QSL Update week ending 4.7.14

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The solution: Grower choice

We are alarmed by the recent withdrawal of MSF and Tully from the collaborative industry sugar marketing arrangements and the impact this decision will have for their growers. The immediate impact is that MSF and Tully growers will not be able to access QSL forward pricing and pricing pools for the 2017 season. The decision is particularly concerning when the Minister for Agriculture, Hon Dr John McVeigh MP, only recently implored the industry to work together to agree on a grower choice model.

The industry is at a crossroads. With Wilmar, MSF and Tully all giving notice, the need for a new industry model is obvious. However, we need time, as an entire industry, to consider the implications of recent developments for risk, transparency, value and competition. QSL is urging Wilmar, MSF and Tully to return to the negotiating table as has been requested by Minister McVeigh.

Growers and a number of millers strongly support an industry-agreed approach to marketing that creates fair distribution of value, provides transparency and ensures profits are returned to growers and millers.

At QSL, we are strongly advocating for grower choice as we believe this is the solution to the industry impasse. It would provide competition, encourage innovation and provide the fairest outcome for all millers and growers. Without it, we face the inevitable negative consequences of a loss of grower confidence. Confidence needs to be restored by way of a genuine industry discussion.

With industry support, grower choice would provide QSL with a robust value proposition of an estimated 2 million tonnes of raw sugar to market. It would also provide growers with a choice as to who markets their sugar and would allow millers the ability to continue to access QSL's services including: financing, pricing, marketing and logistics.
Without support for grower choice, we could see the collapse of grower confidence in the Queensland sugar industry.

A profitable sugar industry for Australia relies on farmers investing in growing cane, just as much as it relies on millers investing in processing. To invest, growers need confidence in the transparency and security of their marketing, financing, pricing and logistics functions.
If millers want to be assured of cane supply in the future, they need to start listening to the famers that supply them cane and start respecting their needs, as both rely on each other for survival.

As a servant of the industry in Queensland, our priority is to secure a sustainable future for the Queensland sugar industry.

2013 QSL Pool Prices

Please note that all prices quoted below are indicative only and don't include a firm value from the QSL Shared Pool. Growers should always consult their mill for information about their individual cane payments.

2013 QSL Pools Current as of 20 June 2014	2013 Gross IPS tonnes
QSL Harvest Pool	$391
QSL Discretionary Pool	$398
QSL Actively Managed Pool	$410
QSL Growth Pool	$425
QSL Guaranteed Floor Pool	$393
QSL US Quota Pool	$484
QSL 2013 Season Forward Pool	$433

2014 QSL Pool Prices

2014 QSL Pools Current as of 20 June 2014	2014 Gross IPS tonnes
QSL Harvest Pool	$420
QSL Discretionary Pool	$430
QSL Actively Managed Pool	$429
QSL Growth Pool	$431
QSL Guaranteed Floor Pool	$432
QSL US Quota Pool	$574
QSL 2014 Season Forward Pool	$421
QSL 2-Season Forward Pool 2015	$437

(sugar delivered in 2015 season and priced over 2014 and 2015 seasons)	
QSL 3-Season Forward Pool 2015 (sugar delivered in 2015 season and priced over 2013, 2014 and 2015 seasons)	$447
QSL 3-Season Forward Pool 2016 (sugar delivered in 2016 and priced over 2014, 2015 and 2016)	$445

Carla Keith on annual leave

Carla will be on annual leave from Thursday 3rd July to Monday 28th July. During this time please forward your questions or queries to Cathy Kelly on 0409 285 074 or via email at Cathy.Kelly@qsl.com.au

Market Update
By Treasury Analyst, Matthew Page
Current as of 1 July 2014

Sugar

This fortnight has been dynamic for the raw sugar market, with prices rising by around 100 points across the board before collapsing on Friday and ultimately ending up around where they started.

The first couple of days in the period were relatively quiet before a sharp rally broke out on Wednesday 18 June and continued into Thursday (19 June) which saw the 2014 contracts gain nearly 100 points over the two sessions. There appeared to be no real fundamental developments that could explain such a dramatic surge other than the now familiar tendency for prices to bounce when the prompt month dips below 17 c/lb and retreats when it gets too far north of 17.50 c/lb.

Following a couple of days above 17.80 c/lb JUL14 began to slowly drift lower last week before a spectacular 72-point collapse on Friday saw it close the period at 16.85 c/lb, 25 points lower than it began. Much of the weakness can be attributed to heavy JUL/OCT spread activity prior to the looming expiry which dragged the other 2014 contracts down with July.

Fortnightly UNICA updates continue to show production in Brazil is well behind on last year and an El Nino still looms as a potential event later in the year. However, with so much physical supply still to find homes, QSL believes the tug-of-war between the bears and the bulls in the market will continue to see prices range-bound in the short-term.

We do, however, remain optimistic that sugar futures are in still in the process of forming a base from which to move higher later this year.

Currency

The fortnight saw several positive data releases out of the US which should have provided the Greenback with some momentum, however the local currency continues to stand firm around the US 94 cent level with movement over the period limited to about half a cent either side of this.

Tension in Iraq continues, which should spell a risk-off sentiment, but investors still retain an appetite for the Aussie's stable credit rating and relatively attractive interest yields. With this in mind, any movement is more likely to be on the upside, further compounding the pain for Australian sugar exporters in the short-term.

It is important to remember that longer-term we still expect to see the Australian dollar come off from current levels, particularly later this year as the quantitative easing program in the US winds up and US interest rates hopefully begin to move back towards more normal levels.