



WILMAR GROWERS' FORWARD PRICING PERFORMANCE 2011-2019 SEASONS



When we introduced forward pricing in 2008, it was to offer growers greater control over their cane price, including the opportunity to capture potentially attractive prices in the sugar market. But **does forward pricing really make a difference?** Has it actually improved growers' chances of capturing a higher GEI Sugar price? We analysed growers' forward pricing for the last nine seasons and the answer would appear to be **yes**. On average, a **GEI Sugar price of more than \$500/tonne was available 18% of the time**. And a **GEI Sugar price of over \$450/tonne was available 48% of the time**.

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ABOUT OUR ANALYSIS

To understand how forward pricing has performed, we analysed the forward pricing (Call and Target pricing mechanisms) growers undertook in the 2011 to 2019 seasons. For the 2011-2016 seasons, this analysis includes data from all Wilmar growers undertaking forward pricing. For the 2017-2019 seasons, it only includes data from growers who nominated Wilmar as their GEI marketer and undertook forward pricing. This allowed us to determine the range (highest, average and lowest) of forward prices achieved by Wilmar growers, to compare with our Daily Price quotes.

Wilmar publishes an indicative Daily Price each business day to indicate an estimated AUD price for each relevant season.

This is done by calculating a weighted average price of the July, October, March and May ICE #11 positions, weighted in a 1:2:2:1 ratio, and applying the relevant forward AUD/USD exchange rate against each of those positions. As the relevant July and October ICE #11 positions expire, the ratio changes and the Daily Price includes the applicable roll adjustment. Wilmar currently begins quoting these prices from 1 July, three years prior to a season (e.g. on 1 July 2019, Wilmar began calculating the 2022 season indicative Daily Price) and continues to do so until the ICE #11 March futures expiry in the year following a season's harvest (e.g. on or about 20 February 2023, Wilmar will cease calculating the 2022 season Daily Price).

WILMAR GROWERS' FORWARD PRICING RESULTS

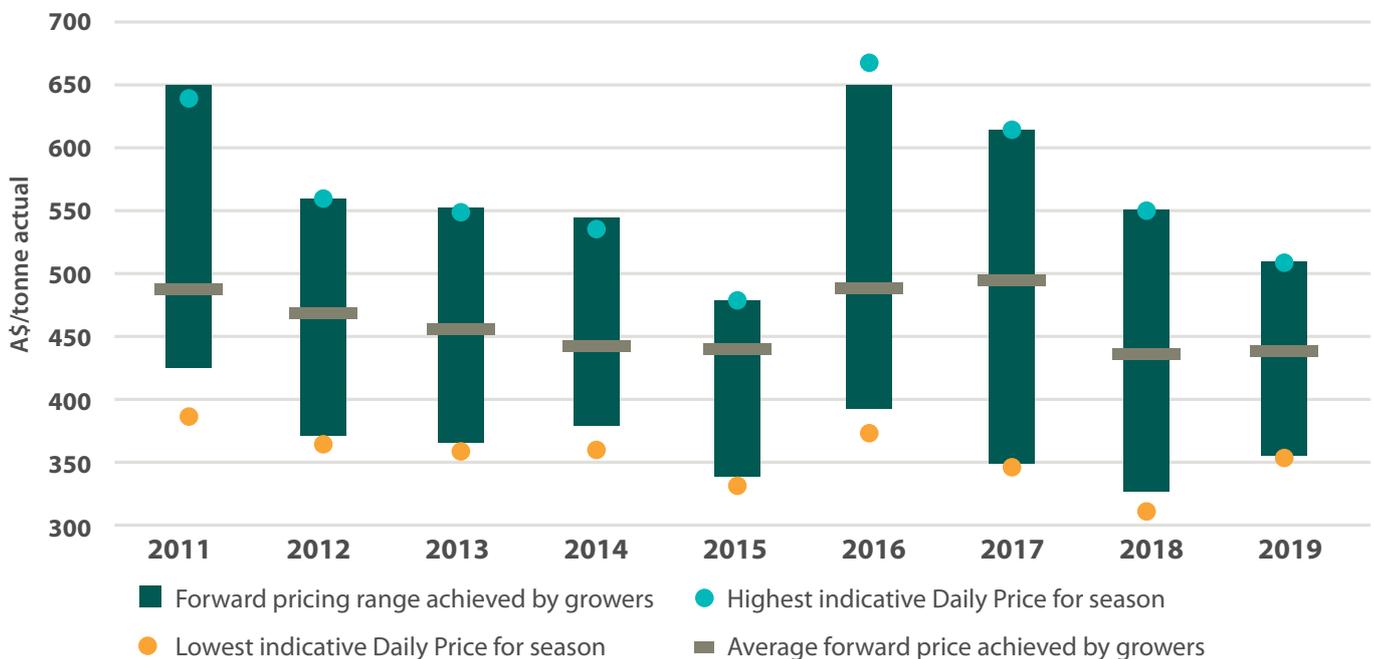
Our analysis found that:

- In most years, growers achieved forward pricing outcomes covering the spectrum from the lowest to highest prices available.
- The average forward price achieved by growers ranged from A\$436 to A\$495/t actual. The weighted average forward price achieved was A\$464/t actual.

- In eight of the nine seasons, a price of more than A\$500/t actual was achievable at some point during the pricing period of more than three-and-a-half years. In 2015, the maximum indicative Daily Price quoted was A\$479/t actual, but in all other years the maximum ranged between A\$508 and A\$668/t actual. Due to the long period over which forward pricing is possible, historical data tells us that it has been theoretically possible to capture favourable prices at some stage in the price cycle.

Growers' forward pricing

(Compared with indicative Daily Prices quoted over the period from three years before a season until the end of February after crushing)



How to read the chart

Over the pricing period of more than three-and-a-half years:

- The blue marker shows the highest indicative Daily Price quoted
- The orange marker shows the lowest indicative Daily Price quoted
- The green bar illustrates the range (lowest to highest) of forward prices achieved by one or more Wilmar growers

- The grey marker shows the weighted average forward price actually achieved by all Wilmar growers

Note that when we publish Daily Prices they are indicative only, in that although they are calculated using the overnight ICE #11 last-traded prices, the AUD exchange rate is constantly changing during the day. This explains why the maximum forward price achieved in a season has sometimes slightly exceeded the maximum indicative Daily Price.

HOW OFTEN HAVE WE SEEN FAVOURABLE PRICES?

Looking at the frequency of different price levels, we found that over the nine-year period, the indicative Daily Prices quoted by Wilmar have been:

- Above A\$500/t actual 18% of the time, ranging from 0% for the 2015 season, to 31% for the 2011 season.
- Above A\$450/t actual 48% of the time, ranging from 32% for the 2019 season, to 72% for the 2016 season.
- Above A\$400/t actual 86% of the time, ranging from 69% for the 2018 season, to 99% for the 2011 season.
- Below A\$400/t actual 14% of the time, ranging from 1% for the 2011 season, to 31% for the 2018 season.

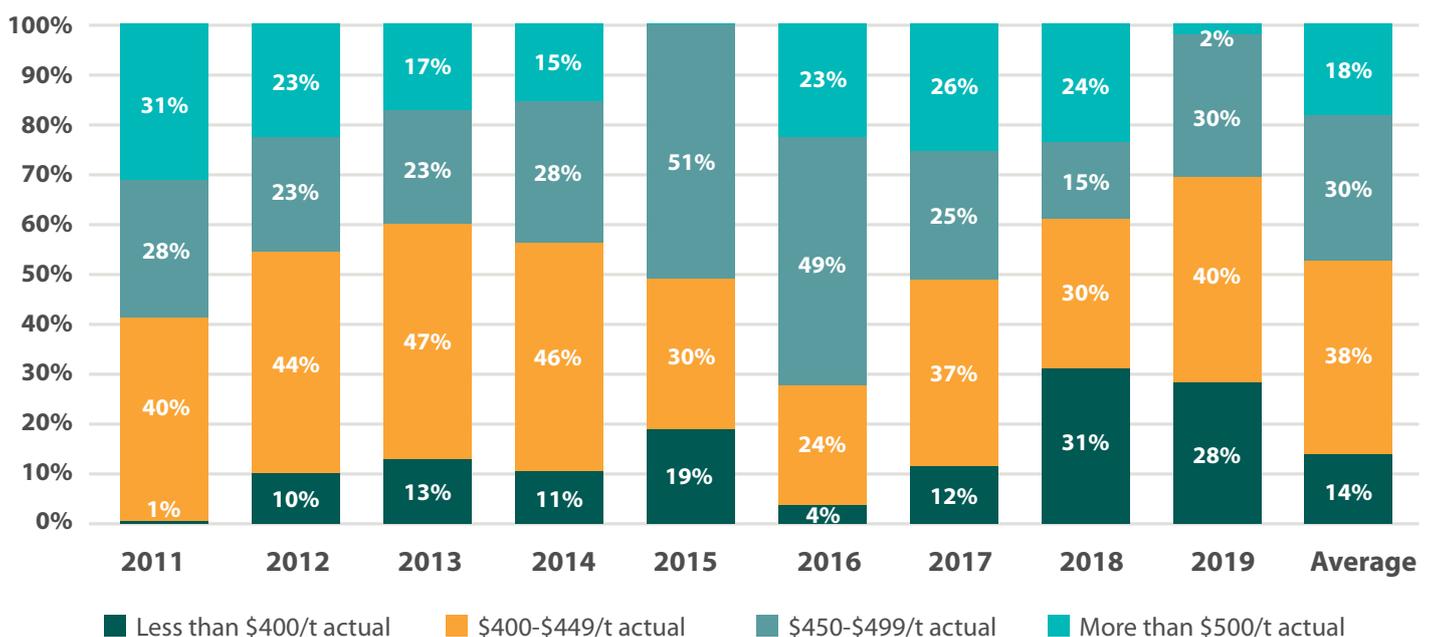
A full breakdown of the frequency of the pricing levels observed can be seen in the table below.

Frequency of indicative Daily Price in various price ranges during a season's forward pricing period

Season										
A\$/t actual	2011	2012	2013	2014	2015	2016	2017	2018	2019	Overall
Below \$400	1%	10%	13%	11%	19%	4%	12%	31%	28%	14%
\$400-\$449	40%	44%	47%	46%	30%	24%	37%	30%	40%	38%
\$450-499	28%	23%	23%	28%	51%	49%	25%	15%	30%	30%
Above \$500	31%	23%	17%	15%	0%	23%	26%	24%	2%	18%
Total	100%									

We've also presented this data in a chart (below) to help provide a visual picture of how often the seasonal sugar prices have been in the four different price zones selected.

Frequency (%) of Wilmar's Daily Price quoted in different price ranges



TIME IS VALUABLE

It stands to reason that the longer the period over which forward pricing can be undertaken, the more likely it is that better prices can be achieved at some point or another. Conversely, for example, if pricing was restricted to only that “in-season” period associated with a crushing season (i.e. the 10-month period from 1 May in the year of that season until on or around 20 February the following year), as is the case with some pools, it is logical that it would significantly inhibit the ability to maximise prices.

A hypothetical

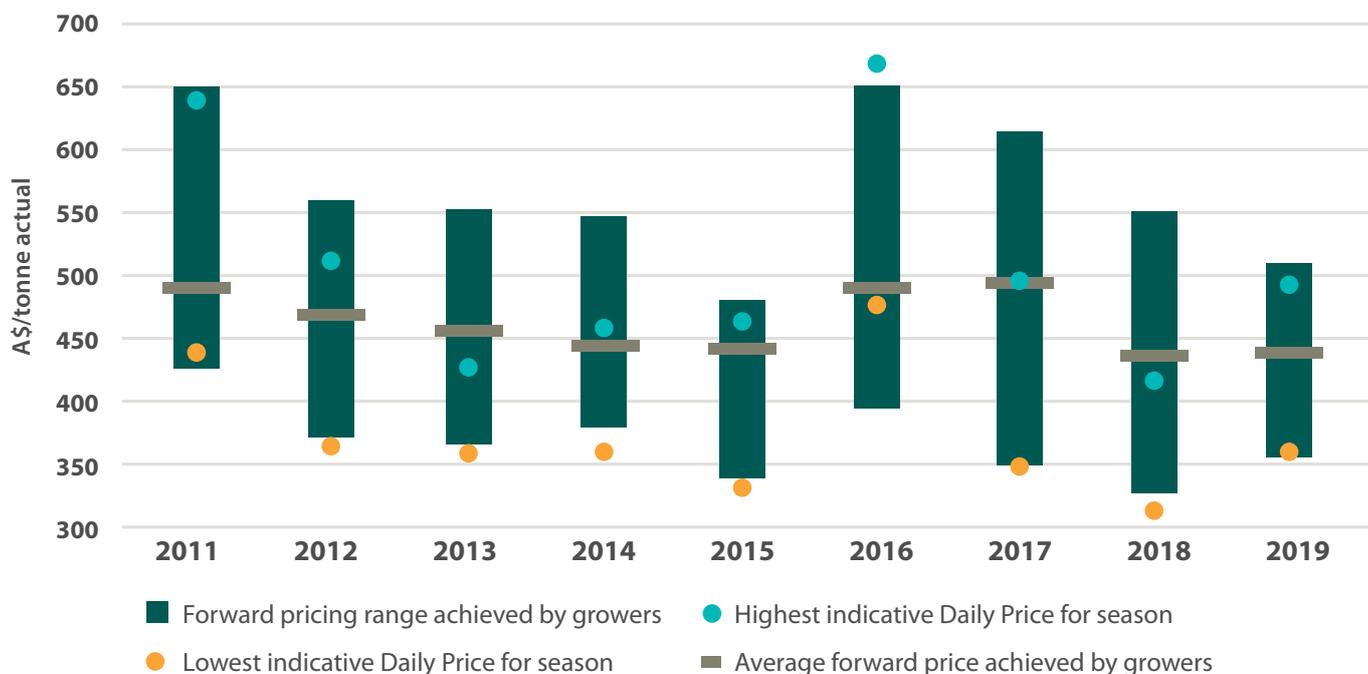
We analysed our data to illustrate the **hypothetical** effect had

we restricted forward pricing to just a 10-month “in-season” window. We found that:

- Some growers achieved better returns than those prices that were available just during the “in-season” phase of the pricing cycle. This was the case in every season since 2011, except for 2016.
- In three of the nine seasons (2013, 2017 and 2018) the weighted average forward pricing result exceeded the highest indicative Daily Price quoted just in the “in season” period.

Growers’ forward pricing

(Compared with indicative Daily Prices quoted over the period from 1 May just prior to crushing until the end of February after crushing)



How to read the chart

- The blue marker shows the highest indicative Daily Price quoted by Wilmar, over just the 10-month “in season” period
- The orange marker shows the lowest indicative Daily Price quoted by Wilmar, over just the 10-month “in season” period
- The green bar shows the range (lowest to highest) of forward prices actually achieved by one or more Wilmar growers over the period of more than three-and-a-half years available to complete forward pricing
- The grey marker shows the weighted average forward price achieved by all Wilmar growers over the period of more than three-and-a-half years