



QSL MARKET UPDATE



24 August 2021

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2021	606.69	+0.97%
2022	540.95	+3.30%
2023	455.56	+1.88%
2024	406.46	-0.35%

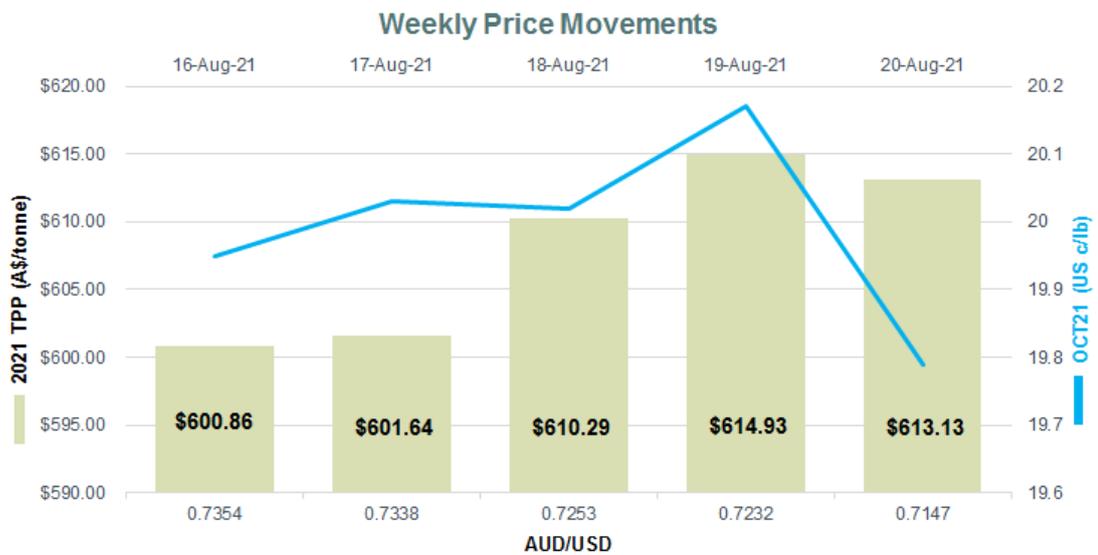
**These figures are indicative of available ICE 11 prices as at the week ending 23 August 2021 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange and/or other Marketeters of Growers' Economic Interest in Sugar. Values also do not account for any adjustments resulting from local Grower-Miller pricing arrangements.*

Sugar

- Raw sugar prices paused for a breather at the 20 USc/lb level as the October 2021 ICE 11 raw sugar contract traded in a narrow range for the majority of last week before retreating on Friday off the back of falling global risk sentiment. The prompt contract made its high on Tuesday at 20.37 USc/lb, before slipping to its low on Friday of 19.47

USc/lb, closing the week down 1.9% at 19.58 USc/lb.

- The Indian Food Ministry published a letter to sugar millers during the week encouraging them to take advantage of the high ICE 11 prices to lock in prices for next season's sugar exports. Markets took this news as a sign that the government could remove the export subsidy for the 2021/2022-season crop and let the ICE 11 do all the heavy lifting.
 - Just as ICE 11 prices remained flat for the majority of the week, the net long position held by speculators remained fairly level. As of 17 August, the position held was 257,000 lots net long, down only 2000 lots week on week.
 - Spot ethanol parity (see our Jargon Buster) is estimated to be approximately 17.6 USc/lb equivalent after the Brazilian Real weakened throughout the week. Ethanol demand recovery has been sluggish, meaning the sugar/ethanol mix looks set to remain at current levels, with sugar still paying a significant premium to ethanol.
 - Looking forward: The highly anticipated UNICA (Brazilian Sugarcane Industry Association) report for the first half of August is set to be released on Tuesday night and is likely to give further insight into the crop damage caused by the three frosts recently experienced in Centre South Brazil.
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Currency

- After hovering around 73 US cents for several weeks, the Australian Dollar (AUD) finally broke the range and progressed lower in a steady fashion across the entire past week. The AUD traded from its high on Monday of 73.76 US cents down to its low on Friday at 71.06 US cents.
- Risk sentiment shifted lower as markets became more weary of the increased spread of COVID's Delta variant across the globe, particularly in Asia. Most commodities fell lower, with West Texas Intermediate (WTI) crude oil losing 9.2% week on week, down to \$US62.14/barrel – the lowest level seen since May.
- The falling New Zealand Dollar also dragged the Australian Dollar down with it after a large market reaction to the snap lockdown across the entirety of New Zealand and the subsequent decision of their Reserve Bank to keep rates on hold for the time being.

Jargon Buster

What is Ethanol Parity?

Ethanol parity is the price at which sugar and ethanol both give the same return to a mill. The ethanol parity impacts the percentage of sugar cane that a mill puts towards the production of sugar and ethanol. Ethanol parity is directly affected by crude oil and gasoline prices, as both influence the demand for ethanol.

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