QSL MARKET UPDATE

Current as of 28 September 2020.

Sugar

- Bearish sentiment dominated the first half of the month as the OCT20 contract dropped below 12 USc/lb, trading as low as 11.73 USc/lb. The prompt contract has since found some support leading into expiry trading as high as 13.06 USc/lb.
- Speculative activity continued to increase in early September, reaching a 191,000 net-long position before a rapid sell-off down to a 144,000 net-long position at the time of writing.
- Despite a healthy monsoon in Thailand, there appears to be little confidence that they will bounce back quickly from their recent crop failure and return to normal production levels next season.
- Brazil: UNICA numbers indicated a solid recovery in ethanol sales, resulting in a slightly lower sugar/ethanol mix than previously anticipated. Export shipping lineups in Brazil are down to 19 days, invalidating previous doubts about whether they could get sugar out of their country. Estimates are creeping up towards 38 million metric tonnes raw sugar.
- The likely extension of India's export subsidy program continues to loom over the market.
- **ICE 11 trading range going forward:** Broader trading range expected to be around 11.50 to 14.00 USc/lb.

Currency

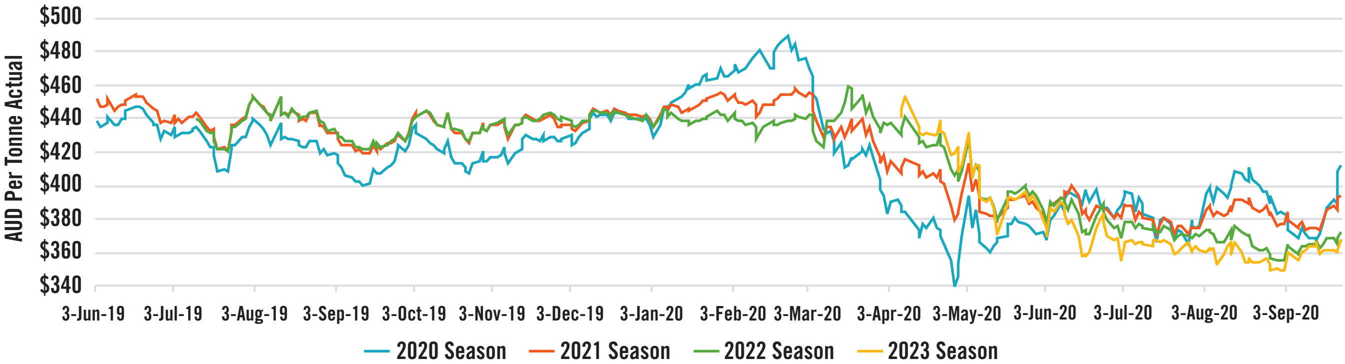
- Despite trading as high as 0.7414 against the US Dollar (USD) early in the month, the Aussie has reversed course rapidly over recent weeks posting a low of 0.7006 at time of writing.
- For the first time in recent months we have seen domestic issues impact our currency. Weaker-than-expected Australian GDP figures and the extension of the Victorian COVID-19 lockdown has weighed heavily on the economic outlook in recent trading sessions and the RBA has indicated that it may intervene further to loosen policy settings in response.
- Trade tensions between the US and China continue. Since the Australian Government called for an investigation into the origins of the coronavirus pandemic, China has announced the suspension of some Australian beef exports.
- The US election is far too close to call at this stage. Trump has said on several occasions that a close result may be contested. There is potential for renewed US Dollar and equities weakness should the outcome bring political uncertainty.
- **AUD/USD trading range going forward:** 0.7100 to 0.7500.
- **Risks Ahead:** Second wave of COVID-19 in Australia, US-China and Australia-China relationships and the next 2 months before the US Presidential election.

KEY INDICATORS

	28/09/2020	Monthly change
ICE11 Prompt (OCT20)	13.00 USc/lb	+0.40 USc/lb
Brazilian Real/$US exchange rate	5.56 BRL	+0.17 BRL
Brent Crude Oil	$US41.92/barrel	-$US3.89
Ethanol/Raw Sugar Parity	10.15 USc/lb	+0.55 USc/lb
Net Spec Position	179,000 (net long)	-

	28/09/2020	Monthly change
$AUS/$US exchange rate	$US0.70555	-$US0.0213
$US Index	94.64	+2.2710
Chinese Yen/$US exchange rate	6.82 CNY	-0.0417 CNY
S+P 500 Index	3,298.46	-209.5500
RBA Overnight Cash Rate	0.25%	-

RAW SUGAR PRICES



This is a whole-of-season ICE 11 price chart, 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.

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QSL GROWER PRICING UPDATE

QSL
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Grower Pricing

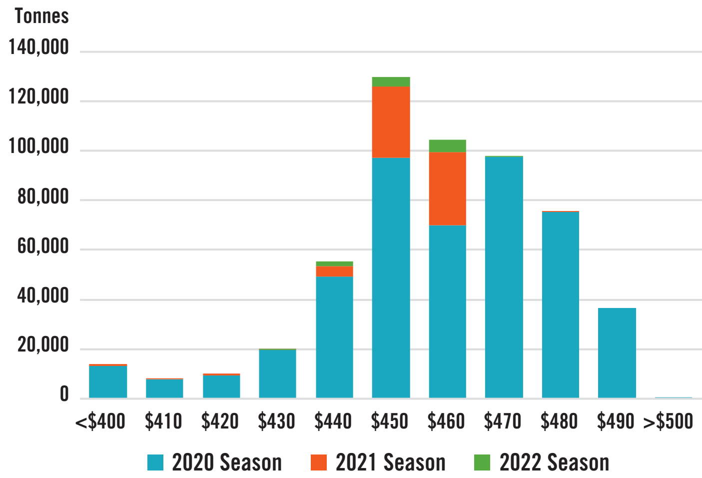
- 2020-Season sugar prices returned to levels above $400/tonne actual for Australian producers in late September, sparking some grower pricing activity.
- At the time of writing, this rally had seen orders filled for the 2020-Season QSL Target Price Contract ranging between $413.80 and $419.43/tonne actual.
- 2021-Season Target pricing at $400/tonne actual was also secured.
- The Oct20 position of the Target Price Contract was rolled at a cost of $8.85/mt. The total roll adjustment is now a cost of $9.43/mt.
- **Key Deadline:** October 31 is the last day for growers to nominate QSL as their GEI Sugar marketer for the 2021 Season.

FNQ MARKETING SESSIONS

- Far North Queensland marketing sessions with Matt Page 6th-9th October.

RSVP to Amanda Sheppard on 0418 264 393 or email amanda.sheppard@qsl.com.au

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



This chart captures all pricing achieved as of 28.9.20 using QSL's Target Price Contract, Individual Futures Contract and Self-Managed Harvest products. Prices quoted at AUD//tonnes actual gross.

Far East Premium

The Far East Premium reflects the average difference in the freight cost of supplying raw sugar from Brazil to eastern markets as opposed to shipping from Australia or Thailand to eastern markets.

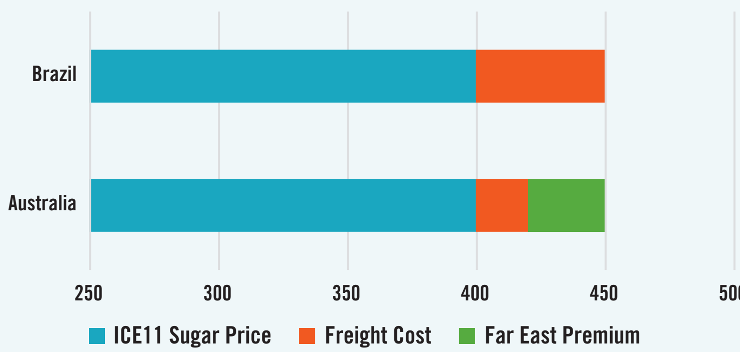
Buyers in eastern markets, such as Japan, Korea and Indonesia, pay significantly higher sugar prices when sourcing from western suppliers at a greater geographical distance, such as Brazil, due to the increased freighting costs.

In contrast, sellers in the eastern hemisphere, such as Australia or Thailand, have comparatively lower freighting costs and as such are able to increase their sugar prices to reflect this difference in freight rate. This is the geographical premium known as the Far East premium and represents the extra cost to bring sugar from the western hemisphere to the east.

The value of this premium will fluctuate depending on the availability of sugar in the Far East and the Far West. If there is a significant surplus of sugar in the Far East, eastern sellers will have to compete to sell their sugar and may be required to lower their selling price. As a result, some of the far east premium is competed away.

On the other hand, if there is a deficit of sugar in the Far West, buyers may be prepared to pay a premium for the certainty of delivery from the East.

COST OF DELIVERED SUGAR



Current estimated returns in Australian Dollars as of 24 September 2020.