



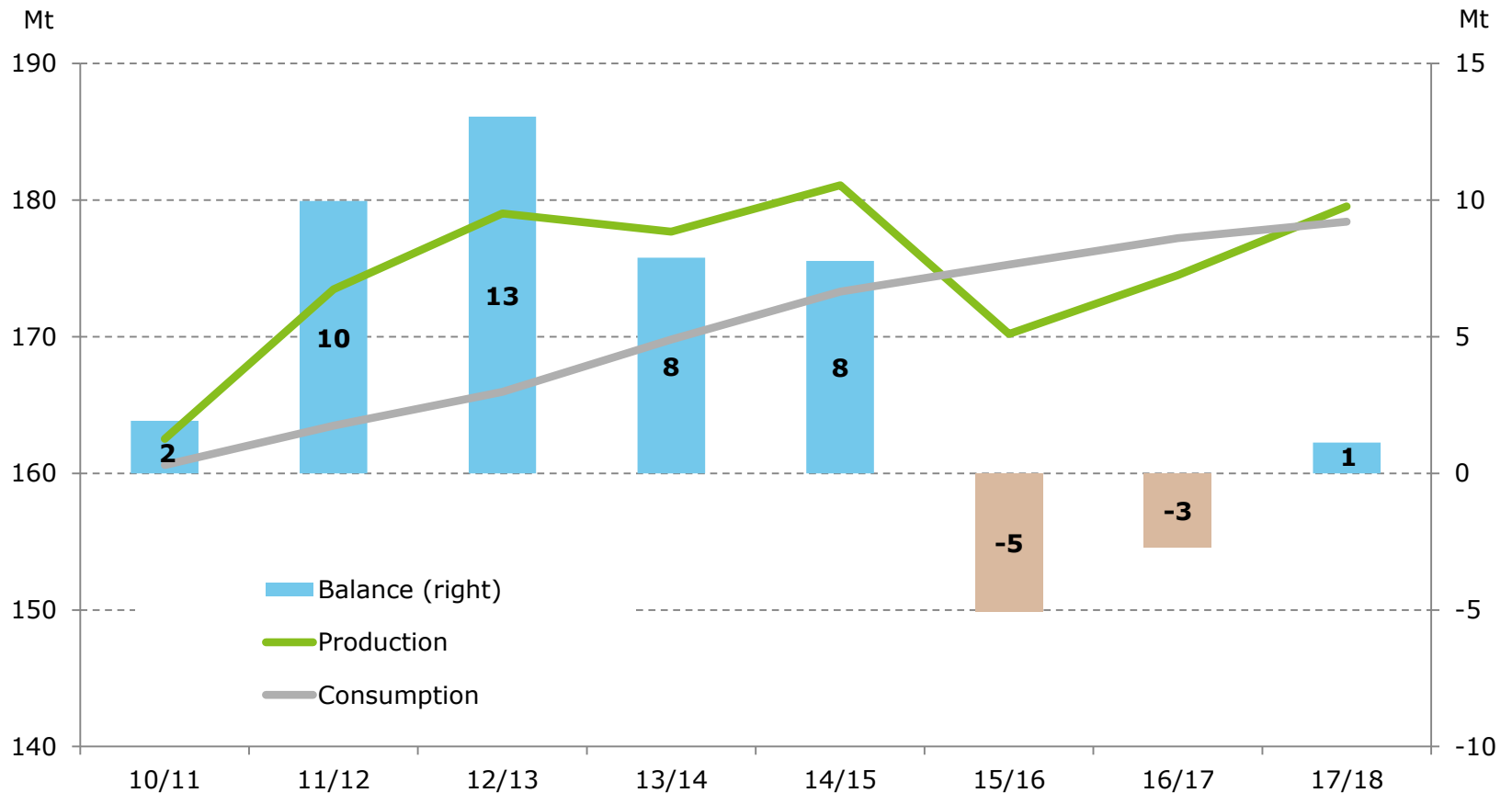
**GLOBAL
MARKETS &
PRICE
PERSPECTIVES**



GLOBAL BALANCE: A SMALL SURPLUS AT FIRST...

A small 2017/18 surplus on the near term...

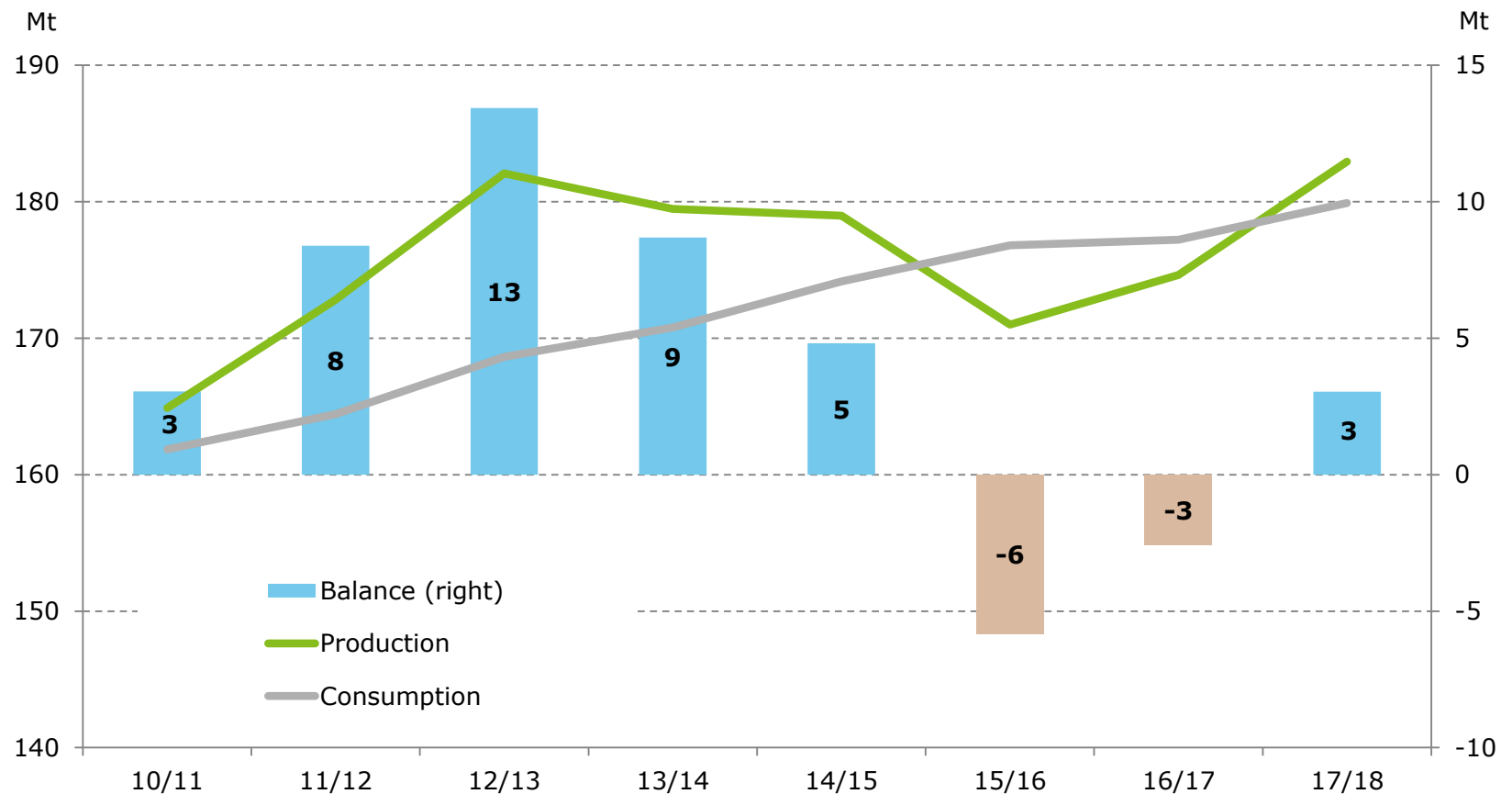
Global Production/Consumption balance [raw value, **April/March**]



...BUT A TENDENCY TO GROW AS TIME GOES BY

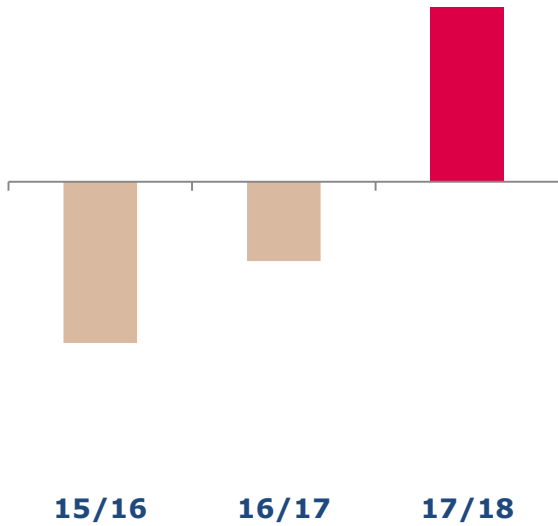
...Getting bigger as time goes by

Global Production/Consumption balance [raw value, **October/September**]

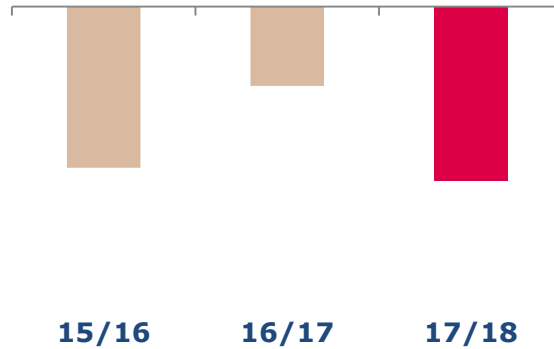


IS THIS A "SMALL" OR A "BIG" SURPLUS?

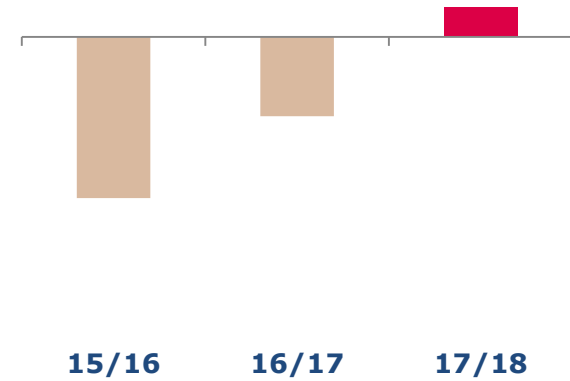
This is Bearish



This is Bullish



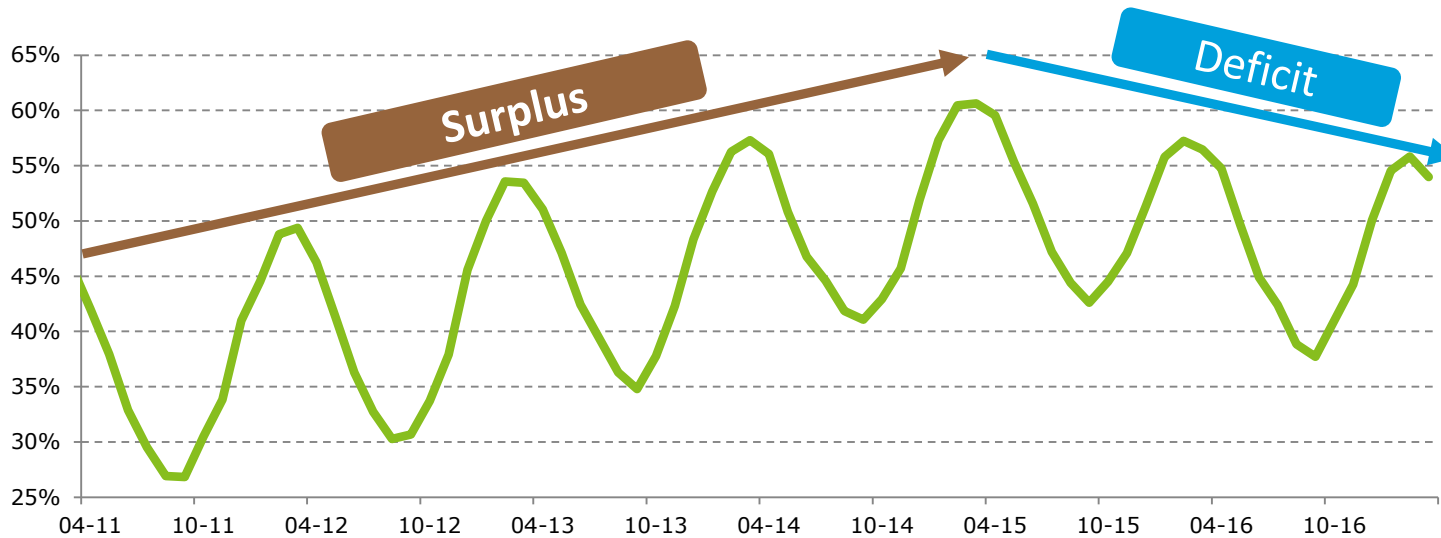
But what is this?



GLOBAL STOCKS AT INTERMEDIATE LEVEL

Stocks on the decline for past 2 years...now at intermediate level

Monthly global stocks as % of consumption



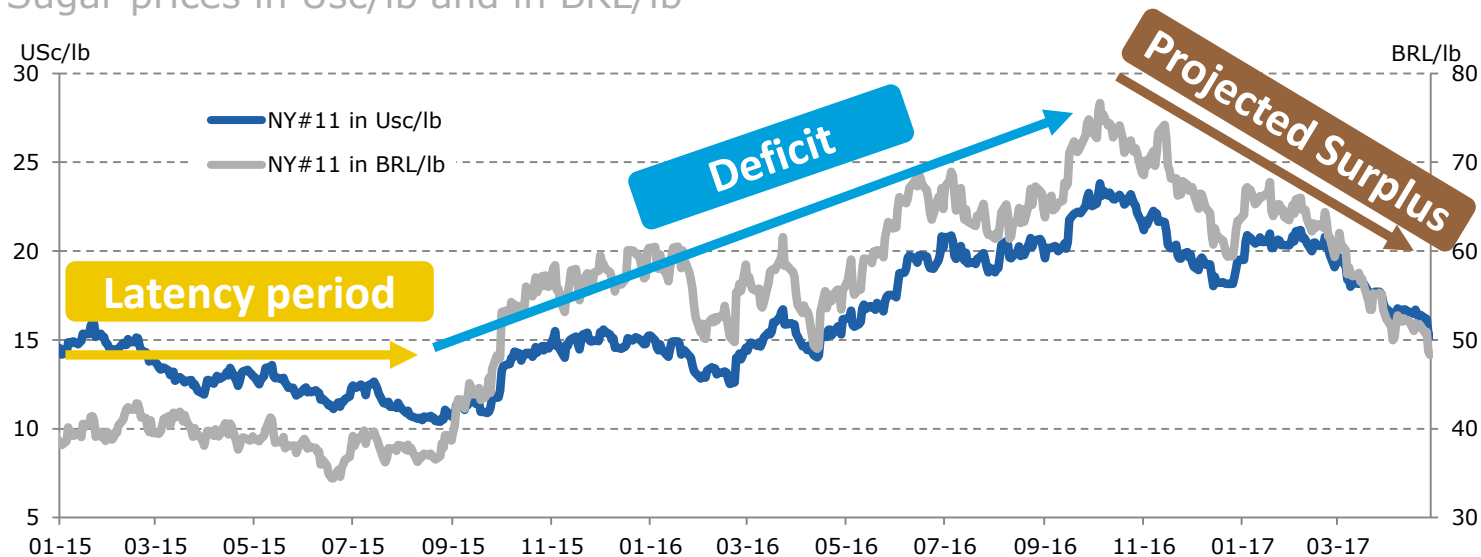
Global stocks have declined during 2 years of deficit

They have now reached an intermediate level

IS THIS (PROJECTED) SURPLUS ALREADY PRICED IN?

Is the projected surplus already priced in?

Sugar prices in USc/lb and in BRL/lb



Sugar prices lost:

- 35% since October 2016 (USc23.8/lb)
- 25% since February 2017 (USc20.5/lb)

What comes next will depend on:

- Surplus confirmed? Assumptions correct? No weather disruption?
- More dynamically, how will trade flows adjust to market changes?

CS BRAZIL: STRONG SUGAR OUTPUT DESPITE CANE CHALLENGES

Sugar output to remain strong as new sugar capacity offset dwindling cane supply

Sucden CS Brazil crop forecasts for 2017/18 and 2018/19 [tel quel, Apr/Mar]

		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Cane crushed	mt	534	599	573	618	607	580	600
ATR	kg/t	135,6	133,3	136,5	130,5	133,0	134,6	134,0
Sugar ratio	%	49,5%	45,2%	43,0%	40,7%	46,3%	48,0%	47,5%
Sugar production	mt	34,1	34,4	32,0	31,2	35,6	35,7	36,5
Ethanol production	mm3	21,4	25,6	26,1	28,1	25,4	23,8	24,7

Rationale for 2017/18

- Less cane because of older cane, less bis cane, more renovation and not-ideal weather
- But investments in sugar capacity should allow higher mix and near-record sugar output
- Above forecast at 35.7 Mt assumes MAX sugar environment...which is no longer the case in current market environment (see next slide for more details)

Rationale for 2018/19

- Very early time
- Cane might recover thanks to positive impact of increased plantings (weather permitting)
- Higher cane availability to drive sugar output to new record at 36.5 Mt

CS BRAZIL: HOW WILL MIX ADJUST TO LOWER PRICES?

Ethanol parity

- Last week, ethanol parity at USc15,0/lb (spot) and USc14.5/lb (forward - July 17)
- Sugar advantage reduced to 50-100pts (from 300-400pts before)

Mix reaction

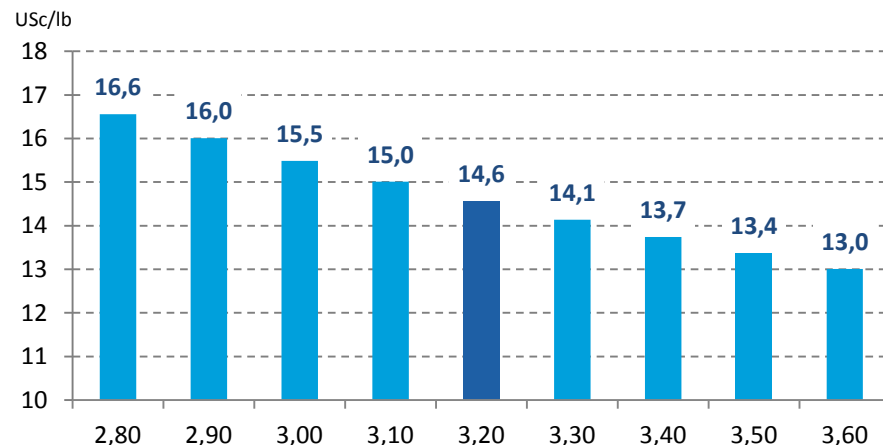
- At such levels, this is no longer MAX sugar
- Mix decreasing in Goias and Mato Grosso do Sul at first. Sugar output to decrease 200-500 kt
- A bigger adjustment may occur in case sugar prices decrease further towards ethanol parity

Mid-term: bullish ethanol?

- Today, ethanol prices retain mostly bullish risks:
- Tight end-of-season stocks
- Domestic gasoline prices sensitive to crude oil prices. Bullish crude oil?
- Bullish BRL?
- Brazil considering an import tax on ethanol

Ethanol parity at USc14.6/lb at current BMF

Forward July-2017 ethanol parity (basis current futures)



Mix -1% down = 750 kt sugar less

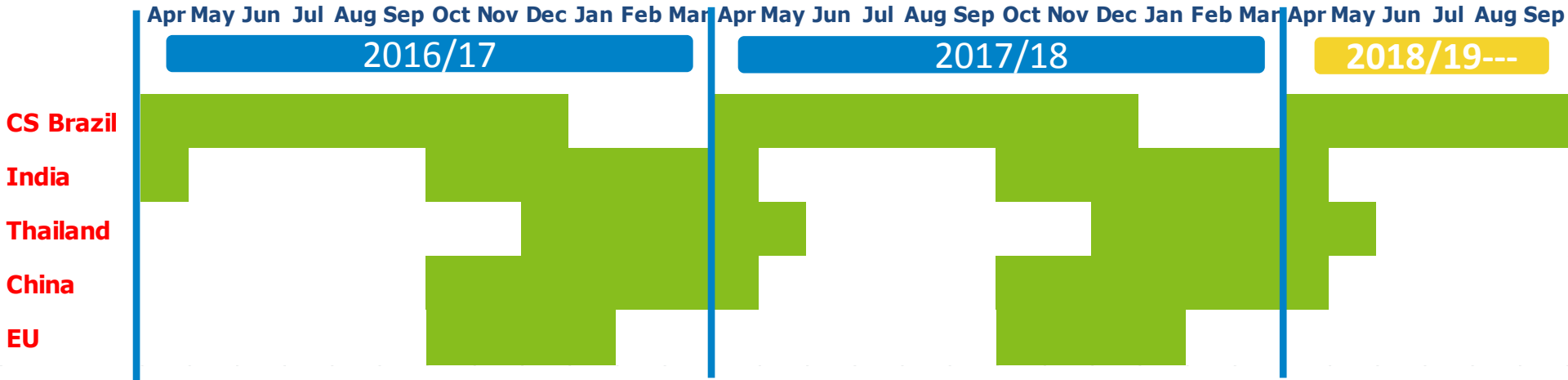
Sugar production sensitivity to Cane x Mix

ATR:	Sugar mix										
	40%	41%	42%	43%	44%	45%	46%	47%	48%	49%	50%
134,6											
570	29,2	30,0	30,7	31,4	32,2	32,9	33,6	34,4	35,1	35,8	36,6
575	29,5	30,2	31,0	31,7	32,4	33,2	33,9	34,7	35,4	36,1	36,9
580	29,8	30,5	31,2	32,0	32,7	33,5	34,2	35,0	35,7	36,4	37,2
585	30,0	30,8	31,5	32,3	33,0	33,8	34,5	35,3	36,0	36,8	37,5
590	30,3	31,0	31,8	32,5	33,3	34,1	34,8	35,6	36,3	37,1	37,8
595	30,5	31,3	32,1	32,8	33,6	34,3	35,1	35,9	36,6	37,4	38,2
600	30,8	31,5	32,3	33,1	33,9	34,6	35,4	36,2	36,9	37,7	38,5
605	31,0	31,8	32,6	33,4	34,1	34,9	35,7	36,5	37,2	38,0	38,8
610	31,3	32,1	32,9	33,6	34,4	35,2	36,0	36,8	37,6	38,3	39,1
615	31,5	32,3	33,1	33,9	34,7	35,5	36,3	37,1	37,9	38,6	39,4

CS BRAZIL 18/19: WHY IT MATTERS

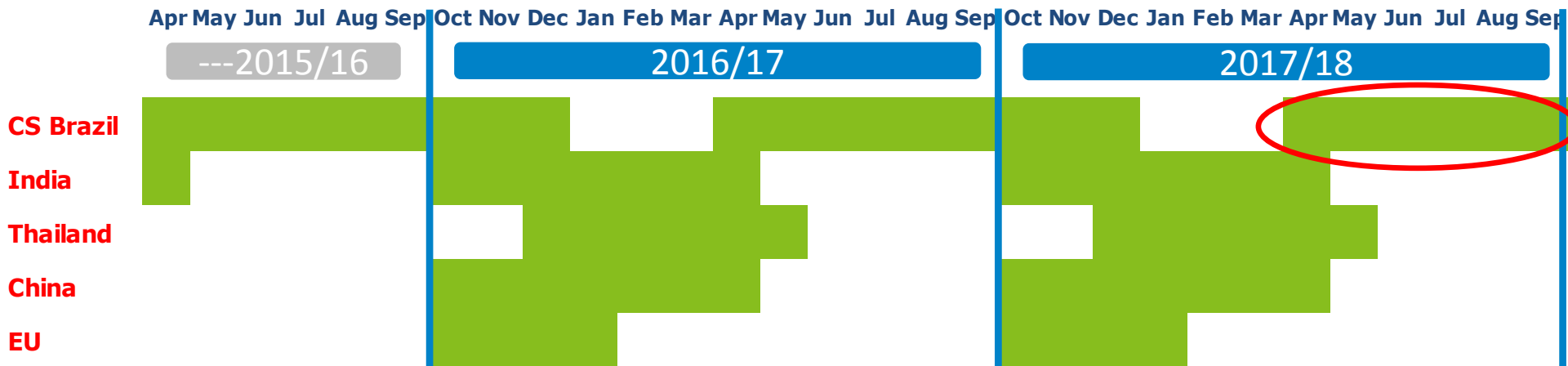
April/March 2017/18 traces CS Brazil season, missing only tail end of other crops

Harvest calendar of key crops vs Apr/Mar seasons



Oct/Sep 2017/18 surplus includes start of 2018/19 season in CS Brazil

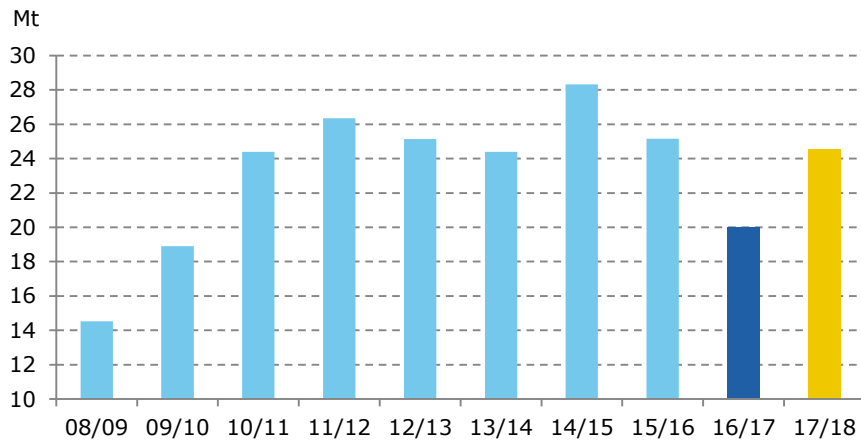
calendar of key crops vs Apr/Mar seasons



INDIA: HOW MUCH IMPORTS ARE NEEDED?

2016/17 crop at 20 Mt only

India sugar production [tel quel, Oct/Sep]



Domestic deficit

- With a crop at 20 Mt, a deficit of 5 Mt means imports are needed
- 500 kt already granted

More imports to come?

- More are probably needed in order to keep stocks at a comfortable level
- Dry weather and/or monsoon forecasts/El Nino could be the trigger for additional batches
- India may need some more imports in 2017/18 with a crop at 24.5 Mt

India likely needs more imports

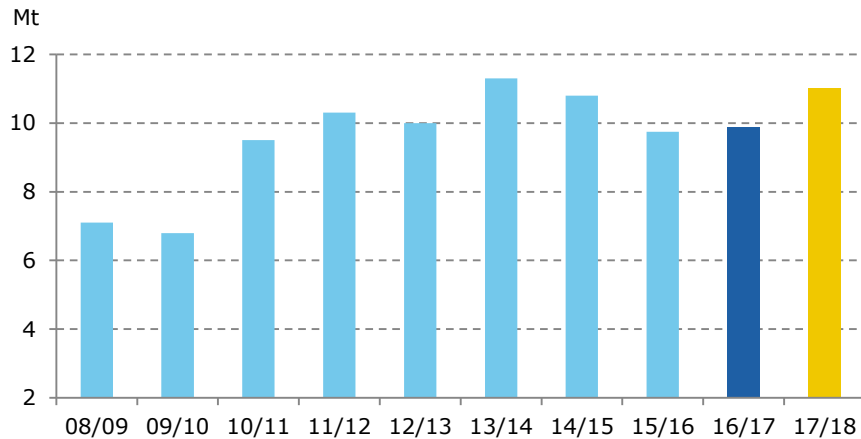
Projected India SnD for 2016/17

Opening stocks	7,7
Production	20,0
Consumption	24,8
Stocks on 30 Sep [no imports]	2,9
- in days of consumption	43
Production Oct/Nov	2,4
Consumption Oct/Nov	4,2
Stocks on 30 Nov [no imports]	1,1
Imports	1,3
Stocks on 30 Sept [with imports]	4,2
- in days of consumption	62
Stocks on 30 Nov [with imports]	2,4

THAILAND: BAD THINGS DON'T ALWAYS COME IN THREE

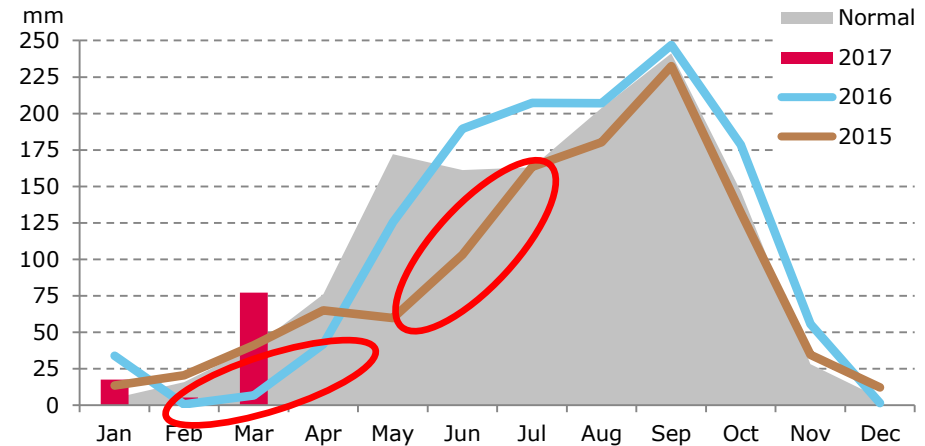
Expected rebound for 2017/18 crop

Thailand sugar production [tel quel, Dec/Nov]



Will Thailand enjoy normal weather this year?

Monthly rainfall in Thailand



Previous two seasons thwarted by bad weather

- In 2015/16, a disappointing rainy season cut cane to 94 Mt and Sugar to 9.8 Mt
- In 2016/17, hot, dry weather pre-rainy season also cut cane to 92 Mt and Sugar to 9.9 Mt

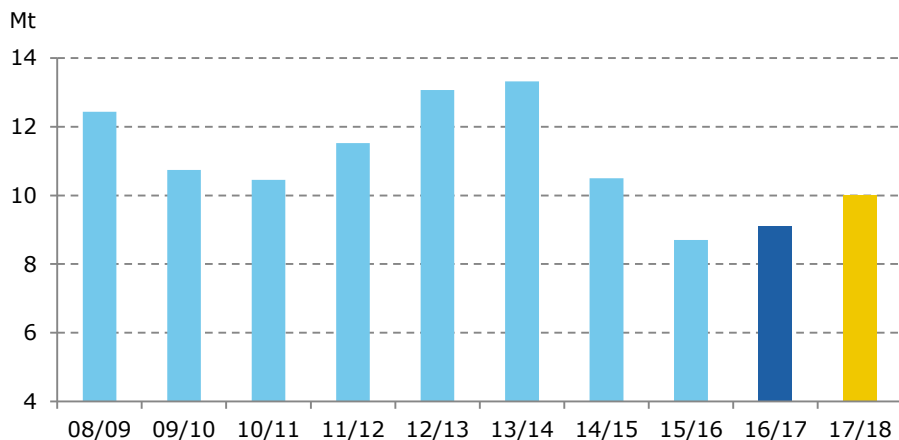
2017/18 outlook and flags

- Pre-seasonal rains were mostly normal
- Long-term weather forecast are normal or even above-normal
- 11.1 Mt in 2017/18 based on 105 Mt cane might appear conservative

CHINA: HOW TO FILL THE DEFICIT?

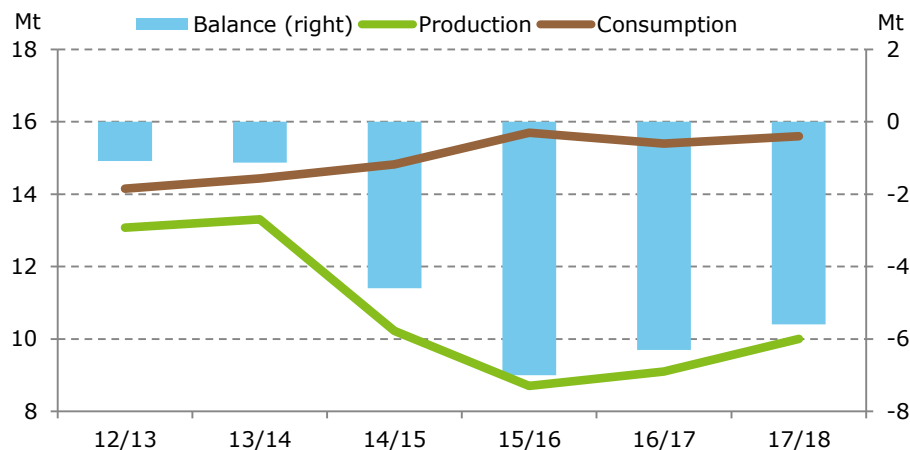
Sugar production slow recovery

China sugar production [tel quel, Oct/Sep]



Deficit narrowing but still sizeable

China Supply/Demand balance [Oct/Sep, tel quel]



Ways to fill the deficit

- In 2016/17, a deficit of around 6 Mt could be filled by 1.5 Mt of Stocks release and roughly 4.5 Mt of imports split between white sugar and raw sugar

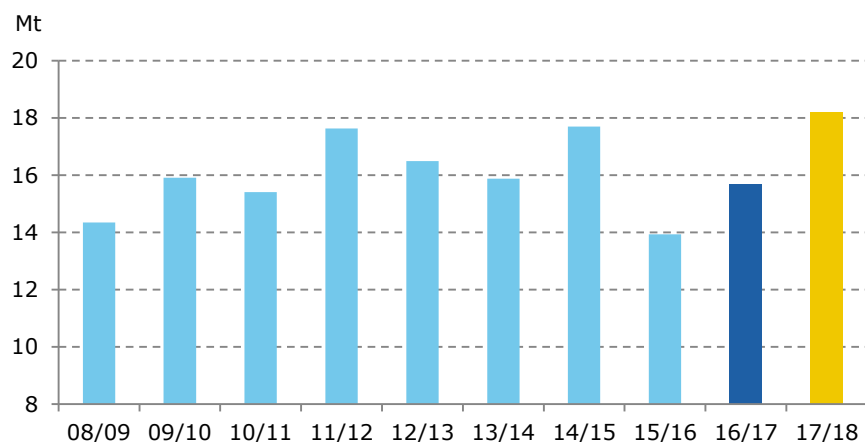
Main flags

- 2016/17 imports depend on AIL licenses distribution and outcome of the investigation process. Will, and to what extent, import duty be raised? Rumours seem to favour a bearish outcome for Raw imports
- Weather ahead of the 2017/18 crop: long-term forecast seem to favour good rains

THE EU: COUNTDOWN TO QUOTA-FREE MARKET STARTED

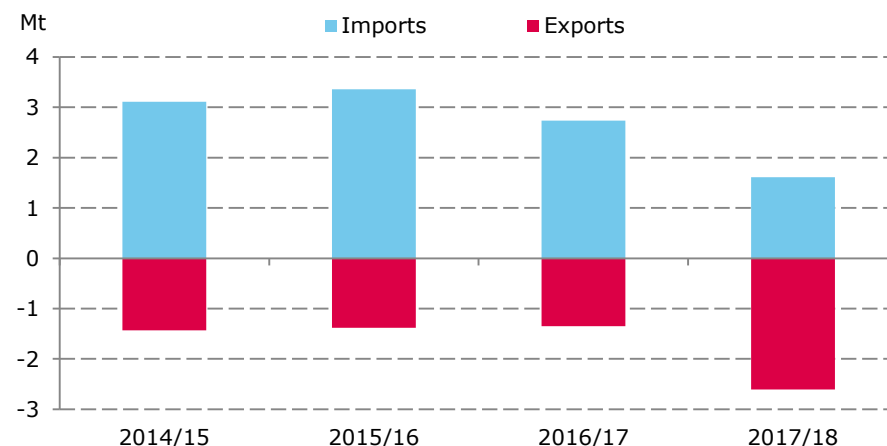
Sugar production to jump in 2017/18

EU sugar production [tel quel, Oct/Sep]



...and EU exports as well

EU imports/exports [Oct/Sep, tel quel]



Production and export to jump:

- Sugar production likely to jump to around 18.2 Mt (weather permitting) thanks to the strong increase in planted area ahead of the liberalisation of the market
- Imports may decrease but exports could jump to over 2.5 Mt

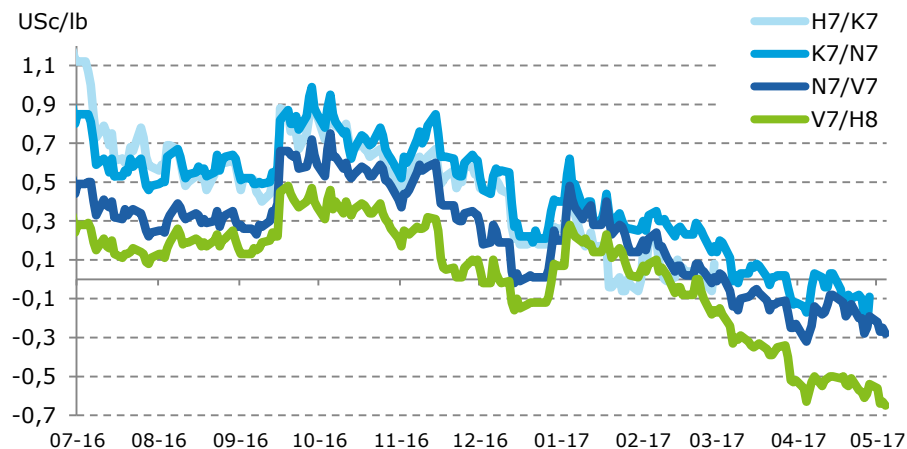
Main flags

- Weather during the growing season
- Exports to start early probably

REFINERS: ADJUSTING TO MARKET ENVIRONMENT

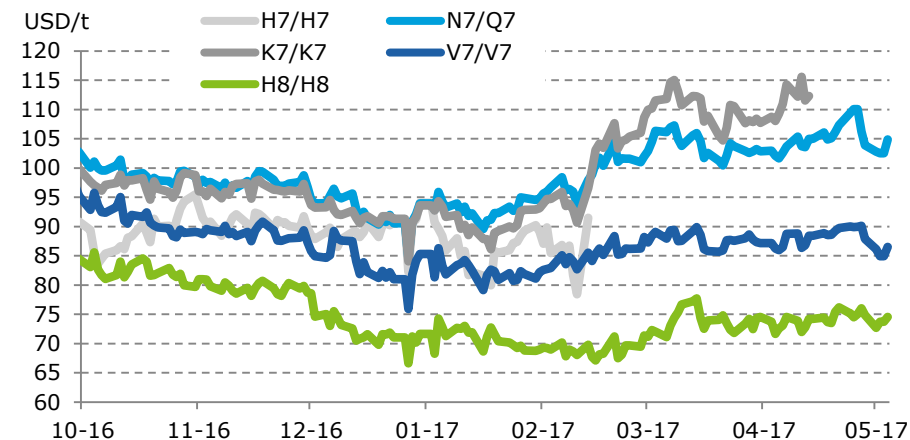
Increasing carry for raw sugar

NY#11 sugar calendar spreads



White premium lower on the forward

White premium for various contracts



MENA Refiners

- Roughly 11.5 Mt raw sugar imports (1/3rd of global trade)
- 2/3rd Domestic market & 1/3rd re-export
- Refiners do not change the production/consumption balance per say
- They impact trade flows by adjusting to market environment (flat price, structure and WP)
- They will see more competition from EU exports (and also from EU decreasing imports)

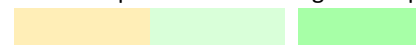
KEY CROPS RECAP

Most 2017/18 crops in the green

Key crop forecasts [tel quel, local year]

	Production	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
CS Brazil	Apr-Dec	33,3	31,3	34,1	34,4	32,0	31,2	35,6	35,5	36,5
Australia	Jun-Dec	3,7	3,7	4,3	4,4	4,6	4,7	4,8	4,6	
Russia	Sep-Jan	2,7	5,0	4,8	4,4	4,4	5,2	6,1	5,7	
EU	Oct-Jan	15,4	17,6	16,5	15,9	17,7	13,9	15,8	18,2	
US	Oct-Mar	6,7	7,3	7,7	7,2	7,4	7,7	7,8	7,9	
NE Brazil	Sep-Apr	4,6	4,6	4,1	3,3	3,6	2,6	3,1	2,9	
India	Oct-Apr	24,4	26,3	25,1	24,4	28,3	25,2	20,0	24,5	
China	Oct-Apr	10,5	11,5	13,1	13,3	10,5	8,7	9,1	10,0	
Central America	Nov-Apr	3,9	4,7	5,2	5,2	5,4	5,0	5,2	5,4	
Mexico	Oct-May	5,2	5,0	7,0	6,0	6,0	6,1	6,0	6,4	
Thailand	Dec-May	9,5	10,3	10,0	11,3	10,8	9,7	10,0	11,1	
Total		119,9	127,4	131,8	129,8	130,7	120,1	123,4	132,1	

Crop scale: bad crop "normal" good crop



TAKEAWAYS

Drivers of the renewed market weakness

- Surplus not very big but gradually confirmed while stocks remain "satisfactory"
- Weather accomodative so far, some crops already downgraded (NE Brazil, Australia, Russia)
- Mostly normal start in CS Brazil
- Imports to India: publicity over doubts if more will come
- Imports to China: policy rumours point to less raw imports
- Thailand on course for 1 Mt rebound
- EU exports approaching and white supply heavy from Q4
- No strong reaction from refiners so far
- Funds selling heavily, including fresh gross shorts

TAKEAWAYS

Where/When are the potential supportive news?

- **Short term – Current market**
 - Weather disruption? Monsoon news? El Nino?
 - India to need more imports
 - CS Brazil logistics against the background of giant grain crops (and late exports)
 - China? Possibility of more white imports??
- **In case of further market weakness**
 - CS Brazil sugar mix to adjust down (and some diversion to ethanol in Thailand)
 - Incremental refiners demand and possible duty-based Indian imports
- **Mid term**
 - Weather disruption? Monsoon news? El Nino?
 - Ethanol potential bullishness
 - Risks of rainy end-of-season in CS Brazil in case of El Nino
 - 2018/19 CS Brazil assuming 36.5 Mt sugar to prove too optimistic?

TAKEAWAYS: BUSY AGENDA NEAR TERM

May

Jun

Jul

Aug

Sep

Oct

Nov

Dec

CS Brazil

Info on Ag yields and Mix

CS Brazil

Logistics

CS Brazil

Ethanol tax?
Crude oil? BRL?

CS Brazil

Rainy end of season?

CS Brazil

18/19 outlook
36.5 Mt?

CS Brazil

Rainy season starts

India

Domestic prices
New imports?
Monsoon approaching

India

Monsoon near end
plantings on-going

India

17/18 starts

China

Import duty?
AIL licenses?

China

Rain near end
17/18 outlook

Thailand

Rain near end,
17/18 outlook

Weather

Disruptions?
El Nino?

EU

News on
growing season

EU

Start of quota-free exports



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FOR YOUR
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