



European Association of Sugar Traders

Situation and prospects for the world market for EU sugar exports

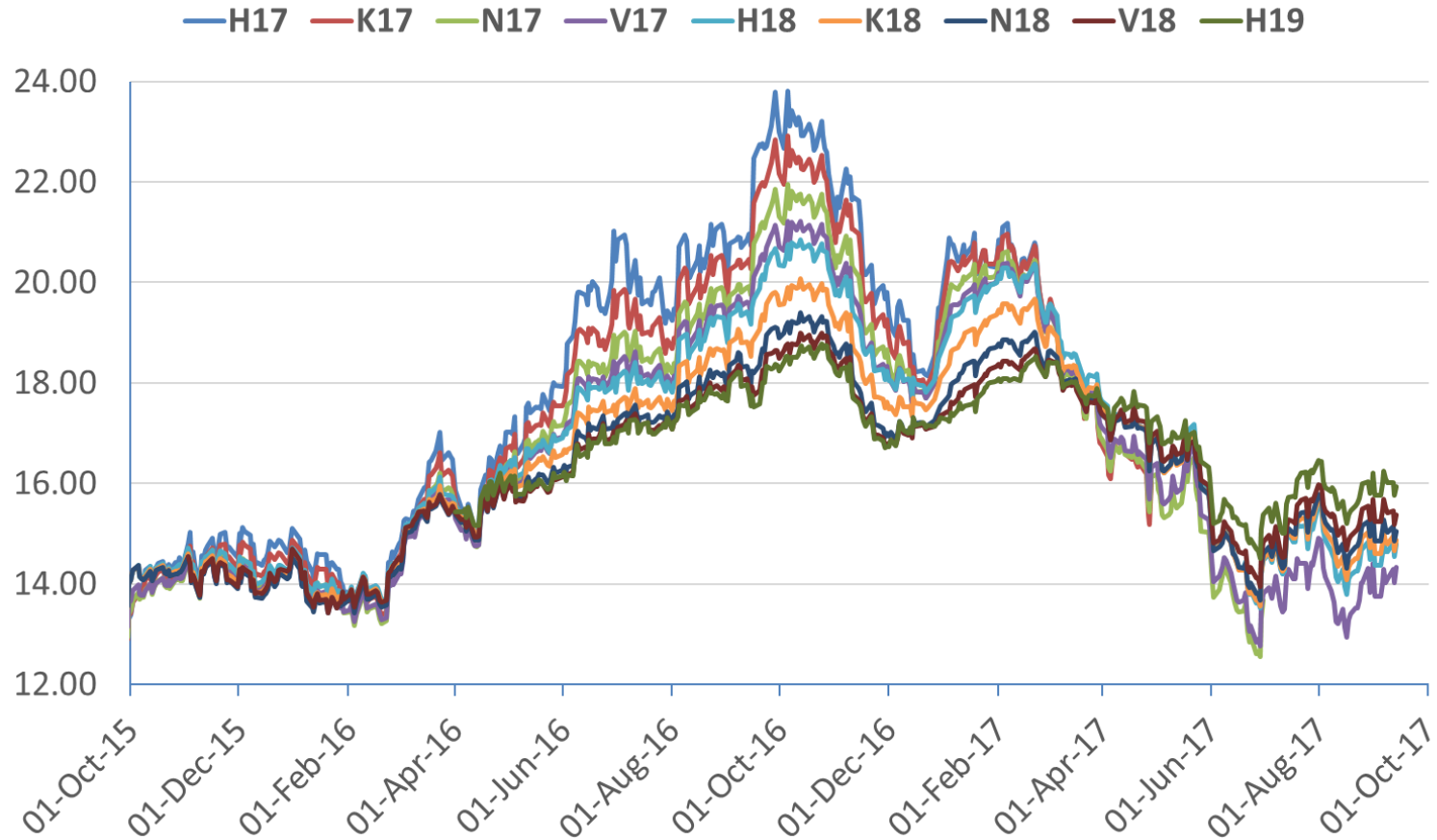
Civil Dialogue Group Arable Crops

« **SUGAR** »

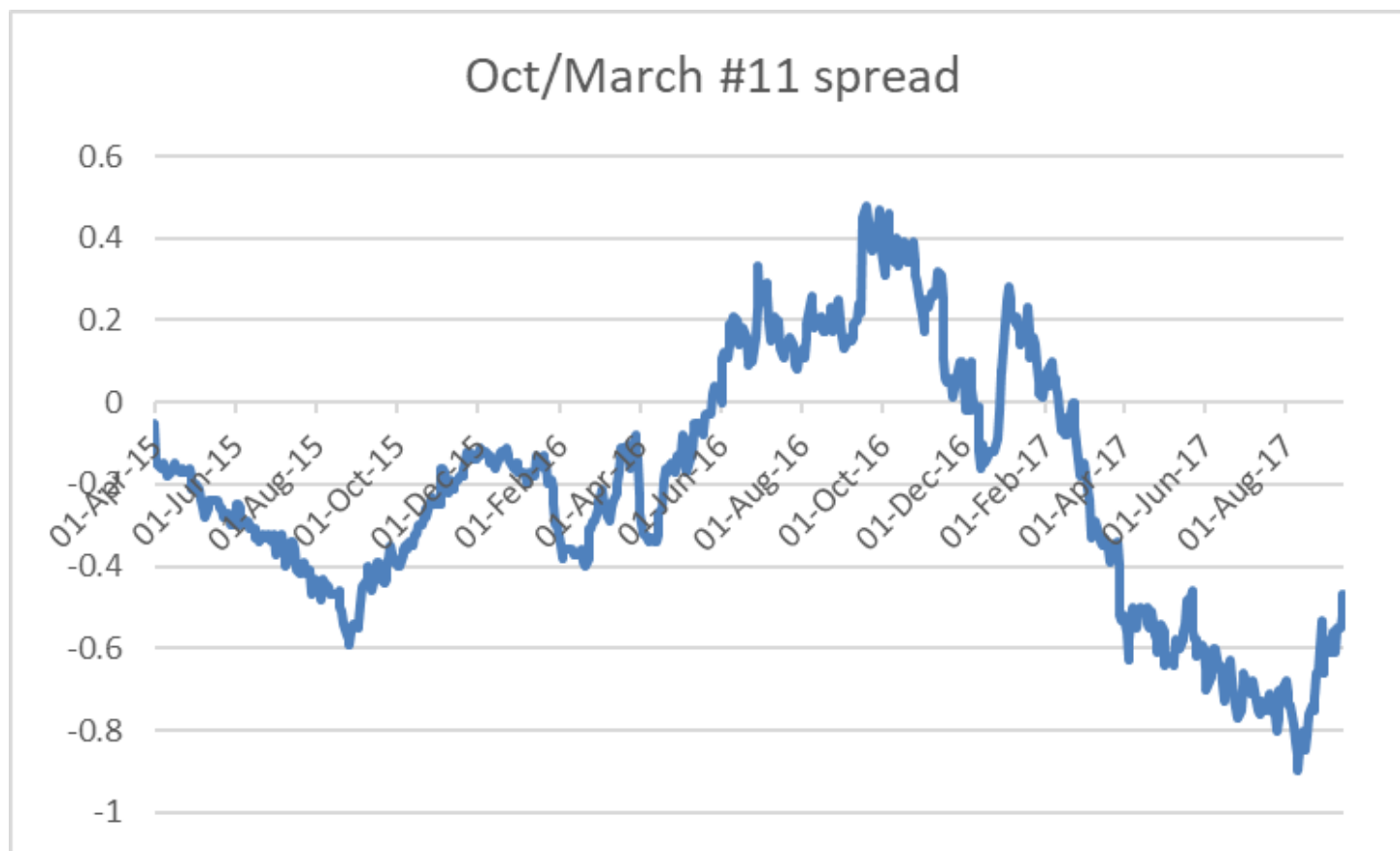
Friday 15th September 2017

NY#11 falls into a narrow range

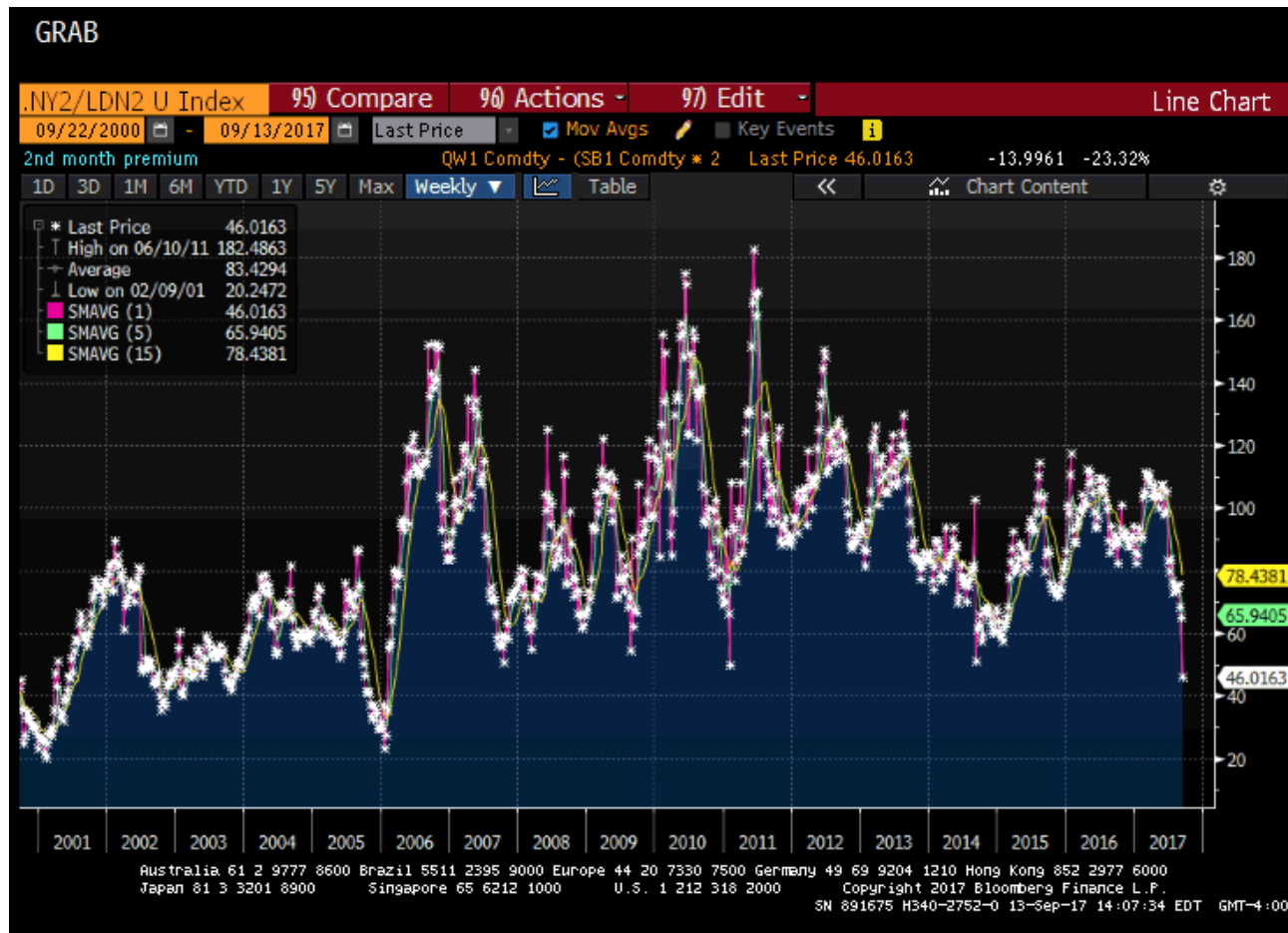
New York #11 Raw Sugar Futures



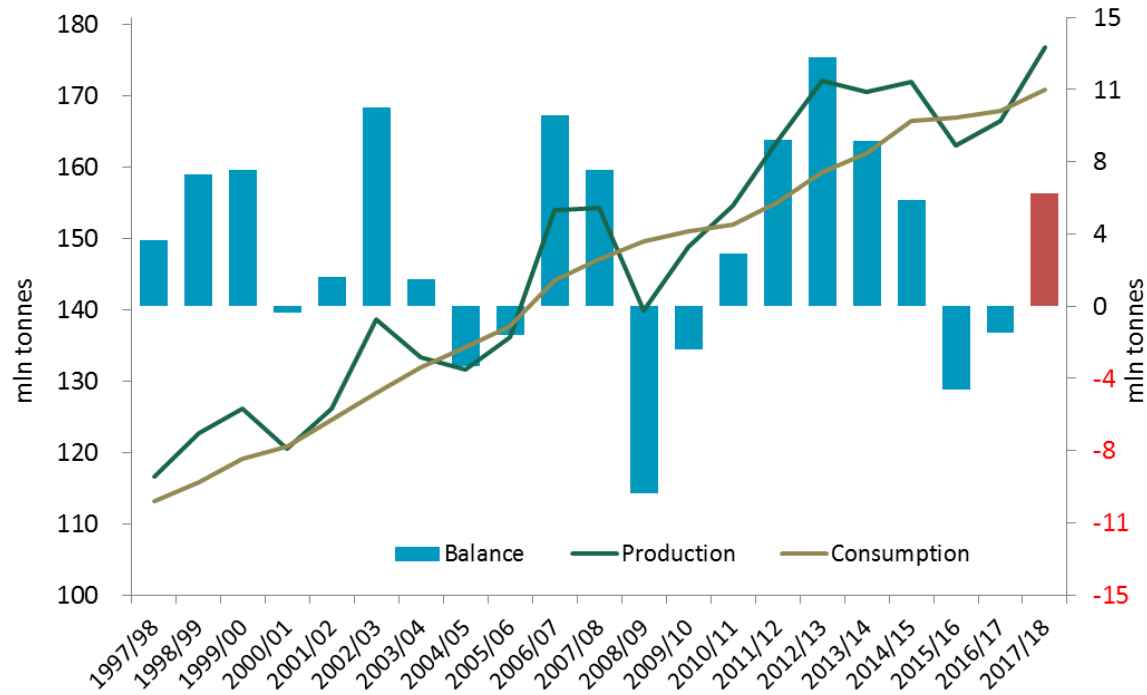
Oct/March '17 spread closes up



White premium volatile and trades below \$50



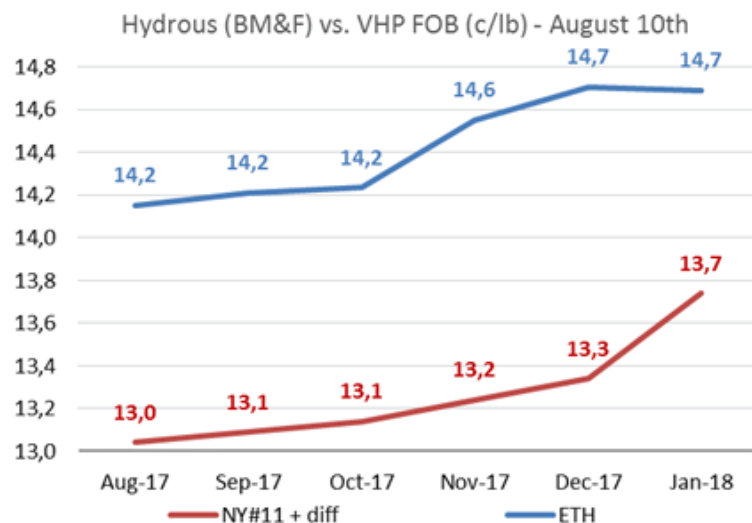
From deficit to surplus



- Better production prospects in Brazil, India and Thailand together with a challenging consumption environment in China and India
- Shift from a deficit of 1.4m in 16/17 to a surplus of 6.8m in 17/18

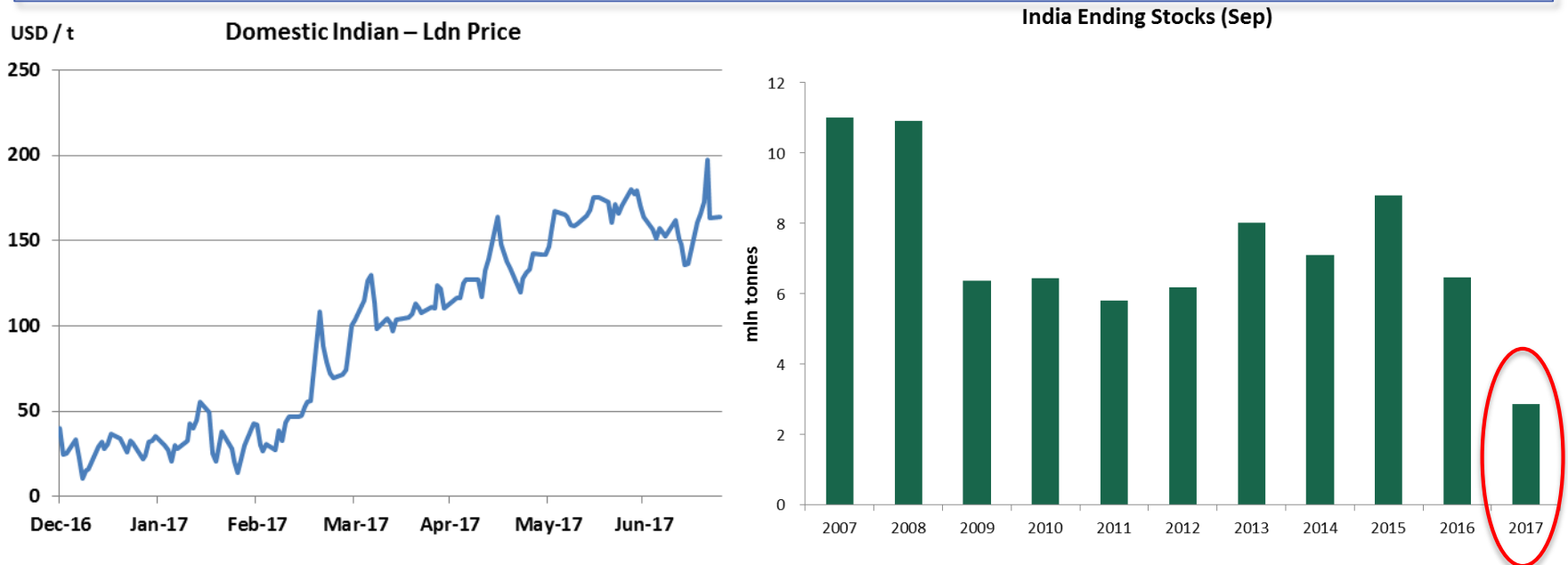
Brazil Centre-South

- Lower cane availability YoY at 591mmt, driven by lower area in Brazil CS
- However, higher sugar mix at 47.8% more than offsets lower cane, creating 500k more sugar YoY at 36.1mmt
- Weather so far has not been a problem
- Frequent changes in Petrobras gasoline prices and taxes means ethanol equivalence will be a moving target



ED& F Man Brazil CS Crop Forecast				
Sugar	2015/16	2016/17	2017/18 (f)	Chg
Cane (mln mt)	618	607	591	-3%
ATR (kg/cane)	130.5	133.0	134	1%
Sugar Mix (%)	40.7%	46.3%	47.8%	
Sugar Prod. (mln mt)	31.2	35.6	36.1	1%
Ethanol				
Ethanol Prod (mln m3)	28.2	25.7	24.5	-5%
Anhydrous	10.6	10.7	10.4	-3%
Hydrous	17.6	15.0	14.2	-6%

India



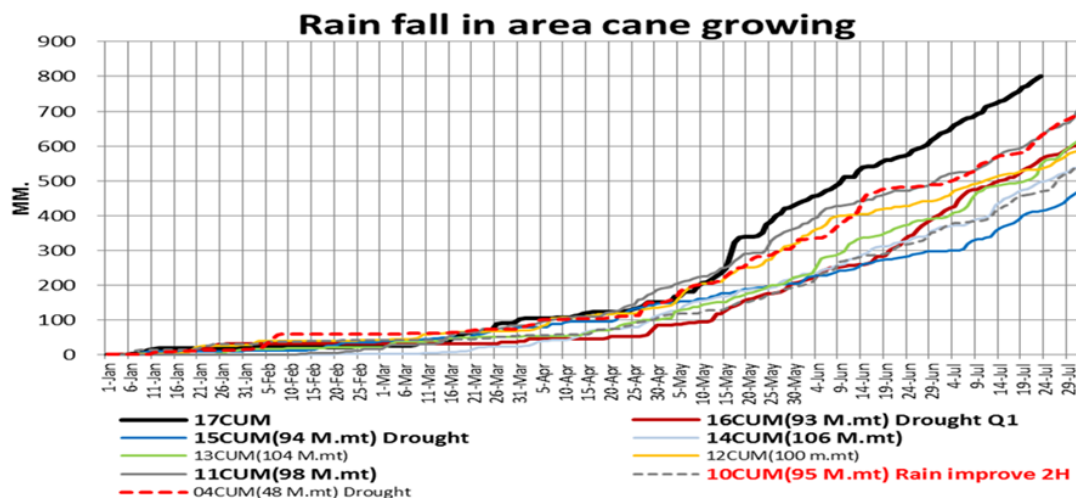
- S&D indicates critical stock levels up to Sep, and domestic Indian prices are rallying relative to world market
- Ending stocks will be minimal for October.
- Raw sugar imports of another 300k announced in September 2017
- Quota terms suggest imports into southern India only with at reduced duty @ 25%

Thailand – a record crop expected

- Record crop expected in 17/18 with very good rainfall following two consecutive years of drought
- Higher cane price to farmers encouraged more planted area

ED & F Man Thailand Sugar Forecast				
Thai S&D (Oct/Sep)	2014/15	2015/16	2016/17	2017/18
Cane	106	94.0	93.0	110.0
Production	11.1	9.6	10.0	11.4
Consumption	3.3	3.2	3.1	3.3
Available Exports	7.7	6.4	6.8	8.2
Raw Exports	4.2	3.3	3.5	4.5
White Exports	3.5	3.1	3.3	3.7

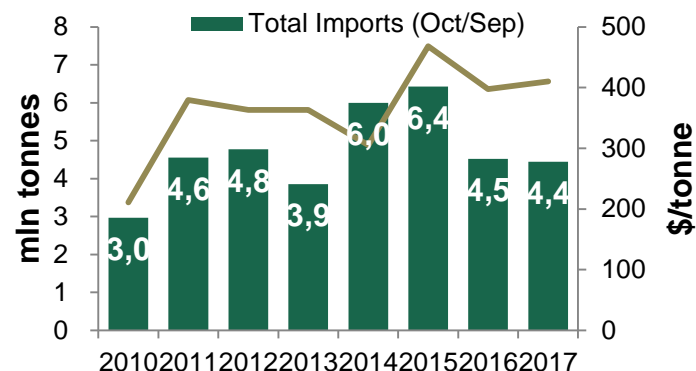
- Despite ample supply, Thailand continues to enjoy freight and tariff advantages into Asian destinations



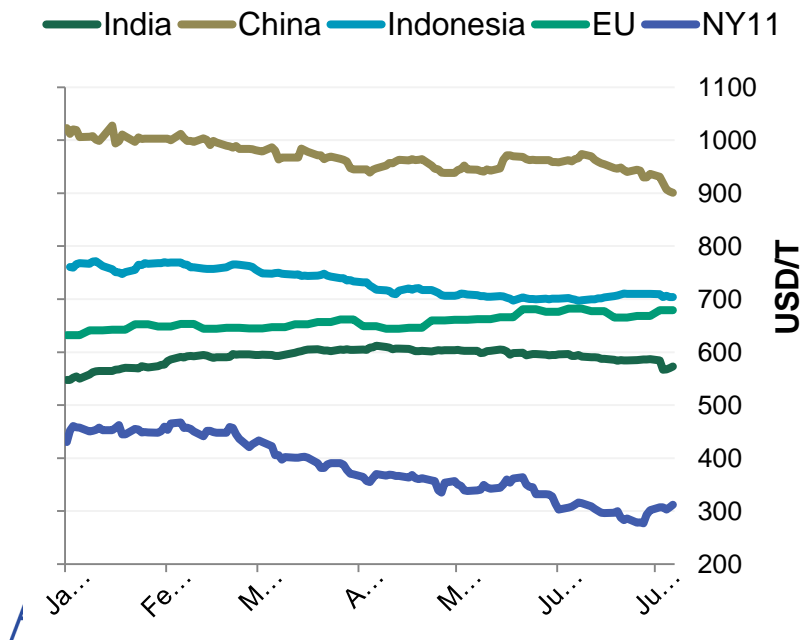
- Downside to Thai Premiums limited, supported by parities against Brazil and Centrals

China – government policy curbs demand

ED & F Man China S&D Forecast			
Oct/Sep	2015/16	2016/17	2017/18
Production	9.5	10.3	11.2
Consumption	15.8	15.5	16.0
Deficit	-6.3	-5.2	(4.8)
Imports	6.4	4.5	4.4
Raw Imports	2.9	1.9	2.1
White Imports	3.5	2.6	2.4
Govt Destocking	-	0.4	-



Domestic Prices (in USD/T)

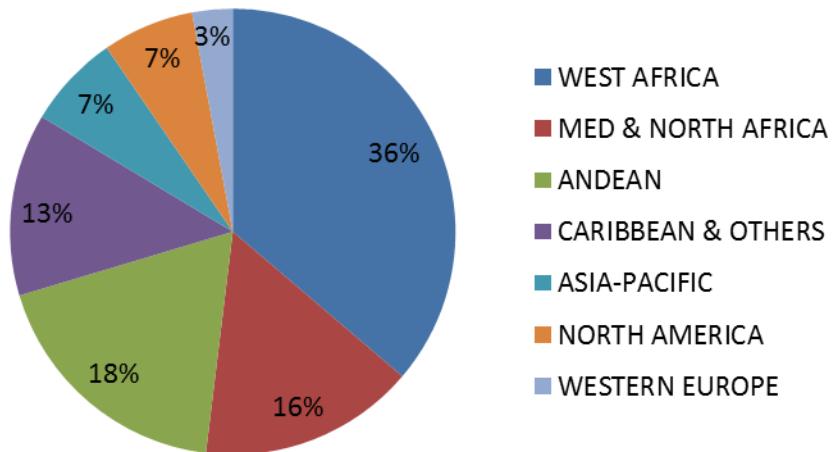


- Government policy is effective in supporting Chinese domestic prices
- Similar import demand expected in 17/18 vs 16/17 despite good margins due to continued tariffs on raws imports
- Cross-border whites flow to continue in order to keep the S&D balanced
- Slow consumption growth due to strong competition by HFCS

Centrals – higher production

ED & F Man Centrals Sugar Forecast				
Centrals S&D (Oct/Sep)	2014/15	2015/16	2016/17	2017/18 (f)
Production	5.3	4.9	5.1	5.3
Consumption	1.9	1.9	2.0	2.1
Available Exports	3.4	3.1	3.3	3.2
Raw Exports (Jan-Dec)	2.2	1.9	2.0	2.0
White Exports (Jan-Dec)	1.2	1.2	1.3	1.2

Whites exports by destination:

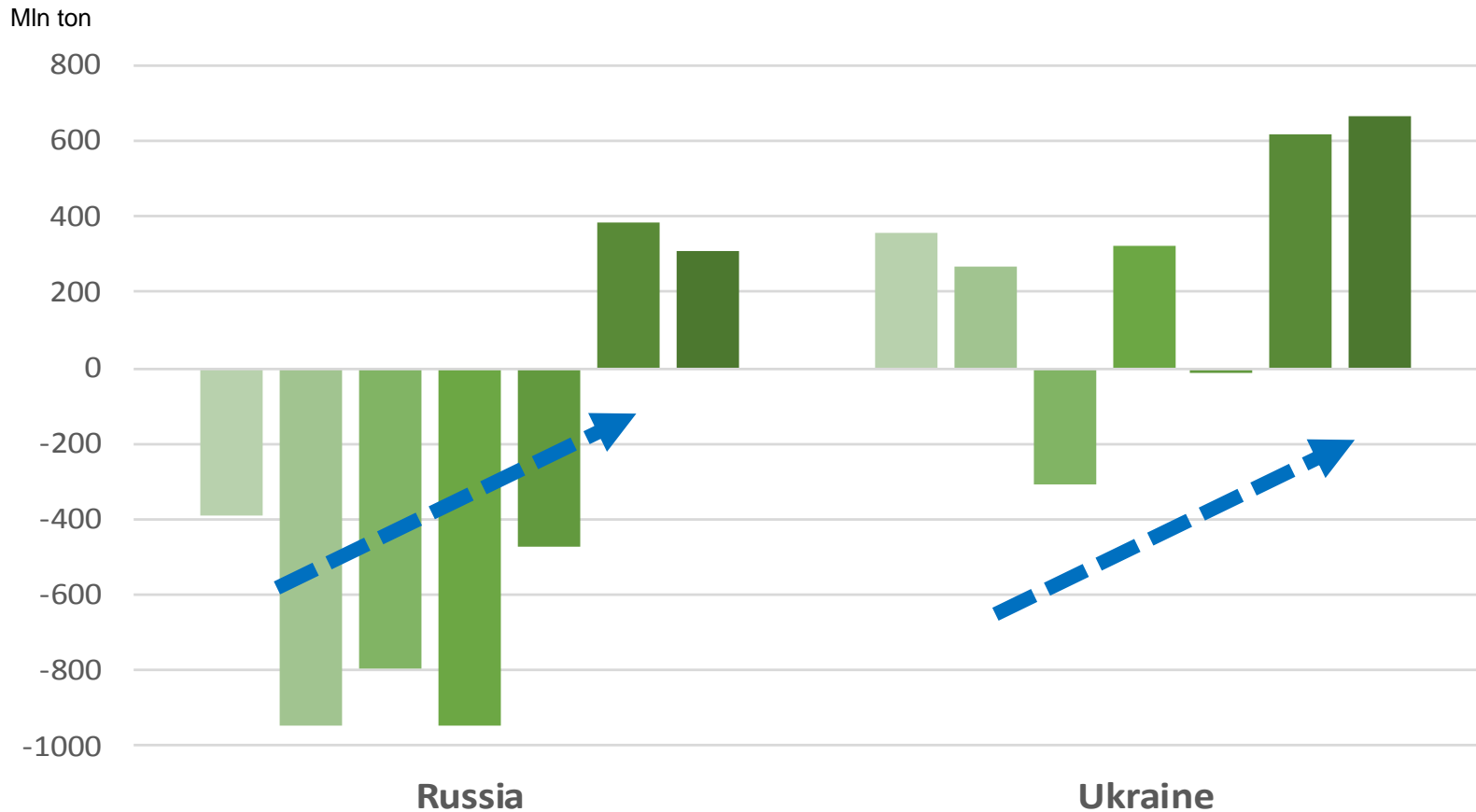


- **Whites:** competition in Africa against EU, Med refiners and Brazil 150s
- **Africa** accounted for more than 50% of whites exports in recent years - approx. 500k/year

CIS: record crops and exports to the WM

Russia becomes self-sufficient with record crop while Ukraine should export outside the region again in 17/18

Net surplus – From 10/11 to 17/18



Outlook

Fundamentals

- **Brazil CS:** Prices are still above ethanol parity; more sugar production despite lower cane
- **Thailand:** Record crop expected, but don't expect premiums to be discounted
- **Australia:** Slightly lower production, but shortages against commitments not expected
- **EU:** Expect increase in whites exports and lower raws imports. Overhang on world market
- **India:** Raw import tender as stock tightness becomes acute in Sep
- **China:** Policy continues to discourage raws imports and encourage cross-border whites flows

Price & Spreads

- **Raws:** global surplus with big crops and EU displacement; need flat price to go below ethanol parity and spreads to encourage carry
- **Whites:** large surpluses from Q4-17 onwards, weak WPs into 2018
- **Funds:** trend suggests shorts to hold, but potential bullish element if short covering occurs

Disclaimer

- The opinions, views and forecasts expressed herein reflect the personal views of the author and do not necessarily reflect the views of ASSUC.
- Any comments or opinions in this report are not intended to be an offer to buy or sell commodities or futures and options thereon as they merely state our views and carry no guarantee as to their accuracy.
- We make no representation or warranty that the information contained herein is accurate, complete, fair or correct.
- All information, prices or projections are subject to change without notice.
- This information is not intended to be construed as investment advice.
- We do not accept any liability or loss or damage arising from any inaccuracy or omission in or the use of or reliance on the information in this document.



Thank you!

ASSUC aisbl
European Association of Sugar Traders

Rue de Trèves 49-51, Box 14
B - 1040 Brussels

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

<http://www.assuc.eu/>

Follow us on Twitter at
@sugartraders

Follow us on LinkedIn at
<http://bit.ly/assuc>