



Sugar Market View Presentation

Alvean Trading Intelligence

US Sugar Colloquium

February 2019

Global record stocks in 2018-2019 due to a large production surplus in 17/18.

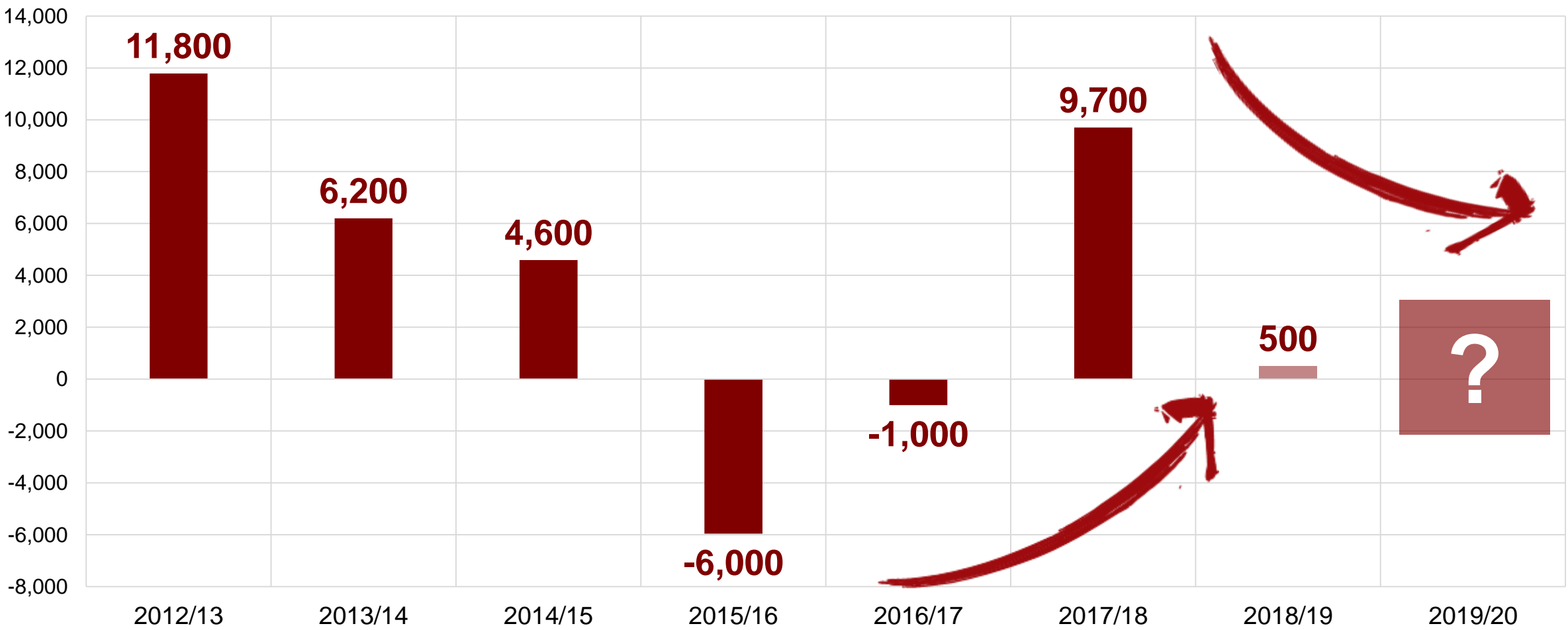
A reduction in 19/20 will depend on prices and weather events.

Global production & consumption — Oct-Sep Basis

Transaction from a record surplus to a more balanced scenario, still dependent on Brazil mix

Global production & consumption

Oct-Sep Basis
kmt

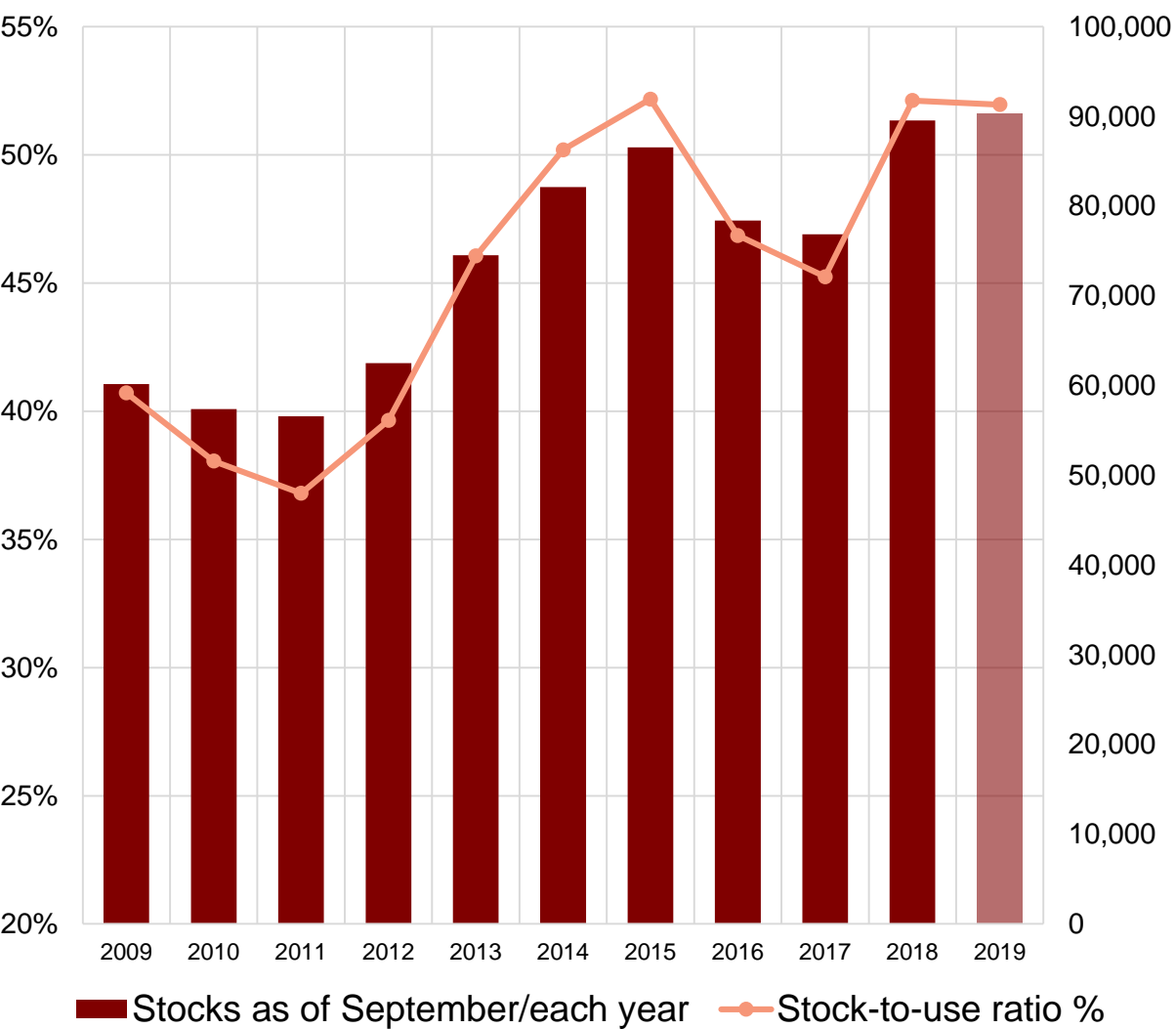


Stocks are at record levels on a nominal basis and as a proportion of consumption

The major holder of stocks is India

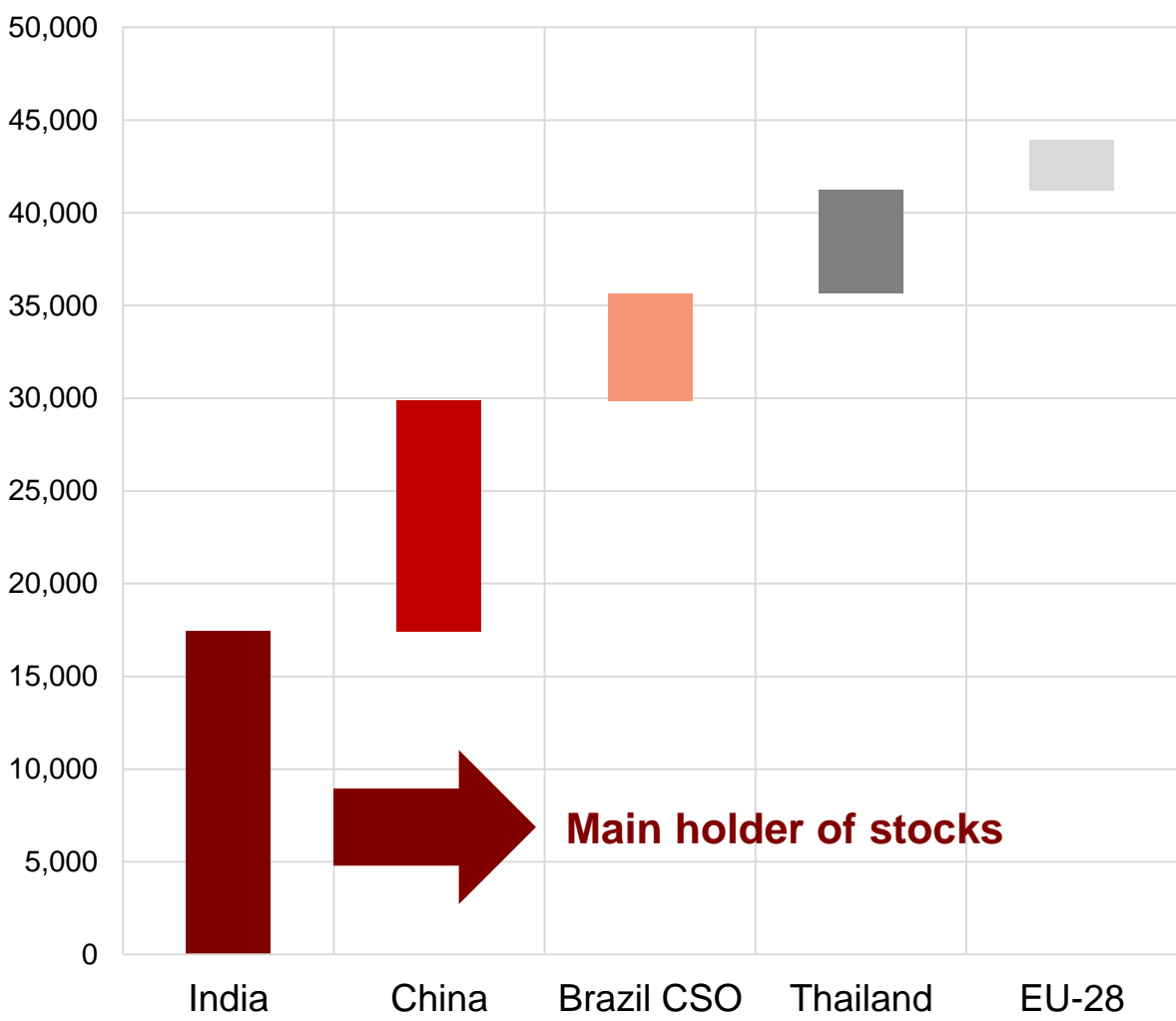
Stocks as of September of Each year

kmt / %



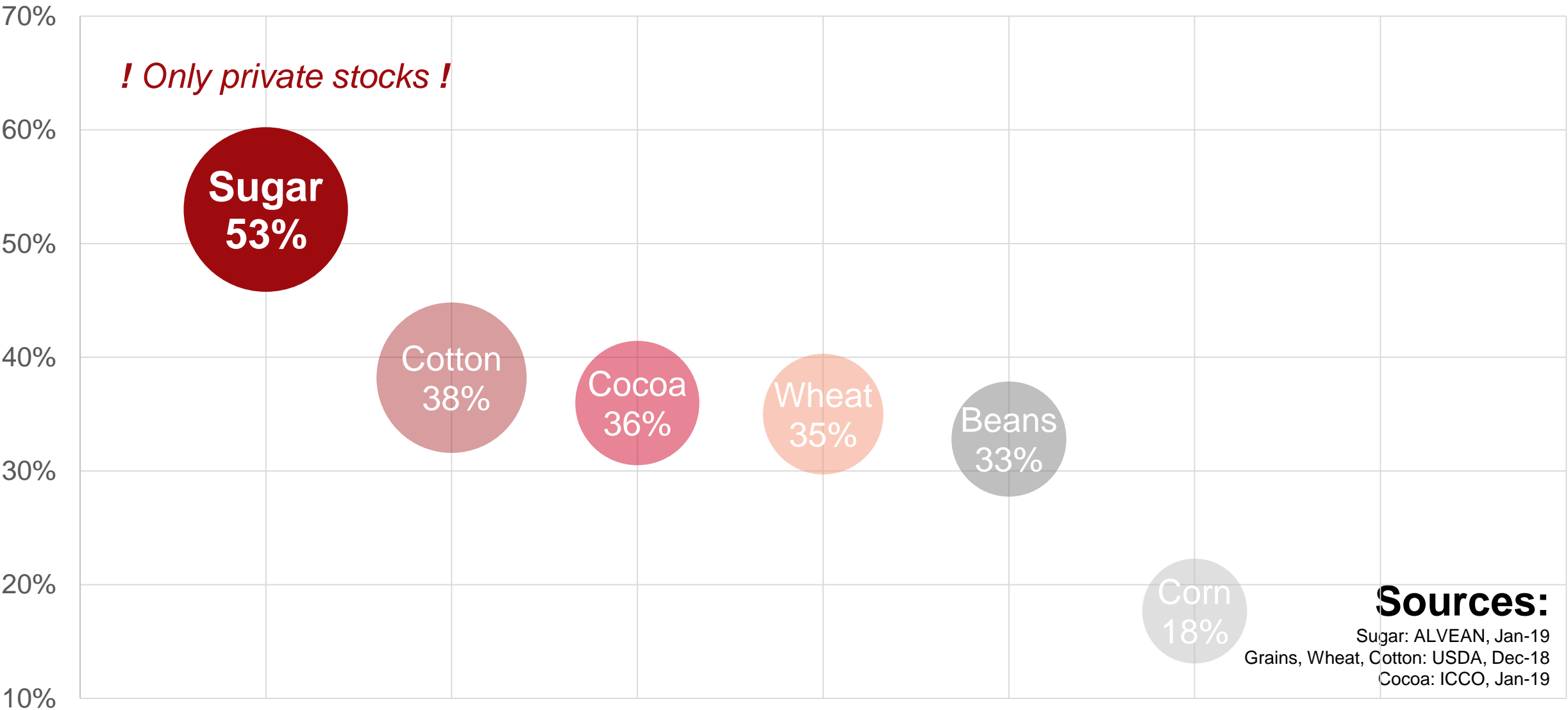
Stocks as of September of Each year

kmt / %



Sugar stock-to-use ratio is the highest in the commodities complex

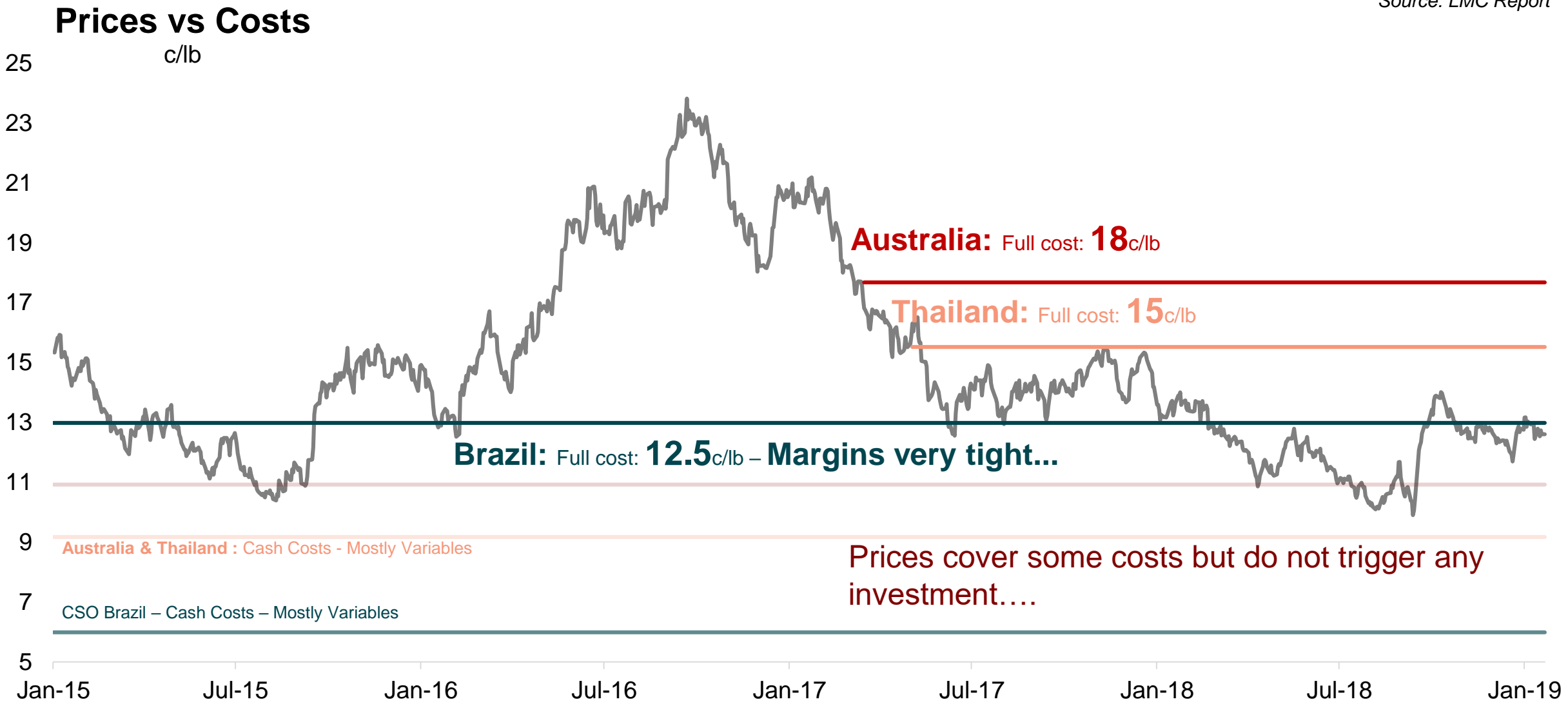
Assuming only sugar stocks on the hands of private sector: mills, refineries, industrial users & pipeline (excluding government strategic reserves)



International prices reacted and are below full cost of production in Australia & Thailand

However prices cover OPERATIONAL costs although they do not remunerate CAPITAL in de-regulated economies

Source: LMC Report



Energy and Ethanol Prices can help in the reduction of record global stocks;

The magnitude of de-stocking will depend on Brazilian sugar mix

SUPPLY (kmt)	2016	2017	2018	2019	Annual Variation		
	A	B	C	D	B-A	C-B	D-C
India	20.20	32.30	31.50	27.00-28.00	12.10	-0.80	-4.50/-3.50
China	9.30	10.31	10.65	10.80	1.01	0.34	0.15
EU-28	16.11	19.67	17.39	18.00	3.56	-2.28	0.60
Brazil CSO	35.63	36.00	26.60	28.00-30.00	0.38	-9.40	? 1.40/3.40
Thailand	10.03	14.70	13.50	12.00-13.00	4.67	-1.17	-1.50/-0.50
Russia	6.09	6.50	5.89	6.50	0.41	-0.61	0.60

- 2018 crop estimates in India and Thailand are based on market consensus and may not represent Alvean's estimates.

-2.90/1.10

India

Regulation in all the supply chain

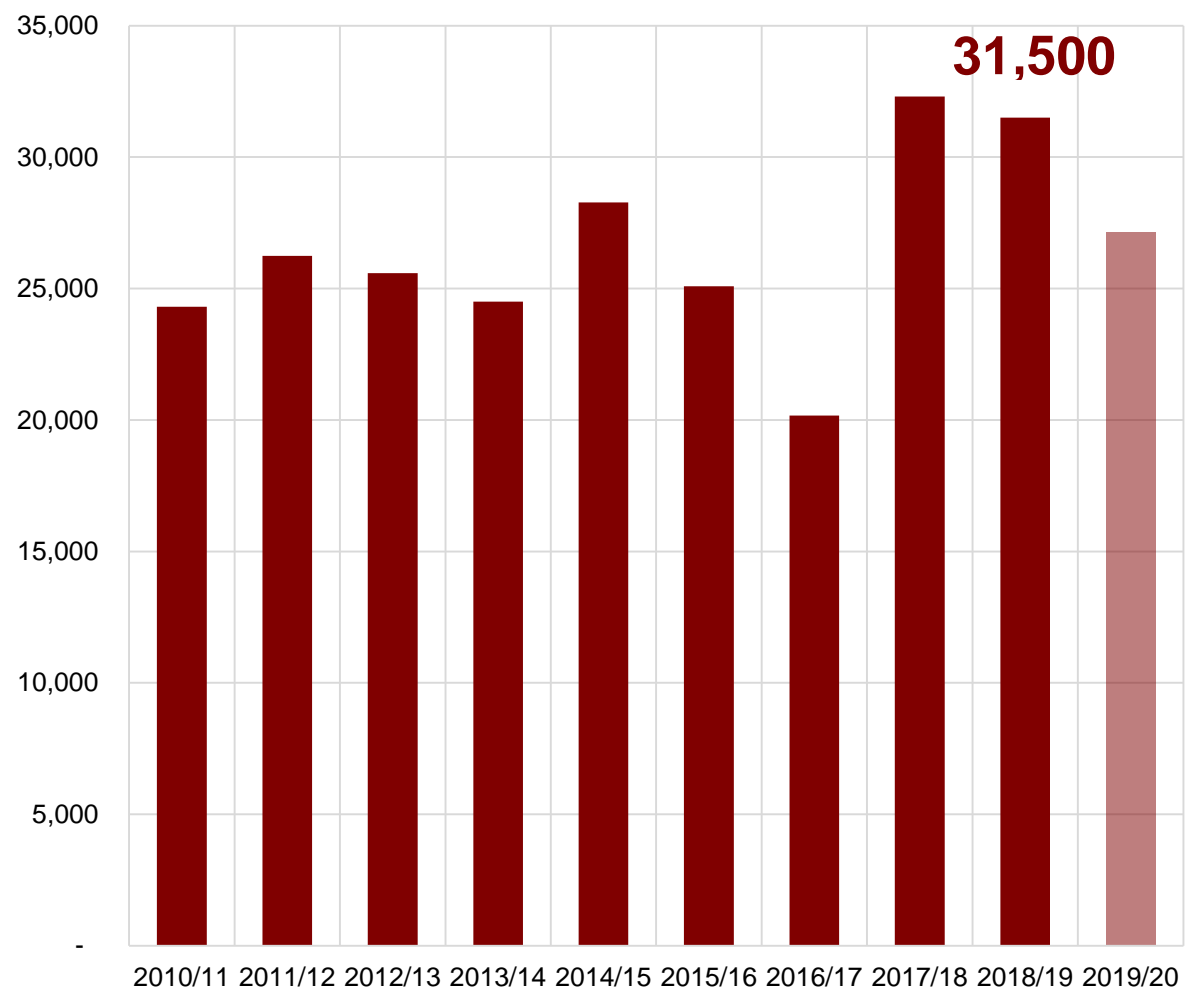
*Crop reduction in 2019-20 should occur
not because of returns but because of unfavorable weather*

India: Current strong crush rates suggest a higher crop versus last year

2019-20 crop should reduce due to unfavorable weather for pre-seasonal planting in late 2018

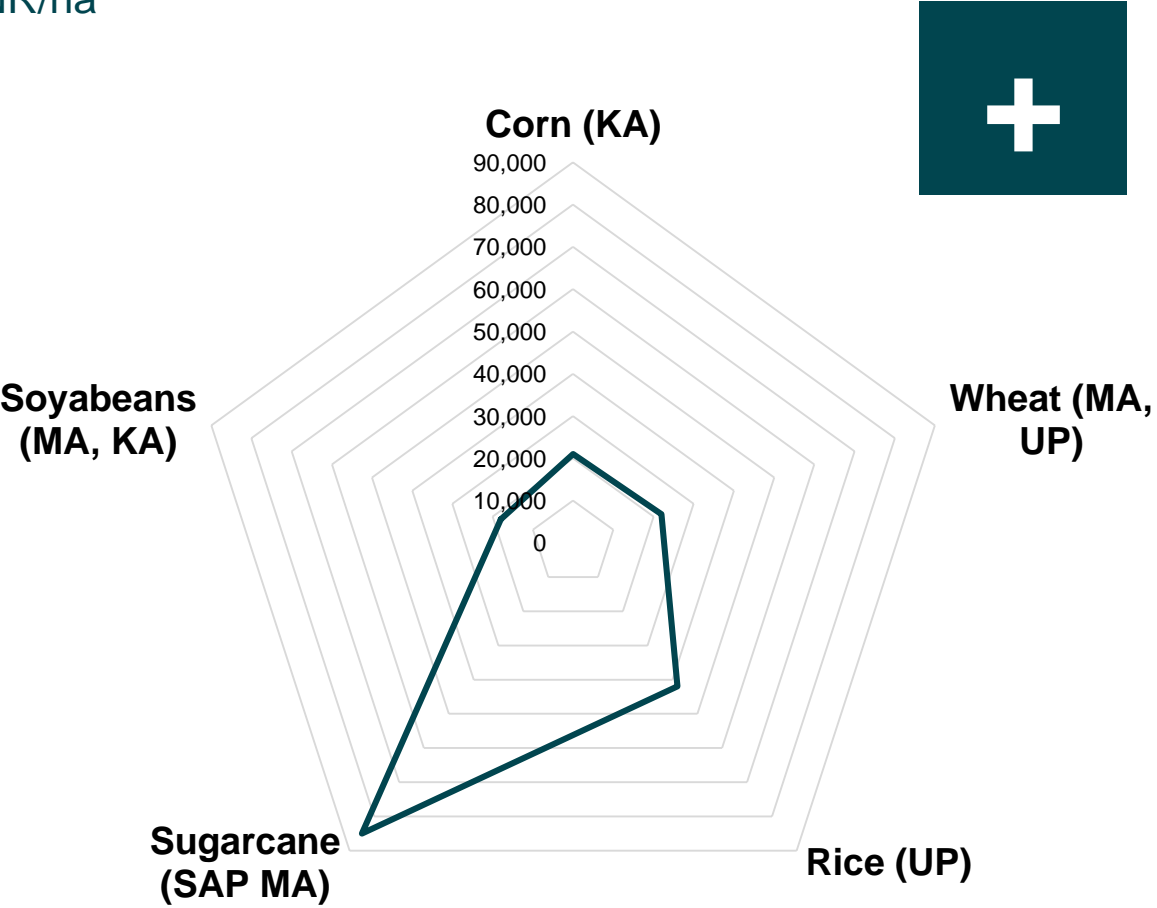
Indian Production

kmt



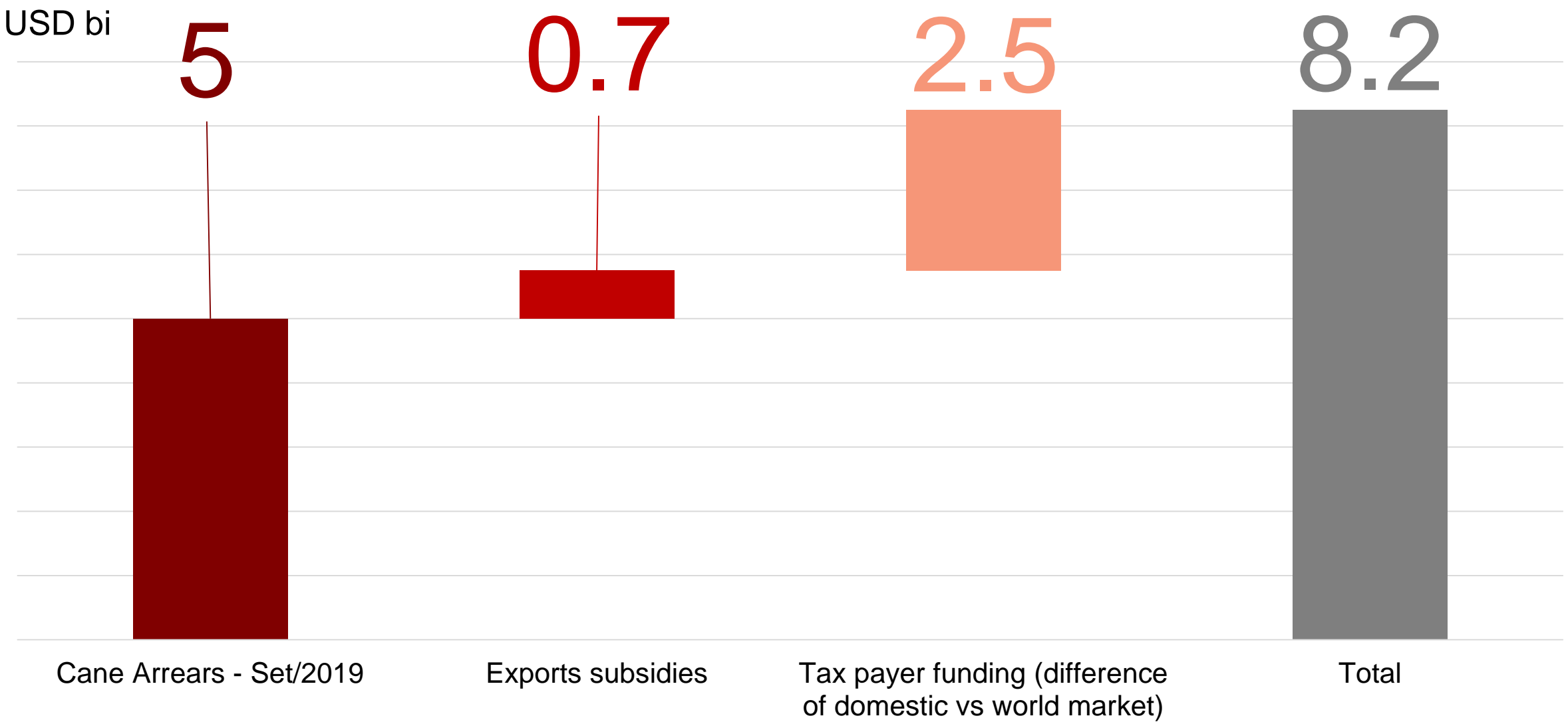
Margins of Sugar Cane vs Competitive Cultures

INR/ha



India: Debt and Subsidies levels are huge

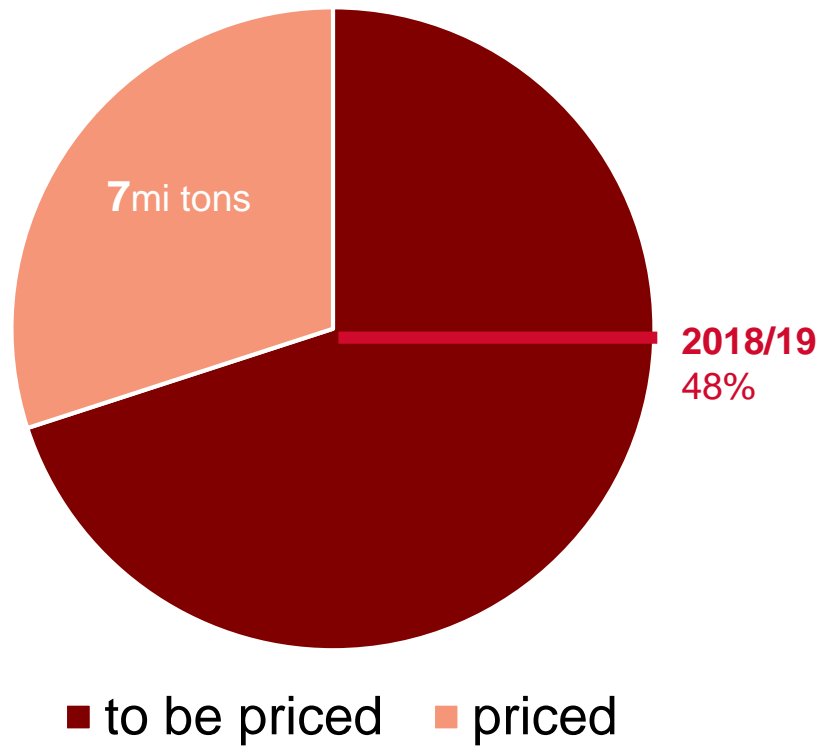
But this does not prevent farmers to keep planting cane



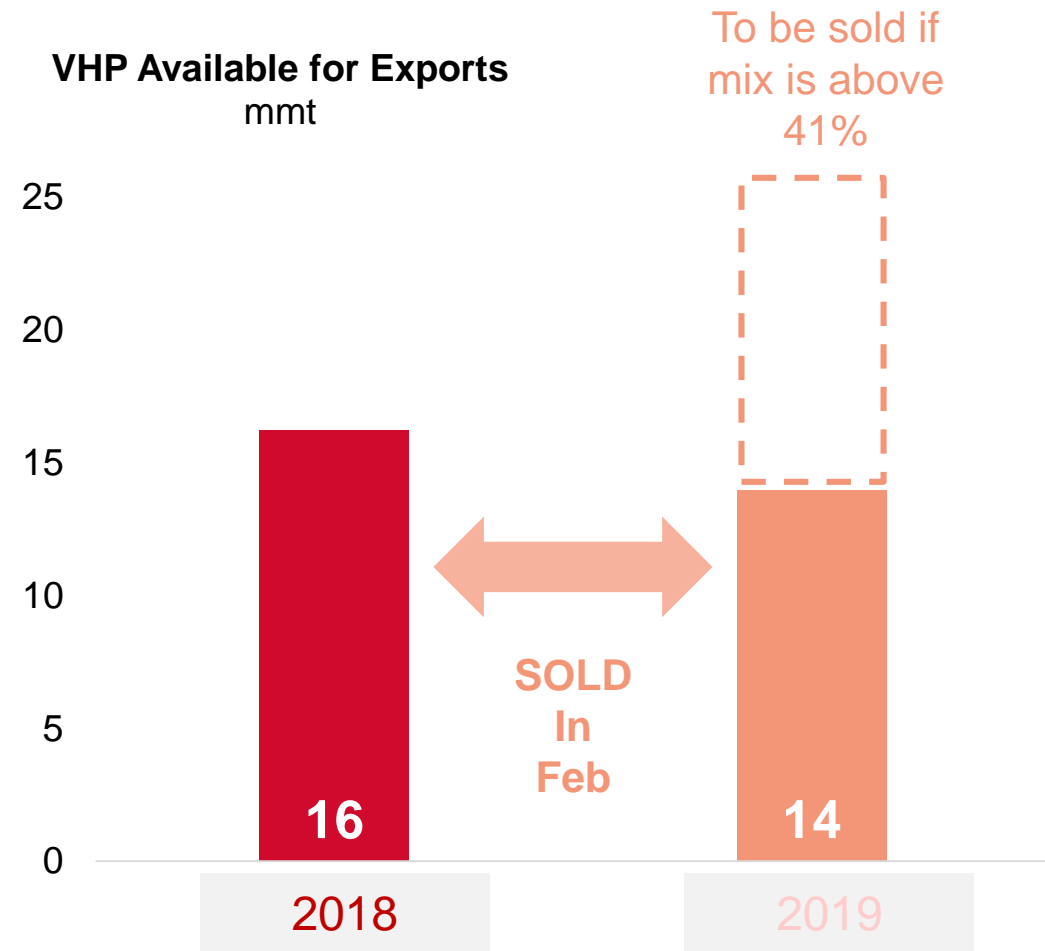
Brazilian mills are long in flexibility

Low level of hedge and low level of physical cash commitment

Percentage of Hedging
SEOs



Physical Cash Commitment
mmt



Conclusions

- Stocks are close to record levels due to past planting decisions, and highly concentrated in India.
- Production & Consumption balance in 2019-20 have potential to shrink but it depends on Energy/Ethanol and prices and allocation of sugarcane to ethanol in Brazil.
- Export subsidy policies for 2019 remain unclear and could be an important factor on the future of Sugar prices.

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