QSL MARKET UPDATE

Current as of 23 November 2020.

Sugar

- Bullish sentiment has dominated the past month as the March 2021 ICE 11 contract rallied to highs of 15.66 USc/lb as of the time of writing. There is further room to move higher above 16/16.50 USc/lb in the absence of an Indian export subsidy.
- India remains the main focus for the market as it awaits an export subsidy announcement. The Indian Food and Commerce Minister is still holding his previously stated position that no subsidies for sugar exports are being considered, much to the frustration of Indian growers and millers.
- The spread between the March 2021 and May 2021 ICE 11 contracts continues to widen and has now pushed out as far as 119 points inverse (i.e. the May contract's price is 119 points lower than the March price). This is a result of a lack of Thai and Indian sugar availability, causing a massive trade-flow squeeze in the first quarter of 2021. As a result, consumers are being pushed to pay a premium over the May price to get sugar into the March delivery window.
- **ICE 11 trading range going forward:** Broader trading range estimated to be 13.50 USc/lb to 16.50 USc/lb.
- **Closely watching:** Indian export subsidy news, La Nina weather updates, speculative activity, trading volumes and overall technical indicators.

Currency

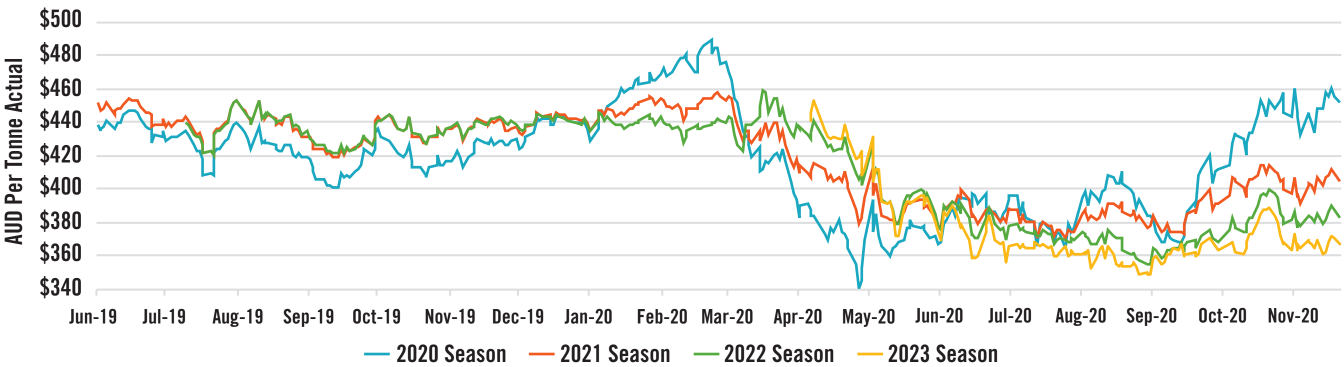
- After climbing 2.5 cents against the US Dollar (USD) following the US election, the Australian Dollar (AUD) has paused for breath around 73 US cents. Positive COVID-19 vaccine news is helping to outweigh the negative impacts of climbing infection rates in the northern hemisphere.
- The US election result has seen risk rally aggressively over the past few weeks, with the AUD caught up in the euphoria as the USD took a sizeable step backwards. The Republicans' retention of the US Senate sets the scene for some degree of fiscal policy gridlock for the next two years. With this in mind, the next fiscal response package in the US will probably be dialled back somewhat and this may temper some of the market enthusiasm going forward.
- The Reserve Bank meeting on 3 November delivered a reduction in the cash rate target to 0.1 per cent, which was in line with market expectations. Meanwhile, they also announced a program to purchase $100 billion of government bonds of maturities of around 5 to 10 years over the next six months. This was at the lower end of market expectation and prompted a small uplift in the AUD.
- **AUD/USD trading range going forward:** 0.7000 to 0.7500.
- **Risks Ahead:** Australia-China relationships, RBA commentary and COVID-19 news.

KEY INDICATORS

	23/11/2020	Monthly change
ICE11 Prompt (MAR21)	15.21 USc/lb	+0.30 USc/lb
Brazilian Real/$US exchange rate	5.39 BRL	+0.01 BRL
Brent Crude Oil	$US44.96/barrel	+$US5.51
Ethanol/Raw Sugar Parity	12.13 USc/lb	+0.74 USc/lb
Net Spec Position	257,000 (net long)	+5,000

	23/11/2020	Monthly change
$AUS/$US exchange rate	$US0.7273	+$US0.0014
$US Index	92.39	+0.1630
Chinese Yen/$US exchange rate	6.56 CNY	-0.0495 CNY
S+P 500 Index	3,557.54	+48.10
RBA Overnight Cash Rate	0.10%	-0.15%

RAW SUGAR PRICES



This is a whole-of-season ICE 11 price chart current as of 23.11.20, 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.

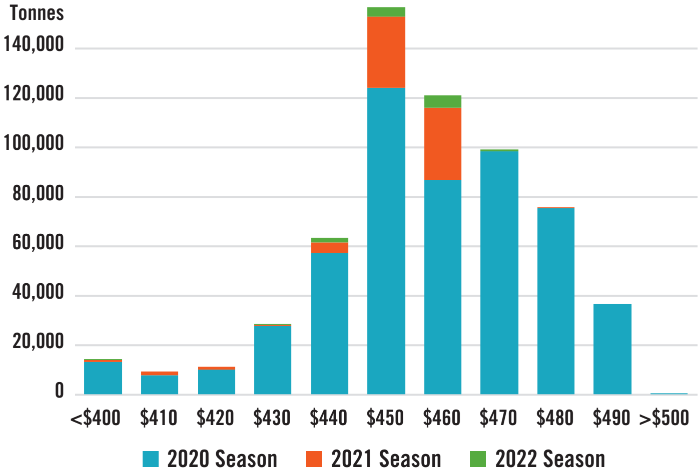
QSL GROWER PRICING UPDATE

QSL
Your Trusted Partner

Grower Pricing

- The latest market rally saw 2020-Season prices above $460/tonne in the past month, with a high of $452 (incorporating the $9.43/tonne roll cost) achieved in the TPC and $466 filled in the March 2021 contract for the SMHP.
- Opportunities in the 2021 Season were not as great but were still available above $400/tonne, with Target pricing achieved at $410, and Individual Futures Contract orders filled at $415 (Jul21) and $405 (Oct21).
- The current roll cost for the 2020 Season is $9.43/tonne. This means the market must reach the target price plus this roll adjustment in order to fill the original target. For example, for an unfilled 2020-Season Target Price order of $450 to now be filled, the market needs to reach $459.43 (i.e. $450 + the $9.43 roll cost).
- Growers have until 20 April to complete their 2020-Season Target pricing, with the next roll deadline 22 February 2021. Please note: Growers in MSF milling districts must complete their 2020-Season pricing by 22 February 2021 as they cannot roll to the May contract.
- QSL's new Grower Floor Price Contract is available from 1 December. This grower-managed pricing options allows you to target your own floor price to lock in a known minimum return while also receiving 50% of any subsequent prices above your floor. See your local QSL representative or visit www.qsl.com.au for details.

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



This chart captures all pricing achieved as of 23.11.20 using QSL's Target Price Contract, Individual Futures Contract and Self-Managed Harvest products. Prices quoted at AUD//tonnes actual gross.

QSL Direct Helpline

The QSL Direct Helpline team is available to answer any questions you may have about your account and provide real-time support. You can reach the helpline between 8.30am and 5pm weekdays (excluding public holidays) by calling **1800 870 756**.

Indian Export Subsidy

What is the Indian Export Subsidy?

In a bid to support the cane industry, the Indian government artificially sets the domestic price of sugar at a premium to ICE 11 world sugar prices each year. This is called the domestic Minimum Selling Price (MSP). India produces far more sugar than it consumes each year and as such requires a mechanism to deal with (i.e. export) the excess supply without putting downward pressure on the MSP.

The Indian government annually approves an export subsidy to be paid to Indian sugar mills, which bridges the gap between the price they receive for their exported sugar and the MSP they receive for dometsic sales. This annoucement is traditionally made around September/October ahead of their crush starting in early November and varies in price and volume year-to-year depending on the market conditions.

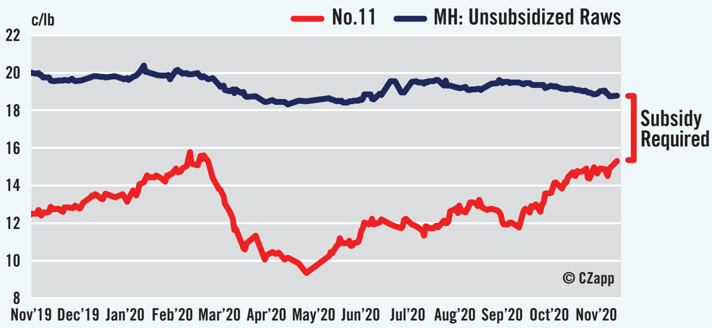
What will happen if there is a late or no export subsidy?

The world market is already feeling the shortage of approximately 6 million tonnes of sugar which is usually exported from India. This delay is slowly driving the ICE 11 sugar price higher.

Without the subsidy it does not make sense for Indians to export, as their domestic prices are far higher than the world sugar market.

The lack of supply in the world market should theoretically force the ICE 11 price and Indian domestic prices to converge to a point where Indians are incentivised to start exporting again and supply the world market with the sugar it needs. This point is known as the export parity, and is currently around 18.80 USc/lb.

INDIA'S RAW SUGAR PRICES VS. THE NEW YORK NO.11



This graph shows the gradual increase in the ICE11 sugar price in the past few months as it converges towards the Indian domestic price. Source: Czarnikow