GROUPE SUCRES ET DENRÉES

World sugar market overview

Dubai, February 2017

What flags over the months ahead?

- India: all eyes on what comes next
- CS Brazil: more sugar than anticipated?
- China and the multiple ways to fill the deficit: raws, whites, stocks release, HFCS…
- Indonesia: will the biggest buyer of raw sugar last year keep its rank?
- Refiners: healthy flows and LDN exchange as a backstop
- Ukraine, Russia and soon the EU: the crowded white playground
- World: 2017/18 production/consumption balance breakeven… but mind the low stocks

India: all eyes on what comes next

Production/Consumption review

- 16/17: All India production seen at around 20 Mt or below. MH & NK almost finished at 4.4 Mt and 2.2 Mt respectively. UP foreseen at 7.9 Mt.
- 17/18: Plantings in the Western cane belt finally disappointing. Crop foreseen at 25.5 Mt agw wp.
- Low despatch during Q4 and January.

Political state of play

- Stocks foreseen at 2.6 Mt only end-September, combined with potential risks over the 2017 monsoon, make Government action likely.
- Internal measures like inventories control might be implemented first since stocks in the country are still high.
- After implementation of internal measures and UP elections mid-March, the Government might elaborate an import program for 1.5 to 2.0 Mt in order to replenish stocks.
- Price dynamic will dictate the timing of the measures.

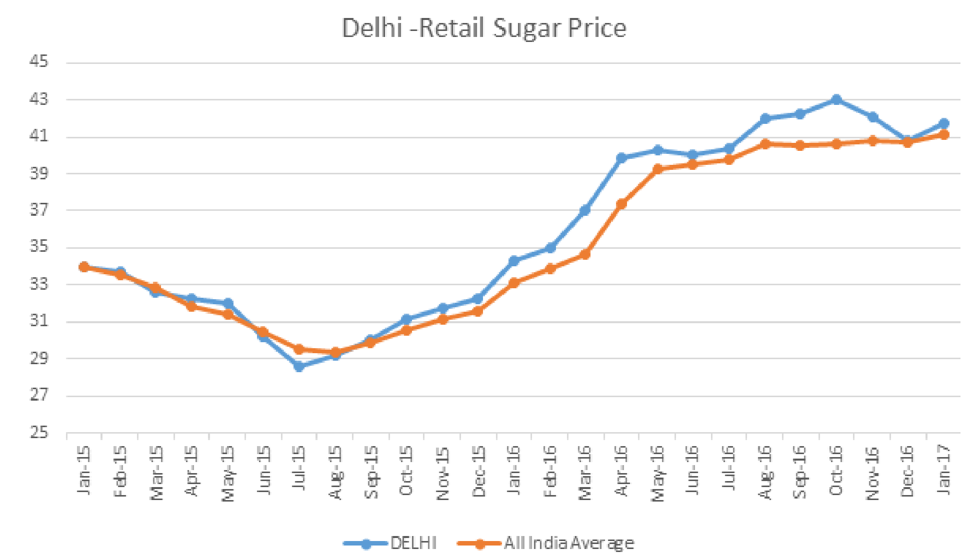
What scheme for imports?

- Duty decrease, ALS and PDS are the 3 main options for the local authorities.
- With early February #11 level, imports parities were slightly positive in the Eastern part of the country at 0% duty.

India 16/17 SnDs: different views for the same market (in MT):

	Food Ministry	Cane commisionerate	ISMA	Sucden
Opening stocks	7,75	7,75	7,75	7,75
Production	22,5	20,3	21,3	20
Availability	30,25	28,05	29,05	27,75
Consumption	24,2	24,2	24,2	25,1
Stocks by 30/09	6,05	3,85	4,85	2,65
Prod Oct/Nov	2,4	2,4	2,4	2,4
Consumption Oct / Nov	4	4	4	4,2
Stocks 30/11	**4,45**	**2,25**	**3,25**	**0,85**
Days of consumption by 30/09	67,1	33,9	49,0	12,4
Imports	**0**	**0**	**0**	**1,5**
Stocks with imports by 30/09/2017	6,05	3,85	4,85	4,15
Stocks with imports by 30/11/2017	4,45	2,25	3,25	2,35

Local prices dynamic will be key in the implementation of actions (in INR/kg):



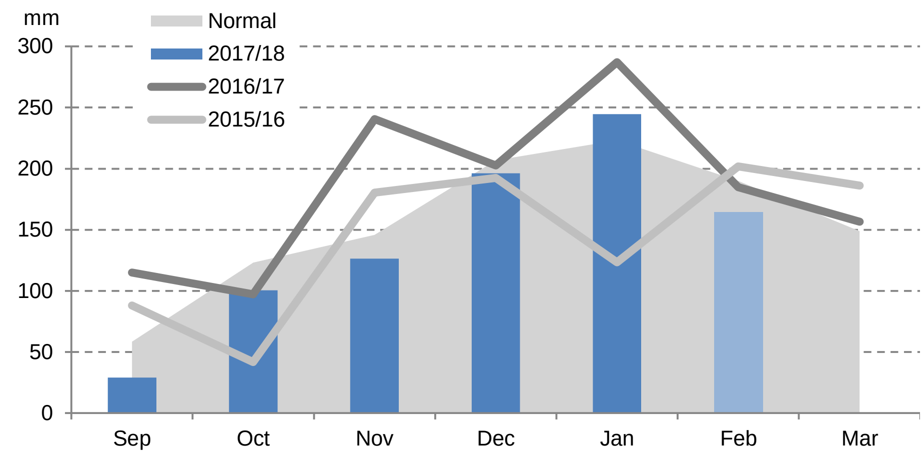
CS Brazil: a favorable environment for the 2017/18 crop

- Beneficial rains so far will have provided a more favourable environment for sugar cane development.
- However, older cane warrants cautiousness for 2017/18 Agricultural yields (-3% yoy).
- Sugar prices way above the ethanol parity, and additional crystallization capacity, will drive the sugar mix higher at 47.5%.
- New season will start at a “normal” pace, although later than last year, as there will be less bis cane (46 Mt crushed in April).
- Ethanol to be the adjusting factor to allow higher sugar output despite shrinking sugar cane supplies.

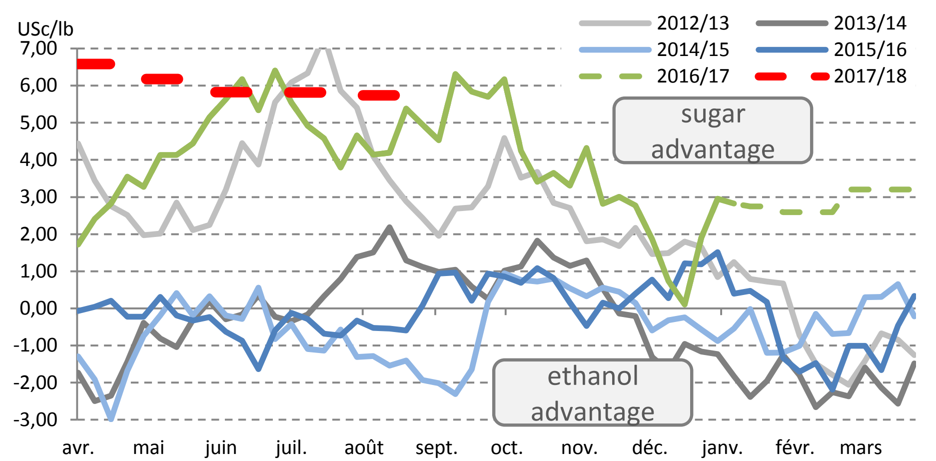
CS production forecasts:

		2016/17	2017/18
Cane crushed	mt	**598**	**579**
ATR	kg/t	133,9	134,0
Sugar ratio	%	**46,3%**	**47,5%**
Sugar production	mt	**35,3**	**35,1**
Ethanol production	mm3	25,2	23,9

Weather: so far, so good (in mm/ months; forecast for Feb17)



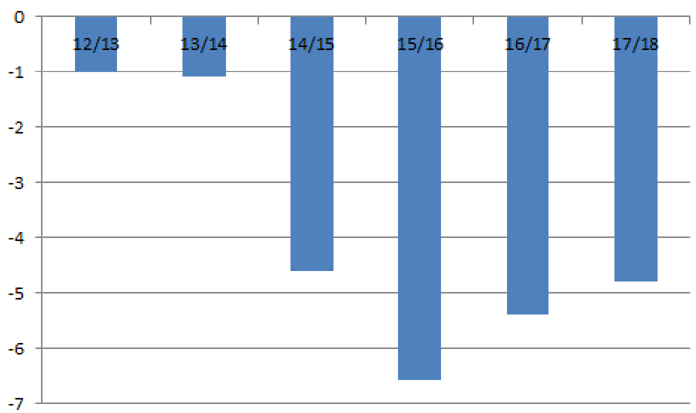
Sugar vs Ethanol (in cts/lb)



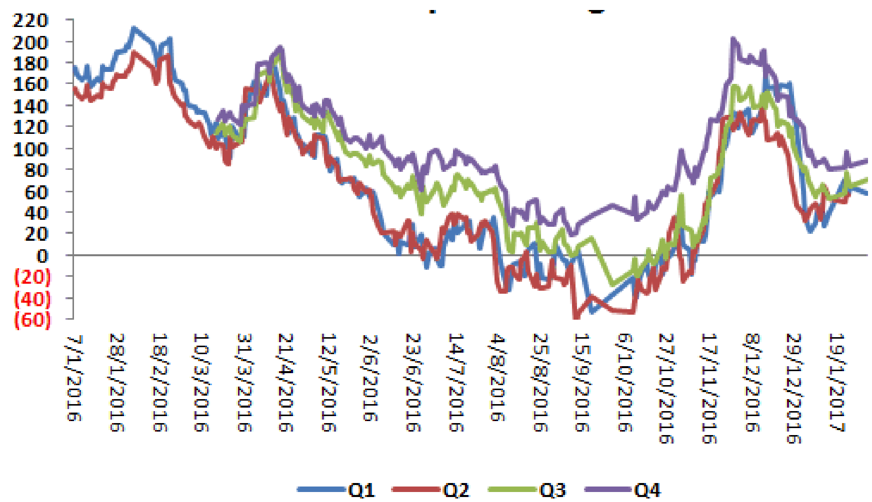
China: the different ways to fill the deficit

- China 16/17 deficit foreseen at 5.5 Mt with a 9.5 Mt production and a sluggish consumption at 15 Mt (HFCS competitiveness).
- State stocks releases to be limited to 1.5 Mt in 16/17 given the goal of local Authorities to support local prices.
- AIL raws imports are in the money today but questions remain: timing of licences release, customs duty level, bonded warehouses strategy.
- Whites imports to continue through the usual roads - helped by favorable parities - but foreseen 1.3 MT below last year's level.
- A rise of the customs duty would boost the white imports through support of the local prices/world parity.

Chinese deficit narrowing (Mt):



AIL Raws imports margin (USD/t per 2017 quarters):



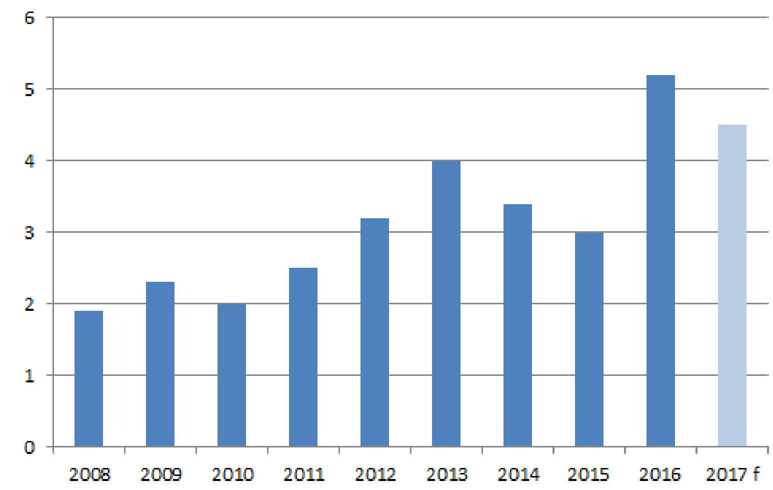
Indonesia: will the top buyer of raw sugar keep its rank?

- Indonesia was the biggest importer of raw sugar in 2016 as additional import licenses were granted in order to curb rising retail prices.

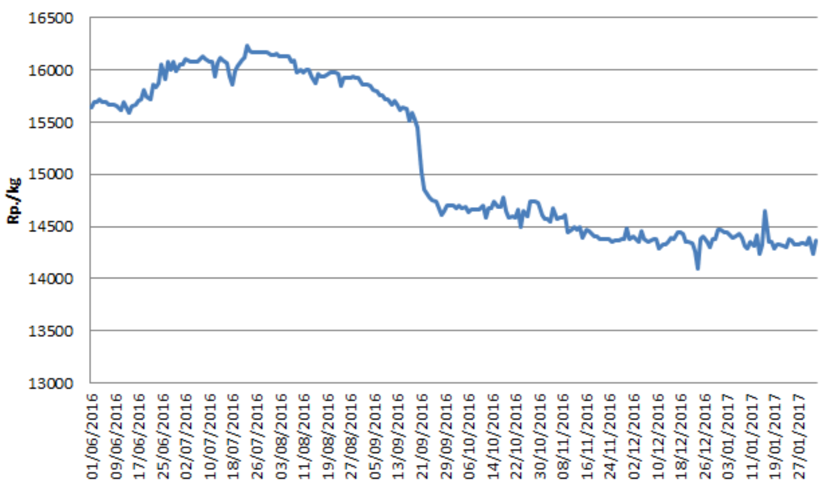
- Demand might cool down during 2017, thanks to local prices under control and higher stocks. But import licenses distributed for 1st-half 2017 already reached 2.3 Mt.

- Market for Thai raw increasingly correlated to Indonesia demand.

Indonesian raws demand (calendar, Mt)



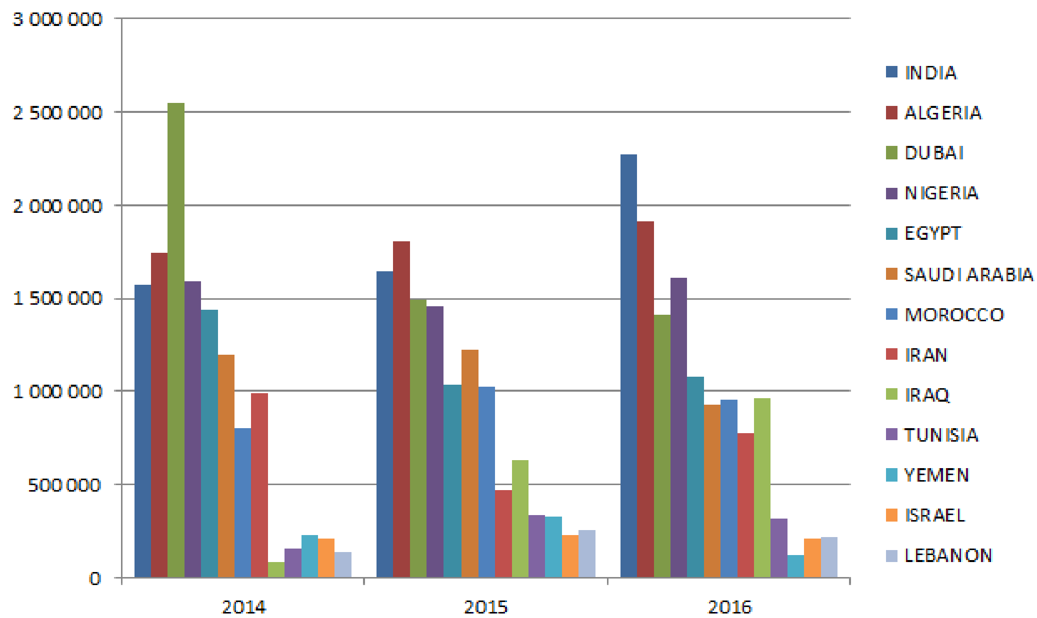
Jakarta retail market price (Rp./Kg)



Refiners: healthy flows and LDN exchange as a backstop

- India became the biggest refiner with near 2.5 Mt imports in 2016. All dedicated to re-export so far, taking advantage of Far East and Eastern Africa demand.
- Dubai refinery performing large sales through the London exchange.
- Egypt and Iran should continue to require raws over 2017 to replenish their stocks.
- Iraq refining running at 1 Mt/year capacity, hence the marketing strategy change of regional refiners.
- Most of the Re-export activity seen maxed-out at current white premium.

Refiners raws imports in 2014/2015/2016 (in t)



Ukraine, Russia and soon the EU: The crowded white playground

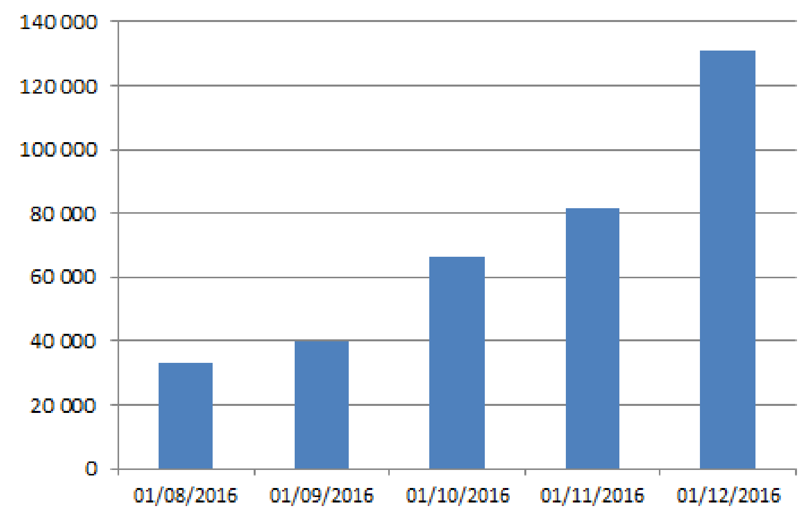
Ukraine & Russia: large increase of production

- 16/17 production: Ukraine at 2 Mt and Russia at 6.1 Mt (+1.6 Mt for both yoy).
- Both cumulated means a regional surplus of about 1 Mt.
- Some of these white exports to displace raws imports typically in Kazakstan, Azerbaidjan or Georgia.
- Balance of exports to impact the whites balance sheet both regional and world. Ukraine already exported over 300 kt to non-CIS destinations this crop.
- Ukraine to increase its sown area by at least 20% in 17/18. Russia to increase more marginally.

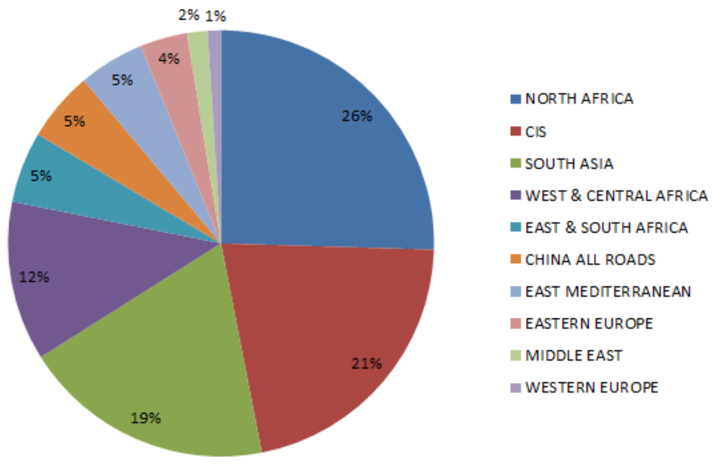
The EU: the countdown has started

- 17/18 EU beet area should increase by 15% for a production at 19.2 MT (average weather scenario).
- First focus from EU producers to replenish stocks and displace imports. Imports to be limited to duty free schemes and foreseen at 1.75 Mt annually.
- Ethanol production should decline with existing assets running at low capacity.
- EU exports foreseen at 2.5 Mt in 17/18.

Ukrainian white exports (in t)



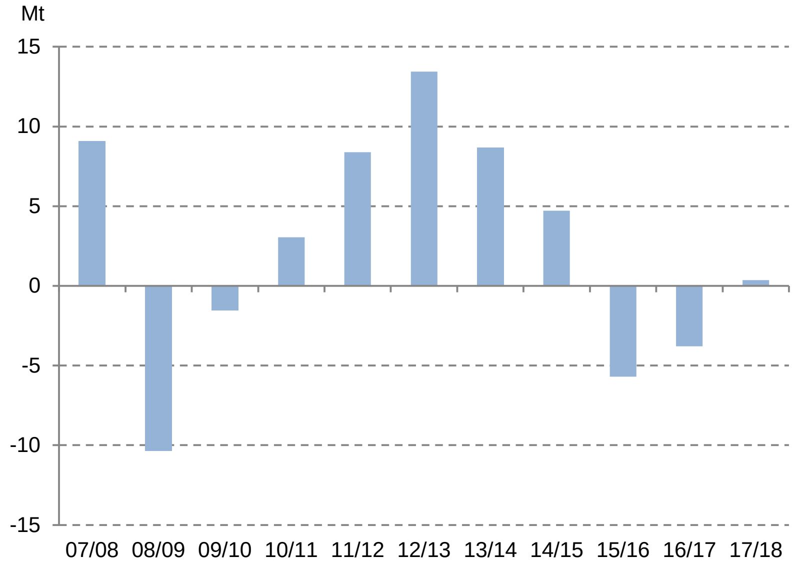
Ukrainian destinations in % (Aug to Nov 2016)



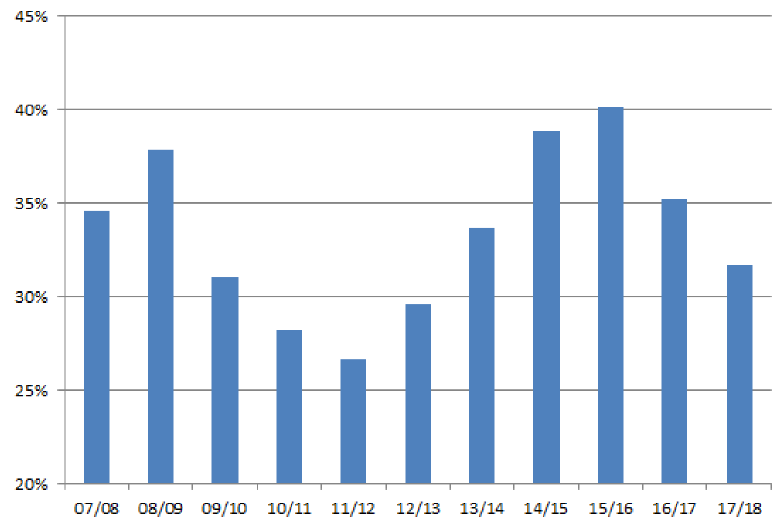
World: production/consumption breakeven in 17/18…but mind the low stocks

- Production to increase by 8 Mt in 17/18 (agw wp) thanks to a production increase in most of the countries except Brazil CS.
- Consumption increase still there although with a lower growth pace. China and India explain part of the slow down.
- Production/consumption would be breakeven in 2017/18
- Low world stocks-to-use ratio by October 2017 leaving the market vulnerable to weather news/supply events.

Production/consumption (in Mt)



World stocks to use ratio (in %)



THANK YOU!

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