QSL UPDATE WEEK ENDING 29.11.13

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While the harvest has finished in the majority of the state, our teams at the terminals are still in full-swing managing the storage of sugar and loading shipments. We are now waiting to receive the final tonnage of Harvest Pool Production Buffer sugar, with around 17,000 tonnes remaining in the far north.

Please see below an update on each of our four value offerings as well as the latest Market Update by our Treasurer Stephen Stone. Remember you can keep up-to-date on the daily market activities by subscribing to our daily market reports and daily indicative prices by visiting www.qsl.com.au.

Pricing

As you turn your mind to next year's crop, it's timely to start considering how you want your sugar priced. In 2014, QSL will offer the same range of pooling options as it did this year. We will be conducting a road show prior the Pricing Declaration Date on 28 February 2014 and will bring you these dates shortly. In the meantime, the table below provides a snapshot of the pools on offer to millers. Please note that you will need to talk to your mill about the pooling options they will offer next season as they may differ from QSL's pool offerings.

QSL Pools	Allocation to Pool (%)	Committed/Uncommitted
US Quota (ICE 16)	Up to 5% (mandatory)	Committed
Harvest (ICE 11)	Minimum 35% (mandatory)	Uncommitted
Discretionary (ICE 11)	Maximum 60% (no other committed pool)	Committed
Actively Managed (ICE 11)	Maximum 60% (no other committed pool)	Committed
Guaranteed Floor (ICE 11)	Maximum 60% (no other committed pool)	Committed
Growth Pool (ICE 11)	Maximum 60% (no other committed pool)	Committed
2015 – 2 Season Forward (ICE 11)	Maximum 60% (no other committed pool)	Committed
2016 – 3 Season Forward (ICE 11)	Maximum 60% (no other committed pool)	Committed
OTHER		
QSL Shared Pool: Captures revenues and costs, which are shared across all QSL and Supplier-managed pools		
Supplier Pricing Scheme: Supplier-managed pricing of sugar, which is administered by QSL		

In terms of how the QSL-managed pools are tracking, you can monitor their performance via the Price Pool Matrices published on our website (www.qsl.com.au). This information is updated regularly provides a sense of how the QSL-managed pools are performing over the current season. The prices given below are in Gross $A dollars/IPS tonnes and don't include a shared pool allocation.

Current as of 15 November 2013	2013 Gross
QSL Harvest Pool	$393
QSL Discretionary Pool	$396
QSL Actively Managed Pool	$409
QSL Guaranteed Floor Pool	$391
QSL US Quota Pool	$472
QSL 2013 Season Forward Pool	$428
QSL 2014 Season Forward Pool	$415

Marketing

QSL welcomed representatives from Japanese customers Mitsui and Mitsubishi and their associated refineries to Queensland last week. The Queensland sugar industry has a valued and long-standing relationship with Japan, with the first batch of raw sugar sold almost 60 years ago in 1954 under the Queensland Sugar Board. On purchase of this sugar, the Japanese quickly recognised the quality of Australian raw sugar and further orders were placed. Since 1974 annual shipments of sugar have been exported and the ties between the Queensland and Japanese sugar industries have only strengthened.

This year marked 21 million tonnes of sugar exported to Japan since 1974 - an important milestone to acknowledge and celebrate with our Japanese customers. Their visit last week provided an opportunity to reflect on our long-term relationship, discuss consumer trends in Japan and further reiterate the strong brand associated with Queensland sugar. This strengthens the relationship and day-to-day business dealings our marketing team has with these valued customers to ensure Queensland continues to remain a prominent supplier of export sugar to Japan. The occasion was formally marked with an industry dinner with grower and miller representatives, and a grower and mill visit to Far North Queensland.

In other marketing news, as you have likely seen in recent media coverage, political tension between Indonesia and Australia has escalated. The QSL marketing team remains in contact with customers and Austrade to monitor the situation and any potential impacts on the sugar industry. QSL is not currently expecting any negative impacts.

Logistics

To-date, we have received 2.94 million tonnes of sugar and our teams at the terminals are preparing to receive a further 17,000 tonnes this season.

Financing

QSL borrows funds from banks to operate the Advances Payment Program which enables the sugar cane industry to maintain cash flows prior to the physical sale and delivery of raw sugar. The initial advance rates are set at the beginning of the season and are reviewed by our board every month. At the November board meeting, the QSL board increased the percentage rates for January, February and March to 77.5% (from 72.5%), 80% (from 75%) and 82.5% (from 80%) respectively, following a noted weakening in the overall ICE 11 market.

As I travel the state it is clear that managing cash flow is a significant concern of many growers and that some would appreciate greater flexibility around how and when their advances are paid. Although we believe our current system meets most of our members' needs, we acknowledge there may also be an opportunity to investigate how we may be able to modify the Advances Program to better suit the changing needs of our grower members. Our finance team will look into this and we will keep you informed of any changes.

Market Update

By Stephen Stone, QSL Treasurer
Current as of 25 November 2013

Raw sugar

As the Australian cane crush wraps up for the season, positive market news would be in order. However sugar markets are certainly not cooperating at present. Sugar futures completed a 10-day losing streak last Friday, with the front contract now trading under 17.50 c/lb. This represents a 15 per cent fall from prices seen after the fire in Santos, Brazil.

As we have stated before, many analysts tend to put a story around a price move after the fact. A simple analysis may conclude it was largely market speculators that drove prices up and then drove prices down again. Very little has changed in terms of physical sugar news. Further, currency market volatility is also a primary driver more recently, falling in tandem with sugar prices.

That being said, there does remain a number of bearish market factors in play:

- Weak physical demand and refining premiums; a reminder of a sugar surplus still in play.
- India has now commenced shipping this season's crush and production forecasts look optimistic, as they do in Thailand. Brazil has finished the season on a stronger note.
- No change in petrol policy in Brazil last week, as hoped, so no good news on the ethanol front.

Weighing up all variables, however, we continue to see sugar prices strengthening next season as global balances tighten. As we transition to a more balanced market there will be periods of price volatility, which unfortunately includes price weakness. Higher sugar prices remain on the radar a little later into 2014.

Australian dollar

The Australian dollar has been kinder to the farming sector, with renewed weakness taking the currency back under the US91.50 cent level after trading as high as US98 cents recently. The main driver has been a resumption in broad US dollar strength, as market participants attempt to grasp when US economic activity will support higher interest rates. The Australian dollar remains vulnerable, as investors queue to embrace a stronger US economy. The Australian Reserve Bank has been quick to capitalise on recent currency moves with numerous comments supporting further falls in the Australian dollar. We remain confident currency moves will be a supportive factor for our cane farmers into 2014 and beyond.