



SUCDEN SUGAR MARKET REPORT

MONOPOLY



OCTOBER 2023

EXECUTIVE SUMMARY

- Despite a disappointing Northern Hemisphere production, the 22/23 October-September world S&D ended up only with a small deficit, thanks to the exceptional performance of the CS Brazil crop.
- 23/24 should however turn into a deeper deficit. A poor monsoon will bring Indian and Thai crops down and the overall Northern Hemisphere production will decline again despite the European beet crop recovery. Brazil CS may reiterate its performance in the upcoming season and could increase the sugar mix, but repeating such a record cane yield fully relies on the weather.
- This situation will lead the world market to lose its number 2 exporter, India, making the world increasingly addicted to Brazilian sugar. In addition, the demand remains robust and unable to drawdown on stocks which decreased over the past years.
- To meet the demand during the critical CS intercrop will depend on the ability of the industry to avoid cana bisada and to manage sugar exports through an overburdened logistics infrastructure. Dry weather would help to achieve such goals, but may be detrimental for next crop.
- On a longer term, current high prices could recall the 17/18 scenario, when world production increased massively from 16/17 and reached a record. However, the outlook for the 24/25 Indian crop hit by the current weak monsoon does not match such a perspective. Also, the EU and Thai production are expected to increase only moderately. Thus, 24/25 should post another deficit.
- Weather keeps the leading component of the market, more than cane or beet economics, which should not alleviate the current tension on prices.

AT A GLANCE

01 SUGAR CROP OVERVIEW

- Brazil CS 23/24: year of records
- India: no export in sight
- Poor cane harvests in Northern hemisphere
- European beet belt recovery
- World S&D: consecutive years of deficit

02 SUGAR MARKET FEATURES

- Raw sugar supply at stake during CS intercrop
- Whites: Indian exports disappearance is offset
- Are prices high enough to balance the S&D in 24/25?



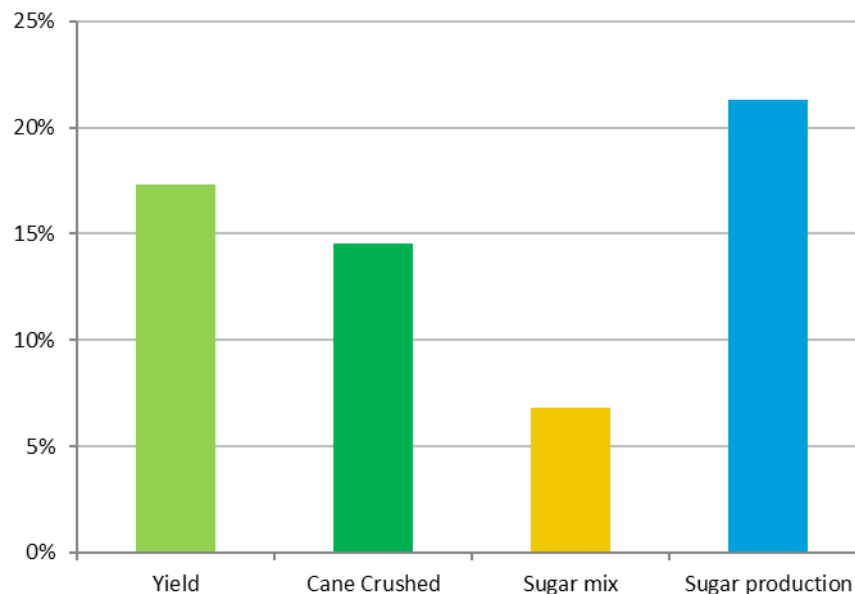
SUGAR CROP OVERVIEW



BRAZIL CS 23/24: YEAR OF RECORDS

- The 23/24 Brazil CS crop surpasses all the previous crops, beating several records. Cane yield shall reach 86 Mt/ha, beating the previous high of 83 Mt/ha in 15/16, resulting in a cane availability around 650 Mt.
- Such a cane productivity did not affect the ATR, matching the 5-year average at 140 kg/t of cane. During the previous strong El Nino event in 15/16, it was only 130 kg/t.
- The other record is the mix – seen at 49% - that will beat the previous high of 17/18 at 46%. The crystallization capacity has been maximized as sugar is paying an average of 10 cts/lb more than ethanol on the crop year.
- From now on, the main question lies in the ability of the industry to crush all the cane available. Daily crush rates have been maximized so far, but while entering the summer, it may be threatened by rains.
- In average rainy conditions, a portion of the cane should be left in field and crushed only next crop year. Yet, 23/24 sugar production will post a new record at about 41 Mt.
- Next year should see more crystallization capacity being set up, creating an improved mix at about 51%. Production is seen near 42 Mt, barring any weather event.

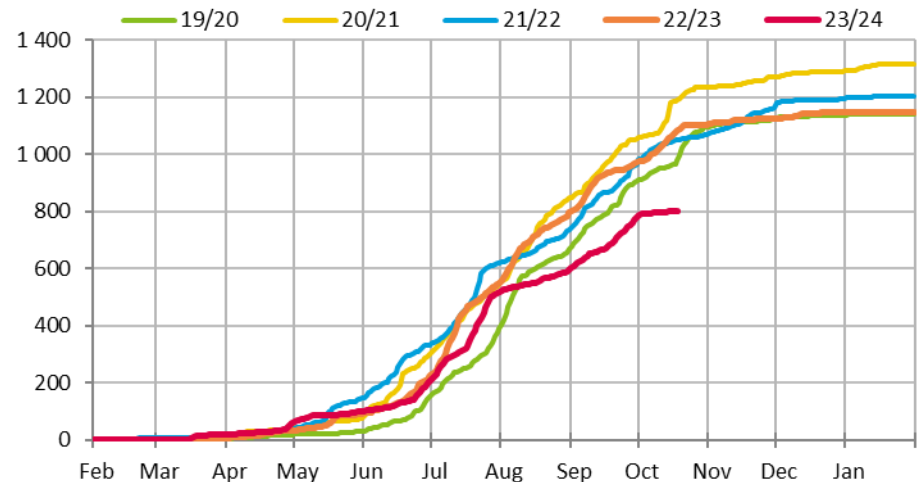
Increase of main parameters of Brazil CS crop
[23/24 vs. 22/23, %]



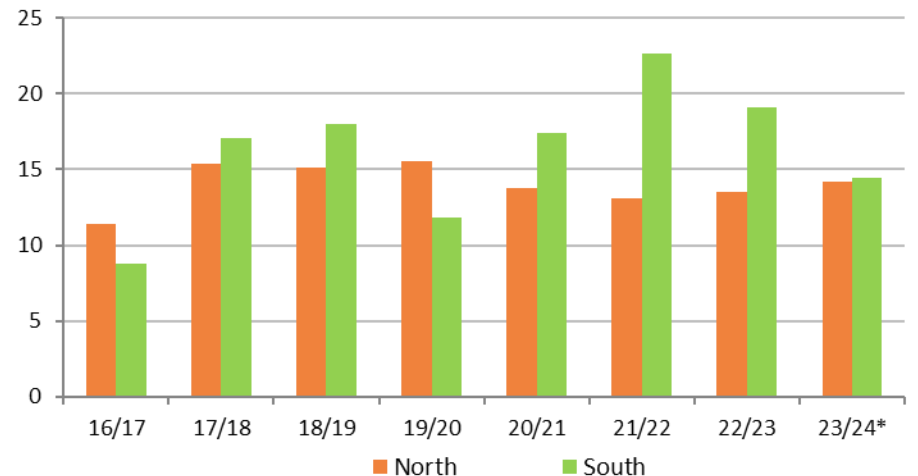
INDIA: NO EXPORT IN SIGHT

- After 4 beneficial monsoons, 2023 was insufficient in the Indian Southern cane belt, in line with the El Nino prevailing.
- Rains were irregular and 20% lower than average. Thus, Maharashtra and Karnataka cane industry will suffer the triple impacts of drought. First, a reduction of the cane yields for the crop year 23/24, then a decrease of the area for 24/25 and ultimately a higher cane age, given the scarcity of 18-months cane plantings.
- Northern India cane belt - less sensitive to rainfall deficit - should reiterate a good performance in 23/24.
- Despite a sharp reduction of the cane production, the ethanol program enjoys a strong political support and offers a good remuneration to the mills. It is expected to divert about 4 Mt of sucrose.
- In such environment, the Indian production is assessed about 15% down at 28,5 Mt for 23/24, while 24/25 crop should see a further decline at 26 Mt.
- With a production just about - or below - the consumption over the 2 next years and low domestic stocks, India will have to put exports on hold and just promulgated a ban. The world market will lose its number 2 sugar exporter for the coming seasons.

Rainfall recorded on Southern Indian cane area
[Feb 1st - Oct 15th, mm]



Indian sugar production: North vs. South
[Mt]

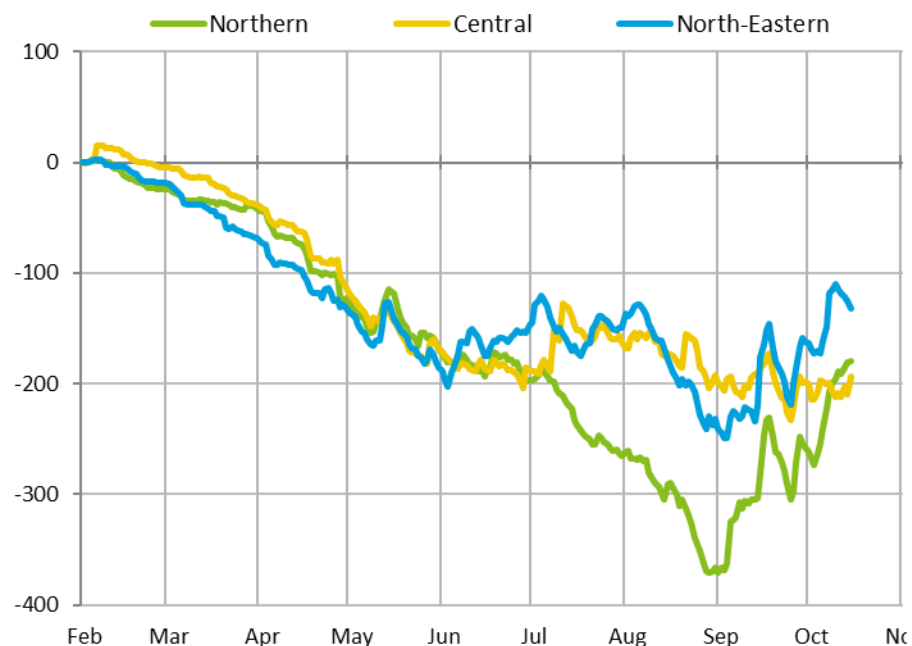


POOR CANE HARVESTS IN NORTHERN HEMISPHERE

- After the disappointing 22/23 production, Thailand crop is expected to drop further.
- Rainfall in the Central and Northern areas have been insufficient, and even if better precipitation were recorded in the North-East, the crop should be 15% lower than last year, at about 80 Mt.
- Thailand exports should decline by roughly 2 Mt. It will aggravate the disappearance of Indian exports in the Eastern Hemisphere.
- China benefitted from a more regular and average monsoon. Cane as well as beet crops are expected to recover from last year but only by 0,5 Mt. Deficit in the country will remain about 6 Mt. This will keep the Chinese demand at high level in 2024.
- Despite lack of rainfall during 2023, Central American crops will succeed to maintain a similar productivity, partly thanks to irrigation. However, Mexican crop may reduce from an already poor output last year.
- Such situation should continue to tighten the US S&D, considering the failing Louisiana crop.
- New quota increases as well as out-of-quota imports are expected in the US, keeping strong demand for both raw and white sugar.

Cumulated rainfall deficit for the 3 main Thai sugarcane regions

[Recorded vs. 5-y average, mm]

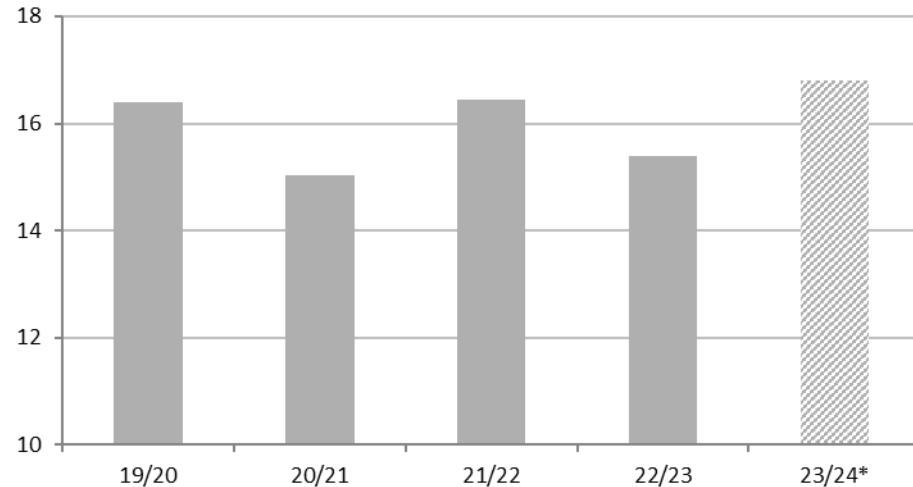


EUROPEAN BEET BELT RECOVERY

- After an erratic start, between plantings delays, dry May and heavy rains in June and July, the EU benefited from excellent weather conditions from mid-August onward.
- The weather turned exceptionally hot and sunny for the season over September and October. It allowed the beets to increase the sugar content that was poor after the rainy summer.
- This shall bring the EU and UK sugar production to 16,5 Mt. Low fuel-ethanol prices will also limit the diversion to ethanol.
- Yet, both markets remain remunerative for imports, notably from Ukraine boosted by its higher crop and left with no alternative market.
- After 2 years of low exports, the EU is to recover some market shares of the white trade flows, thanks to a higher production and resilient imports.
- Russia is also heading toward a better crop, amid favorable weather and higher area. Production is assessed at 6,4 Mt.
- This will turn the Central Asian countries as Russian sugar importers during Q4 and Q1, which will limit the demand for Brazilian raw sugar during this period.

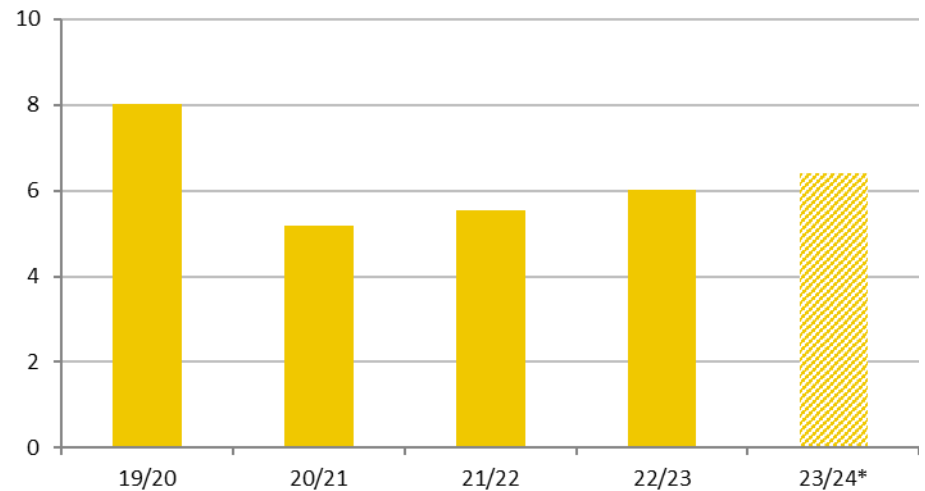
EU sugar production

[Oct/Sep, Mt]



Russia sugar production

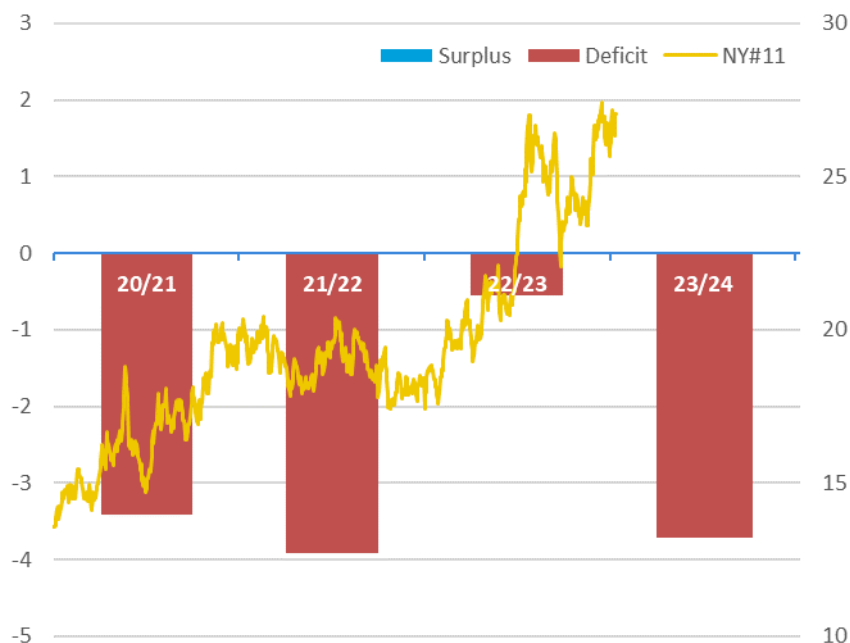
[Oct/Sep, Mt]



WORLD S&D: CONSECUTIVE YEARS OF DEFICIT

- Brazil CS current harvest shows multiple records that offset the 22/23 Northern Hemisphere crop drop. Hence, the Oct/Sept balance displays only a minor deficit.
- Looking ahead, the price increase from April 2023 came too late to boost the cane and beet areas in the North. In addition, weather was detrimental for the crops except for Europe. This will lead the Northern Hemisphere production to decline again in 23/24.
- To compensate such crop failures, Brazil CS will need to repeat this year prowess for the upcoming harvest. Mix shall continue to increase thanks to remunerative sugar prices. However, cane yields will be dependent on weather which could turn less favorable than this year, leaving the market vulnerable to weather events.
- Meanwhile, even computing a repeated giant CS crop next year, the growth of consumption will increase the deficit in 23/24.
- This will generate a new world stocks pressure. Apart from a few exceptions, refiners can't rely on stocks and must buy regularly to insure their running pace.
- Thus, in case the sugar supply were to run out and the demand had to balance the S&D, it would mean a real drop in consumption: this requires price to stay high durably.

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





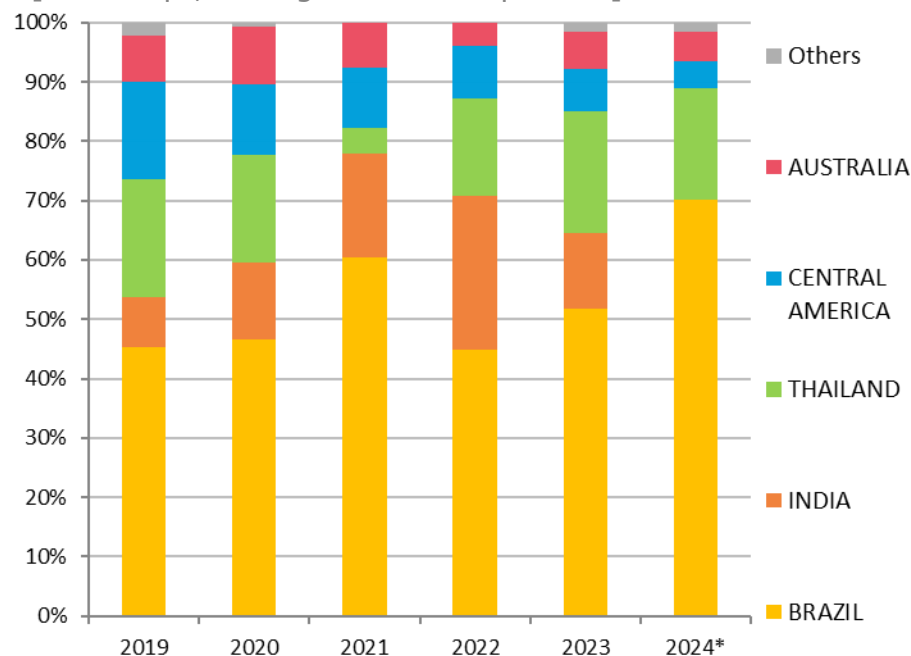
SUGAR MARKET FEATURES



RAW SUGAR SUPPLY AT STAKE DURING CS INTERCROP

- Usually, Q1 features many alternative origins, other than Brazil CS. India, Thailand, or Central America are helping the world demand to cope with the intercrop in Brazil CS.
- 2024 will be different: India will not export sugar. Thailand will export less due to a low crop, Central America will focus on bag sugar export, leaving the world to rely mostly on Brazil CS crop.
- Facing this, world demand will be sustained as stocks are low and prices levels are not high enough to impact the consumption. Even if China and Central Asia have a minor demand during that period, Middle East refiners' requirements will be sizable. Same for the Indonesian refiners, after a year of lower shipments.
- Brazil CS export capacity will depend on both the ability to crush all the cane available and the port capacity to elevate the sugar, in a context of fierce competition with grains. The situation is tensed already, with waiting time to load at port exceeding 30 days.
- This will leave the market vulnerable to episodes of heavy rainfall, making a regular crushing and loading at ports more challenging and potentially limiting the raw sugar supply to refiners. Such rains are, however, necessary to maintain a good cane productivity for next year's crop, leaving the market in a difficult dilemma.

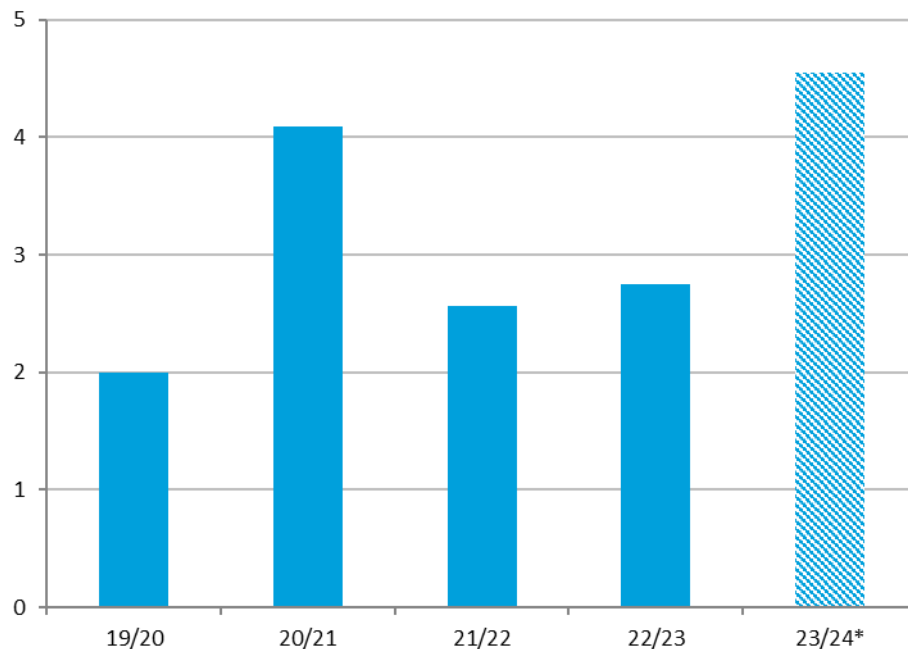
Share of raw sugar shipments per origin, for Jan-Apr
[Jan to Apr, % of global raw shipments]



WHITES: INDIAN EXPORTS DISAPPEARANCE IS OFFSET

- The white sugar market is fashioned by the Indian export policy. Over the past two years, the share of Indian white sugar exports achieved almost 20% of the trade flows. It will be 0% this year. The cessation of Indian sugar exports is a massive shock for the white S&D. Yet, it could be compensated by other origins.
- Brazil CS crystals sugar production increased sizably with the larger CS crop. Exports should be 1,7 Mt higher year-on-year.
- EU exports, benefiting from a higher-than-expected crop, should also grow by 1 Mt.
- India also positioned itself as a white crystal toller basis Brazil CS raws, adding some white supply in the East.
- On the demand side, the Turkish larger crop will reduce their requirements, and last year's 400 kt import quota will not repeat. Sudan demand is also lower due to the conflict within the country.
- All these directional moves helped to rebalance the white market. However, the availability decreased in the East and increased in the West, unbalancing the two hemispheres.
- Thus, most of refiners' capacity remains required in the Eastern Hemisphere, providing support for the white premium.

Brazil CS white sugar exports
[All qualities, Mt]

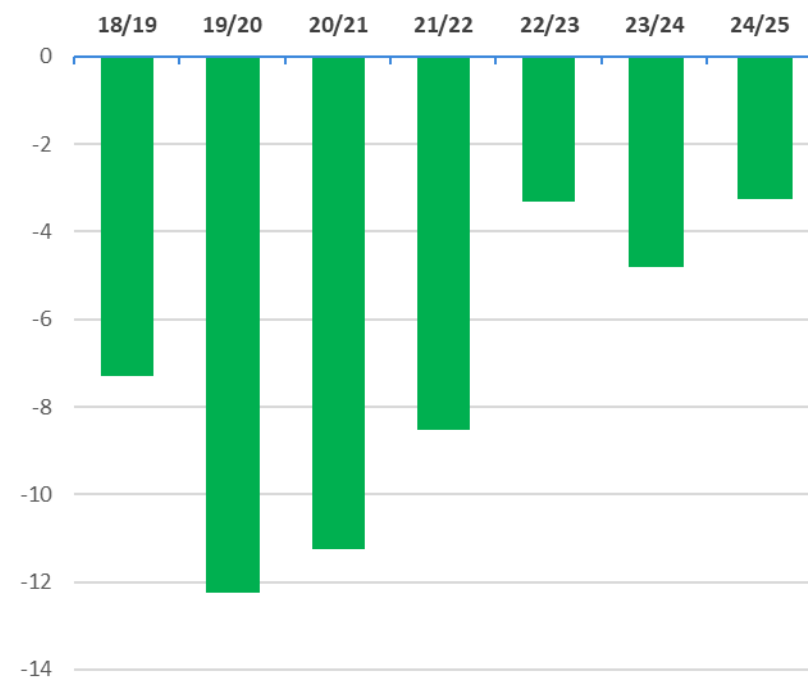


ARE PRICES HIGH ENOUGH TO BALANCE THE S&D IN 24/25?

- The previous price hike in 2016 commanded a surge of the world production by 20 Mt in 17/18, allowing it to reach a record. Whether the current NY11 rise has a similar effect on supply is key.
- Higher sugar prices should make beet and cane more attractive as compared to alternative crops in many countries, such as Thailand or the EU. Still, short-cycle cassava keeps some advantages over cane in Thailand. In the EU, beet area may grow, but the focus will remain on the domestic market instead of exports, unlike in 17/18.
- 2023 weak monsoon in India is the major obstacle for a 24/25 world production revival: the Indian sugar output should decrease again, barring a change in the ethanol policy. This is a major difference with 17/18 when the Indian crop was up 12 Mt from the previous season.
- Brazil may further boost the sugar mix, but this requires new investments, as mix is already maximized. On the other hand, weather was ideal in 23/24, and such a scenario may not repeat.
- Sugar production will increase in 24/25, but not like in 17/18. It should just offset the growth of consumption, for a similar deficit as 23/24.
- Ultimately, weather will remain more impacting than the sugar economics and the price itself, keeping a perspective of high volatility.

World sugar production levels of each year as compared to 17/18 record

[Mt, Oct/Sep value for each year vs. 17/18 production]



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