American Sugar Alliance

World Market Update

August 2018
World Stock Change

m mtrv

CS Brazil – 18/19 Production 19% Lower
CS Brazil – Driest Q2 for 10 Years

Second Quarter Rainfall

2H ag yields expected to be lower as a result of dryer weather.
CS Brazil – Ethanol Parity

Sugar & Hydrous Ethanol Arbitrage (c/lb)

Arbitrage favours hydrous production
India – Back to Back Surpluses?

Production/Consumption Balance

- Surplus
- Deficit

India – Government Policy

Official

• 3m tonnes held by mills but costs covered by government.
• Minimum Ex-Mill sale price of 29 INR/KG.
• 2m tonne mandatory export quota applied to all mills.

Rumours

• 1.5m tonnes proposed exports to China across this season and next season.
• Export program with Indonesia.
• Both are unlikely, as Indian prices are very far from workable levels.

[Graph showing Domestic Price vs. Cost of Production]

INR/kg

Domestic Price vs. Cost of Production

Kolhapur

MH 17/18 Net COP

India Stocks

mmt


- 3 weeks' stock
- 4 months' stock
- 9 months' stock
Thailand Production – Another Record Harvest?

Thailand Sugar Production

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (mmt)</th>
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<tbody>
<tr>
<td>09/10</td>
<td>7.5</td>
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<tr>
<td>10/11</td>
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<td>15.0</td>
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<tr>
<td>18/19</td>
<td>16.0</td>
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</tbody>
</table>
Thai Raw Sugar Supply – Record Availability

![Graph showing Thai Raw Sugar Supply from 2009 to 2018. The y-axis represents mmt, and the x-axis represents years from 2009 to 2018. The graph indicates a general increase in supply, with a significant peak in 2018.]
China – Deficit Market; Changing Dynamics

China 18/19 Balance

- Consumption: 15.5 mmt
- Production: 10.9 mmt
- WTO Imports (Raws): 600kmt
- WTO Imports (Whites): 445kmt
- Stock Release: 400kmt
- AILs: 1.5mmt
- Smuggling: 2.5mmt

Total Supply of 5.45mmt
China – Domestic Market Below Cost of Production

![Graph showing Liuzhou Spot Sugar and Cost of Production over time, with prices ranging from 3,000 to 8,000 RMB/MT from Jun/14 to Jun/18.]
China - Smuggling Arb Falling

Risk appetite diminishes
Europe – 20 Year High Production Sees Exports Rocket

Production

Consumption

EU Exports
Speculative Positioning – Appetite to Short?

[Graph showing speculative position and price over time from 24/03/2015 to 10/04/2018]
Market Drivers

**Bullish**
- Dryness in Brazil could mean lower production
- Ethanol parity remains in favour of ethanol
- Dryness in EU could lower production figure
- Specs decreasing their short position

**Bearish**
- Significant amount of producer pricing remains
- Record production in India
- Record production in Thailand
- Ethanol parity in Brazil loses attractiveness
- EU heading towards another surplus
- Further spec selling
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