



SUCDEN SUGAR MARKET REPORT

HELP!



EXECUTIVE SUMMARY

- Early 2019 expectations of lower Northern Hemisphere crops did not materialize. Except for the EU and Pakistan, other large Northern producers such as Thailand and India repeated their 17/18 record crops or improved them. With such moves, earlier anticipations of a small deficit in 18/19 converted to a small surplus.
- Brazil CS sugar production between May and September is the last uncertainty of Oct/Sept 18/19. In the current high energy prices environment, mills are again favoring ethanol production. CS sugar output should remain stable year-on-year. If crude oil prices go down, sugar mix would increase: upward revision of the 18/19 world sugar surplus will be made. A further crude oil price increase would have limited impact on CS production: ethanol production is already nearly maximized.
- 19/20 production/consumption should tip in with a limited deficit. India and Thailand sugar outputs are expected lower because of detrimental weather conditions or poor economics. The EU 19/20 should not recover. However, this deficit does not correspond to a shortage. There is ample sugar stocks in the world as well as an additional sugar production potential in CS. Such minimal deficit could turn into surplus with a marginal price adjustment. Only weather events – like a weak monsoon in India - could lead to a higher supply risk environment.
- Current raw sugar trade flows suggest the deployment of multiple origins. Mexico, South Africa, and Argentina increase their supplies to the world market because of good crop and high stocks. Central America has also a larger foot-print on the market. In Thailand, two large crops in a row challenge their position as an only regional exporter. Larger availabilities may lead Thai sugar to explore new markets. The timing of such flow will be crucial: new crop is only 6 months away.

AT A GLANCE

01 SUGAR CROP OVERVIEW

CS: cane and sugar mix quite stable

India: crop record again...

Thailand: production kept at the top
18/19 world sucrose output almost steady

02 SUGAR MARKET FEATURES

CS mix: high crude oil prices keeping low sugar mix

India: after record crops, record stocks

Alternative raw origins getting bigger

Thailand: will Far-east markets be sufficient?

White market: awaiting china to wake up

03 GLOBAL SUPPLY & DEMAND

Surplus to be kept small provided high energy prices



SUGAR CROP OVERVIEW



CS: CANE AND SUGAR MIX QUITE STABLE

Good rains in March and April

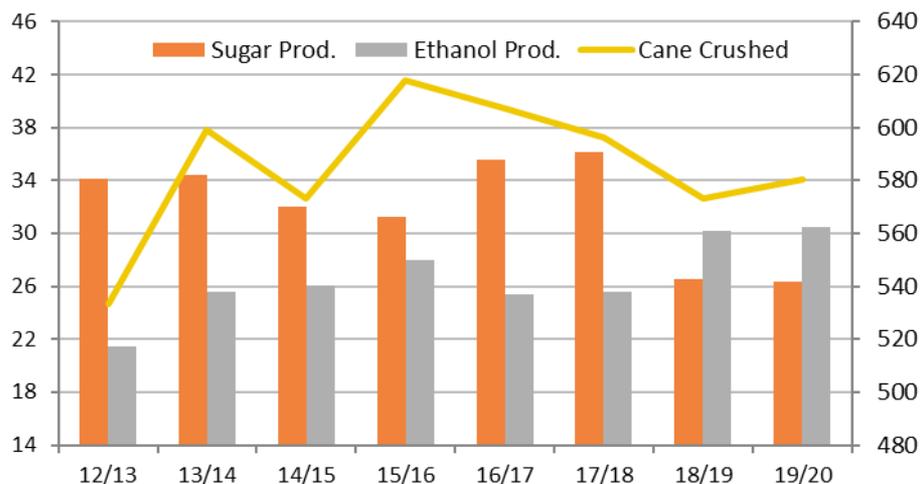
- 19/20 cane went through highly irregular weather. It alternated dry and wet patterns.
- December and January were detrimental for cane growth with dry and hot conditions. In March and April, higher rains than average were however beneficial for the cane development.
- Such weather pattern should allow a yield performance close to last year.
- 19/20 CS cane crop is assessed at 580 Mt.

Sugar mix similar to last year

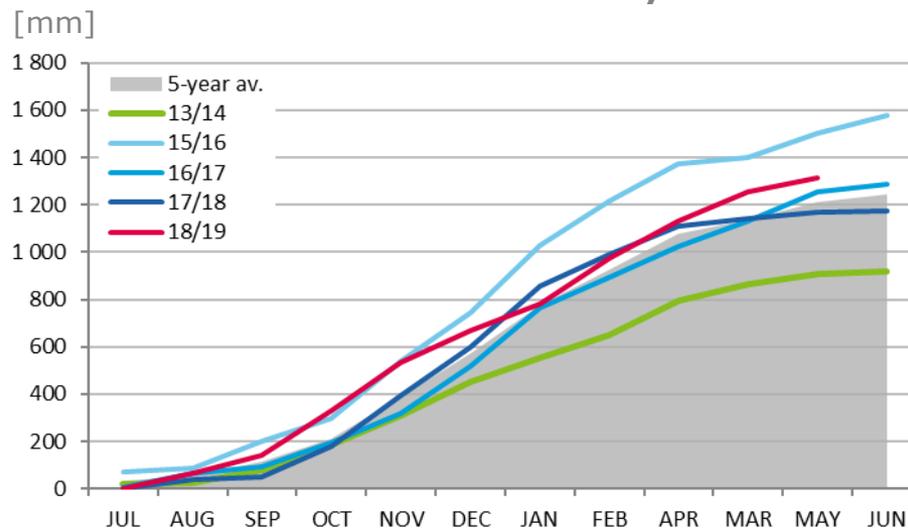
- Ethanol demand should be very dynamic in the current high energy prices environment.
- Brazil overall fuel consumption may grow after 2018 shrink.
- Ethanol should be again a large sucrose off-taker in 2019, potentially bigger than last year because of the consumers choosing ethanol over gasoline.
- Still, the option for mills to produce sugar or ethanol - dictated by the price parities - is again in favour of ethanol but to a lesser extent than a year ago.
- 19/20 CS sugar production is estimated at 26-26.5 Mt.

CS Brazilian production

[Apr/March, Left: Mt sugar & Mm³ ethanol - Right: Mt cane]



CS Brazilian cumulative rains from July to June



INDIA: CROP RECORD AGAIN...

Two record productions in a row

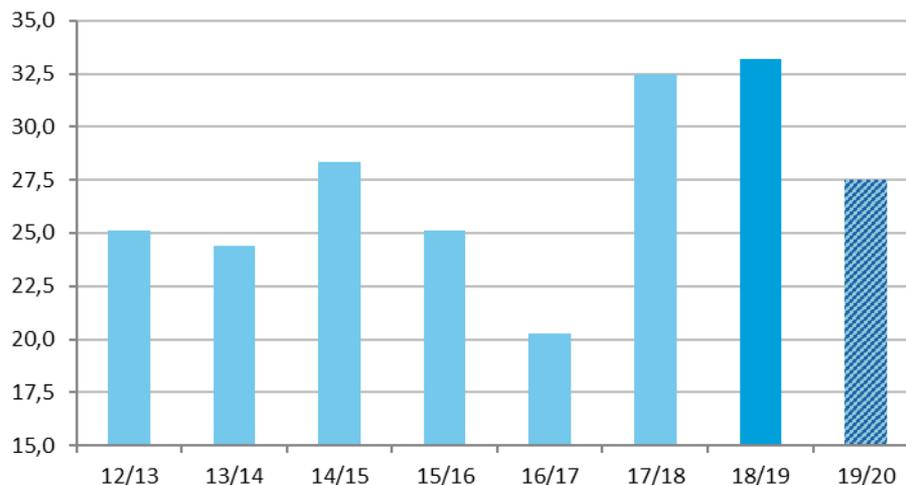
- In Western India, cane yields were resilient to 2018 short-tailed monsoon.
- Combined production in Maharashtra and Karnataka reached a new high.
- In Northern India, UP may post again a record tonnage thanks to increased sucrose content.
- India is set to a new record production at 33.2 Mt in 18/19.

19/20 could revert the trend

- Even-though the poor monsoon did not affect cane productivity in current season, low water levels reservoirs in Central Maharashtra decreased cane plantings.
- With a smaller cane area, the second producing State should retreat substantially in 19/20.
- In the rest of India, cane area is estimated stable: cane payment arrears should be offset by the cane higher profit vs alternative crops.
- For now the focus will be on the soon starting monsoon.
- 19/20 sugar production is assessed at 27-28 Mt.

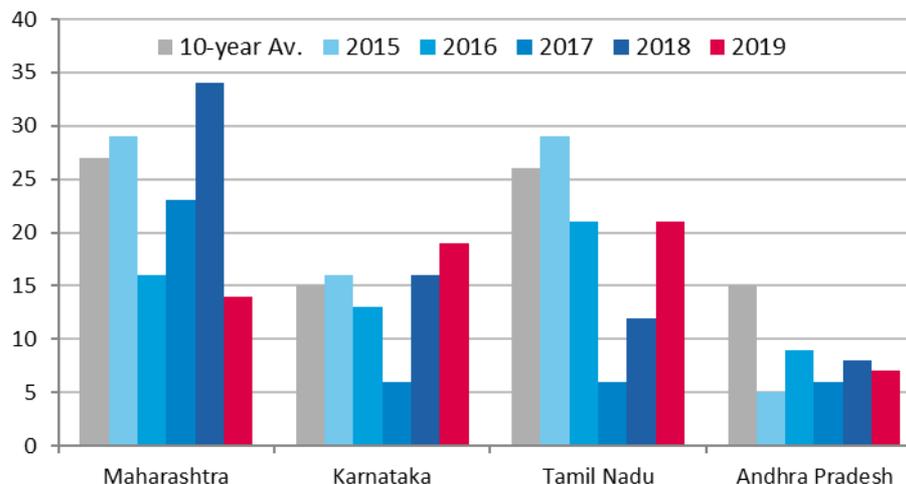
Indian Sugar Production

[Oct/Sep, Mt sugar, Tel Quel]



Indian Reservoirs Level

[% storage capacity]



THAILAND: PRODUCTION KEPT AT THE TOP

Cane figure almost unchanged

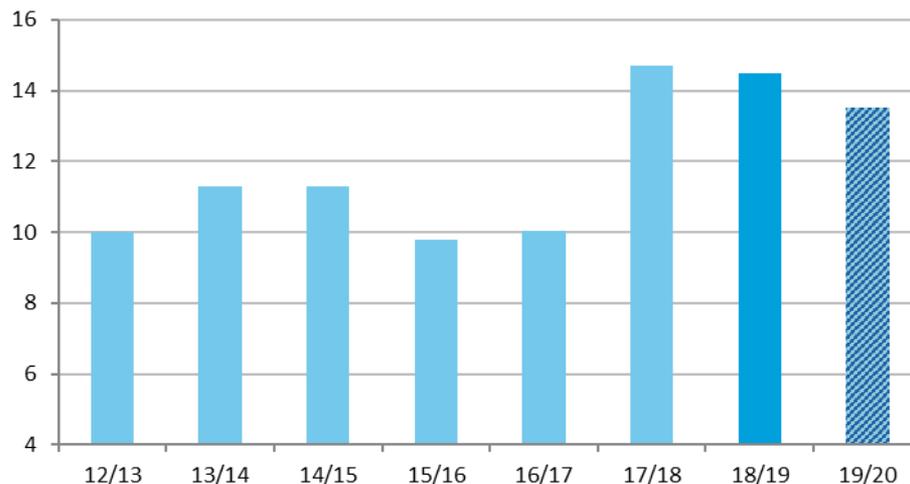
- Despite drier-than-average conditions from August onward, cane productivity remained good in 18/19.
- Cane sucrose content also posted a new record above 11%.
- Production will end at 14.6 Mt in 18/19, only 100 kt short from last year record crop.

Odds for a smaller 19/20 crop

- 18/19 cane price stands as of today about 10% lower year-on-year.
- During planting periods, alternative crops like cassava offered better revenue and their area should grow at the expense of cane.
- Conditions have been dry so far. Although it is too early to assess the impact, the early stages of the vegetative season were not beneficial for the cane.
- 19/20 Thai production shall drop moderately to 13.5 Mt.

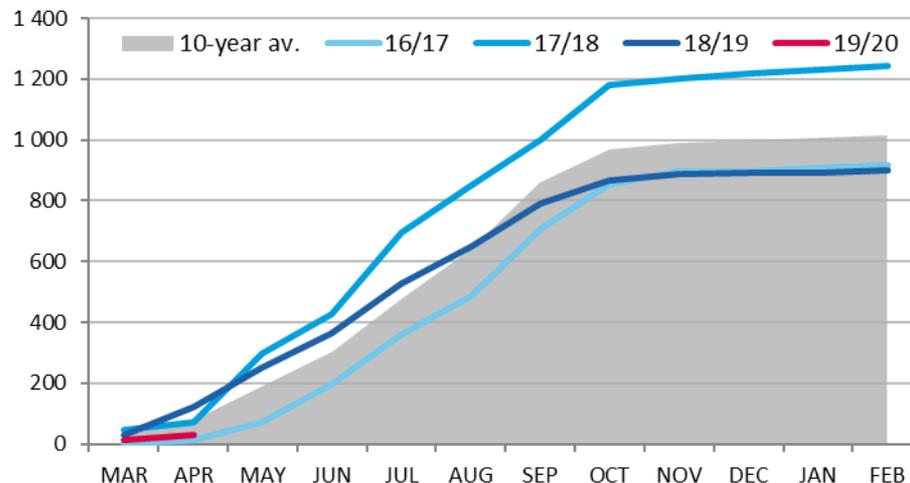
Thai Sugar Production

[Dec/Nov, Mt sugar, Tel Quel]



Thai cumulative rainfall from March to February

[mm]



18/19 WORLD SUCROSE OUTPUT ALMOST STEADY

18/19 Renewed performance in the North

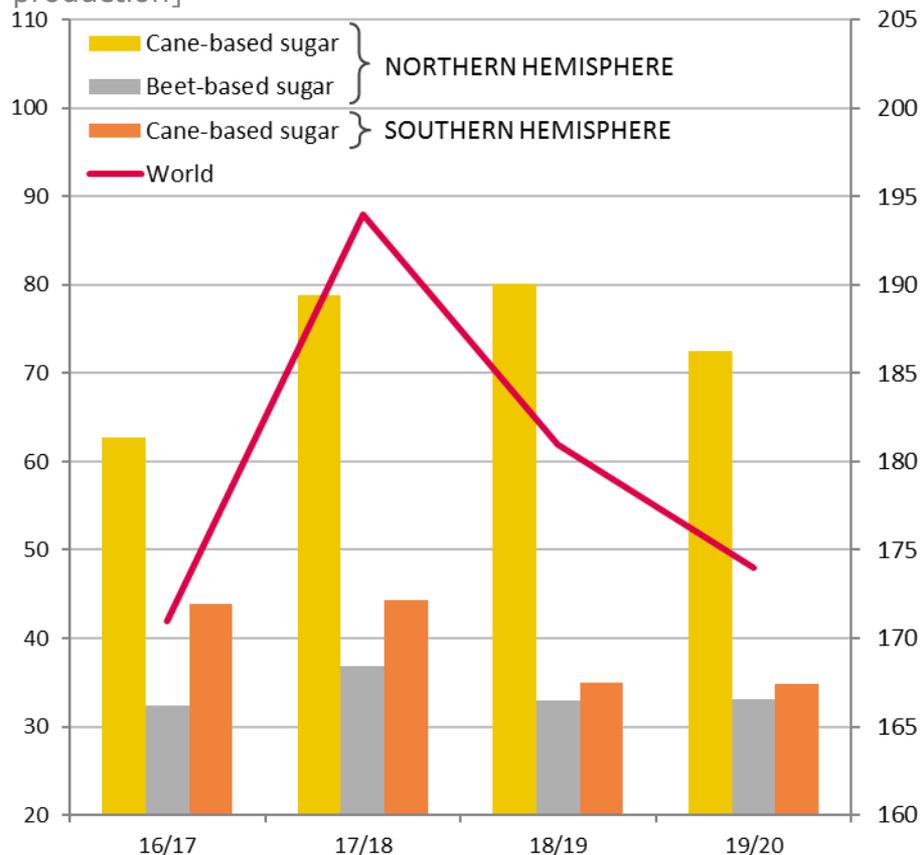
- Northern Hemisphere 18/19 crops were high once again. India posted a new record, Thailand almost did. Central America and China, shall also post a better crop year-on-year. In fact, only the EU and Pakistan reduced their output due to unfavorable weather.
- 18/19 Northern Hemisphere production will remain constant despite earlier expectations of reduction.
- Only Brazil will have sizably reduced its output because of sucrose arbitrage in favor of ethanol. The sucrose potential decreased only marginally.

19/20 production to decrease further

- 19/20 Northern Hemisphere production should reduce given detrimental weather in India and detrimental economics in Thailand and the EU.
- Such a decrease may be compensated by the behavior of CS Brazil production mix.
- Even if current high energy prices support a low sugar mix scenario again, sugar-ethanol arbitrage appears less in favor of ethanol than in 18/19.

Sugar production per feedstock and hemisphere

[National crop, Left: Mt sugar - Right: Mt total world production]





SUGAR MARKET FEATURES



CS MIX: HIGH CRUDE OIL PRICES KEEPING LOW SUGAR MIX

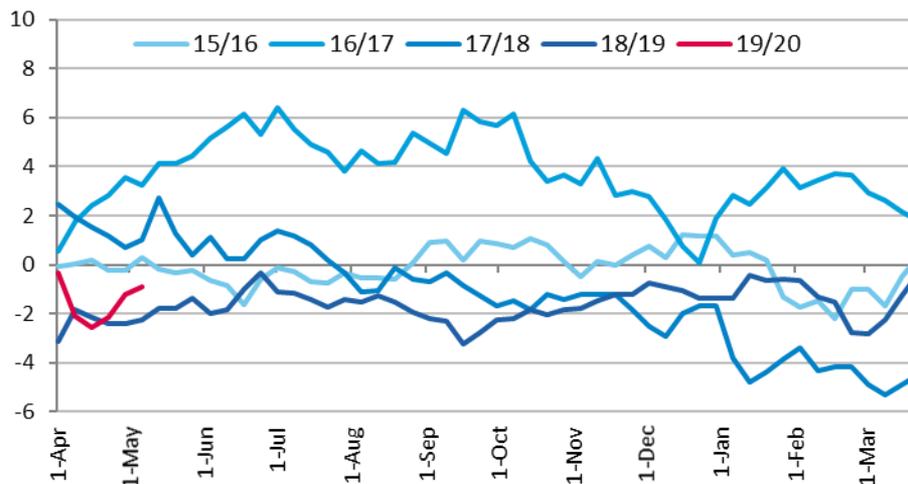
Ethanol demand boosted

- Since the start of the year, Petrobras gasoline prices increased in Brazil by 33%. Crude oil price increased by 45%. BRL/USD remained in a 3.70-4.00 Range.
- This rising energy complex - only partially transmitted to gasoline price at the pump - is favouring ethanol driver choice and boosting ethanol market share.
- Hydrous ethanol demand in Q1-2019 was about 35% bigger than Q1-2018.

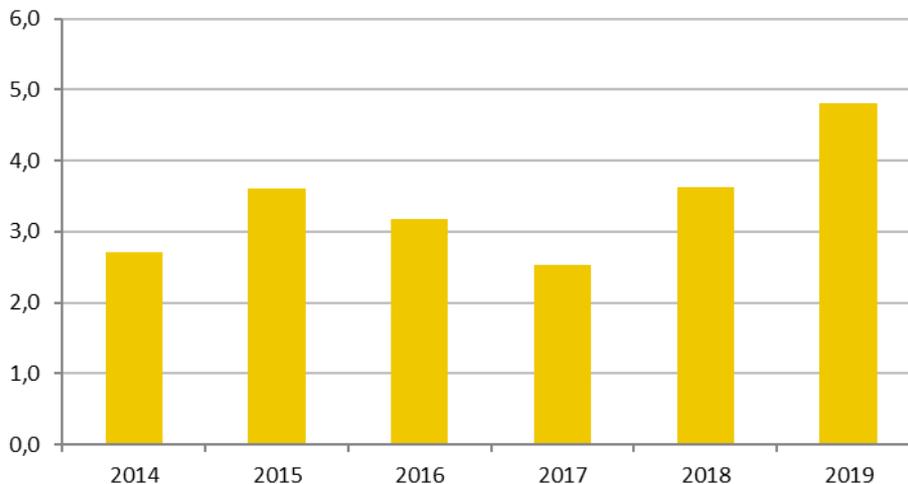
Will mills favour ethanol as much as last year?

- Ethanol vs sugar price differential is not as wide as last year.
- Sugar flat price in Real is 10% higher by end-April 2019 than the May-September 2018 period.
- Last year, mills that maximized flexibility by reducing the crush at peak ATR months lost some sucrose in the back months.
- Despite booming ethanol demand, mills may not maximize ethanol as much as last year.
- The mix is assessed between 35% and 35.5% vs 35.2% last year, for a cane crop slightly bigger.

Brazilian Sugar/Ethanol parity per crop year
[c\$/lb, positive parity = sugar more remunerative]



Hydrous ethanol demand during Q1
[Jan.+Feb.+Mar., Mm³ ethanol]



INDIA: AFTER RECORD CROPS, RECORD STOCKS

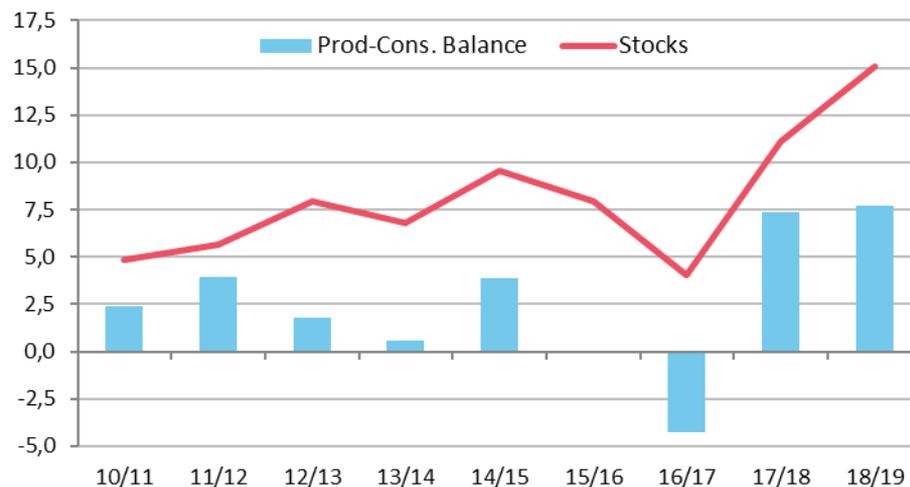
An unseen carry-out level

- India has posted an outstanding 16 Mt production-consumption surplus in 2 years.
- Exports have been about 3 Mt so far. It will leave a potential restocking of 12 Mt at a constant export pace toward the end of the campaign.
- Mounting cane payment arrears should encourage mills to export steadily during Q2 & Q3.
- Such a scenario may lead Indian mills to have 60% stocks-to-use ratio by the start of 19/20.

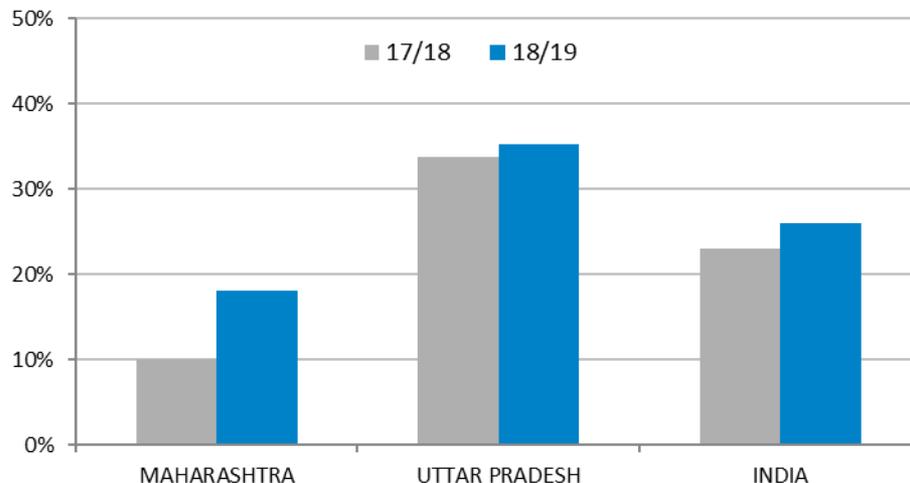
19/20 still in surplus

- Despite the lower production in Maharashtra, India should post a 3rd consecutive surplus in 19/20.
- High carry-in and repeated surplus should lead once again India to export in 19/20.
- Mills could rather produce raw sugar at the start of the crop to find liquidity. Indian raw sugar is geographically well-positioned.
- In case sugar prices rally, India will act as a cap and increase its supplies to the world in order to reduce its stock burden.

Indian production-consumption balance & stocks
[Oct/Sep, Mt sugar, Tel Quel]



Year-to-date cane payment arrears in India
[% of unpaid sugarcane]



ALTERNATIVE RAW ORIGINS GETTING BIGGER

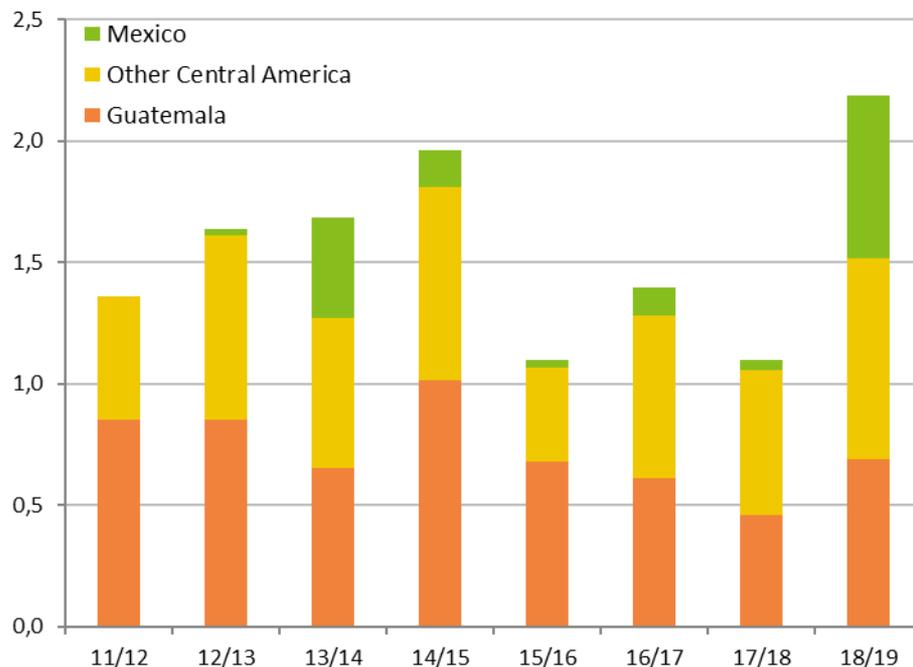
New exporters on the market place

- After a few years of absence, Mexico is exporting large raw sugar volume in 18/19. It could reach up to 700-800 kt on the campaign.
- South-African exportable surplus has been boosted by good crop performance and low consumption dynamic. Demand was hit by sugar taxes implementation. Mostly exported as raw sugar, the EU and the Far East are the largest outlets.
- Argentina harvest prospects are promising. World raw sugar price offers a good alternative to the local and Chile markets.

Central America growing raw sugar exports

- Central America production reached a new record in 18/19 at 5.5 Mt.
- Even-though exports of white sugar are maximized, higher crops and lower bagged raw sugar output increased the bulk raw sugar supply from this region.
- With Mexico taking some of the Central America regional destinations, Central American raws will have to find new markets further away.

Raw sugar exports from Central America and Mexico
[National Crop Year, Mt sugar, Raw value]



THAILAND: WILL FAR-EAST MARKETS BE SUFFICIENT?

Two records crops in a row

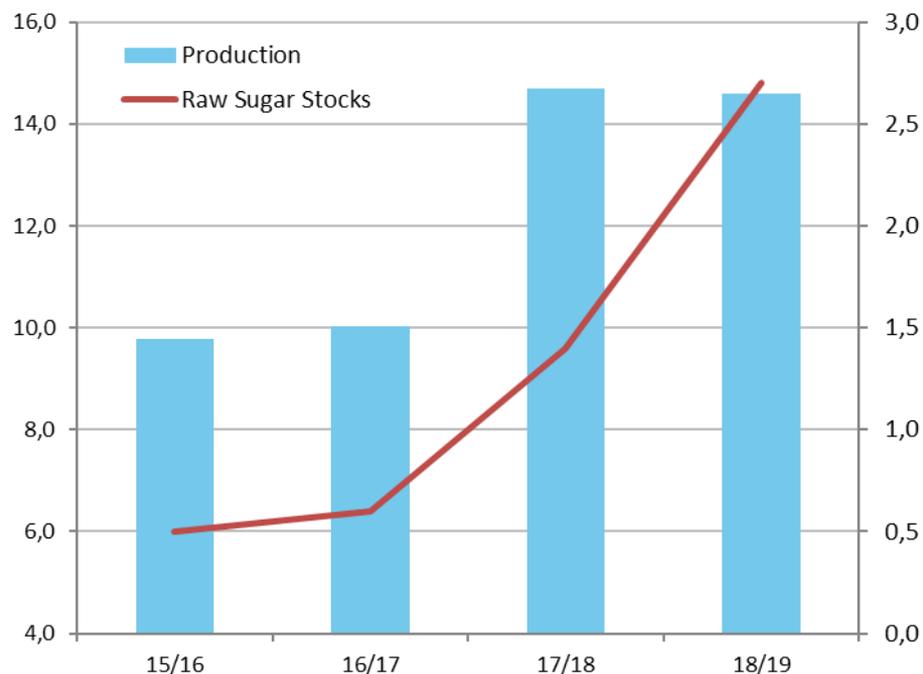
- Thailand posted two consecutive large exportable surpluses of about 12 Mt each.
- This exportable surplus goes almost exclusively in the Far East region.
- 17/18 raw sugar carry-out increased. Insufficient demand led some sugar to be rolled into the new season.
- With a repeated big crop and higher stocks, 19/20 availabilities are enlarged for both white and raw sugar.

18/19 Carry-out could be big again

- Regional demand was weak for whites so far because of the poor Chinese offtake. This might force some exports to go beyond the region by the second part of the campaign to avoid large white stocks by the end of the crop.
- Far-East raw demand has been sustained since the start of the campaign. With the lower white production and higher raw sugar carry-in, raw sugar availability is still ample for this campaign.
- Thailand will need to find new sizeable markets such as China and Malaysia to keep raw sugar carry-out at check. Deteriorating quality over the season inserts a time-constraint in the opening of these new flows.

Thai sugar production & raw sugar stocks

[Dec/Nov, Left: Mt Tel Quel - Right: Mt raw sugar stocks]



WHITE MARKET: AWAITING CHINA TO WAKE UP

A reduced Chinese white demand

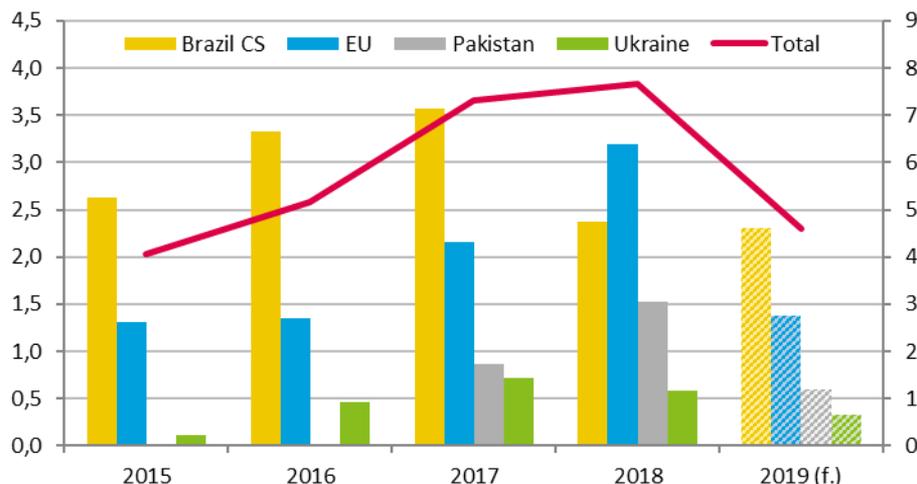
- China and its neighbouring countries have represented about 20% of the world white sugar flow over the past 4 years.
- Since October 2018, activity toward China was poor. It led to weak offtakes in both India and Thailand, while both showed record crops.
- A wake-up of the demand in China should create sufficient flows from these origins to require back refiners activity.
- China demand has been hardly predictable over the past years.

Europe and Pakistan down, India plentiful

- The EU 18/19 and 19/20 exportable surpluses should be reduced to 1.5 to 2 Mt, as compared 3.5 Mt in 17/18.
- Pakistan exported 2 Mt in 17/18. The 18/19 lower crop should reduce their exports significantly.
- Brazil CS crystal supply is not expected to recover.
- In a low flat price environment, the white market could get tighter if Far East demand is back.
- With large sugar stocks in India, the higher flat price would improve considerably the supply.

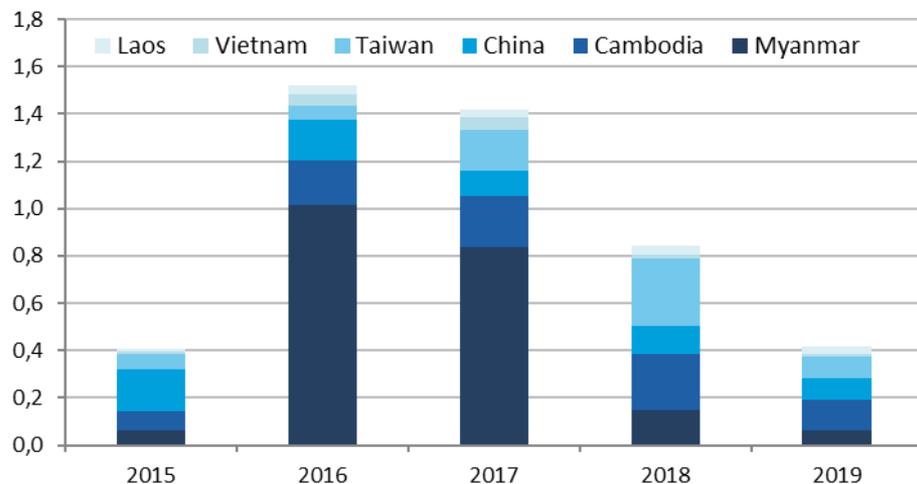
Flows of main white sugar millers exporters

[Calendar year, Left: Mt country - Right: Mt total, Tel Quel]



China & South-East Asian white sugar imports in Q1

[Jan.+Feb.+Mar. shipment, Mt, Tel Quel]





**GLOBAL
SUPPLY &
DEMAND**



SURPLUS TO BE KEPT SMALL PROVIDED HIGH ENERGY PRICES

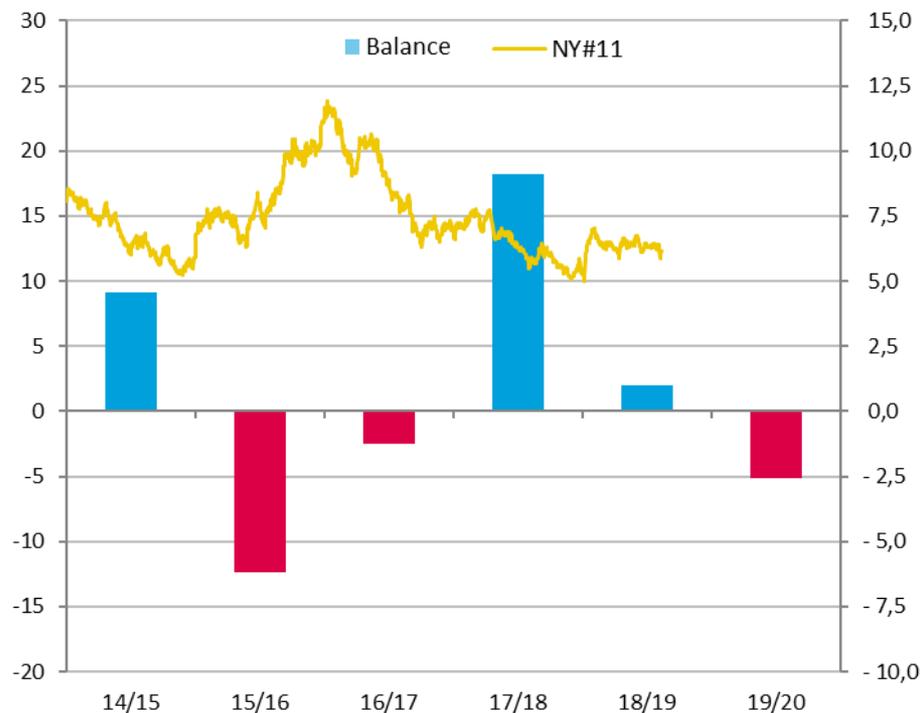
18/19 crops remain high

- Except for the EU and Pakistan, most of other Northern Hemisphere crops were equal or higher than 17/18.
- CS production between May and September will finalize the 18/19 world production/consumption balance. As of today, sugar mix is seen low and the 18/19 Oct/Sept surplus remains small.
- Energy price decline would lead the sugar mix up and the world 18/19 to tip in a more significant surplus. A further energy price rise would only minorly decrease the sugar mix.
- Energy prices impacts on the sugar S&D is asymmetric. Consequences of lower energy complex will be more weighty.

19/20 deficit in a high stocks environment

- 19/20 India and Thailand lower crops, stable low EU crop, are among elements for the 19/20 world production to shrink. Such reduction should lead world S&D to post a deficit in 19/20.
- However, world high stocks and CS ample sucrose availability could easily increase sugar supply through a modest price increase.
- Foreseen deficit does not correspond to a shortage.

Global production-consumption balance & NY#11
[Oct/Sept, Left: c\$/lb – Right: Mt raw value]



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