



SUCDEN SUGAR MARKET REPORT

LIFT



OCTOBER 2024

EXECUTIVE SUMMARY

- In recent months, the global sugar market has displayed contrasting trends between the Northern and Southern Hemispheres. In the North, sugar production has surged, driven by high 2023 prices that led to expanded beet and cane acreage, along with favorable weather conditions. Meanwhile, Brazil CS has faced persistent adverse conditions since late 2023, resulting in lower agricultural productivity and an inability to maintain the sugar mix at last year's record levels.
- This divergence has produced a more complex market outlook. Short-term dynamics are now heavily impacted by reduced CS availability. Looking ahead, however, the situation is expected to ease with an increased output from Thailand, the EU, Central America, and potentially India.
- The next months bulk raw sugar market will reflect this scenario, with tight trade flows anticipated in Q1, driven by a sharp decline in CS supply. This strain is however expected to be mitigated by lower demand from usual importers who have boosted their domestic output, as well as increased contributions from alternative suppliers.
- The white sugar market is also starting to feel the impact of these changes, with greater contributions from Northern Hemisphere producers — including the EU, Ukraine, Pakistan and Central America — who are exporting beyond their regional markets to meet global demand.
- Since late August, renewed fund interest in commodities has helped to push prices higher, breaking out previous ranges. This appetite could be further sustained by broader macroeconomic factors while ongoing geopolitical tensions could heighten the volatility through the oil market.
- Looking ahead, market attention is expected to shift toward the 2025/26 CS crop. While past months' rain deficit and fires deteriorated the cane, the coming months' rainfall will be crucial in determining its potential. Meanwhile, the risk of India re-entering the export market remains limited, but this prospect has recently increased, as rising global sugar prices are encouraging the industry to seek export opportunities.

AT A GLANCE

01 SUGAR CROP OVERVIEW

- CS: prolonged detrimental weather hits
- India: ample 2024 monsoon, bumper 25/26 crop ahead
- Thailand: favorable rains boost crop prospects
- Northern hemisphere crop recovery impacts trade flows
- Global S&D: deficit outlook for 2024/25

02 SUGAR MARKET FEATURES

- Tight CS raws intercrop looms again
- Whites under pressure from Northern Hemisphere
- Funds are back



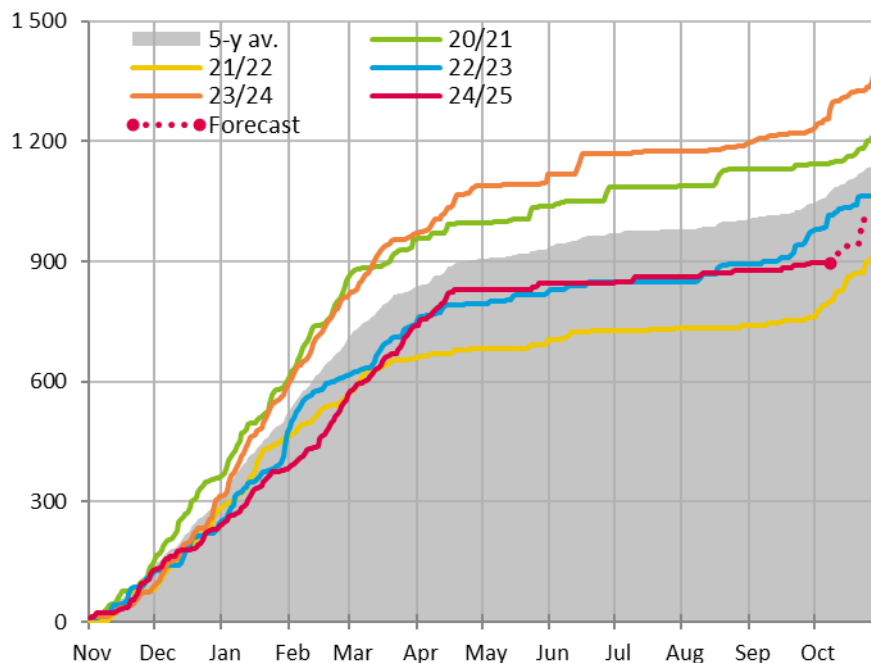
SUGAR CROP OVERVIEW



CS: PROLONGED DETRIMENTAL WEATHER HITS

- Following a rainy season marked by significant rainfall deficits since December, the cane yield that remained good at the beginning of the harvest sees now a sharp decline in August and September, displaying large month-on-month drops. Total cane crushing is expected marginally above 600 Mt.
- Despite expectations for a further improvement of the sugar mix after last year's record, the campaign has been disappointing. Adverse weather conditions, including elevated levels of reducing sugar content, hindered mills' ability to optimize crystallization, resulting in a 24/25 sugar mix assessed just under 48%, significantly lower than the previous year. Only ATR has shown a steady growth, aligning with last year's figures.
- Lately, the high occurrence of cane field fires has further challenged crystallization and lowered the cane yields, leading to an additional drop in overall sugar production, now estimated slightly higher than 39 Mt.
- Prolonged dry conditions and recurring fires have disrupted planting schedules and hindered cane development for the 25/26 season. However, the onset of the rainy season in October will play a key role in determining the cane yield, while crystallization capacities are anticipated to reach once again their full potential.

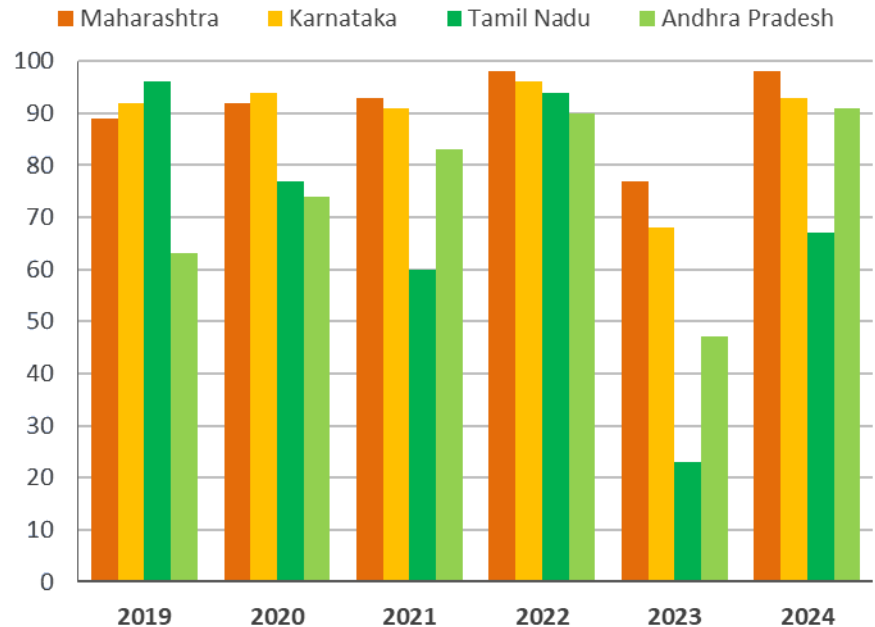
Brazil CS average rainfall on the cane area
[mm]



INDIA: AMPLE 2024 MONSOON, BUMPER 25/26 CROP AHEAD

- India, particularly the Western cane belt, benefitted from one of the best monsoon seasons in decades. Cane yields are expected to increase, compensating for the smaller planted area and the higher ratoon/plant ratio, with 2024/25 sucrose production estimated at 32 Mt.
- Ethanol production from B-heavy molasses and cane juice, for which the ban has just been lifted, remains a top priority on the government's agenda, second only to food security. Total sucrose diversion is projected to reach 3 Mt, which, combined with other grain feedstocks, will enable the ethanol blend in gasoline to achieve 17%.
- The 25/26 planting season is also benefitting from exceptional rains, resulting in record reservoir levels that should help Western states to reach again their full production potential. Unless another unfavorable monsoon occurs in 2025, India's 25/26 sucrose production should recover to 37-38 Mt.
- With India returning to full production capacity, ethanol diversion opportunities are expected to reach around 5 Mt in 25/26, meeting the E20 target. This diversion will absorb a major part of the sucrose surplus, reducing the exportable tonnage. Hence, India is unlikely to re-enter the export market soon, unless the government allows to export excess year-on-year stock, capitalizing on favorable world prices.

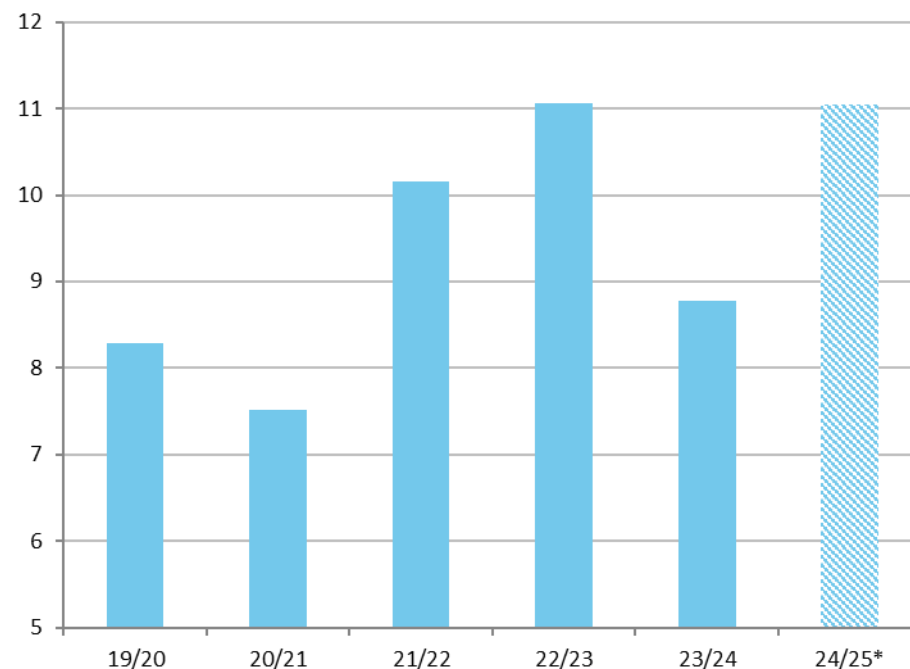
Southern India water reservoir levels
[% of full capacity, per state – as of Oct 7th]



THAILAND: FAVORABLE RAINS BOOST CROP PROSPECTS

- After a disappointing 2023 monsoon, Thailand has had a 2024 monsoon in line with long-term averages, characterized by steady and better distributed rains across the cane regions. This is expected to boost cane output to nearly 100 Mt and sugar production to 11 Mt, a notable recovery of 2 Mt compared to the previous crop.
- With low white premiums and highly inverted #11 prices, the incentive for white sugar production is limited compared to bulk raws. While some groups dedicated to white production will likely continue maximizing remelt operations, others may scale back their remelt activities. It results in an overall constant remelt year-on-year, despite the larger crop.
- While Thailand's contribution to global white sugar flows is expected to remain similar year-on-year, a larger presence of bulk raw sugar exports is anticipated in 2025, particularly during the crucial CS intersafra window, in Q1, when Thai raws exports are expected to double.
- Looking ahead, the 25/26 season is set to see another significant increase in cane area, driven by falling cassava prices and cane prices remaining firm. Thus, the 25/26 Thai crop should have an even greater potential than this year's, marking a third consecutive year of recovery.

Sugar Production in Thailand
[Oct/Sep, Mt]

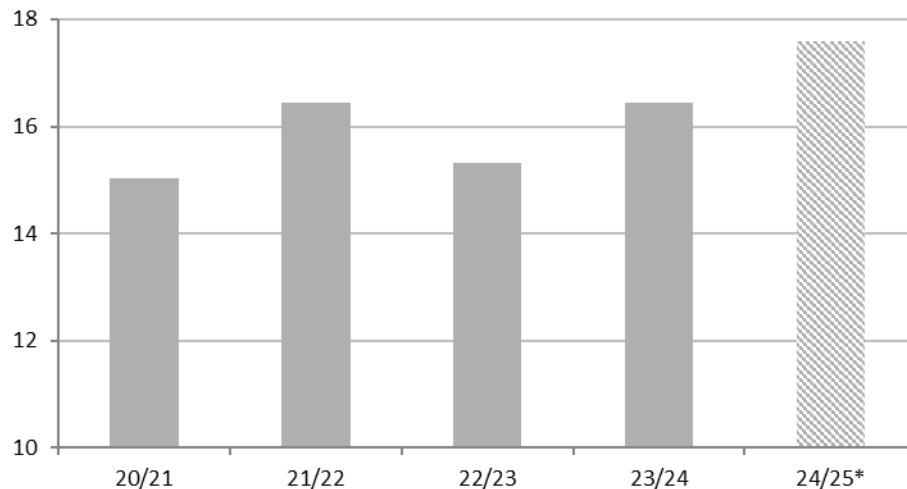


NORTHERN HEMISPHERE CROP RECOVERY IMPACTS TRADE FLOWS

- EU sugar production for 24/25 is expected to increase by 1 Mt year-on-year, driven by expanded beet acreage — spurred by record beet prices — and decent weather conditions.
- This additional production will reinforce the EU's ongoing trend of reducing imports and increasing exports, further boosted by the recent discount of EU domestic prices compared to world market prices. From 22/23 to 24/25, the EU should shift from a 3 Mt net importer to a 500 kt net exporter, marking a significant change in global trade flows.
- Mexico, which was a net importer in 2023/24 due to poor production following a disastrous rainy season, is now on the verge of reverting to a net exporter status. Domestic prices have been declining steadily under pressure from recent imports, and Mexico is expected to resume bulk raw sugar exports to the world market in the coming months, a situation not seen since 21/22.
- In China, sugar production for 24/25 is set to benefit from increased cane and beet planted areas, with growers responding to record high domestic prices in 2023. Combined with favorable 2024 monsoon conditions, this is projected to add almost 1 Mt, thereby reducing demand levels for the world's largest sugar importer.

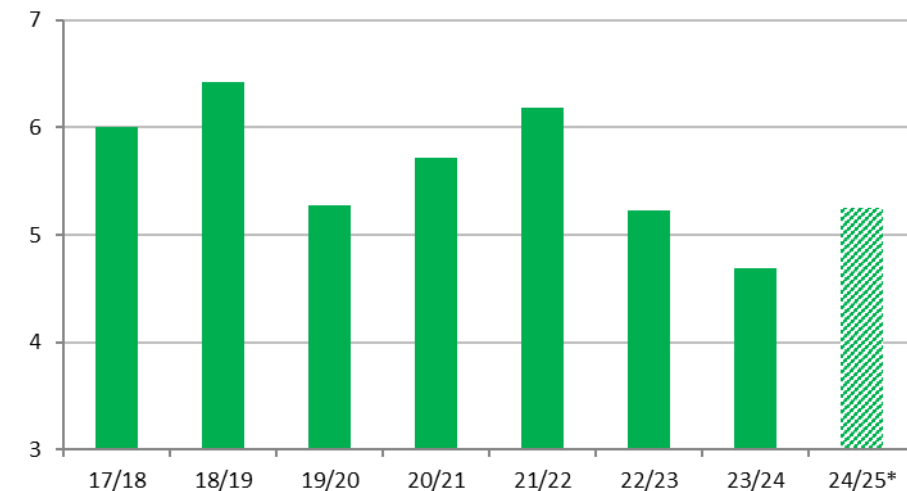
EU sugar production

[Oct/Sep, Mt]



Mexico sugar production

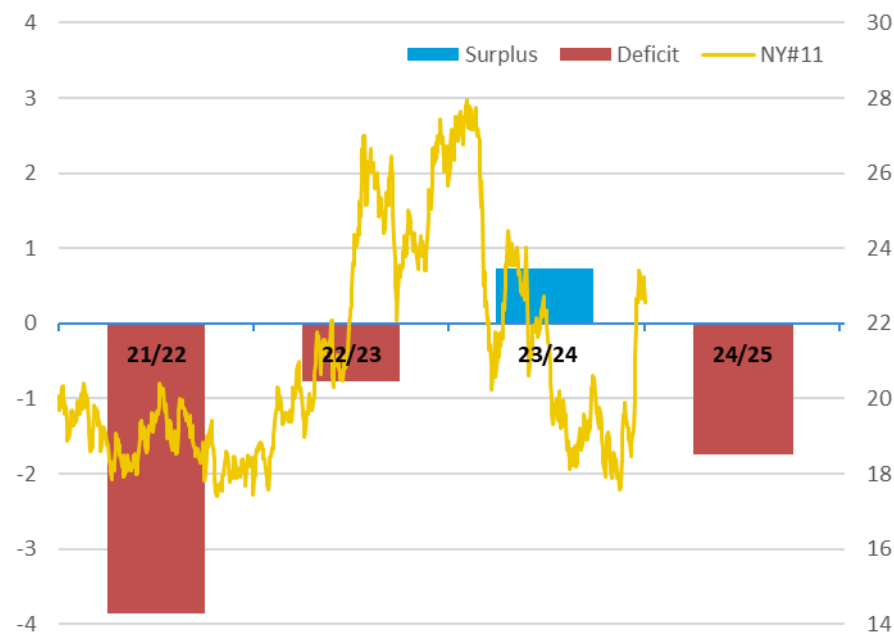
[Oct/Sep, Mt]



GLOBAL S&D: DEFICIT OUTLOOK FOR 2024/25

- Recent trends in the global sugar supply and demand reveal a strong contrast between the Northern and Southern Hemispheres. In the North, cane and beet production responds positively to high 2023 sugar prices, declining grain prices, and generally favorable weather conditions.
- Conversely, Brazil CS has been impacted by unfavorable rainfall patterns, leading to lower cane productivity and reduced crystallization capacity, preventing Brazil from repeating its 23/24 record.
- This contrasted situation leaves the global sugar market in a deficit for 2024/25, following a small surplus in 2023/24, leading to a reduction in global stocks. As a result, trade flows are expected to remain tight throughout the current CS crop year.
- Looking ahead, production is expected to continue increasing in Asia, particularly in India and Thailand. This places more reliance on India's ethanol program to prevent its significant return as a major exporter, while still offering some comfort with a potential sucrose buffer that could be available at a certain price level.
- Meanwhile, the attention is likely to shift increasingly toward Brazil CS 25/26 season, which started on a poor trajectory and may once again threaten the precarious global sugar balance.

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





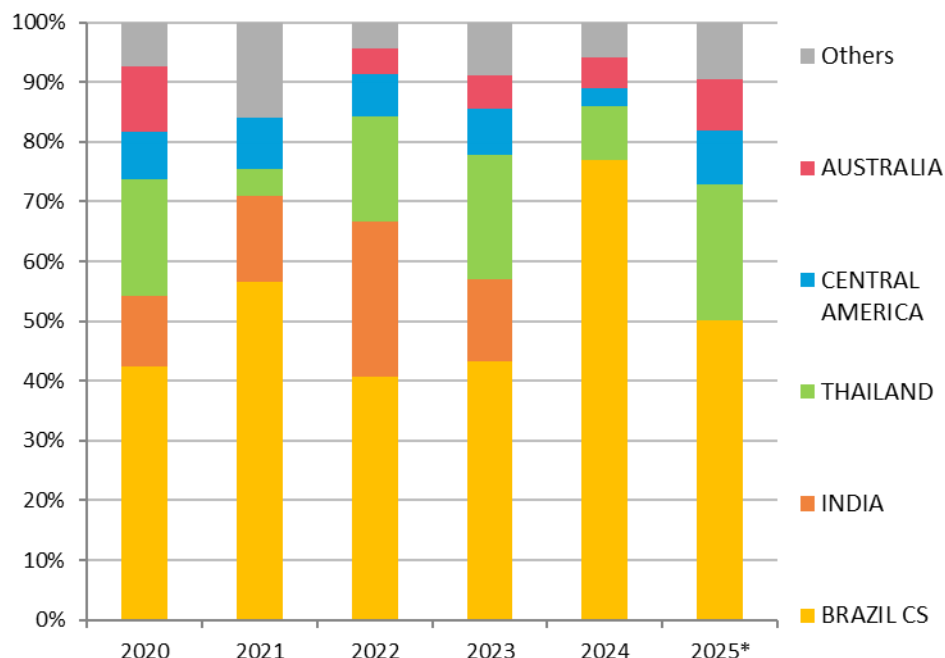
SUGAR MARKET FEATURES



TIGHT CS RAWS INTERCROP LOOMS AGAIN

- The Brazil CS 24/25 intercrop is characterized by two key factors. First, a reduced CS crop, decreasing the export potential by more than 3 Mt year-on-year. Second, an exceptionally large global demand and poor supply from alternative exporters, with CS shipments from April to September nearly 3 Mt higher. As a result, CS bulk raw availabilities are expected to be almost 40% lower in Q4 and Q1 compared to last year.
- Conversely, increasing sugar production in the Northern Hemisphere will bring new suppliers and expand output from existing ones. Thailand and Central America, in particular, are set to boost their exports to the global market.
- Additionally, global demand is anticipated to taper off in the coming months, as increased local production and lower domestic prices close import parities in key markets such as China, Europe, Central Asia, and the US. Refiners are also expected to scale back their re-export activities due to lower spot white premiums.
- Although the reduction in demand and the emergence of alternative suppliers may alleviate the pressure on intercrop and diminish CS's dominance, Q1 trade flows are expected to remain tight. This could require further demand cuts or prompt players to attempt bringing forward 25/26 CS production into Q1, with the significant risk of delayed shipments into Q2 for refiners.

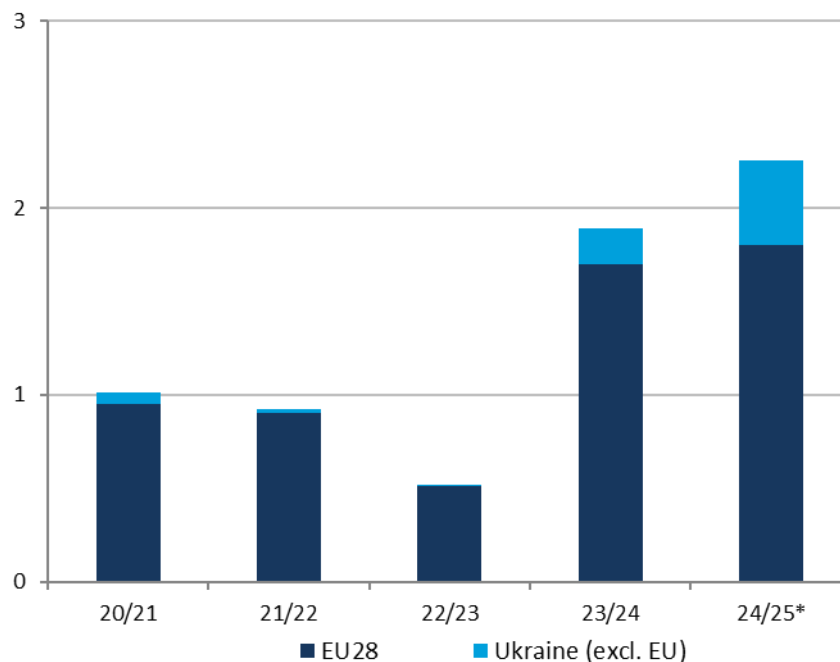
Share of raw sugar shipments per origin
[% of Q1 global raw shipments]



WHITES UNDER PRESSURE FROM NORTHERN HEMISPHERE

- The white sugar market is currently seeing the resurgence of Northern Hemisphere exporters such as the EU, Ukraine, Pakistan and Central America.
- These regions, under pressure from larger domestic production, are now significantly increasing their contributions to global trade flows, after several years of limited presence.
- The EU and Ukraine have been major contributors, adding almost 2 Mt to global exports over the past two campaigns, balancing further Mediterranean and Western African markets.
- Central America is also set to increase its global export share by nearly 500kt, driven by higher refining capacities and a lower regional demand, with Mexico transitioning to a net world exporter and Chile partially supplied by Argentina.
- The sharp correction in white sugar premiums is expected to slow refiners' operations, though most of the refined sugar is expected to be priced and sold in the coming months, ensuring ample supply to the market in both breakbulk and container shipments.
- Going forward, reduced white sugar exports CS during the intercrop, combined with decreased refiner activity, should help to ease the current surplus — unless India's authorities decide to release some volumes for exports.

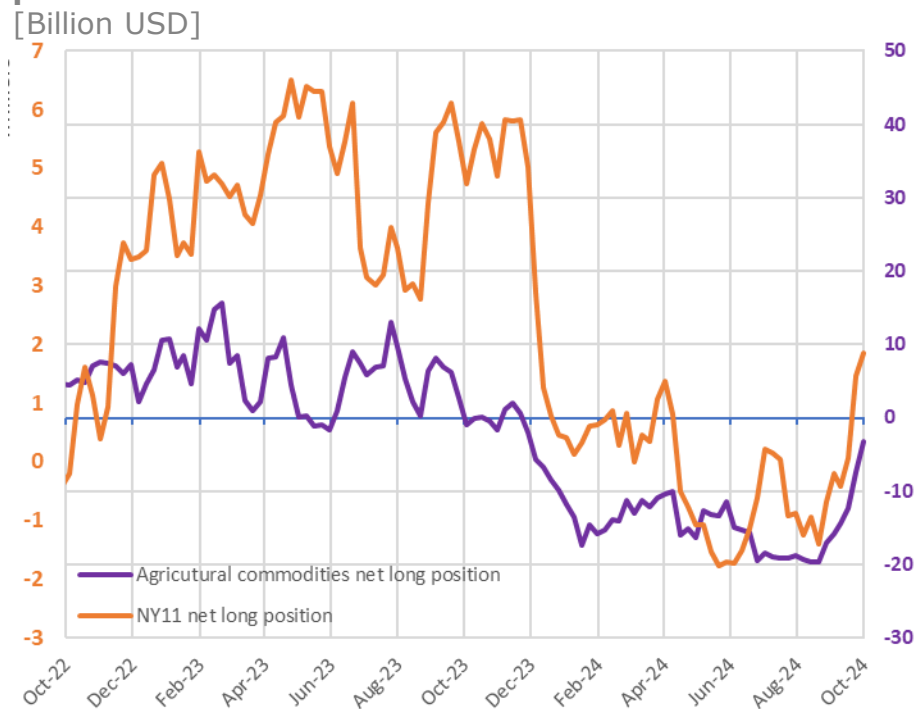
White world sugar exports from European countries
[Oct/Sep, Mt – without intra-EU and Ukraine to EU flows]



FUNDS ARE BACK

- After having shifted to net short positions across commodities since December 2023, funds resumed buying activity in late August.
- The prospect of the Federal Reserve cutting interest rates, spurred by an easing inflation, has been a significant factor in reducing short exposure in the commodity sector. Furthermore, recent economic support measures from China have fostered a more favorable outlook for commodities overall. As a result, net short positions have sharply decreased, hovering now near flat after hitting multi-year lows in late August.
- The sugar market has mirrored this trend, with net fund positions moving from 70,000 lots short at the end of August to 70,000 lots long by early October. Index traders have followed this momentum, adding 40,000 lots during the same period.
- This large influx of buying order flow has driven the NY#11 contract up by more than 500 points, representing a 30% price surge.
- Looking ahead, systematic funds could strengthen their long strategy, provided the steep inversion of the curve and the positive price momentum persist. Additionally, volatility could be further amplified by fluctuations in crude oil prices, driven by geopolitical tensions in the Middle East.

Agricultural commodities & NY11 net funds long position



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