

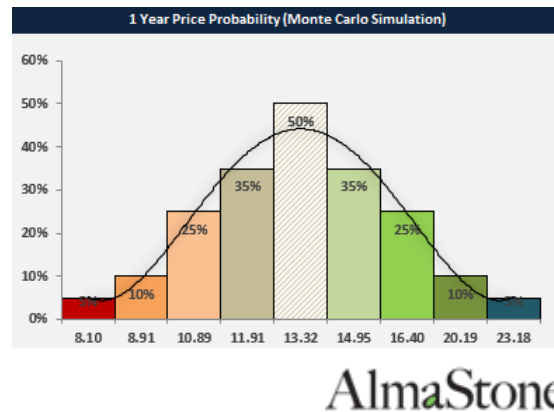


Medium-term outlook for the EU agricultural commodity markets

Tour du monde sucrier

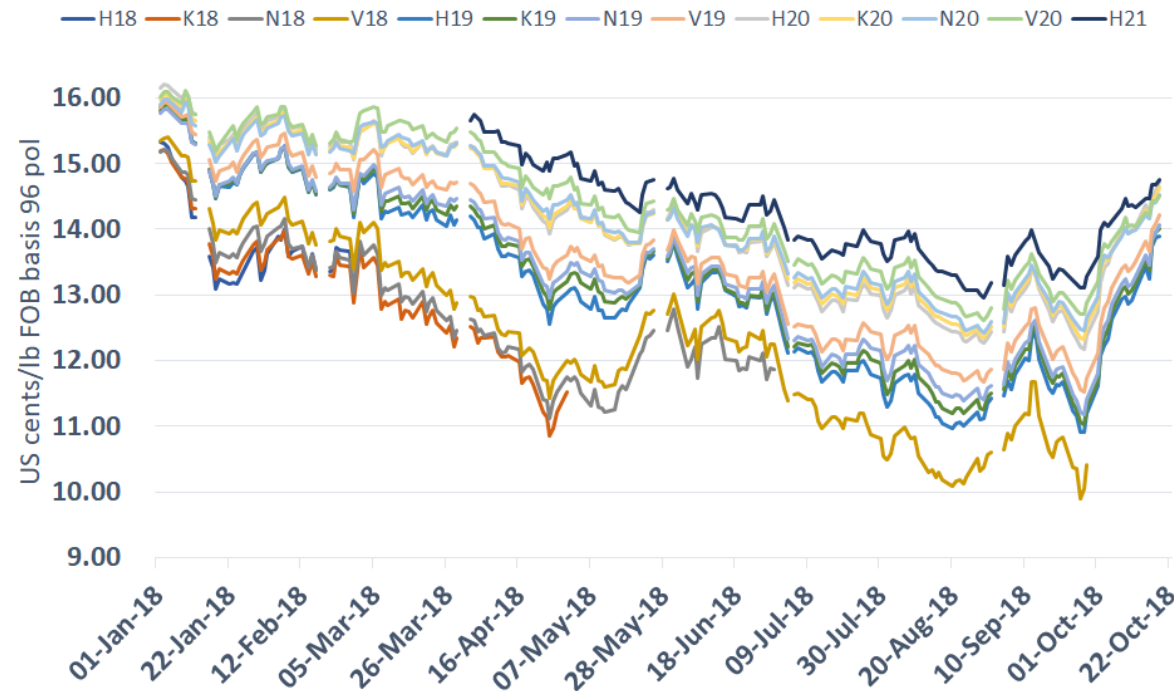
Global raw sugar futures prices

Futures market prices (New York #11) have risen by **42%** since the end of September, from a low of 9.83 cents/lb (basis V18) to 13.95 cents/lb (H19 on 19th Oct).



Probabilities of spot month #11 values reaching 8.10, 8.91, 10.89, 11.91, 13.32, 14.95, 16.40, 20.19 and 23.18 cents/lb.

ICE #11 Raw Sugar Futures

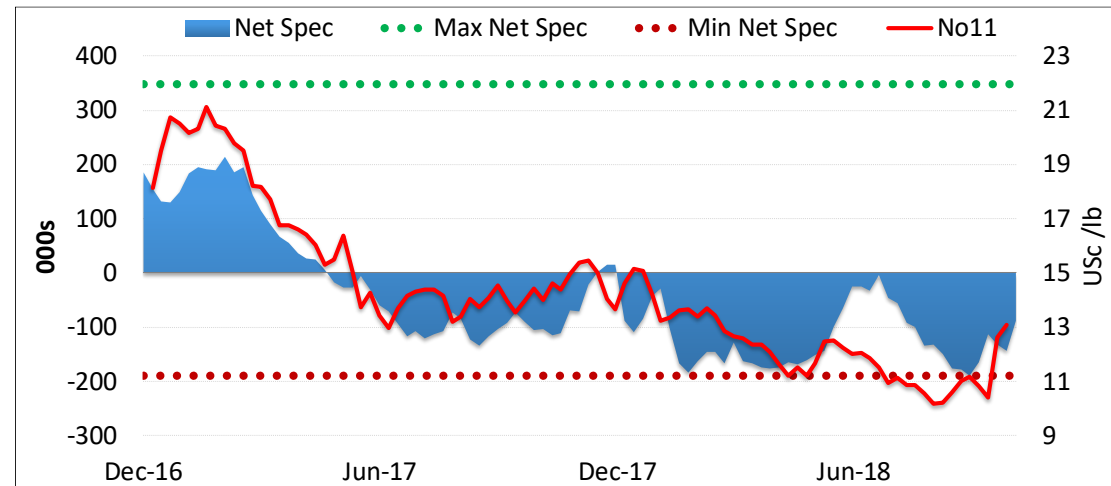


Probability distribution based on a simple Monte Carlo using historical volatility, calculated on the 21d moving average of daily the log-return.

Responding to positive market signals, speculators have been covering record shorts

Forecasts of lower crops in the EU and C/S Brazil, India and Brazil's role in supporting ethanol prices, together with short covering, apparently provided sufficient market signals for the #11 market to rally.

Perhaps forecasts that the global surpluses in the past couple of years could turn into a global deficit in 2019/20 with lower output in the EU, India and Thailand, could encourage the rally in prices to continue?

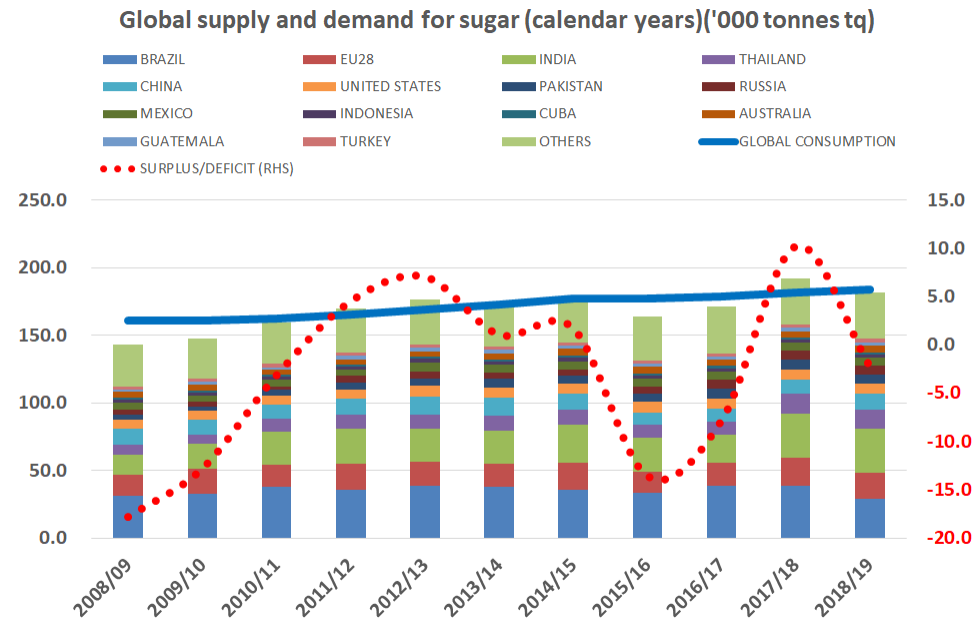


Source: ESPL

Global supply and demand for sugar

- Global sugar supply and demand is expected to move for a surplus of ≈ 10 m tonnes towards balance in 2018/19 (Oct/Sep) after a fall in global production.
- Global sugar consumption is expected to grow by just 1% per annum owing to lower population growth and health concerns.

| | Changes 18/19 from 17/18 |
|----------------|-----------------------------|
| BRAZIL | -9.4 |
| EUROPEAN UNION | -2.0 |
| INDIA | 0.8 |
| THAILAND | -0.9 |
| CHINA | 1.1 |
| UNITED STATES | -0.1 |
| PAKISTAN | -0.5 |
| RUSSIA | -0.3 |
| MEXICO | -0.1 |
| INDONESIA | 0.1 |
| CUBA | 0.3 |
| AUSTRALIA | 0.3 |
| TOTAL | -10.7 |



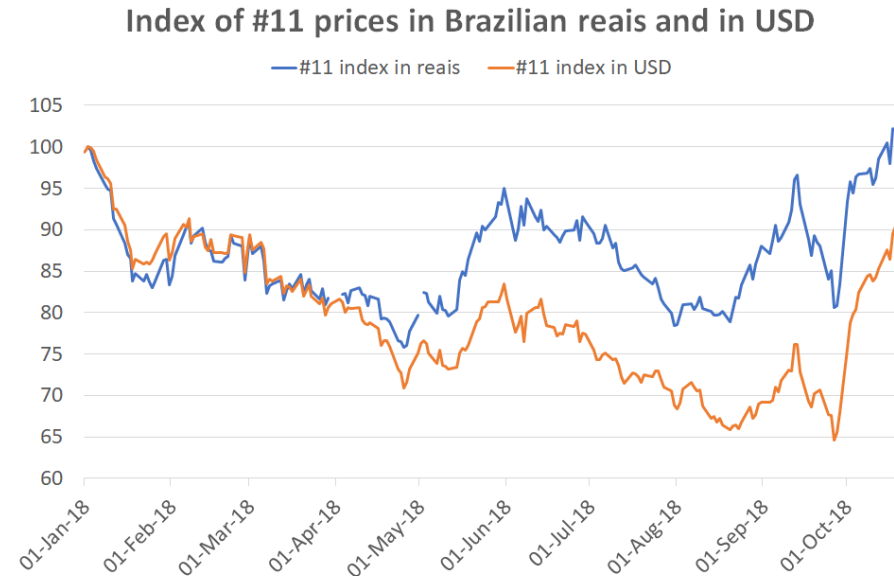
Brazil sugar

- With both cane and sugar production are forecast lower, the C/S crop now now projected at below 27 mmt in total for 2018/19 after 36.1 mmt in 2017/18.
- The 2019/20 campaign will begin in April 2019 with expectations low owing to a paucity of replanting, i.e. higher average age of cane.

Table 1. 2018/2019 harvest season: accumulated production until October 1, 2018

| Product | South-Central region | | |
|-------------------------------------|----------------------|-----------|-----------|
| | 2017/2018 | 2018/2019 | Var. (%) |
| Sugarcane ¹ | 468,783 | 457,933 | ↓ -2.31% |
| Sugar ¹ | 29,338 | 22,273 | ↓ -24.08% |
| Anhydrous ethanol ² | 8,409 | 7,541 | ↓ -10.32% |
| Hydrous ethanol ² | 11,092 | 16,845 | ↑ 51.87% |
| Total ethanol ² | 19,500 | 24,386 | ↑ 25.05% |
| TRS ¹ | 63,817 | 64,267 | ↑ 0.70% |
| TRS/ ton of sugarcane ³ | 136.13 | 140.34 | ↑ 3.09% |
| Share % sugar | 48.25% | 36.37% | ↓ |
| ethanol | 51.75% | 63.63% | ↑ |
| Liters of ethanol/ ton of sugarcane | 41.26 | 52.57 | ↑ 27.42% |
| Kg of sugar/ ton of sugarcane | 62.58 | 48.64 | ↓ -22.28% |

Source: UNICA

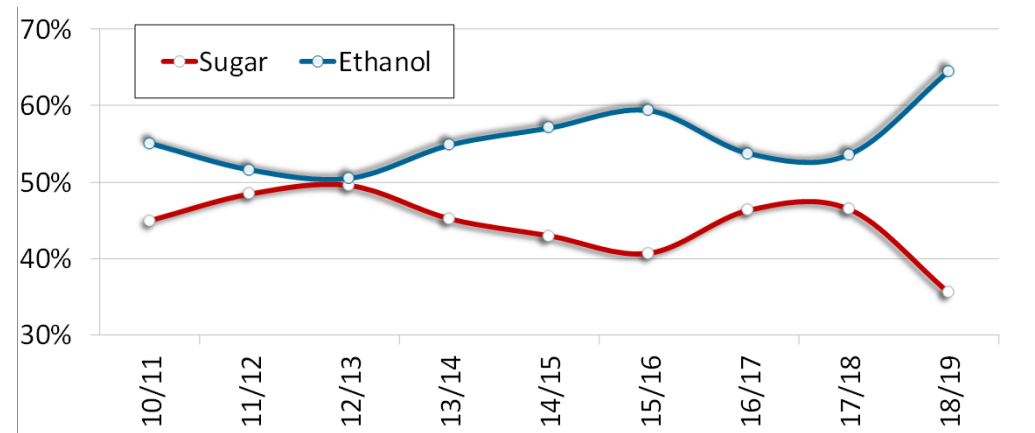
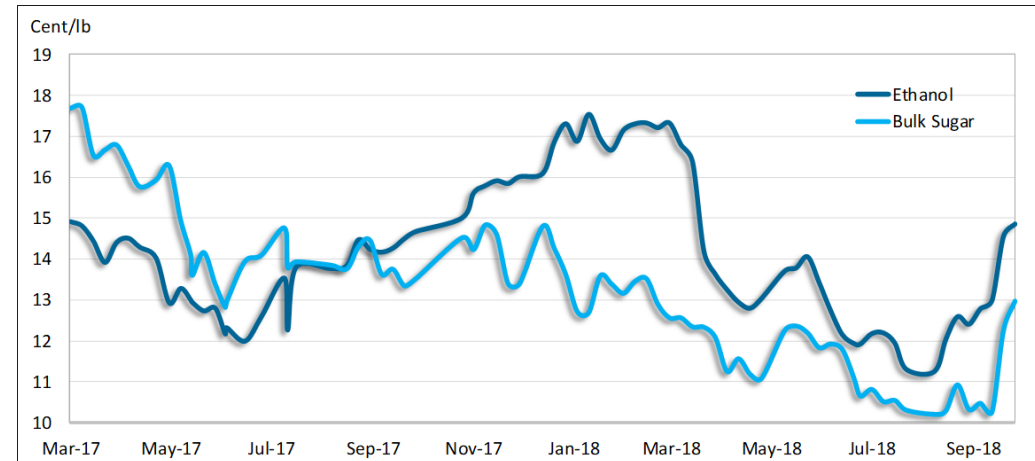


- Election expected to see Mr Jair Bolsonaro win on 28th October (59%/41% in opinion polls), with euphoria possibly strengthening the BRL.
- The Brazilian real has recovered from lows of around 4.14 to around 3.70 today; with a weaker real we may now see more producer pricing?

julianprice.com

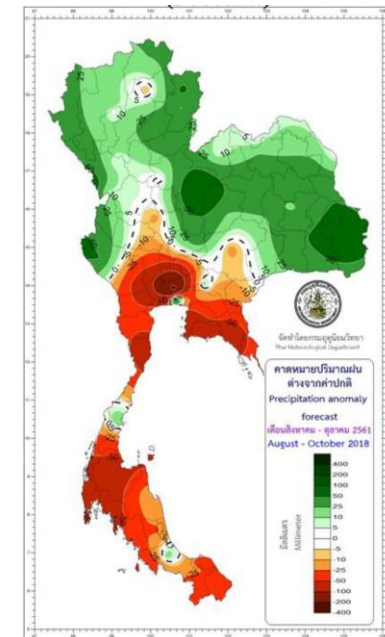
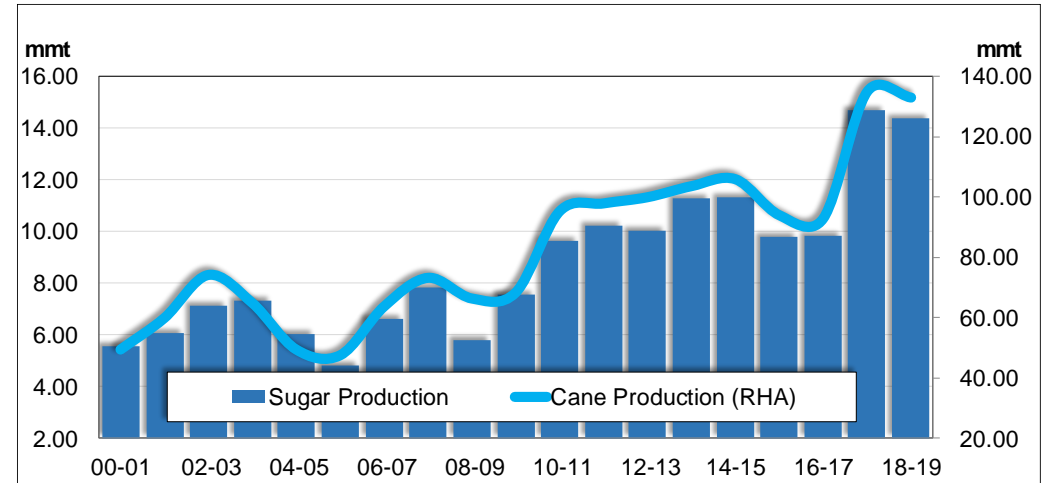
Brazil ethanol

- Millers have switched from sugar to ethanol production in 2018/19 because ethanol still pays more than sugar.
- Unica records the current sugar ethanol mix at 36/64 this year compared with 48/52 in 2017/18.



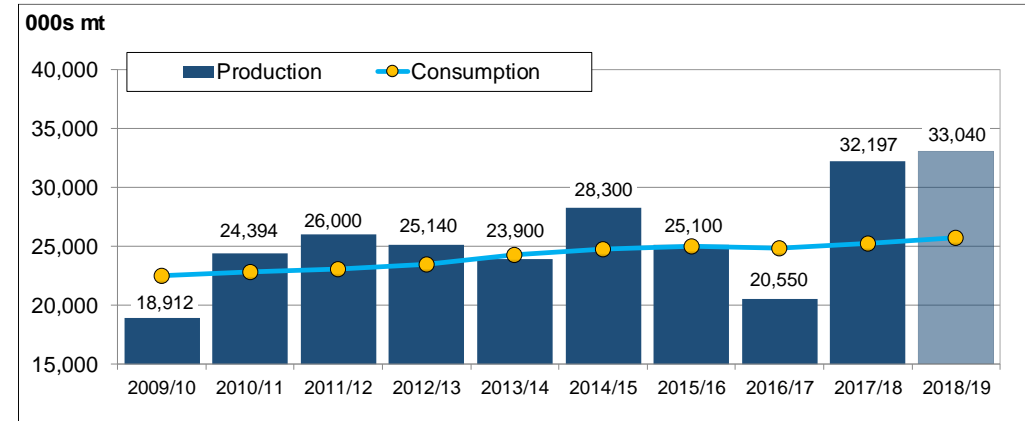
Thailand

- Thai crop likely to drop in 2018/19 from 14.7m to 13.8 million tonnes owing to lack of rainfall, diversion of 500kt sugar equivalent to ethanol, and some diversion to fragrant rice and possibly some “new” diversion to biochemicals.
- Thai sugar consumption is expected to reduce by ≈2% owing to a new sugar tax.
- Thai sugar exports expected to be lower than the 10.5m tonnes recorded in 2017/18, much exported under ASEAN preferences. However, with China importing less, and India subsidizing 5m tonnes of exports, the SE Asian markets are nevertheless expected to remain hotly contested.

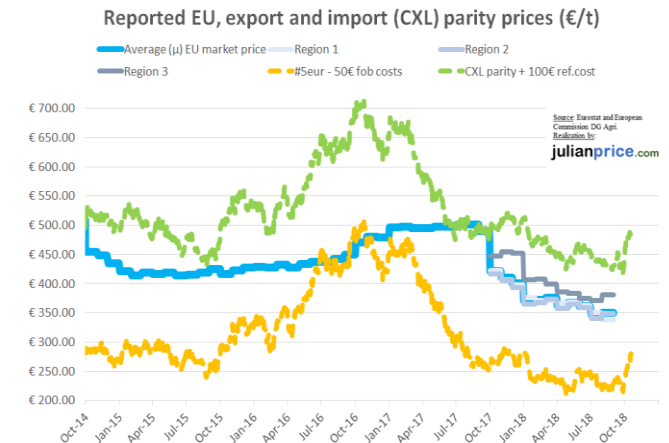
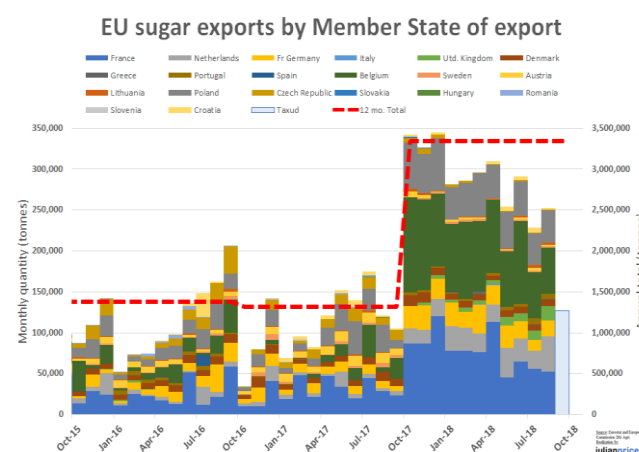
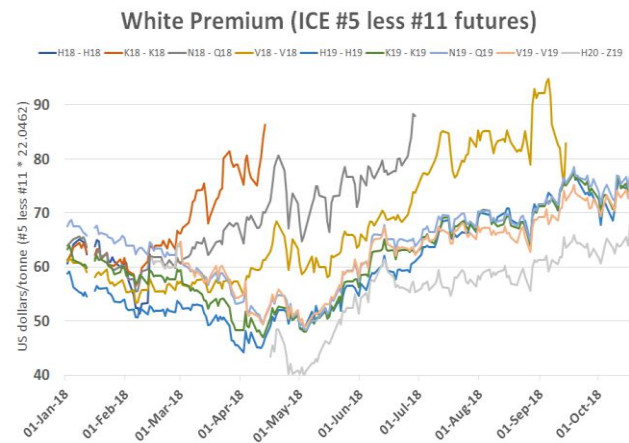
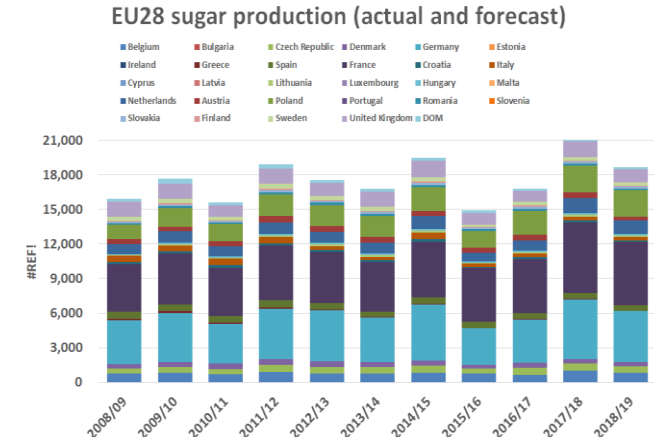
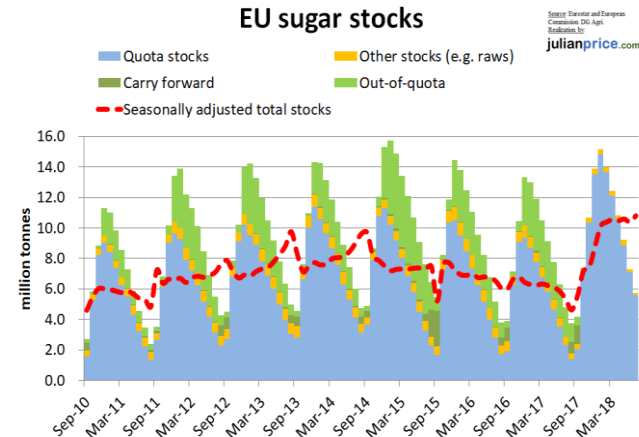
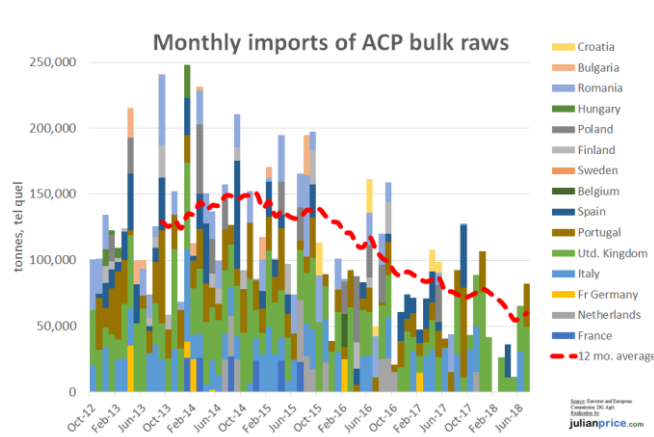


India and Pakistan

- In 2017/18 government support policies and favourable seasonal conditions in India and Pakistan drove local sugar production to record levels, which are expected to continue in 2018/19, although weather has been poorer this year in Maharashtra.
- Stocks have built up in both India and Pakistan, hence exports must come out in large volumes.
- India will resume exports after a 3-year break (with subsidies available for 5m tonnes of exports) and Pakistan will become a net exporter for the first time (exports of 1.6m in 17/19 and 1m in 18/19).
- Both countries will displace exports from Australia and Brazil in the Indian Ocean and Asian sugar markets.

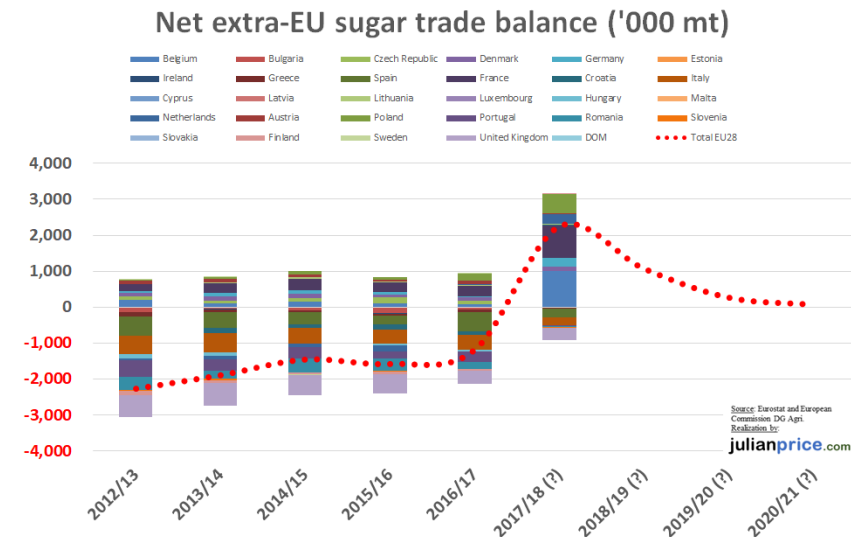


EU and global markets react to end of quotas



EU trade position in the global context

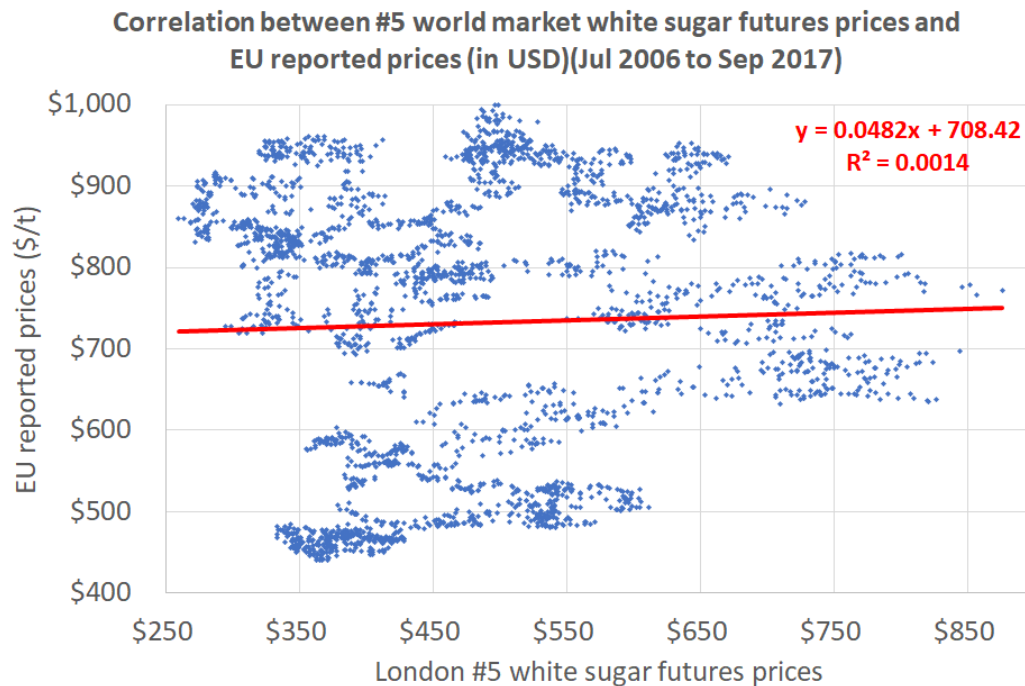
- After the inapplicability of the EU WTO export limit and the removal of the obligation to carry-forward OOC sugar in October 2017, the EU's net external trade position changed from being a net importer to a net exporter in 2017/18 of around 2.3m tonnes (comprising imports of 1.3m and exports of 3.6m tonnes).
- However, with lower production forecast in 2018/19, if imports remain at 1.3m tonnes, and with a gradual erosion of stocks, the EU's net trade position may gradually move towards balance.



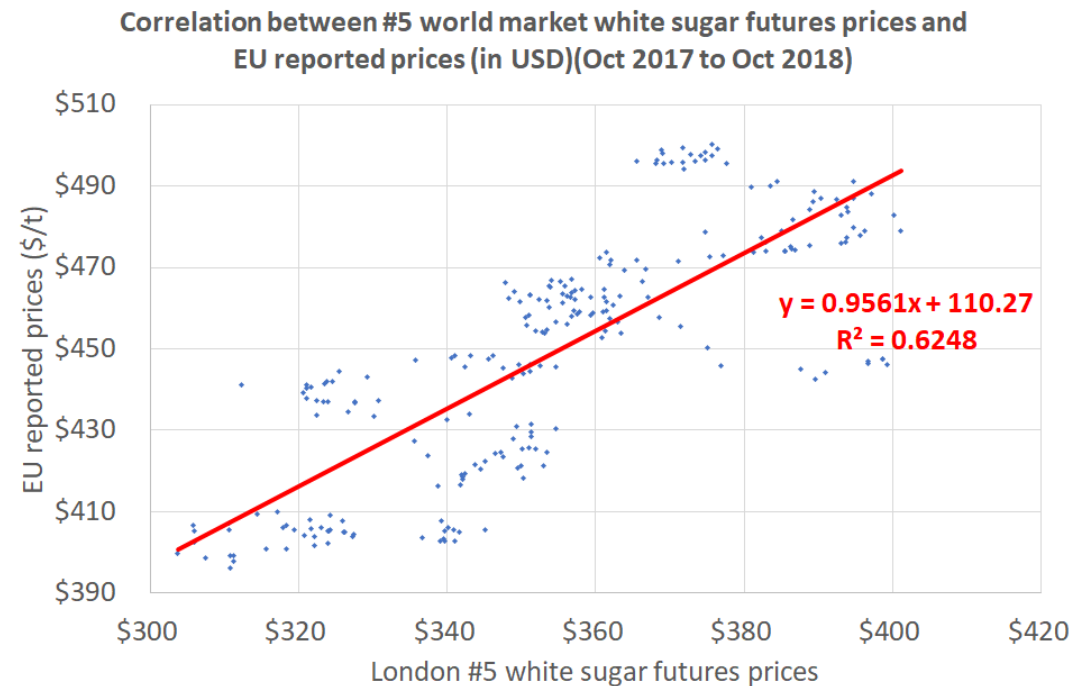
| Total EU28 sugar balance ('000 tonnes) | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|----------------------------------------|---------------|---------------|---------------|---------------|---------------|--------------------|-----------------|-----------------|
| | <i>actual</i> | <i>actual</i> | <i>actual</i> | <i>actual</i> | <i>actual</i> | <i>provisional</i> | <i>forecast</i> | <i>forecast</i> |
| Beginning stocks | 2,397 | 3,231 | 2,573 | 4,029 | 1,928 | 2,174 | 2,669 | 1,900 |
| Fresh production | 17,576 | 16,821 | 19,513 | 14,926 | 16,831 | 21,144 | 18,707 | 18,676 |
| Imports from non-EU | 3,561 | 3,256 | 2,867 | 2,989 | 2,517 | 1,346 | | |
| Exports to non-EU | 1,300 | 1,369 | 1,415 | 1,414 | 1,333 | 3,583 | | |
| Intra-EU balance | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Overall trade balance | -2,261 | -1,887 | -1,453 | -1,575 | -1,184 | 2,237 | 1,064 | 264 |
| Domestic disappearance | 19,003 | 19,366 | 19,509 | 18,602 | 17,769 | 18,412 | 18,412 | 18,412 |
| Ending stocks | 3,231 | 2,573 | 4,029 | 1,928 | 2,174 | 2,669 | 1,900 | 1,900 |

Correlation between EU and world markets

With quotas



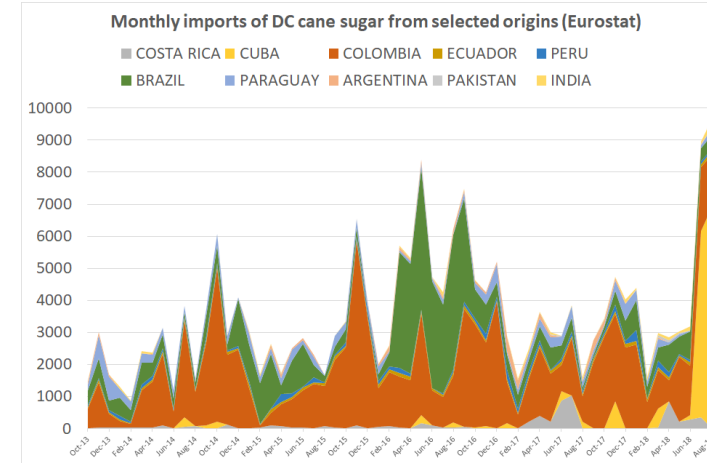
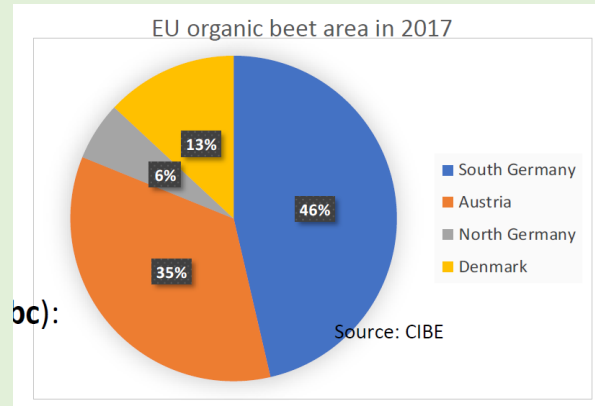
Without quotas



Organic sugar and other benefits of sugar

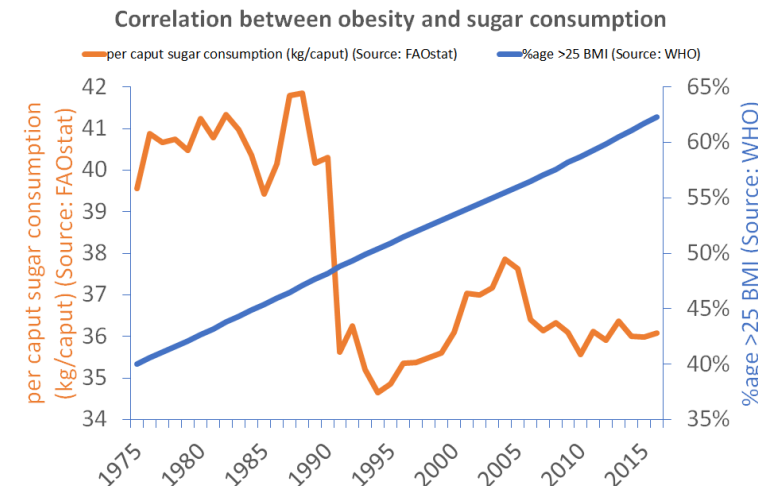
Total organic beet in EU28 = 3,450 ha in 2017 (0.2% of total EU28 beet area).

- CIBE 16/03/2018



A [sugar cane] factory set up efficiently for maximum power generation can show a negative carbon footprint.

<http://www.issct.org/pdf/proceedings/2010/2010%20Rein,THE%20CARBON%20FOOTPRINT%20OFF%20SUGAR%20.pdf>



Thank you!

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