Wilmar growers'

FORWARD PRICING PERFORMANCE

2012-2021 SEASONS

Our new report analyses the range of forward prices achieved by Wilmar growers over the past 10 seasons.

Like our last two reports, this latest research shows that using Call and Target pricing mechanisms has enabled growers to capture potentially attractive prices in the sugar market.

On average, a GEI Sugar price of more than $500/tonne was available 15% of the time.

And, a GEI Sugar price of over $450/tonne was available 41% of the time.

For more information, contact Wilmar's Grower Marketing Team.

PJ GILEPPA
Townsville
0437 297 978

FRANCO ZAINI
Herbert
0419 476 770

YOLANDA HANSEN
Burdekin
0439 002 240

SHIRLEY NORRIS
Proserpine
0437 803 019

ANGUS MCKERROW
Plane Creek
0419 238 536

TANIA DALTON
Townsville
0438 176 335

Published March 2022

wilmar

ABOUT OUR ANALYSIS

To understand how forward pricing has performed, we analysed the forward pricing (Call and Target pricing mechanisms) growers undertook in the 2012 to 2021 seasons. For the 2012-2016 seasons, this analysis includes data from all Wilmar growers undertaking forward pricing. For the 2017-2021 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 2020, Wilmar began calculating the 2023 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 2024, Wilmar will cease calculating the 2023 season Daily Price).

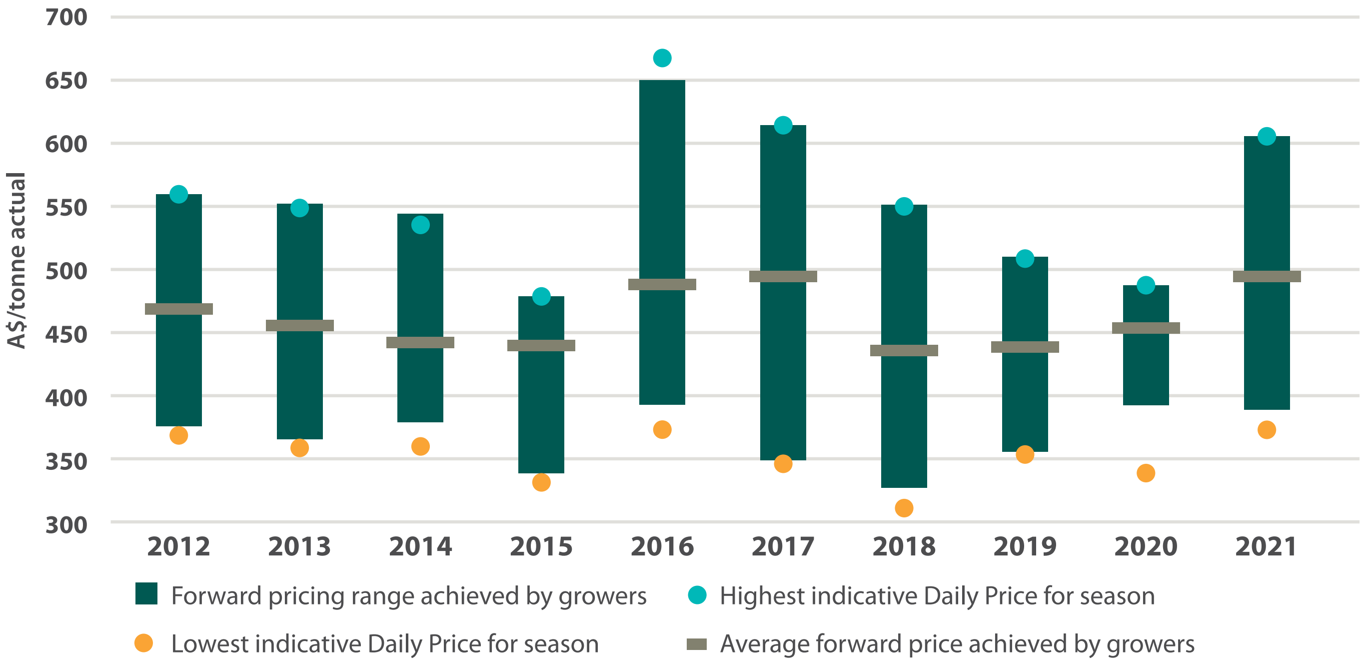
WILMAR GROWERS' FORWARD PRICING RESULTS

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$435/t to $495/t actual. The weighted average forward price achieved was A$463/t actual.
- In eight of the ten 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 the 2015 and 2020 seasons, the maximum indicative Daily Prices quoted were A$479/t actual and $489/t actual, respectively. 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 10-year period, the indicative Daily Prices quoted by Wilmar have been:

- Above A$500/t actual 15% of the time, ranging from 0% for the 2015 and 2020 seasons, to 26% for the 2017 season.
- Above A$450/t actual 41% of the time, ranging from 11% for the 2020 season, to 72% for the 2016 season.
- Above A$400/t actual 83% of the time, ranging from 69% for the 2018 season, to 96% for the 2016 season.
- Below A$400/t actual 17% of the time, ranging from 4% for the 2016 season, to 31% for the 2018 season.

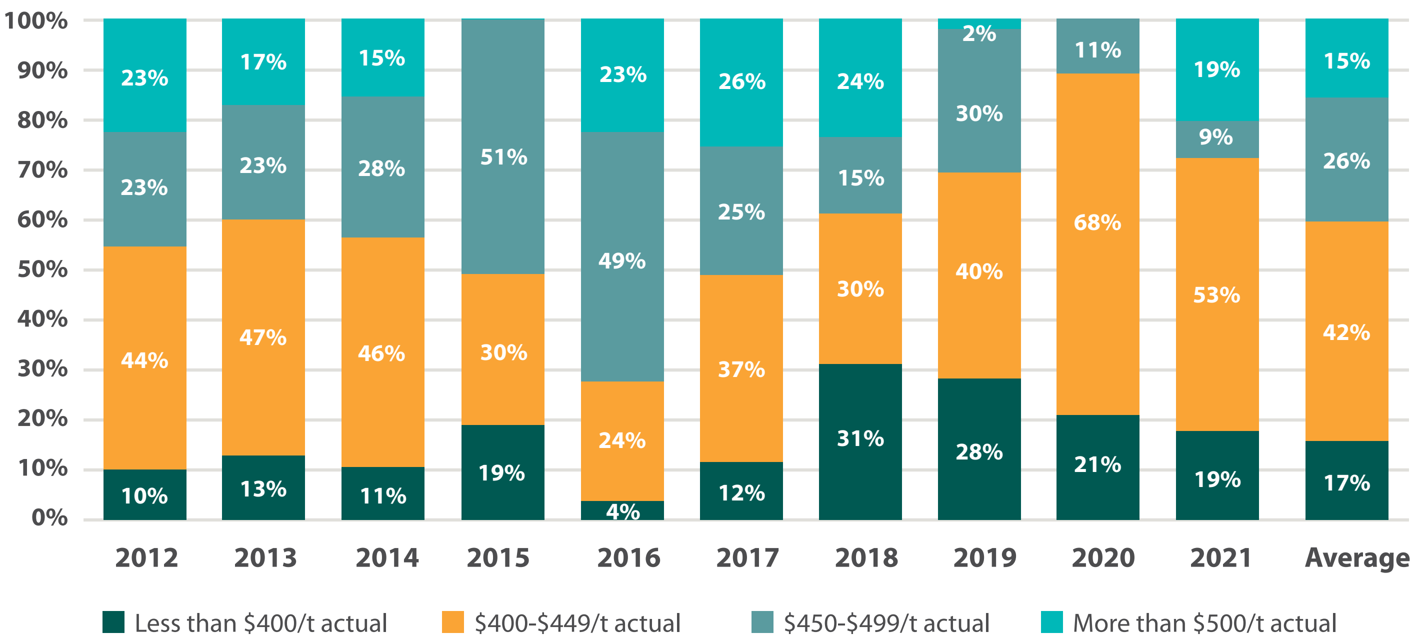
A full breakdown of the frequency of the pricing levels observed can be seen in the table below.

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

	Season										
A$/t actual	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Overall
Below $400	10%	13%	11%	19%	4%	12%	31%	28%	21%	19%	17%
$400-$449	44%	47%	46%	30%	24%	37%	30%	40%	68%	53%	42%
$450-499	23%	23%	28%	51%	49%	25%	15%	30%	11%	9%	26%
Above $500	23%	17%	15%	0%	23%	26%	24%	2%	0%	19%	15%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	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

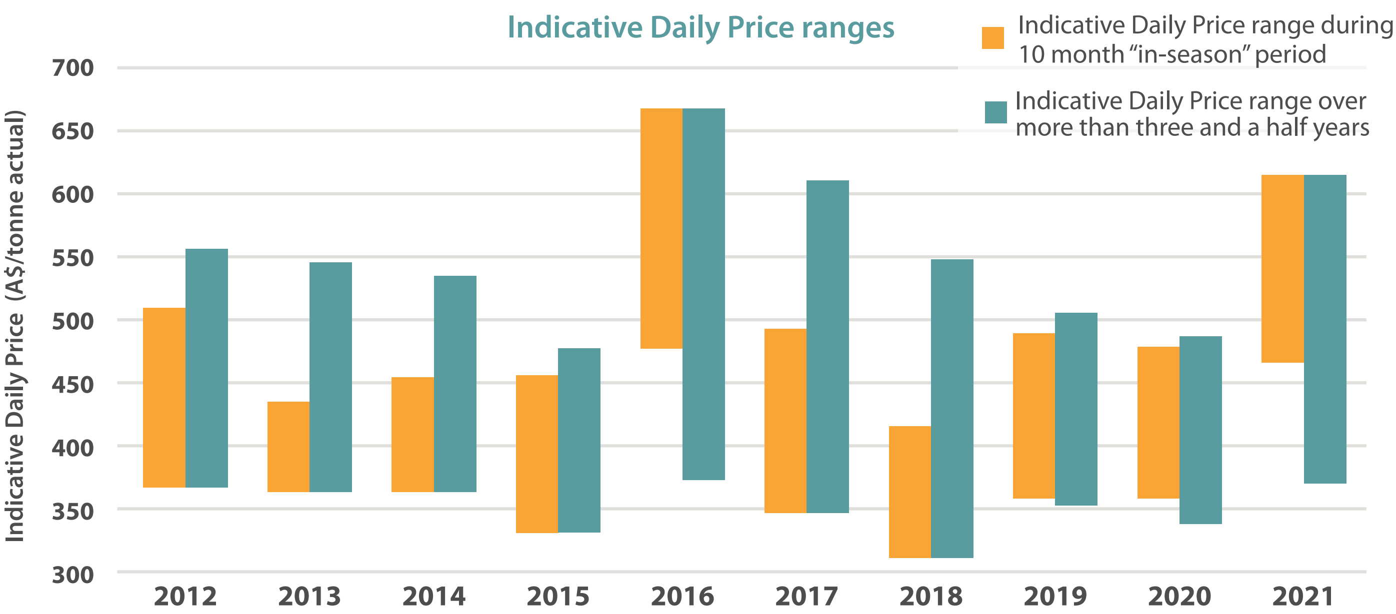
Clearly, the longer the period over which forward pricing can be undertaken, the more likely it is that better prices can be achieved at some point or another. Conversely, for example, if pricing was restricted to only that "in-season" period associated with a crushing season (i.e. the 10-12 month period from 1 May in the year of that season until the end of February or April in the following year), as is the case with some pools, it would significantly inhibit the ability to maximise prices.

A hypothetical

We analysed our data to illustrate the **hypothetica**l effect had we restricted forward pricing to just a 10-month "in-season" window compared with being able to price from three years before a season until the end of February after crushing. We found that:

- In eight of the 10 seasons, better prices were available over the three and a half year period compared with the 10 month "in-season" period. The only seasons where this was not the case were 2016 and 2021, which also coincided with the two highest seasonal price maximums (A$668/t actual and A$615/t actual, respectively) prevailing across the 10 years.
- In three of the 10 seasons (2013, 2017 and 2018) the highest price available in the three and a half year period was more than A$100/t actual higher than that prevailing in the 10 month "in-season" period.
- Over the 10 seasons, the highest price available in the three and a half year period was, on average, nearly A$54/t actual higher than that prevailing in the 10 month "in-season" period.

The following chart and table illustrate the above points.



Season	Indicative Daily Price range		
	During 10 month "in-season" period	Over more than three and a half years	Difference between the highest prices available over the two periods
2012	$368-511	$368-558	$47
2013	$361-434	$361-548	$113
2014	$361-453	$361-535	$82
2015	$332-459	$332-479	$20
2016	$477-668	$375-668	$0
2017	$348-496	$348-613	$118
2018	$313-418	$313-549	$131
2019	$359-491	$354-508	$17
2020	$359-481	$339-489	$8
2021	$469-615	$370-615	$0
Average			$54