



CHARTERING

QSL has a proud record in chartering

Commercial shipping is commonly referred to as 'chartering' in the industry. It's an activity that Queensland Sugar Limited (QSL) undertakes as part of its four value offerings to members (growers and millers) which include: financing, pricing, marketing and logistics.

QSL manages the majority of Queensland's export sugar in bulk and optimises the flexibility provided through managing six bulk sugar terminals as one. By doing this, QSL is able to achieve cost reductions in chartering activities for members.

Baltic Exchange

Like commodities, shipping has its own market, the Baltic Exchange, which is a multilateral trading facility. It's an electronic trading platform for ship owners, charterers, traders, brokers and speculators arranging for the ocean transportation of industrial

bulk commodities from producer to end user. The exchange produces daily independent assessments of the market including spot and future rates for a range of vessels (ships) and provides insight based on supply and demand of vessels versus cargoes. QSL uses this information to determine the timing of when to charter ships.

Freight Market

Similar to the sugar market, the freight market is cyclical in nature experiencing high levels of volatility depending on fleet supply, commodity demand, weather and bunkers (fuel – oil price movements). Not surprising, about 60 percent of the shipping costs today are made up of fuel costs. Australia's close proximity to QSL's customers in Asia provides a freight advantage when considering fuel and timing involved in moving the sugar.



Sugar sale contracts

QSL's marketing team sells sugar to customers based on cost plus freight (CFR) or cost plus insurance plus freight (CIF) delivered to the discharge port. The team also arrange free on board (FOB), which involves QSL paying the cost to get cargo onto the ship at the loading port with the freight costs being the customer's responsibility. This option is used by millers that sell their own economic interest sugar and those that have storage and handling contracts with QSL.

Selecting a vessel company

Once the sugar is sold, QSL works with shipping brokers to obtain the best deal for members. QSL is able to generate value by packaging cargoes, similar to bulk buying. Quotes are obtained from a group of reputable and financially secure vessel owners. Counterparty risk management practices are in place by QSL to manage potential risks.

The selection process involves assessing flexibility, suitability and price while optionality available on additional future cargoes is also considered. Depending on the state of the market, QSL is able to derive value by negotiating additional voyages as add-ons with QSL having the discretion to execute these in the future after considering chartering market rates at point of future sales. The shortest window to fix a ship is about three weeks as vessels generally have to sail to Australia empty (on ballast) from either North Asia or South East Asia and the voyage takes 10 to 12 days.

Important considerations when chartering are the loading and discharging ports' physical restrictions, which determine the size of ship that can be used. For example, the Port of Cairns is a river port and therefore can only take 30,000 tonne vessels while Mourilyan is restricted by tidal movements and our Japanese customers' ports can only take 24,000 – 30,000 tonne ships due to depth restrictions. Ships are categorised into different groups depending on their size and QSL commonly uses the following types of ships:

- Handysize - 22,000 – 39,999 carrying capacity without fuel and storage. Used by QSL to ship sugar to USA, Japan and New Zealand.
- Handymax – 40,000 – 49,999 carrying capacity without fuel and storage. Used by QSL to ship sugar to Taiwan, Malaysia and Korea.
- Supramax – 50,000 – 66,000 carrying capacity without fuel and storage. Used by QSL to ship sugar to Malaysia and Indonesia.

Once all of the above considerations have been taken on-board, a charter party is drawn and on the nominated dates a vessel arrives at the appropriate bulk sugar terminal. Here, the ship is loaded over an approximate 40 hour timeframe by the QSL team at the terminal.

For more information contact QSL by email: info@qsl.com.au or phone: 07 3004 4400.

