

The World Sugar Situation

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The Rise of the Centrals

Both New York and London weakened slightly during the day, possibly supported by a stronger Rice, while the white premium March/March remained constant at around 18 cent. However it was taking a breather as the March/July New York moved out from Thursday's zero level into positive territory. We assess exports for the Central American/Caribbean region for the fourth quarter at 85,000 mt, which is 145,000 mt lower than our previous estimates. The decrease is mainly because production has been even slower than expected. The main reduction was for Brazil, which demands to plant. On the white, Central American shipments of refined sugar to West Africa have been high, not only because of growing acceptance of Guatemalan refined quality in Africa, but also because low freight rates are making the 'Centrals' in general more competitive. The main change comes from Guatemala, which reported only 124,000 mt of rawe, 78,000 mt less than we expected last week down on the 200,000 mt we expected. In Cuba the new price by Nicaragua, Cuba and El Salvador. In Cuba the new price of exports is due to the bad weather, with heavy rain since the start of the harvest in November. We estimate a higher level of exports in the first quarter though, as we reach these countries will try to ship as soon as possible in an inverted manner. With the white premium currently showing above 40 cent, we reckon demand for raws will eventually pick up and along with the low freight rates, the region will manage to place to raws as expected. There has been a notable surge in exports of low quality white in the fourth quarter of core Guatemalan alone exported 72,000 mt — the highest tonnage in a quarter in recent years. West Africa continues to import LQW, though statistically a proportion starts out as high quality in Central America even if the destination markets do not pay the refined premium. We put reports for Mauritania in the

The case of the notional full stop

Almost a decade ago, a deal was done between two trade houses for a quantity of sugar FOB stowed Santos. Before the cargo could load, a disagreement arose over the wording of the letter of credit. The dispute went to arbitration administered by the Refined Sugar Association, and an appeal was subsequently heard at the High Court of England and Wales. The Commercial Court judgment in this case (<http://www.bps.co.uk/wam>) proved to be a salutary lesson in the importance of grammar when it comes to writing contracts. Details on sugar trading disputes rarely enter the public domain, as private arbitration awards tend to remain confidential and most disputes do not get that far. So those cases that end up in public courts are keenly watched to offer potential precedents and, of course, feed the inevitable interest in the affairs of other market participants.

"The delivery period in a FOB contract is the window during which the buyer must tender its vessel at the load port for the period during which the seller must complete lo"

The outcome of this case hinged on the placement of a notional stop, which was needed to clarify the meaning of a shipper. The buyer (receiver) and seller (deliverer) have certain acts to perform during a shipment window, namely the tendering and the completion of loading, respectively. At least that's some of the time, as a recent seminar hosted by law firm in London explored and which provides the basis for this

Deciding terms

Jeff Isaacs, a partner at Hill Dickinson in London who law firms' commodities group more than 20 years ago encounters a lot of misinformation in the sugar trade shipment period, and what has to be done in it. As under a classic English law scenario, he said:

"The delivery period in a FOB contract is the window during which the buyer must tender its vessel at the load port at which the seller must complete loading."

The performance requirements are also under expectation that "time is of the essence", so

• If the buyer tenders his vessel after the shipment period, the Seller can terminate the contract and

• If the seller fails to complete loading by the end of the shipment period, the buyer can terminate the contract"

However, in *Asog...*... not required for the seller to be ready to deliver until the buyer's notice of readiness becomes effective. The two... obligations of the deliverer do "not incorporate as a term of the Sugar

However

Many of the analytical reports carry Platts prices too:



KINGSMAN DAILY SUGAR MARKET REPORT

January 29, 2016

The Rise of the Centrals

Both New York and London weakened slightly during the day, possibly supported by a stronger Real, while the white premium March/March remained constant at around 16c/mt. Perhaps it was taking a breather as the March/May New York moved out from Thursday's zero level into positive territory.

We assess exports for the Central American/Caribbean region for the fourth quarter at 610,000 mt, which is 148,000 mt lower than our previous estimates. The decrease is mainly because production has been even slower than expected. The main reduction was for raws, for which demand is poor. On the whittes, Central American shipments of refined sugar to West Africa have been high, not only because of growing acceptance of Guatemalan refined quality in Africa, but also because low freight rates are making the "Centrals" in general more competitive. The main changes come from Guatemala, which exported only 124,000 mt of raws, 76,000 mt less than we expected and well down on the 328,000 mt it shipped last year, followed by Nicaragua, Cuba and El Salvador. In Cuba the slow pace of exports is due to the bad weather, with heavy rains since the start of the harvest in November. We estimate a higher level of exports in the first quarter though, as we reckon these countries will try to ship as soon as possible in an inverted market. With the white premium currently hovering above 10c/mt, we reckon demand for raws will eventually pick up and along with the low freight rates, the region will manage to place its raws as expected.

There has been a notable surge in exports of low quality whittes in the fourth quarter of 2015. Guatemala alone exported 72,000 mt — the highest tonnage in a quarter in recent years. West Africa continues to import LDWs, though statistically a proportion starts out as high quality in Central America even if the destination markets do not pay the refined premium. We put imports for Mauritania in the

PLATTS ANALYTICS

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KINGSMAN EU SUGAR MARKET REPORT

January 29, 2016

Market Fundamentals

Spot market: Member states reported to have voted for the second tranche of 700,000 mt of EU export licenses to be issued this crop year, following weeks of speculation.

Heard in the market: Containers EU 45 FAS Antwerp for February shipment valued at \$35/mt premium to March (H) London white futures.

New crop: Uncertainty lingers in market as traders consider if full second tranche allocation will be applied for, with eyes on summer demand spike.

Heard in the market: France delivered, Bulk, Value, Eur530/mt; France delivered, Bulk, Value, Eur550/mt; Belgium delivered, Bulk, Value, Eur530/mt; Belgium delivered, Bulk, Value, Eur550/mt; Netherlands delivered, Bulk, Value, Eur530/mt; Netherlands delivered, Bulk, Value, Eur550/mt; UK delivered, Bulk, Value Eur530/mt; UK delivered, Bulk, Value Eur550/mt; Germany delivered, Bulk, Value, Eur530/mt; Germany delivered, Bulk, Value, Eur550/mt; Northern Italy delivered, Bulk, Offer, Eur560/mt; Northern Italy delivered, Bulk, Offer, Eur570/mt; Northern Italy delivered, 1 tonne Bag, Offer, Eur580/mt; Northern Italy delivered, 25 kg Bag, Offer, Eur600/mt; South Italy delivered, Bulk, Offer, Eur580/mt — all for delivery through the October 2015–September 2016 campaign.

Rationales

Platts FOB Containers EU 45 for February shipment were assessed at a premium of \$35/mt above the March (H) White Sugar Futures (London 5) contract Friday, unchanged on the day.

Both Platts Western Europe and Mediterranean Delivered assessments were also unchanged week on week at Eur550/mt and Eur560/mt respectively Friday, January 29. The assessments were considered a fair reflection of the latest information heard this week (see "Heard in the market" sections).

News & Insights

Second tranche developments: After weeks of speculation, we have been informed by sources that member states voted for the second tranche of EU export licenses to be issued this crop year. A hot, dry summer led to expectations that final crop availability would be much lower than the market had forecast. Therefore, there was possibility the second tranche of export licenses would be canceled by the EC as a special measure to ensure the EU domestic market was adequately supplied. We heard Thursday evening that a total 700,000 mt of licenses will be made available. Any regulatory requirements will be complete by February 9/10, and applications welcome from February 11 through to the end of that week. The co-efficient will be issued in the second half of February, source close to the management committee told us the result of the second tranche decision was actually never in question. A near record crop last year meant a large volume of sugar was held in storage and carried forward into the 2015/16 year. We were told this additional volume was more than sufficient to counter any hit the crop would have taken, also factoring in a lower acreage utilized by farmers this year. Unable to foresee a brewing El Niño, farmers were concerned they would be left hoisted with supply had planting replicated that one year earlier.

However, this view does not reflect perceptions of some traders in the market. One source expects there to be

EU QUOTA SUGAR		
Spot price current campaign, January 29	Value	Change
Western Europe – delivered (€/mt)	550.00	0.00
Mediterranean Europe – delivered (€/mt)	560.00	0.00
PR – 45c imports in containers – CNF (€/mt)	418.00	-20.00

EU OUT-OF-QUOTA SUGAR		
Spot price current campaign, January 29	Value	Change
Containers EU 45 (flat price) (\$/mt)	442.00	+1.00
Export (Premium to Ldn 5) – FOB Antwerp (\$/mt)	95.00	0.00
Export price equivalent – Ex works (€/mt)	378.00	-15.00

RAW IMPORTS & ETHANOL MARKET		
	Value	Change
Raw sugar for industrial users, January 29		
CNF Antwerp (€/mt)	282.00	-27.00
EU internal ethanol, January 29		
FOB Rotterdam T2 (€/cu m)	547.50	-8.50

WORLD SUGAR FUTURES, FOREX (16:30 London)		
January 29	Value	Change
White sugar futures, Mar (\$/mt)	407.00	-19.00
Sugar No. 11 futures, Mar (¢/lb)	13.18	-1.18
EUR/USD	1.0821	+0.013

COUNTDOWN TO OCTOBER 1, 2017



PLATTS THAI SUGAR ASSESSMENTS

	UOH	Flat price	Change	Premium
Thais (premium)				
J-spec (pts vs NY)	¢/lb	13.57	+0.01	H-28
HPFL (pts vs NY)	¢/lb	13.54	+0.08	H-28
Breakbulk Thai 45 (\$ vs Ldn)	\$/mt	47.720	+1.00	H-10
Containers Thai 45 (\$ vs Ldn)	\$/mt	47.720	+1.00	H-20
Shipment Whittes: Our spot assessments reflect February shipment period for the raws and February shipment period for the whittes.				

The HPFL Forward Physical Curve (premium)

	UOH	Flat price	Change	Premium
Mar-May 15	¢/lb	13.54	+0.08	H-28
May-Jul 15	¢/lb	13.70	-0.08	K-50
Jul-Sep 15	¢/lb	13.88	-0.18	N-78
Winter-withdraw agreed 1	¢/lb	-0.18	+0.12	
Winter-withdraw agreed 2	¢/lb	-0.18	+0.10	

PLATTS BRAZILIAN SUGAR ASSESSMENTS

	UOH	Flat price	Change	Premium
WHY (Premium)				
C2 (pts vs NY)	¢/lb	12.86	-0.23	H-23
N2 (pts vs NY)	¢/lb	12.80	-0.02	H-28
Breakbulk				
Brazil 150 (\$ vs NY)	\$/mt	385.57	+0.22	H-36
Brazil 45 (\$ vs Ldn)	\$/mt	415.00	+1.00	H-18
Containers				
Brazil 150 (\$ vs NY)	\$/mt	380.57	+0.22	H-40
Brazil 45 (\$ vs Ldn)	\$/mt	418.00	+1.00	H-11
Shipment Whittes: Our spot assessments reflect February shipment period for the raws and February shipment period for the whittes.				

PLATTS EUROPEAN SUGAR ASSESSMENTS

	UOH	Flat price	Change	Premium
Containers EU 45 (\$ vs Ldn)	\$/mt	442.00	+1.00	H-28
Western Europe – delivered *	€/mt	550.00	0.00	
Europe Med – delivered *	€/mt	550.00	0.00	

PLATTS FUTURES AND FOREX ASSESSMENTS

	UOH	Value	Change
16:30 London			
New York 11, Mar (¢/lb)	¢/lb	13.18	+0.01
New York 11, May (¢/lb)	¢/lb	13.12	-0.08
London 5, Mar (\$/mt)	\$/mt	407.00	+1.00
London 5, May (\$/mt)	\$/mt	393.70	-2.40
USD–EUR		4.0329	-0.0411
USD–NZR (16:30 Singapore)		87.9400	-0.0000

DOMESTIC PRICES

	UOH	Value	Change
Russia (KAR)			
Moscow	\$/mt	625.57	+12.81
Krasnodar	\$/mt	601.01	+12.40

India (NCD)

Kolkata	\$/mt	482.50	+1.50
Kolkata	\$/mt	485.50	+2.50
Delli	\$/mt	480.00	+2.50
Future Month 1	\$/mt	483.50	+3.00
Future Month 2	\$/mt	480.00	+2.50
Future Month 3	\$/mt	497.00	+4.00

China (Zheng Zuo Commodity Exchange)

Month 1	\$/mt	614.00	-4.00
Month 2	\$/mt	628.00	-4.50
Month 3	\$/mt	638.50	+2.00

Brazil

CEPEA Domestic Exports	\$/50 kg	83.44	+0.48
Platts Hydroxyl ethanol ex-mill Ribeirão	\$/cu m	2140.00	+10.00
Platts NY1 equivalent	¢/lb	14.08	+0.18

WORLD SPOTS (1:00 London)

	UOH	Value	Change
Rawes Faba	\$/mt	280.50	-3.00
Rawes DCF	\$/mt	307.00	-3.00
White 150x Faba	\$/mt	386.75	+1.00

The world sugar situation

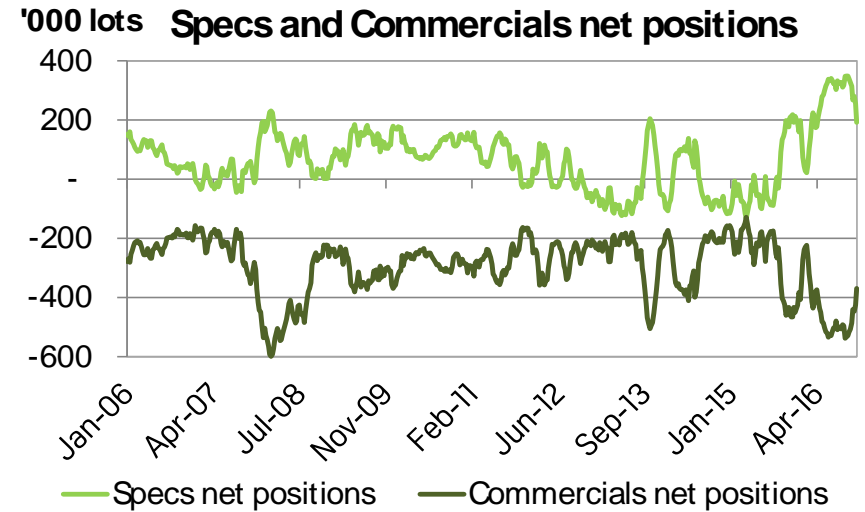
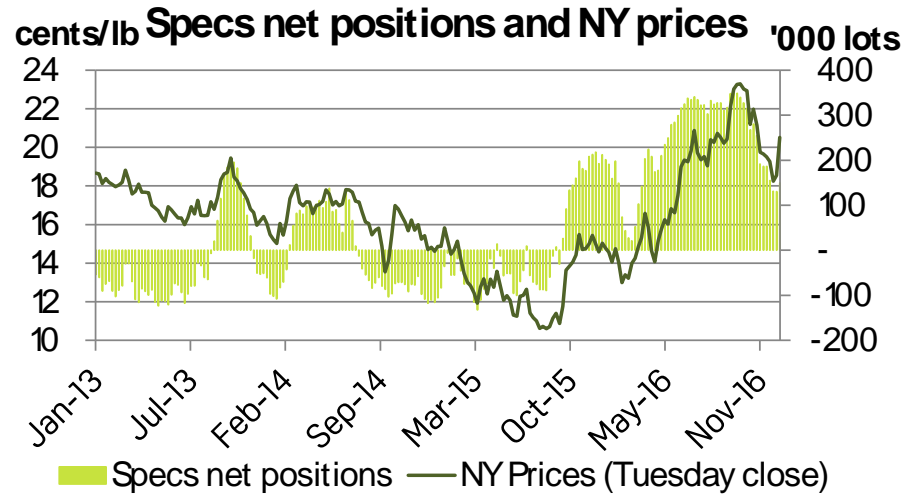
NY11 market traded in 19.6 – 21.4 c/lb range

NY11 Daily Continuation



- In January, the March contract in New York had lower volatility than in previous months and traded in the 19.58 c/lb (the low) - 21.38 c/lb (the high) range
- It opened the month at 19.63 c/lb and closed it at 20.45 c/lb
- Specs increased their net long position and discussions on possible Indian imports were price supportive
- Higher surplus expected in 2017-18 and cash discounts for Brazilian VHPs stopped prices from edging upwards

Spec net long positions



- January saw specs increase their net long position from 149,628 lots in the week ending Jan 3 to 189,953 lots in the week ending Jan 31. Net length increased mainly on short covering, which exceeded the new longs by 5,391 lots, while the net long position moved from 14% of OI to 18%
- Index Funds reduced their net long position by 14,971 lots to 154,594 lots, most of the change driven by long liquidation
- Commercials net short position increased on the month by 25,353 lots to 344,546 lots, with 28,796 lots of new shorts outweighing 3,443 lots of fresh longs

White premium

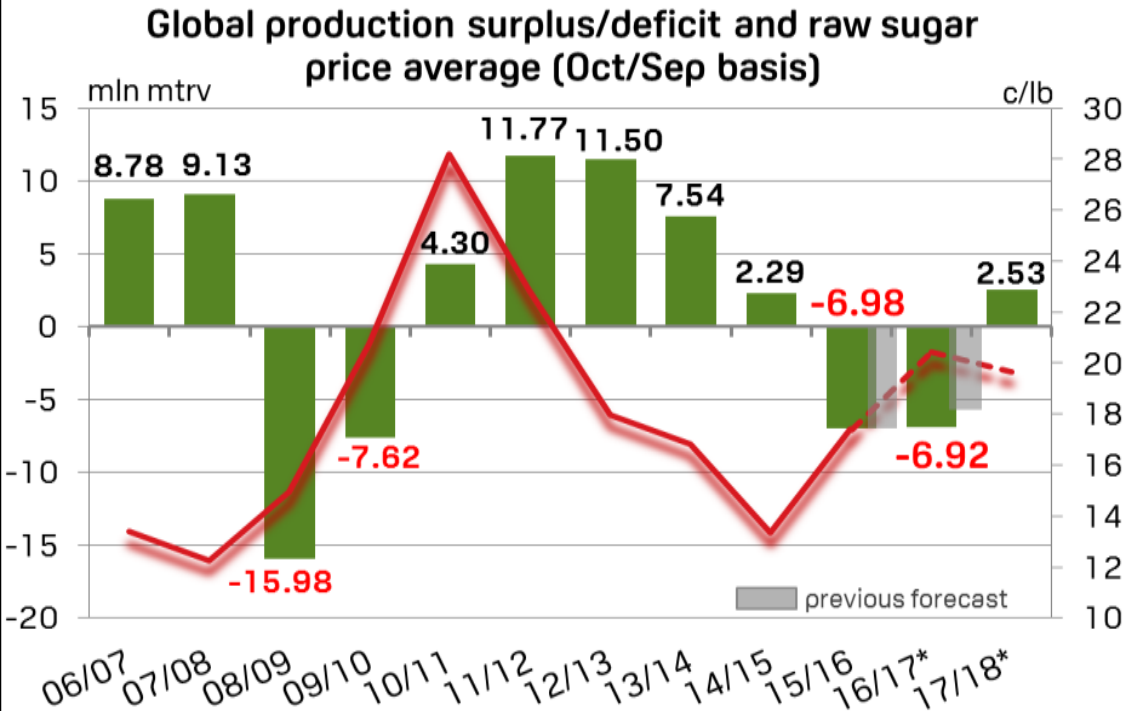
MAY/MAY WHITE SUGAR PREMIUM



Source: ICE

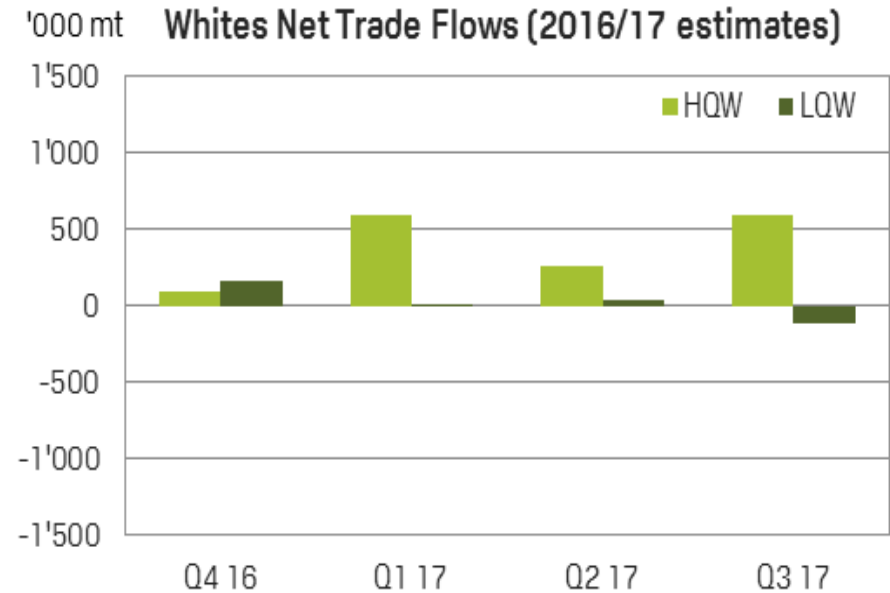
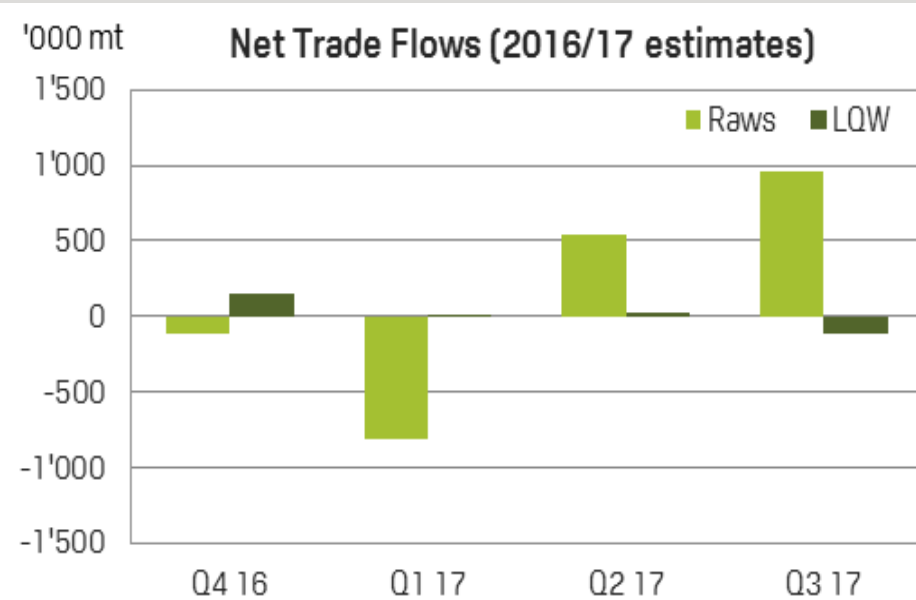
- The May/May white premium was trading roughly in a \$83.9-\$100.2mt range in January, showing an increased volatility when compared to December
- It recently came up from its mid-January lows, mainly on increased demand at destinations and on fears India might export less whites from its refineries used for tolling

What does the S&D situation tell us?



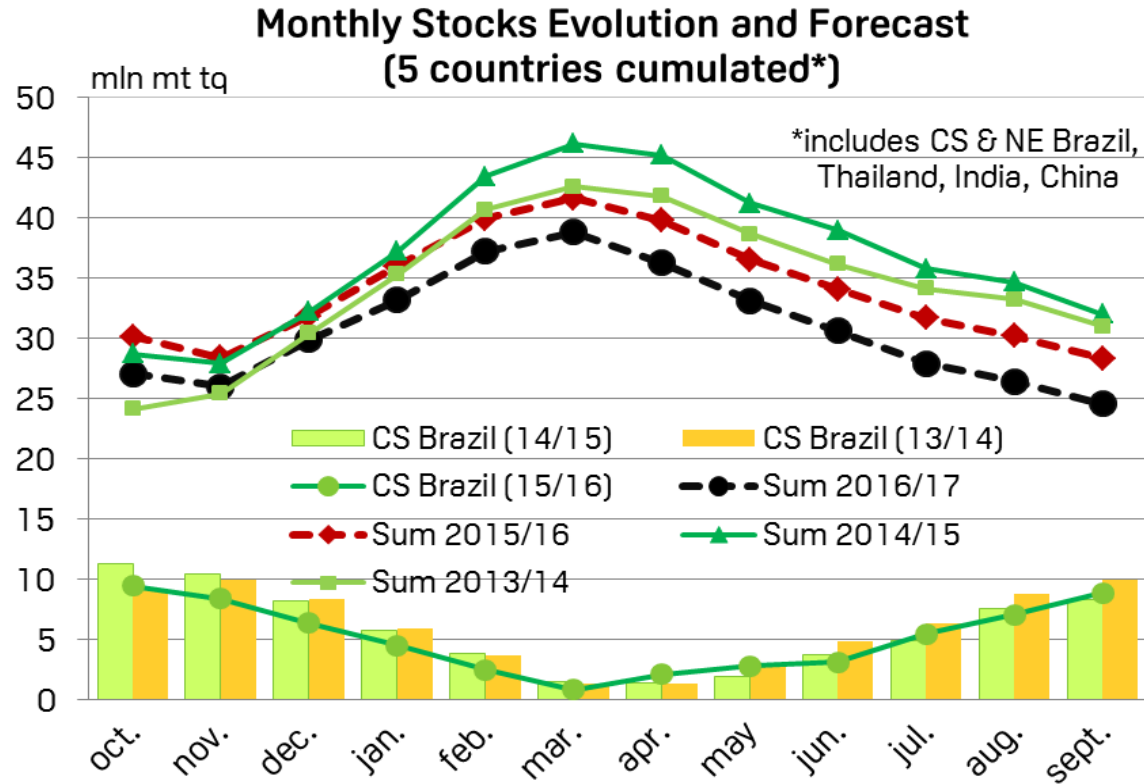
- Two years of deficit: bullish argument
- First estimates for 2017-18 show a surplus of 2.73 million mtrv: bearish mid-term
- Revised this month to 2.53 million mtrv
- Also increased deficit for 16/17 to 6.92 million mtrv
- Significant cut made to our India production estimate
- Over 2006-07 to 2016-17 the world produced 18.9 million mtrv more sugar than it consumed

What do the trade flows tell us?



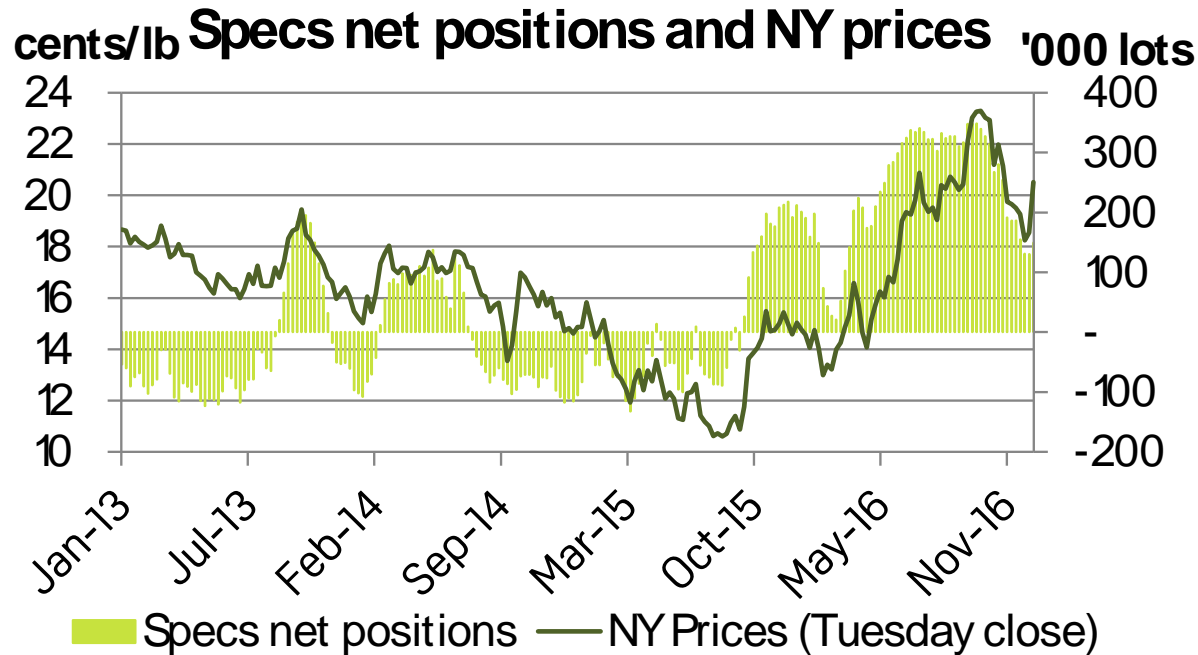
- Q1-Q3 raws net trade flows: surplus of 683,000 mt
- Q1-Q3 whites net trade flows: surplus of 1.37 million mt
- White premium probably under pressure in Q3-Q4
- Bearish approach to Q3-Q4 period

Sugar stocks decreasing but still at significant levels



Sugar is still there and can't just disappear in a short period of time

Why the rally? Spec net long position



- Net specs saw price surge from **12-12.5 c/lb** in Feb 2016 to **24.1 c/lb** by the end of Sept 2016
- Their net longs went from about **21,000 lots** in mid-Feb to almost **350,000 lots** by Sept 2016
- It was a **bloodbath**: *smart traders* had to cover their shorts when FUNDS WERE RULING!
- By 2016 end specs sold their long positions, taking their net longs 58% below the September record of 348,218 lots
- Spec net long position ended the year at 14% of Open Interest from more than 33% in Sept

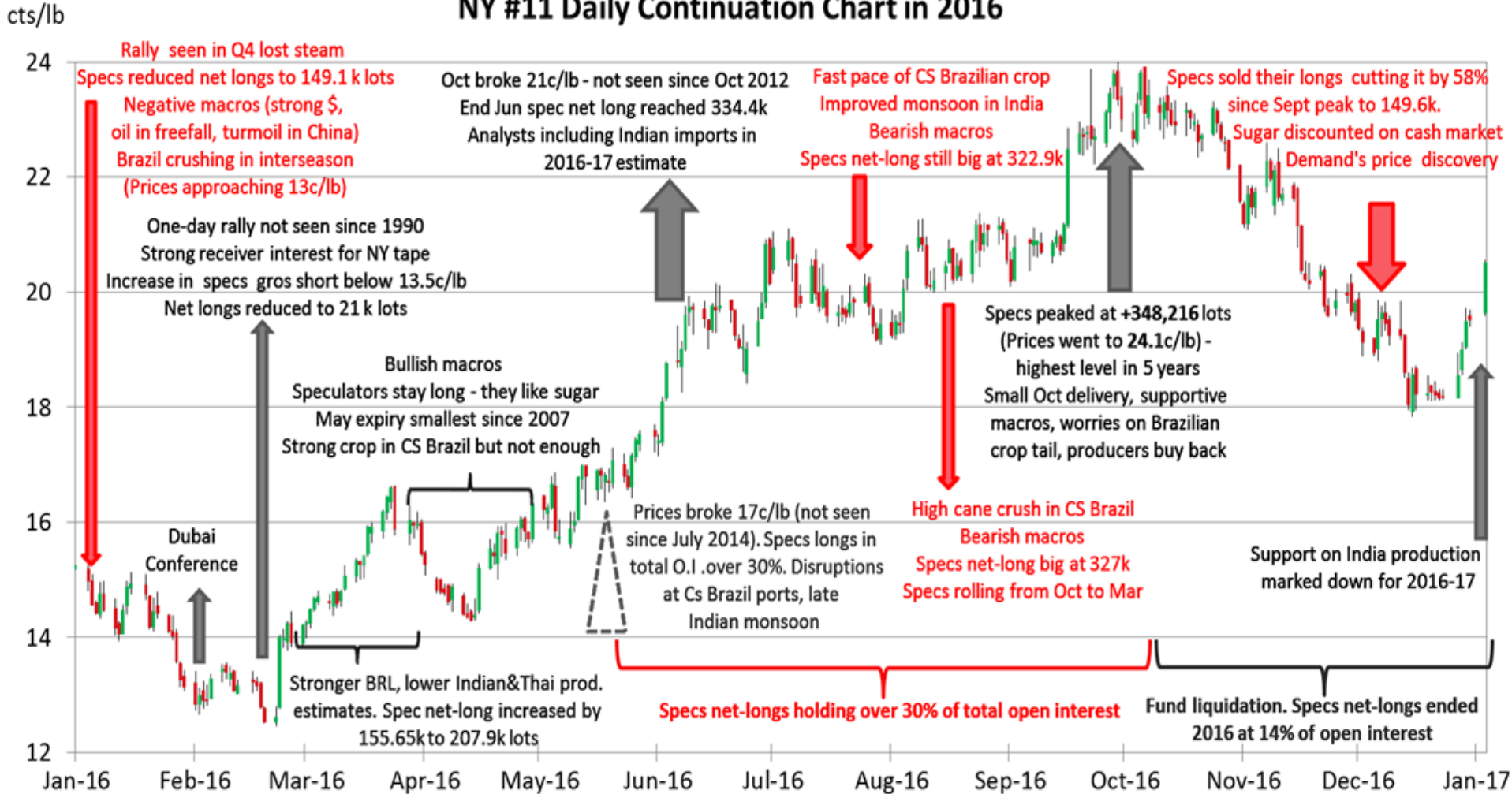
2015: Funds take control

NY #11 Daily Continuation Chart in 2015



2016: Funds buy into sugar's bullish story

NY #11 Daily Continuation Chart in 2016



India

India: 2016-17 crush, output 13 million mt

- Sugar production in India as of January 31st was 13 million mt, down 9% on a year on year basis for the period Oct 1-Jan31
- Uttar Pradesh sugar production was 4.6 million mt as against 3.6million mt last year same period. 116 mills operated this year, three more than last year
- Production in Maharashtra was 3.7million mt, down 32% on the year.
- In Karnataka, production stood at 2million mt, down 26% on the year.
- We have now reduced our crop estimates for 2016/17 (October-September) to 21.1million mttq from 22.4million mttq previously

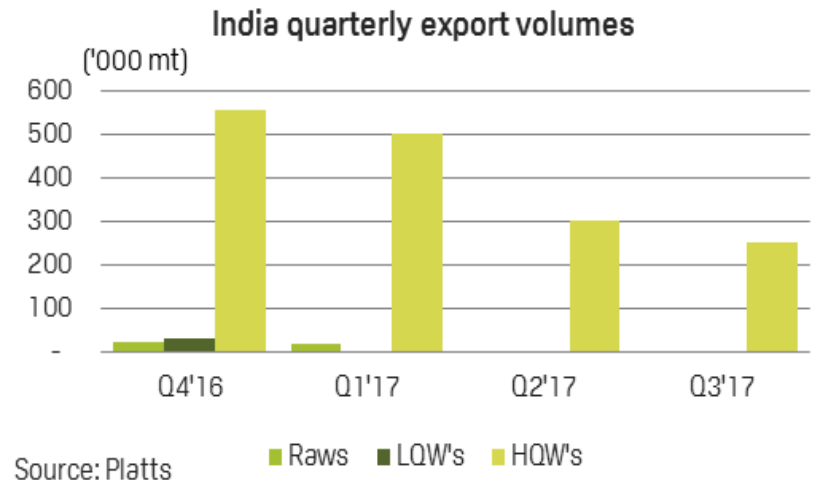
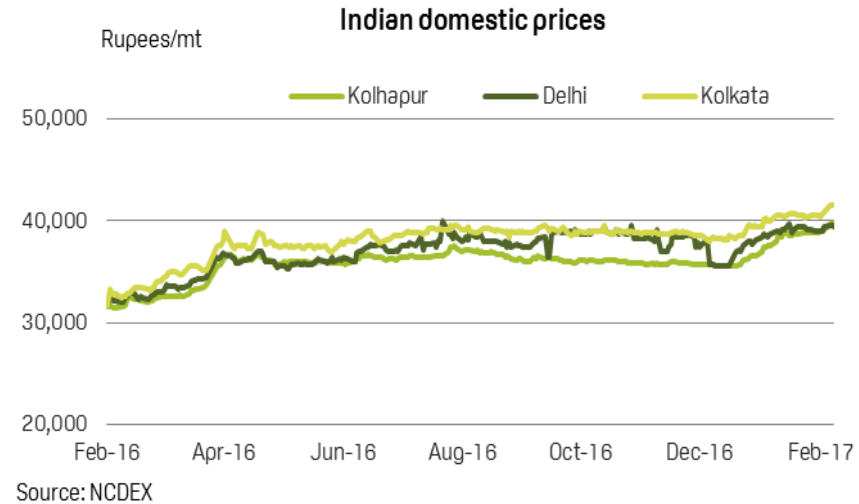
INDIA PRODUCTION (Mil mttq)

	2015/16	2016/17	YoY(%)
UP	6.9	8.0	16.8
Maharashtra	8.5	5.1	-40.0
Karnataka	4.1	2.5	-39.0
Tamil Nadu	1.3	1.3	0.0
Gujarat	1.1	1.1	0.0
Andhra Prade:	0.9	0.8	-3.5
Bihar	0.5	0.5	-5.6
Punjab	0.5	0.5	-3.8
Haryana	0.5	0.5	-5.6
MP	0.4	0.4	-3.6
Odissa	0.1	0.1	-16.7
Uttaranchal	0.3	0.3	-7.7
Others	0.0	0.0	-33.3
Total	25.1	21.1	-16.0

Source: Platts

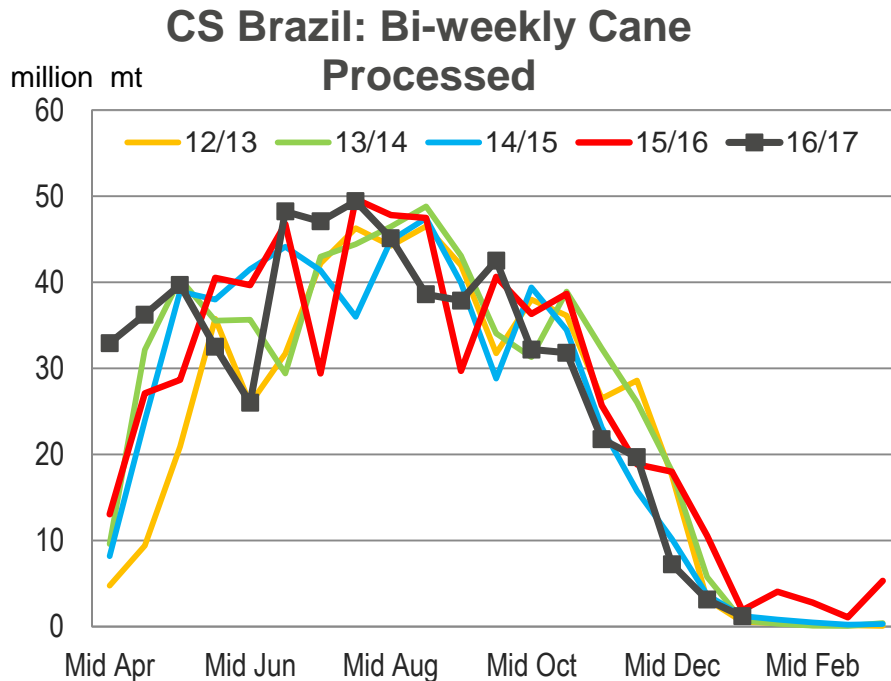
India: all eyes on import duty

- The NCDEX spot market in Kolkata is now at record highs of Rupees 41,350 (\$621)/mt
- With the current NY price, import margins for raws without the import duty at 40% lie between 27.5-28cents/lb and are in the money due to high domestic prices as explained above
- Q117 estimate of raws imports at 675,000 mt. The NY March/May inverse weakening could bring in more raws demand during the balance of Q117
- HQW exports for Q117 raised to 500,000 mt as the prospects of India importing subsidie making available more whites for the world market from the coastal refiners.



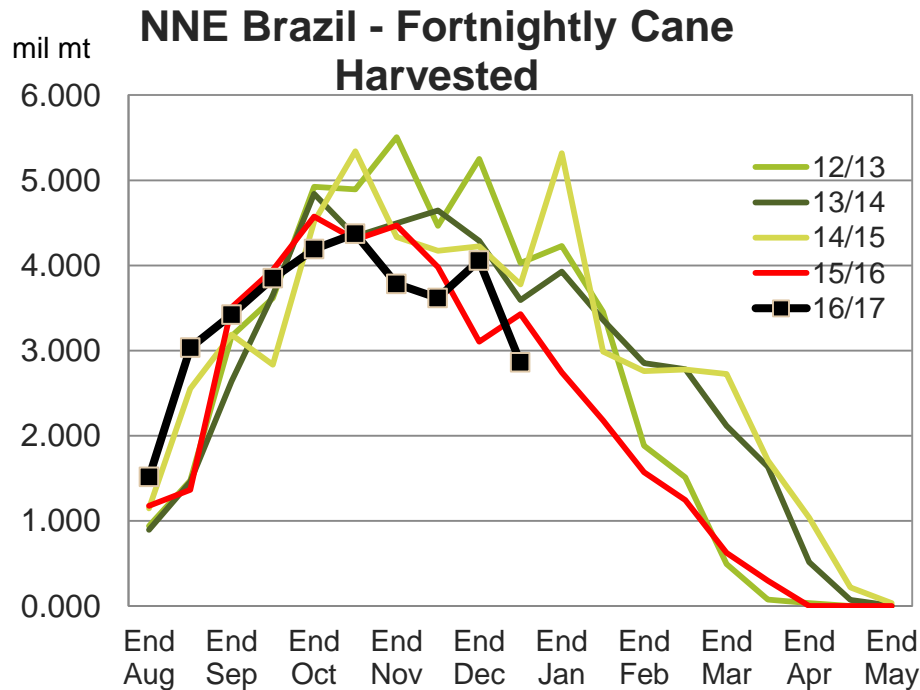
Brazil

CS Brazil 2016-17 season almost at an end



- Cane crushed in H1 January was 1.18 million mt, down 37% on the year (the lowest since the season began on April 1)
- Only 11 mills were operational in H1 January vs 40-50 units same time last year
- 11 mills were expected operational in H2 January. In total 273 mills were in operation this season
- The cumulative cane crushed as of January 16 totaled 593.23 million mt, up 0.5% year on year
- Roughly 47% of the total cane crushed was used for sugar production, compared with 41.04% a year earlier

NNE Brazil: crush down 2.7% on the year



- Cumulatively the cane crushed in NNE up to mid January was 39.37 million mt, down 2.7% on the year and the lowest for at least the past 10 seasons
- The drop was due to dry weather hampering cane growth. Some mills in Pernambuco that usually crush until February have already ceased operations due to lack of cane
- Early this season the expectation was that the region would crush around 55 million mt of cane, but local producers are now expecting only 49 million-50 million mt
- Still, sugar production totaled 2.16 million mt, up 26.3% or 450,000 mt year on year

CS Brazil: Fine tuning estimates for both seasons

Actual

CS Brazil production estimates (Apr/March crop year)

		2016/17*	2016/17*	2017/18*
		Prev. estimates	Latest estimates	Latest estimates
Cane crush	mln mt	605.2	597.3	582.0
ATR	kg/mt cane	133.2	133.5	134.0
Sugar	mln mt	35.61	35.27	34.93
Total Ethanol	bln ltr	25.7	25.1	24.2
Sugar Mix		46.37%	46.42%	47.00%
Ethanol Mix		53.63%	53.58%	53.00%
Cana bisada	mln mt	11.0	11.0	8.0

Previous

CS Brazil production estimates (Apr/March crop year)

		2016/17*	2016/17*	2017/18*
		Prev. estimates	Latest estimates	Latest estimates
Cane crush	mln mt	610.0	605.2	582.0
ATR	kg/mt cane	133.0	133.2	134.0
Sugar	mln mt	35.68	35.61	34.70
Total Ethanol	bln ltr	25.6	25.7	24.4
Sugar Mix		46.15%	46.37%	46.70%
Ethanol Mix		53.85%	53.63%	53.30%
Cana bisada	mln mt	9.0	11.0	6.0

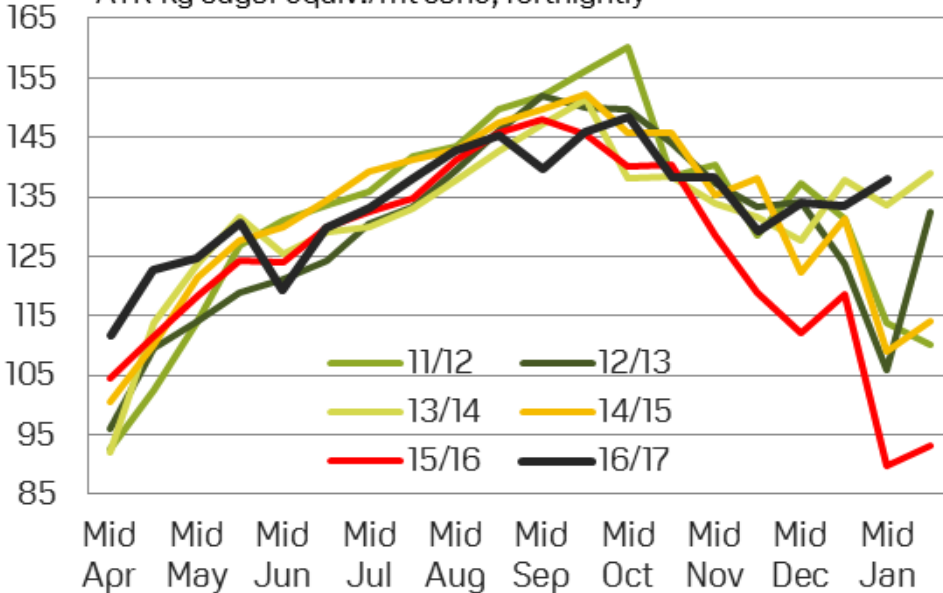
- Higher mix expected for the next season
- Fine tuning for actual crop after the integration of the latest weather and UNICA data

Sugar mix usually lower when new crop starts

Reasons to produce ethanol in the beginning of the season

CS Brazil - sucrose yield (ATR)

ATR kg sugar equiv./mt cane, fortnightly



Almost always:

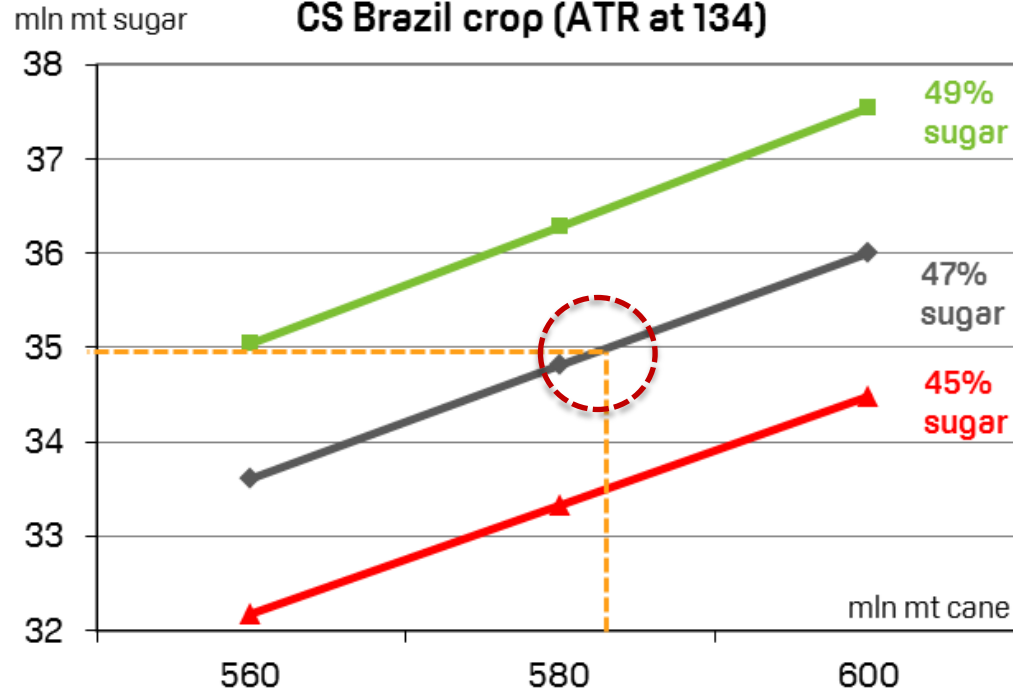
- Lower ATR levels expected in April/May
- In wet weather it is logistically easier to produce ethanol
- Ethanol is easier to cash-in than sugar
- Generally pump demand is increasing (both for hydrous and anhydrous)

Sometimes:

- Depending on stock levels ethanol could pay better than sugar
- Reduce ethanol /gas. imports from USA
- Possibility of exporting ethanol to the US when the arbitrage is wide open

Sugar mix in CS Brazil could have big impact

Different scenarios for the 2017/18
CS Brazil crop (ATR at 134)

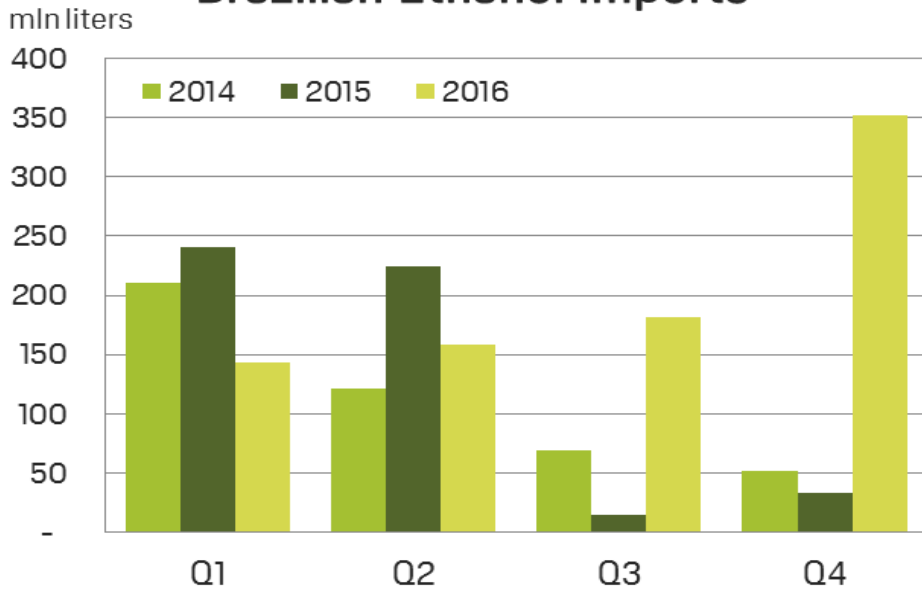


The effect of the Brazilian sugar mix on sugar production is very significant: it can bring the world market into a surplus, into balance or into a deficit

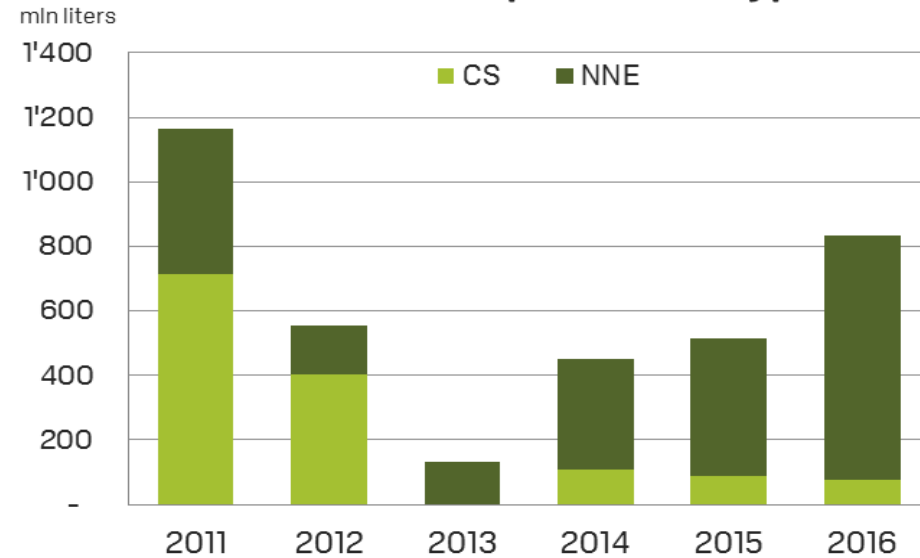
Strong prices fired investment in sugar crystallization capacity to run alongside ethanol production

Higher sugar mix saw rise in US ethanol imports

Brazilian Ethanol Imports



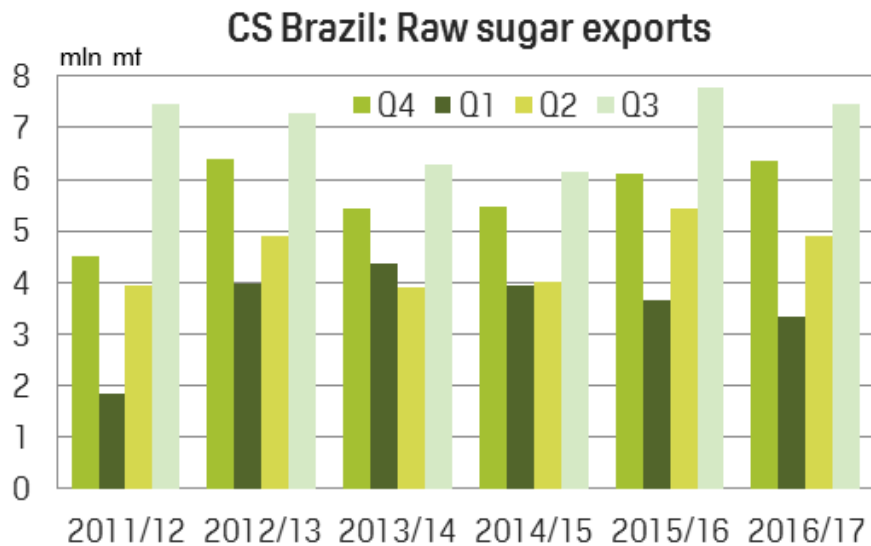
Brazil Ethanol Imports - All Types



Source: Secex

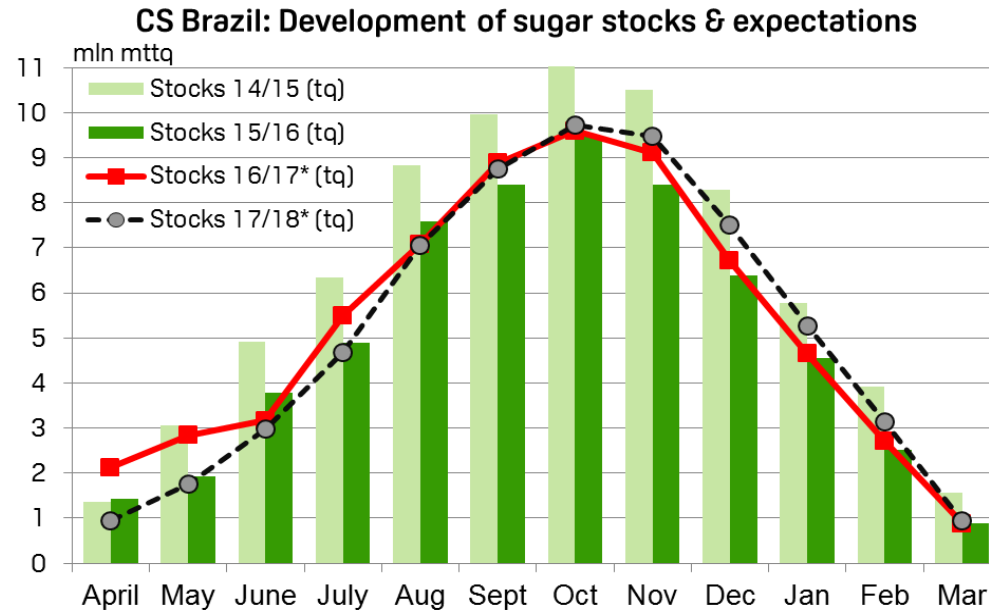
- Out of 805,860 cu m of ethanol imported in calendar 2016, about 99.4% came from the US

CS Brazil trade: strong exports in Q4



- Q1 2017 exports seen down 125,000 mt at 3.33 million mt due to strong demand in Q4 and less availability
- 2016-17 raws exports seen at 22.89 (little changed from 23.16 million mt), up 2.95 million mt on the year
- Whites exports seen at 2.68 million mt (almost unchanged) and up 313,000 mt on year
- 2017-18 raws exports: at 22.61 million mt (up 260,000 mt). On whites exports seen at 2.57 million mt (unch)

CS Brazil: sugar stocks in decline



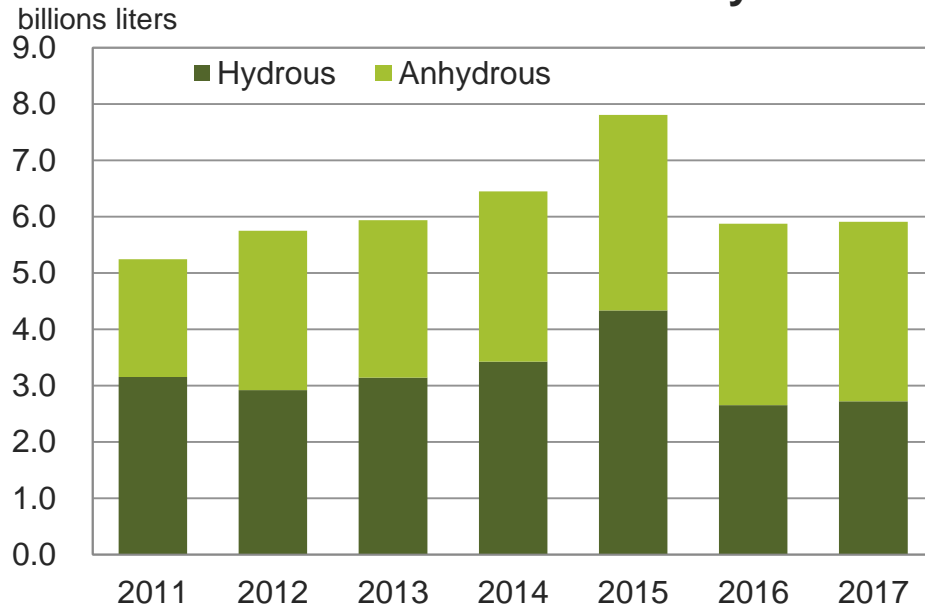
Stocks estimates (end of month):

- March 2014 – 1.4 mil mttq
- March 2015 – 1.6 mil mttq
- March 2016 – 0.995 mil mttq
- March 2017 – 0.9 mil mttq
- March 2018 – 0.96 mil mttq

Assumptions: raw exports of about 1.1 million mt/month in Q1 2017

Brazil Jan 16 ethanol stocks almost flat on year

Brazilian Ethanol Stocks by Jan16

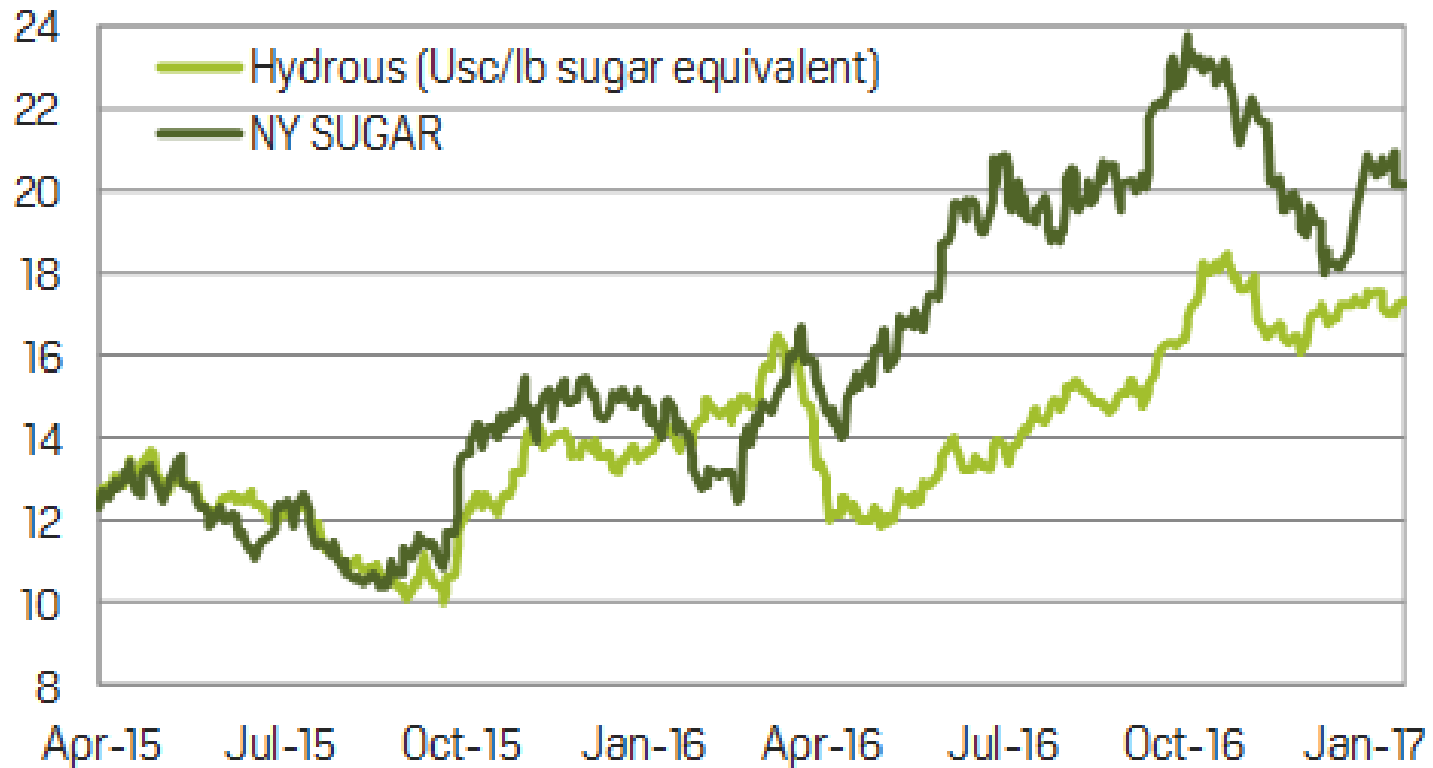


source: MAPA

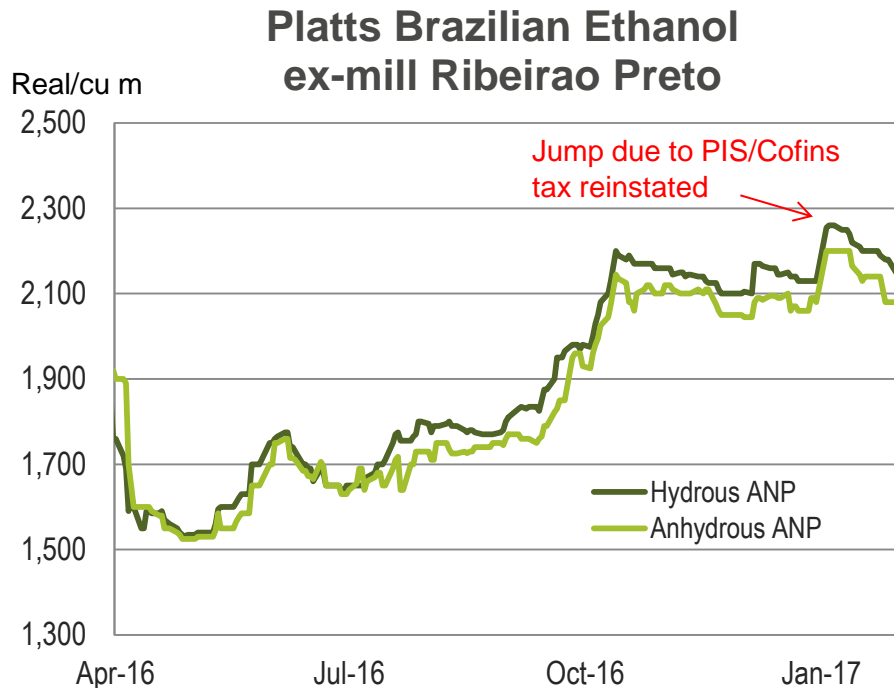
- Hydrous stocks as of January 16 were 2.72 billion liters, up 2% on the year, while anhydrous stood at nearly 3.2 billion liters, down 1% year on year
- We expect hydrous stocks by April 1 at 500 million liters, compared with 684 million liters on April 1, 2016
- Anhydrous stocks are expected to be 780 million liters vs 842 million on April 1 2016
- Anhydrous stocks have been bolstered by ethanol imports from the US, which are expected to reach almost 600 million liters in the first quarter vs just 143 million liters a year earlier

Historically, ethanol prices act as floor to sugar

Brazilian hydrous ex-mill vs sugar NY prices



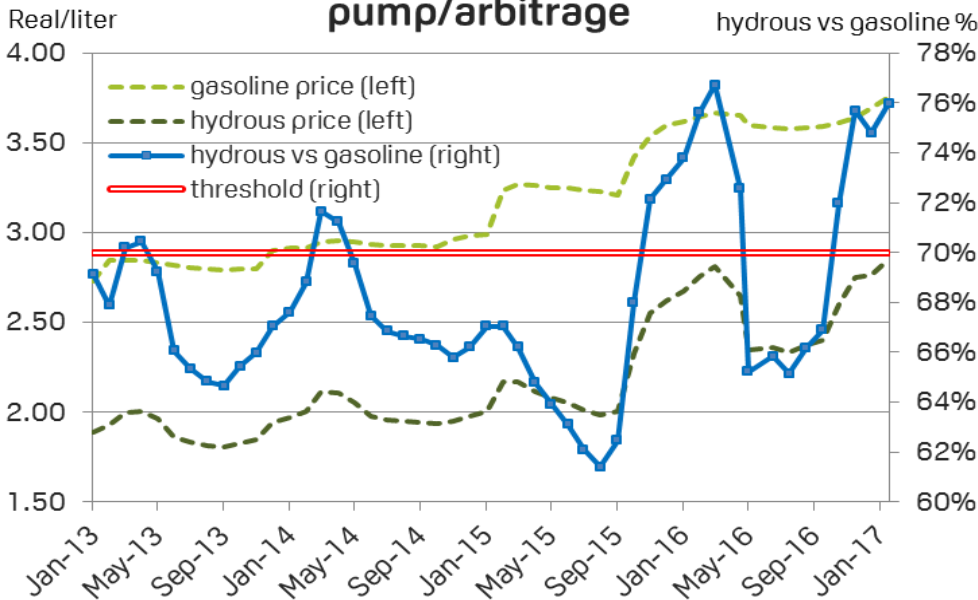
PIS/Cofins tax reinstated on ethanol but prices stable



- Brazilian ethanol prices rose in early January as the PIS/Cofins tax (Real 120/cu m) was reinstated
- Mills incorporated the tax on ethanol prices, which climbed in the first week of the year at Real 2,165/cu m for hydrous and at Real 2,200/cu m for anhydrous
- However with low demand due to higher prices, prices ex-mill gradually fell over the month
- On January 30, Platts assessed hydrous ex-mill Ribeirao Preto at Real 2,150/cu m, up Real 20 on the month and up Real 10 on the year. Anhydrous ex-mill was assessed unchanged on the month ago at Real 2,080/cu m, but up Real 20 year on year

Hydrous, gasoline pump prices hit record high in jan

Gasoline and hydrous price at pump/arbitrage

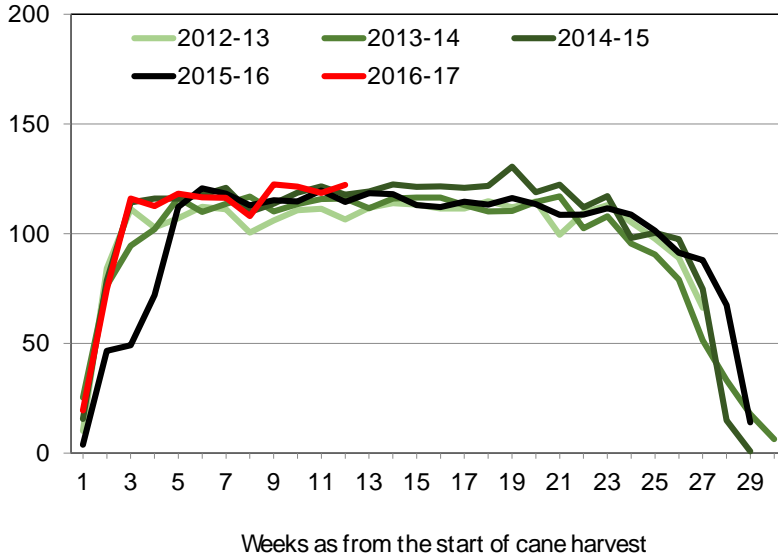


- Ethanol prices at pump reached a record high in January. In the Southeast region hydrous prices averaged Real 2.85/liter, up 3% on the month and up 7% on the year
- Hydrous prices represented 76% of the gasoline price, from 75% in December and 74% a year earlier (outer profitability point)
- Gasoline prices also reached a record at Real 3.754/liter, up 2% month on month and up 4% on the year
- Higher gasoline prices at the pump were due to a combination of higher gasoline prices ex-refinery and higher anhydrous prices
- Anhydrous represents roughly 17% of the gasoline price

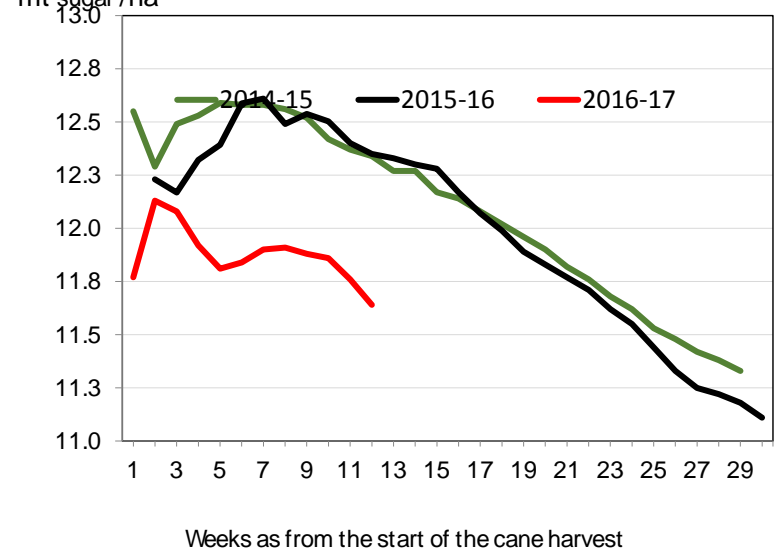
Centrals

Guatemala: production higher but yields very low

'000 mttq **Guatemala weekly sugar production**

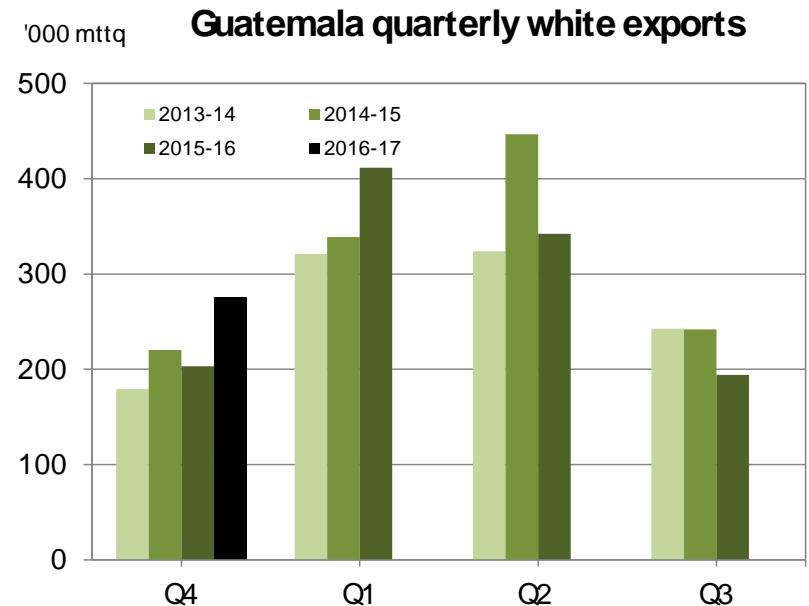
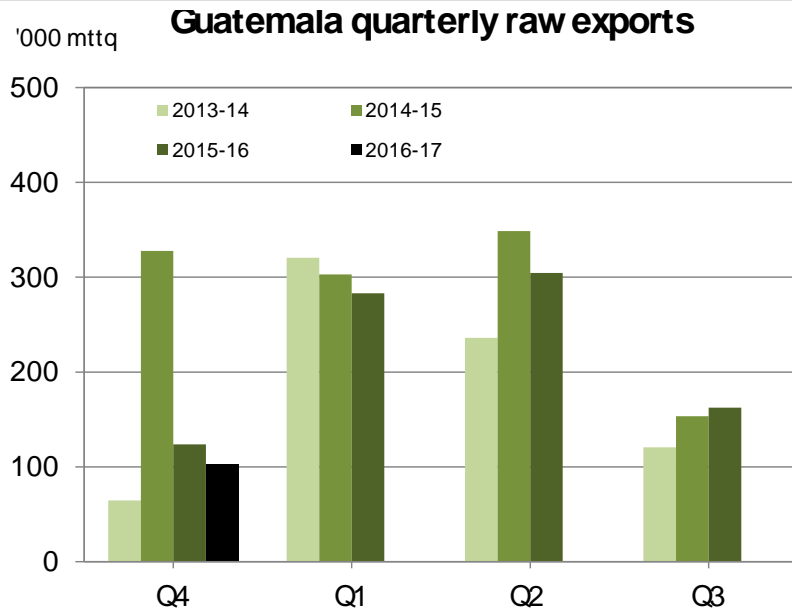


Guatemala sugar per hectare



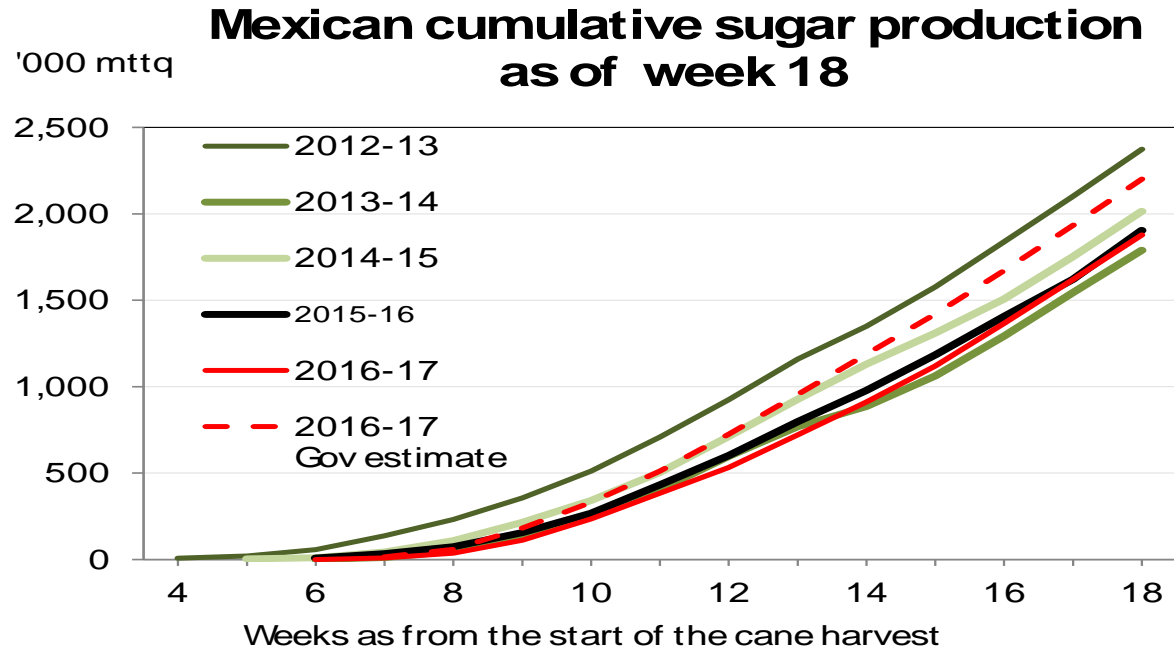
- On January 30 sugar production was 1,266,813mt, 15% higher year on year
- But, last season's early harvest disrupted by rain; sugar production was very low
- At the end of January agro-industrial yield was 11.63 mt/ha, the lowest since 2011-12 and the second lowest of the last six seasons, suggesting serious issues with the crop

Guatemala: Slow raw sugar export hints at delivery



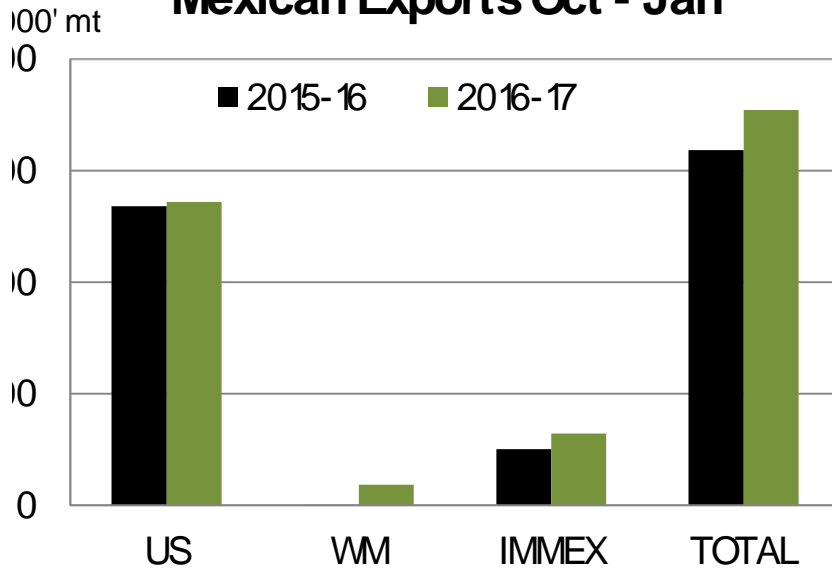
- Raw sugar in bulk exports were slow in Q4-2016, due to lack of demand for the region
- White exports, both LQW and HQW highest of the last few years on good demand. Main destinations for HQW were Ivory Coast, Chile and Egypt and for LQW Haiti, Taiwan and Congo
- Most of raws in bulk went to Taiwan, Canada and Peru
- March expiry looks heavy on Central America origin mainly on raws

Mexico sugar production disappoints

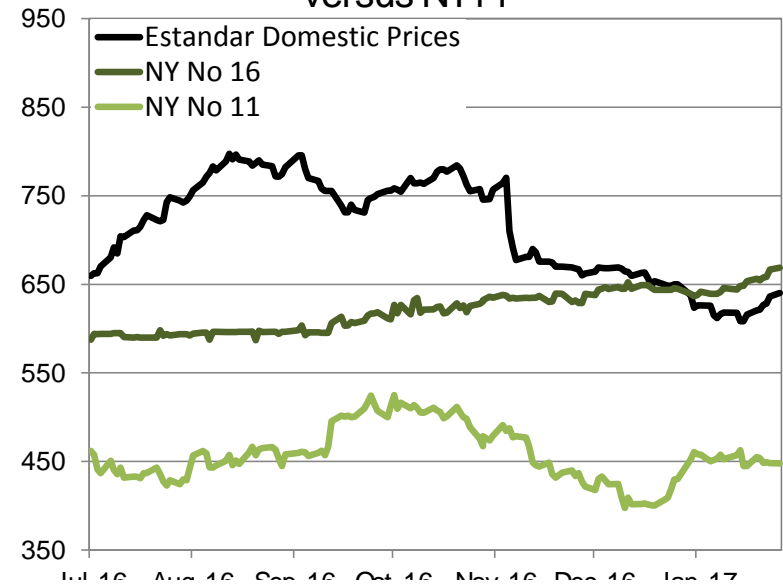


World market still not attractive to Mexican millers

Mexican Exports Oct - Jan



versus NY11



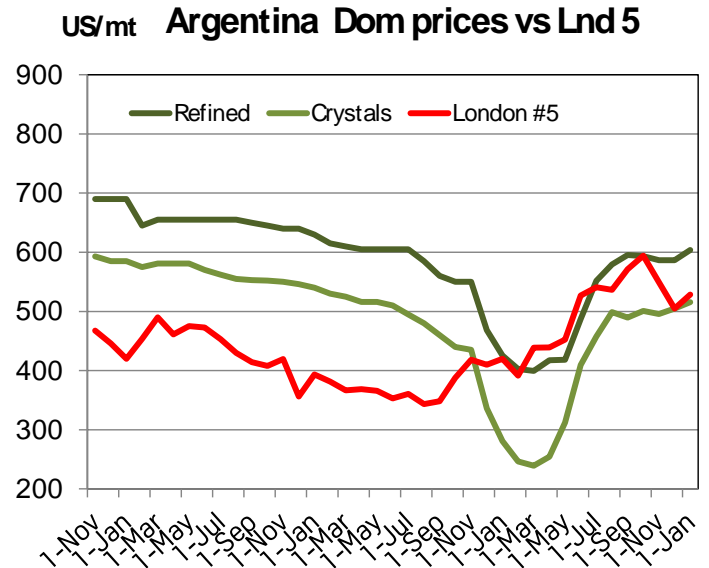
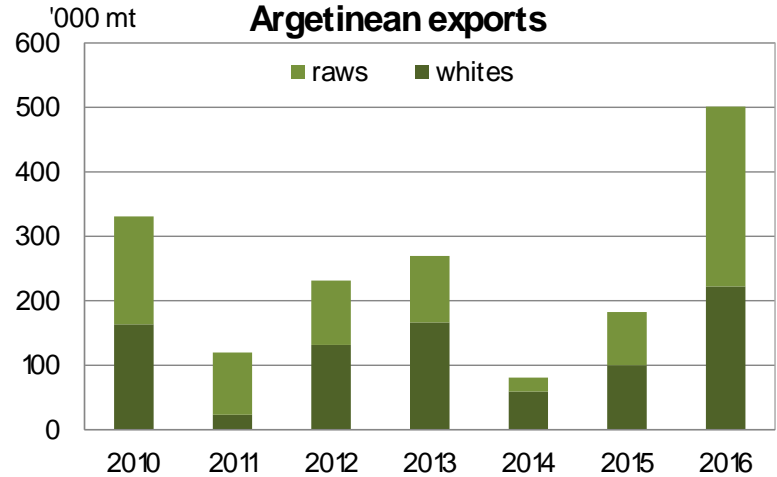
- The status quo continues for Mexican Exports. No decision yet on the Suspension Agreement and no clarity as to the fate of NAFTA
- Exports to the US maximized and the usual reluctance to export to the world market (the least profitable outlet for the Mexican sugar, beaten by far by domestic market, the US market and IMMEX)
- Some expect sizable Mexican deliveries at March expiry (although economics point against it)

NAFTA and sugar: possible basic scenarios

- End of NAFTA:
 - Mexican sugar goes to world market
 - US to increase WTO and other FTA imports to fill deficit – roughly 35% of US sugar import needs supplied by Mexico
 - The effect on world market would be minimal
- End of NAFTA and the US increases production:
 - US import needs would decrease, bearish impact for world market
- End of NAFTA and HFCS exports from the US to Mexico hit:
 - Mexican domestic market would grow by roughly one million mt
 - Mexican exports availability would decrease by one million mt
 - Bullish impact for world market
- NAFTA and Suspension Agreement status-quo (unlikely)
 - Mexican export availability for world market would depend on their own production and on the US needs
 - Impact on world market a function of Mexican export availability

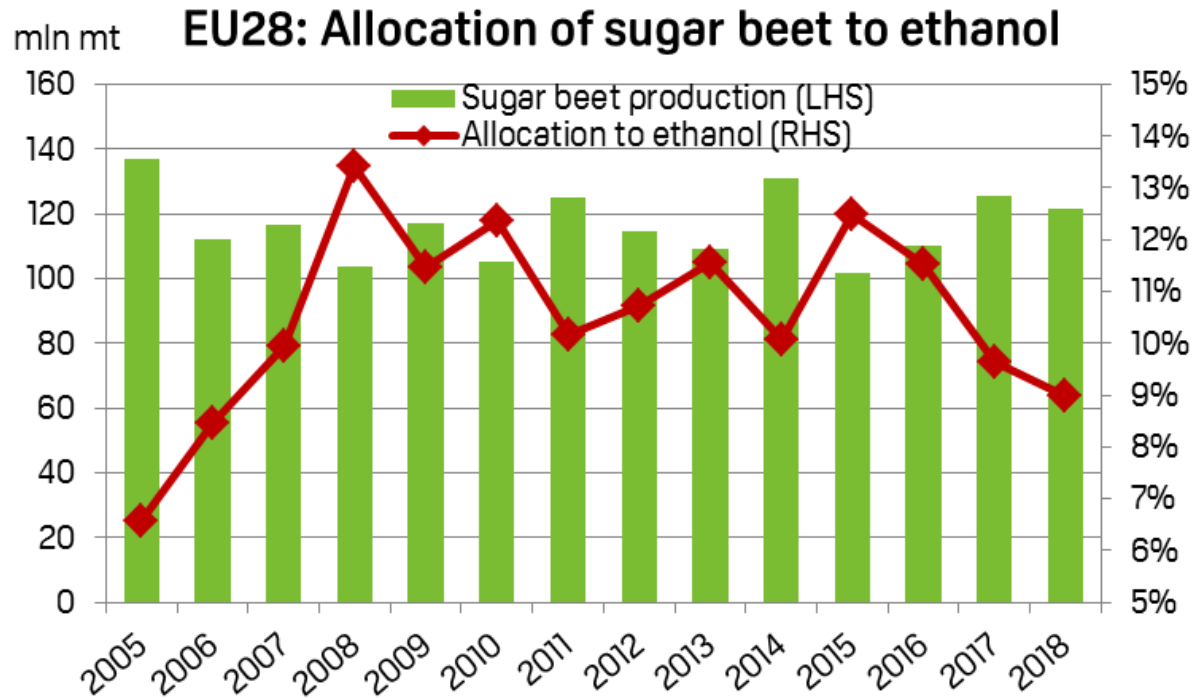
Argentina: weaker peso fires full pace exports

- The Argentinean peso weakened by 66% since November 2015, offsetting the increase in domestic prices (81% for refined sugar and 96% for crystals) since November 2015
- The rally in world market prices along with facilities provided by trade houses to cash-in exports fast has also helped to make exports more profitable than sales to the domestic market
- As a result exports increased sharply in 2016
- We could see Argentinean raws at the March expiry in NY (about 100,000 mt)

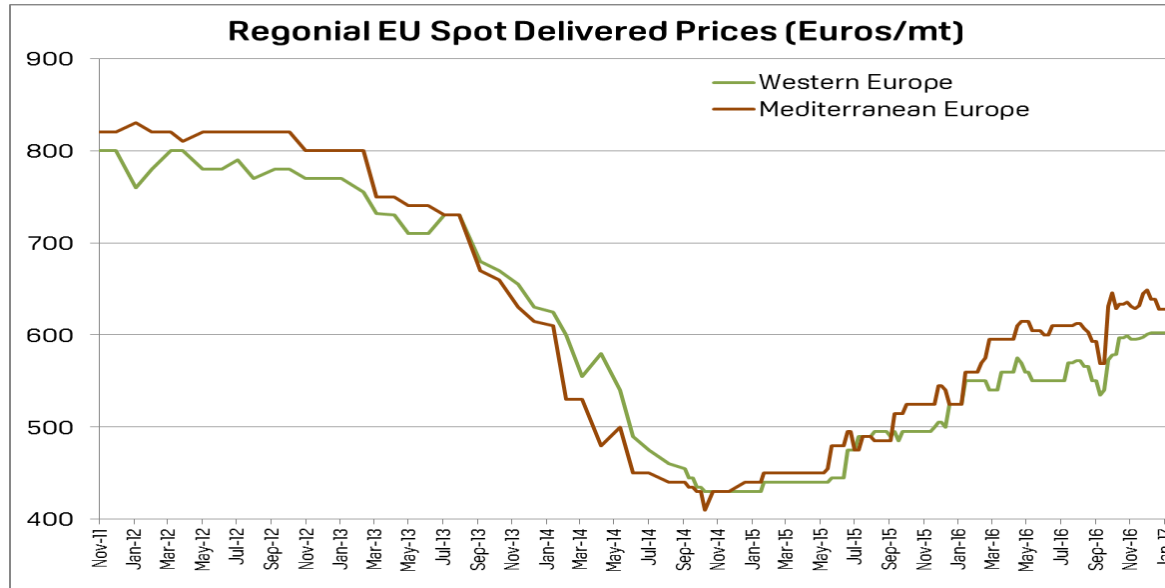


European Union (and Russia too)

EU28: Sugar beet allocation to ethanol decreases

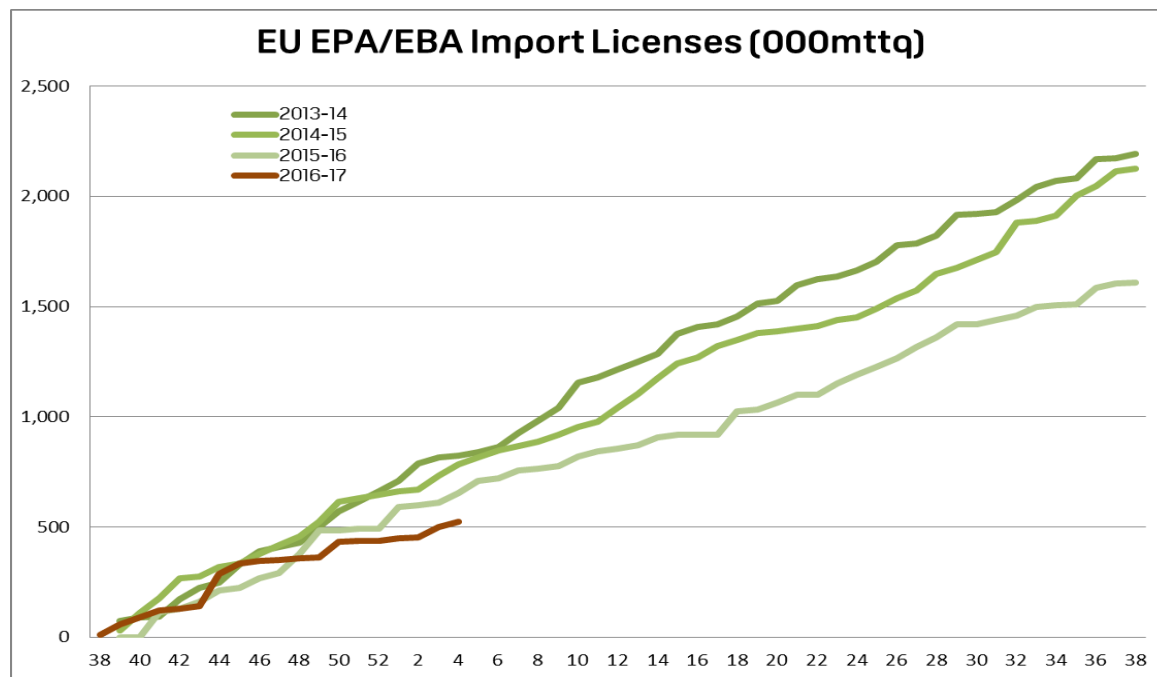


EU prices take year-end breather



- Spot prices in Western Europe stable through Jan, at Eur602/mt. Spot prices delivered Mediterranean which have been trading at a premium have weakened from the Dec highs of Eur649/mt and are now trading at Eur624/mt
- Month-on-month the Western Europe arbitrage from NNE Brazil moved from minus Eur88/mt at the end of Dec to minus Eur100/mt. Mediterranean arbitrage has moved from minus Eur88/mt to minus Eur62/mt over the same period. A rise in flat price Brazil during January has been offset by a stronger EUR/USD

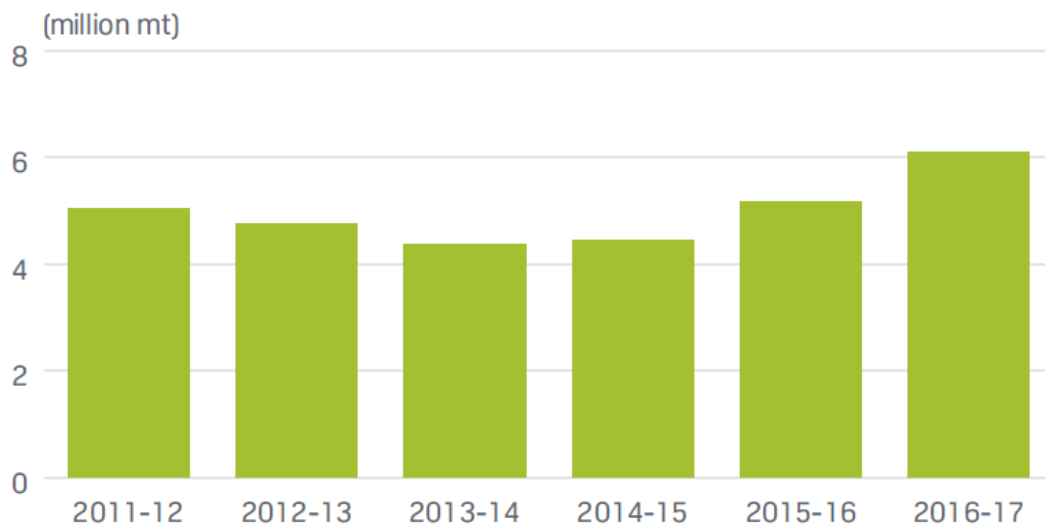
EU-28: Trade flows update



- Imports:** EPA-EBA allocations for 2016-17 to the end of January total 523,381 mttq and continue to lag behind this time last season, which showed 653,394 mttq of allocated licenses over the same period

Russia: The surprise package

SUGAR PRODUCTION IN RUSSIA



Source: Platts, IKAR

- Nearly 46 million mt beet processed
- All time high at just over 6 million mt produced
- Russia may yet emerge as exporter
- Ukraine also capitalized on Brazilian misfortunes
- 409,000 mt exported to Turkey & Sri Lanka

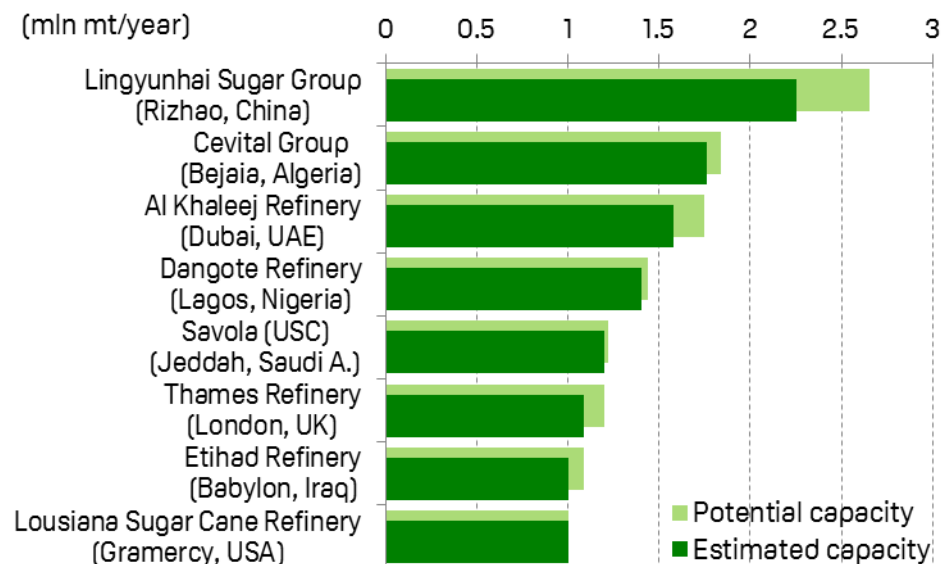
- International sanctions saw Russia respond with substantial investment into its agriculture sector
- 30 to 40 million hectares being brought into agriculture production – the bulk likely to be wheat, but beet will no doubt find a place

Brexit: What is that all about?



- UK is Europe's 4th biggest sugar producer
 - Many farmers concerned about the viability of sugar crops post-Brexit
 - UK's main beet grower, British Sugar, has offered a guaranteed, fixed beet price – but level will be critical
 - UK also home to Tate & Lyle's 1.2 million mt refinery in London
 - EU sugar liberalisation is aimed squarely at beet sector – T&L fought the ongoing limits placed on cane refiners
 - Currency/FOREX impact biggest concern
 - Wider question over viability of EU project
-
- As yet, impact & timelines of Brexit still largely unknown
 - France and German giants have potential to export into UK, although sterling vs euro exchange makes it harder
 - UK beet sector wary of cane refiners

A word on refining

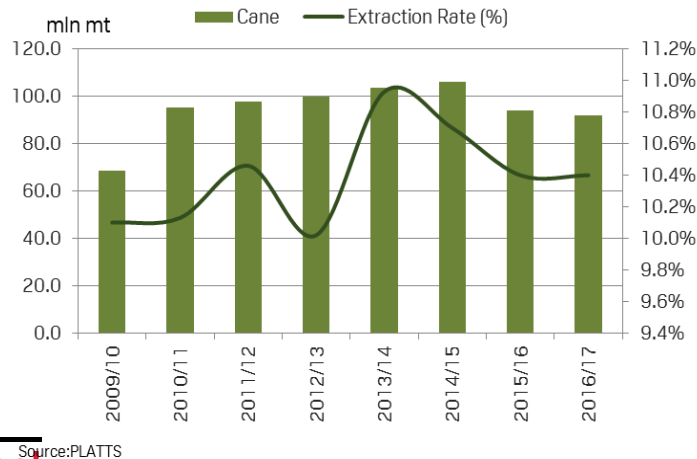
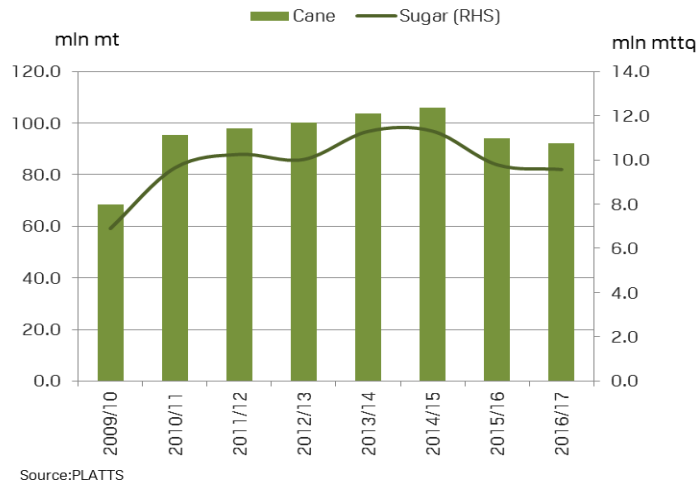


- In the 10 years since EU last exported refining landscape has changed
- MENA now an emerging hub as destination refiners
- Nearly 5 million mt of new capacity could arrive by 2019
- Likely to bring pressure to white premium
- Current trade flows displaced by new capacity – e.g., Etihad in Iraq

- EU's traditional export markets of North Africa, Middle East increasingly covered by domestic refining capacity
- EU exports may have to compete hard or find new destinations

Thailand

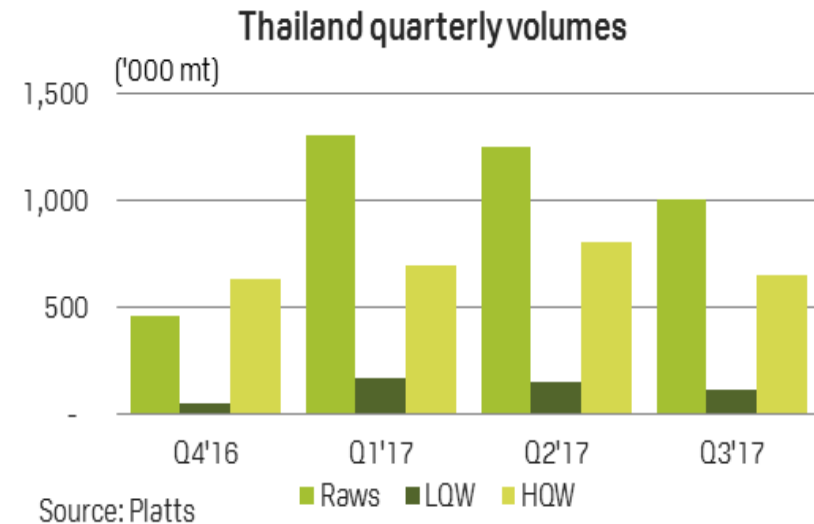
Thailand: 2016-17 output at 9.6 million mttq



- For 2016-17, we expect Thai cane availability of 92 million mt and sugar production of 9.6 million mt both down 2.1% year on year.
- Crush data for the period December 6- February 8 has cumulative production at 5million mt, down 11% on the year while cane crushed stood at 49.4million mt, down 14% on the year.
- Average rate of crush/day now at 772,000mt, up 2% on last year. Restrictions on cane loading on trucks haven't impacted cane arrivals.
- Production mix in favor of raws at 70% while whites make up the balance 30%. 3.5million mt of raws already produced.

Thailand: raws exports lower

- Raws exports in December at just 325,400mt, a 50% drop year on year as destination demand slowed down. Reduced Q117 raws exports by 300,000mt to 1million mt
- Weak cash values in Brazil and a weakening NY H/K inverse have made raws from CS Brazil and Guatemala more competitive into Indonesia
- The weakening H/K spread could also result in Thai's rolling forward their supply onto K'17
- Q417 HQW exports at 635,000mt were down 28% on the year. Our Q1'17 estimates are now at 700,000mt. India importing whites directly has led to London H/K spread expiring in a carry

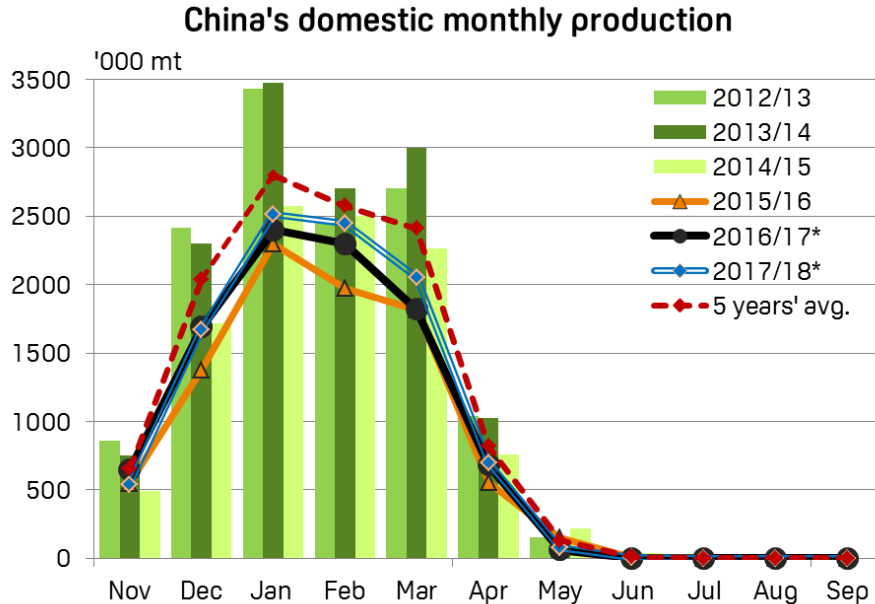


Indonesia: strong import demand continues

- Raws imports for 2016 at 4.7 million mt, up 51% as compared to 3.2million mt during 2015.
- The government granted import licenses to the refiners for the first half of 2017 at 1.7million mt while the broad consensus is that a similar tranche will be awarded for the second half of the year as well.
- Adding up demand from other groups like mills, MSG producers and the army the import demand for 2017 could be similar to levels seen during 2016.
- Our import estimates for raws for Q117 arrival are at 1.3million mt at this stage which includes about 850,000mt for the refiners.
- Weakening NY H/K spread and the advancement of Ramadan by a month (May-June 2017) could lead to Indonesia bringing forward some of the demand.
- Import parities for Q117 arrivals still favor Centrals/CS Brazil. This could lead to Thai supply getting rolled onto NY K'17.

China

China: envisaging a better crop



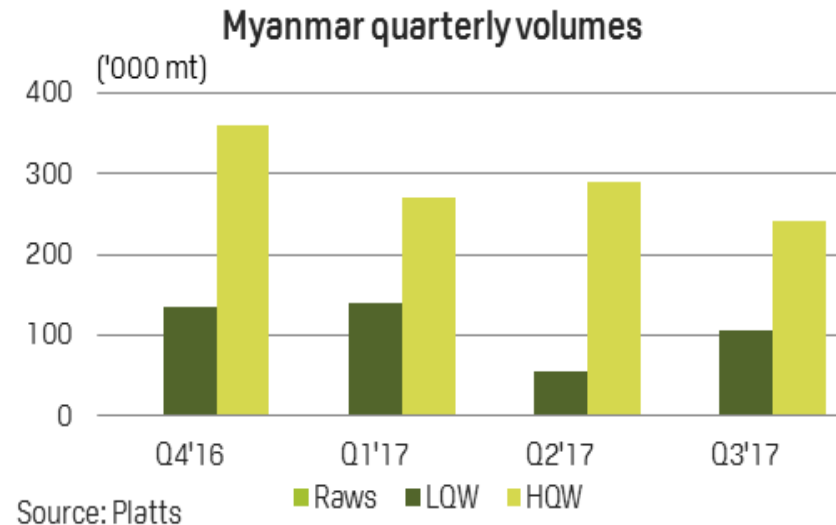
- December sugar production at 1.65 million mtwv (up 274,600 mt on the year)
- Cumulative sugar output for Q4 2016 totaled 2.297 million mtwv, up 380,000 mt from Q4 2015 and up 86,400 mt on Q4 2014.
- Cumulative domestic sales at the end of December were 1.167 million mtwv (up 223,300 mt on year)
- Our production estimates are unchanged at 9.6 million mt but with an upward risk (to 10 million mt)

China: lower imports seen in Q1

- Kingsman has trimmed its import expectations for Q1 by 100,000 mt to 300,000 mt due to the following reasons:
 - Significant imports occurred in Q4 2016 : around 940,000 mt of raws
 - Government continued to release stocks onto the domestic market
 - The current line-ups (showing less than 80,000 mt for Q1)
- All in all we see Chinese demand for raws of 1.7 million mt over Q1-Q3, about 400,000 mt less on the year

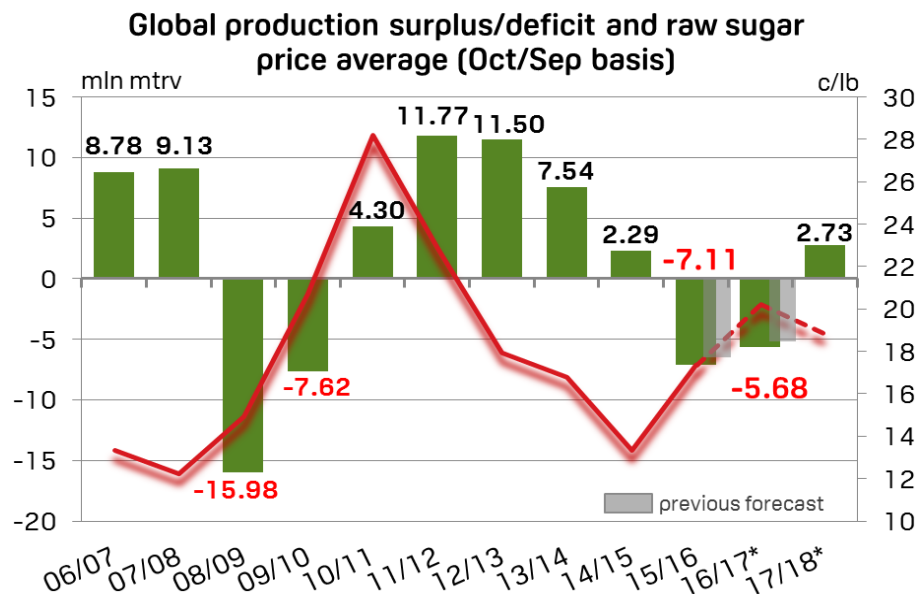
Myanmar: cross border trade lackluster

- Myanmar is generally used for smuggling sugar into China and Bangladesh but recent rumors are implying that Myanmar could be used for smuggling into India
- The arb for smuggled whites now in the range of \$300-350/mt based on our calculations with NY at 21cents/lb
- We expect 2016-17 (October-September) whites imports into Myanmar of 1.1million mt as compared to 2.1million mt during 2015-16
- We hear that border controls still remain tight in spite of healthy arbs for smuggled whites with ZCE front month at Rmb6,900/mt levels
- Other origins like Brazil, Thai, Guatemala and even Ukrainian origins for LQW to be active this year given the absence of India as a LQW exporter



Conclusions

Global supply and demand: higher surplus in 2017-18



October-September estimates ('000 mtrv)

	2015/16	2016/17		2017/18	
	Latest est.	Prev. est.	Latest est.	Prev. est.	Latest est.
Production	173'552	177'581	176'960	185'940	187'201
Consumption	180'658	182'800	182'637	184'712	184'467
Balance	-7'106	-5'219	-5'678	1'228	2'734

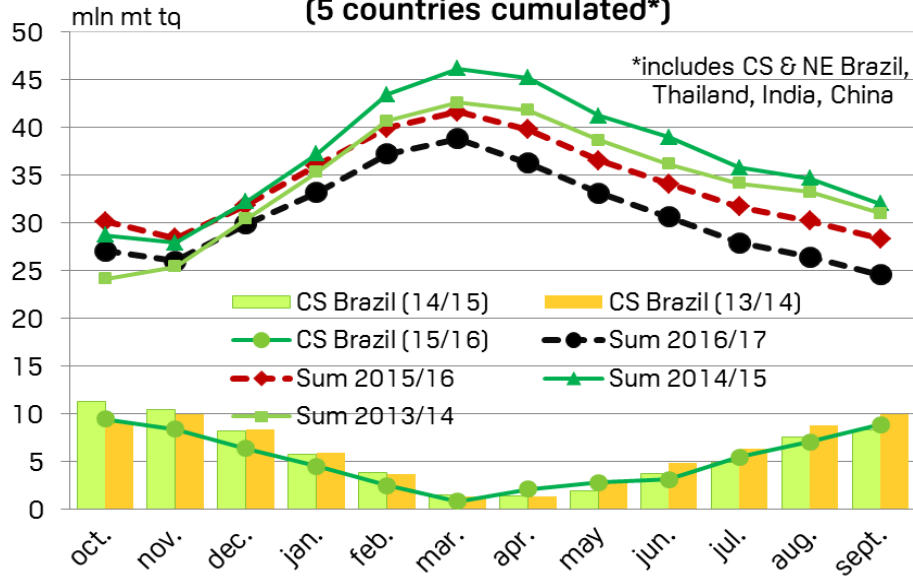
2017-18 surplus up 1.51 million mt at 2.73 million mtrv (on higher output expected for Europe & Brazil)

2016-17 deficit up by 459,000 mt to 5.68 million mt, mainly on further fall in Indian production

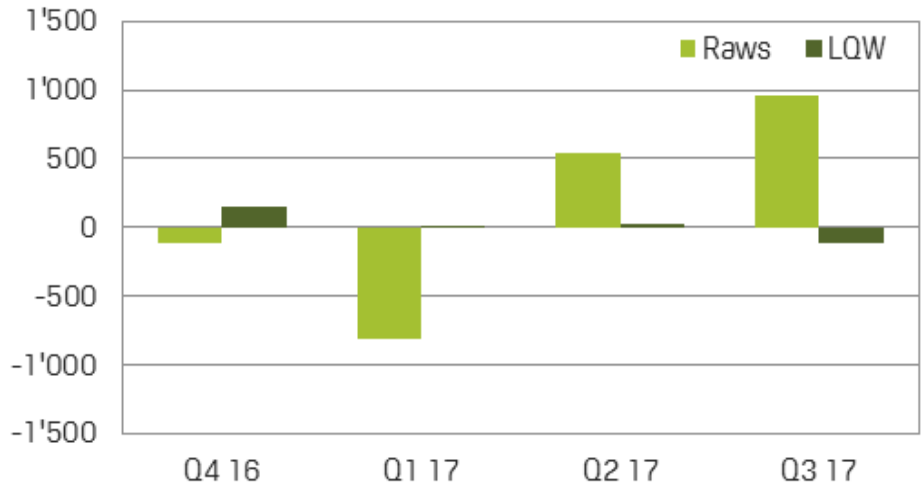
- 2015-16 deficit up 210,000 mt at 7.11 million from 7.12 million mtrv previously
- Still, over 2006-07 to 2016-17 the world produced 18.9 million mtrv more sugar than it consumed
- Mixed opinions about the market

India imports key, and weather impact

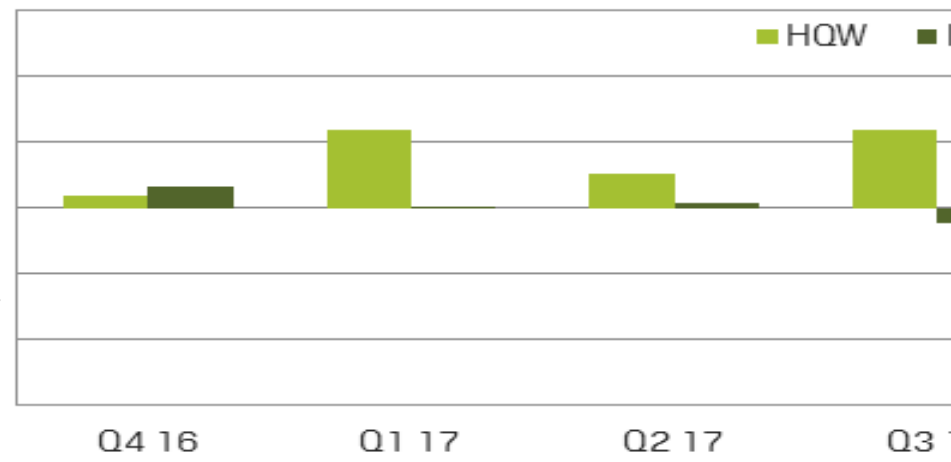
Monthly Stocks Evolution and Forecast
(5 countries cumulated*)



Net Trade Flows (2016/17 estimates)

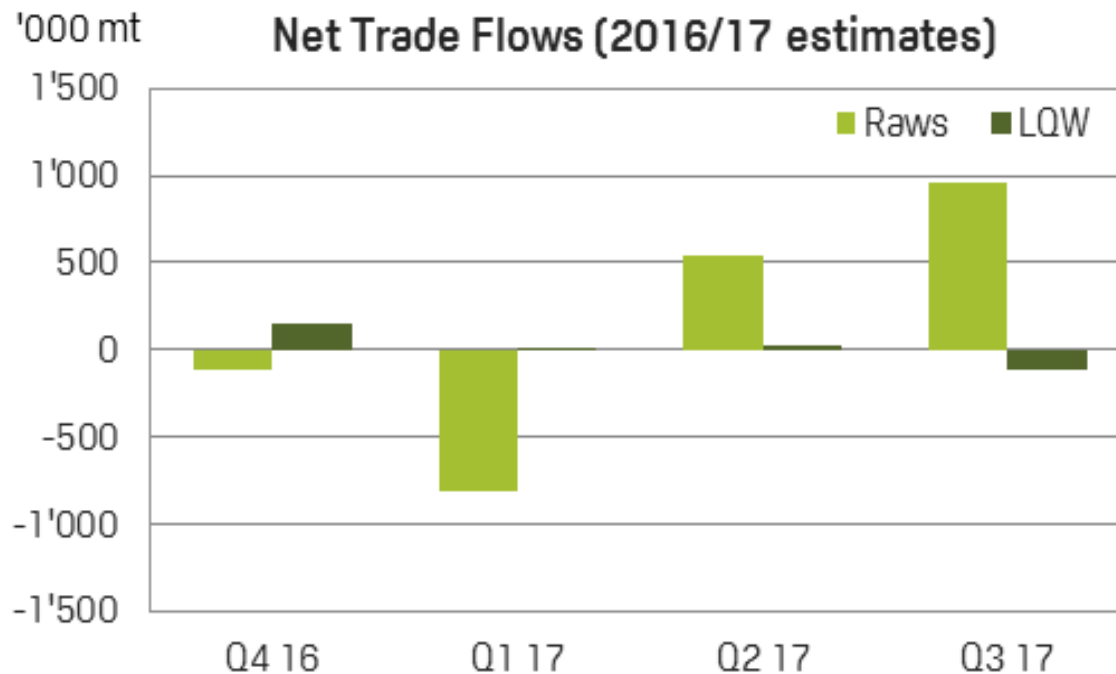


Whites Net Trade Flows (2016/17 estimate)



- Is another El Nino in the wings?
- Will India need to import? If so, how much?
- Raws and whites heading towards surplus
- Funds pulled back, but price remains steady
- Demand levels will be significant

On raws Q1 2017 looks to be in deficit but not Q1-Q3



- Q1-Q3 2017: Raws surplus of 683,000 mt (up from just 262,000 mt previously expected)
- Lower demand from China, the US, Azerbaijan and higher export availability from CS Brazil and Dominican Rep. were the main reasons behind this increased surplus

Stranger things have happened



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