QSL

Your Trusted Partner

UPDATE

2017 MARKETING CHOICE

24 November 2016

By Greg Beashel, QSL Managing Director and CEO

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Dear Grower,

There's been a lot happening with the implementation of QSL Marketing Choice this week, so here's a brief overview of our work in this space.

Tully Sugar On-Supply Agreement (OSA) negotiations

I am pleased to advise that QSL has made some important progress in our OSA negotiations with Tully Sugar and we hope to share more details regarding this shortly.

Wilmar OSA negotiations

You may have caught some of the grower communications from Wilmar and QSL this week regarding the current state of OSA negotiations. I can tell you that our positions on the outstanding matters of concern remain unchanged (please see our previous Marketing Choice Update for details).

We disagree with Wilmar's most recent public response to these concerns, and while we are happy to explain our reasoning and involve growers in discussion of this important contract, we don't believe Wilmar's current 'negotiation by media' approach is the best way to get things done.

If Wilmar is serious about getting an OSA in place and taking growers' concerns into account, then the fastest, most effective way to do this is to speak directly with QSL and growers at the negotiating table. To this end, we are currently assessing Wilmar's latest proposal changes, received today, and hope to meet with them soon regarding these.

MSF Sugar growers – Pool Manager Nomination Process

Thank you to all the MSF Sugar growers who have nominated QSL as a marketer of Growers' Economic Interest in Sugar (GEI Sugar) tonnage for the 2017 Season. Remember, in order to access QSL's marketing and pricing products for the coming season, including the 2017 QSL Harvest Pool, MSF Sugar growers must allocate QSL as a GEI Sugar marketer on their Pool Manager Nomination Form, and submit it to their local mill representative by **31 December 2016**. MSF Growers who do not submit a Pool Manager Nomination Form by this date will have their GEI Sugar tonnage marketing nomination default to their miller and will not be able to access QSL marketing or pricing services next season.

Visit www.qsl.com.au for details

For help or information with this process, please contact QSL's Far North Queensland Grower Relationship Manager **Daniel Messina** on **0429 660 238** or **Daniel.Messina@qsl.com.au.**

QSL Pool and Pricing Update

Our 2016 Actively Managed Pool continues to be the best-performing QSL pool this year (excluding US Quota), with a current indicative value of **$572 per IPS tonne gross** (as of 11 November 2016 at 69% priced). The Actively Managed Pool is the in-season product which provides QSL with the highest level of discretion, and so is the pool where our marketing and pricing skills are best reflected. At the other end of the discretionary spectrum, the 2016 QSL Harvest Pool's current indicative price is **$537 per IPS tonne gross** (as at 11 November 2016 at 50% priced). Is it important to remember that this pool's primary focus is to help protect growers from the adverse impacts of in-season production variation. It contains the Production Buffer component, and so its final result is largely driven by the prevailing market (particularly post-harvest) rather than the ability of the marketer.

For a full overview of QSL's current indicative pool prices, visit www.qsl.com.au.

In forward pricing, the front contracts of the 2017 Season (July17 and Oct17) are currently at values higher than the back contracts (Mar18 and May18) in what is known as an inverted market. QSL's pools and forward pricing products use a 1:2:2:1 pricing ratio designed to have pricing and sales more heavily weighted against the historic high-performing ICE 11 contracts of October and March. This means that QSL's forward pricing values may differ from those of other marketers using alternate pricing ratios. QSL's pricing ratio makes growers indifferent to whether the market is inverted or 'in carry' (where the back contracts have a higher value than the front contracts, as was the case last season), because it spreads their exposure across all four contracts, providing them with equal opportunity to exploit either eventuality. QSL's minimum forward pricing allocation of just 10 tonnes for the **Target Price Contract** also gives growers added opportunities to capture price spikes as they occur throughout the season, while our **Fixed Price Forward Contract** enables larger growers to make pricing decisions incrementally through the season, with separate decisions for the pricing exposure against each futures position.

Regards,

Greg Beashel
QSL Managing Director and Chief Executive Officer