

Sugar & Ethanol India Conference

***"Tales of the
Global Sugar Market"***

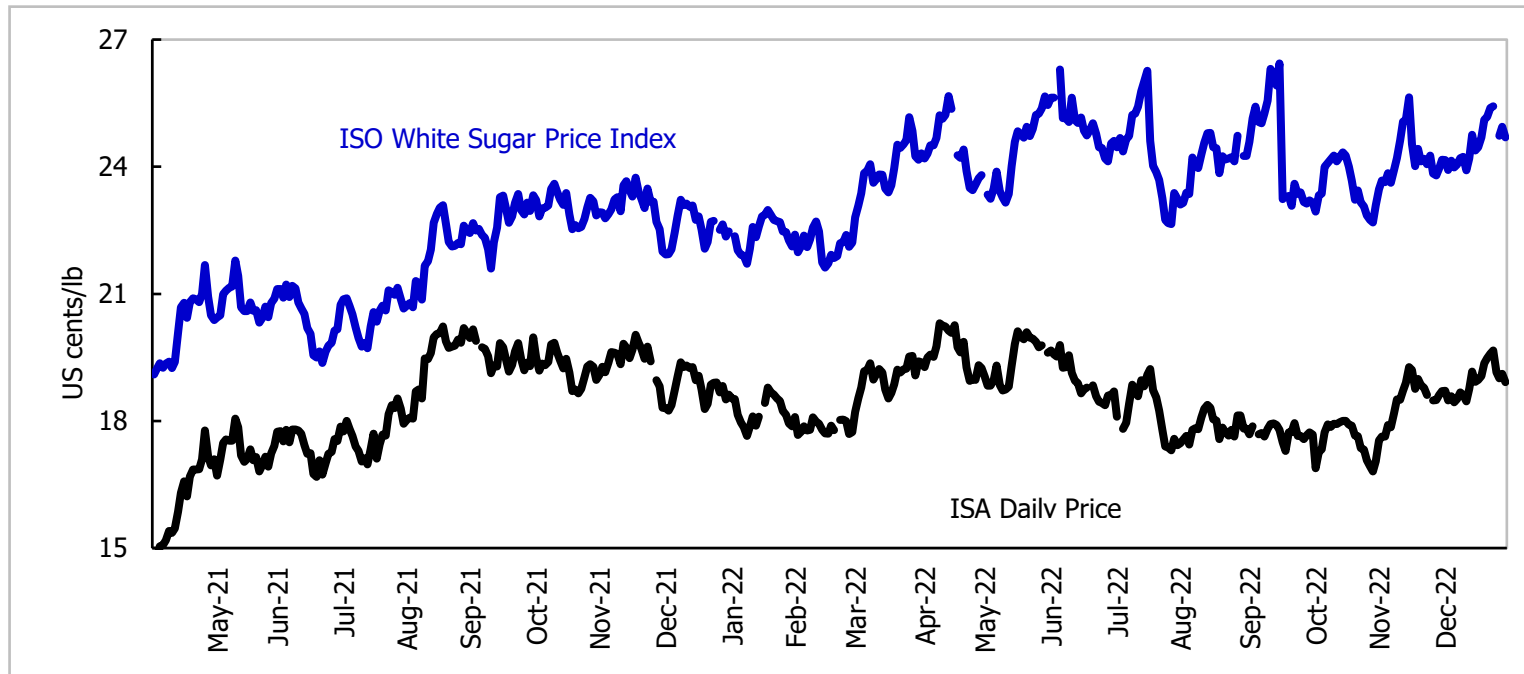
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International Sugar
Organization***

January 7th 2023



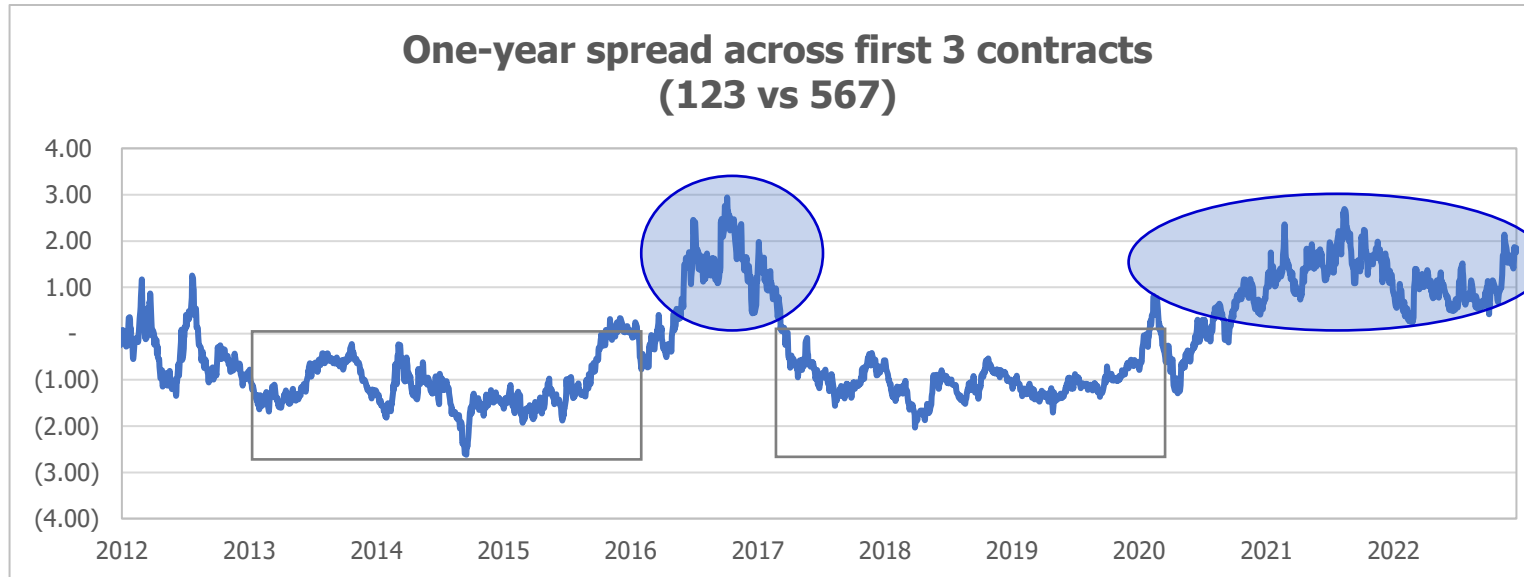
Market Insight - Today

- ISO has maintained a neutral-to-bearish view since May 2022



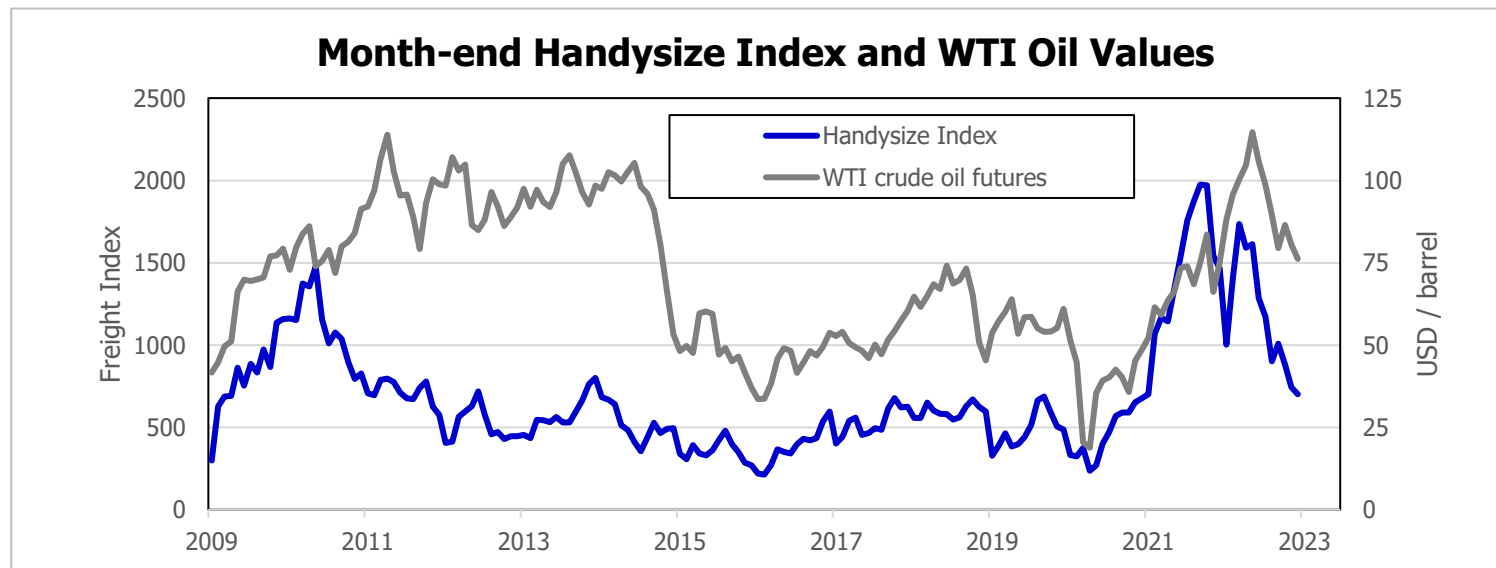
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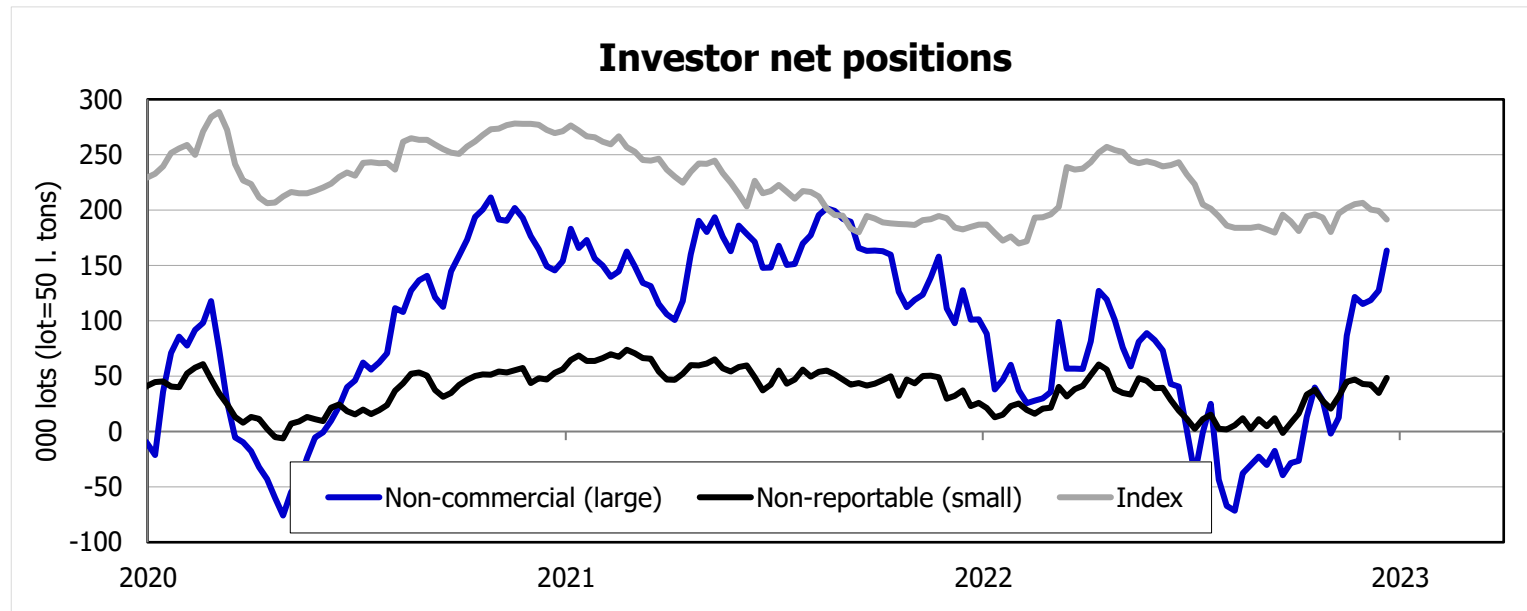
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Market Insight - Today

- ISO has maintained a neutral-to-bearish view on market since May
- Contract expiries have been at premiums to the deferred contracts
- Freight continues to be costly, but charter rates are down 50% from Oct21 highs, fuel costs are also lower
- USD strength, through Federal Reserve policy and safe-haven status, is driving up domestic cost profiles
- Producers are struggling with high input costs and competition for arable land

Market Insight - Today



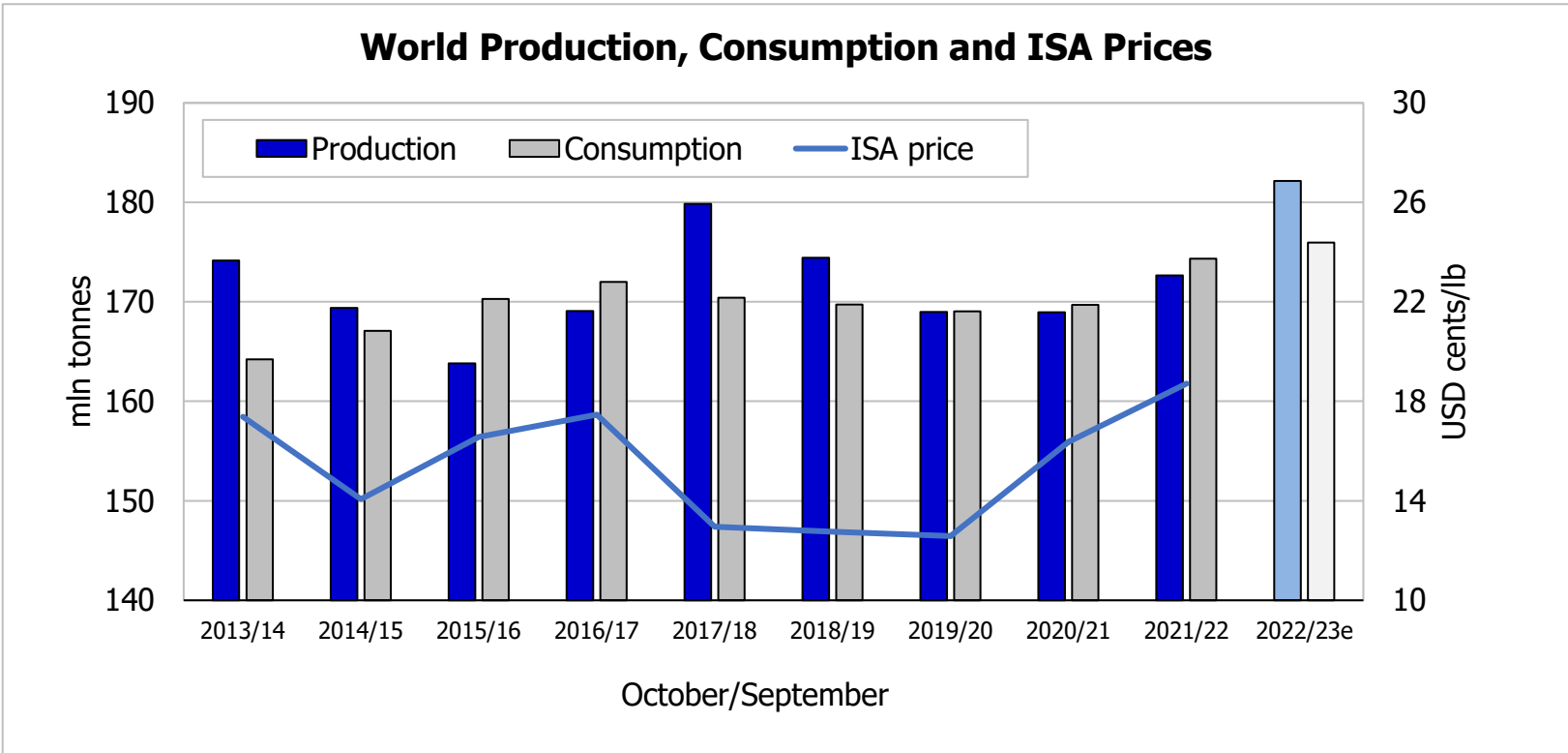
- Speculators liquidated stale-longs in third quarter 2022, now re-establishing long interest in sugar
 - +ve = Liquidity; offset bigger producer hedge
 - -ve = target stress (margin, pricing); algos dominate

Production and Consumption

Units: mln tonnes

2022/23
= +6.185
 (+5.256)
 (+2.768)

2021/22
= -1.665
 (-1.246)
 (+0.237)
 (-2.552),
 (-3.829)



- 2021/22 balance impacted by delayed S. Hemisphere harvests
- 2022/23 outlook is bearish, but no allowance for negative news

Production

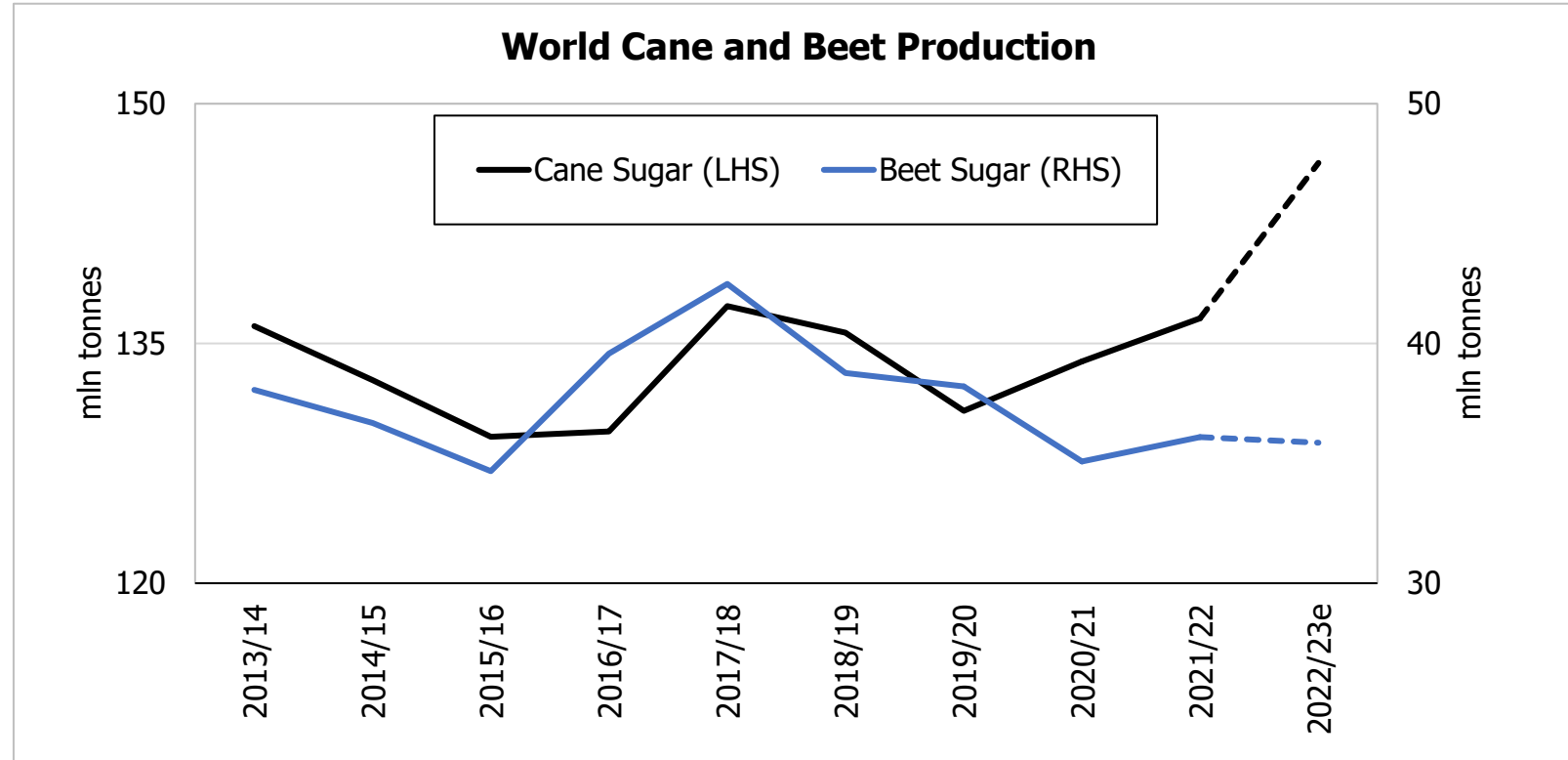
Units: mln tonnes

2022/23

cane=146.289
beet = 35.853

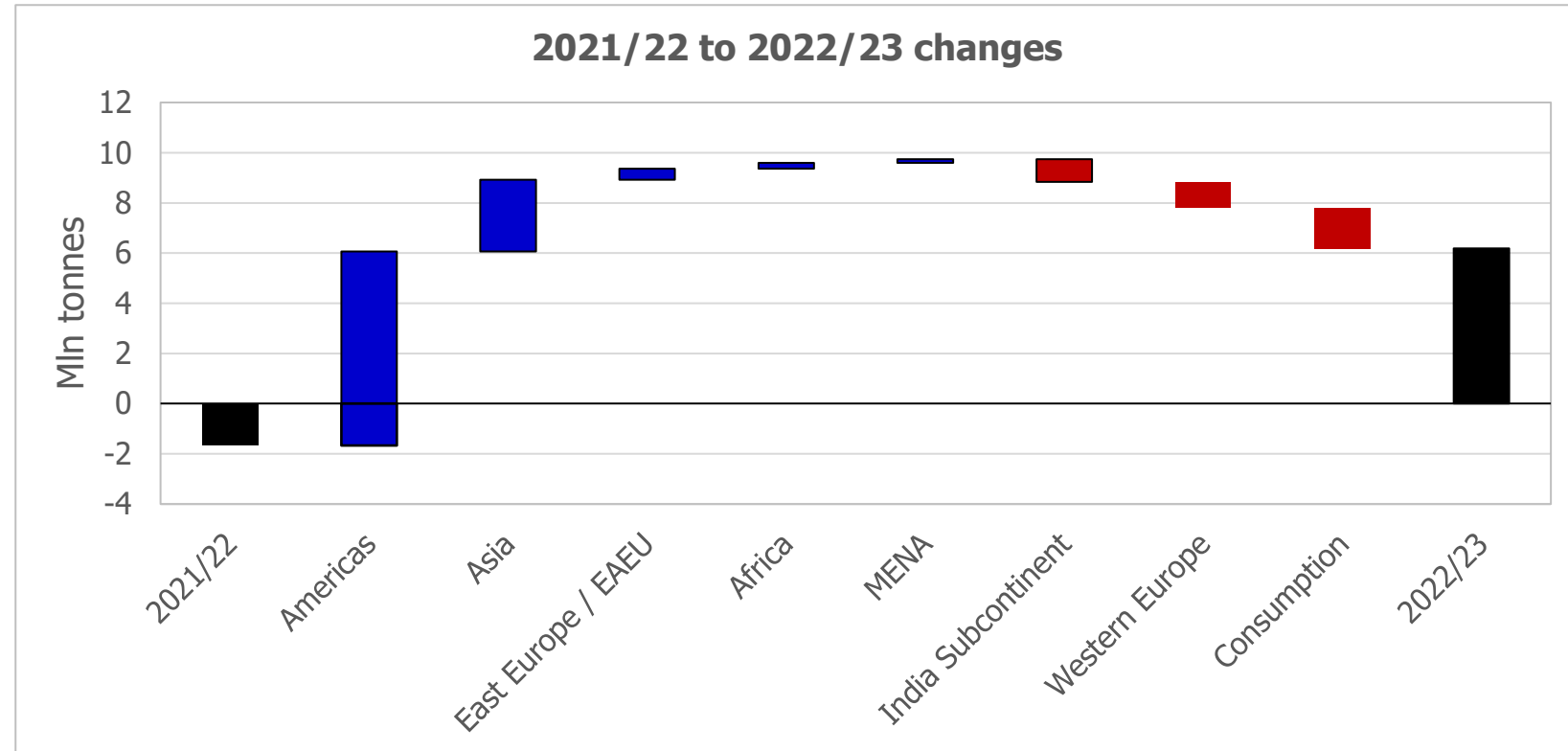
2021/22

cane=136.570
beet = 36.092



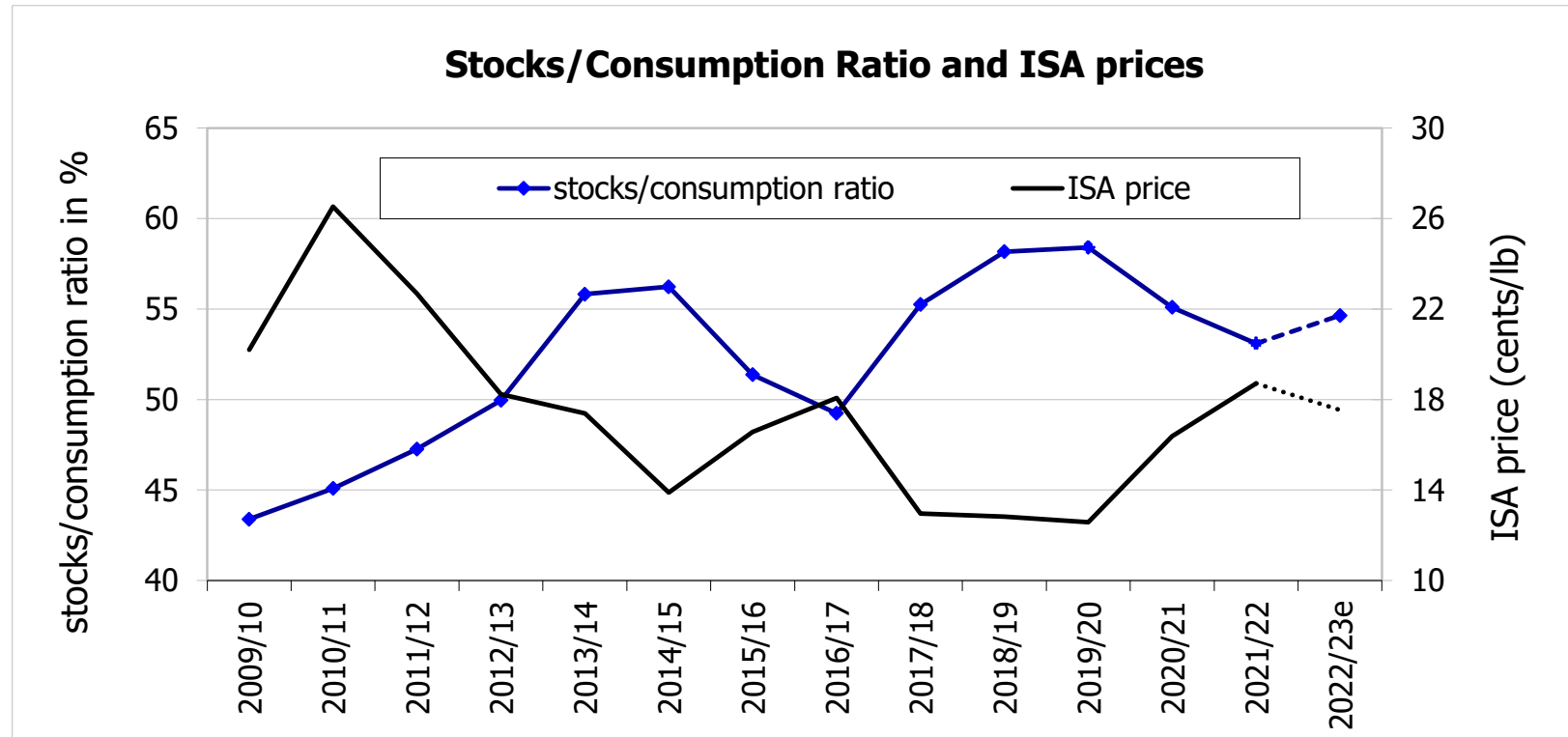
- Cane rise is a function of yields and weather
- Change in Brazil output profile is key (+7.833 mln tonnes)
- Beet result were perceived as positive following hot EU summer

Neutral to Bearish



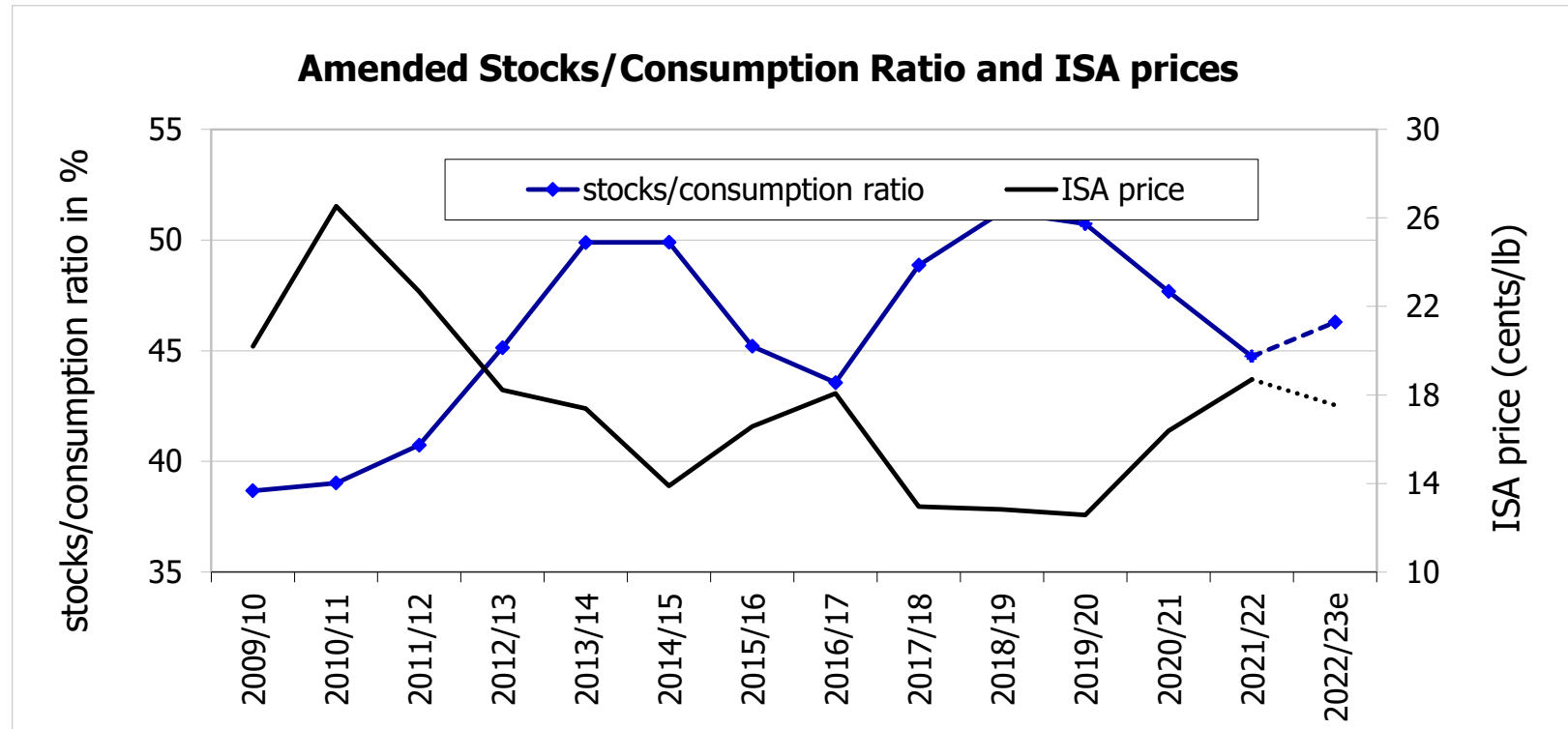
- Rise in Americas is almost exclusively in Brazil
- Change in Asia reflects a further increase in Thailand and recoveries in China and Australia

Global Stocks



- Attitudes towards stocks rather than stock levels have changed
- 2022/23 stock increase around half the current surplus
- Internal review of methodology ongoing

Global Stocks



- More in line with de-facto global situation
- Matches methodology in other commodities regarding losses
- 10% swing in ratio

Indian sugar in a global context

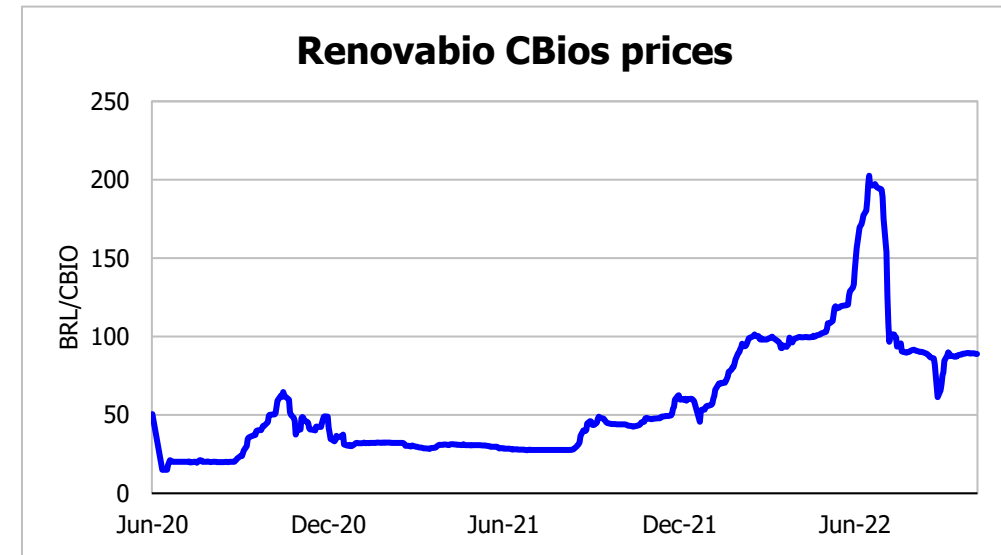
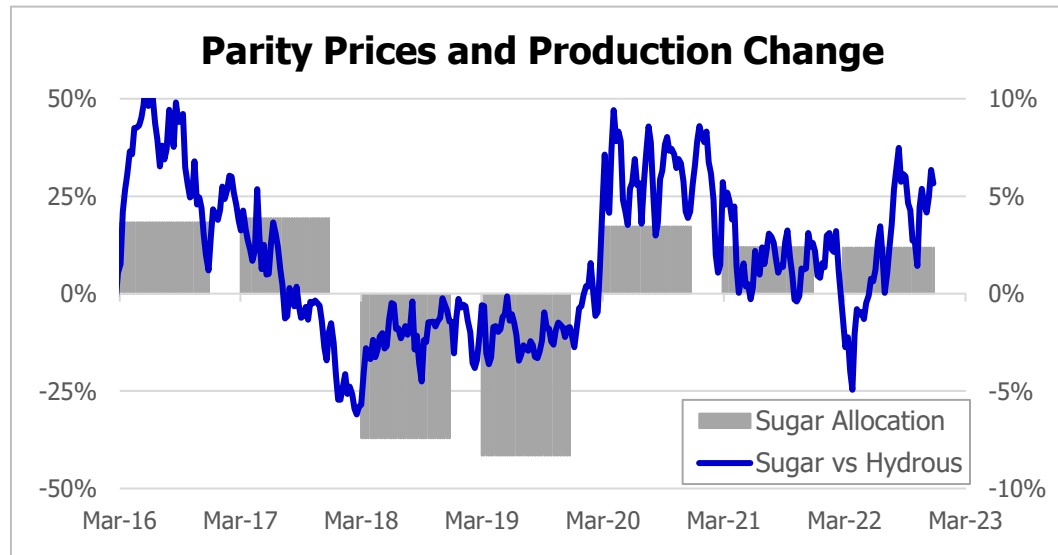
- Global trade was in disarray following the pandemic and Suez blockage
 - Just in case vs Just in time
 - Freight costs regionalized markets
 - National policy restricted re-export trade
- Trade issues today are much closer to home
 - Truck strikes about pay and conditions
 - Import parity beyond domestic prices, partly due to strong USD
 - Foreign exchange availability
 - Consumer choices around food basket
- India's 3-way opportunity
 - Domestic market and public distribution objectives
 - Solidify foothold in export market (for chosen destinations)
 - Advance the ethanol programme

Export Challenges

- Thailand
 - Projected to produce 12 mln tonnes from 110 mln tonnes of cane
 - Q4 output = 15% compared to India's 35%
 - Exports to rise by 3.2 mln tonnes on last season to 8 mln tonnes
 - Flexibility to produce raws and whites – remelt programme
- Refiners
 - Regional re-exporting refiners - UAE, Saudi Arabia, Malaysia
 - Other exporting refiners (with surplus containers) = Algeria, Morocco
 - Advantages in white sugar logistics, fuel cost or feedstock
- Buyers
 - Higher prices in domestic currency
 - Tighter foreign exchange situation
 - Inflationary pressures

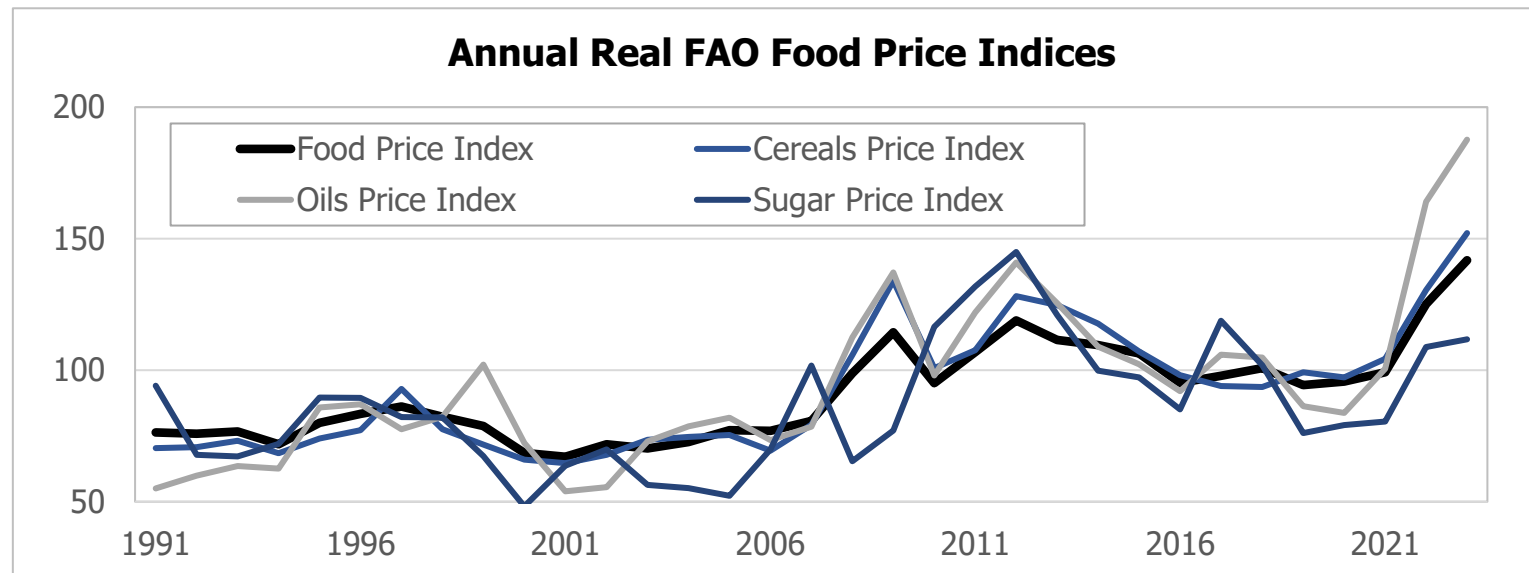
Thoughts on Ethanol

- Sugarcane is the only primary feedstock
 - Spoiled grains, surplus rice are similar to UCO and spent starch
 - Single-stage fermentation process – no hydrolysis
 - Low external energy sourcing makes it cost-effective and circular
- Lessons from Brazil
 - Market price underpinning requires blend flexibility
 - Secondary market for carbon credit / GHG benefits



Medium Term Outlook

- La Nina cycle could impact outlook, projected surplus under review
- Production cost profile gives a base value to market
- Competition for land is increasing – oils and cereals have risen more



Medium Term Outlook

- La Nina cycle could impact outlook, projected surplus under review
- Production cost profile gives a base value to market
- Competition for land is increasing – oils and cereals have risen more
- Speculators disrupted many markets in last 6 months, containment measures remain difficult to apply
- Sugarcane's high yield and other credentials not always recognized or promoted

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Thank you

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