

# QSL Weekly Update

10 May 2018

## Daily Price

Thursday, 10th May 2018

**11.29** US c/lb prompt

**0.7463** AUD/USD spot

**\$A331.13** MT OTC

**\$A319.32** MT IPS OTC

[More info >](#)

## Your QSL Grower Services Team

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## Indicative Pool Prices

The table below provides an overview of QSL's indicative gross pool prices as of **27 April 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](http://www.qsl.com.au).

QSL POOL	GROSS AUD/TONNE IPS
2017 HARVEST POOL	<b>\$416</b>
2017 ACTIVELY MANAGED POOL	<b>\$446</b>
2017 GUARANTEED FLOOR POOL	<b>\$517</b>
2017 2-SEASON FORWARD POOL	<b>\$506</b>
2017 ACTIVELY MANAGED POOL (WILMAR GROWERS)	<b>\$400</b>
2017 GUARANTEED FLOOR POOL (WILMAR GROWERS)	<b>\$369</b>
2017 US QUOTA	<b>\$717</b>
2018 EARLY-START ACTIVELY MANAGED POOL	<b>\$350</b>
2018 2-SEASON FORWARD POOL	<b>\$398</b>

*This report contains information of a general or summary nature. While all care is taken in the preparation of this report, the reliability, accuracy or completeness of the information provided in the document is not guaranteed. Information about past performance is not an indication of future performance and nothing contained in this report should be relied upon as a representation as to future matters. The update on marketing and pricing activity does not constitute financial product or investment advice. You should seek independent advice before making any pricing decisions. QSL does not accept any responsibility to any person for the decisions and actions taken by that person with respect to any of the information contained in this report.*

## QSL Market View

Current as of 7 May 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 (Jul18) A\$/mt	2018 SEASON A\$/mt	COMMENTS
Market as of 7.5.18	\$334.09	\$358.10	
Sugar Fundamentals - Global exc. Brazil	●	●	The Indian government has approved a production-linked subsidy of 55 rupee per ton of cane to be exported before September 2018. There is no other detail surrounding the subsidy to indicate if it will only be paid if mills complete their full quota of exports. This subsidy incentive will give farmers the hope that they will get paid and could push them to be loyal and re-plant for next season.
Sugar Fundamentals - Brazil	●	●	Little rain over Brazil and average rain throughout the monsoon period is creating doubts over the crop. Aging cane needs extra water therefore Brazil is vulnerable to lower yields and cane failing to grow. This could push the sugar mix even lower, but not enough to absorb the surplus we face.
Macro Issues/ Specs	●	●	MAY18 expired last Monday with over 1 million tonnes of Brazilian origin delivered. There was sparse movement in commodities overall, with Brent Crude oil up 0.3% over the week. Little surprise for the non-index fund position – as the price rose the specs reduced by 7500 lots, a total position of 161,500 lots.
AUD/USD	●	●	The AUD traded inside a 100-point range over the week. It seems to be comfortable in the low 0.75s, breaking towards 0.7490 but popping back above 0.7500 to range trade. FOMC kept rates on hold in the US and the trade balance closed the deficit. USD strength continues as the dollar index (DXY) hit its highest level of the year.
Overall Comments	Rallies in the sugar price and AUD weakness gave growers a little boost over the week, with AUD/mt levels for 2018 around \$365 and 2019 and 2020 breaking above \$400 once again. There are a few green shoots of hope coming out of Brazil but it is very early in the harvest to be making any predictions. India have not finalised their crop number as mills continue to crush. The surplus may get smaller but at the end of the day it is still a surplus no matter how you look at it. With producers underpriced in the market, every rally will be jumped upon, so the trick is to price when you see it.		

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>.

## Grower-managed pricing deadlines reminder

Growers using QSL's grower-managed pricing pools – the **QSL Target Price Pool** and the **QSL Individual Futures Contract Pool** – have a number of important deadlines that they need to bear in mind as the 2018 Season gets underway.

Here's an overview of the key 2018-Season dates for each product and the implications associated with not completing pricing before these important deadlines.

### THE QSL TARGET PRICE POOL – AUTOMATIC ROLLING

Target pricing has always been popular with QSL growers and enables them to target a season-average price calculated across the four ICE 11 contracts available each season – July, October, March and May. This average is weighted using a 1:2:2:1 ratio against these four positions to reflect the higher volume of sales and shipping made against the October and March contracts. So when QSL receives a Target Price Pool order from a grower, we spread this across the four individual contract positions using the ratio above and then fill this order when the weighted average of these four contracts reaches that grower's targeted price.

Growers using the QSL Target Price product have previously been required to fill their orders prior to the mid-June deadline for the July contract each year, or QSL would price their unfilled orders at the next market opportunity after this date.

**However, under the new Target Price Pool now in place, unfilled 2018-Season orders will no longer be filled by QSL after the July 2018 contract deadline, but instead, QSL will transfer the portion of the order that would have been priced against July contract to the next ICE 11 contract, October 2018, giving the grower added time to achieve their pricing.**

This process is commonly known as 'rolling' and is done by simultaneously selling futures against the closing contract and buying futures contracts against the next contract. There is usually a difference in price between the contracts bought and sold, and so while QSL does not charge a fee for rolling these orders, any difference in cost in establishing the rolled tonnage on the new contract is passed on to the grower concerned.

Once we pass the 20 June 2018 deadline to achieve Target Price Pool orders for the 2018 season, QSL will automatically begin to roll any unfilled orders to the next contract. This process will be replicated for the subsequent October 2018 and March 2019 contract deadlines if orders remain unfilled, right through until the Pricing Completion Date of 19 April 2019, after which time QSL will price any unfilled orders at the next market opportunity (Note: MSF Sugar Growers' Pricing Completion Date for this pool is 15 January 2019, so they cannot roll beyond the March 2019 contract).

It is important to note that while this rolling process gives growers more time to achieve their pricing, it usually comes at a cost, as the costs associated with closing out one contract for the next continue to mount from one roll to the next if orders remain unfilled.

For this reason, it is important that growers using the rolling feature have a market view that prices will improve at some stage during the remainder of the season. If this is indeed the case, the ability to secure higher prices later in the season may make the cost of rolling worthwhile. However, if this is not the case and the market falls as the season progresses, the grower will find they not only achieve a lower price but also wear the added cost of rolling.

The key deadlines for these automatic Target Price Pool rolls in the 2018 Season are:

QSL TARGET PRICE POOL	
20 June 2018	Unfilled orders beyond this date will be rolled to the October 2018 Contract. Costs may apply.
20 September 2018	Any unfilled orders beyond this date will be rolled to the March 2019 Contract. Costs may apply.
15 January 2019	<b>2018-Season Pricing Completion Date for MSF Sugar Growers only.</b> <i>Any unfilled orders for MSF Sugar Growers beyond this date will be filled by QSL at the next market opportunity.</i>
20 February 2019	Any unfilled orders beyond this date will be rolled to the May 2019 Contract. Costs may apply.
19 April 2019	<b>Pricing Completion Date for the 2018 Season.</b> Any unfilled orders beyond this date will be priced by QSL at the next market opportunity.  (As noted above, MSF Sugar Growers have an earlier 2018-Season Pricing Completion Date of 15 January 2019)

As rolling will occur automatically beyond the dates outlined above, growers not wanting their unfilled Target Price Pool orders to roll need to ensure that they have achieved their target price prior to 20 June 2018. Beyond this date, they can prevent subsequent rolls by adjusting their targets to ensure their orders are filled prior to the roll deadlines for the October and March contracts.

## THE QSL INDIVIDUAL FUTURES CONTRACT POOL

Unlike the Target Price Pool, growers using the QSL Individual Futures Contract Pool don't target a season-average price but instead set targets for each of the four individual ICE 11 futures contracts for the 2018 Season in proportions reflecting the 1:2:2:1 ratio previously outlined.

This means that they have **four** deadlines for each season – one for each futures contract.

For the 2018 Season these are:

QSL INDIVIDUAL FUTURES CONTRACT	
15 June 2018	Pricing Completion Date for the <b>July 2018</b> Contract.
14 September 2018	Pricing Completion Date for the <b>October 2018</b> Contract.
14 February 2019	Pricing Completion Date for the <b>March 2019</b> Contract.
16 April 2019	Pricing Completion Date for the <b>May 2019</b> Contract.



Any unfilled orders for these individual contracts beyond the associated Pricing Completion Dates outlined above will be filled by QSL at the next market opportunity. Please note that Growers using the Individual Futures Contract Pool do not have the ability to roll any unfilled orders.

For further information regarding either of these pools and the deadlines associated with them, please read the Pricing Pool Terms available at [www.qsl.com.au](http://www.qsl.com.au).

## MYTHBUSTER!

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



**MYTH:** Now that pricing is at 100% for most of QSL's 2017-Season pools, the prices of these pools have been finalised.

**FALSE!**

**FACT:** Even if ICE 11 pricing and currency values are finalised for a QSL pool, the net value cannot be determined until the end of the financial year, when the QSL Shared Pool is finalised and applied to all QSL-managed and grower-managed products. To read more about the Shared Pool and what it includes, please [click here](#).

## QSL headed to Mackay expo

Are you a Mackay district grower with questions about QSL? Then don't miss the QSL stall at this year's **Canegrowers Mackay Ag Trade Expo** on May 18 and 19.

The local QSL team will be on hand to answer questions throughout the two-day expo to be held at the Western Suburbs leagues club grounds in Walkerston.

For more information about this event, [please click here](#).

## Gin Gin Show

QSL is once again a proud sponsor of the Sugar Cane Competition at this year's Gin Gin Show, to be held on the weekend of 2 and 3 June 2018. Local cane growers are encouraged to participate and can access more information on the section by contacting Sam Eden (0427 572 484) or Alan Stevens (0427 987 179), or [clicking here](#).