



Current as of 28 April 2020

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## Weekly Market Overview

### Indicative ICE 11 Prices

| Season | AUD/MT* | Weekly Change |
|--------|---------|---------------|
| 2020   | 355.48  | -6.75%        |
| 2021   | 387.56  | -4.82%        |
| 2022   | 409.22  | -3.47%        |
| 2023   | 418.61  | -2.68%        |

*\*These figures are indicative of available ICE 11 prices as at the week ending 24 April 2020 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange and/or other Marketers of Growers' Economic Interest in Sugar. Values also do not account for any adjustments resulting from local Grower-Miller pricing arrangements.*

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### Sugar

- Wider market volatility due to the global COVID-19 pandemic is continuing, with sugar prices primarily driven by low oil prices. Following a massive drop in oil demand, there's no homes for current production, squeezing prices and seeing Brent crude currently sitting just below \$20 a barrel. As a result, ethanol prices and demand have also slumped.

- In Brazil, this translates into an increase in expected sugar production, with current ICE 11 sugar prices already reflecting a maximum sugar/ethanol mix from the coming cane crop. The Brazilian currency has also taken a hammering in the past week, with recent levels of around 5.65 against the US Dollar enabling Brazilian millers to price their sugar at relatively strong returns. They're already heavily priced for 2020 and are starting to turn their attention to pricing further out. The wild card in all this is the state of the nation's government, with confidence dwindling in President Bolsonaro and his government's ability to retain Brazil's relatively stable economic results. Investor confidence in the Brazilian economy is taking a massive hit while Bolsonaro reshuffles his cabinet and the COVID-19 cases steadily climb.
- Sugar consumption levels remain steady in the western world, but are not holding up as well in developing economies, where sugar consumption patterns are more heavily weighted towards going out to purchase or consume sugary products. That's a growing concern for analysts, with some suggesting as much as 5 million tonnes of demand may disappear from the balance sheet over the next year.
- On the ICE 11, the May 2020 contract dropped over 50 points last night and July 2020 over 40 points as we head into Thursday's contract expiry. The market is expecting a large delivery of around 1.5 million tonnes of sugar to the tape – primarily from Brazil. This should weigh on prices into the next couple of weeks. The speculators are pessimistic, closing net short 65,000 tonnes as at the last Commitment of Traders report – a position set to increase if oil prices continue their current trend.

- Sadly, the bullish sugar fundamentals story we saw in February has largely disappeared, with the outlook appearing to have more downside from here in the short term. At this point, it is hard to see an aggressive recovery in prices any time soon, with a slow and steady crawl higher more probable if and when we see a recovery in oil and ethanol prices. Until then, there's little support for sugar getting out of the starting blocks and making any structural shift higher.



## Currency

- The Australian Dollar has recovered over the last few weeks, primarily on the back of recent fiscal stimulus packages. Announcements regarding the lifting of COVID-19 restrictions in Western Australia and Queensland also gave the Aussie a lift yesterday, and the slowing infection rates in other countries has provided some small green shoots of confidence at a macro-economic level.

- Despite this little kick in confidence, the wider impacts of the pandemic should start to flow through economic data over the next 3-6 months. While it's still too early to call, most analysts expect any kind of a global recovery to be a lot slower and deeper than usually seen, with some suggesting up to four years of negative GDP growth.

## Jargon Buster

### What is the sugar/ethanol ratio?

This is the percentage of the Brazilian cane crop allocated to the production of sugar and ethanol each season.

QSL is Australia's largest and most experienced raw sugar marketer.