managed pool designed to manage a limited amount of production variation throughout a season. All growers who nominate QSL as their GEI Sugar Marketer must allocate to this pool 35% of their expected GEI Sugar for which QSL is to be the marketer. Growers are only paid for the final sugar delivered into this pool. If QSL growers make no other pool allocation their GEI Sugar defaults into this pool.

2018 QSL Actively Managed Pool: A committed-tonnage pool that targets the best return over the season by pricing more frequently as short-term market opportunities arise.

2018 QSL Guaranteed Floor Pool: A committed-tonnage pool that provides a guaranteed minimum return with the potential for higher returns across the season. Growers using this option receive an Accelerated Advances program (up to 90% of the value of their completed pricing by the end of crushing).

2019 QSL 2-Season Actively Managed Pool (previously known as the 2-Season Forward Pool): A committed tonnage pool for the 2019 Season, with pricing undertaken across the 2018 and 2019 Seasons. This pool aims to target the best return, with some pre-set price triggers. It has been designed for growers who seek exposure across multiple seasons.

QSL US Quota Pool: Participation in this pool is automatic, with a mandatory tonnage allocation of up to 5%.

GROWER-MANAGED POOLS

QSL Target Price Pool: Enables growers to price their Grower's Economic Interest in sugar (GEI Sugar) during the current season and up to three seasons ahead. Features rolling of unfilled orders until 19 April (15 January for MSF growers) in the year after crushing commences for the relevant season. Growers using this option can choose an Accelerated Advances program (up to 90% of the value of their completed pricing by the end of crushing) or the standard QSL Advances program once they have completed their pricing for the season.

QSL Individual Futures Contract Pool: Enables growers to price their GEI Sugar incrementally during the current season and up to three seasons ahead, with separate pricing decisions for each individual futures position. Pricing is to be completed by 16 April in the year after crushing commences.

Indicative Guaranteed Floor Pool pricing

As in the past, the floor and strike prices for the coming season's QSL Guaranteed Floor Pool will not be finalised until after pool nominations close on 30 April 2018. However, growers considering nominating tonnage to this pool can track indicative pricing levels via the QSL website by [clicking here](#). Indicative prices as of **18 April 2018** were:

FLOOR PRICE

The absolute minimum gross price at current indicative levels would be:

346.80 AUD/tonne ACTUAL

334.75 AUD/tonne IPS

STRIKE PRICE

The strike price of the pool at current indicative levels would be:

356.80 AUD/tonne ACTUAL

344.40 AUD/tonne IPS

**A participation rate of 50% applies when the market exceeds the strike price.*

Please note that the indicative prices quoted above and featured on the QSL website are in no way the final floor and strike prices secured for the pool, and will continue to fluctuate until QSL announces the final prices early next month (May 2018). Should QSL be not able to obtain a final floor price for the 2018 QSL Guaranteed Floor Pool that is within \$10 of the latest published indicative price as of 30 April 2018, then the pool will be cancelled and participating growers will be contacted to move their nominated tonnage to another pool.

Before participating in the 2018 QSL Guaranteed Floor Pool, growers should read this pool's full Pricing Pool Terms, available by [clicking here](#). As noted in the below disclaimer, nothing in this update constitutes financial product or investment advice, nor does it constitute a recommendation to invest in any of the pools offered by QSL, and growers should seek their own independent advice before making any such decisions.

MYTHBUSTER!

Everyone loves a good rumour and the sugar industry is no exception. This new regular feature aims to help you sort fact from fiction.



MYTH: If I don't reach my grower-managed pricing targets my unfilled orders automatically default into the QSL Harvest Pool.

FALSE!

FACT: Any grower-managed pricing targets that are not achieved by the relevant **Pricing Completion Date** are priced by QSL at the next market opportunity. However, you can move any unfilled orders to the QSL Harvest Pool (or any other QSL-managed pool accepting nominations) up until your **Pricing Declaration Date** for the relevant season. Please refer to each pool's Pricing Pool Terms (available at www.qsl.com.au) for details.

QSL info meetings for Mackay Sugar growers

Thank you to all those Mackay Sugar growers who attended one of the recent QSL Information Sessions held in the Mackay and Mossman milling districts.

For those who couldn't make a session, you can find an overview of the key concepts discussed by [clicking here](#).

Mackay Sugar growers keen to learn more about QSL Marketing Choice are asked to complete a Registration of Interest form, available by [clicking here](#).