



QSL Weekly Update

Week ending 17 March 2017

Daily Price

Friday, 17th Mar 2017

18.25 US c/lb prompt

0.7678 AUD/USD spot

\$A522.09 MT OTC

\$A503.46 MT IPS OTC

Your QSL Grower Services Team

Far North Queensland: Daniel Messina, Grower Relationship Manager,
Ph. 0429 660 238 daniel.messina@qsl.com.au

North Queensland: Carla Keith, Industry Relationship Manager
Ph. 0409 372 305 carla.keith@qsl.com.au

Herbert River: Jonathan Pavetto, Grower Relationship Officer
Ph. 0428 664 057 jonathan.pavetto@qsl.com.au

Burdekin: Rebecca Love, Grower Relationship Officer
Ph. 0429 054 330 rebecca.love@qsl.com.au

Proserpine and Plane Creek: Kathy Zanco, Grower Relationship Officer
Ph. 0437 645 342 kathy.zanco@qsl.com.au

Central and Southern Districts: Cathy Kelly, Industry Relationship Manager
Ph. 0409 285 074 cathy.kelly@qsl.com.au

Indicative Pool Prices

The table below provides an overview of the QSL Pool Prices Matrices available at www.qsl.com.au.

All prices quoted are **indicative only** and do not include an allocation from the QSL Shared Pool. Growers should always consult their mill for information about their individual cane payments.

2016 as at Friday 24th February 2017

Harvest **\$522** IPS GROSS

Actively Managed **\$561** IPS GROSS

Guaranteed Floor **\$466** IPS GROSS

US Quota **\$772** IPS GROSS

Multi-season Pools

2-Season Forward 2016 **\$479** IPS GROSS

3-Season Forward 2016 **\$498** IPS GROSS

2-Season Forward 2017 **\$500** IPS GROSS

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. 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 Snapshot

You can read our weekly market report [here](#). The tables below provide a snapshot of the 2017 and 2018 Seasons and are sourced from Bloomberg. They are published at www.qsl.com.au as at 17.03.17.

Indicative Prices

ICE 11 US c/lb 18.28 17-Mar-17
Season 0.7678
 AUD/mt

Season	2016	2017	2018	2019	2020
Whole Season		524.62	511.27	490.23	469.01
July		519.83			
Oct		521.16			
Mar		530.59			
May	522.27	523.68			

Please note : The figures quoted are weighted in a 1:2:2:1 ratio over the four relevant futures contracts and have been adjusted to include Over-the-Counter (OTC) margin fees charged by banking institutions and may differ from the actual prices quoted on the ICE #11 exchange. Values also do not account for any adjustments resulting from local grower-miller pricing arrangements.

2017 Season



2018 Season



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. 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.

Visit marks Korean sugar milestone

QSL reached an important milestone for one of its key markets this week, celebrating 25 million tonnes of raw sugar sales to South Korea.

Representatives of Korea's three refineries – CJ Corporation General Manager Alex Lee, Samyang Corporation General Manager CK Park, and TS Corporation Deputy General Manager SJ Cho – visited Queensland this week to officially extend their Long Term Contract with QSL for the 2017 Season.

While in Queensland QSL's Korean customers also toured the Townsville Bulk Sugar Terminal and met with growers and other industry stakeholders from the Burdekin district.

Read the full media release [here](#).

Understanding IPS

By QSL Finance Manager – Supplier Relations Bryce Wenham

QSL quotes its pool prices in tonnes IPS. But just what is IPS and how is it used by QSL?

Not all tonnes of sugar are equal, with the sucrose content (as measured by Polarisation) of sugar varying from batch to batch. The International Polarisation Scale (IPS) is designed to recognise this fluctuation in sugar quality and enable a standard unit price for sugar while still rewarding suppliers for the actual Polarisation (Pol) of the sugar they produce.

The scale was devised by the Sugar Association of London and defines the premiums and penalties applied to sugar above or below a base line level set at 96 degrees of Pol.

Sugar produced in Queensland generally has a Pol higher than 96 degrees, and so the IPS adjustment applied to each tonne delivered to QSL is usually a positive one for Queensland millers and growers, based on the following scale:

Pol level	Adjustment
above 96° to and including 97°	add 1.0%
above 97° to and including 98°	add an additional 1.25%
above 98° to and including 99°	add an additional 1.5%
above 99 to and including 99.3 °	add an additional 0.3%
below 96° to and including 95°	deduct 1.60%
below 95° to and including 94°	deduct an additional 2%
below 94° to and including 93°	deduct an additional 2.5%

It is important to note that this scale is cumulative, so if the sugar delivered was 98 degrees Pol, then it would receive a premium of 1.0% (96-97 Pol) + 1.25% (97-98 pol) = 2.25%.

Should someone deliver sugar at 96 Pol, then no adjustment would be necessary as that is the standard Pol baseline used. When sugar below 96 Pol is delivered, the penalties outlined in the table would apply.

The ICE 11 raw sugar futures prices are quoted at basis 96 degrees of Pol.

HOW IS THE IPS ADJUSTMENT APPLIED?

The IPS tonne price quoted for QSL Pools is also based on the standard 96 degree Pol baseline, with payments to suppliers subsequently adjusted to reflect the Pol levels of the sugar they have delivered. For example:

- Mill A produces 10 tonnes of sugar at 98 Pol
- Mill B produces 10 tonnes of sugar at 99 Pol

While both mills have produced the same number of tonnes, Mill B has effectively produced more sugar sucrose and therefore should be paid more for this.

To recognise the difference in Pol and pay accordingly, QSL adjusts the mills' tonnes to be both basis 96 degrees by applying the International Pol Scale, as illustrated below:

- Mill A's tonnes becomes $10 \text{ tonnes} \times 1.0225 = 10.225 \text{ tonnes IPS}$
- Mill B's tonnes becomes $10 \text{ tonnes} \times 1.0375 = 10.375 \text{ tonnes IPS}$

If the QSL Pool price is \$400 per tonne IPS:

- Mill A would be paid for $10.225 \text{ tonnes IPS} @ \$400 = \$4090$.
- Mill B would be paid for $10.375 \text{ tonnes IPS} @ \$400 = \$4150$

As you can see, both mills have produced the same number of tonnes actual sugar, but Mill B has received a higher payment than Mill A which recognises the higher Pol of the sugar they produced. In short, the effect of the IPS formula is to pass on directly from the market the additional value paid for higher Polarisation sugar.

CALCULATING IPS

QSL primarily quotes pool values and other pricing in IPS tonnes, however forward pricing is generally done in tonnes-actual figures.

While the IPS calculation is ultimately dependent on your CCS figure, growers who wish to estimate an **approximate IPS conversion** from actual tonnes can do so by dividing the tonnes actual figure by 1.03675.

For example: $\$400 \text{ tonnes actual} \div 1.036 = \$386.10 \text{ tonnes IPS (approximately)}$.

Please keep this necessary conversion in mind when assessing ICE 11 prices or electing to undertake forward pricing.