

EU CDG - Sugar

World Market Update

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QUARTERLY MARKET OUTLOOK



AUGUST 2021

MECAS(21)13



World Market Update

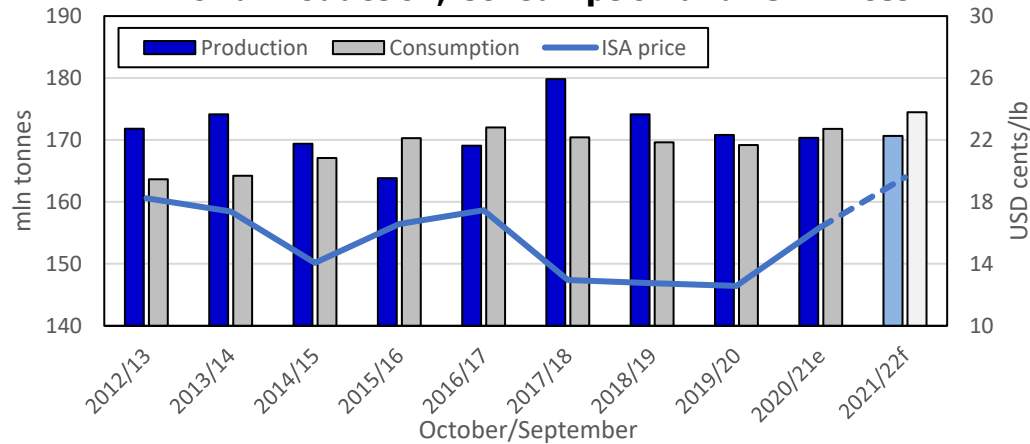
Agenda

- 1 Statistics***
- 2 Prices***
- 3 Trade***
- 4 Conclusion / Q&A***

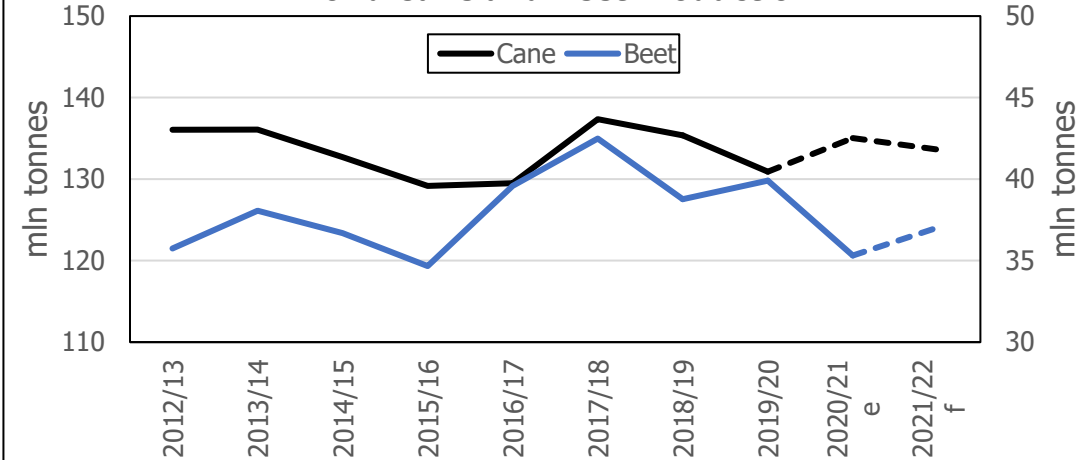


The Sugar Market

World Production, Consumption and ISA Prices



World Cane and Beet Production



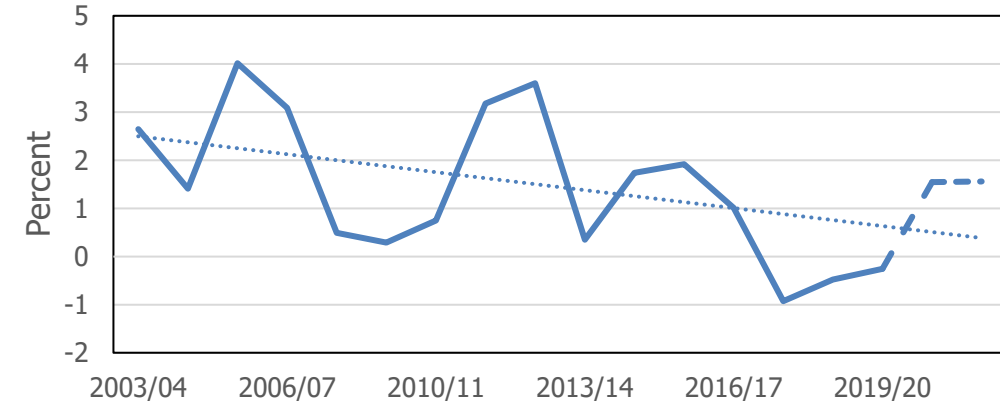
2021/22 deficit increased to 3.8 mln tonnes

Second year of deficit

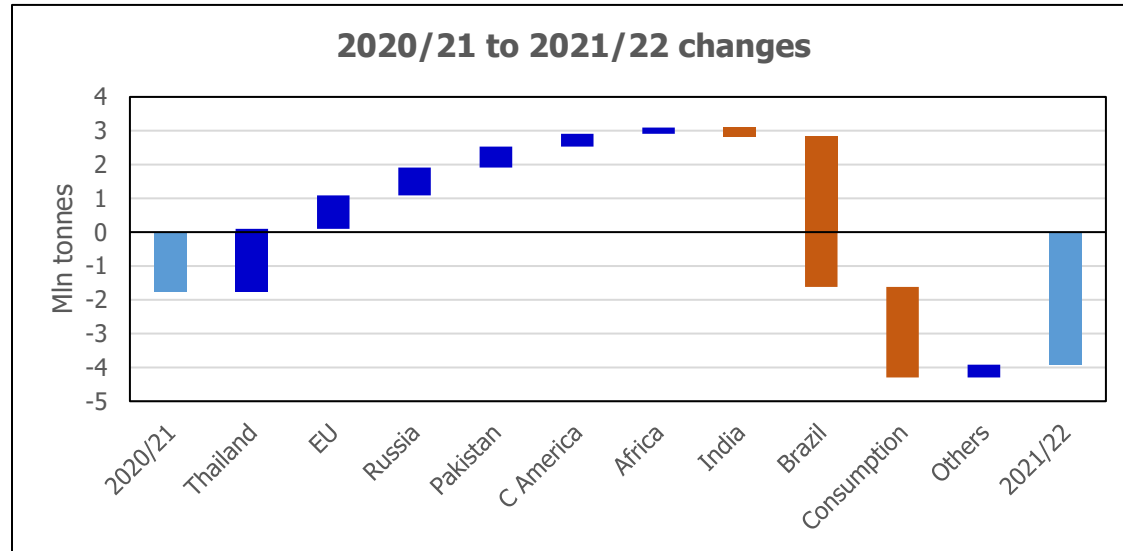
Flat production in the last three years

Anticipating a recovery in consumption

Growth rates of global consumption

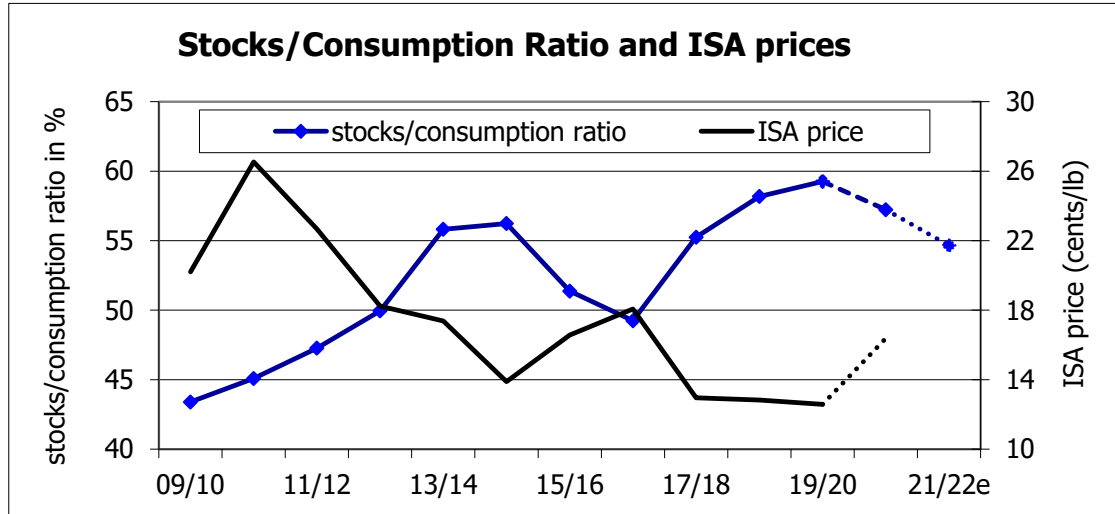


Changes for 2021/22



Oct//Sep	2020/21	2021/22
CS Brazil	35.8	31.5
NNE Brazil	3.1	2.9
India	31.0	30.7
EU	14.0	14.9
Russia	5.2	6.0
China	10.7	10.3
Thailand	7.1	9.0
Pakistan	5.8	6.4
Centrals	6.8	7.2
USA	7.7	7.6
Mexico	5.7	5.8
CS Brazil (Apr-Mar)	38.5	34.3

Stocks



Proven stocks

- Production cycles
- Domestic cover / Lead times / Excess
- Semi-finished products
 - Remelt
 - Thick juice storage
 - Molasses de-sugarisation

Global stock figure near all-time high

Change in attitude towards stock

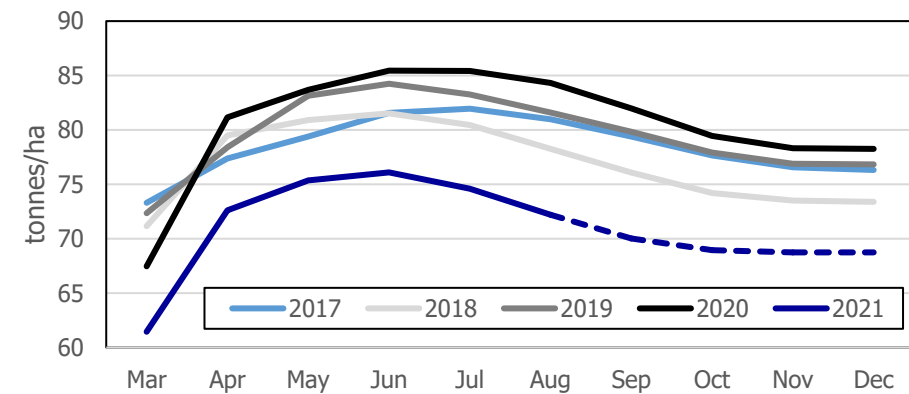
Logistic problems help sentiment to prevail

Southern Hemisphere Cane

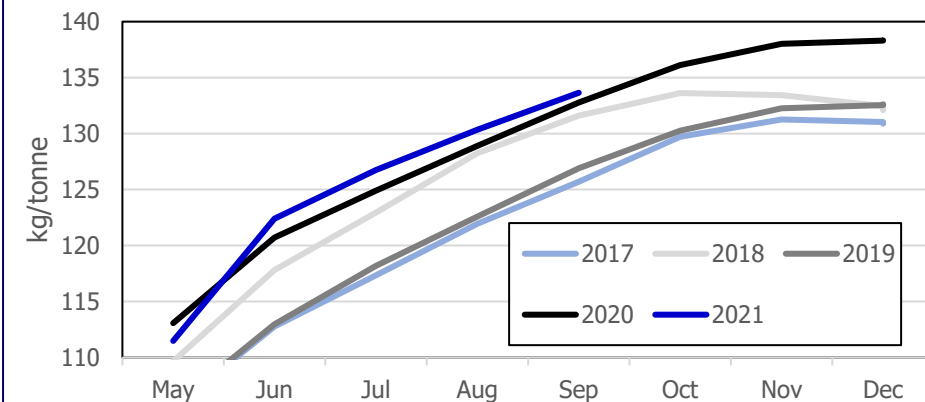
- Few producers can match CS Brazil productivity
Cane yield down at 70 tonnes/ha
Total down to 540m tonnes from 605 mln tonnes

Industrial yield at 135 kg sugar / tonne of cane

Cumulative CS Brazil Cane Yield



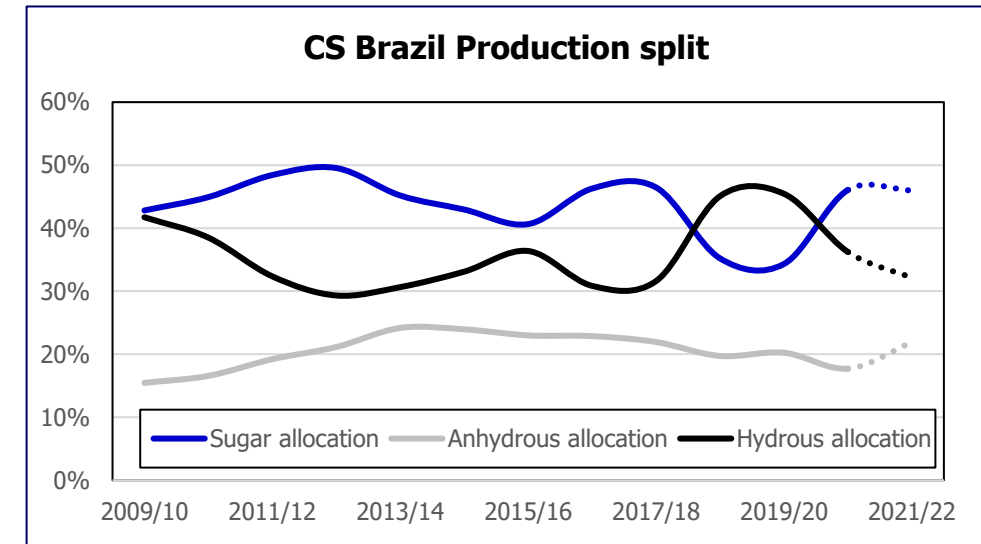
Cumulative CS Brazil Sucrose Yield



Southern Hemisphere Cane

Sugar allocation unchanged y-o-y

- Currently, still second-best sugar total on record
 - 26.8 mln tonnes (29.2 mln tonnes last season)
 - End of season difference to be 4.1 mln tonnes
 - Plenty of sugar in the warehouse
- Australian harvest disrupted by rains, but still ahead of last season
- South African harvest disrupted by unrest, resulting in slower progress and lower anticipated cane total



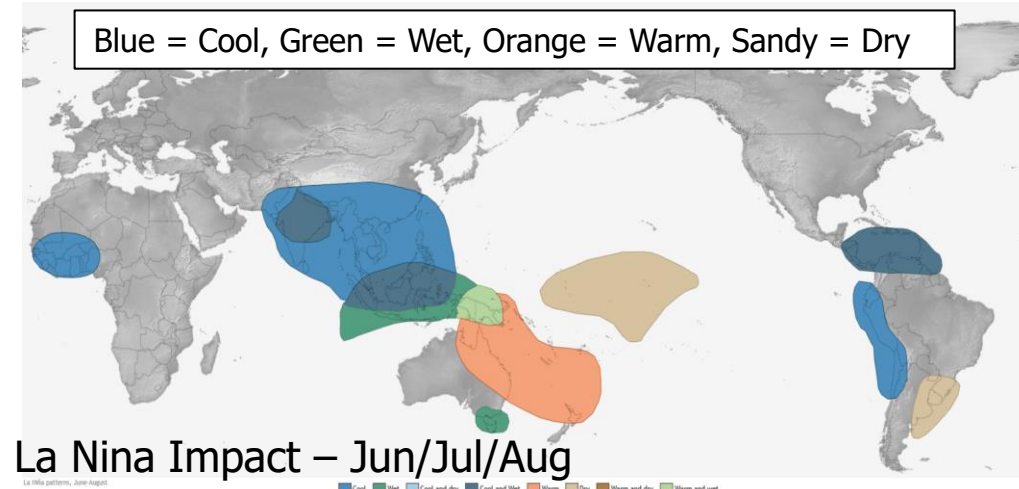
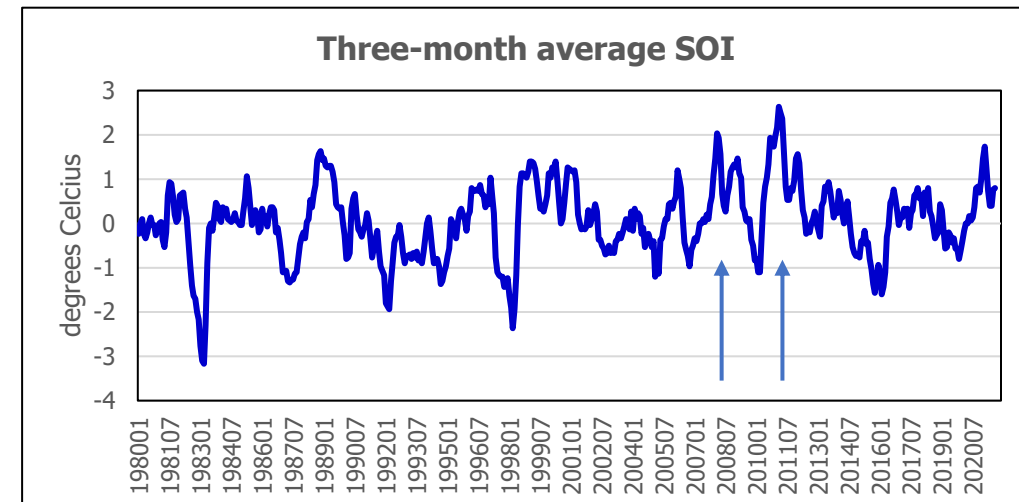
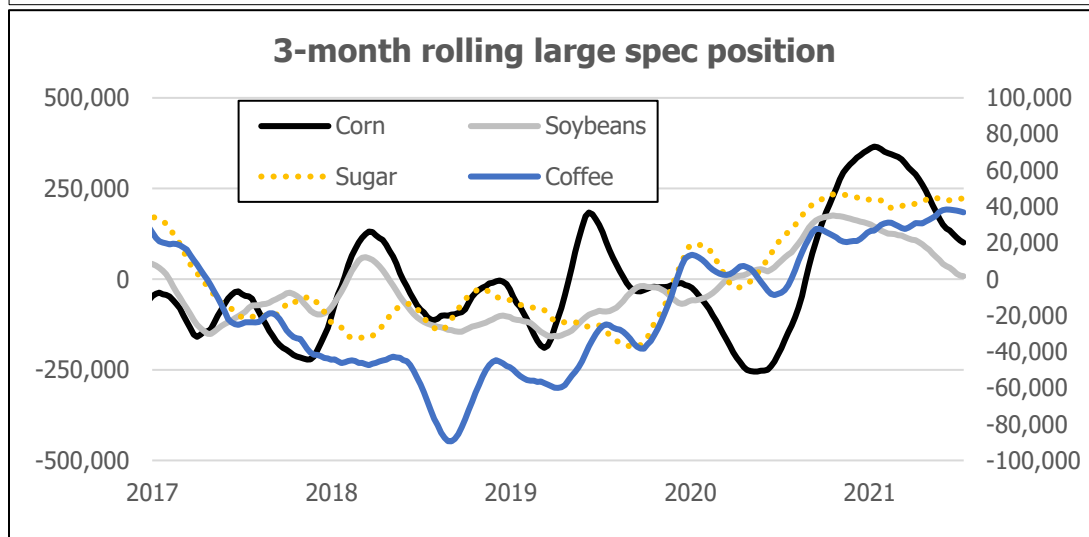
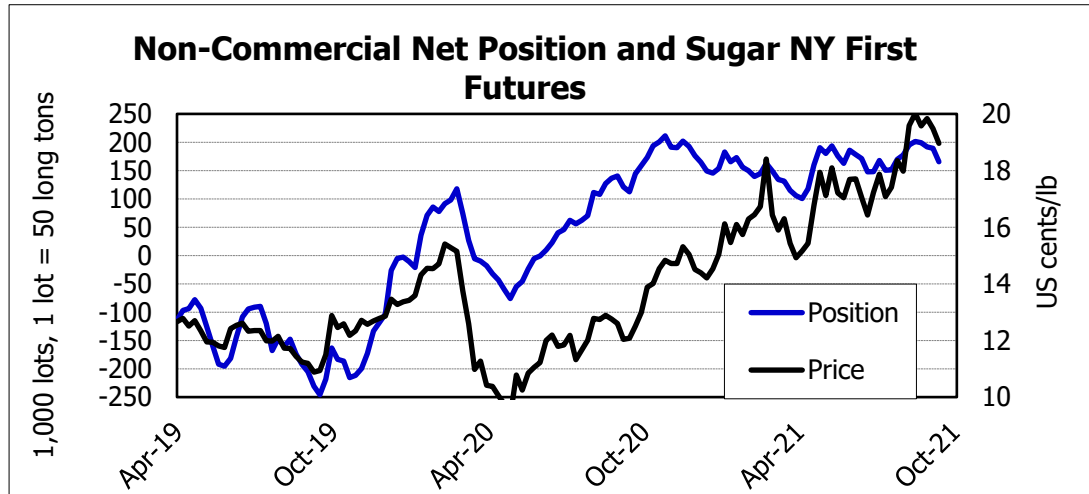
Beet Production – Q4 2021

EU	= 14.9 mln tonnes Weather has been positive recently, low disease but increased cost of beet and energy
Russia	= 6 mln tonnes Early start to harvesting due to lack of growth, beet yields up on last season Fewer issues with energy costs
US	= 4.2 mln tonnes Harvesting commenced in second week of Aug, some weather setback but should progress quickly
Turkey	= 2.9 mln tonnes Record harvest last season, excellent trading position
Egypt	= 1.8 mln tonnes (due in Q2 2022) Expanding sector with positive yield developments
China	= 1.1 mln tonnes Could decline below 1 mln tonnes as farmers reportedly switched to corn

Cane Production – late Q4 2021

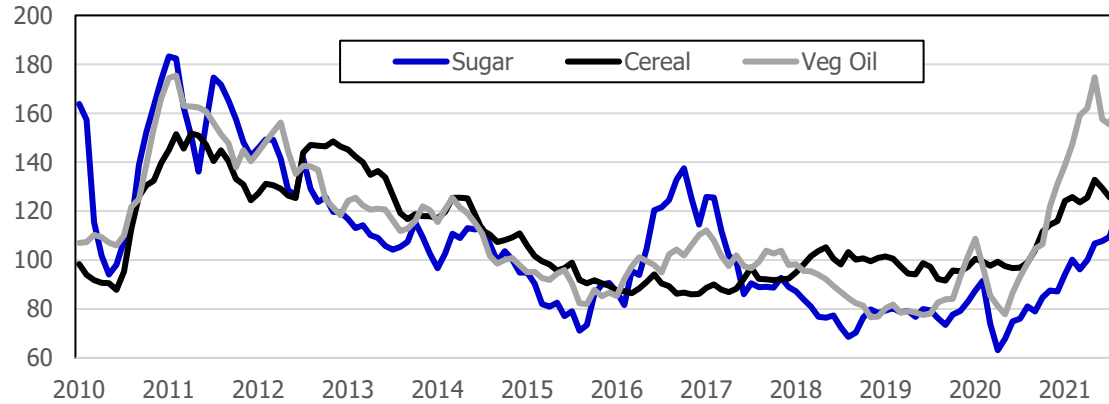
- India = 30.7 mln tonnes
Good monsoon, except East UP. Higher diversion to artisan sugar and ethanol
- China = 9.2 mln tonnes
Good weather in southern states, but acreage under pressure. Prices are flat
- Thailand = 9.0 mln tonnes
Farmers have switched back thanks to THB1,000 cane price, very wet weather recently
- Pakistan = 6.4 mln tonnes
Good monsoon in 2020 lifts prospects, high prices in 2021 have caused political issues
- Mexico = 5.8 mln tonnes
Crop is recovering following poor harvest in 2019/20. Prices are align with US, for now

Broad Factors

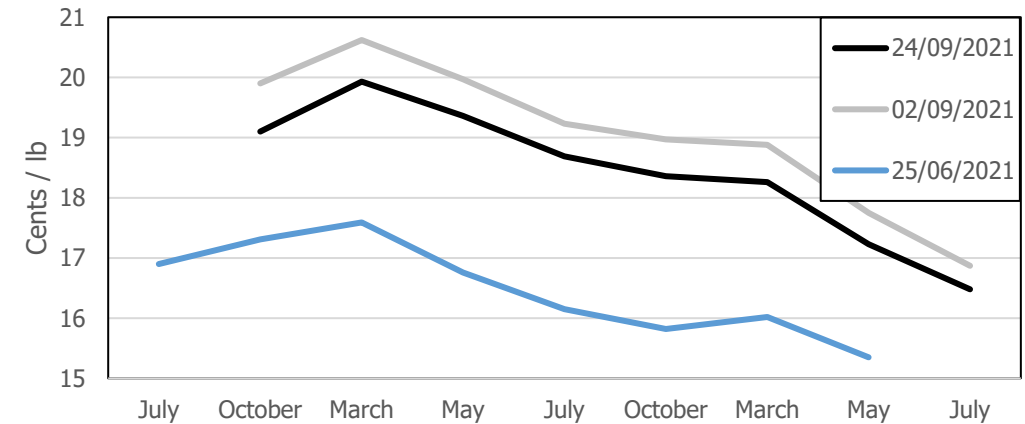


Current Dynamics

FAO Commodity Price Indices



NY futures forward curve



Producers & Competing Crop

Brazil - Soybeans / Corn

Thailand - Cassava / Rice

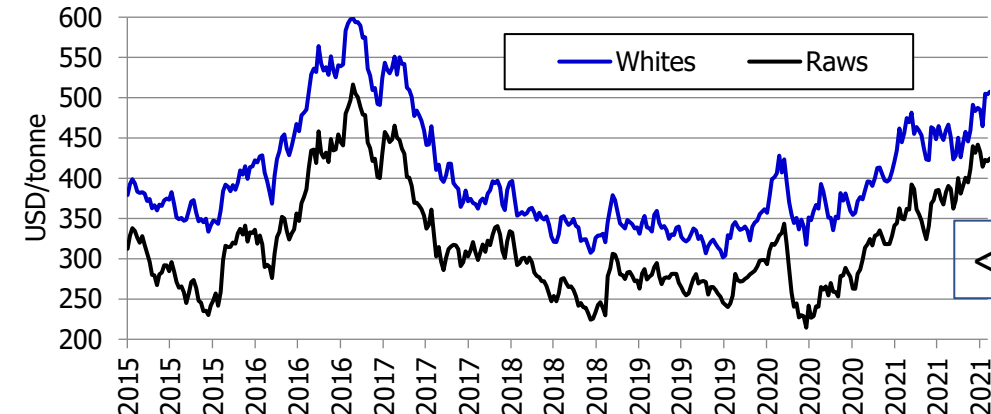
EU - Cereals

China - Corn / Vegetables

Russia - Cereals

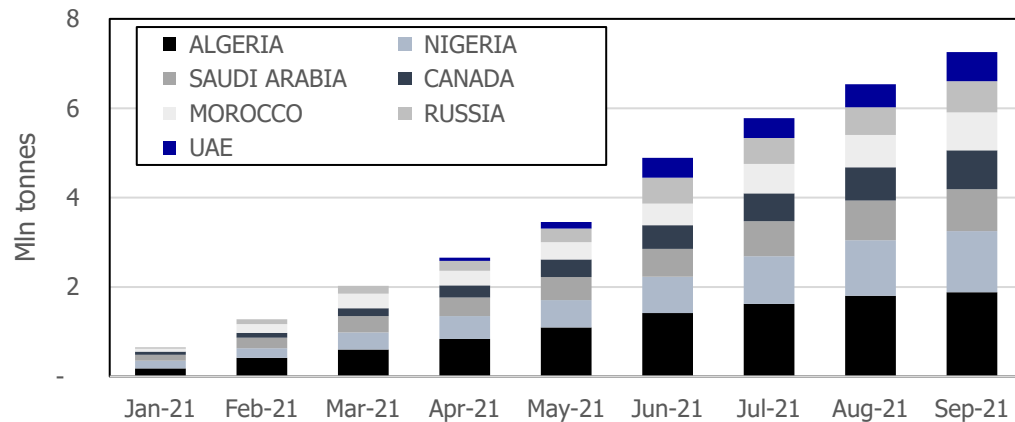
Low growth market but record yielding crop

Prompt Sugar Prices

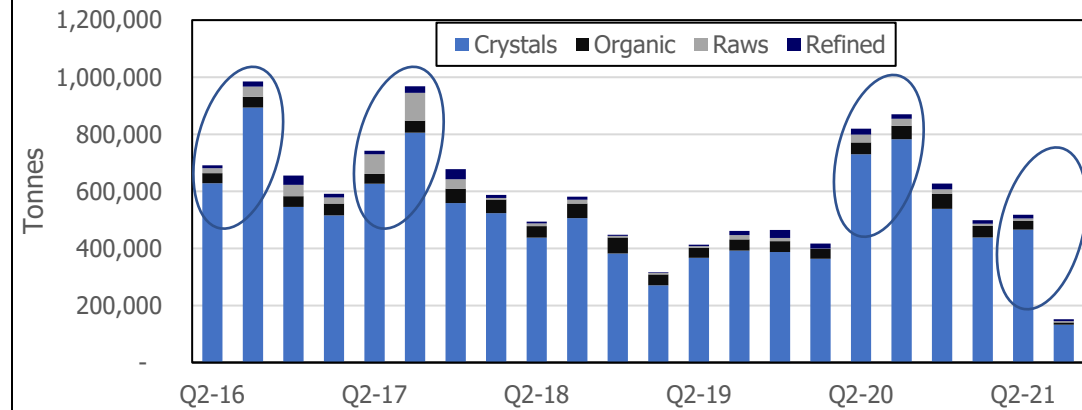


Raws vs Whites

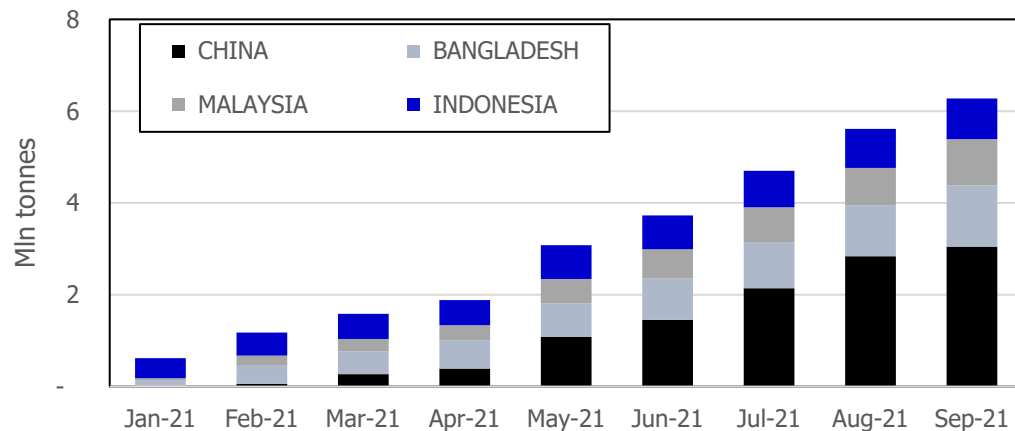
Brazil exports to regional markets



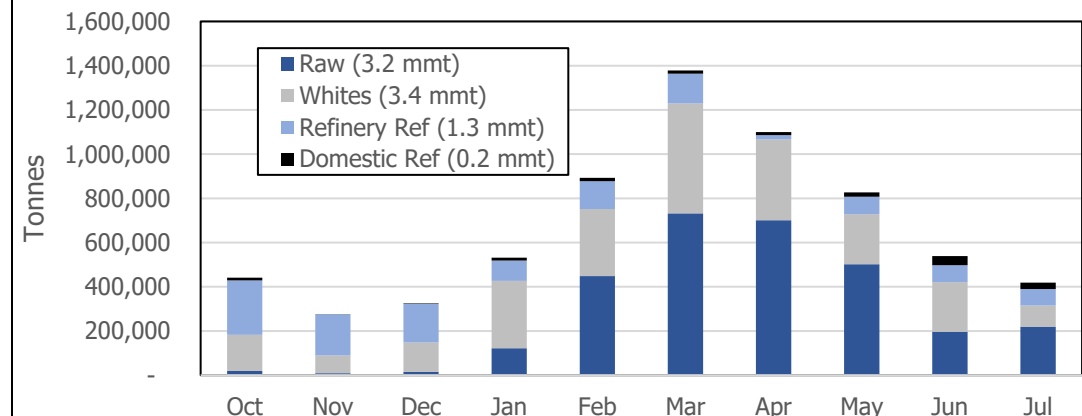
Containerised exports from Brazil



Brazil exports to Asian markets

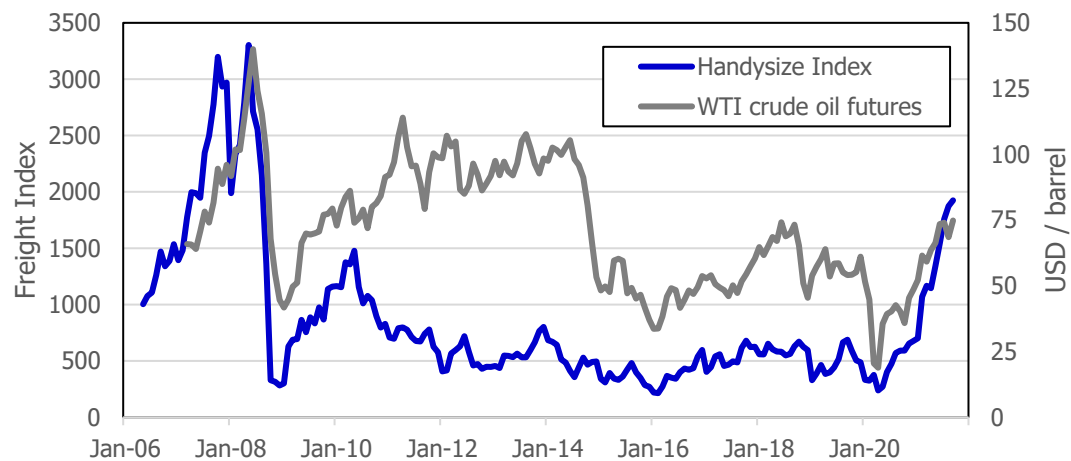


Monthly Indian Exports 2020/21



Freight

Monthly Handysize Index and Crude Oil Prices



Freight cost is a key variable today

At a daily charter rate of USD 30,000 plus fuel costs of around USD 10,000, every day's voyage (288 miles) will cost USD0.86/tonne for a 50,000 tonne vessel
This excludes time in port and associated costs

Container freight has risen more steeply and has a bigger impact as shipments are deferred / delayed

Container volume has increased between 5-10% in 2021 but biggest hold-up is vessels waiting to berth in China and waiting to discharge in US

This is drawing-in ships from other routes (MENA / Africa)

Voyage times from Santos, Brazil

MENA region	ASIA region
Morocco = 15 days	Bangladesh = 31 days
Iraq = 30 days	North China = 40 days
Africa region	
Nigeria - 12 days	

Trade Prospects for 2021/22

- Brazil exports currently 2 mln tonnes behind last season as is sugar production
 - Buying from China in the last 4 months of 2020 was exceptional
 - Buying from Indonesia likely to be lost
 - Export refinery demand remains weak - Algeria, Morocco and UAE
 - Import refinery demand steady - Nigeria, Bangladesh, Malaysia, Saudi Arabia and Canada
- Increased US demand will favour quota and FTA tonnages
- Black sea buying expected to slow
- Asian markets better supplied with Thai raws, especially Indonesia and possibly Japan
- Exports of Indian white sugar needed in Indian Ocean region
- Weather prospects for 2022 CS Brazil crop closely watched as ethanol switch is exhausted

Conclusion

- For 2021/22 balance
 - End date of the pandemic
 - Better harvests in a range of countries
 - Uncertainty over CS Brazil outlook
- Pandemic triggered a desire for stock holding, which is still reverberating
- Prices have rallied thanks to speculative long, ISO outlook is neutral
- “Commodity super-cycle” might end soon in arables
- Trade flows are hampered by high freight costs
- Poor margins for refiners going forward point to continued need for Indian whites



EU CDG Sugar



Thank you

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