



**SUCDEN SUGAR  
MARKET REPORT**

DON'T WORRY DARLING



**MARCH 2023**

# EXECUTIVE SUMMARY

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- The world production-consumption oscillates between small deficits and surpluses over the recent years. This fragile equilibrium is reached with a sugar mix already maximized in Brazil Center South (CS) and this leaves no supply buffer to the market in case of a weather event. In addition, India will withdraw from the market for several months from now on, with no clear view as to when it will be back. This is symptomatic of the current tight trade flows environment.
- Three points of tension are particularly remarkable in the raw trade flows outlook. First, the ability to pass a historically tight intercrop that requires an early start of the CS crop, itself dependent on the end of the rains. Second, further into the CS harvest, the capacity of the logistic to match 90% of the large Q3 raws demand, when almost no alternative origin is available and while record grains crop leads to more competition for in-land and ports capacities. Ultimately, India raw exports will be again required to bridge the 24/25 CS crop. Next year Indian export policy presents again wild uncertainties as regards to the quota size and timeline: a deficient Indian monsoon remains a major risk.
- The white market is progressively exiting its current surplus situation. The concentration of the large Indian quota supply in a short period of time pushed flows to destinations beyond regular demand. From May onward, when the Indian domestic sugar is not available anymore, Eastern Hemisphere markets will have to source from regional refiners, leaving a tighter balance sheet, although less than last year, given the higher CS crystal and Thai refined availability.

# AT A GLANCE

## 01 SUGAR CROP OVERVIEW

- Brazil CS back to highs
- India: #2 exporter steps back
- Northern Hemisphere: no recovery at sight
- World S&D keeps balanced over the years

## 02 SUGAR MARKET FEATURES

- Uncertain capacity to bridge 23/24 CS crop
- CS logistics to be tested from May onwards
- Whites: shaped by the Indian export seasonality
- Next intersafra: return to the Indian saga



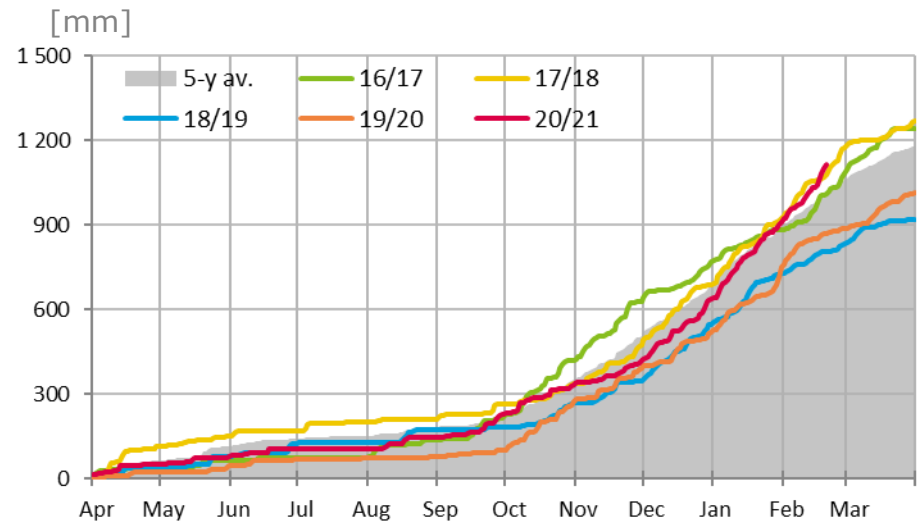
# **SUGAR CROP OVERVIEW**



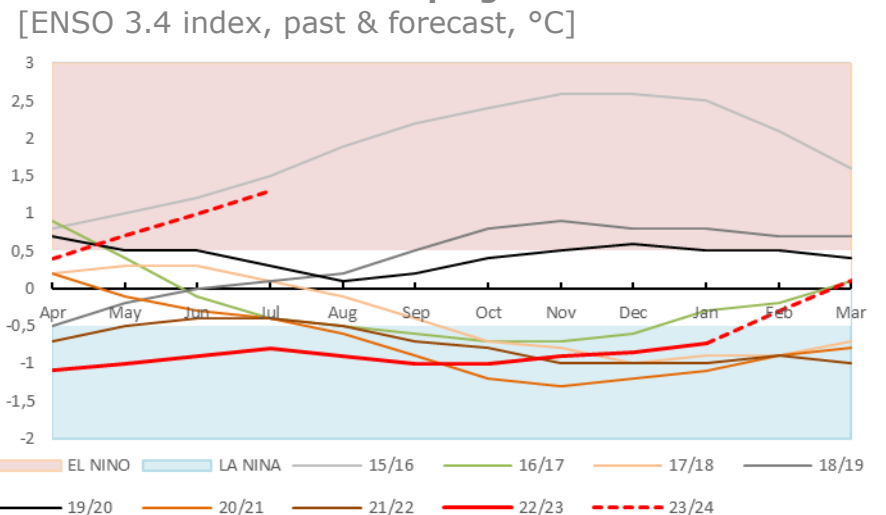
# BRAZIL CS BACK TO HIGHS

- The 23/24 Brazil CS cane benefitted from good conditions most of its vegetative period. Rains were regular over the summer and particularly plentiful from December onwards.
- This favorable weather will induce a new increase of agricultural yields, after 22/23 partial recovery and 21/22 disaster. Assuming a relatively stable area in 23/24, the cane harvest should reach 580-585Mt.
- The ethanol parities - currently around 16 cts/lb - are deep below the sugar prices. Millers will once again maximize sugar crystallization at the expense of ethanol. The 23/24 sugar mix is assessed around 47%, about 1% higher than last year, when sugar was already more attractive than ethanol most of the season.
- CS sugar production should reach about 36,5Mt in 23/24, posting a large increase for the second time in a row and getting closer to the high historical level.
- This larger cane harvest perspective should lead mills to start crushing early. However, the end of the current high-rainfall period is key.
- From April onwards, the strengthening El Nino could mean higher rains than usual and threatens an early start of the crush, as well as the ATR level along harvesting.

CS Brazil cumulated rainfall



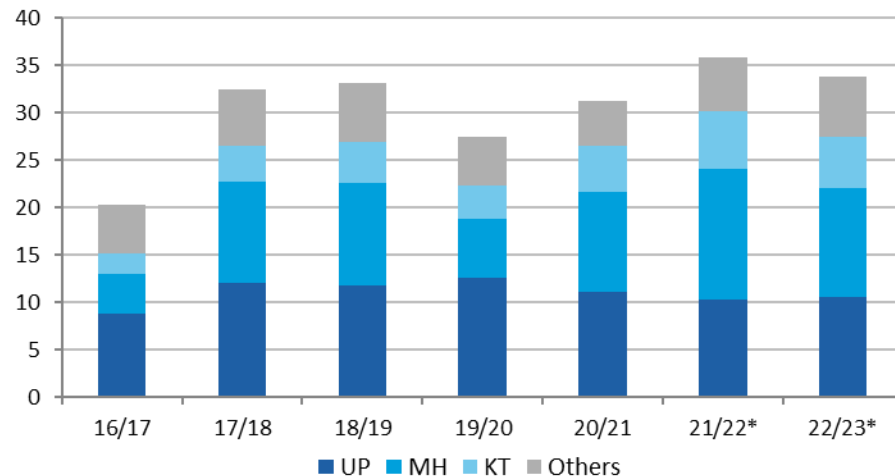
From La Nina to a developing El Nino



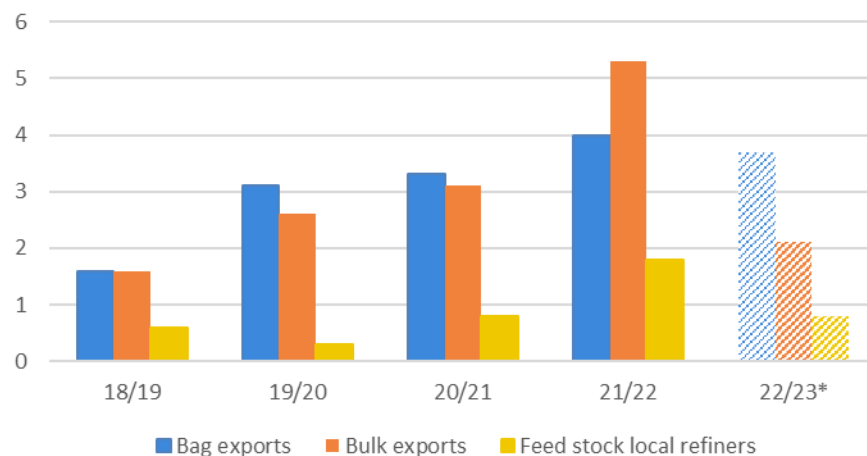
# INDIA: #2 WORLD EXPORTER STEPS BACK

- After 21/22 all-time record, India 22/23 crop is assessed about 2Mt lower at 33,8Mt. The reduction mostly happens in Maharashtra, because of a poor yield of ratoon cane.
- Even though the production remains historically high, the exports flows will decrease sizably.
- For several years now, India has been steadily destocking and is now running at historical low stocks.
- With the 6,15Mt export quota already granted, India carry-out will not increase from last year minimal level of 5Mt.
- In such a tight domestic situation, the Authorities should be mindful of the food safety and not allow new export tranches.
- The current quota has been almost fully booked now. About 55% of it will be exported as whites, the balance as raws, on a FOB basis or as feedstocks to the coastal refiners.
- 22/23 contribution to the raws balance-sheet is significantly reduced: more than 4Mt less year-on-year.
- This lower Indian availability means that alternatives origins should contribute further to regional demand.

**Indian sugar production in the main States**  
[Oct/Sep, Mt]



**Indian exports per type**  
[Oct/Sep, Mt]

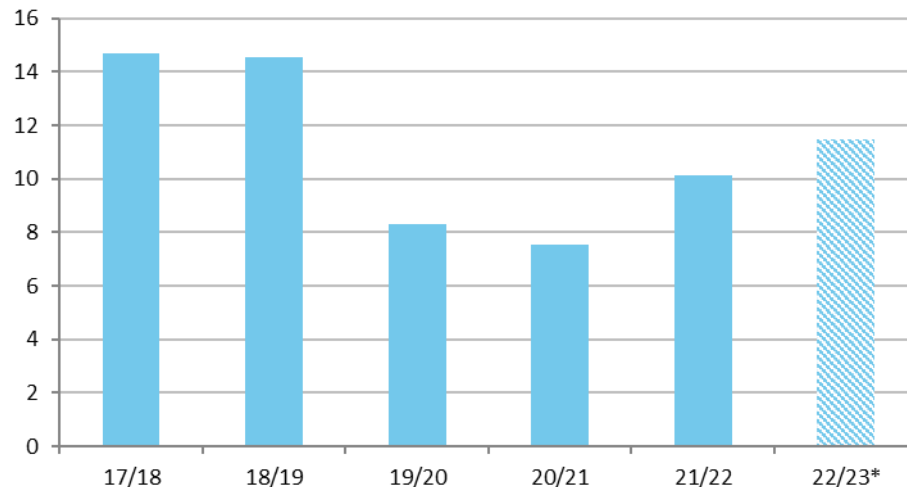


# NORTHERN HEMISPHERE: NO RECOVERY AT SIGHT

- Thailand 22/23 cane production is assessed at about 102Mt, i.e. 10Mt additional cane year-on-year. Although it is a sizable increase, the industry struggles to reach the previous large crop numbers of 17/18 or 18/19, despite favorable weather and high sugar levels. With increasing cassava prices and an almost unchanged cane price, 23/24 prospect looks modest, with acreage diversion from cane to cassava.
- Despite a recovery of beet crop, China overall sugar production should remain stable in 22/23 at about 9,5 Mt, due to a decrease of the Guangxi forecast. The Chinese deficit is expected equal or even increased, due to a probable rise of consumption following the end of the Covid constraints.
- After a poor performance in 22/23, the European sugar production perspective is roughly stable, at 15,2 Mt in 23/24. Area is seen unchanged, and the beet yield could be further affected by the neonicotinoids ban, especially in France.
- In Russia, the 22/23 crop should reach about 6,1Mt after 2 years of poor sugar outputs. Despite this increase, Central Asia should continue to import exclusively raw sugar from Brazil.

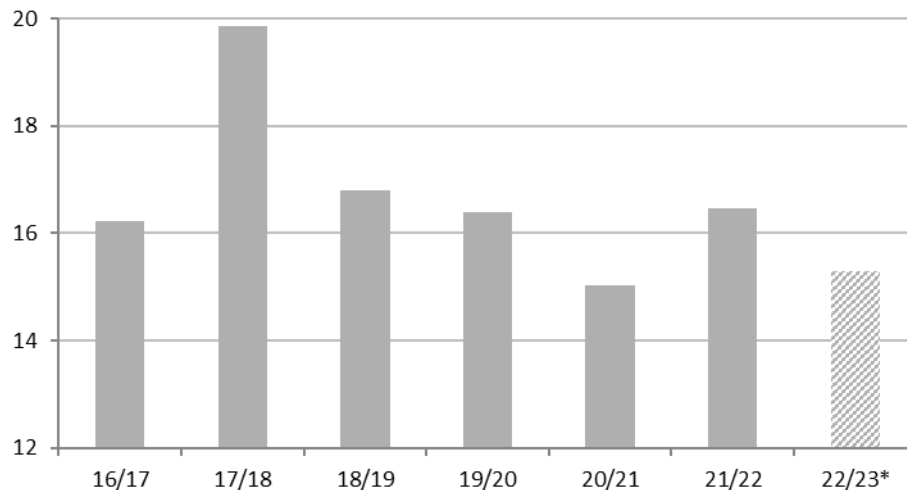
## Thai sugar production

[Dec/Nov, Mt]



## EU sugar production

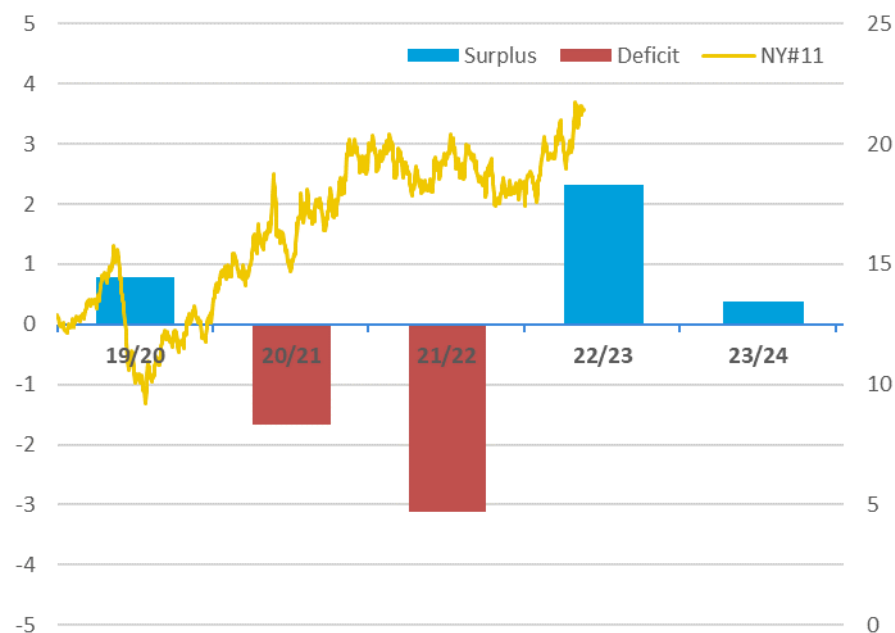
[Oct/Sep, Mt]



# WORLD S&D KEEPS BALANCED OVER THE YEARS

- Northern Hemisphere production will finally post an overall reduction of around 3Mt in 22/23. While Thailand and Russia did better, other major producers will post a drop as India, EU and Mexico. 23/24 may only see a limited increase, considering an expected normal weather pattern, as no growth is expected in sugar crops acreage.
- In the Southern Hemisphere, after a disastrous 21/22 crop and a modest 22/23 harvest, CS Brazil should be back to a much larger sugar production in 23/24, thanks to a good cane yield and low ethanol prices.
- For past and next years, the world Production-Consumption oscillates from small deficit to surplus giving an overall balanced picture. However, this scenario is reached by a maximized sugar mix in Brazil, leaving no buffer in case of weather event: the prospect of El Nino could induce a weaker Asian monsoon.
- This should lead to tight trade flows over next 12 months, along with specific hurdles: the capacity to bridge with the coming 23/24 CS crop, the CS sugar logistics capacity to match demand while few other origins are available, and ultimately, the Indian political decision to release export quotas to pass next CS intersafra.

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







# **SUGAR MARKET FEATURES**

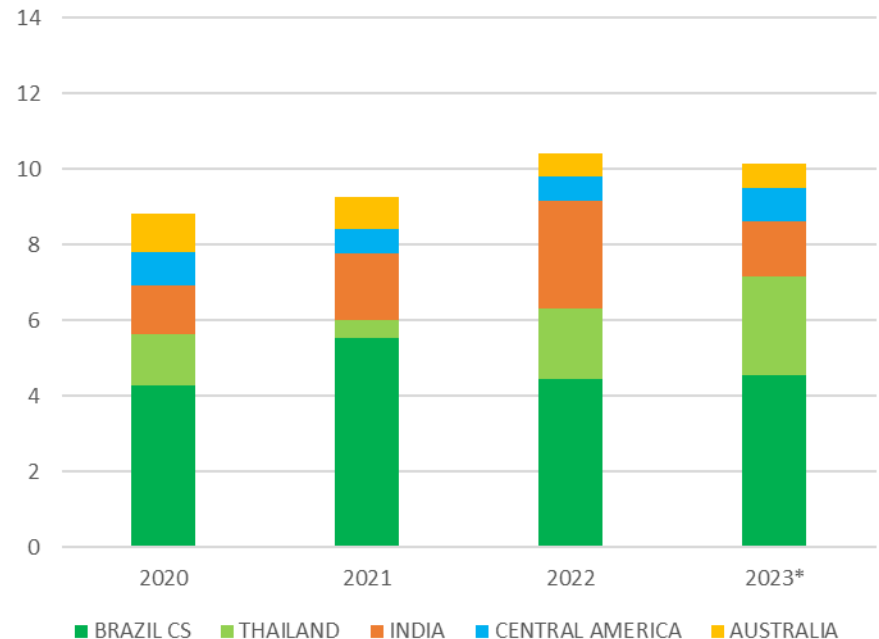


# UNCERTAIN CAPACITY TO BRIDGE 23/24 CS CROP

- CS 22/23 crop will be better than anticipated, at about 33,9Mt, thanks to a good cane crush in Q4-22. Nevertheless, stocks in Brazil remain low, as the shipment pace during 22/23 was high. By the end of February, raw exports will be around 2,3Mt more year-on-year, larger than the increase in production.
- In Thailand, demand has been healthy with offtakes from Indonesia and South-Korea and most of the mills are anticipating shipments as much as possible.
- Indian raws export on the Jan-April period is assessed at 1,5 Mt i.e. almost halved, compared to last year. This will leave Middle East and Bangladesh to increase purchases from Brazil CS and Indonesia from Thailand.
- The West Coast Central America has benefitted from regular demand from Asia, as well as from the EU, USA and Canada. In addition, the sustained white demand in the region and the perspective of a low Mexican crop is reducing the raws availability.
- Low stocks at destination caused by a prolonged inverted structure has caused a steady refiners demand.
- Trade flows are tight for the current intercrop period and any delay in the start of the CS harvest will exacerbate this situation.

## Q1 raw sugar shipments per origin

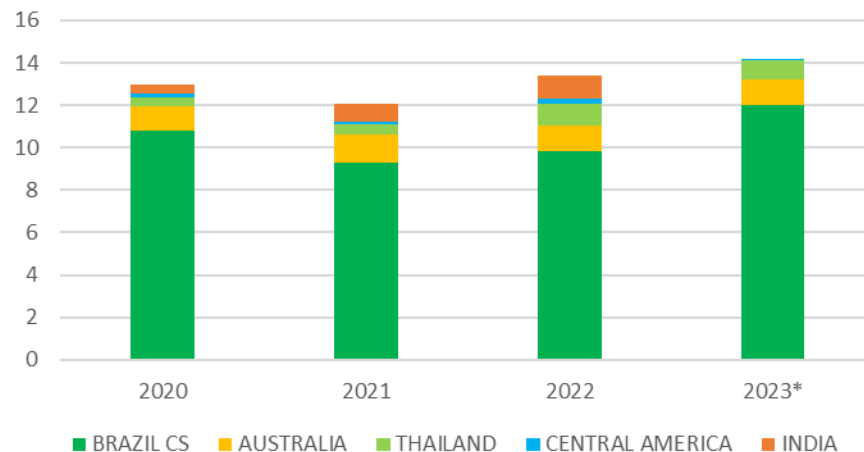
[Jan to Apr, Mt]



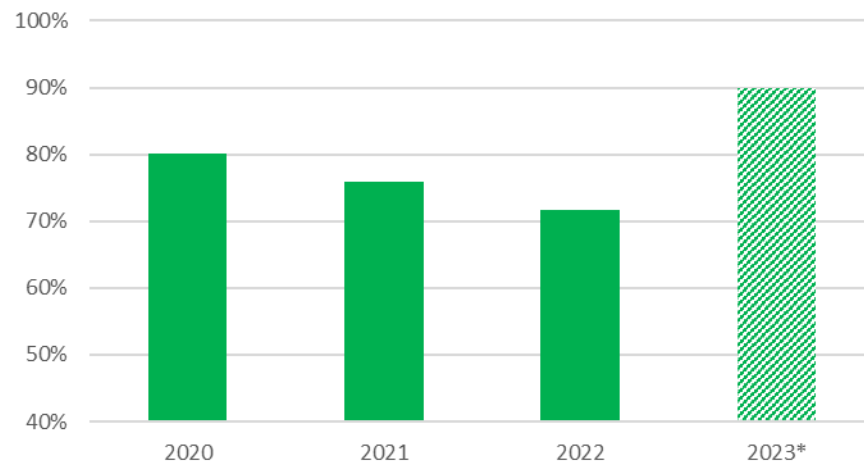
# CS LOGISTIC TO BE TESTED FROM MAY ONWARDS

- In the Northern Hemisphere, most of the raws should be exported by May, given the backwardation of the market.
- From Q3 onwards, with no additional Indian export tranche expected, only the usual residual Thai tonnage should be left to ship from the Northern Hemisphere.
- Apart from Australia, Brazil CS will be the only available origin, having to meet around 90% of the world demand during this time.
- This will put in-land and port logistics at stress from May to October. Additional tension and competition will also be coming from both soybean and corn crops, much higher year-on-year, assessed respectively at +20% and +10%.
- Even if China and Indonesia imports could be slightly lower as compared to last year, the Indian coastal refiners will be unable to source their feedstocks locally and they should revert to Brazil CS. This will maintain a healthy and sizable demand during the period.
- Such challenging logistic environment should create big Line-ups in Brazil CS from May onward, with long waiting / berthing times.
- In addition, anticipated nominations to match BLs deadlines may exacerbate the issue by creating a snow-ball effect.

**Jul-Sep raw sugar shipments per origin**  
[Jul to Sep, Mt]



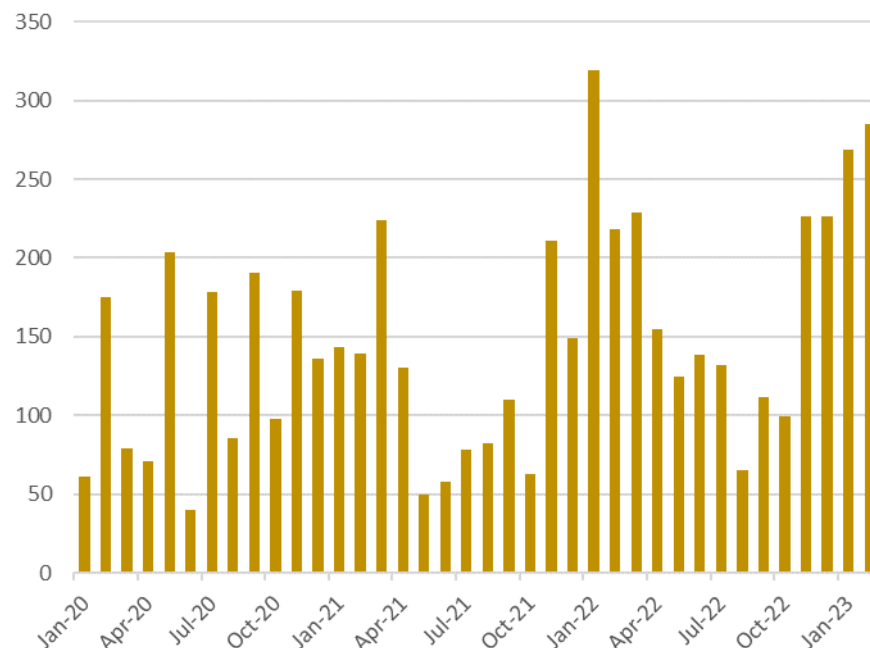
**Share of CS Brazil in total raw sugar exports**  
[Jul to Sep, % of world exports]



# WHITES: SHAPED BY THE INDIAN EXPORT SEASONALITY

- The white market is largely influenced by the Indian export policy. Indian domestic whites and refined exports are about 20% of the white sugar market. In addition, they are concentrated over a short period of time, representing, during that period, a much larger proportion of the supply.
- With the deadline for shipment, by 31<sup>st</sup> May 2023, the Indian export policy has a massive swing impact, bringing surplus initially while leaving the white balance sheet very tight afterward.
- Cash premiums have been suffering from this large concentrated availability. For instance, record shipments are seen since November to West Africa with a sizable flow of Indian sugar, with its usual East Hemi destinations already saturated.
- From May onward, the situation will reverse, as Indian domestic sugar exports are expected to cease. The East Hemi usual Indian Low-quality markets will have to turn to regional refiners which will tighten their balance sheet.
- Even-though the Indian absence will support the market for the second part of the year, higher Brazil CS crystal and Thai refined availabilities should help to balance better the trade flows as compared to last year, providing no incident in key Middle East and India refineries.

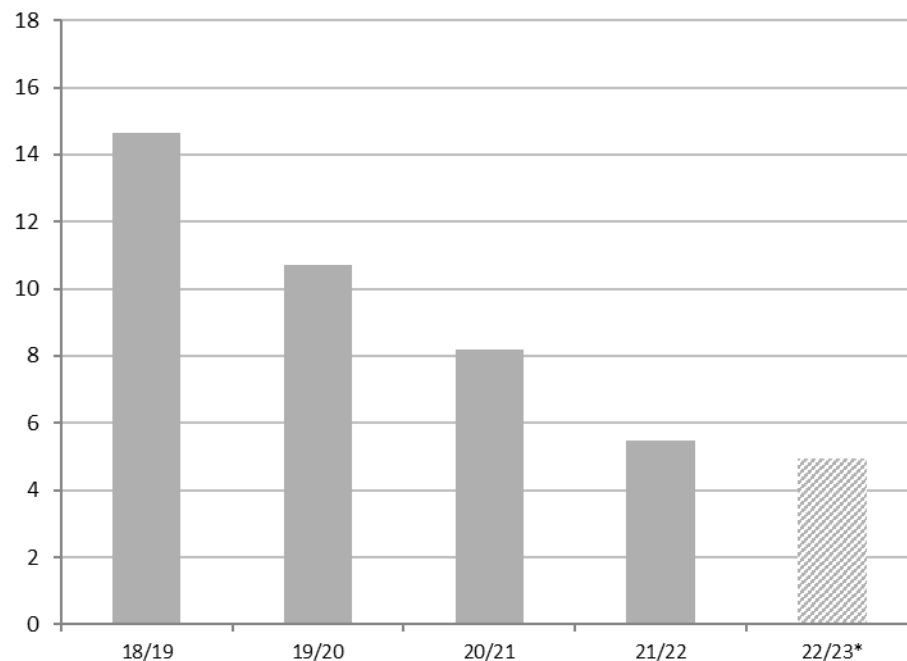
**White shipments in Breakbulk to Western Africa**  
[Monthly shipments, kt]



# NEXT INTERSAFRA: RETURN TO THE INDIAN SAGA

- For the past 4 years, India represented 20% of the world raw supply over the Jan-April period. Once again, the next intersafra 23/24 should require a large flow of Indian raws to balance the trade flows.
- The higher CS Brazil 23/24 raw production is expected to be absorbed during the first months by the steady demand and the lower availability of alternative origins.
- Even more than previous years, the Indian exports remain questionable in 23/24. Stocks should be at a historical low. El Nino climatic pattern, coinciding with positive Indian Ocean Dipole, could mean a weaker monsoon. With India's General Election happening in May 2024, the Government may focus on inflation and low foodstuff prices, rather than export policies.
- For the trade flows to bridge the new CS crop 24/25, roughly 2Mt of Indian raws are needed. To achieve this, given the expected white sugar flows and coastal refiners intakes, the total quota required to be released by the Authorities should be minimum 5 Mt, which remains a big call.
- Timeline will also be key. A decision after the monsoon and Diwali festival sounds the earliest probable, i.e. not before mid-November 2023. This leaves an extended period of uncertainty ahead.

**Indian sugar ending stocks**  
[Oct/Sep, Mt]



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