

# QSL Weekly Update

13 June 2018

## Daily Price

Wednesday, 13th Jun 2018

**12.35** US c/lb prompt  
**0.7573** AUD/USD spot  
**\$A357.43** MT OTC  
**\$A344.68** MT IPS OTC

[More info >](#)

## Your QSL Grower Services Team

| DISTRICT                 | REPRESENTATIVE          | CONTACT INFO                                |
|--------------------------|-------------------------|---|
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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](http://www.qsl.com.au).

| QSL POOL                               | 2017 SEASON<br>GROSS AUD/T IPS | 2018 SEASON<br>GROSS AUD/T IPS |
|--|--------------------------------|--------------------------------|
| HARVEST POOL                           | <b>\$416</b>                   | <b>\$381</b>                   |
| ACTIVELY MANAGED POOL                  | <b>\$446</b>                   | <b>\$366</b>                   |
| EARLY-START ACTIVELY MANAGED POOL      | <b>N/A</b>                     | <b>\$366</b>                   |
| GUARANTEED FLOOR POOL                  | <b>\$517</b>                   | <b>\$350</b>                   |
| 2-SEASON FORWARD POOL                  | <b>\$506</b>                   | <b>\$413</b>                   |
| ACTIVELY MANAGED POOL (WILMAR GROWERS) | <b>\$400</b>                   | <b>N/A</b>                     |
| GUARANTEED FLOOR POOL (WILMAR GROWERS) | <b>\$369</b>                   | <b>N/A</b>                     |
| US QUOTA                               | <b>\$717</b>                   | <b>\$721</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 11 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  |
|---|---|---------------------------------------|---|
| Current market                          | \$352.90  | \$368.64                              |   |
| Sugar Fundamentals - Global exc. Brazil | <span style="color: yellow;">●</span>   | <span style="color: red;">●</span>    | The Indian Government has released its package to resolve the cane industry crisis. This includes a 3 million tonne stockpile for which they will pay storage & interest costs, a minimum domestic price of 29,000 INR/tonne (US\$25), incentives to increase the use of cane for ethanol production, and help for millers to pay cane arrears to farmers. The EU is offering farmers bonuses for the 2019 season if they plant the same area in beet as they did in 2017 & 2018, even though low beet prices will prevail. |
| Sugar Fundamentals - Brazil             | <span style="color: yellow;">●</span>   | <span style="color: yellow;">●</span> | Estimates of final sugar production have stabilized at slightly below 29 million tonnes. Brazilian producers sold their position over the week and with a weak Real, they have locked in hedges above their cost of production. The weather is looking drier than previous forecasts, suggesting ATR levels will remain high while cane estimates will decline.   |
| Macro Issues/ Specs                     | <span style="color: yellow;">●</span>   | <span style="color: red;">●</span>    | Friday's net-short position continues to reduce and is now closer to 25,000 lots. System funds are unemotional and indifferent to the surplus in the market, therefore nothing is stopping them from continuing to buy back their position or turning around and selling their positions again.   |
| AUD/USD                                 | <span style="color: yellow;">●</span>   | <span style="color: green;">●</span>  | As expected, the RBA kept rates on hold. Market sentiment remains cautious after the G7 summit over the weekend. Trump refused to endorse a joint G7 announcement after accusing Trudeau of "false statements", so the G7 failed to ease trade tensions. Trump is due to meet Kim Jong Un on Tuesday 12 June, so we will see what comes of that! On Wednesday the US Fed is expected to increase rates by 25 points.  |
| Overall Comments                        | It was a volatile week, with futures closing down 0.27 points and an uncertain picture for the FX. Risk appetite remains fragile after Trump's talks with North Korea's Kim Jong Un remained unresolved. After the sudden drop in pricing levels the 2018 season has climbed its way higher once again, trading at \$A369/t and \$A392/t for the 2019 season. After the market's initial negative reaction to the Indian support package and Brazilian Real fall, it has stabilized. India is in no rush to export so short-term trade flows look tighter for Q3 & Q4, with the surplus pushed into early 2019 and flowing into 2020. |                                       |   |

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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## Mackay and Whitsunday comps showcase industry efforts

Headed to the Mackay Show next week? Then don't miss the QSL stand in the Sugar Pavilion from June 19-21, where you'll be able to chat with local QSL Grower Services Team rep Kathy Zanco and get the latest information on QSL's wide range of products and services.

QSL is also once again a proud supporter of this year's Mackay and Whitsunday Show Sugar Cane Competitions. Consider getting involved – every entry not only helps to showcase our great industry to the wider public, but you'll also be in the running to win some great prizes.

[Click here for the Mackay Show Sugar Cane Schedule.](#)

[Click here for the Whitsunday Show Sugar Cane Schedule.](#)

## Time running out to beat June pricing deadlines

Growers in QSL's Individual Futures Contract Pool have until **5pm this coming Friday 15 June** to finalise any unfilled orders for the July 2018 sugar contract. After this time, any unfilled orders will be filled by QSL at the next market opportunity.

Growers in QSL's Target Price Pool are also reminded that any unfilled orders for the 2018 Season remaining after **5pm next Wednesday 20 June** will be rolled forward to the October 2018 contract and costs may apply.

QSL Finance Manager Supplier Relations Bryce Wenham said that while many growers' priorities were currently focused on the crush, QSL was keen to ensure that they were aware of the cut-offs for their grower-managed pricing and the consequences should they not complete the required pricing by these deadlines.

"The Target Price Pool rolling feature is new this season and automatically applies to any unfilled pricing beyond the 20 June deadline. So growers who don't want to roll their pricing forward and pay the potential costs involved need to reassess their pricing and take the necessary action to ensure any remaining pricing orders are filled prior to the 20 June cut-off," he said.

Mr Wenham said growers seeking more information about QSL's grower-managed pricing options and the deadlines involved should read the relevant Pricing Pool Terms (available by [clicking here for the QSL Target Price Pool](#) or [clicking here for the QSL Individual Futures Contract Pool](#)) or should contact their local QSL representative.

**Target Price Pool growers can now also find an estimate of the current difference between contracts at the bottom of the Indicative Prices table which is emailed out in our Daily Price Update and featured on the Market Snapshot page within the QSL website, as illustrated above 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          |
|---|---------------|---------------|---------------|
| <b>Target Price Pool</b>                        | <b>354.40</b> | <b>380.30</b> | <b>396.50</b> |
| <b>Individual Futures Contract Pool</b>         |               |               |               |
| 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        |
| <b>Indicative Roll Cost - Target Price Pool</b> |               |               |               |
| <b>JUL18 to OCT18 Cost per Tonne</b>            |               |               | <b>-1.40</b>  |

## This month's Advances payments

QSL will make two Advances payments next week, as the first payment of the 2018 Season is made along with the June Advances payment for the 2017 Season.

For Wilmar Growers, QSL will make its June Advances payment for the 2017 Season next Wednesday 20 June, a day earlier than the usual Thursday payment run, with the first Advances payment for 2018-season deliveries to be made the following day on Thursday 21 June.

Payment arrangements for all other growers receiving QSL Advances next week will reflect the usual local payment arrangements and timings.

## Growers discover the delights of Japan on QSL study tour

QSL's inaugural grower study tour has been hailed a success, following the return of the group from a week in Japan.

The travelling party featured growers from throughout the state and was led by representatives of the QSL team.

The seven-night itinerary based the group in Tokyo, where they met with QSL customers and were hosted at a number of refineries where they saw firsthand just how their sugar is processed for the Japanese market.

The group also met with banking and Austrade representatives to gain a greater understanding of the important role the Japanese market plays for the Australian sugar industry and the key trade considerations currently at play.

As well as a busy schedule of customer meetings and facility tours, the group also had time to discover the delights of Japan, including visits to the Meiji Shrine, Imperial Palace Place, Senso-ji Temple, Mt Fuji (pictured right), Lake Ashi and trip to Nagoya on the bullet train.

Tour leader and QSL Executive Manager Marketing and Risk Mark Hampson said the grower study tour was a very enjoyable initiative that he hoped would become a regular event. "One of the strengths of QSL is that we have very strong and long-standing relationships with a number of key customers right throughout Asia, so we're uniquely positioned to host these sorts of trade missions," he said.

"I think it's fair to say that our Japanese customers were honoured to host this contingent of Queensland growers and the participating growers gained a fantastic insight into one of their industry's oldest and most important markets. There were plenty of new friendships forged and I know that Japan and its people won more than a few hearts, with lots of talk amongst the group of return visits in the future."



## Farm changes and transferring pricing

Wilmar Growers who need to transfer 2017-Season pricing as the result of a farm sale, leasing change or business restructure must have all necessary paperwork, including the required deeds of novation, signed and submitted to QSL by **Wednesday 27 June 2018**.

For further information regarding this process, please contact your local QSL Grower Services Team member or call the QSL Direct Helpline on 1800 870 756.

## Comparing Advances between marketers

The release of QSL's 2018 Advances program and those of our competitors have prompted some questions, particularly from Tully growers, as to how QSL's Advances payments can be lower than the advertised returns of other marketers whose pools are currently valued less than QSL pools.

When comparing Advances programs between marketers, it is essential to understand just how those Advances are calculated and relate to your actual pricing choices.

For growers in Wilmar milling districts, QSL has full insight of your pricing decisions, and so the sugar price used to calculate your QSL Advances payment reflects your own individual pricing decisions right throughout the season, including your participation in QSL-managed pools and any grower-managed pricing you may have achieved.

For all other growers receiving QSL Advances, we have no insight into your individual pricing decisions, and so your QSL Advances payments are based on the average pricing results for your milling district, including grower-managed pricing (also known as forward pricing), up until the January payment each year after which time your Advances are then adjusted to reflect your individual pricing position (Please note: Growers in the Mackay, Bundaberg, Isis, MSF Sugar and Tully Sugar milling districts lodge their QSL pricing decisions with their Miller who aggregates these and passes them on to QSL, so only the Miller has insight into these growers' individual pricing decisions).

Some of our marketing competitors also base their in-season Advances payments on the average rate for all grower pricing, including the value of individual growers' grower-managed pricing. So if the value of grower-managed pricing is higher than the Marketer's own pool results, this can lead to higher Advances payments made during the season than would be achieved using that Marketer's pool results alone.

So while growers without forward pricing may receive elevated Advances payments during the season as a result of this, there must ultimately be a negative adjustment and potentially no payments at all after the crush as their Advances payments are readjusted to reflect their actual pricing positions.

That's why QSL strongly recommends that growers compare Marketers' pool results – not their current Advances payments – to judge their marketing and pricing performance. It is these pool results that reflect the Marketer's decisions and just what growers using their managed pools will ultimately receive, rather than an in-season Advances payment rate that can be temporarily bolstered by the pricing decisions of other growers but will ultimately be adjusted to deliver a lower final return.

[Click here for the 2018-Season QSL indicative Advances program](#)