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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.

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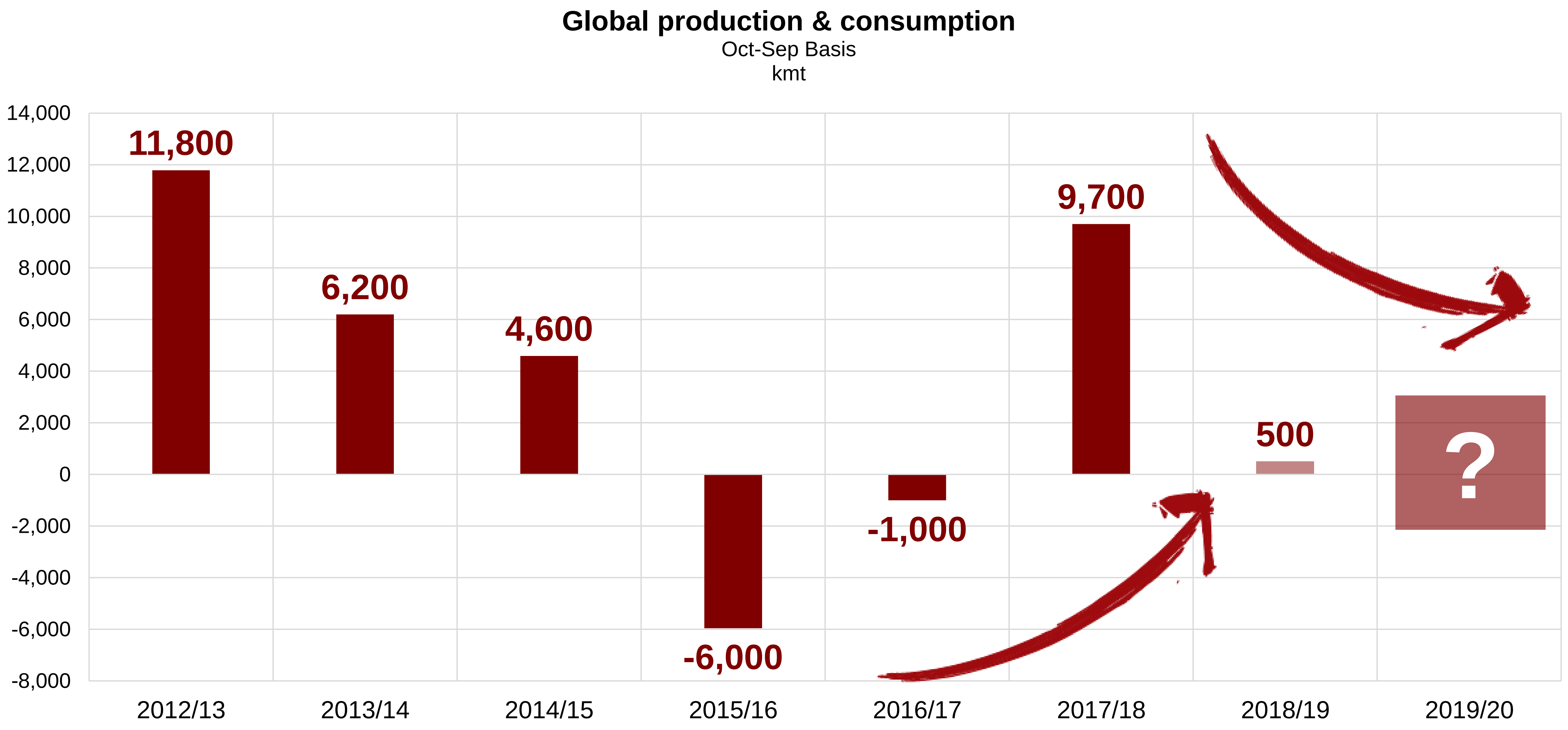
Global production & consumption – Oct-Sep Basis

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



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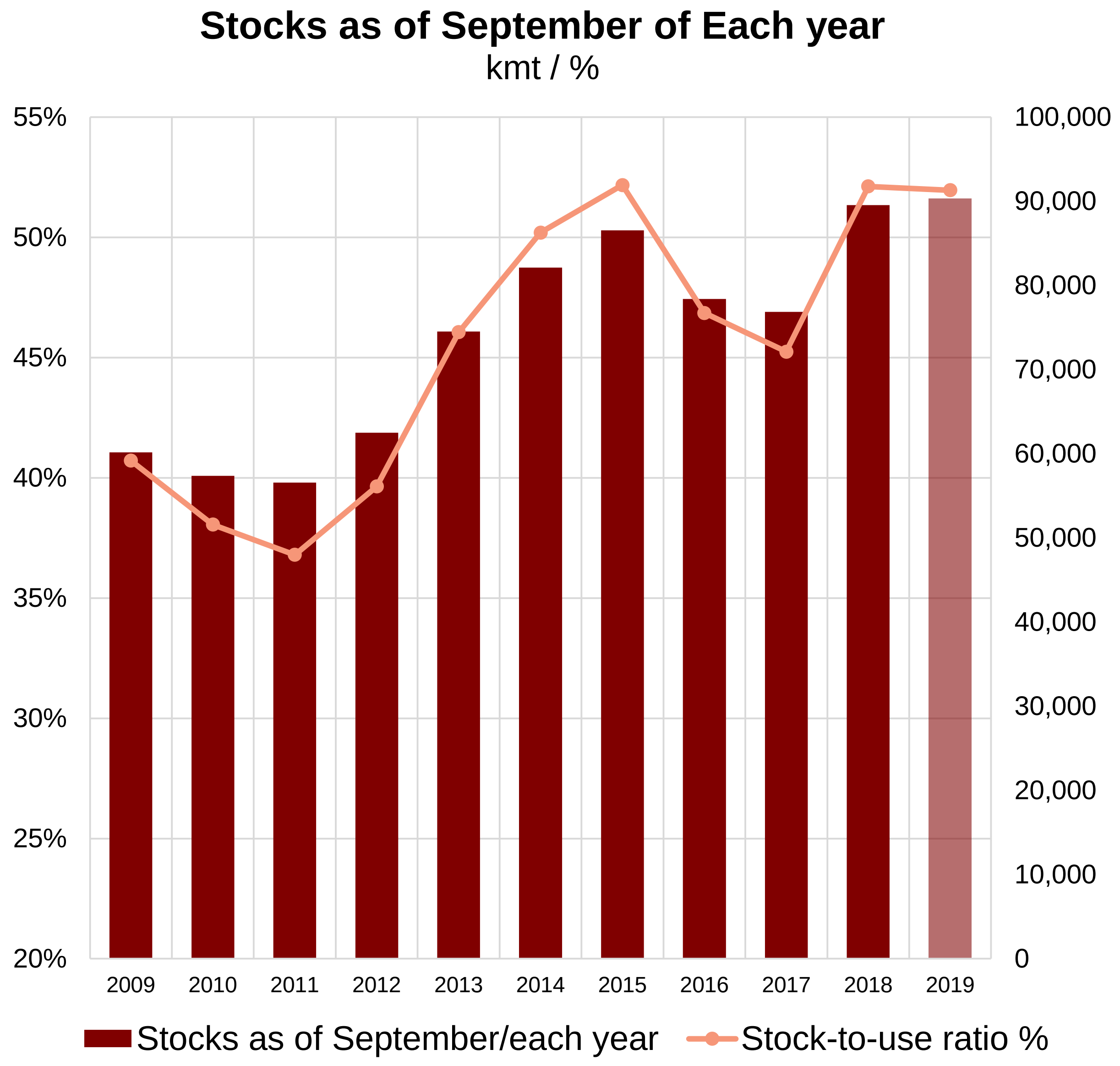
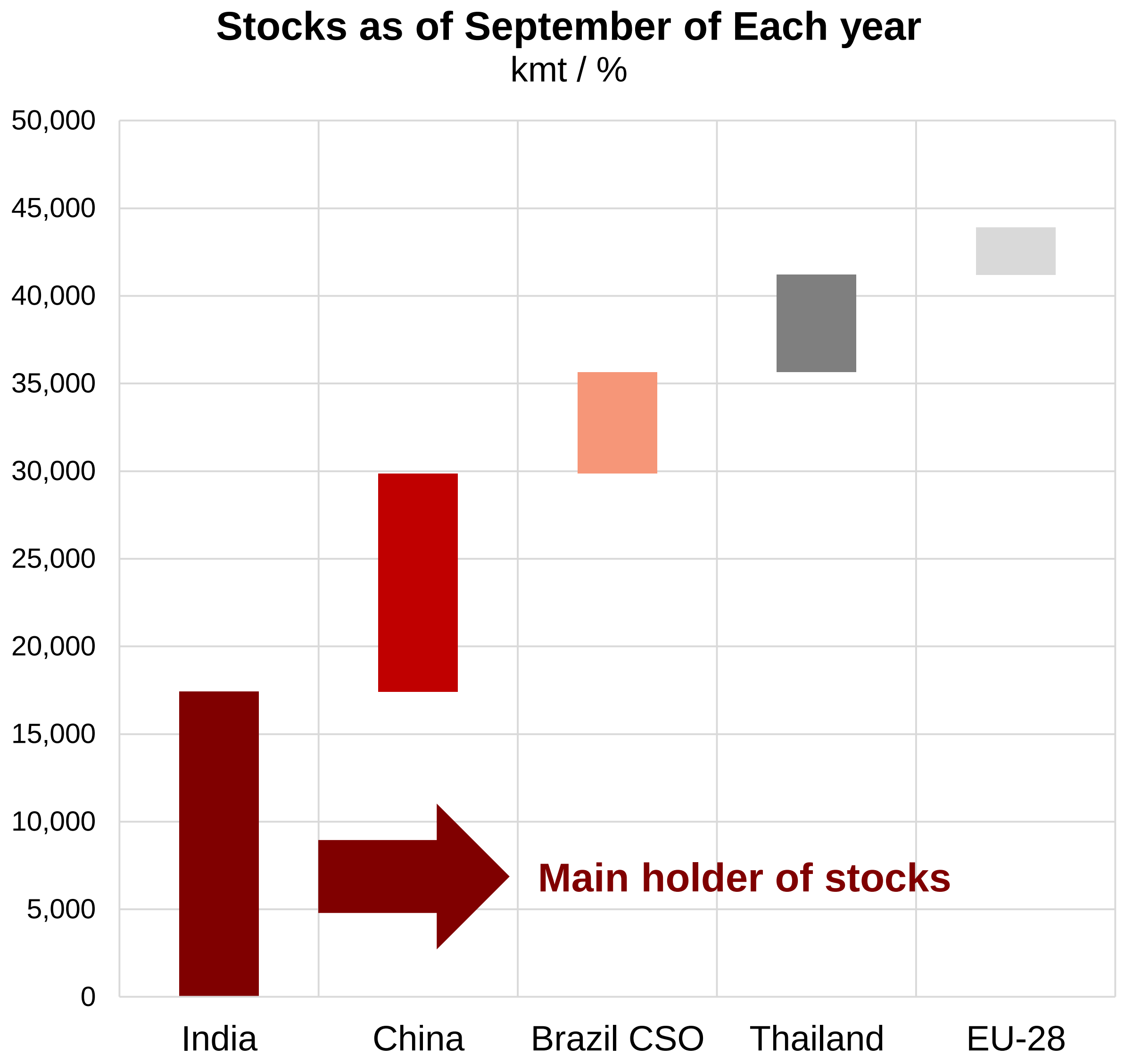
Stocks are at record levels on a nominal basis and as a proportion of consumption

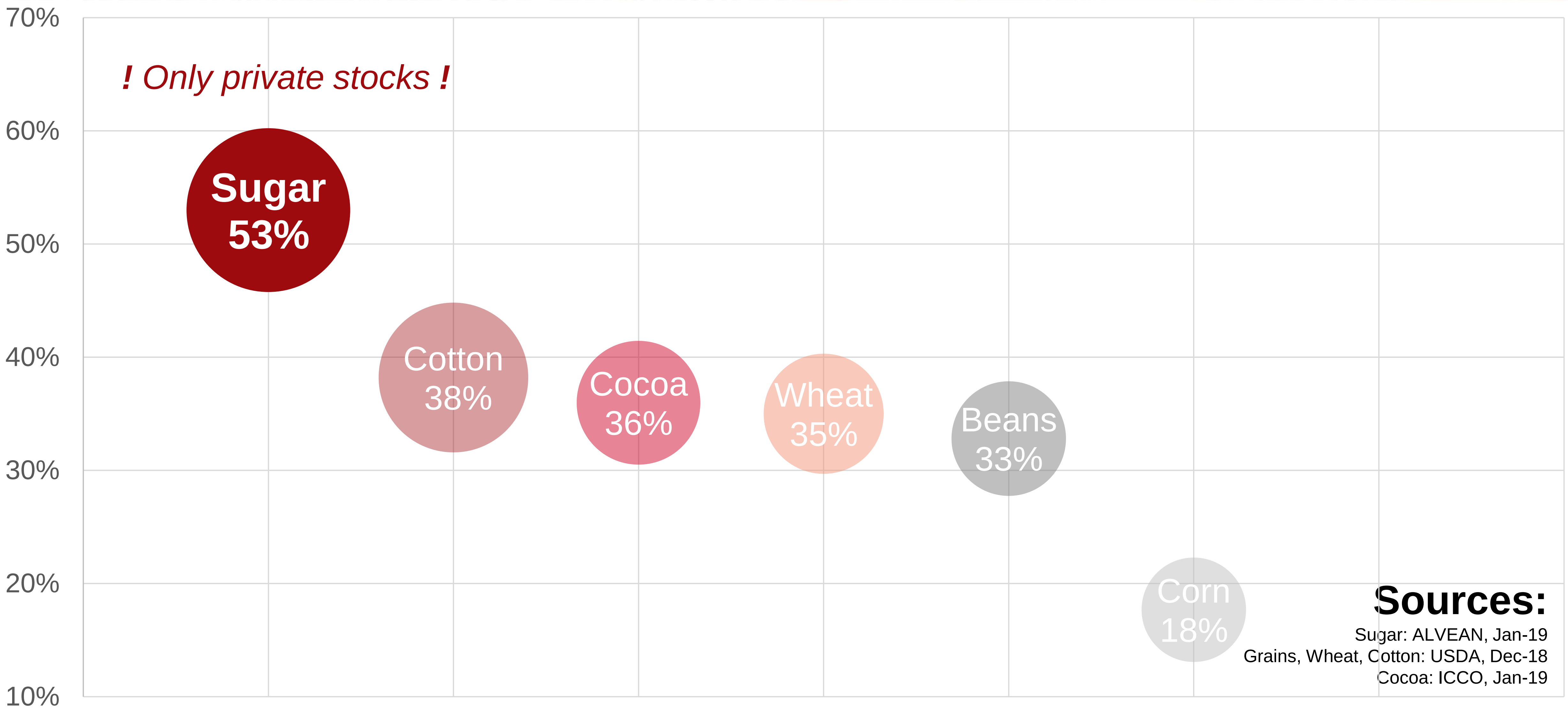
The major holder of stocks is India





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)



Sources:

Sugar: ALVEAN, Jan-19
Grains, Wheat, Cotton: USDA, Dec-18
Cocoa: ICCO, Jan-19

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

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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

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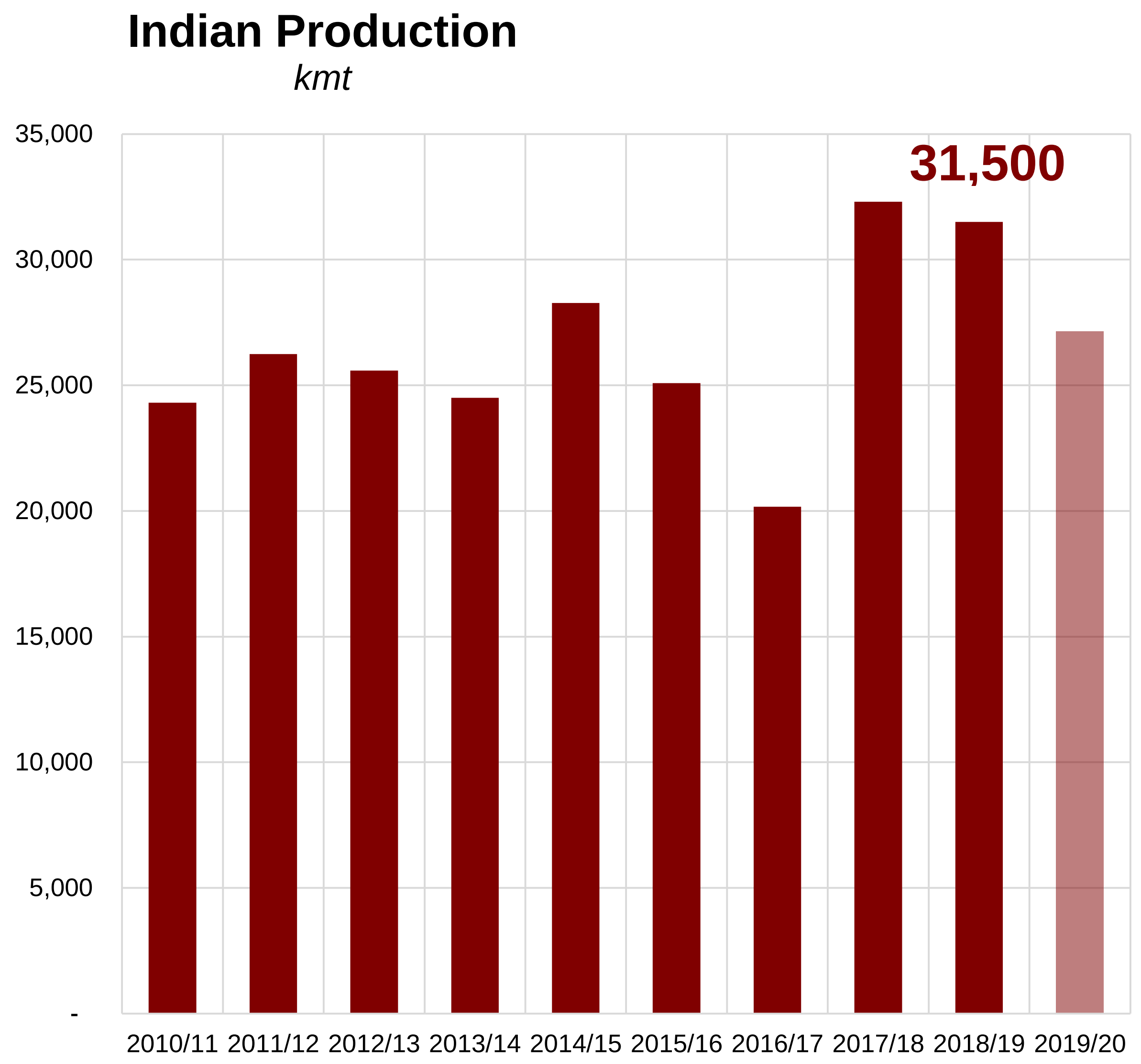
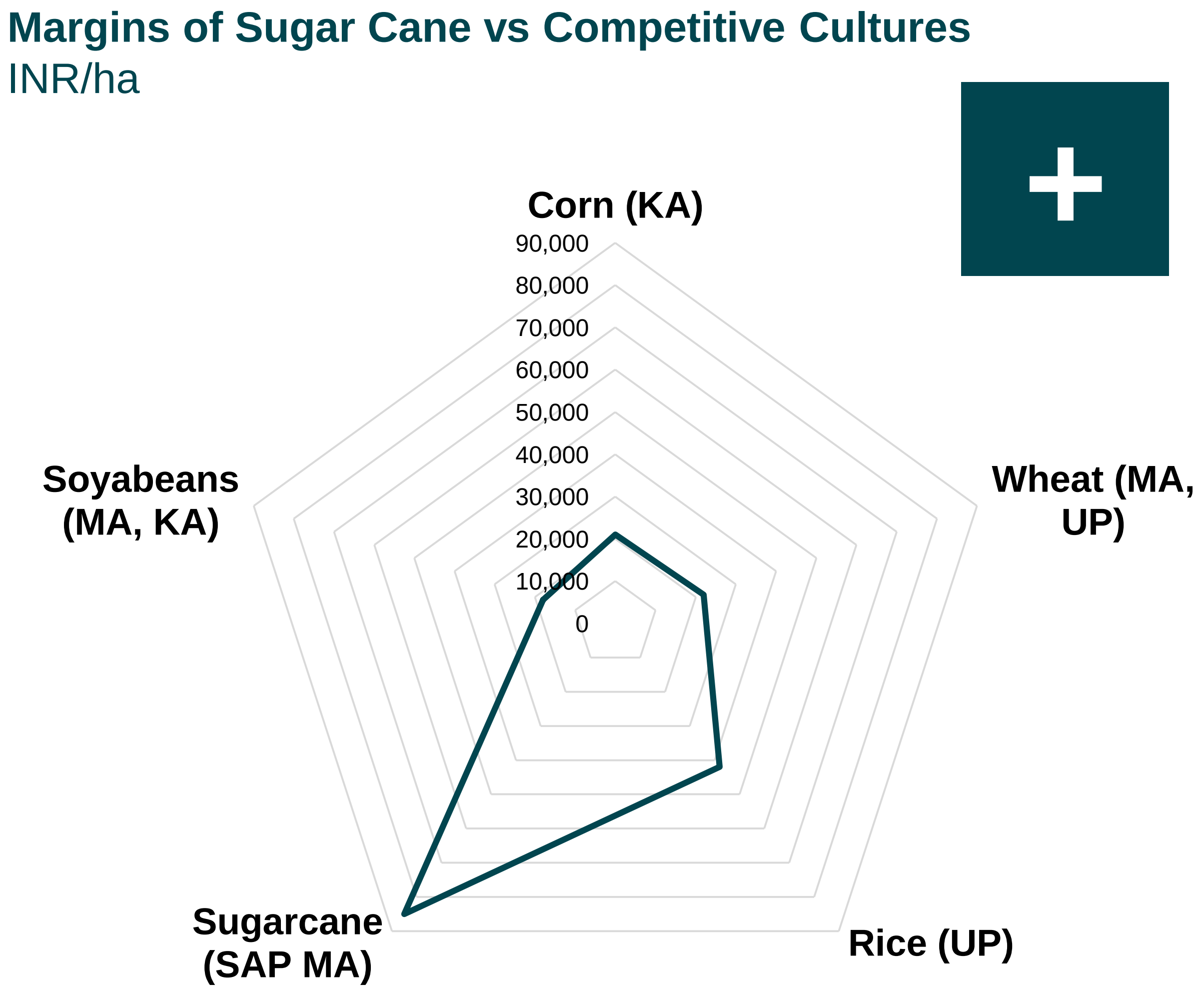
India: Current strong crush rates suggest a higher crop versus last year

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





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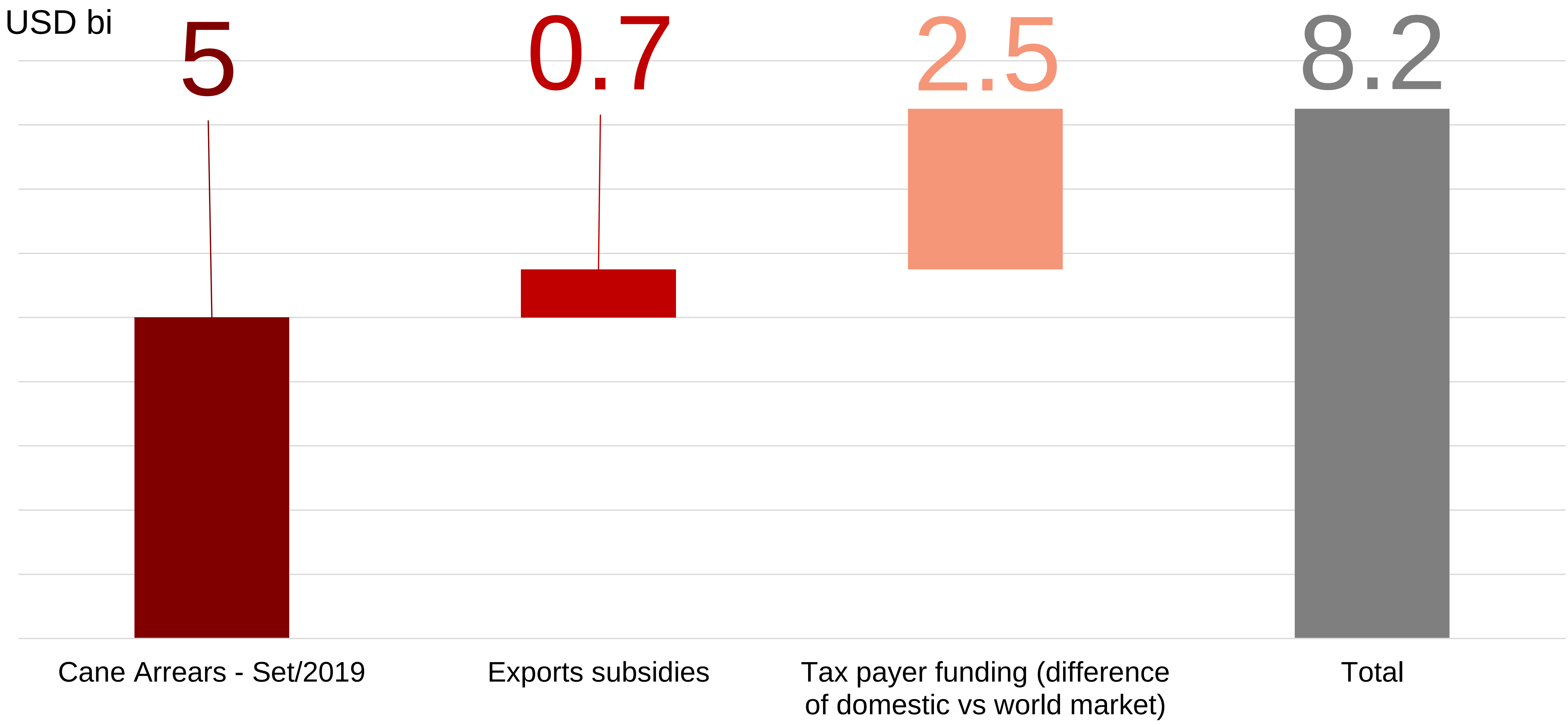
India: Debt and Subsidies levels are huge

But this does not prevent farmers to keep planting cane



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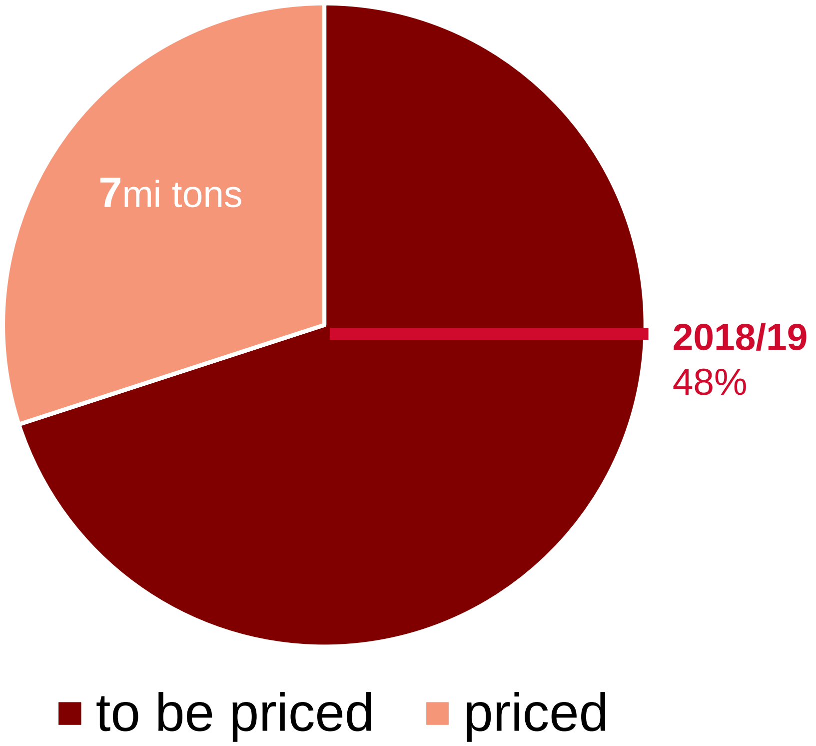
Brazilian mills are long in flexibility

Low level of hedge and low level of physical cash commitment

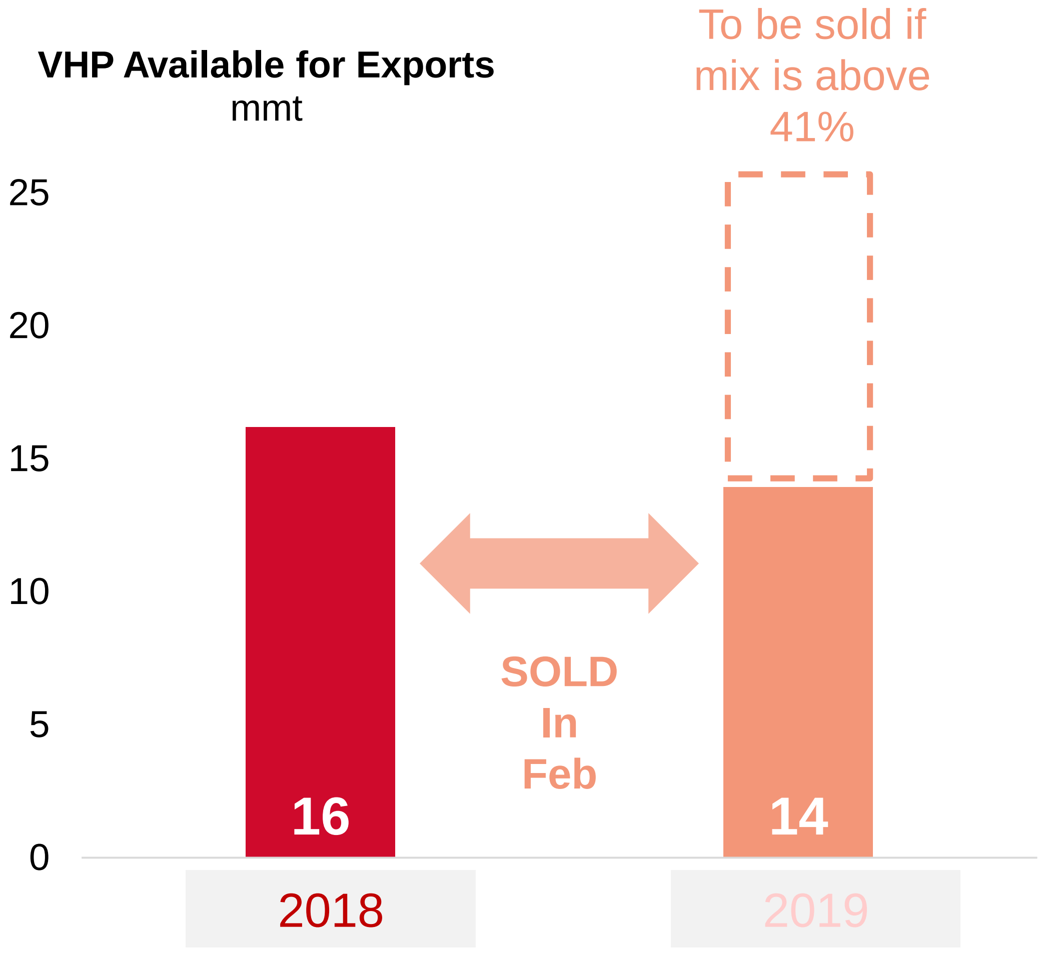
Percentage of Hedging

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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