



The World Market

Toby Cohen – VP Market Analysis | August 2023

The #11 Sugar Market... high world prices!



- World Market Prices have rallied - World Prices are trading at #16 levels from 2020!
- World Market prices are now underpinning #16 prices with the increase in the import of Tier 2 sugar.
- US & Mexico are both importing sugar from the world market and pricing at full duty levels.

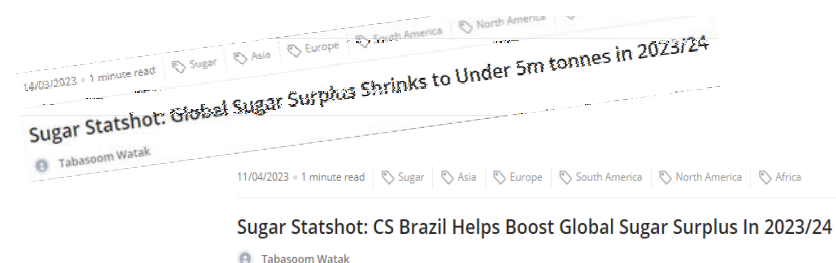
Surpluses or Deficits?



ISO 22/23: From 4.15m mt surplus in Feb'23, down to 852k mt in May'23...

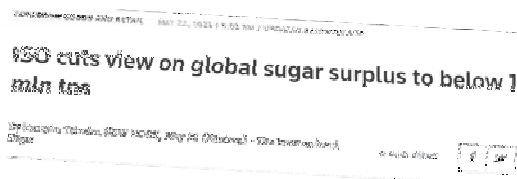


Czarnikow 23/24: from a surplus of 4.8m mt in March'23 to a deficit of 100kt mt in May'23...



S&P Global Commodity Insights projects a sugar surplus of 4.8 million mt in 2022-23 marketing year

By Shivaaney Rai - Friday, 9 September 2022



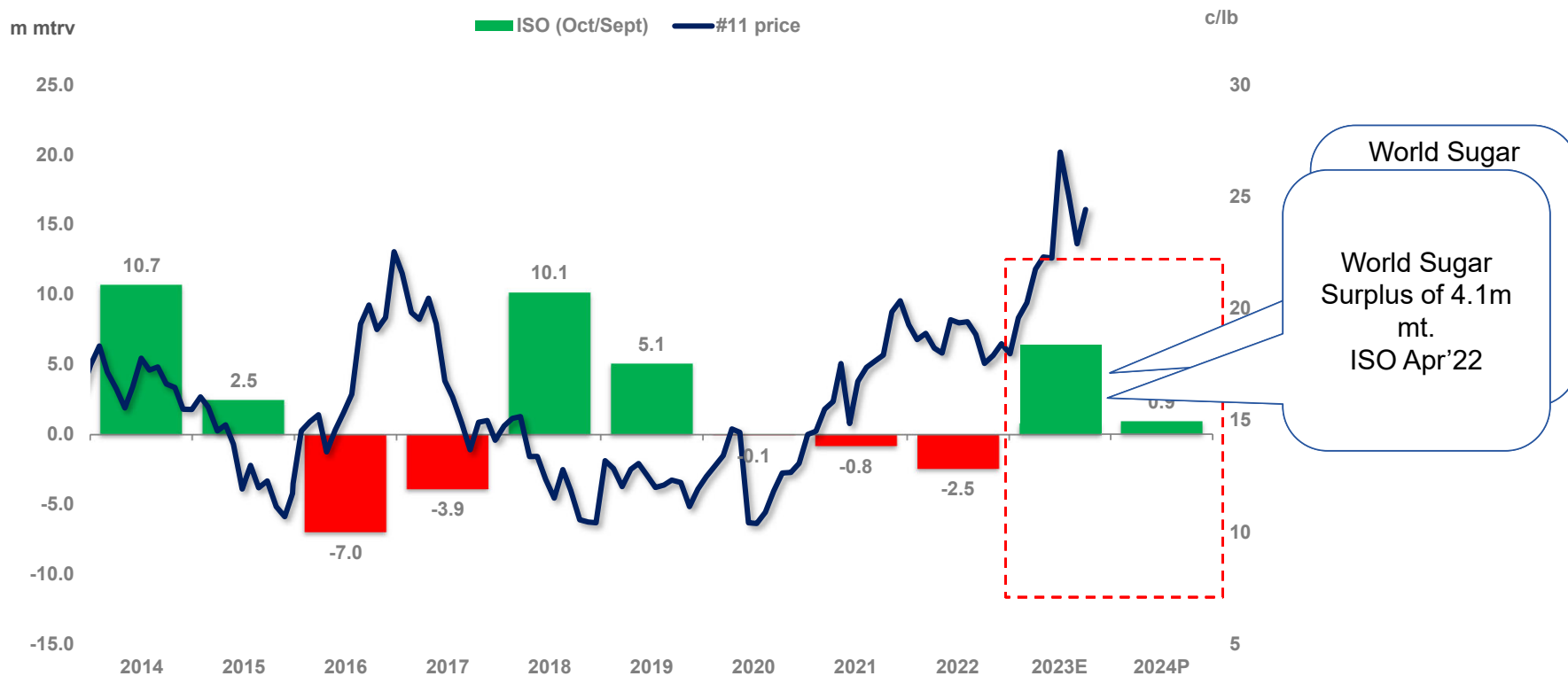
StoneX estimates global sugar surplus of 1.1 million T in 2022/23

Web May 3, 2023 - StoneX reduced its estimate for the 2022/23 global sugar surplus to 1.1 million metric tonnes, from a 2.5 million tonnes surplus forecast in March, according to ...

ISO Cuts Sugar Surplus to 852k Tons on Weaker India, Thai Output
2023-05-22 09:00:00 GMT

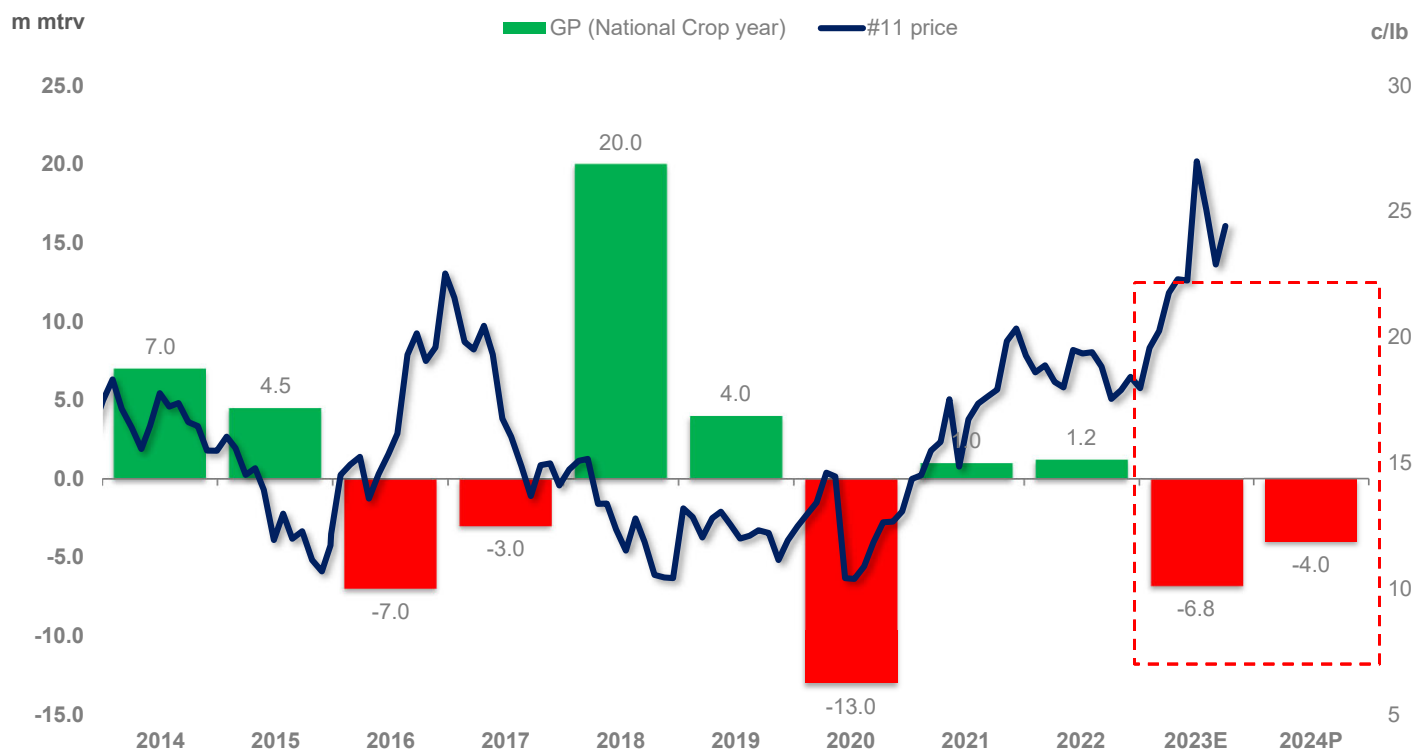
* A global sugar deficit of 1.01 million tonnes is projected for the 2023/24 season, ending a run of three successive surpluses, analyst Green Pool said.

ISO: Global Balance Sheet



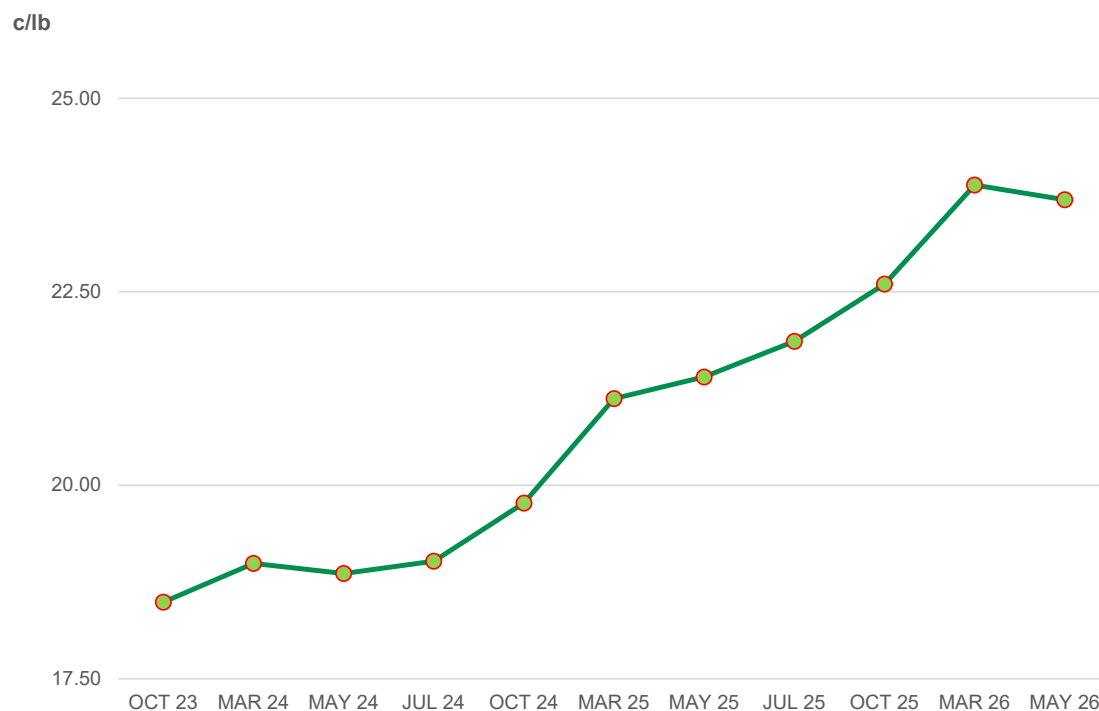
Source: International Sugar Organisation (ISO).

Greenpool: Global Balance Sheet



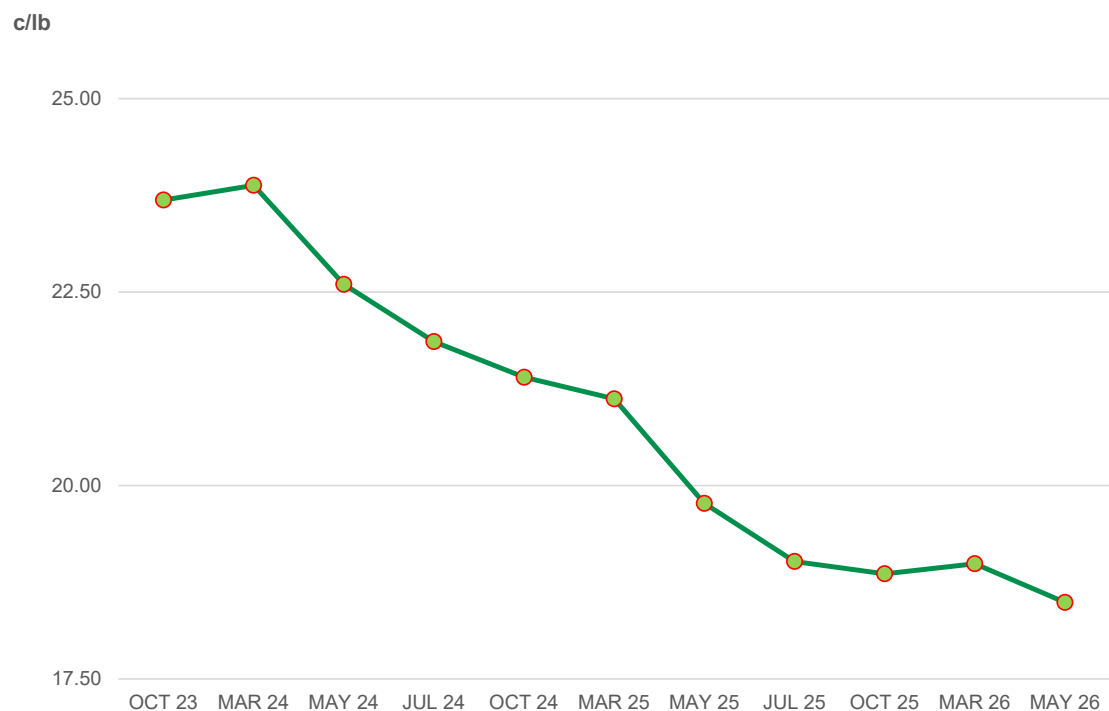
Source: Greenpool

Illustrative #11 Carry Curve



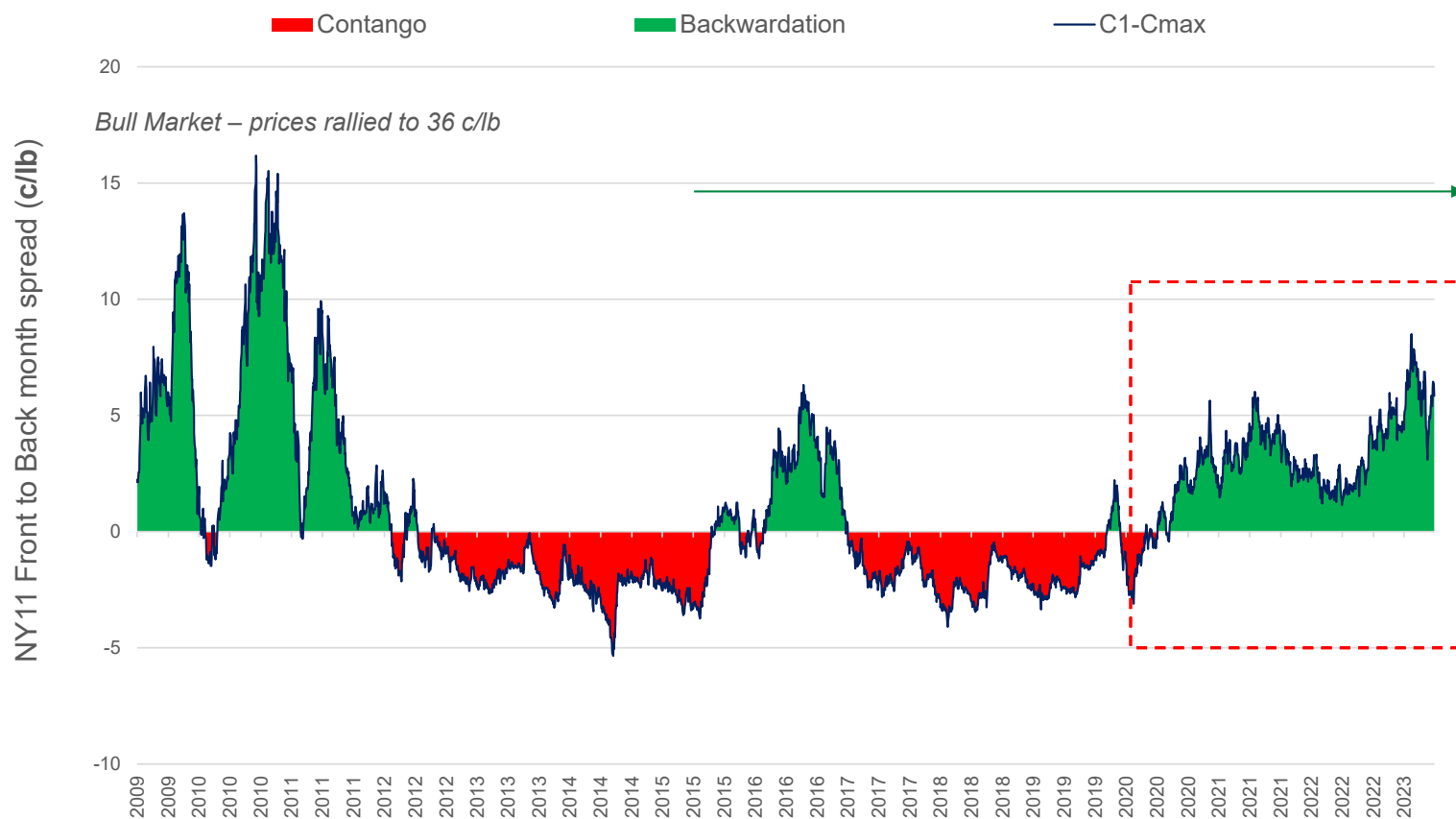
- Contango / “Carry Market”.
- Surplus needs to be “carried forward”.
- “Spread” is the discount between the first futures contract and the second contract needs to “pay” for the cost of “carrying sugar” ie warehouse costs / financing.
- Carry market structure = bearish market = surplus!

Actual #11 Curve (27th July)



- Backwardated / Inverted Market
- Deficit – Market needs encourage destocking / low inventory
- “Spread” is the premium between the first futures contract and the second contract needs to “charge” a premium for limited stop supply
- Inverted market structure = bullish market = deficit!

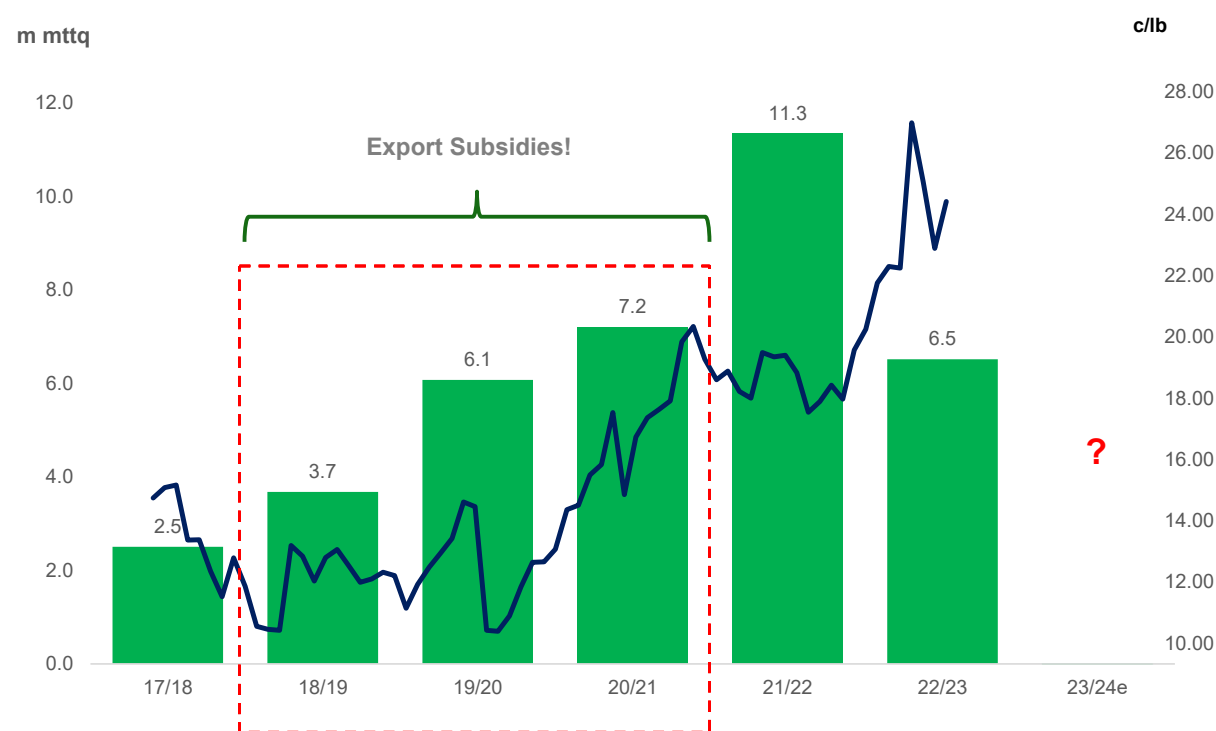
The Spreads (Time Series)



- Market has been inverted since 2020 - ie the spreads tell us that the world sugar market has been drawing down stocks!

India Exports: A Rise and Fall...

Indian Exports (bulk raw and direct consumption)



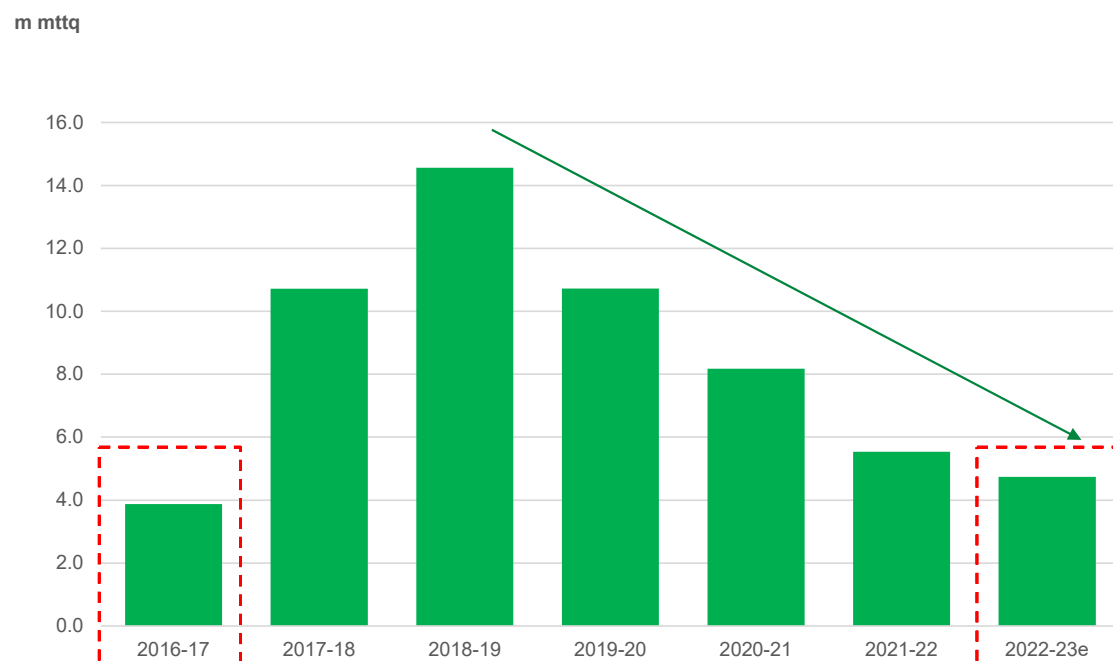
- \$675 million export assistance in 2018/19 : 3.7m tonnes exported
- \$764 million export assistance in 2019/20: 6.1m tonnes exported
- \$427 million export assistance in 2020/21: 7.2m tonnes exported
- No export assistance in 2021/22: 11.3m tonnes exported!
- 22/23.. No exports beyond current licences.
- 23/24.. Decision on exports only in Q1'24 subject to crop performance.

Source: ASR Global Sugars Group (exports basis total net exports excluding toll refined imports) / 22/23 forecast based upon published market estimates US\$ estimates for export assistance are based INR/mt values provided by the GOI Dept of Food and Public Distribution against the applicable MAEQ for the given year. Note: GOI views that the export assistance is conformity with the provisions of Article 9.1(d) & (e) of Agreement of Agriculture and thus WTO compatible.

India Stocks



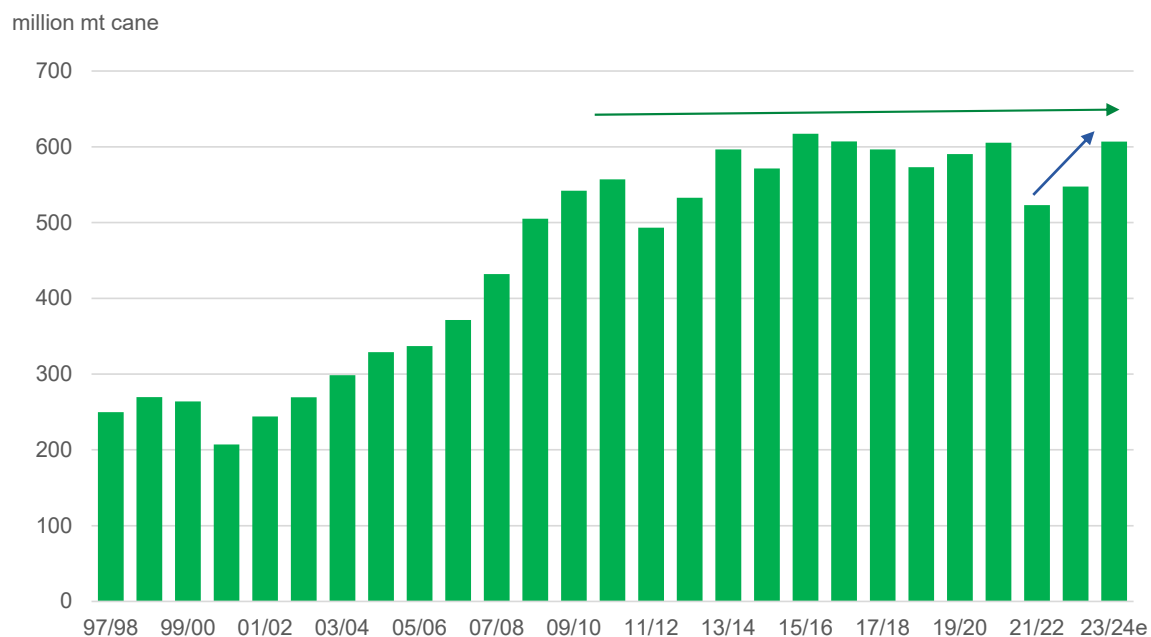
Indian Closing Stocks (ISMA)



- Indian Sugar Policy has successfully reduced stocks leading to improved mill finances and grower payments.
- However, the stock position is now becoming sensitive given tight supply in other food commodities.

CS Brazil (i)

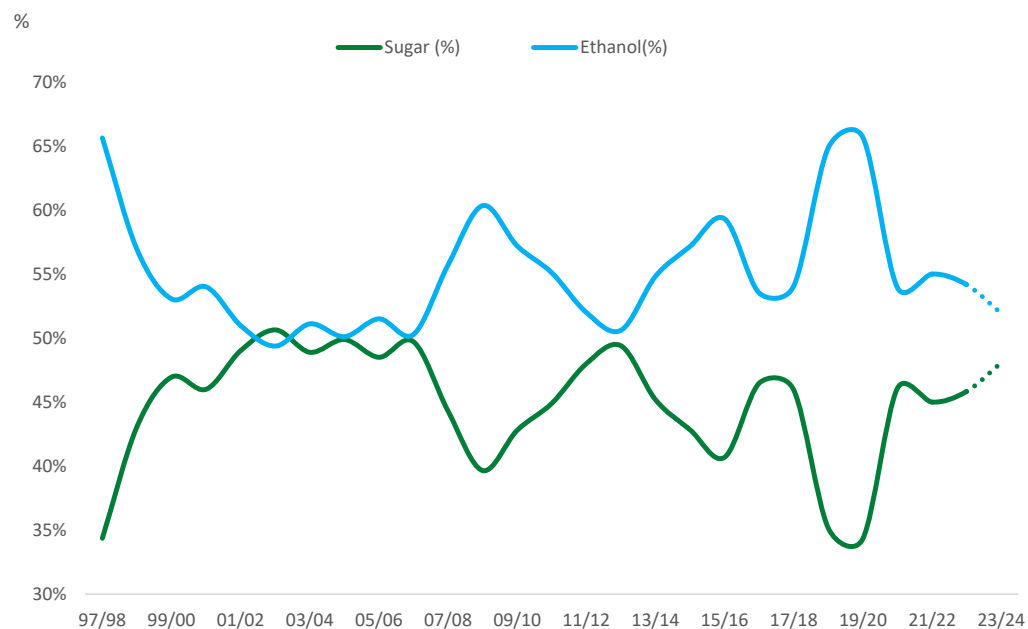
CS Brazil Sugar Cane Crush



- Higher Crush this season: 10% higher year-to-date.
- Much better agricultural performance: yields up 19.5% year-on-year.
- Total Crush *could* reach 2016/17 level if everything continues to go very well...

CS Brazil (ii)

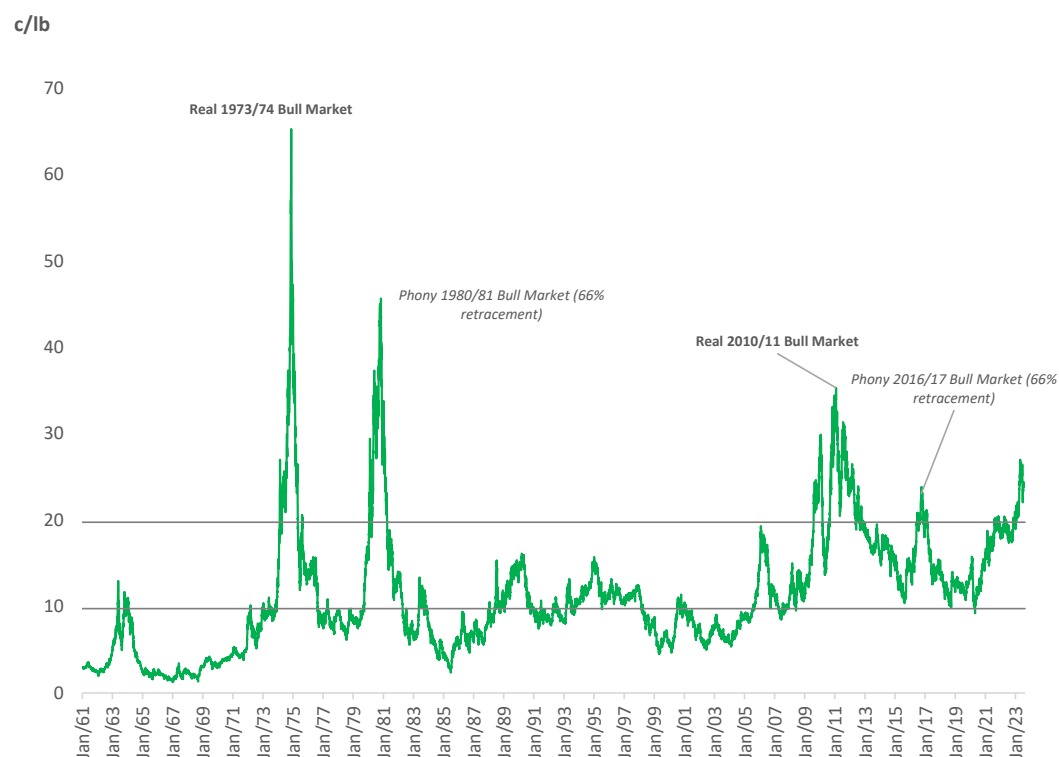
The mix...



- Brazil is maximising sugar production: Production is up 22% so far!
- Ethanol production is up just 6%.
- Sugar's share of the mix is rising as sugar is trading at a 50% premium to ethanol.

Conclusions & Implications

#11 Prices: A Long Term Perspective



Source: ICE #11 contract, ASR Global Sugars Group

- World Market Prices are high!
- Market is clearly going through a bullish cycle – though the ‘sugar story’ is still developing.
- US & Mexico and world markets are becoming interconnected. Hence what happens globally will impact us all.