

QSL MARKET UPDATE

Current as of 27 July 2021.

Sugar



- > The ICE 11 October 2021 contract skyrocketed to highs of 18.49 USc/lb in early July amid fears of a widespread frost potentially providing further damage to the already underperforming Brazilian crop. Raw sugar prices then fell to lows of 16.73 USc/lb in the middle of the month before recovering to a high of 18.64 USc/lb at the time of writing.
- > Brazilian cane crush figures were above expectations due to a couple of highly productive weeks in the Sao Paulo state. The UNICA (Brazilian Sugarcane Industry Association) report for the second half of June revealed cane harvested for the season to date at 210.9 million tonnes compared to 230.4 million tonnes at the same time last year, with sugar produced at 12.3 million tonnes compared to 13.3 million tonnes in 2020. Despite Brazil's cane and sugar production lagging last season by approximately 8%, the area harvested is actually 2.5% ahead, implying the current crushing season will likely end relatively early.
- > In India, high ICE 11 raw sugar prices have made exporting sugar viable without the government subsidy. Market researchers estimate a record 6.15 million tonnes of sugar have been exported so far this season. It is expected up to 6.5 million tonnes could eventually be shipped, filling some of the lost supply from the poor Thai and Brazilian crops.
- > **Closely watching:** Brazilian harvest statistics, macroeconomic influences, including COVID-19, and speculator activity.

Currency



- > The Australian Dollar (AUD) spontaneously broke free of its long term 75-78 US cent range in July, collapsing to a low of 72.90 US cents. The shift lower appears to be driven by a global surge of the new Delta variant of COVID-19 as well as new lockdowns in Sydney, Melbourne and Adelaide.
- > For the third month in a row, the US consumer price index (CPI) was much higher than expected, printing at 0.9% month on month – more than double the market consensus. Almost half of this figure can be attributed to a 10.5% month-on-month increase in used car prices which are now statistically 45% higher than at this point last year. Despite the US Fed continuously reassuring that this inflation is only transitory and is expected, markets remain fearful that it could be more enduring and lead to an earlier interest rate hike.
- > Domestically, the unemployment rate has fallen to levels not seen since December 2010, dropping from 5.1% to 4.9%. Despite the positive surprise, the numbers were hardly market-moving, as investors remain focused internationally.
- > Brent Crude oil prices plunged 7.36% lower to \$US66.50/barrel after OPEC+ came to an agreement to gradually increase supplies.
- > **Risks Ahead:** US inflation and interest rates, the Delta variant of COVID-19 and worldwide hospitalisations, RBA commentary.

KEY INDICATORS

| | 26/07/2021 | Monthly change |
|-----------------------------------|--------------------|----------------|
| ICE11 Prompt (JUL21) | 18.17 USc/lb | +1.50 USc/lb |
| Brazilian Real/\$US exchange rate | 5.20 BRL | -0.17 BRL |
| Brent Crude Oil | \$US74.1/barrel | +\$US7.66 |
| Ethanol/Raw Sugar Parity | 16.74 USc/lb | +2.35 USc/lb |
| Net Spec Position | 198,000 (net long) | -55,000 |

| | 26/07/2021 | Monthly change |
|--------------------------------|------------|----------------|
| \$AUS/\$US exchange rate | \$US0.7375 | -\$US0.0356 |
| \$US Index | 92.91 | +2.90 |
| Chinese Yen/\$US exchange rate | 6.48 CNY | +0.05 CNY |
| S+P 500 Index | 4,411.79 | +255.93 |
| RBA Overnight Cash Rate | 0.10% | 0.00% |

RAW SUGAR PRICES



This is a whole-of-season ICE 11 price chart current as of 23.07.21, based on a 1:2:2:1 pricing ratio for the 2021, 2022, 2023 and 2024 Seasons.

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QSL GROWER PRICING UPDATE



Grower Pricing



- > The highest 2021-Season Target Price Contract order filled to date has been \$541/tonne actual on 23 July 2021.
- > Any 2021-Season Target Price Contract tonnage which was not priced by 21 June has now been rolled forward and an adjustment of -\$1.46 cents/tonne has been applied. This means that 2021 season Target Price Contract orders must now reach their set target + \$1.46 in order to be filled. The next roll deadline for this product is 20 September 2021.
- > As the forward sugar curve begins to normalise, 2022-Season prices have started to climb to attractive levels, with the highest 2022 Target Price Contract order filled so far being \$485/tonne actual.
- > QSL's weighted average 2021-Season managed-pool results as of 16 July 2021 are:

| | |
|-----------------------------|-----------------|
| Harvest Pool | \$521/t IPS net |
| Actively Managed Pool (AMP) | \$526/t IPS net |
| Early-Start AMP | \$490/t IPS net |
| 2-Season AMP | \$458/t IPS net |
| 3-Season AMP | \$459/t IPS net |

QSL GROWER-MANAGED PRICING FILLS – 2021, 2022 & 2023 SEASONS



This chart captures all pricing achieved as of 26.07.21 using QSL's Target Price Contract, Individual Futures Contract and Self-Managed Harvest products. Prices quoted at AUD/tonnes actual gross.

2020-Season pricing results at a glance

QSL's 2020-Season results have now been finalised. Here's a quick pricing snapshot:

| | | | | | | | | |
|--|--|--|------------------------------|------------------------------------|----------------|----------------|-------------------------------|-------------------------------|
| <p>+\$31/t (weighted average) Record QSL Shared Pool return incorporating \$2.38/t Loyalty Bonus</p> | <p>Grower-managed pricing outperformed market average*</p> <table border="0"> <tr> <td>Target Price Contract</td> <td>Individual Futures Contract</td> </tr> <tr> <td>\$456/t</td> <td>\$444/t</td> </tr> <tr> <td>gross actual weighted average</td> <td>gross actual weighted average</td> </tr> </table> | | Target Price Contract | Individual Futures Contract | \$456/t | \$444/t | gross actual weighted average | gross actual weighted average |
| Target Price Contract | Individual Futures Contract | | | | | | | |
| \$456/t | \$444/t | | | | | | | |
| gross actual weighted average | gross actual weighted average | | | | | | | |
| <p>+\$1 million Extra returns generated by Self-Managed Harvest participants above the 2020 Harvest Pool return</p> | <p>Self-Managed Harvest growers outperformed the Harvest Pool by a weighted average of +\$26/t IPS</p> | <p>Best Performing Pools</p> <p>Best 2020 result = \$702/t IPS net – US Quota</p> <p>Best ICE 11 Pool = \$493/t IPS net – Feb 2020 Guaranteed Floor</p> | | | | | | |

Note: All pool prices quoted, including Shared Pool references, have been rounded to the nearest dollar.

* The 2020-Season ICE 11 market average result was \$429/tonne actual gross.