



QSL Update week ending 25.7.14

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Advance rate increase approved

The QSL board has approved an Advance rate increase to 65 per cent for August and September 2014 payments. The board will next review the current indicative Advance program at its September 2014 meeting where it will consider the 5 per cent increase planned for October 2014.

Please note that the Advances program below 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 timing of cash flows.

Suppliers' positions in relation to any pricing elections may also impact the timing and size of advance payments.

Pay date (Wednesday)	% rate
Initial	57.5%
Wednesday 20 August 2014	65%
Wednesday 22 October 2014	70%
Wednesday 17 December 2014	75%
Wednesday 21 January 2015	80%
Wednesday 18 February 2015	82.5%
Wed 18 March 2015	85%
Wed 22 April 2015	87.5%
Wed 20 May 2015	90%
Wed 24 June 2015	95%
July 2015 (date to be confirmed)	100%

QSL Grower Representative Elections

We're now in the final stages of the verification process for the results of the recent QSL Grower Representative elections. We remain on track for an announcement regarding the successful candidates by early next month.

2014 QSL Pools Current as of 11 July 2014	Gross IPS tonnes
QSL Harvest Pool	\$420
QSL Discretionary Pool	\$428
QSL Actively Managed Pool	\$432
QSL Growth Pool	\$433
QSL Guaranteed Floor Pool	\$429
QSL US Quota Pool	\$575
QSL 2014 Season Forward Pool	\$422
QSL 2-Season Forward Pool 2015 (sugar delivered in 2015 season and priced over 2014 and 2015 seasons)	\$445
QSL 3-Season Forward Pool 2015 (sugar delivered in 2015 season and priced over 2013, 2014 and 2015 seasons)	\$450
QSL 3-Season Forward Pool 2016 (sugar delivered in 2016 and priced over 2014, 2015 and 2016)	\$456

Market Update

By Stephen Stone, QSL Treasurer
Current as of 21 July 2014

Sugar

The sugar market bears have been firmly in control recently. The October contract has fallen by over 10 per cent since the July expiry, testing the 17 c/lb level. Selling is more pronounced in the front contracts. This is indicative of the role spreads play in addressing short-term imbalances.

So what has been driving prices lower?

- Latest weather forecasts suggest lower probability of an El Nino
- Dry weather in Brazil has the crush returning excellent results. We note this may mask a probability of an early finish to their crush as indicated by many lowering this season's forecasts

- Thailand and India have both increased forecasts for the current crop
- Chinese buying has been very inconspicuous by its absence.

Dealing with the current surplus at a time where the weather premium is being questioned will continue to weigh on sugar prices. Future balances may be tighter, yet now appear further down the road.

Weather may change the current sentiment. Notwithstanding this, it's difficult to ignore ongoing market negatives in the short-term. Perhaps ethanol, which is now paying higher returns to March 15 is a silver lining in an otherwise heavy market.

Currency

The Australian dollar market continues in an extended period of low volatility. The Reserve Bank looks set to keep rates lower for longer as the economy struggles to find growth post the mining boom. Commodity prices and interest rates suggest the currency should be lower. However, a strong equity market and Australia's AAA credit rating continue to provide support.

We suggest the dollar is likely to remain trapped in recent ranges, yet unlikely to sustain a move above 95 cents. We continue to see the currency lower into 2015 to retest support at the 85 cent level.

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