Week ending 13 November 2015

By Carla Keith and Cathy Kelly, QSL Industry Relationship Managers

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Today’s Market 13.11.15

<table>
<thead>
<tr>
<th>Prompt MAR16</th>
<th>AUD Tonnes Actual</th>
<th>AUD Tonnes IPS</th>
<th>Spot Foreign Exchange $A</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.97 c/lb</td>
<td>$459</td>
<td>$443</td>
<td>71.26 US cents</td>
</tr>
</tbody>
</table>

2015 Season Performance

Below is an overview of the QSL Pool Prices Matrices available on our website – www.qsl.com.au.

<table>
<thead>
<tr>
<th>QSL Pools – as at 30 Oct 2015</th>
<th>Gross $A per mt IPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>QSL Harvest Pool</td>
<td>$386</td>
</tr>
<tr>
<td>QSL Actively Managed Pool</td>
<td>$407</td>
</tr>
<tr>
<td>QSL Guaranteed Floor Pool</td>
<td>$407</td>
</tr>
<tr>
<td>QSL US Quota Pool</td>
<td>$712</td>
</tr>
<tr>
<td>QSL 2-Season Forward Pool 2015</td>
<td>$436</td>
</tr>
<tr>
<td>QSL 3-Season Forward Pool 2015</td>
<td>$445</td>
</tr>
<tr>
<td>QSL 2-Season Forward Pool 2016</td>
<td>$442</td>
</tr>
<tr>
<td>QSL 3-Season Forward Pool 2016</td>
<td>$452</td>
</tr>
</tbody>
</table>

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.
New look QSL website

The QSL website has undergone a revamp, making it even easier to access information about our business.

Our website is a key interface with our members and is a useful tool to access information about QSL’s four value pillars and pricing products, read the latest market information and track the daily ICE 11 prices.

Those of you who regularly visit the website will notice that, while the content remains largely unchanged, we’ve altered the layout of the homepage and drop-down menus to make the site more user-friendly. Importantly, the site now also has full mobile functionality so that it can be more easily read on smart phones and tablets.

Another new feature is the addition of a daily sugar price snapshot on the homepage, which we hope will help members more easily access key market information.

You can find our website at www.qsl.com.au.

Of course our website is not the only source of QSL information. Other ways we keep our members up-to-date include:

- Weekly e-newsletters
- Presentations at Grower Information sessions
- Grower pricing workshops
- Updates at local Canegrower branch meetings
- Attending industry meetings and events
- Regional visits by the QSL Board and members of the senior Executive. (This year our Board has visited Mackay, Bundaberg, Tully, Tablelands and Mossman.).

And of course we are always available on the phone or to come and have a friendly face-to-face chat. You can find our contact details at the top of this Update.

IPS calculation

Following last week’s overview of IPS in this Update, we’ve received a few queries from growers keen to know how they can convert tonnes actual prices to IPS tonnes prices. 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 1.037.

For example: $400 tonnes actual divided by 1.037 = $385 tonnes IPS (approximately).

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

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QSL Board visits FNQ

The QSL Board this week travelled to the Tablelands and Mossman regions to meet with growers and their representatives.

The trip was part of a wider program of regional visits conducted each year by the QSL Board in order to gain a greater understanding of the key local issues and concerns of our members throughout the state.

During the two-day visit the Directors met with growers supplying the MSF Tableland Mill and Mackay Sugar’s Mossman Mill in Mareeba and Mossman, where they discussed QSL’s 2015 performance to date, global market movements and broader industry issues.

Market Update

Shaun Tupou
QSL Treasury Analyst
Current as of 9 November 2015

Market Commentary

Sugar

It has been a wild old week for sugar as the raw sugar futures featured in a surge to 10-month highs before retracing all those gains in the following two sessions. The overall movement for the week found prompt March16 down 6 points on the previous week.

Weather patterns (El Niño now the strongest for many seasons) have caused a weak tail to Brazil’s crush. Sugar production has been low relative to ethanol this season, while forward pricing has been very advanced by Brazilians due to currency weakness. These dynamics have now created a situation where not enough sugar has been made, a weak tail is in play and pricing is already completed. This is seeing some Brazilian mills wash-out March16 pricing. Further, some of the larger mills will have used leveraged pricing structures, hence the aggressive market strength earlier this week through 14.50c/lb, pushing to 15.50c/lb.

Consumers are very underweight and are now rushing to cover, acknowledging a structural turn in the market. Latent demand for pricing longs will support any market corrections in the short term. Refining premiums, ethanol parity and efficiency ratio to gasoline are all now reflecting a more balanced market, more susceptible to volatility and two-way trading.

The risks remain skewed to the upside for prices. A poor monsoon (down 20-30%) and low reservoir levels have affected Indian forecasts and should make stockpiles less price elastic. Export subsidies are in play, but we are expecting up to a million tonnes in the frame here.

China is facing a weaker crop, yet have significant stocks. We believe they have been washing out some imports at these price levels. China is likely to be responsible for absorbing the Thai sugar that was nowhere to be seen at the October15 expiry. This was very significant in the move post-October15 expiry. How China now sees the
fundamentals will shape how elastic their huge stockpile is. Thailand is now a huge variable. Estimates for the 2015/16 season appear reasonably optimistic, yet they are subject to revision with El Niño in play. Thai tenders will bring more supplier pricing to the market in the short term, more so in May and July 2016. The futures curve is being inverted more also because of the simple fact that more supplier pricing (including Australia) is weighted to post-July 2016.

Weather risks remain real. So is the risk of flipping to a La Niña event during the season, exacerbating pressure on agricultural production generally. Brazil remains a volatile beast politically and fundamentally. The Brazilian currency has driven sugar prices for some time, however the Real will be less of a driver in the short term as so much pricing has been done due to its weakness.

The risks remain skewed to the topside for sugar futures. Speculative longs are of concern in a relative sense, yet looking at composition of open interest suggests consumers are very active and the speculative positioning is not that intimidating.

Currency

The US Federal Reserve and our own RBA both resisted the temptation to move rates at recent meetings, yet remain on track to do so. We may see US rates raised and Australian rates lowered in the December meetings.

Risks in the short-term remain on the downside for the Australian dollar, which is facing a sluggish domestic economy. Local banks have given some room for the RBA to now lower rates, with less concern for house prices after the commercial banks raised mortgage lending rates.

The AUD looks set to head under 70 cents into Q1 of 2016, however we feel the dollar has now seen its currency adjustment and it is a tad greedy to suggest we will see significant currency weakness below 70 cents unless the Chinese economy deteriorates further in a big way.