



European Association of Sugar Traders

# Situation and prospects for the world market for EU sugar exports

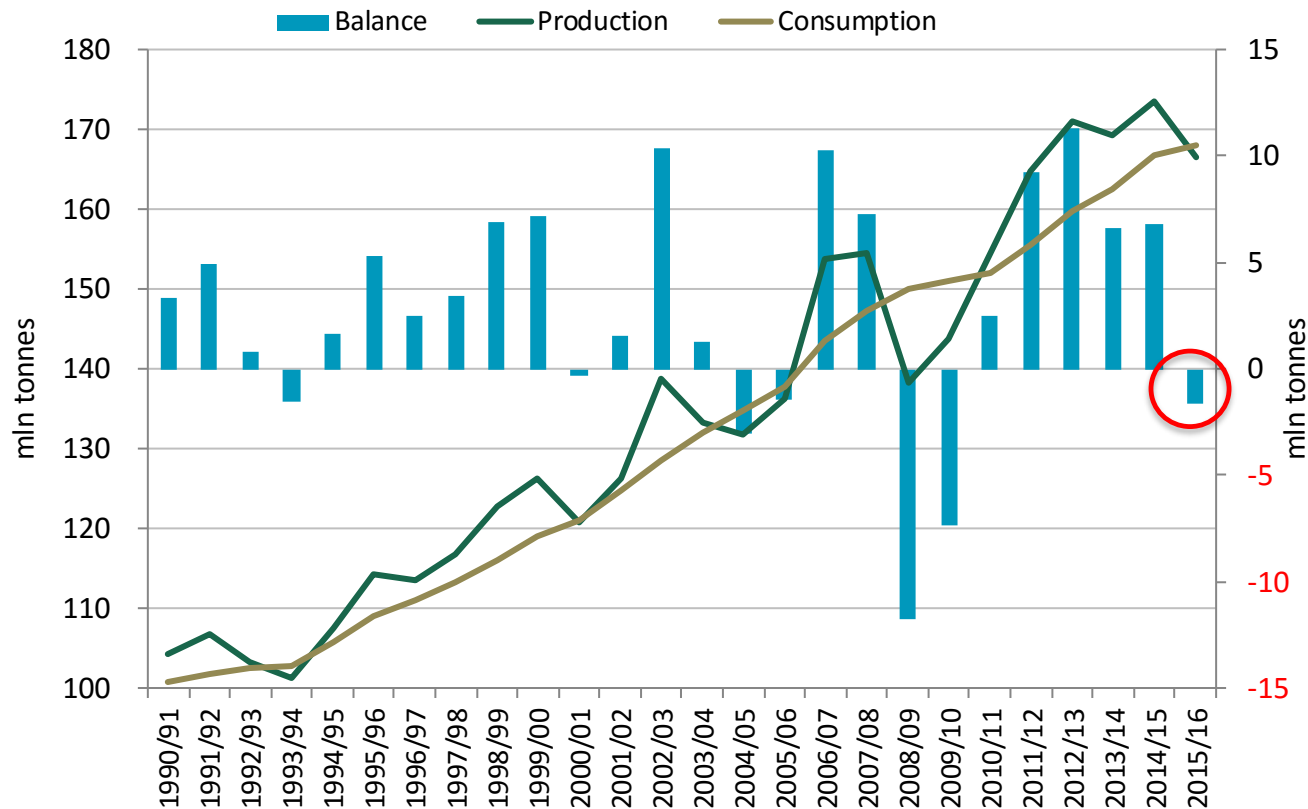
Civil Dialogue Group Arable Crops

« **SUGAR** »

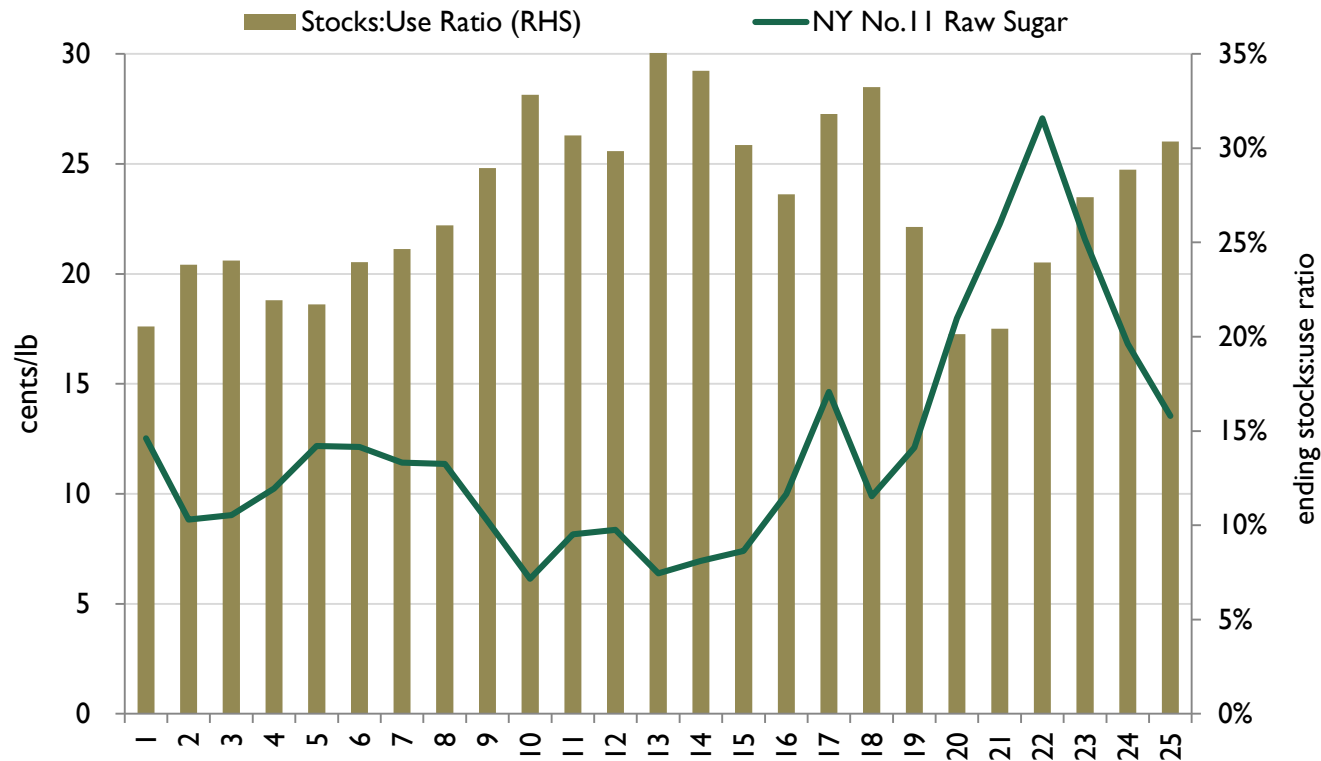
Wednesday 4<sup>th</sup> November 2015

# Global S&D 15/16 – 5 consecutive surpluses

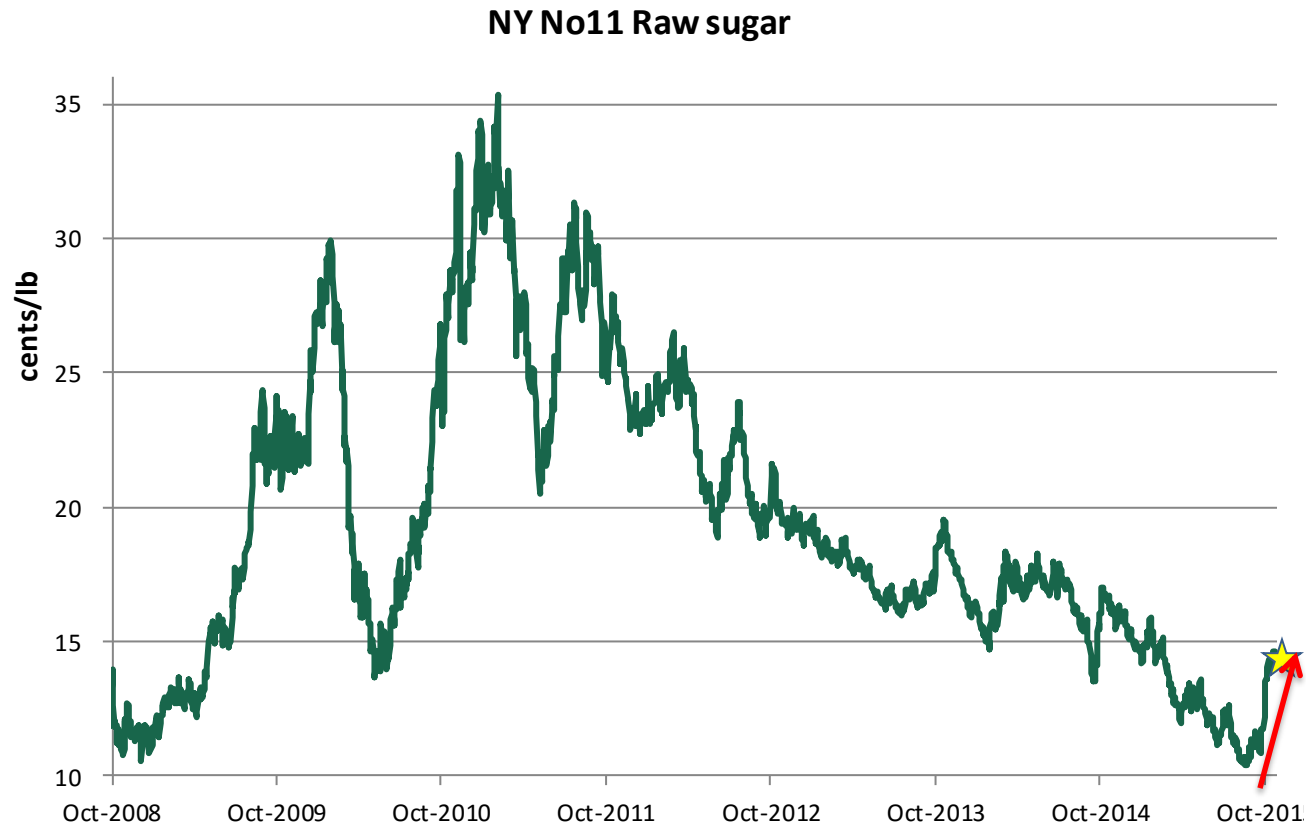
2015/16: First deficit in 6 years, since 2009/10



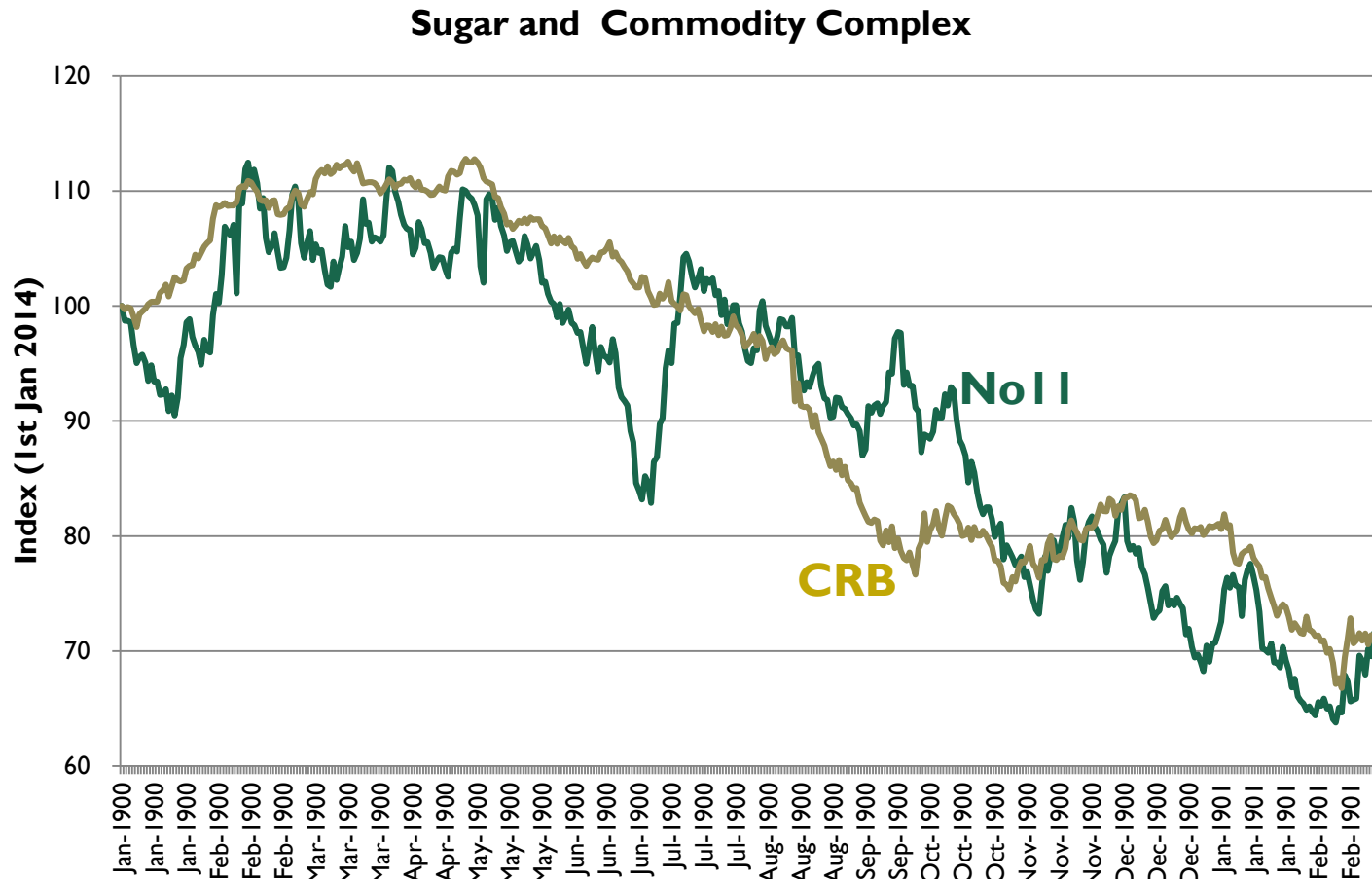
# Stocks rise to highest since 2007/08



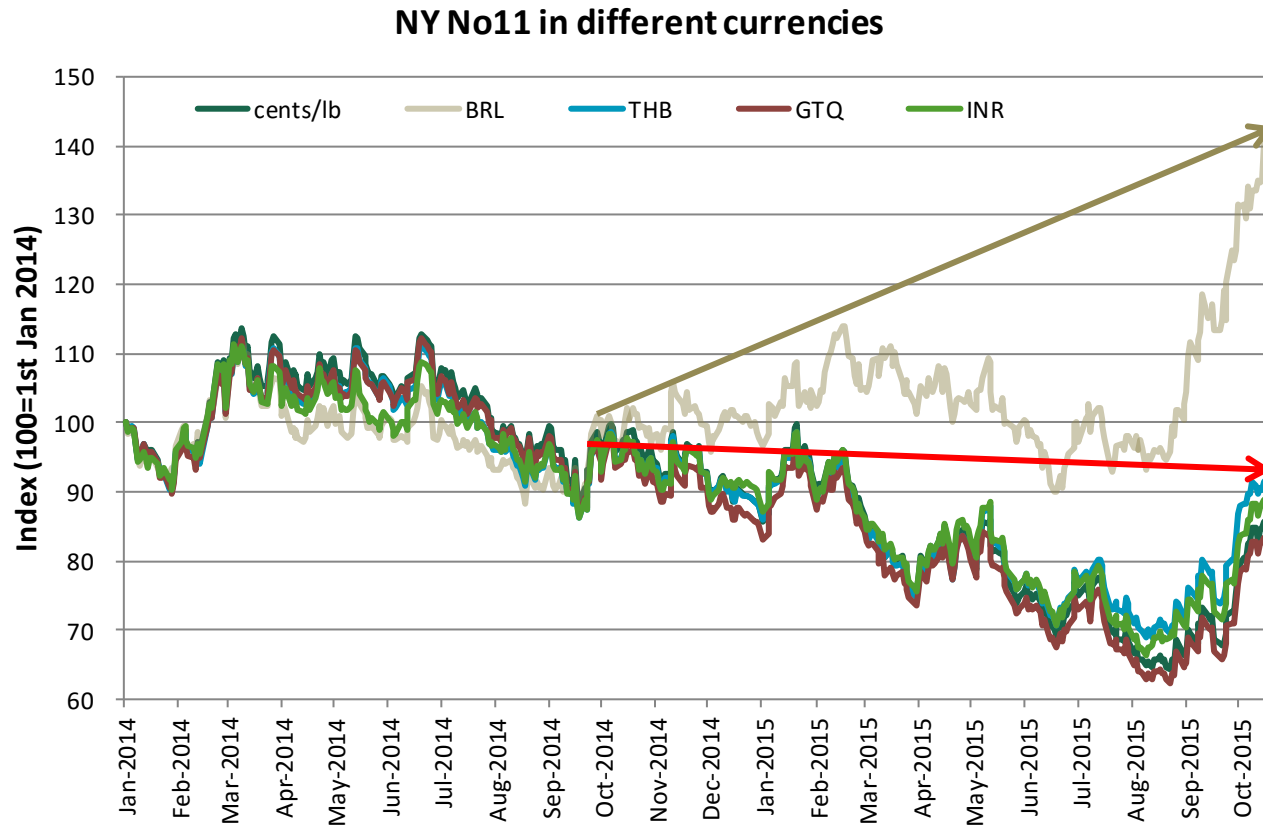
# NY No11 — *Prices rebound from 7 year lows*



# Commodities in general suffered, not just sugar

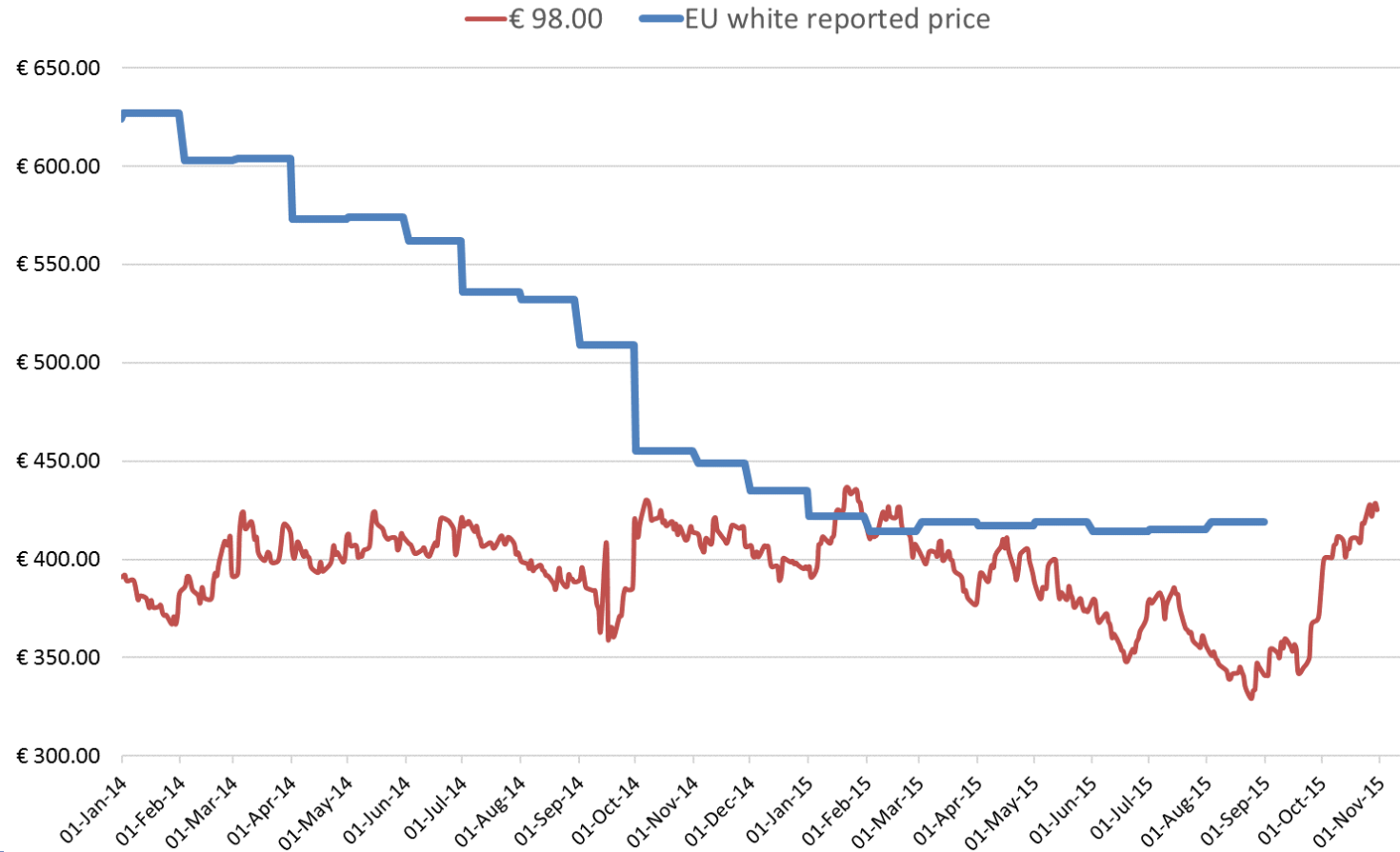


# Major sugar origins hit by stable currencies .....Brazil was the exception

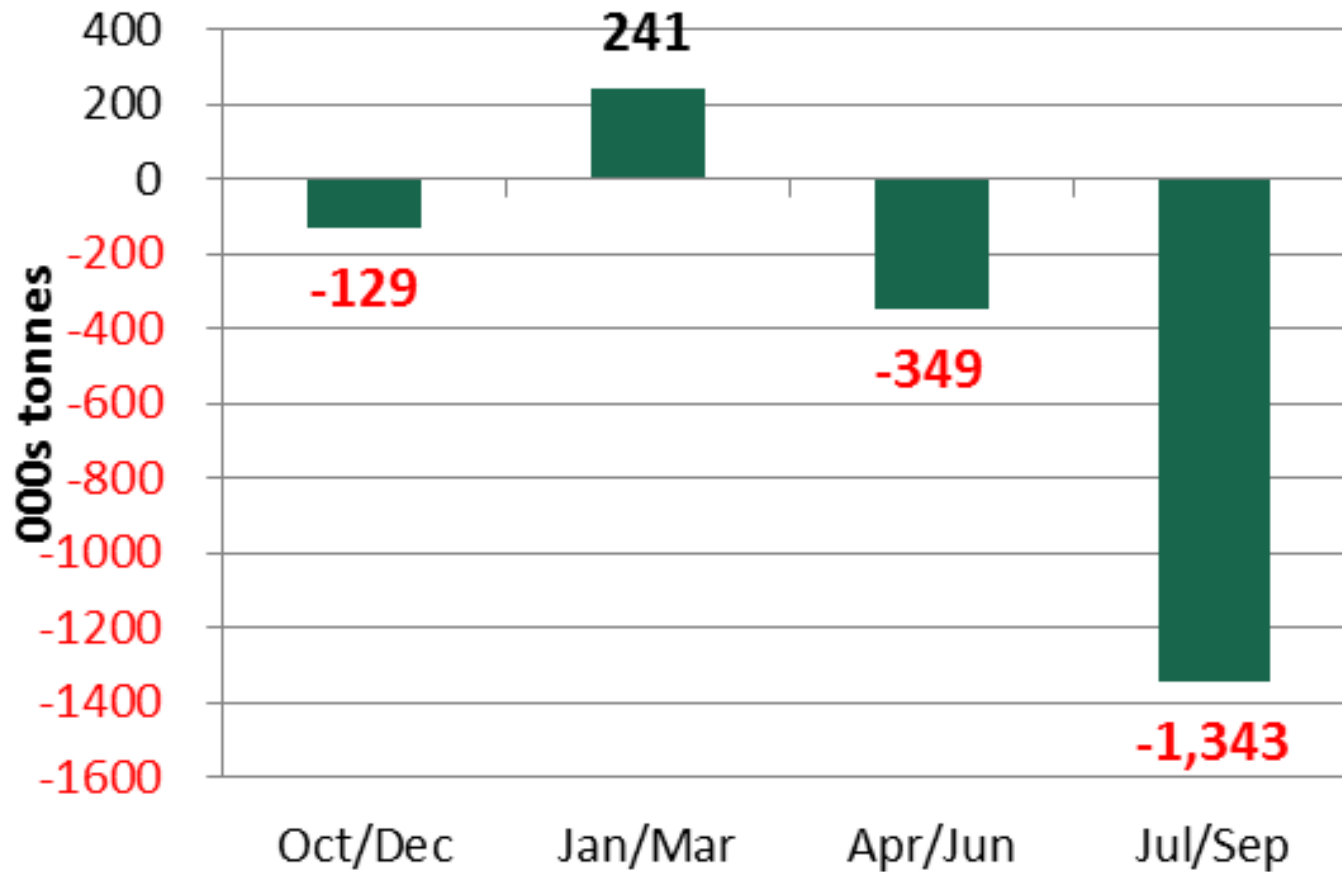


# CXL parity

CXL parity with \$25 freight and EU reported prices



# Quarterly Trade flows – tightness ahead for raws

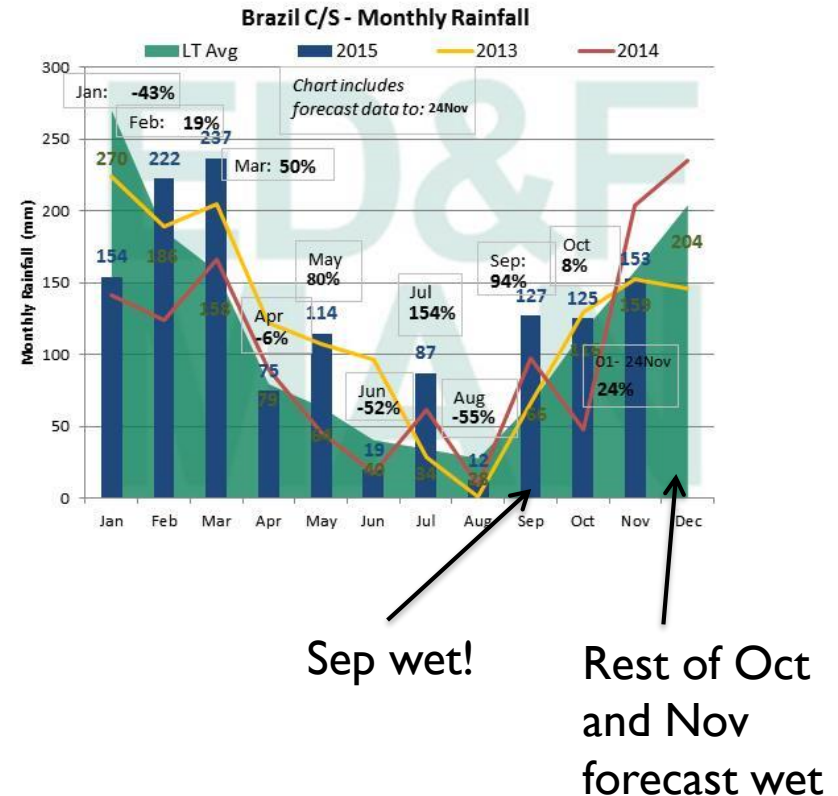




# Brazil outlook

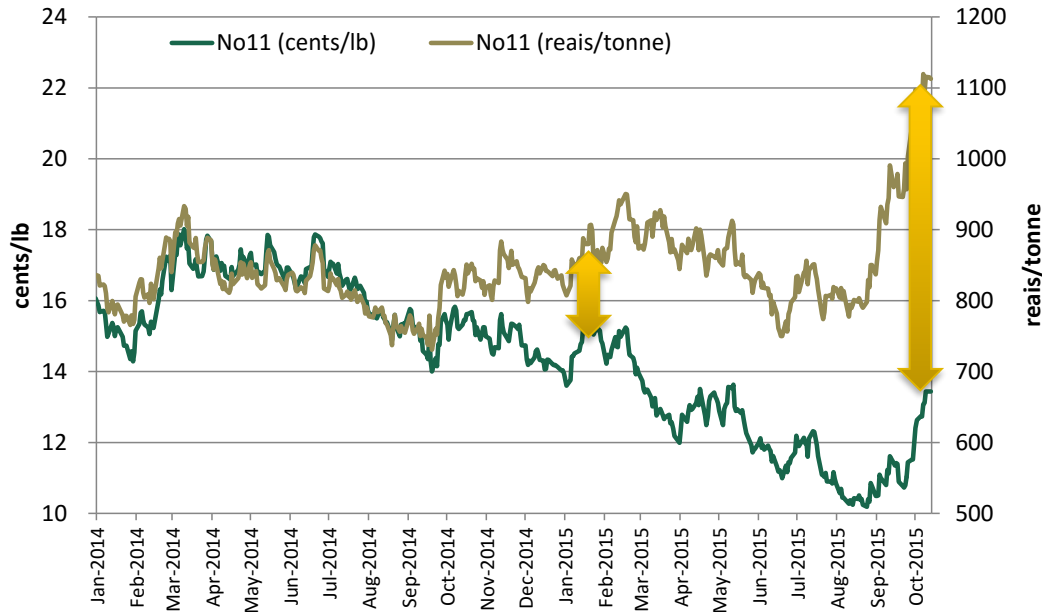
Large amount of cane this year....but how much will mills be able to crush?

ED&F Man Brazil CS Crop Forecast				
Sugar	2013/14	2014/15	2015/16 (e)	Chg
Cane (mln mt)	596	571	599	5%
TRS (kg/cane)	133.5	136.6	133	-3%
Sugar Mix (%)	45.2%	43.0%	41.3%	
Sugar Prod. (mln mt)	34.3	32.0	31.3	-2%
Ethanol				
Ethanol Prod (mln m3)	25.5	26.1	27.4	5%
Anhydrous	11.0	10.8	10.5	-2%
Hydrous	14.5	15.4	16.9	10%



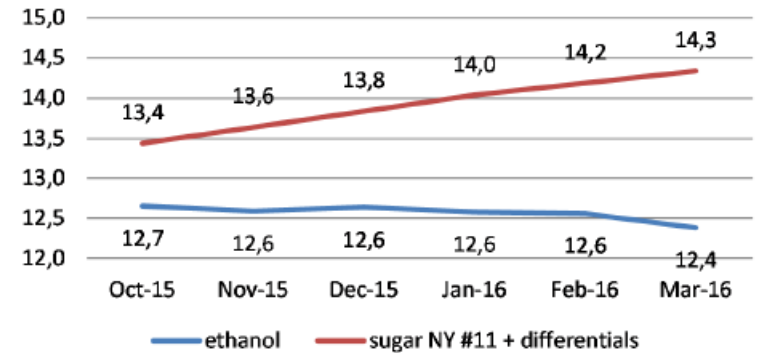
# BRL depreciation increases returns on sugar exports

NY prices in cents and reais



Both price series include Physical Diffs

Hydrous ethanol futures vs. raw sugar FOB values (c/lb) - 09 Oct



**For 2016, sugar paying better than ethanol....**

**...Brazil could 'solve' Global raws deficit with higher mix**

# India – Large carryover stocks, pressure to export in 15/16

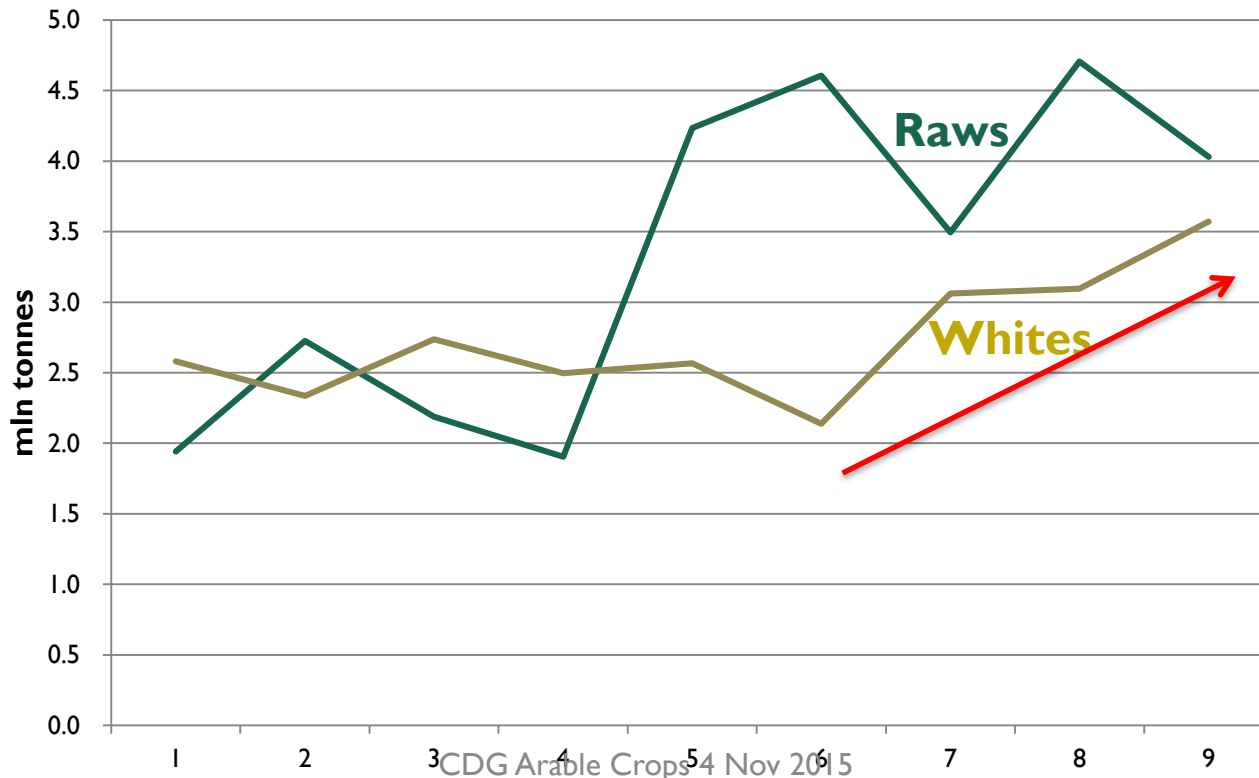
ED & F Man India S&D Forecast			
	2014/15	2015/16 (e)	2016/17 (f)
Opening Stocks	6.90	9.26	9.27
Prod	28.34	26.5	23.3
Cons	24.75	25.5	26.2
Raws Exports	0.47	0.90	-
Closing Stocks	9.26	9.27	7.35
Peak Stocks	19.2	20.1	15.8

- India ending 2014/15 with highest stocks since 2008
- Pressure on millers to export in 2015/16, IF NOT stocks will peak at 20mmt
- 2016/17: dryness and cane arrears to limit planting (similar to 2008/09?)

# Thailand — *Shift to refined helps to ease the raws situation*

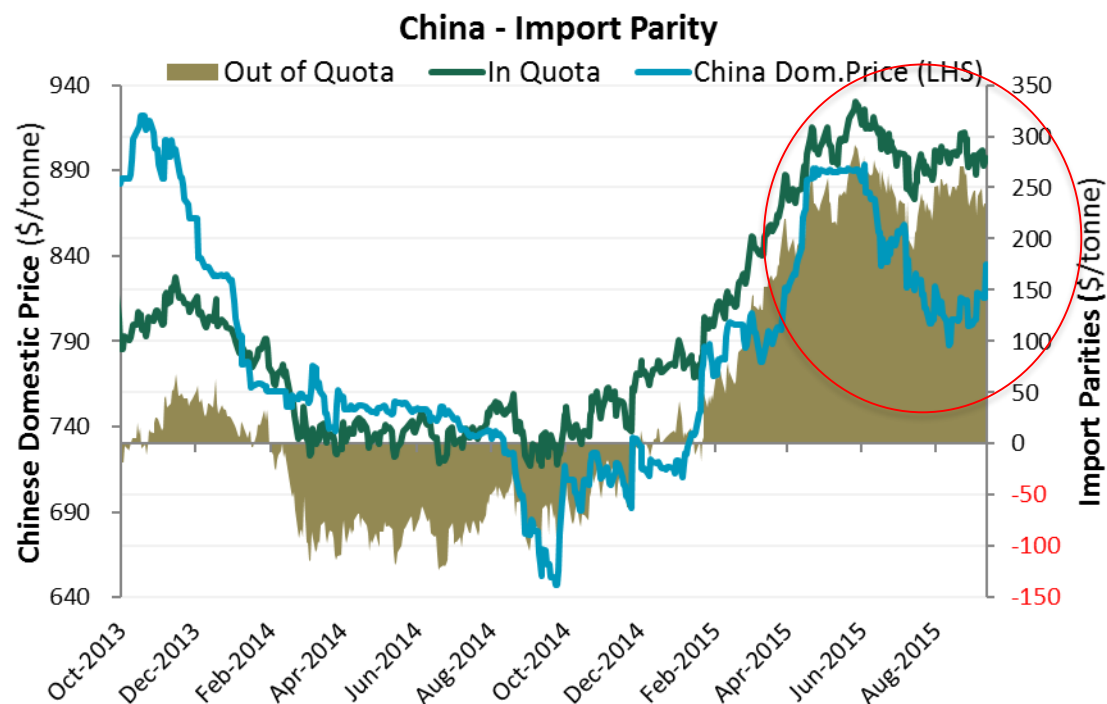
ED & F Man Thailand Sugar Forecast				
Thai S&D (Oct/Sep)	2012/13	2013/14	2014/15 (e)	2015/16 (f)
Production	9.96	11.19	11.1	11.2
Consumption	3.17	3.01	3.47	3.11
Available Exports	6.31	6.48	8.2	8.9
Raw Exports	3.39	3.70	4.1	5.0
White Exports	2.92	2.78	4.1	4.0

**Thailand Exports (Jan-Dec)**



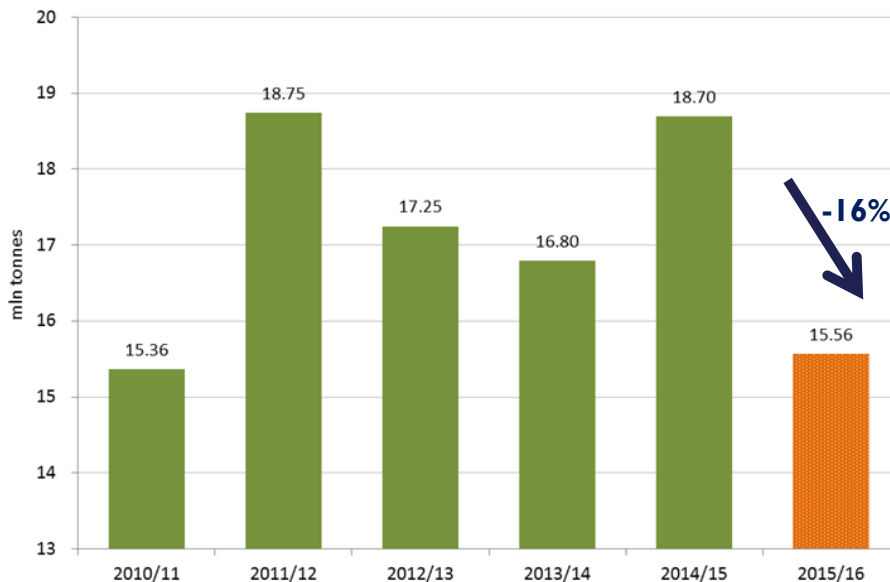
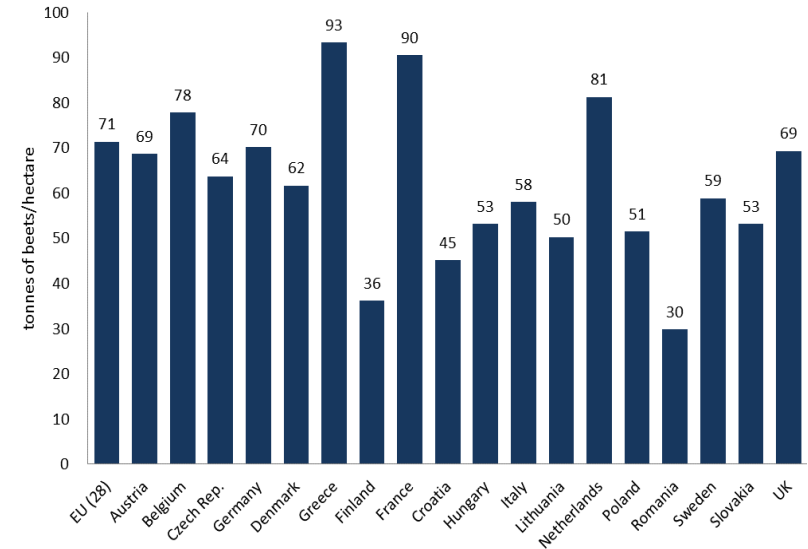
# China — *Strong import incentives, as production falls*

ED & F Man China S&D Forecast			
	2013/14	2014/15 (e)	2015/16 (f)
Production	13.90	12.18	11.00
Consumption	14.80	15.70	16.20
Imports	3.49	5.44	4.80
Raw Imports	3.06	4.25	3.60
White Imports	0.43	1.19	1.20

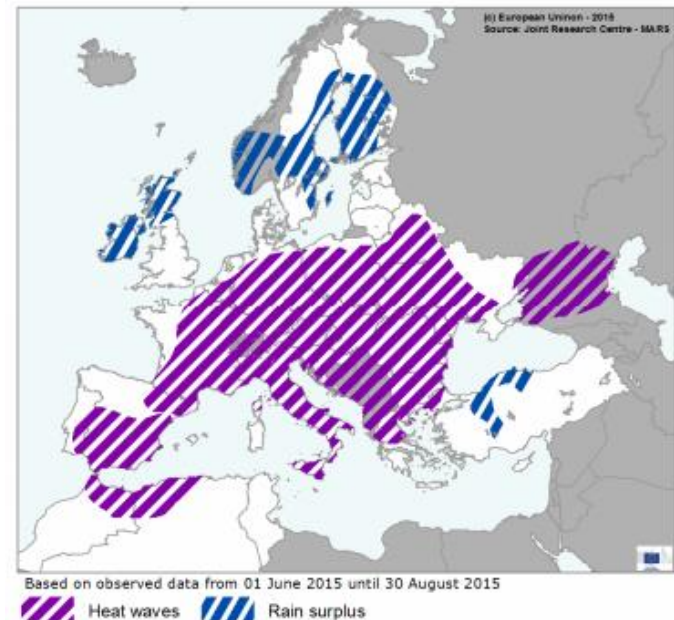


# EU 2015/16 Production

- As well as lower planted areas, above normal temperatures and low rainfall has impacted 15/16 sugar beet yields negatively
- Late summer rainfall has helped distressed bring production to 15.7mmt .. Or lower?

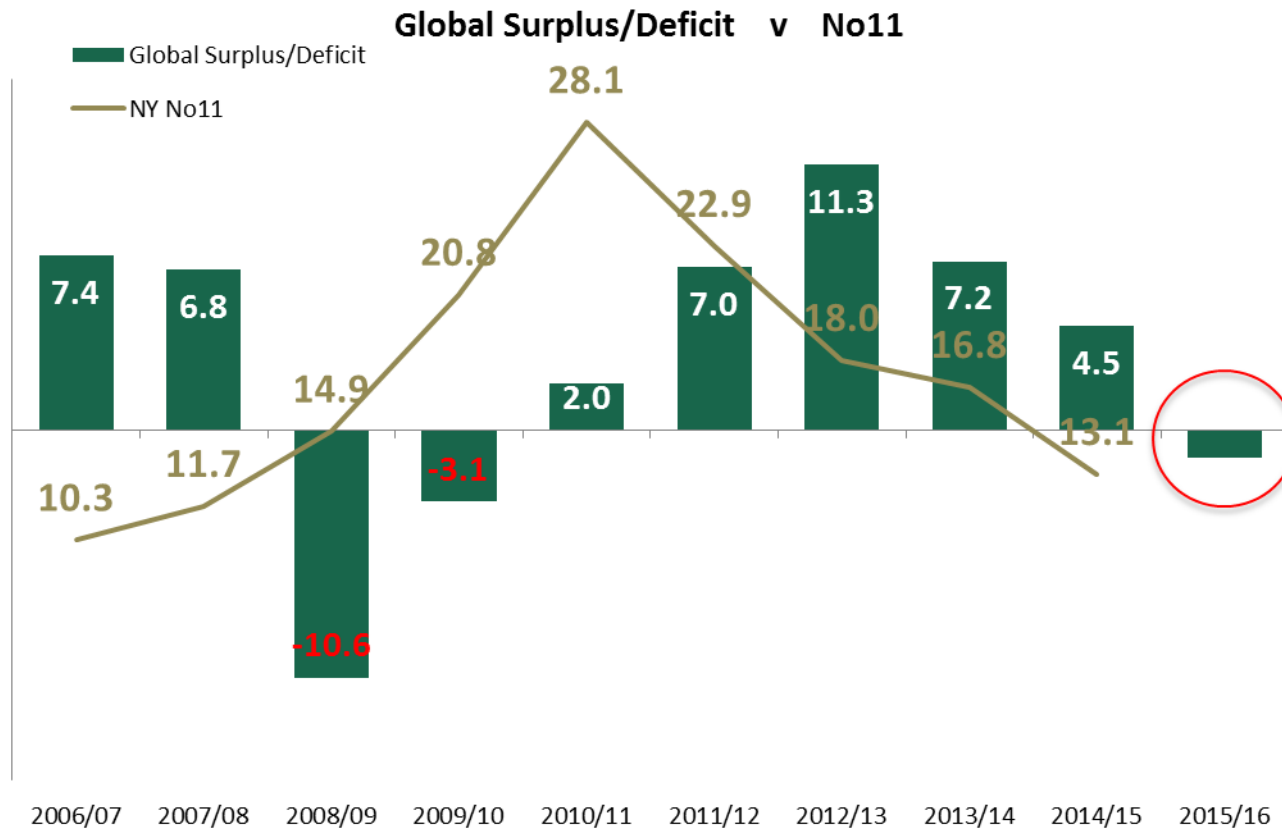


## AREAS OF CONCERN - EXTREME WEATHER EVENTS



# 2016 Outlook

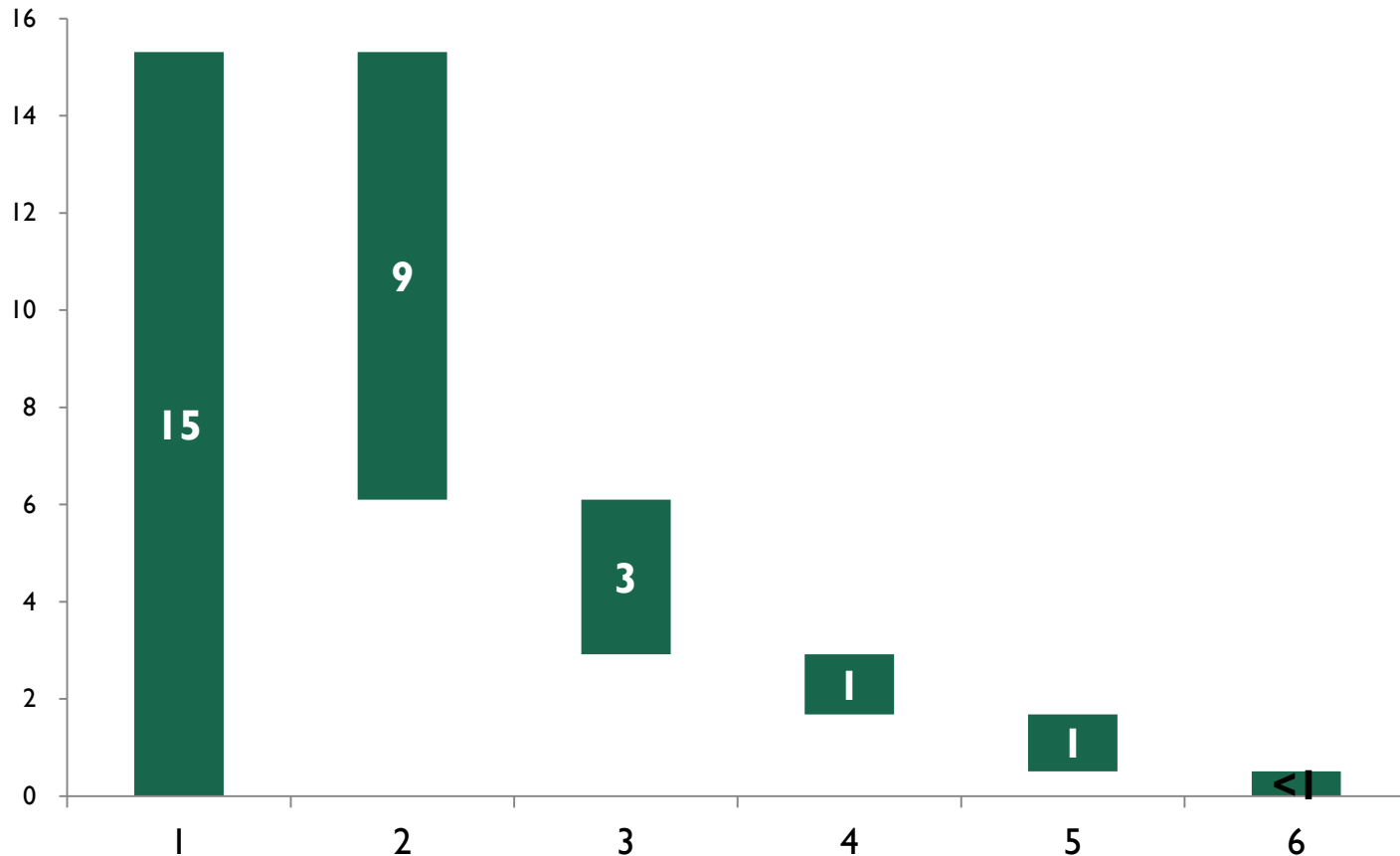
# 2015/16 will be the first deficit in 6 years



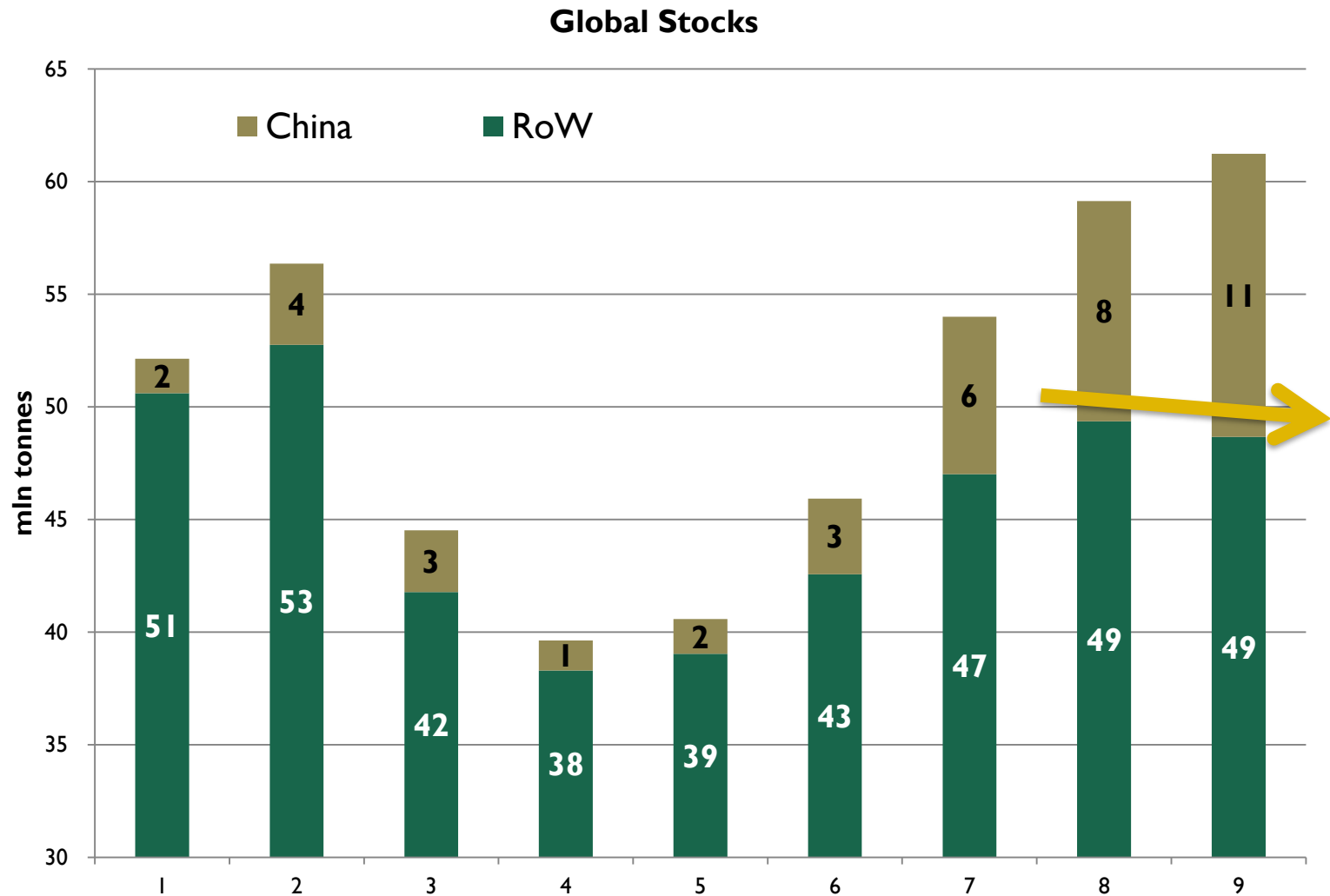


# Stocks have built up...but China took most of it, and most is in Govt hands

Global Stock Increase last 3 years

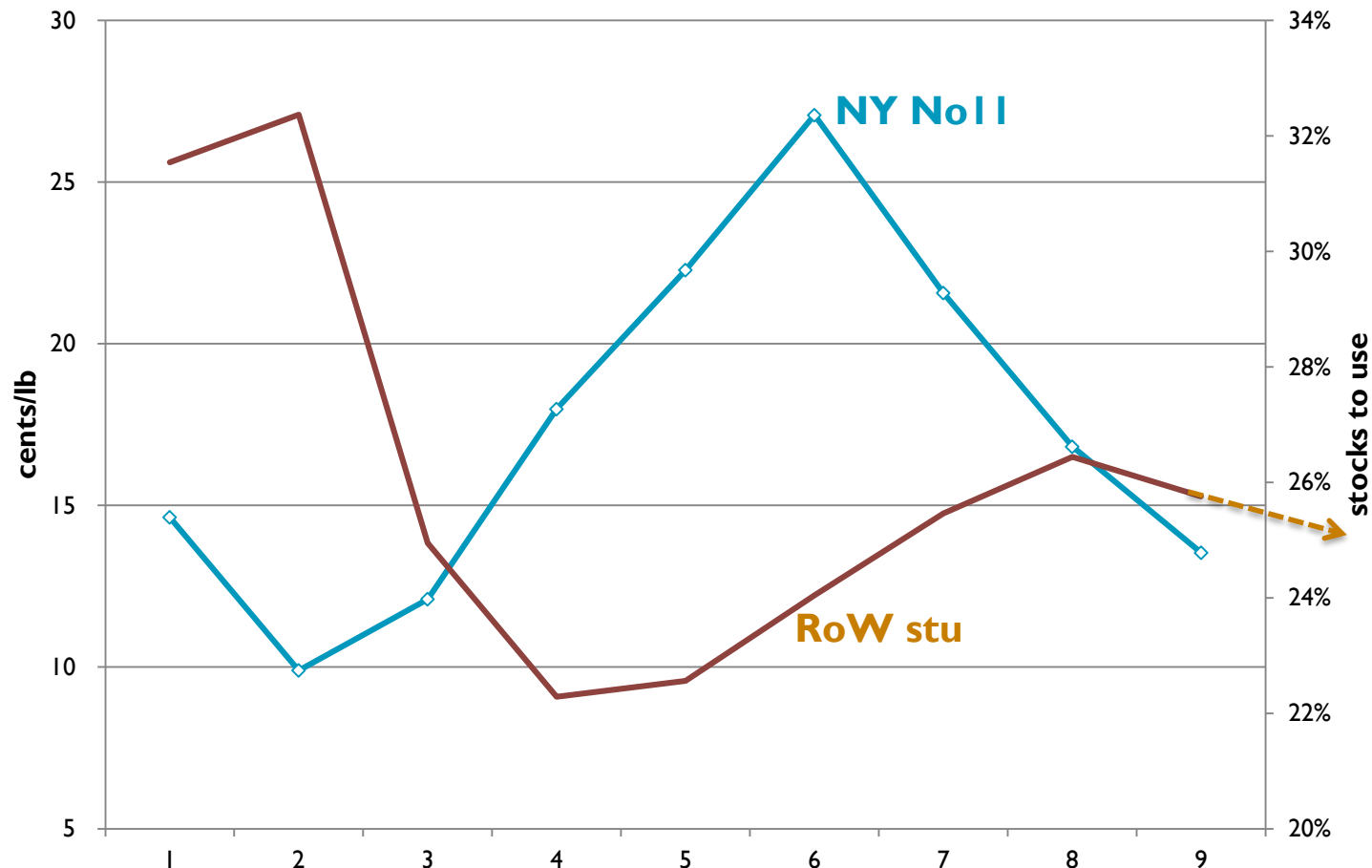


# Without China stocks.....global stocks are unchanged



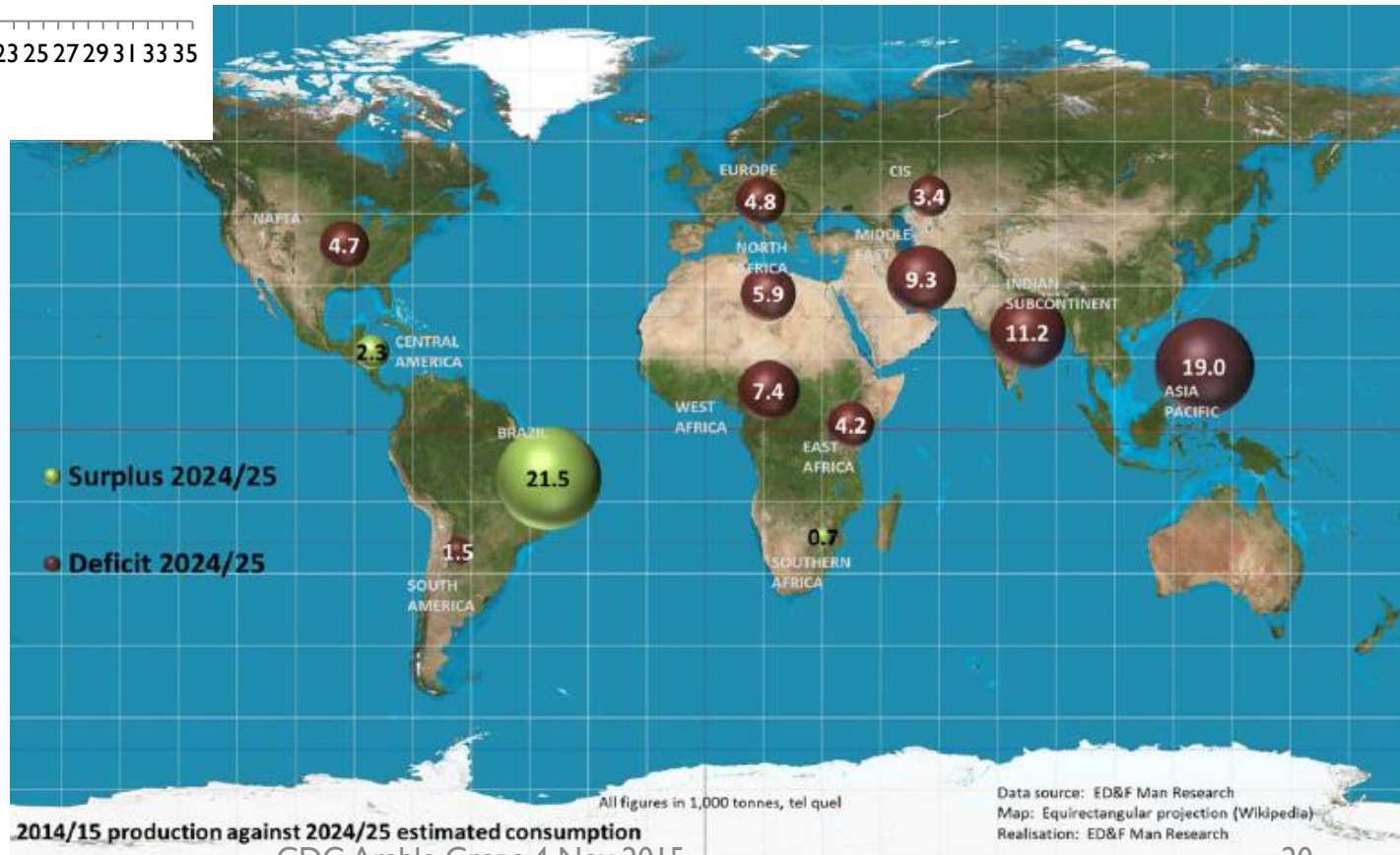
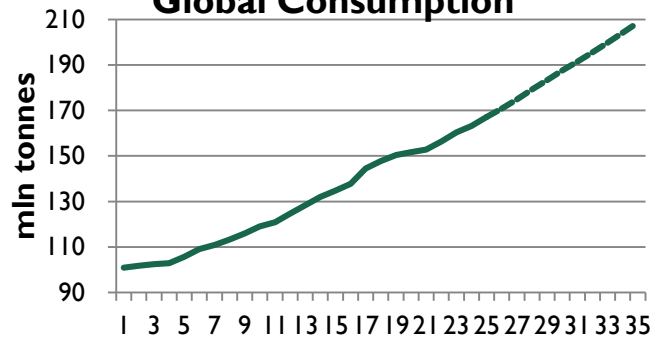
# 15/16 deficit will reduce stocks further

NY No II and RoW stocks-to-use



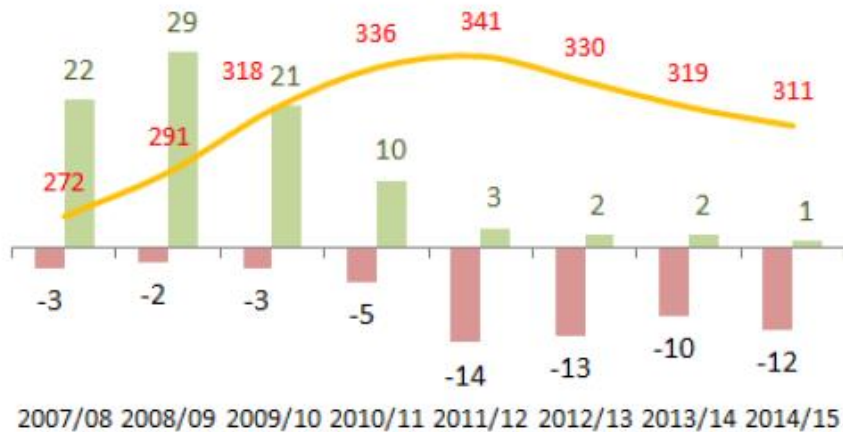
# Consumption — *growth outlook remains strong*

**Global Consumption**

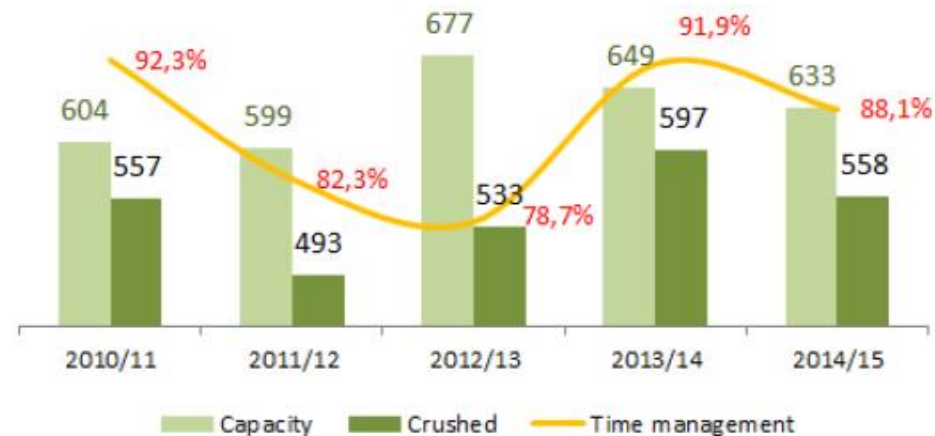


# C/S Brazil – Can the world's biggest producer supply future demand?

C/S Sugarcane mills - Greenfields, closed and operating mills



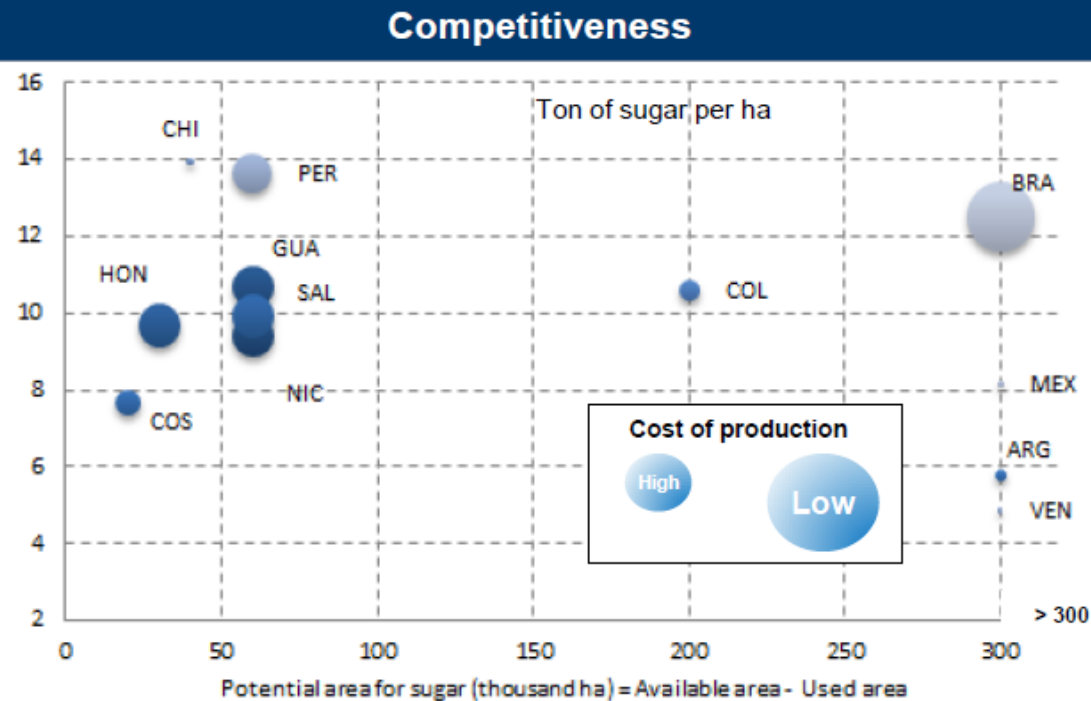
C/S Crushed cane and maximum crushing capacity\* (mln tonnes)



\*Estimate based on maximum daily crushing.

- Mill closures have reduced crushing capacity to ~630mmt
- Greater risks from adverse weather in future
- Prolonged period of high prices is needed to bring new investment to sector

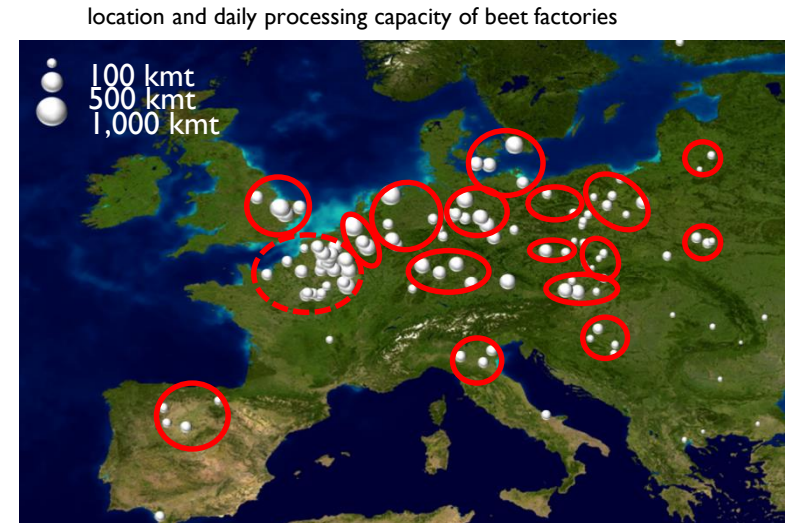
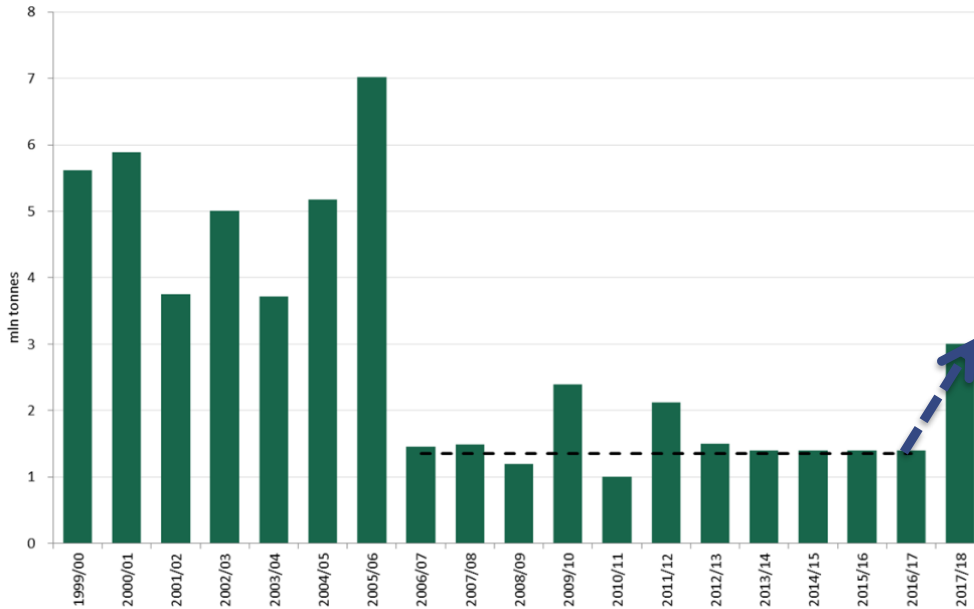
# Can regional producers meet future Global demand growth?



- Centrals are efficient producers, with low FOBing costs, but acreage limitations
- Others have plenty of area but unfavourable investment environment
- Weather, technology and infrastructure limitations will limit production growth

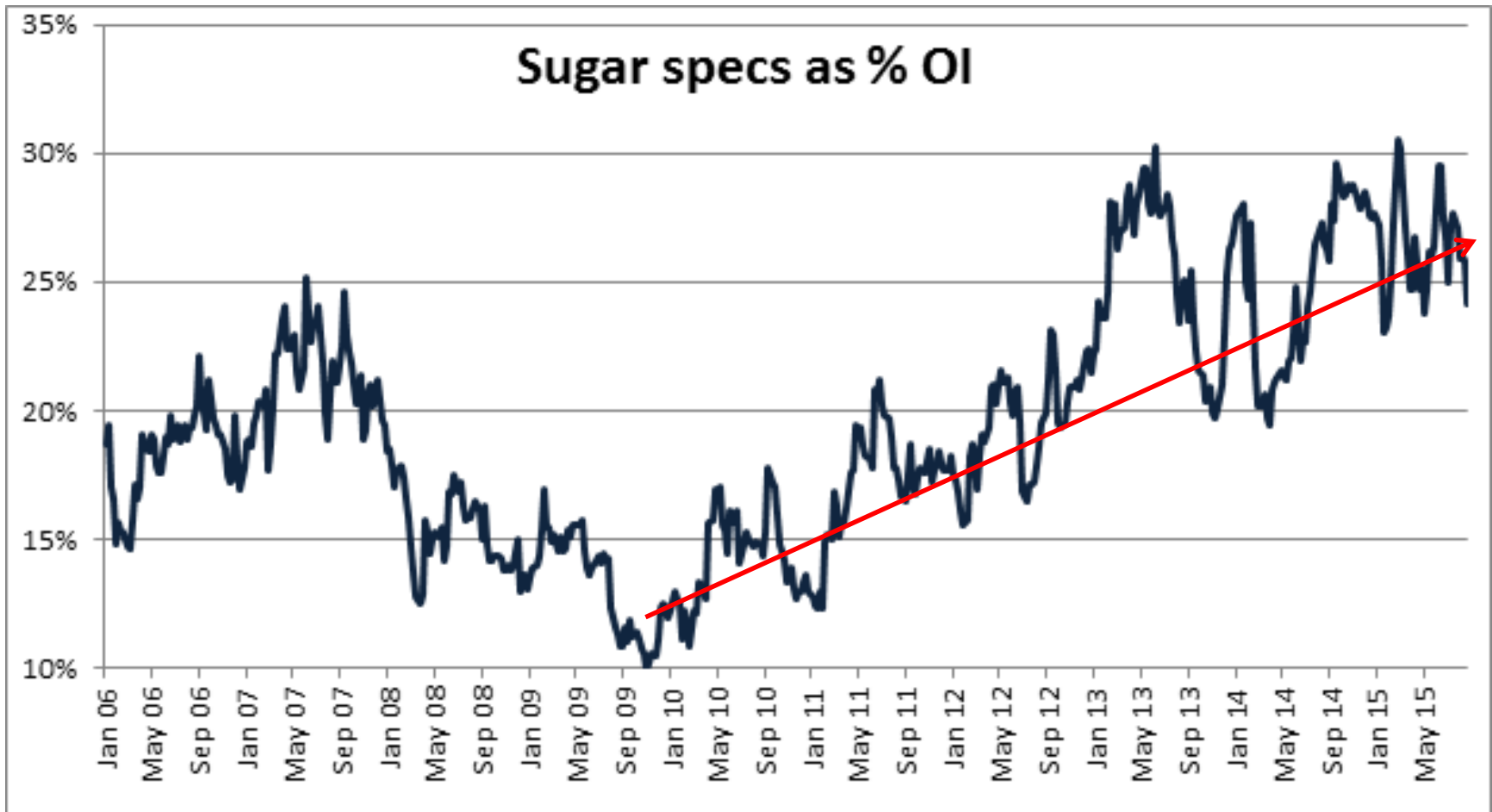
Sources: ED&F Man Commodity Research

## Post-2017 EU to increase exports to MENA



- Major production zones located near ports, with low cost of production and fobbing
- EU producers will be encouraged to export surplus production to the world market

## Sugar: Specs a growing force in NY sugar futures



Sugar specs' increase share; now 25-30% of NYII futures market



# Freight – more of the same for 2016

Supramax: oversupplied, modern fleet to keep freight rates low until 2017  
12-18 months of pain for owners; little improvement until world outlook changes



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The logo for ASSUC, featuring the letters 'A', 'S', 'S', 'U', and 'C' in a stylized blue font. The 'S's are connected, and the 'U' is also connected to the second 'S'. The logo is set against a white background with a blue square behind the 'S's.

**Thank you!**

**ASSUC aisbl**

European Association of Sugar Traders

**Rue de Trêves 49-51, Box 14  
B - 1040 Brussels**

Tel +32(0) 27 366 873  
Fax +32(0) 27 326 766

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