

QSL Weekly Update

8 June 2018

Daily Price

Friday, 8th Jun 2018

11.73 US c/lb prompt

0.7624 AUD/USD spot

\$A336.81 MT OTC

\$A324.79 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 **25 May 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 | 2017 SEASON GROSS AUD/T IPS | 2018 SEASON GROSS AUD/T IPS |
|--|--------------------------------|--------------------------------|
| HARVEST POOL | \$416 | \$381 |
| ACTIVELY MANAGED POOL | \$446 | \$366 |
| EARLY-START ACTIVELY MANAGED POOL | N/A | \$366 |
| GUARANTEED FLOOR POOL | \$517 | \$350 |
| 2-SEASON FORWARD POOL | \$506 | \$413 |
| ACTIVELY MANAGED POOL (WILMAR GROWERS) | \$400 | N/A |
| GUARANTEED FLOOR POOL (WILMAR GROWERS) | \$369 | N/A |
| US QUOTA | \$717 | \$721 |

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 5 June 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 |
|--|--|---------------------------------------|--|
| Sugar Fundamentals - Global exc. Brazil | ● | ● | Millers in India are pressing the government for a raft of measures to save the cane industry. These include mandatory exports, export subsidies, domestic price setting and stock piling. Exports are likely to be delayed until the start of the next crop in Oct/Nov but, given estimates for next season are similar to last year, there is still likely 4-5 million tonnes to find homes. |
| Sugar Fundamentals - Brazil | ● | ● | The truckers' strike ended on Friday. Although it has affected immediate availability of CS raws, it will likely have little impact on the final crop outcome. More importantly for the sugar market was the resignation of the Petrobras 'market friendly' CEO, who championed petrol prices being linked to world oil prices. This is likely a signal that the government intends to install a new CEO who will not oppose lower fuel prices, of course, lowering ethanol parity in the process. |
| Macro Issues/ Specs | ● | ● | Crude oil has continued to soften, now sitting just above \$US65 a barrel. The whole commodity complex suffered Monday night and while the 'trade war' rhetoric remains present in the market it will continue to face strong headwinds. While Friday's spec report showed another reduction in the spec net-short position to 66k lots, the spec and system selling that has occurred over the past couple of sessions has rendered this number largely academic. |
| AUD/USD | ● | ● | A dull week only really accented by a 100-point upside break out. Bullish risk sentiment coupled with decent retail sales data gave the AUD impetus to break out of the recent 75/76 cent range and lift as high as 0.7666. The RBA cash rate is certain to remain unchanged this week, while the Fed will almost certainly raise theirs next week. While these stories are already priced in, forward guidance around the future path of the interest rate differential will provide the market signal for its next move. |
| Overall Comments | What started out as a promising week of steady gains in AUD/mt terms quickly turned into a producer nightmare, with sugar tumbling rapidly over the past two sessions and the Aussie dollar firming significantly on Monday. The 2018-Season pared back nearly \$20 over the week, while 2019 gave up \$15 to sit at \$361 and \$389 respectively. The market reacted negatively to last Friday's reversal and it now seems as though the short-term pricing opportunity has passed and the global surplus story has returned to the fore. | | |

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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Plane Creek Productivity Awards

Congratulations to all those growers recognised at Plane Creek Productivity Services' recent Productivity Awards Night, held at the Koumala Community Hall.

QSL was again a proud sponsor of this annual event, now in its 11th year.

QSL Grower Relations Officer Kathy Zanco was on hand to present the QSL-sponsored award for Best Productivity in the Koumala Productivity Zone.

This was won by D, A, J and V Borg, and presented to Deon Borg, pictured with Kathy at right.



First 2018-Season pricing deadline looms

Growers using QSL's grower-managed pricing pools – the **QSL Target Price Pool** and the **QSL Individual Futures Contract Pool** – are quickly approaching the first of a number of important deadlines for their 2018-Season pricing. Here's an overview of the key dates for each product and the implications associated with not competing pricing before these important deadlines for 2018-Season pricing.

TARGET PRICE POOL – 20 JUNE 2018

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, any unfilled 2018-Season orders remaining after **5pm 20 June 2018** will be transferred 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.

You can now find an estimate of the current difference between contracts at the bottom of the **Indicative Prices table** which is emailed out to growers in our Daily Price Update and featured on the Market Snapshot page within the QSL website, as illustrated right and available by [clicking here](#).

Indicative Prices

ICE 11 US c/lb 11.73 ↓ 08-Jun-18
 USD/AUD 0.7624 ↓
 AUD/mt

| Season | 2018 | 2019 | 2020 |
|---|---------------|---------------|---------------|
| Target Price Pool | 354.40 | 380.30 | 396.50 |
| Individual Futures Contract Pool | | | |
| Jul | 336.81 | 370.07 | 389.87 |
| Oct | 344.95 | 373.82 | 394.16 |
| Mar | 365.90 | 387.58 | 401.69 |
| May | 368.43 | 388.99 | 397.49 |
| Indicative Roll Cost - Target Price Pool | | | |
| JUL18 to OCT18 Cost per Tonne | | | -1.40 |

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 in 15 January 2019, so they cannot roll beyond the March 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 | Unfilled orders beyond this date will be rolled to the March 2019 Contract. Costs may apply. |
| <i>15 January 2019</i> | <i>2018-Season Pricing Completion Date for MSF Sugar Growers only.</i> <i>Unfilled orders for MSF Sugar Growers beyond this date will be filled by QSL at the next market opportunity.</i> |
| 20 February 2019 | Unfilled orders beyond this date will be rolled to the May 2019 Contract. Costs may apply. |
| 19 April 2019 | Pricing Completion Date for the 2018 Season. 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 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 INDIVIDUAL FUTURES CONTRACT POOL – 15 JUNE 2018

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 POOL | |
|--------------------------------------|---|
| 15 June 2018 | Pricing Completion Date for the July 2018 Contract. |
| 14 September 2018 | Pricing Completion Date for the October 2018 Contract. |
| 14 February 2019 | Pricing Completion Date for the March 2019 Contract. |
| 16 April 2019 | Pricing Completion Date for the May 2019 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 QSL's grower-managed pricing pools and the deadlines associated with them, please read the Pricing Pool Terms available at www.qsl.com.au.

Ingham office hours

Herbert River growers are advised that QSL's Ingham office will be closed Wednesday to Friday next week. For queries relating to your QSL Direct accounts and payments, please call the QSL Direct helpline on 1800 870 756.