



QSL UPDATE WEEK ENDING 21.03.14

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QSL joined over 100 growers from throughout the state in Innisfail this week for the 2014 Grower Innovation Virtual Expo (GIVE). This year's two-day event was hosted by the Innisfail Growers In Action Group and featured a wide range of presentations and field displays aimed at sharing information and cutting-edge practices between innovative cane farmers. QSL was a proud supporter of this year's GIVE as part of our wider sponsorship program, which is focused on nurturing excellence within the Queensland sugar industry and promoting its achievements to the wider community. GIVE and the subsequent Innisfail Field Day also provided us with a great opportunity to keep up to date with on-farm advances and connect with growers from throughout the state prior to the crush.

Logistics

The Operations team has received the forecasted shipping plans from each of the millers that have elected to sell their economic interest sugar and plugged this information into a master plan spanning all six terminals. This will be a fluid plan that will be updated on a regular basis with the mills throughout the year. The teams at each of the terminals will continue to blend the sugar at the terminals so brand quality can be managed and matched to customer preference.

In business development, the Bundaberg Bulk Sugar Terminal has started to receive and store wood pellets for a trial shipment in June. A total of around 25,000 tonnes of wood pellets is expected to be received. If successful, there is potential that the terminal may store and ship wood pellets to earn additional revenue and ultimately lower overall costs of operating QSL. The team at Bundaberg has ensured that the wood pellet storage will complement the sugar storage and shipment schedule.

Finance

The indicative Advances program rates for the remainder of the 2013 season are currently as follows:

Pay date (Wednesday)	% rate
Wed 19 March 2014	85.0%
Wed 23 April 2014	87.5%
Wed 21 May 2014	90.0%
Wed 25 June 2014	95.0%
July 2014*	100.0%

* *Date to be confirmed*



Please note that the program above is indicative only and should not be taken as a commitment by QSL with regard to either the advance rate or date of increase. The program may change during the season, depending on movements in the marketing plan, sugar price and currency movements and the timing of cash flows. Suppliers' positions in relation to any pricing elections may also impact the timing and size of advance payments.

Marketing

The QSL Marketing team has been actively engaging with customers to understand their needs for the season ahead and ensure QSL is well positioned to meet their requirements. The team has made a number of recent sales into the Asian market.

2013 Pool Performance

Growers are able to track the performance of all of the QSL-managed pools across this season via the Pool Price Matrices published on our website www.qsl.com.au. Prices are indicative only and don't include a firm value from the QSL Shared Pool.

Current as of 28.02.14	2013 Gross	% Priced
QSL Harvest Pool	\$393	92%
QSL Discretionary Pool	\$398	99%
QSL Actively Managed Pool	\$410	99%
QSL Growth Pool	\$425	93%
QSL Guaranteed Floor Pool	\$393	100%
QSL US Quota Pool	\$486 gross	76%
QSL 2013 Season Forward Pool	\$432	99%
QSL 2014 Season Forward Pool	\$424	72%

Market Update

Stephen Stone, QSL Treasurer
Current as of 17 March 2014

Sugar

The past two weeks have seen somewhat of a roller-coaster ride in raw sugar futures. Prices in the MAY2014 contract reached a high of US18.50 c/lb, before retreating to close at US17.50 c/lb in Friday's trading.



As discussed in our last update, the fear of more dry weather in Brazil has seen many soft commodity prices spike higher. Speculators have whipped markets into a short-term frenzy, with the recent move in raw sugar prices partially driven by this broader theme. We feel the market is wise to price a weather premium into sugar prices, particularly when the weather risks apply to Brazil as the world's largest producer. With a physical sugar surplus still in play, however, we suggest the 25 per cent price hike in sugar futures from the January lows is unsustainable. Physical premiums may bare much of the pain, yet some price correction is also due for sugar futures.

Friday's price weakness suggests the market correction is now in play. How far prices will fall from above US18 c/lb is now a hotly-contested debate. Most analysts suggest that with the current sugar surplus still looking for a home and low prices generally required to discourage further supply growth, futures should head back toward the US15c/lb level. At QSL we are not in the bear's camp, and look for a shallower price correction, perhaps to the US16.50c/lb level. We feel the weather premium requires a higher base in prices and suggest more market participants are acknowledging a tighter balance globally next season.

A shallow price correction and generally positive sentiment going forward add up to good news for Australian growers.

Currency

We report rather lack-lustre trading conditions, with the Australian dollar seemingly anchored a cent either side of the US90 cent level at present.

Whilst many currency market participants continue to predict a lower dollar, our currency has given little joy recently to market bears and Australian exporters. Local economic data has been surprising to the upside, with further interest rate cuts now unlikely. Further, Chinese trade data has indicated an increase in their import activity, seen as a positive for commodity exporting nations. This data is, however, inconsistent with prices seen in some of the commodity markets in question, namely iron ore and coal. This may indicate more stockpiling by the Chinese, and not be indicative of a new surge in growth.

We suggest more consolidation around current levels is likely in the short term. Ahead, we see a lower Australian dollar into the latter part of 2014, with a re-test of the US85 cent level.

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