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Indicative Pool Prices

The table below provides an overview of QSL’s indicative gross pool prices as of 26 January 2018. Please note that these prices are indicative only and do not include an allocation from the QSL Shared Pool. Growers can access milling-district specific indicative pool prices and applicable Shared Pool results at www.qsl.com.au.

<table>
<thead>
<tr>
<th>QSL POOL</th>
<th>GROSS AUD/Tonne IPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 HARVEST POOL</td>
<td>$420</td>
</tr>
<tr>
<td>2017 ACTIVELY MANAGED POOL</td>
<td>$444</td>
</tr>
<tr>
<td>2017 GUARANTEED FLOOR POOL</td>
<td>$515</td>
</tr>
<tr>
<td>2018 2-SEASON FORWARD POOL</td>
<td>$493</td>
</tr>
<tr>
<td>2017 ACTIVELY MANAGED POOL (WILMAR GROWERS)</td>
<td>$403</td>
</tr>
<tr>
<td>2017 GUARANTEED FLOOR POOL (WILMAR GROWERS)</td>
<td>$368</td>
</tr>
<tr>
<td>2017 US QUOTA</td>
<td>$694</td>
</tr>
</tbody>
</table>
**QSL Market View**

*Current as of 12 February 2018*

<table>
<thead>
<tr>
<th>MARKET COST DRIVERS</th>
<th>PROMPT (Mar 18) A$/mt</th>
<th>2018 SEASON A$/mt</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Market</td>
<td>$383.11</td>
<td>$402.02</td>
<td></td>
</tr>
</tbody>
</table>

**Sugar Fundamentals - Global exc. Brazil**

- Trend is neutral to $A/mt returns.
- Trend is less favourable to $A/mt returns.

India has raised its import duty from 50% to 100%, which in itself is not market shattering. The more important question is will they introduce export subsidies or will they hold off and add to stocks? Much depends on 2018 monsoon forecasts but we won’t get a clear picture on that until March/April.

**Sugar Fundamentals - Brazil**

- Trend is neutral to $A/mt returns.
- Trend is neutral to $A/mt returns.

There’s little news out of Brazil at this quiet intercrop time of year. Rains remain average and ethanol remains well above ICE 11 prices. With huge risk-off sentiment running through global markets, the Real has weakened somewhat, off from its late-Jan high of 3.15 to currently sit at 3.30. It’s not too significant at this time of year, but will come into play if it continues to drift higher into April’s crush start.

**Macro Issues/ Specs**

- Trend is neutral to $A/mt returns.
- Trend is neutral to $A/mt returns.

In a week where the flat price only moved 12 points up on a Tuesday-to-Tuesday reporting period basis, the Commitment of Traders report provided little surprise. The spec net-short position reduced 20k to 163k lots. It’s also worth noting that crude oil has not been immune to recent market volatility and is back down below $60 a barrel after pushing as high as $66 in late January, providing more headwinds for sugar.

**AUD/USD**

- Trend is more favourable to positive $A/mt returns.
- Trend is neutral to $A/mt returns.

AUD weakness continued into last week, driven largely in part by a significant correction in equity markets that saw world markets step away from risk assets. The S&P500 was down 5.2% on the week and is now 10% off its recent highs. Governor Lowe clearly stated the RBA intends to remain on the sidelines regarding rate rises in 2018, providing an already under siege AUD little support.

**Overall Comments**

It was a week where the Aussie dollar continued to crumble while sugar retreated back into the 13-14 c/lb range, resulting in little change to AUD/mt values. Dubai sentiment seems to have been somewhat bearish with all current market-moving factors discussed, digested and ultimately not disagreed with. Market activity is stepping up as we approach the MAR18 expiry. The MAR18/MAY18 spread moving inverse suggests that the spread may do more work than the flat price to shift the spec net-short position (i.e. they are rolling to MAY18 and holding their position, rather than buying it back).


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Legal case update

In June 2015, Wilmar began legal proceedings against QSL in relation to certain costs associated with the 2010 sugar production season. This week the Queensland Supreme Court began a two-week hearing of this matter. QSL rejects Wilmar’s claims and intends to vigorously defend them. However, we expect that it will be some time before the legal process runs its full course and we have an outcome. Due to the ongoing nature of this legal action QSL cannot comment further at this time but will seek to update Growers regarding developments as they occur.

February Advances payment

QSL’s Standard Advances rate for February 2018 has been lifted to 85%. The QSL Board this week raised QSL’s previously scheduled February Advances rate increase of 2.5% to 5% to help offset the impact of recent low world sugar prices. The increase will come into effect next Wednesday 21 February 2018, with QSL paying Millers on this date and funds dispersed to growers as per the usual local payment arrangements. QSL’s direct payments to Wilmar Growers will be made on Thursday 22 February 2018. Wilmar Growers should note that values generated within the QSL Cashflow Forecast Tool now reflect the updated February Advances rate (see the story below for further details).

Since December the world raw sugar price has fallen by about $50 a tonne in Australian-dollar terms, primarily driven by lower ICE 11 prices and a strong Australian dollar. The AUD/USD has moved over 600 points in the past month, while continuing talk of a global sugar surplus saw the ICE 11 fall over 200 points during the same period. Some of the QSL-managed pools’ indicative prices have subsequently been revised down and February Advances payments will reflect these new, lower pool values.

Growers are reminded that QSL’s pool prices are estimates only until 30 June each year. QSL believes there will be opportunities to secure improved returns before the end of the season. However, in the interim, the Advances reflect pool valuations calculated using current market prices.

To read QSL’s latest view of the market, please click here.
For further information about QSL’s indicative Advances schedule, please click here.

Cashflow Forecast Tool reminder

Wilmar Growers using QSL’s Cashflow Forecasting Tool are reminded that it uses the latest indicative pool values to create a forecast and so as a result, the cashflow data generated will continue to fluctuate until the pool results are finalised on 30 June each year. For this reason we recommend that Growers using this tool generate a new forecast at least once a month to ensure they are accessing the latest estimate. The cashflow forecast data provided is based on many assumptions and is subject to significant uncertainties, many of which are outside the control of QSL. Growers using this tool should also be mindful that the data provided only details the Grower’s Economic Interest in sugar (GEI Sugar) payment portion of their QSL Advance payment and does not include any allowances, deductions or adjustments that may be passed on by the Miller. As such, QSL does not make any representations as to the accuracy of the information derived from the Cashflow Forecast tool, nor does QSL make any guarantees that this outcome will be achieved.

You can read more about QSL’s Cashflow Forecasting Tool by clicking here.
Marketing Choice for Mackay Sugar Growers

Recent meetings have prompted plenty of questions from Mackay Sugar Growers keen to know more about how they can access QSL’s Marketing Choice products and services.

Mackay Sugar Limited must have an On-Supply Agreement (OSA) in place with QSL before these growers can access QSL’s pricing and marketing services beyond the 2019 Season.

QSL is very keen to get this agreement in place, so that Mackay Sugar Growers can start accessing QSL pricing options for the 2020 Season as soon as possible.

**In the interim, interested Mackay Sugar Growers are asked to register their details by clicking here.**

Further information regarding potential QSL pricing options and QSL Marketing Choice arrangements for Mackay Sugar Growers is available by clicking here.

Next Gen conference

QSL is a proud sponsor of this year’s Case IH Step UP! 2018 conference, to be held in Mackay from 26-28 March. Driven by the Next Gen program, the conference will provide the opportunity for young (and young at heart) to share, learn and explore ideas with fellow industry stakeholders, including farmers, harvesters, millers and researchers. The event theme, Transition & Innovation, will focus on ever-advancing technology, world-best practices and how we can all help ensure our industry remains a global leader as it transitions from one generation to the next. To register or for more information, click here.

Important QSL dates

<table>
<thead>
<tr>
<th>WHEN</th>
<th>WHAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 February 2018</td>
<td>Last day to complete pricing for MAR18 contract orders in the <strong>2017 In-Season Fixed Price Contract</strong> and <strong>2017 In-Season Target Price Contract</strong>.</td>
</tr>
<tr>
<td>28 February 2018*</td>
<td>Last day to nominate tonnes to the <strong>2018 QSL Early-Start Actively Managed Pool</strong>.</td>
</tr>
<tr>
<td>1 March 2018</td>
<td>Nominations open for the <strong>2018 QSL Harvest, Actively Managed and Guaranteed Floor Pools</strong>, as well as the <strong>2019 2-Season Actively Managed Pool</strong>.</td>
</tr>
<tr>
<td>30 April 2018*</td>
<td>Last day to nominate tonnes to the <strong>2018 QSL Actively Managed Pool, 2018 QSL Guaranteed Floor Pool and/or 2019 2-Season Actively Managed Pool</strong>.</td>
</tr>
<tr>
<td>30 April 2018</td>
<td>Last day to transfer any unfilled orders from the <strong>QSL Target Price Pool and/or QSL Individual Futures Contract Pool</strong> to other QSL pools for the 2018 Season.</td>
</tr>
</tbody>
</table>

*Please note: Growers can only transfer unfilled orders from the QSL Individual Futures Contract Pool if they have not priced any portion of their nominated tonnage.*
Konichiwa!

QSL is seeking expressions of interest from Queensland cane growers wanting to join a study tour to Japan.

This trip will provide you with the opportunity to meet and greet our valued customers, take a tour through their Shin-Higashi Nihon Sugar and Mitsui Sugar refineries and visit the busy Chiba port.

We’ll have plenty of time to enjoy the sights and sounds of Tokyo as well, with the opportunity to catch a glimpse of Mt Fuji, experience the traditional food and agricultural markets in downtown Tokyo and cheer on sumo wrestlers.

A full itinerary will be available soon.

**Details of the trip are:**

**When:** Sunday 13 May to Sunday 20 May 2018 (ex-Cairns or Brisbane)

**Cost:** $4500 per person* including return airfares, hotel accommodation, domestic travel within Japan and some meals.

Participants require a valid passport (with at least 6 months’ validity) and will need to organise their own travel insurance for the duration of the trip.

**Expressions of interest close Friday 23 February 2018.**

Places are strictly limited and will be reserved on a first-in-first-served basis. Partners are welcome.

**Interested?**

To register your interest, contact Carla Keith on 0409 372 305 / Carla.Keith@qsl.com.au.

*Please note, this is an indicative cost only and does not include any domestic travel required within Australia.*

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