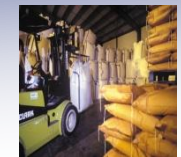




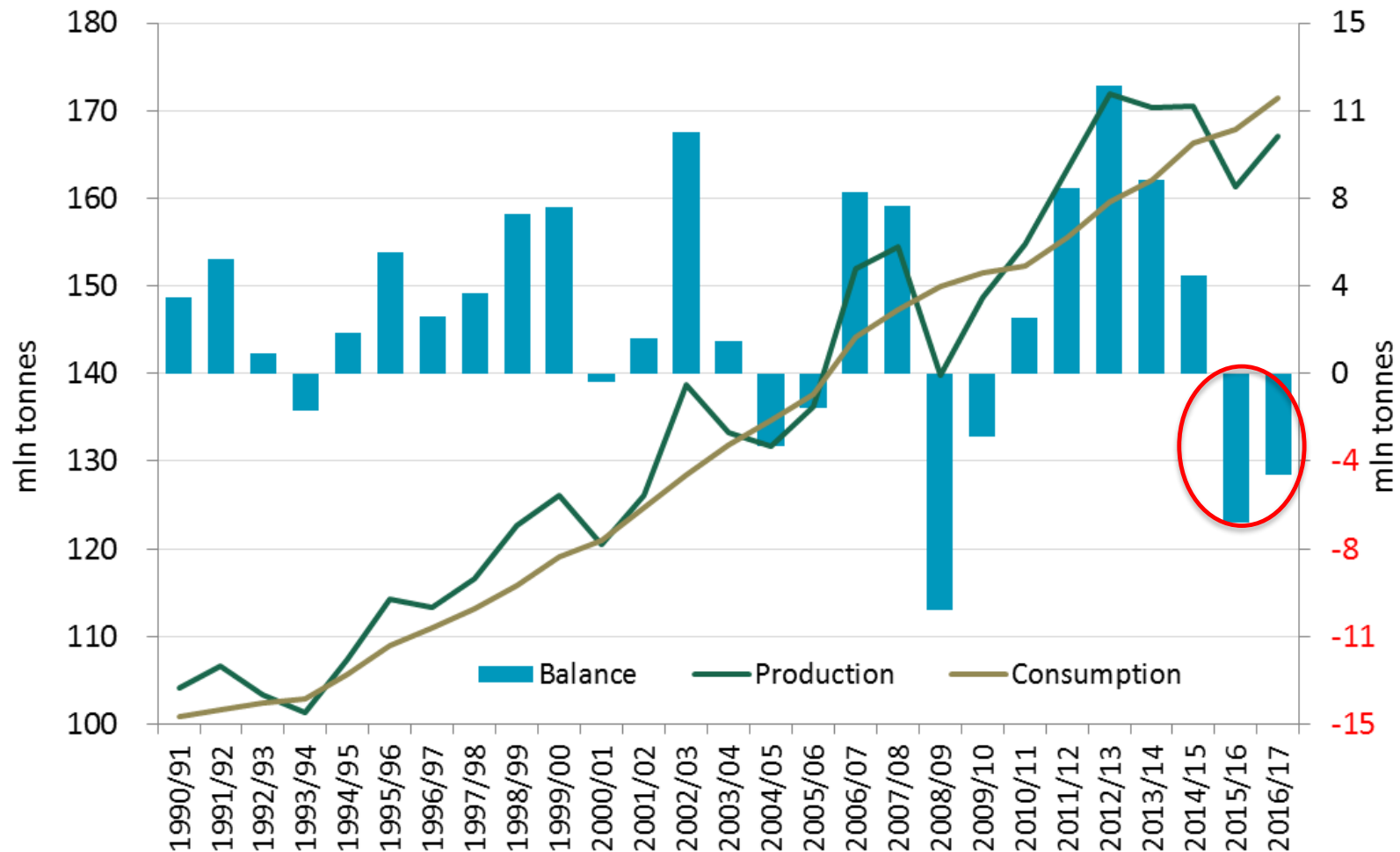
The European Association of Sugar Traders

Situation and prospects for the world sugar market

Henning Koch
Brussels, 3 June 2016
Civil Dialogue Group

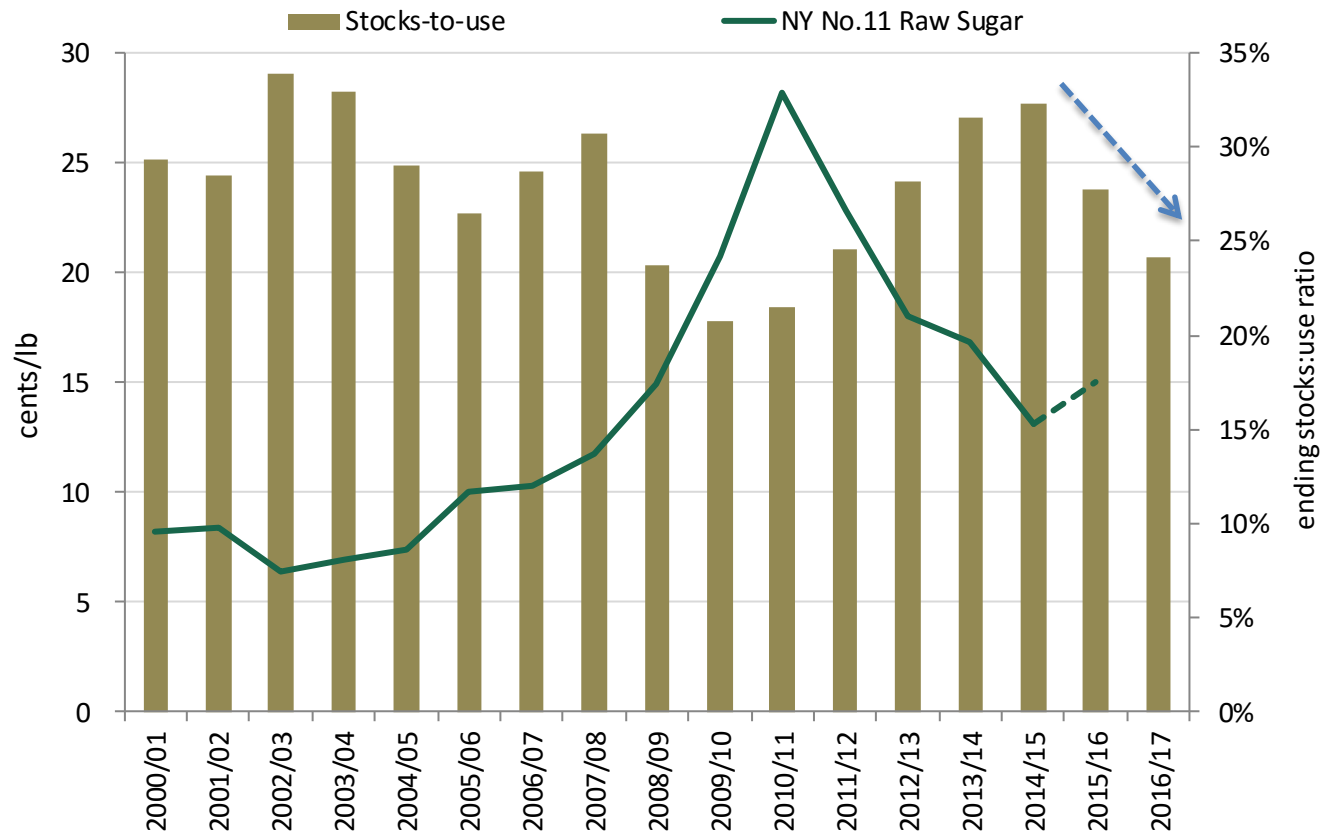


Global S&D – *first deficit in 6 years to continue into 2017*



Source: ED&F Man Commodities Research, figures in tel quel, Oct/Sep year basis

Global Stocks to fall



Source: ED&F Man Commodities Research, figures in tel quel,

Raw Sugar since 2008



Source: Reuters

White Sugar since 2008



Source: Reuters

Raw Sugar since 1973



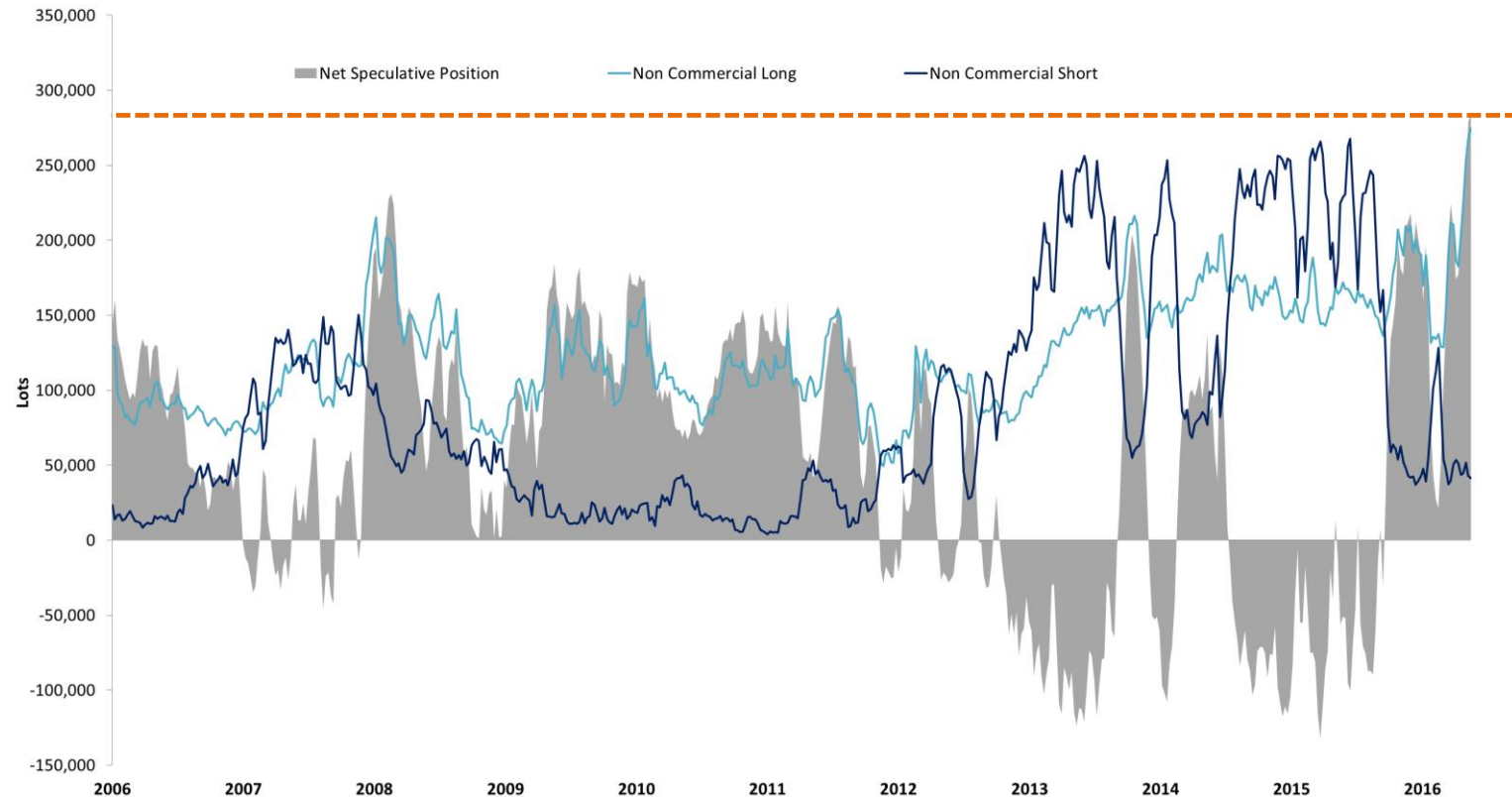
Source: Reuters

Raw Sugar in BRL since 2014



Source: Reuters

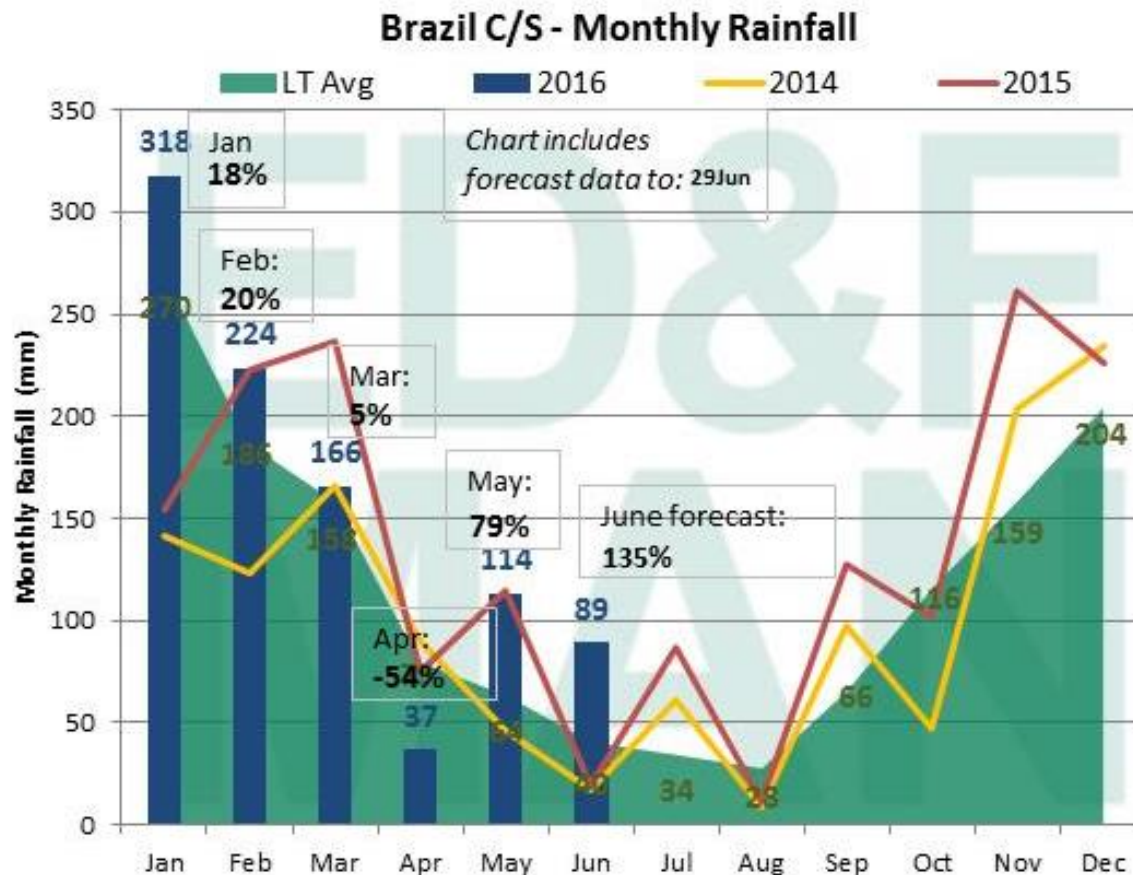
Specs maintaining long bias



- Specs push net-long to a new record of 284k
- Adverse weather has hit many Ag commodities this year
- **Sugar** is a liquid, exchange traded contract and able to give exposure to specs seeking upside of prices in wider Ag sector

2016: Brazil C/S crop a factor of weather and mix

- 40% of C/S cane **at risk** from 2 months of dryness... However recent rains should aid yields while at the same time could causing disruption to the cane harvest and port loading operations.



CS Brazilian production

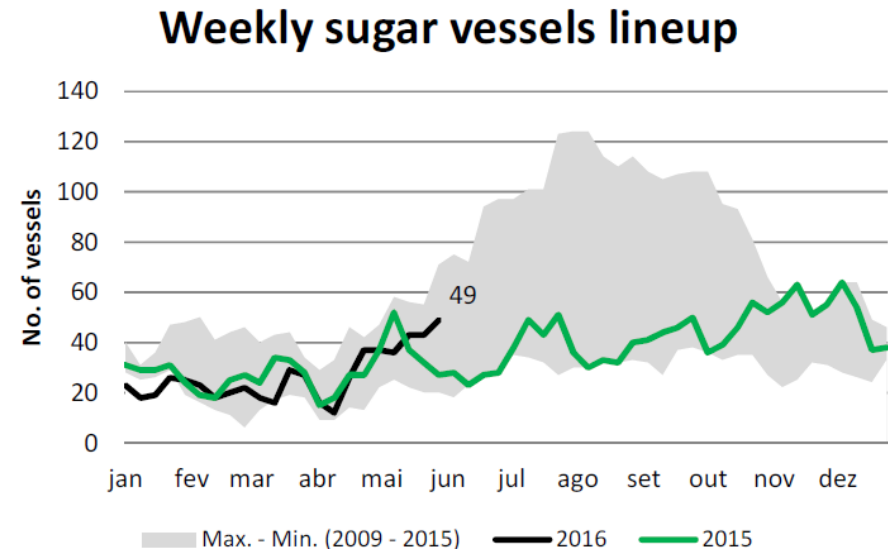
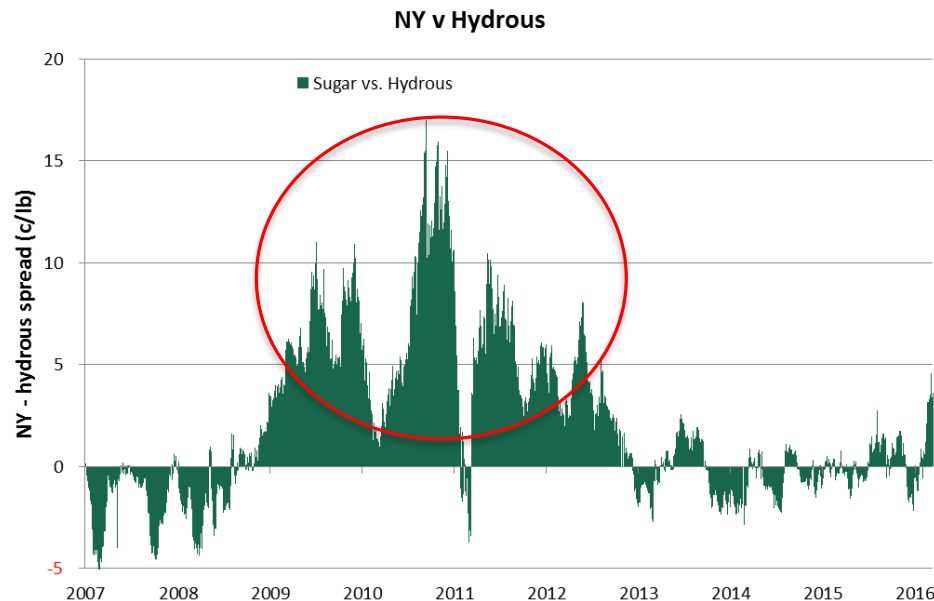
Unica		1st half May		Cumulative		
	16-May-15	16-May-16	% change	2015	2016	% change
Cane	28,671,000	39,488,000	37.73%	68,835,000	108,538,000	57.68%
Sugar	1,223,000	2,060,000	68.44%	2,672,000	5,303,000	98.47%
Anh Ethl	0.395	0.652	65.06%	0.802	1.580	97.01%
Hydr Ethl	0.849	0.965	13.66%	2.152	2.813	30.72%
Tot Ethl	1.244	1.617	29.98%	2.954	4.393	48.71%
ATR	118.00	124.00	5.08%	113.05	119.86	6.02%
Mix (sug)	37.85%	44.02%	16.30%	36.04%	42.78%	18.70%

**ethanol figures in billions of liters

Source: Unica

2016: Brazil C/S and the mix

- **Hydrous prices** currently at ~**12.86 c/lb** sugar equivalent
- NY11 **premium** has been higher in past (~15c/lb) ...a big allocation to sugar (48-50%) was possible due to spare capacity – *however this is not the case this year!*
- Cash-flow problems, plus risk of port lineups and delays could encourage mills to produce ethanol over sugar, however the persistent NY levels above 17 cents/lb are also aiding sugar output

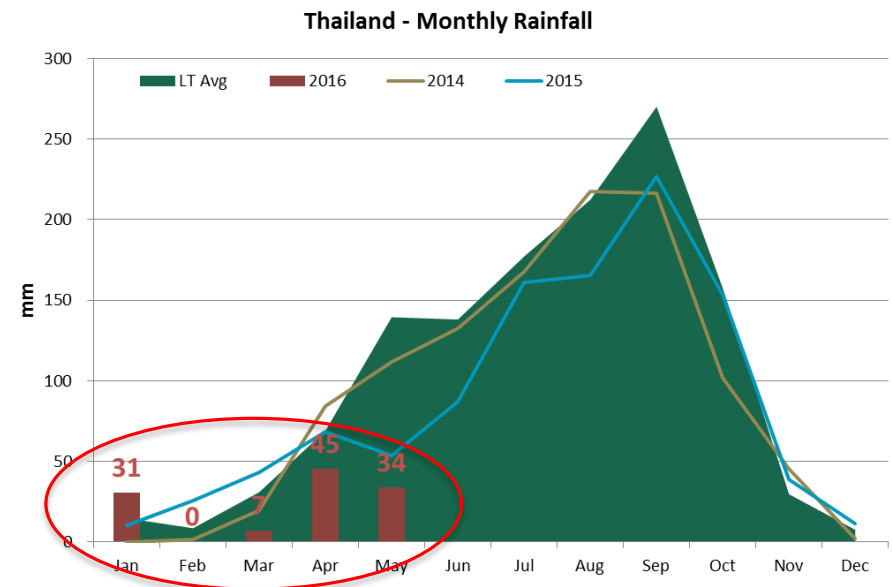
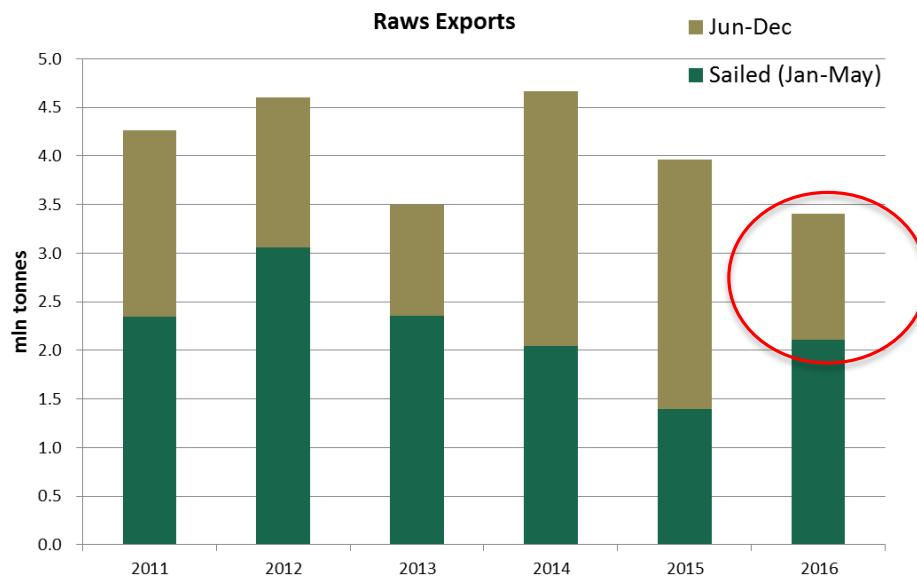


Source: ED&F Man Commodities Research, CEPEA

Thailand – *Small crop + higher remelt = limited raws*

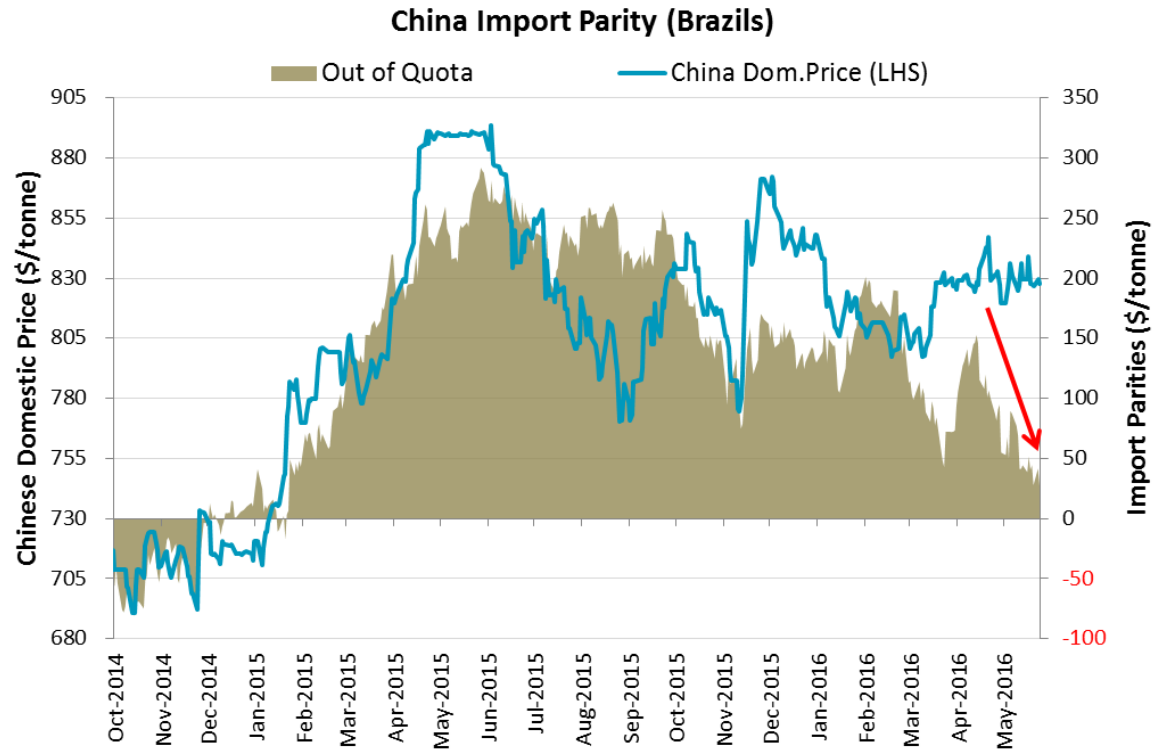
Strong demand for Thai raws leaves limited raws availability for rest of 2016

Dryness to limit next season crop



Source: SATA & ED&F Man Commodities Research

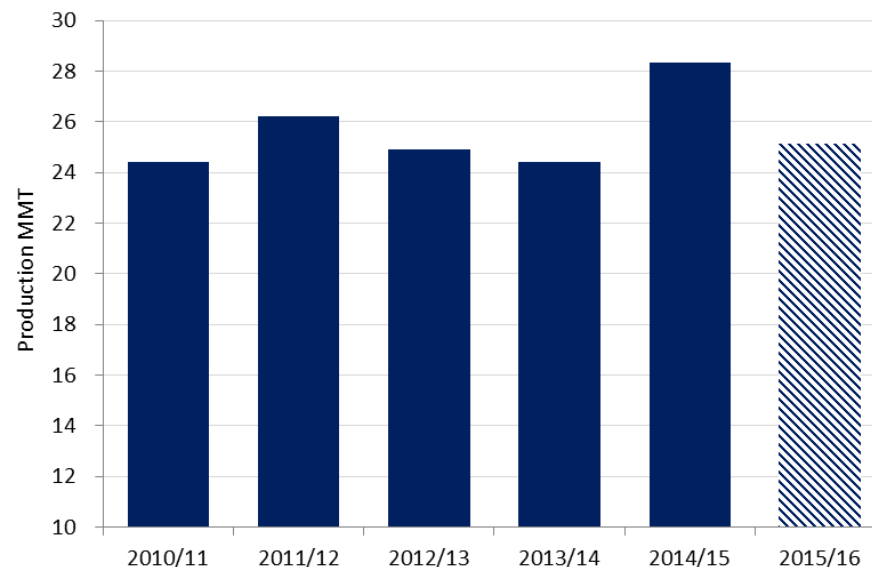
China – Govt could drawdown stocks with lower IQ imports



- Higher NY levels narrows import parity for OQO sugars
- Combination of lower returns on OQO imports and Govt move to drawdown stocks could see reduced demand from China in SH 2016
- 'Cross-border' flows still unclear - in 2015 over 1.5mmt moved → Govt clampdown, higher #5 prices to curb flow

India – All eyes on 2016/17 production

Domestic Prices (M Grade)



- Domestic prices rally on *lower* 15/16 production and drought risks to 16/17 crop
- Government restricts hoarding of sugars to alleviate price rising further
- Monsoon 2016 critical for 16/17 yields and 17/18 planting
- 2017: pressure on mills to import raws to supplement a lack of cane

Around **3mmt** of sugar could be imported to meet shortfall in domestic supply
dependent on Govt **reducing** the import duty

Source: ISMA & ED&F Man Commodities Research

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