

# Picking up the Pieces World Sugar Prices Struggle to Sustain The Risks Ahead

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39<sup>th</sup> Annual Sweetener Symposium  
American Sugar Alliance  
August 5, 2024  
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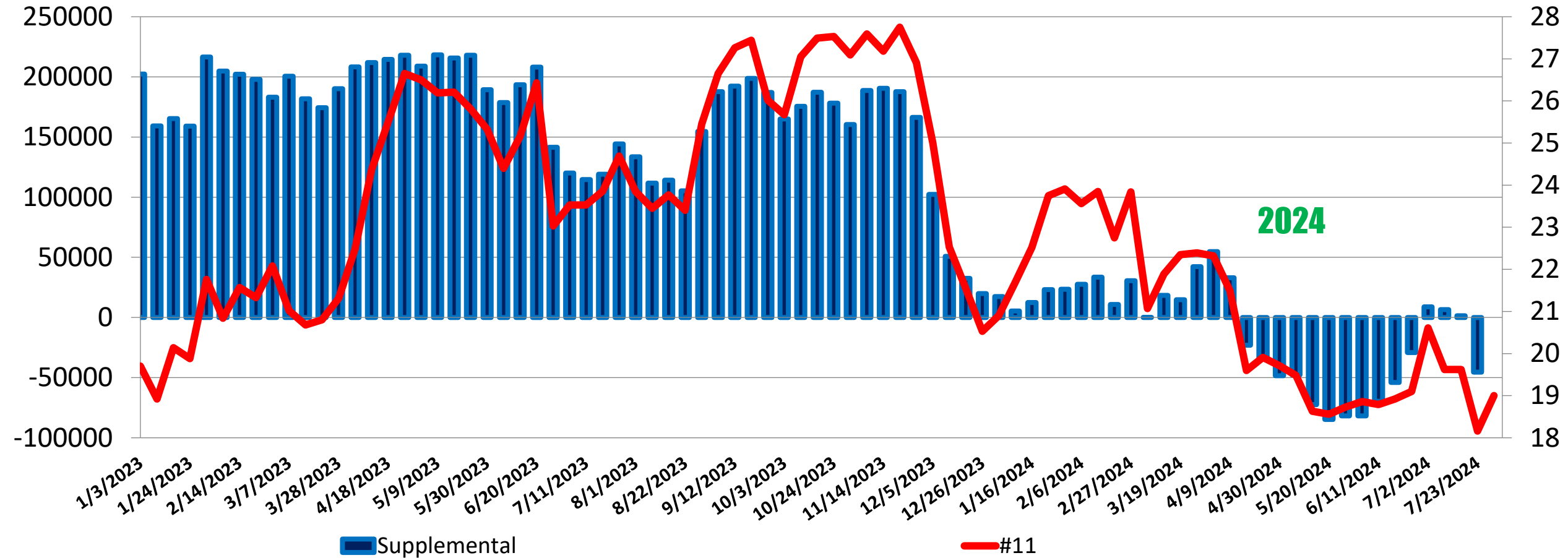
# The Pieces

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- Sugar #11 down 8.0% on year, 10.00 cents off Nov'23 highs
- Speculators flee the scene, establish short position
- Persistent weakness Brazilian economy/currency
- Continued US Dollar strength, Fed's inability to lower rates
- Global Sugar Supply improvement was assisted by:
  - Transition from El Nino to La Nina
  - A record Brazilian harvest
  - A recovery in India not forecasted for the majority of '23
  - Thailand's impressive tail with sub-optimal weather
  - Small deficit(s) transition to small surplus

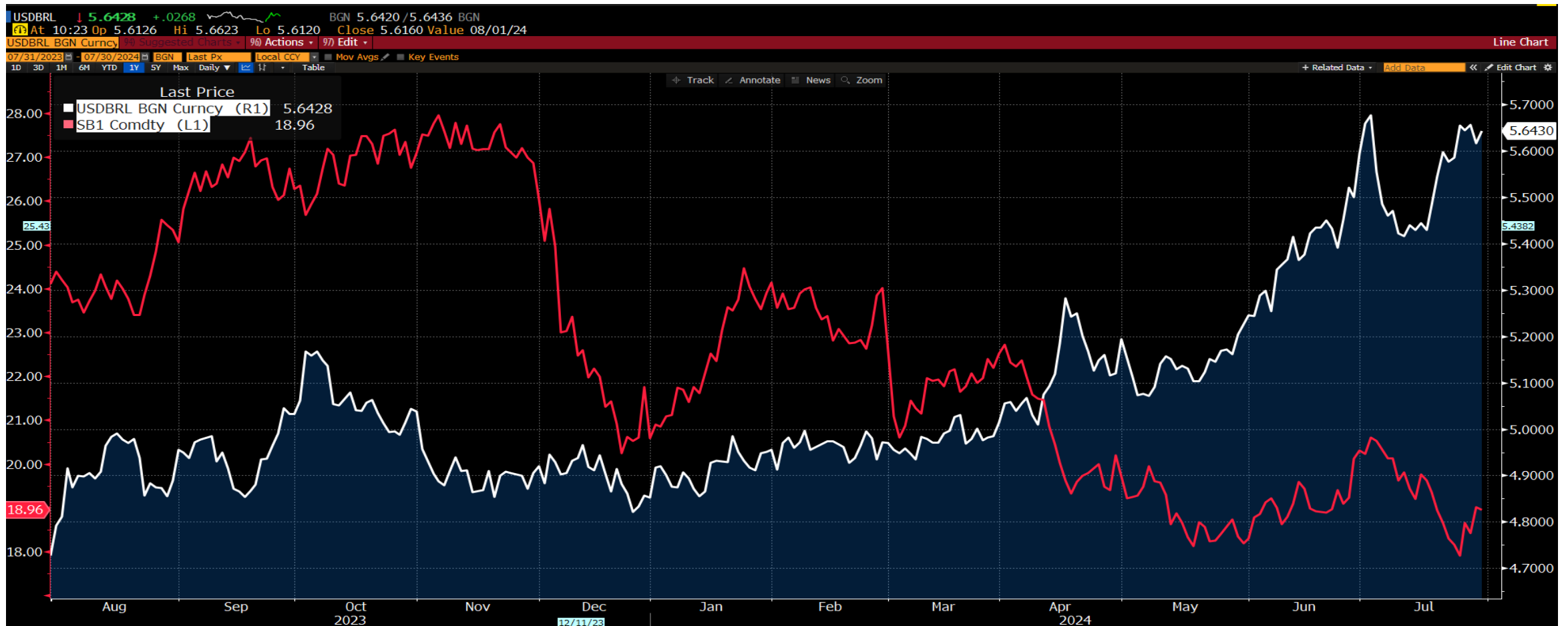
# #11 Speculator Position 7/23/24 -45,510

Average 2024 position: -10,277 short





# Brazilian Real Under Duress, Sugar #11 Falls - 2024



# Commodities/Dollar/Crude Oil – 10yr Chart





# Fed Policy

- Expectations potentially for no rate change to at least the election, while some have forecast a potential increase – a complete change from six months ago
- Commerce Dept. data: inflation stickier than expected for third straight month, after cooling last yr.
- Inflation data: 6-7 months of improvement, 3 months of the reverse: “recalibration”
- Not reaching 2.0% inflation target

Fed Chair Jerome Powell has dialed back expectations on interest-rate cuts. PHOTO: SAMUEL

CORBIS/BLOOMBERG NEWS

# Commodities Scorebook 2024

BCOM Index:  
96.31 (-2.4%)



Sugar #11: -8.1% ytd

Sugar #16: -4.2%

Sugar #5: -10.5%



NY Coffee: +21.2%



Crude Oil: +8.0%



Cotton: -17.1%



Corn: -18.1%



Wheat: -16.4%



Soybeans: -20.9%



**Cocoa: +92% - Record Market, Record Volatility**

# Brazil Economy Struggles

- Brazil is grappling with ballooning budget deficit, rising government debt
- A large budget deficit in Brazil could lead to several adverse outcomes, including increased government debt, higher interest rates, currency depreciation, inflationary pressures, credit rating downgrades, reduced investor confidence, and potential austerity measures
- Govt. debt as percentage of GDP: 77.8% - two year high
- **BCB – nominal budget deficit:**
  - 135.72 billion BRL June 2024
  - 89.62 billion BRL June 2023



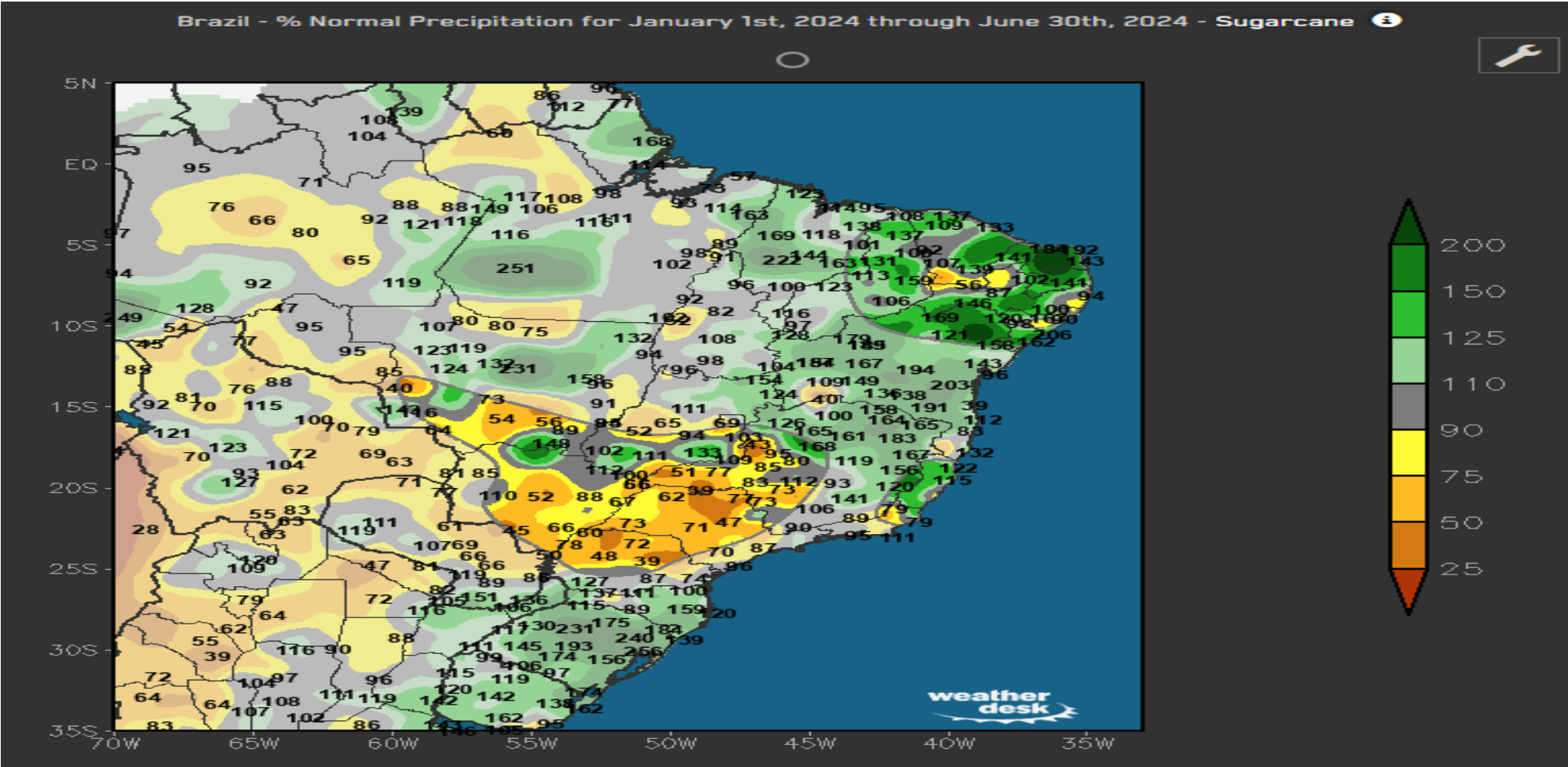
# Brazil CS Crop Performance Impresses



|                                 | 1st Half of July |         |         | Crop through Mid July |         |         |
|---------------------------------|------------------|---------|---------|-----------------------|---------|---------|
|                                 | 2024-25          | 2023-24 | YoY Chg | 2024-25               | 2023-24 | YoY Chg |
| Total cane (tons)               | 43,170           | 48,544  | -11.1%  | 281,579               | 259,027 | 8.7%    |
| Sugar (tons)                    | 2,939            | 3,255   | -9.7%   | 17,140                | 15,529  | 10.4%   |
| Ethanol (liters)                | 2,126            | 2,269   | -6.3%   | 13,141                | 11,976  | 9.7%    |
| <b>Percent of total cane:</b>   |                  |         |         |                       |         |         |
| Used for sugar                  | 49.88%           | 50.03%  | -0.1pp  | 48.92%                | 48.17%  | 0.8pp   |
| Used for ethanol                | 50.12%           | 49.97%  | 0.2pp   | 51.08%                | 51.83%  | -0.7pp  |
| Sucrose per ton of cane in kg's | 143.27           | 140.66  | 1.9%    | 130.58                | 130.63  | 0.0%    |



# Brazil dryness the ultimate concern



Frutal

Select All

Deselect All

Custom Years

Reset Years

Lock Y-Axis

### Frutal - Total Precipitation (in)



Daily Precipitation

30 Year Normal

2024 2023

2022 2021

2020 2019

2018 2017

2016 2015

2014 2013

2012 2011

2010 2009

2008 2007

2006 2005

2004 2003

2002 2001

2000 1999

1998 1997

1996 1995

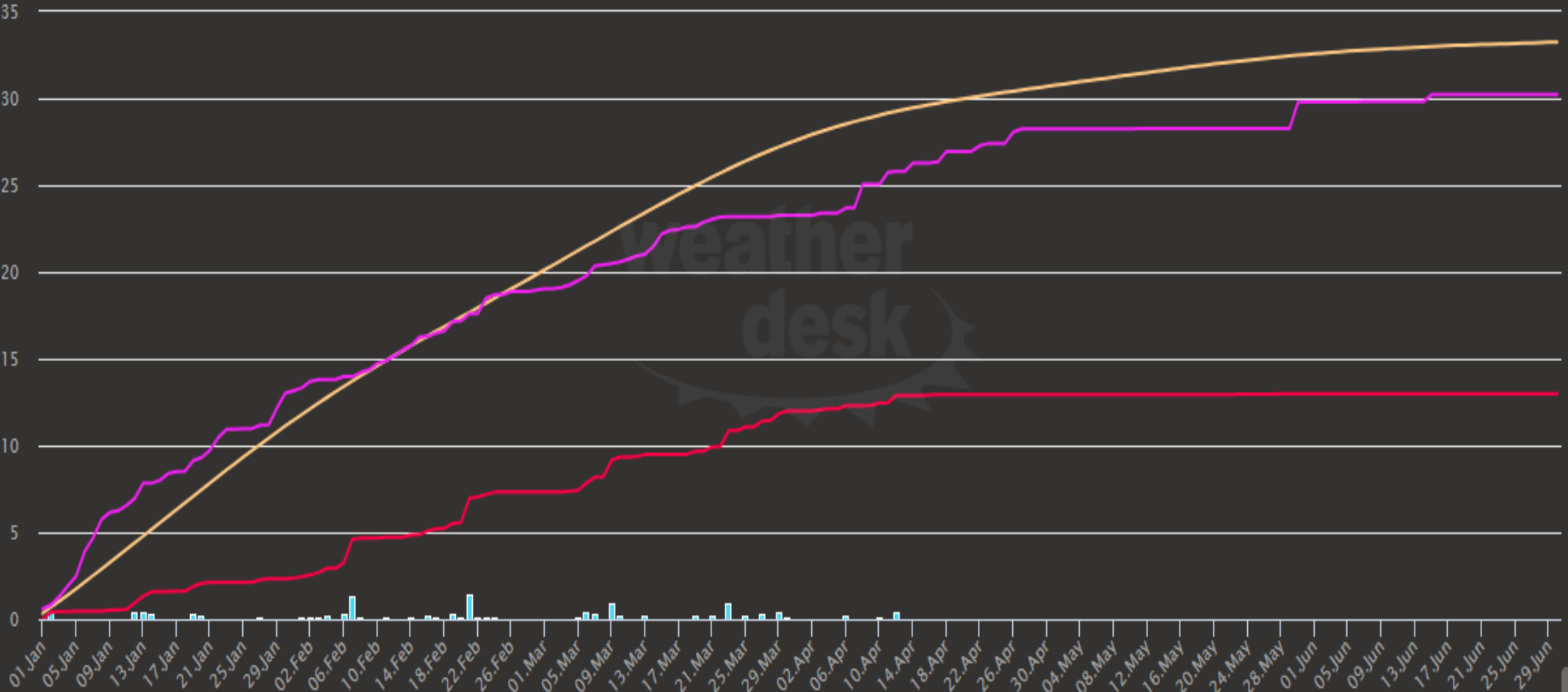
1994 1993

1992 1991

1990 1989

1988 1987

Total Precipitation (in)



1/2







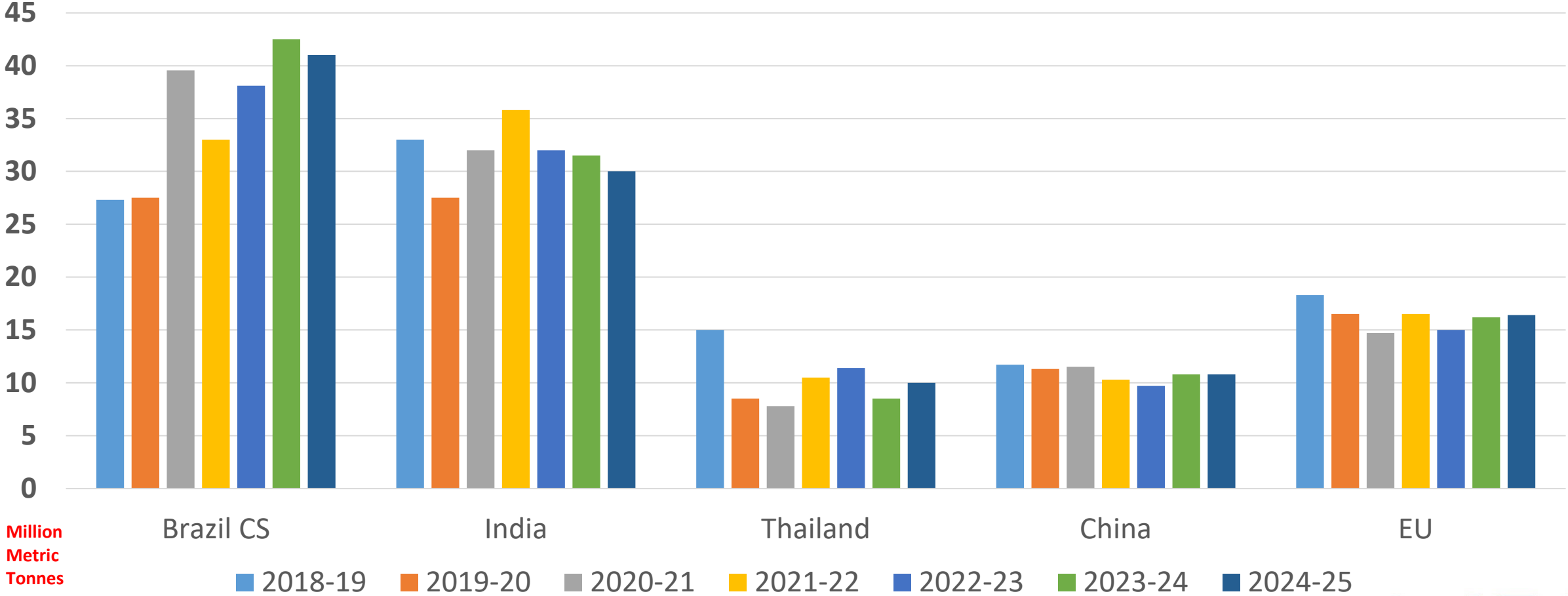
**India averts crisis, exporter after ethanol?**

# India Notebook

- Monsoon season adequate
- Domestic stocks have improved
- Currently have a ban on sugar exports
- Sugar diverted to ethanol projected ~4.0 million tonnes for '24/25
  - 20% blending target in gasoline by 2025
- 2023 production total: 31.97 million tonnes, after 2.5mmt diverted
- 2024 production could be ~30.0 million tonnes
- Demand is projected at 29.0 million tonnes
- Opening stocks: 9.0 million tonnes
- Any export announcement would impact World prices

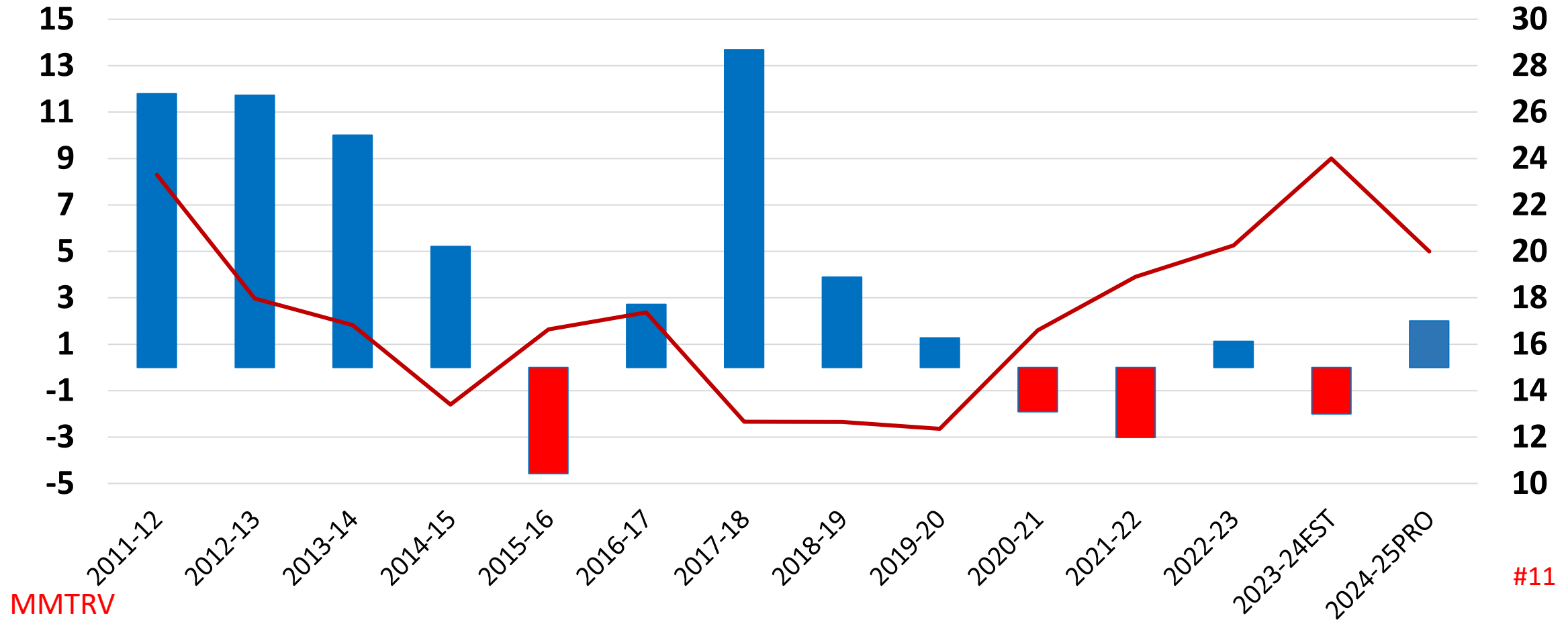


# Top global producer trends: 2018-2025 (est.)



# World Sugar Balances vs #11

## 2012 to present (Oct-Sep basis)

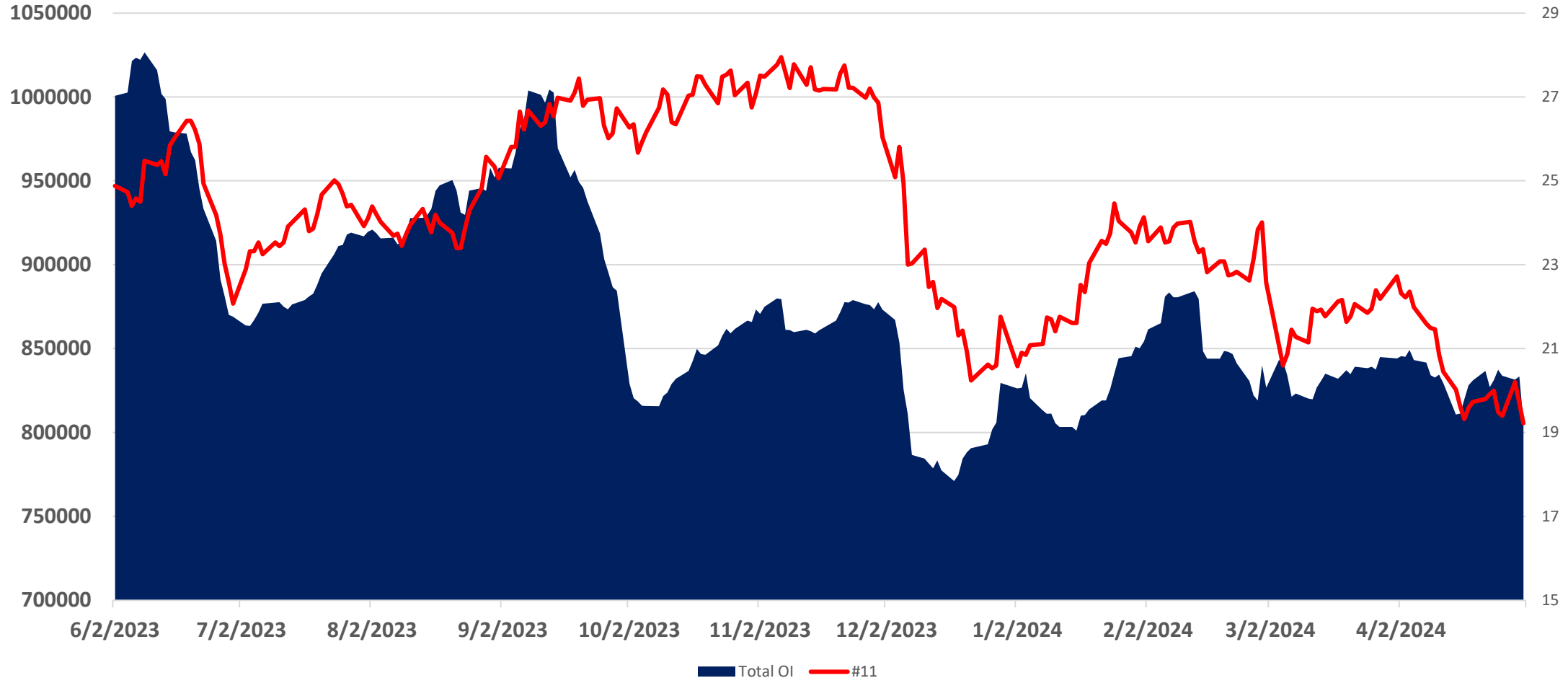


MMTRV

#11

# Sugar #11 Loses Interest

~11.5 million tonnes/225,000 lots/down 22%



# Continue to Prepare for Large Trading Range?

2024 to 8/1:  
17.86-24.46 (6.60  
cents)

2023: 18.96-27.95  
(8.99 cents)

2022: 17.40-20.98  
(3.58 cents)

2021: 14.71-20.42  
(5.71 cents)

2020: 9.21-15.78  
(6.57 cents)

Last five years ave  
yearly trading  
range: 6.01 cents

Average price of  
#11 last five  
years: 18.70 cents

# Perspective: 10-yr average #11: 16.38







# World Sugar Balance of Year Risks

- Does a long-period of dryness ultimately impact this Brazil tail?
- Will India consider/announce exports – if so, prepare for strong reaction
- Consistently high White Premium (+\$120) indicates strong demand, without raws correlation at current stage
- Global warfare remains at forefront with a tame energy prices considering risks
- Where does Crude Oil/Commodity Complex head?
- Ethanol parity ~14.50 in Brazil – any announcements?
- Brazilian economy, how Emerging Market currencies respond to global unrest
- Sugar #11 could range: 16.00-22.00 over the next six months
- **What is the story?**

# Why must we understand the #11?

- Mexican sugar harvest failed for the second year in a row, worse than previously projected, modest growth anticipated
- The US had endured consecutive years of beet production related issues prior to the current reduction of Mexican imports
- As a result, the US sugar market became more and more reliant upon high-tier, duty-paid sugar to satisfy demand
- JSG has forecast high-tier global sugar needs will be 1.0 million tons in FY 2024
- Since high-tier needs represent ~10% of total domestic demand, world sugar market (#11) values dictate raw sugar domestic (#16) levels and thus impact refined values now and for the foreseeable future



# Tier-2 Math, more complicated yet sensible

- October 2024 #11 price: 19.00 cents
- Tier-2 duty for raw sugar entry into the United States: 15.35 cents
- Current freight rates given global concerns: ~4.00 cents
- Physical Premium for March-May Central American sugar: 0.50 cents
- Polarity adjustment: less 0.70 cents
- = 38.15 cents CIF DP
- Current spot offers in #16 market ~37.25 cents

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