

Sugar Weekly Report

September 10 – September 14 2018



| Sugar Prices and Macros as of | 14-Sep-18 | | | Weekly Var. Monthly Var. | | 14-Sep-18 | 7-Sep-18 | | | Weekly Var. Monthly Var. | | | |
|-------------------------------|-----------|----------|-----------|--------------------------|------|-----------|-----------|----------|-----------|--------------------------|-------|---|-------|
| | 14-Sep-18 | 7-Sep-18 | 14-Aug-18 | | | | 14-Sep-18 | 7-Sep-18 | 14-Aug-18 | | | | |
| NY #11 | 11.16 | 11.01 | 10.34 | ↑ | 0.15 | USD Index | 94.95 | 95.34 | 96.66 | ↓ | -0.39 | ↓ | -1.71 |
| London #5 | 328.9 | 329.3 | 311.2 | ↓ | -0.4 | USDBZL | 4.17 | 4.06 | 3.87 | ↑ | 0.11 | ↑ | 0.31 |
| NY#16 | 25.45 | 25.36 | 25.71 | ↑ | 0.09 | USDINR | 71.95 | 72.10 | 69.95 | ↓ | -0.15 | ↑ | 2.00 |
| Front White Premium | 82.9 | 86.6 | 83.2 | ↓ | -3.7 | EURUSD | 1.16 | 1.16 | 1.13 | ↑ | 0.01 | ↑ | 0.03 |

Market Situation at a Glance

| International Prices | 14-Sep-18 | 7-Sep-18 | Weekly Var. |
|----------------------|-----------|----------|---------------------|
| Sugar | | | |
| NY #11 | 11.16 | 11.01 | ↑ 0.15 cts/lb |
| Front Spread | -0.86 | -0.77 | ↓ -0.09 cts/lb |
| London #5 | 328.90 | 329.30 | ↓ -0.40 \$/mt |
| Front Spread | -0.80 | -0.80 | 0.00 \$/mt |
| White Premium | 82.86 | 86.57 | ↓ -3.71 \$/mt |
| USD Index | 94.95 | 95.34 | ↓ -0.39 |
| USDBZL | 4.17 | 4.06 | ↑ 0.11 R\$/ |
| USDINR | 71.95 | 72.10 | ↓ -0.15 RUP/\$ |
| RUBUSD | 68.04 | 69.87 | ↓ -1.83 RUB/\$ |
| EURUSD | 1.16 | 1.16 | 0.01 \$/EUR |
| S&P500 | 2905 | 2872 | ↑ 33.30 |
| DJ Industrial Avg | 26146 | 25996 | ↑ 150.12 |
| Light Crude Oil | 68.98 | 67.86 | ↑ 1.12 \$/Barrel |
| Corn | 337.00 | 354.25 | ↓ -17.25 cts/Bushel |
| Wheat | 480.00 | 486.25 | ↓ -6.25 cts/Bushel |
| Coffee (Arabic) | 95.45 | 98.80 | ↓ -3.35 cts/lb |

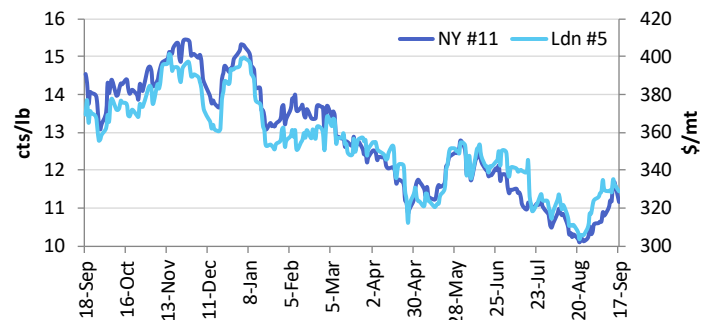
Domestic Markets

| | 14-Sep-18 | 7-Sep-18 | Weekly Var. | Unit |
|--------------------------------------|-----------|----------|-------------|------------|
| Brazil | | | | |
| NY Front Month in BZL | 46.58 | 44.69 | ↑ 1.89 | R\$ cts/lb |
| Domestic: | | | | |
| Esalq Sugar (R\$) | 61.61 | 57.65 | ↑ 3.96 | R\$/50kg |
| Esalq Sugar (US\$) | 14.76 | 14.20 | ↑ 0.56 | cts/lb |
| Hydrous Ethanol (NY#11 equiv.) | 12.51 | 12.67 | ↓ -0.16 | cts/lb |
| Anhydrous Ethanol(NY#11 equiv.) | 13.11 | 12.87 | ↑ 0.24 | cts/lb |
| Ethanol/Gasoline in Sao Paolo | | | | |
| Ethanol | 2,623 | 2,488 | ↑ 135 | R\$/l |
| Gasoline | 4,409 | 4,296 | ↑ 113 | R\$/l |
| Ethanol/Gasoline Parity | 59.5% | 57.9% | ↑ 2% | |
| Anhydrous from US Parity | -67.07 | -69.10 | ↑ 2.04 | USD/M3 |
| Anhydrous to US Parity | -123.13 | -122.08 | ↓ -1.06 | USD/M3 |

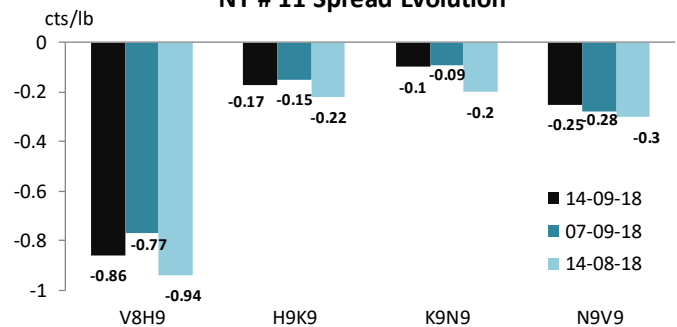
| India | | | | |
|---------------------|--------|--------|--------|--------|
| NCDEX | 30,600 | 30,500 | ↑ 100 | RUP/mt |
| S-Grade (Kolhapur)* | 29,640 | 29,755 | ↓ -115 | RUP/mt |
| M-Grade (Kolkatta)* | 33,191 | 33,119 | ↑ 72 | RUP/mt |

* price does not include GST of 5%

Sugar Market



NY # 11 Spread Evolution



| China | 14-Sep-18 | 07-Sep | Weekly Var. | Unit |
|--------------------|---------------|--------|-------------|--------|
| ZCE Front Month | 4,714 | 4,661 | ↑ 53 | RMB/mt |
| ZCE Front Spread | 266 | 296 | ↓ -30 | RMB/mt |
| Northern Spot Cash | Rizhao 5,450 | 5,450 | 0 | RMB/mt |
| Southern Spot Cash | Liuzhou 5,420 | 5,440 | ↓ -20 | RMB/mt |

| USA | 14-Sep-18 | 7-Sep-18 | Weekly Var. | Unit |
|---------------|-----------|----------|-------------|--------|
| No #16 | 25.45 | 25.36 | ↑ 0.09 | cts/lb |
| #16/11 Spread | 14.29 | 14.35 | ↓ -0.06 | cts/lb |

| EU | | | | |
|-------------------|----|----|-------|-----------------------|
| EU 45s containers | 15 | 15 | ↑ 0.0 | \$/m3 \$/mt ov Ldn |

| Russia | | | | |
|--------------------|-----|-----|--------|-------|
| Price in Krasnodar | 466 | 403 | ↑ 63.3 | \$/m3 |

Sugar Weekly Report



- NY Flat Price:** The NY March contract reached a high of 12.55 cts/lb, to close down on Friday at 12.02 cts/lb. A slightly stronger result, closing 0.8 cts/lb, up from 11.78 cts/lb the previous Friday.

- NY Spreads:** The October/March spread closed at 86 points carry, a slight decrease from a week earlier.

- London Market:** The October contract expired at \$328.9/mt. The White October/December spread was extremely volatile during the final two days of trade, falling to a low of \$31 /mt carry and went off board at \$10.8 /mt carry. Very little tonnage was delivered to the October contract, only around 25/30k mt, while the March/March White Premium rose to \$78/mt.

- COT Report:** Speculators increased their net-shorts by 11.5k lots and now are 188.7k lots net-short, as the March contract traded above 12 cts/lb. Index funds purchased 0.2k lots net and now are 254.2k lots net-long. Commercials purchased 11.3k lots of net-shorts and now are 65.5k net-short.



BULL

- Brazilian ethanol demand remains strong, while the sugar mix remains weak.**

Production is expected to be closer to 27.5 million mt.

- El-Nino may start in Q4 2018, it is a 50% chance at this stage.**



BEAR

- India may announce a new export scheme, possibly for up to 5 million mt.**

- Smuggling activities have slowed down and Myanmar remains closed.**

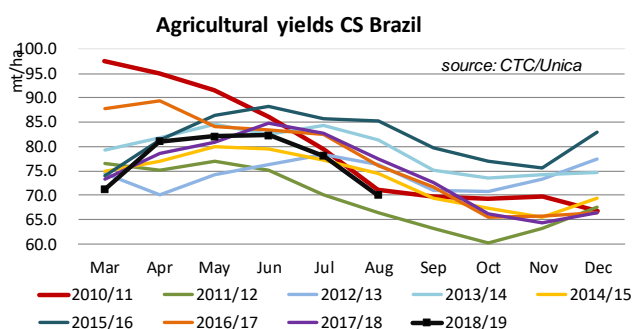


UNICA: Production Update

| Cane (1000 mt) Fortnight | 2017/18 2H Aug | 2018/19 | Variation Y-o-Y |
|-----------------------------|-------------------|--------------|-----------------|
| Cane (1000 mt) | 39,076 | 43,306 | ↑ 4,230 |
| Sugar (1000 mt) | 2,572 | 2,371 | ↓ -201 |
| Ethanol (1000 M3) | 1,785 | 2,451 | ↑ 666 |
| ATR (kg/mt) | 145.53 | 152.66 | ↑ 7.1 |
| Sugar mix (%) | 46.97% | 37.6% | ↓ -9.3% |

| Cumulative | 2017/18 2H Aug | 2018/19 | Variation Y-o-Y |
|------------------------|-------------------|---------------|-----------------|
| Cane (1000 mt) | 382,850 | 391,766 | ↑ 8,916 |
| Sugar (1000 mt) | 23,342 | 18,842 | ↓ -4,500 |
| Ethanol (1000 M3) | 15,351 | 20,495 | ↑ 5,144 |
| ATR (kg/mt) | 131.93 | 138.22 | ↑ 6 |
| Sugar mix (%) | 48.5% | 36.5% | ↓ -12.0% |

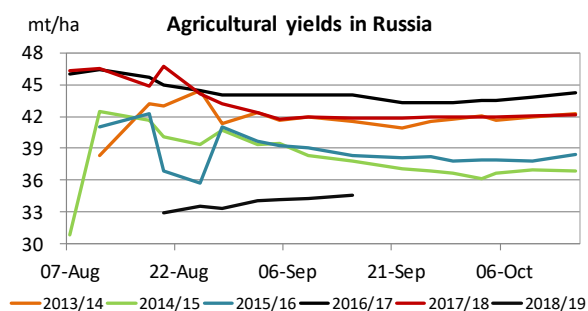
- ▶ During the second half of August, mills in CS Brazil crushed 43 million mt of cane, up 4 million mt year-on-year.
- ▶ ATR stood at 152.7 kg/mt, slightly up from the previous fortnight and 9.1 kg/mt up from last season.
- ▶ Sugar mix remains historically low at 37.6%, almost 10 percentage points lower year-on-year.
- ▶ This resulted in sugar production of 2.4 million mt, 200k mt down year-on-year.
- ▶ Cumulative production stood at 18.8 million mt of sugar, 4.5 million mt down year-on-year.
- ▶ We expect 27.5 million mt of sugar to be produced this season.
- ▶ Agricultural yields in August dropped to 70 mt/ha, down from 82 mt/ha in July and 77.6 mt/ha last year.



Russia: Production Update

| | 10-09-18 | 2017/18 | 2018/19 | Var |
|-----------------------|----------|---------|---------|-------|
| Beet stored up | 7,899 | 6,047 | ↓ - | 1,852 |
| Beet processed | 7,055 | 5,415 | ↓ - | 1,640 |
| Beet in stocks | 776 | 541 | ↓ - | 235 |
| Sugar produced | 930 | 737 | ↓ - | 193 |
| Extr. rate | 13.2 | 13.6 | ↑ | 0.4 |
| Factories | 65 | 63 | ↓ - | 2 |

- ▶ By September 10, 63 factories were operating, down from 65 factories running same time last season.
- ▶ They processed 6 million mt of beets, 1.8 million mt down year-on-year and produced 740k mt of sugar, almost 200k below last season.
- ▶ Agricultural yields remain below 35 mt/ha, compared with 42 mt/ha last season.
- ▶ We expect production to reach 5.7 million mt, down from 6.5 million mt last year.



India: New subsidy in place soon?

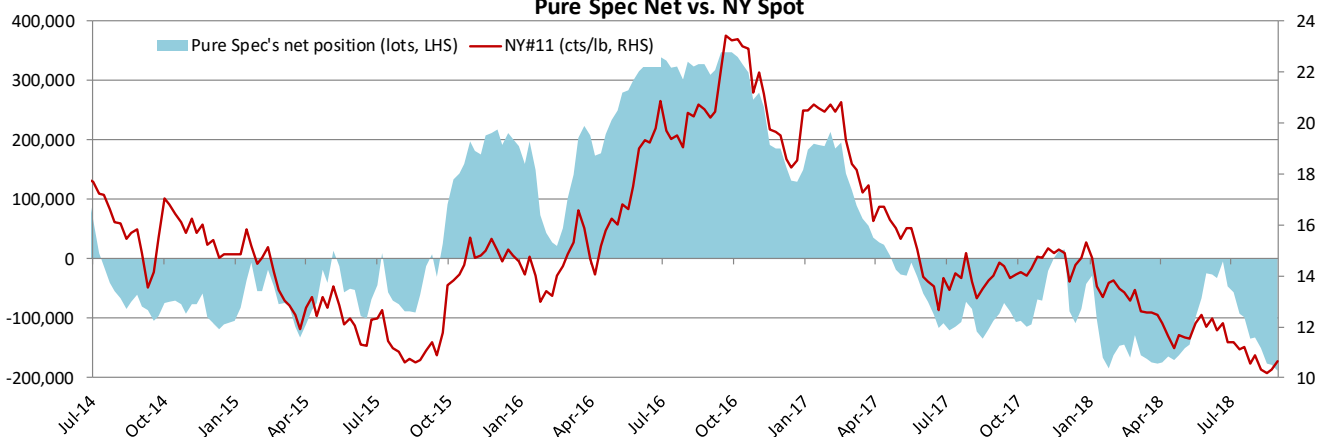
- ▶ There is news circulating that there is a new subsidy which may be offered, possibly around 120 Rs/mt of cane. The current subsidy is 55 Rs/mt.
- ▶ The export quota allocation may be given for 5 mln mt of exports.
- ▶ Domestic prices may be set to a minimum level of 30,000 Rs/mt (up from 29,000 Rs/mt now).
- ▶ The discussion will be held this week and it will be clear if this is decided or not
- ▶ With the possible increase in the subsidy, mills will be competitive in LQW exports and also raws exports.



COT RECAP

| Date | Spot Price | Specs net positions (i)-(ii) | Specs gross longs (i) | Specs gross shorts (ii) | Index traders net positions | Commercials net positions (iii)-(iiii) | Commercials gross longs (iii) | Commercials gross shorts (iiii) | OI |
|----------------------|-------------|---------------------------------|--------------------------|----------------------------|-----------------------------|---|----------------------------------|------------------------------------|----------------|
| 17-07-18 | 11.13 | -92,063 | 232,716 | 324,779 | 261,503 | -169,440 | 293,310 | 462,750 | 1,094,963 |
| 24-07-18 | 11.19 | -99,141 | 236,725 | 335,866 | 261,332 | -162,191 | 292,299 | 454,490 | 1,102,603 |
| 31-07-18 | 10.55 | -134,179 | 229,537 | 363,716 | 258,461 | -124,283 | 333,969 | 458,252 | 1,172,924 |
| 07-08-18 | 10.88 | -132,331 | 226,861 | 359,192 | 251,907 | -119,577 | 334,902 | 454,479 | 1,174,150 |
| 14-08-18 | 10.34 | -149,658 | 224,256 | 373,914 | 250,246 | -100,587 | 338,935 | 439,522 | 1,185,138 |
| 21-08-18 | 10.17 | -175,261 | 212,274 | 387,535 | 251,598 | -76,337 | 358,590 | 434,927 | 1,213,793 |
| 28-08-18 | 10.31 | -177,188 | 206,299 | 383,487 | 253,990 | -76,802 | 357,818 | 434,620 | 1,209,619 |
| 04-09-18 | 10.64 | -188,738 | 194,801 | 383,539 | 254,212 | -65,475 | 362,722 | 428,197 | 1,169,954 |
| Lastet Change | 0.33 | -11,550 | -11,498 | 52 | 222 | 11,327 | 4,904 | -6,423 | -39,665 |

Pure Spec Net vs. NY Spot



Wilmar Grower Marketing Team

Chris Winship (07) 4722 1986 | 0437 669 118
Zachary Wager (07) 4722 1956 | 0439 002 240
Angus McKerrow 0419 238 536

Simon Haire (07) 4945 9708 | 0437 803 019
Franco Zaini (07) 4720 2905 | 0419 476 770

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