WABCG / ISO Consultation

The world sugar outlook

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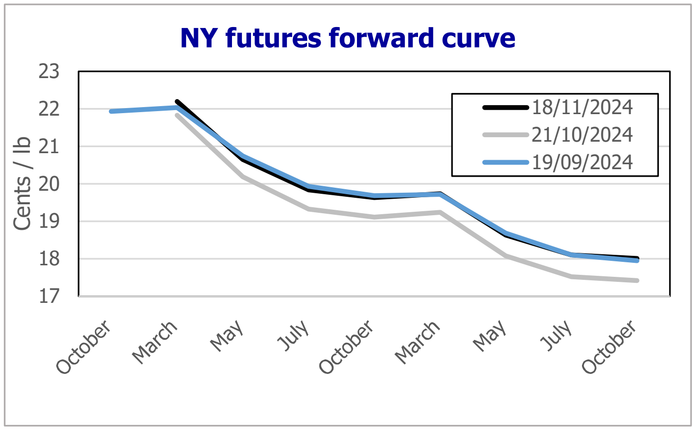
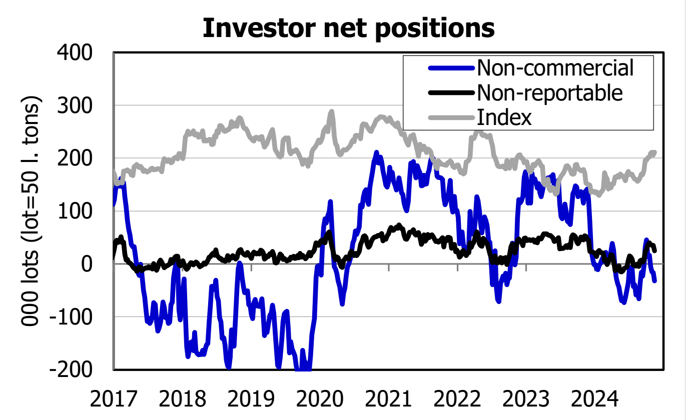
Market Insights

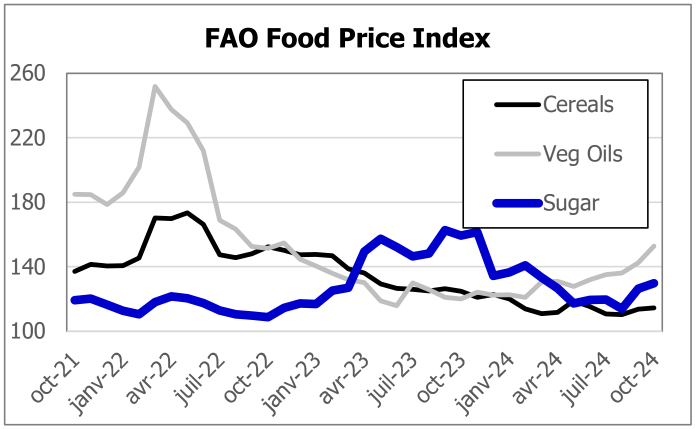
- ISO has reverted to a neutral price view on the back of a small global production/consumption and trade deficit outlook for 2024/25
- Raw sugar prices up 9% in last quarter abut down 19% since October 2023; white sugar prices are up 5% recently and down 20% since last year
- Recent highlight is record calendar year exports from Brazil, supplied by both last year's and the current CS Brazil harvest. Although cane total was lower and sugar allocation not as high as had been hoped
- Speculators hold a small short positions in the sugar market. Index fund interest has been rebuilding. Huge liquidation of corn shorts in recent weeks sees money-at-risk decline in runup to year-end.
- Speculators remain long of Coffee and Cocoa futures, while posting a record short position (of at least 18 years) in Cotton in September 2024





Market Insights

- The FAO Food Price index has shown a significant easing in food inflationary pressure
- Cereals have weakened while vegetable oil prices are trending higher, having previously spiked sharply in the first quarter of 2022
- The vegetable oil price index now exceeds the sugar price index
- Sugar price index remains weak over the long term, giving little incentive to expand production, based on world market export values

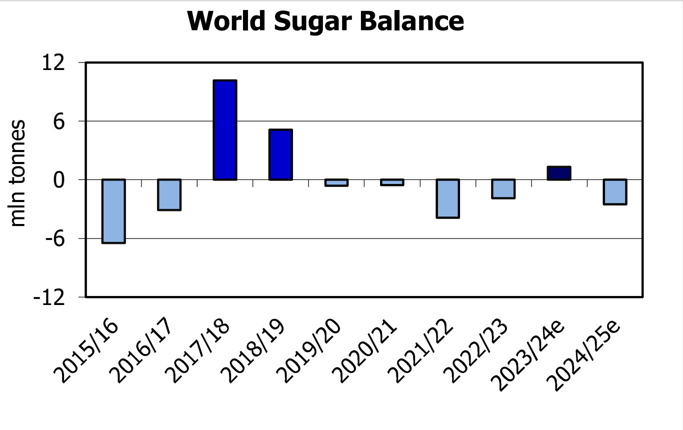


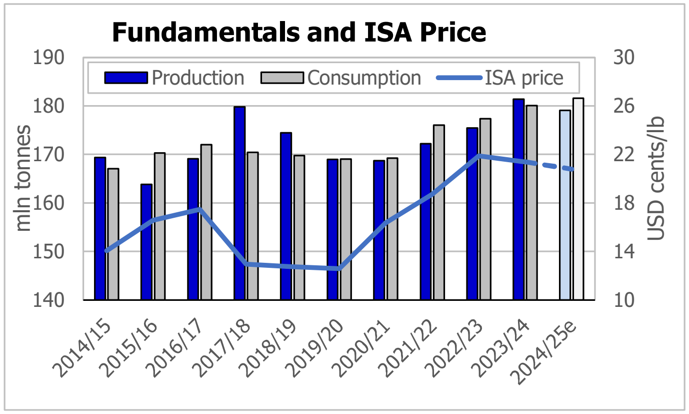
Fundamentals

- Deficit in 2024/25 narrowed to 2.513 mln tonnes from 3.580 mln tonnes previously
- Production has been revised down by 0.218 mln tonnes
- Consumption in 2023 revised lower in SYB, following Member's feedback. This has reduced our estimates for 2023/24 and 2024/25 by 1.410 and 1.285 mln tonnes respectively
- Trade surplus / deficit are neutral (2023/24 surplus of 0.456 mln tonnes; 2024/25 deficit of 1.282 mln tonnes) but decline in export availability in 2024/25 is a key take-away
- Yet to see clear impact of the projected reduction in export volume on global flows and prices

Production and Consumption

- 2024/25 deficit now second biggest in 8 seasons, have seen a narrow range recently
- Production and consumption continue to grow at similar rates
- Production outlook sees limited investment in green-field expansion, some debottlenecking at existing plants and decline in a number of smaller industries
- Consumption outlook is an enigma. Growth is above long-term trend. Downward on reformulation and member reports, upwards on better access in developing countries and population dynamics in low per capita regions



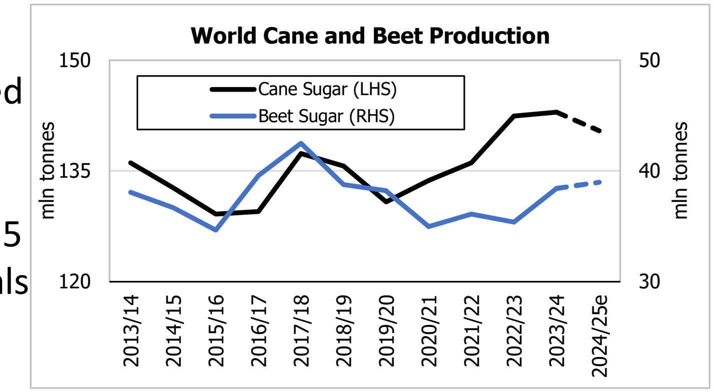


Production

- Cane sugar production reaches record total in 2023/24, on huge Brazil production total of 46.510 mln tonnes, but not expected to be repeated in 2024/25.

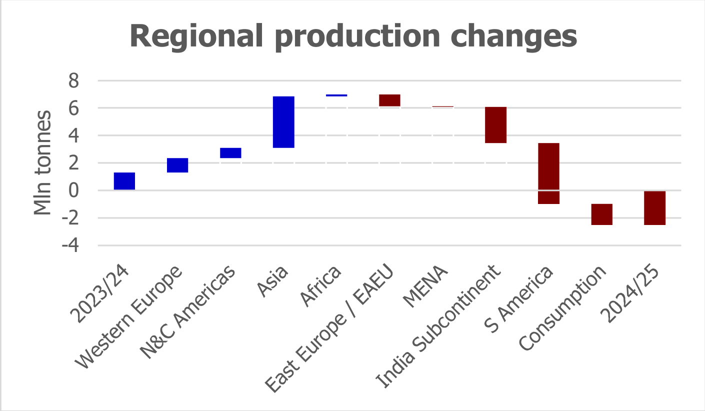
- Beet sugar production rose in 2023/24 on EU and EAEU output. 2024/25 will see further improvement in former but fall in latter. Beet sugar totals in other origins also expected to increase

- Biggest cane industries are Brazil, India, Thailand, China and Pakistan.
  - Brazil industry focused on sugar production, but made more ethanol
  - India industry focused on ethanol, but retains sugar surplus
  - Thailand cane crop is rebounding, no-burn harvesting is next step
  - China cane industry received very good rains
  - Pakistan industry has been steadily building out production



Regional Dynamics

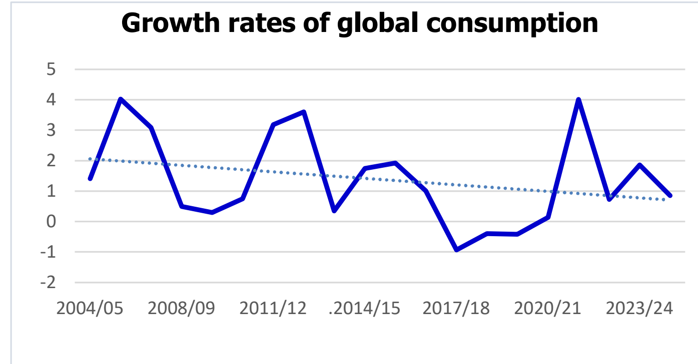
- The 2023/24 starting point has changed to a 1.312 mln tonnes surplus, given change in consumption trend
- Big increases are projected in Asia sugar production change includes China and Thailand crop prospects
- Indian Subcontinent decline is predominantly in India (down 2.89 mln tonnes). Indian production figure of 29.3 mln tonnes incorporates 4 mln tonne diversion to ethanol
- Brazil production due to fall by 4.3 mln tonnes, dampening S. America prospects
- Increase in consumption on 2023/24 remains small; both figures revised lower



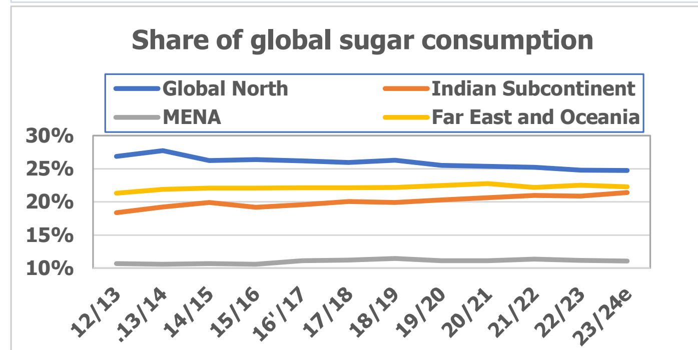
Today | Fundamentals | Outlook | Conclusion

Consumption

- Evaluating consumption behaviour remains challenging
- Population growth is underlying driver, but trend is down
- Global per capita average at 22.1kg in 2023

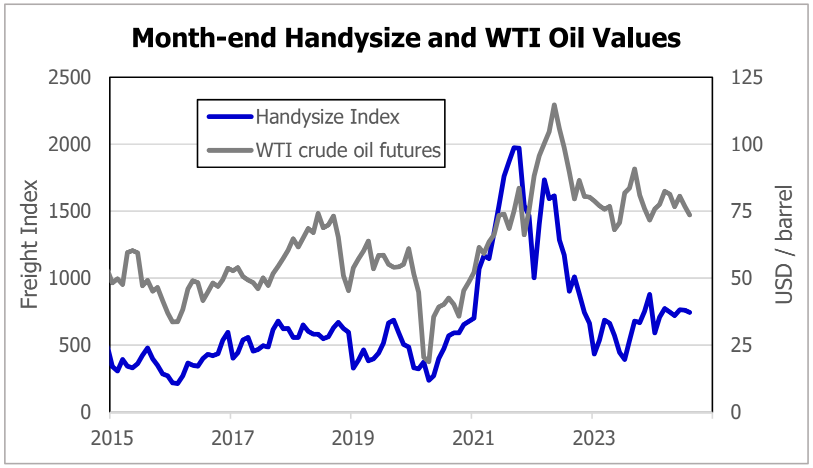


- Consumption is shifting towards developing country regions
- Population and wealth effect are significant



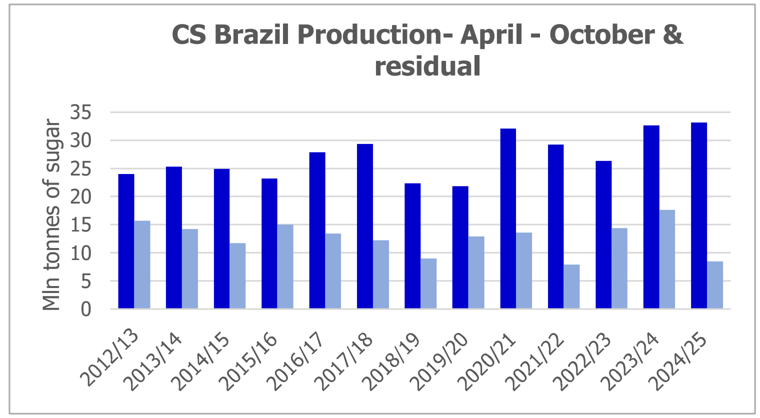
Freight Costs

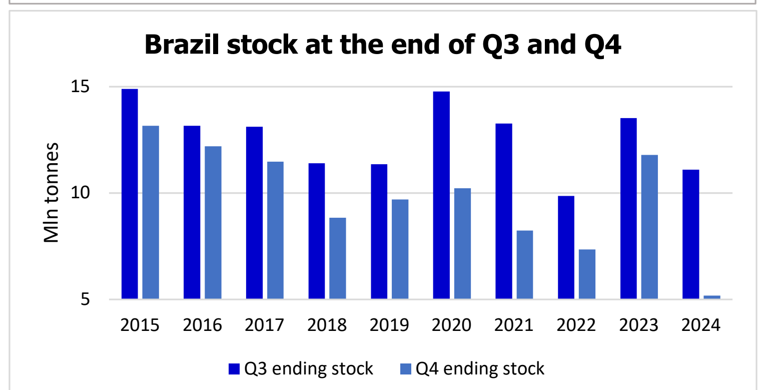
- Total Freight = (Charter rate + Fuel) x Duration + Port Charges
- Charter rate and fuel costs are little changed in recent months
- Voyages are taking longer due to Red Sea blockage and Panama Canal waits
- Brazil availability has increased freight to Asia



CS Brazil Outlook

- Record CS Brazil sugar production
- Supported by strong NNE Brazil sugar production
- Offset by record exports
- Low carry-out at Q4 end



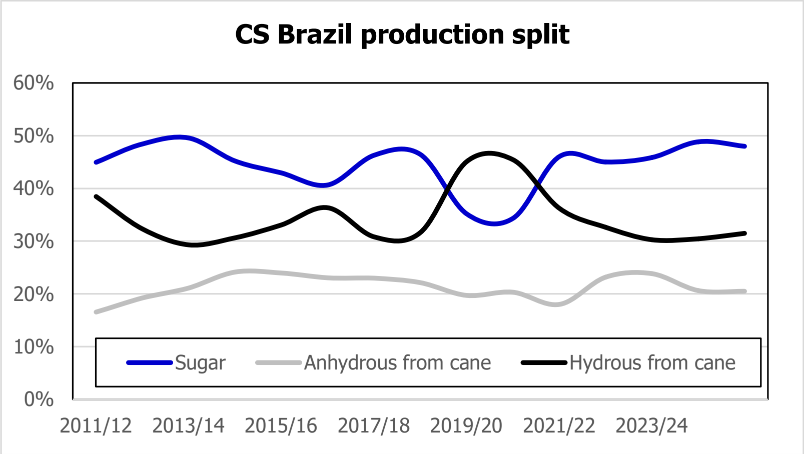


CS Brazil Outlook

- CS cane estimate for 2024 harvest was left unchanged at 615 mln tonnes (but down from 654 mln tonnes last season)
- This total includes 7 mln tonnes stood-over cane processed in April
- Implying a 8% reduction in agronomic output this season

- Sugar allocation revised down to 48%. Industry originally expected a much higher figure

- TRS / ATR content is revised to 141.4kg/tonne, up from 140kg/tonne



- For 2025 – dry weather has restricted cane crop outlook , 600 mln tonnes or less

India Outlook

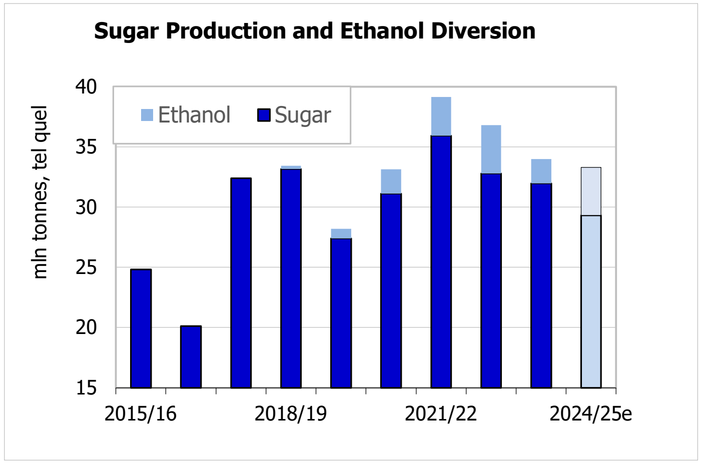
- Cane acreage is not increasing
- But monsoon weather has been conducive

- Ethanol diversion is higher returning than sugar exports

- Mills are receiving support from government for ethanol programme, although domestic sugar price remains an issue

- Harvesting has commenced slowly, due to late rains
- Some white leave disease has been reported

- Long term focus is on ethanol capex recovery and competition from grains at OMC tenders



Risks for 2024/25 season

- CS Brazil and India prospects in focus
- European crops will need to be harvested before frosts; outlook for 2025/26 is for lower farmer prices and interest
- Recovery in Central American harvests is yet to be confirmed
- Projections for Thailand remain difficult to confirm; outlook is even more challenging
- MENA production prospects are broadly positive but not a large factor
- Consumption dynamics remains an enigma – Processed food access, dietary restraint & reformulation, population
- Trade volumes will need to decline = shorter trade routes would help, early buying to secure supply is intuitive
- Stock releases are less likely if there is domestic uncertainty – MECAS24(05) on seasonality proved timely!
- Futures expiries could also exacerbate physical risk, while speculators will explore pricing vacuums

Outlook for 2024/25

- Production down 2.296 mln tonnes on last season
- Consumption will reach a new record of 181.582 mln tonnes
- Season on season rise is modest at 0.85%
- Trade total will be around 64 mln tonnes; down 5 mln tonnes
- Stock to use ratio declines further, due to higher consumption
- Production estimates are usually optimistic!

	2024/25	2023/24	in mln t
Production	179.069	181.365	-2.296
Consumption	181.582	180.053	1.529
Surplus/Deficit	-2.513	1.312	
Import demand	64.409	69.103	-4.694
Export availability	63.127	69.559	-6.432
End Stocks	96.544	97.775	-1.231
Stocks/Consumption ratio in %	53.17	54.30	

Short Term Outlook – Q1 2025

- ISO outlook is neutral (from neutral-to-bullish in August) –
  Narrowing deficit
  Speculative net-shorts was exceptional and was short in duration, but New Year strategy is yet to become apparent
  Revised stock calculation and dependence on Brazil is noteworthy

- El Niño and overall weather conditions give higher risk

- FAO Sugar index has realigned with general commodity basket

- White premium arbitrage has fallen to less-remunerative levels for re-exporters

- Hedgers should be disciplined and follow programme

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Thank you

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