QSL MARKET UPDATE

Current as of 25 March 2021.

Sugar

- The Mar21 ICE #11 contract expiry saw a total of 893,166 mt 'delivered to the tape'. While this represented a decent-sized delivery, it was not the record the market was expecting. The mixed bag of sellers, including Indian, Centre South Brazil and Central American producers, gave the market little indication of the global raw sugar supplies available and therefore did not immediately push the market in either direction.
- A volatile month of raw sugar trading on small volumes saw the May21 contract remain range bound between 16.70 and 15.80 US cents for the majority of the month before breaking lowering in the final week off the back of plunging oil and ethanol prices.
- Crude oil performed strongly for the majority of the month before a political feud between the United States and Russian sent prices spiralling 8% lower in one day. A recently announced third wave of lockdowns throughout Europe has also put downward pressure on the demand for oil and subsequently pushing the price lower.
- With only 10 mills still running (out of 57 total), the Thai crush is winding up quickly despite the cane crop sitting 11.5% before this point last year. Final estimates are around 67.7 million tonnes of cane and 7.57 million tonnes of sugar expected.
- **Closely watching:** May21 contract expiry, start of Brazilian harvest, macroeconomic influences, speculative activity, and overall technical indicators.

Currency

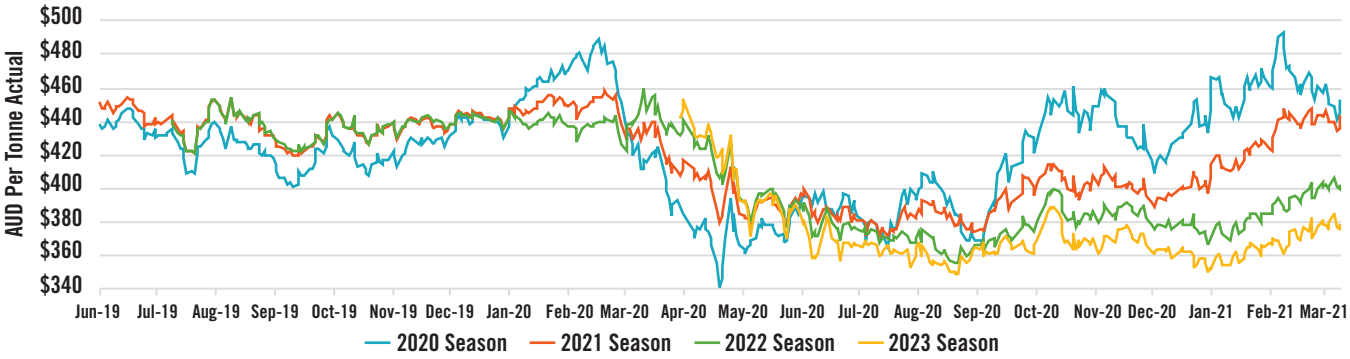
- The Australian dollar traded sideways for the majority of March in a comfortable 77-80 US cent range.
- The Aussie dollar enjoyed a boost from outstanding February employment results, once again reinforcing the strength of the Australian economy rebounding from COVID-19. The national data release revealed total employment rose 88.7k full time jobs and the unemployment rate fell from 6.3% down to 5.8%.
- Unsurprisingly, the Reserve Bank of Australia (RBA) left the cash rate unchanged at 0.10% at their monthly board meeting on the 2nd of March. The stance on leaving the cash rate untouched for the next three years was reiterated, but it was hinted that the newly announced quantitative easing program could be extended if needed.
- Rising US Treasury bond yields continue to rise, putting downward pressure on the Australian dollar. Despite no evidence as yet, market participants remain fearful of rising inflation in the United States off the back of a low cash rate and large fiscal stimulus packages providing a platform for the economy to rapidly recover.
- **AUD/USD trading range going forward:** 76-82 US cents by the end of 2021.
- **Risks Ahead:** COVID-19 vaccine news and economic recovery, US politics, Australia-China relationships, RBA commentary.

KEY INDICATORS

	25/03/2021	Monthly change
ICE11 Prompt (MAY21)	15.63 USc/lb	-1.26 USc/lb
Brazilian Real/$US exchange rate	5.50 BRL	+0.12 BRL
Brent Crude Oil	$US64.62/barrel	+$US1.17
Ethanol/Raw Sugar Parity	14.395 USc/lb	-0.04 USc/lb
Net Spec Position	190,000 (net long)	-22,000

	25/03/2021	Monthly change
$AUS/$US exchange rate	$US0.7723	-$US0.0170
$US Index	91.74	+1.47
Chinese Yen/$US exchange rate	6.51 CNY	+0.06 CNY
S+P 500 Index	3,940.59	+34.59
RBA Overnight Cash Rate	0.10%	0.00%

RAW SUGAR PRICES



This is a whole-of-season ICE 11 price chart current as of 25.03.21, based on the Target Price Contract's current 5:1 pricing ratio for the 2020 Season and 1:2:2:1 pricing ratio for the 2021, 2022 and 2023 Seasons.

QSL GROWER PRICING UPDATE

QSL
Your Trusted Partner

Grower Pricing

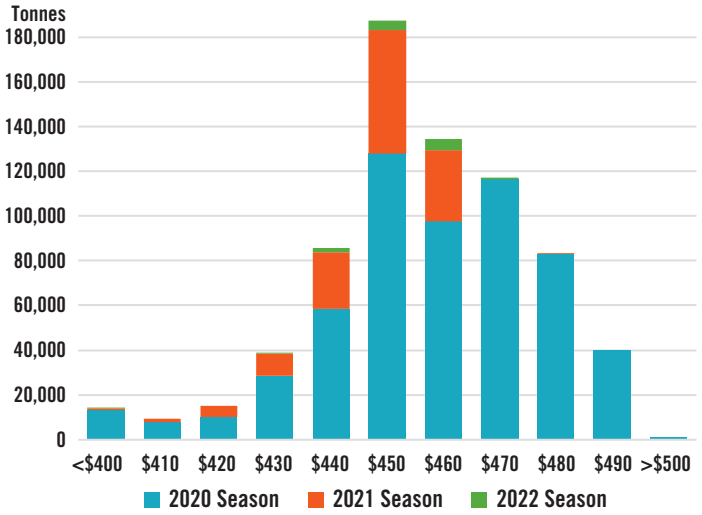
Important Dates –

- **14th April:** The QSL Standard Advance Rate will increase by 2.5% to 90%.
- **20th April:** Final pricing day for the 2020-Season Target Price Contract. Any unpriced tonnage after this date will be priced at the next market opportunity.
- **30th April:** 2021 QSL Pricing Declaration Date is the last day for growers to nominate to their chosen QSL-Managed or Grower-Managed pricing product for the 2021 Season. Any 2021-Season tonnage not nominated to a QSL pricing option will default to the Harvest Pool.

Marketing Sessions –

Herbert River and Burdekin marketing sessions with Treasury Manager Ginette Barrett 12th-18th April. RSVP to James Formosa (Herbert River) on 0447 062 213 or Kristen Paterson (Burdekin) on 0438 470 235.

QSL GROWER-MANAGED PRICING FILLS – 2020, 2021 & 2022 SEASONS



This chart captures all pricing achieved as of 25.03.21 using QSL's Target Price Contract, Individual Futures Contract and Self-Managed Harvest products. Prices quoted at AUD//tonnes actual gross.

Strong Shared Pool result

QSL's 2020-Season Shared Pool is currently returning approximately an extra $30/tonne IPS (weighted average) to growers on top of their gross pool and grower-managed pricing results.

This strong result primarily reflects the higher physical premiums available for raw sugar sales during the past year.

In a physical sugar transaction, sugar buyers pay a value above the ICE 11 contract sugar price. This is known as the CFR premium and is made up of 2 components – the physical premium and the freight cost.

Physical premiums operate in their own market, that while linked to the ICE 11, represents the more fundamental aspects of the sugar trade, including how much physical sugar is available for delivery and how much demand is present during specific periods.

The difference in freight costs between the world's major raw sugar suppliers (Brazil, Thailand, India and Australia) also shapes premium levels, as does supply chain flexibility, the quality attributes of the supply, various trade agreements and counterparty quality.

Since early last year when the 2019/2020 Thai crop declined substantially, physical premiums have been trading at historically elevated levels. Trade flows have been tight, with demand at times outstripping supply.

Asia represents the largest destination for traded raw sugar and over the past decade, refiners in this region had become used to a plentiful supply of Thai sugar, with cheap physical premiums by virtue of their close location and cheaper shipping costs.

Suddenly, this Asian supply was significantly smaller and buyers have had to pay sellers higher premiums to secure supply of physical sugar. The 2020/2021 Thai crop has declined further, leading to further strength in these premiums.

Logistical constraints posed by large volumes being shipped out of the major Brazilian sugar port (Santos) have also been supportive of higher physical premiums. The recent strength in freight rates have also supported the value of Aussie sugar versus Brazilian supply.

With refined sugar futures contracts trading at a healthy premium over the raw sugar futures contracts for the better part of 9 months, sugar refiners have been incentivising to lock-up supply. As a result, most are willing to pay a higher physical premium to achieve this – and these are passed on to QSL growers through the Shared Pool.

With the next (larger) Thai crop not coming online until the end of this year, a smaller 2021 Brazil crop forecast and an aggressive rally in freight rates, physical premiums are expected to remain strong until at least the first quarter of 2022.

HISTORICAL PHYSICAL PREMIUM AT LOADPORT