

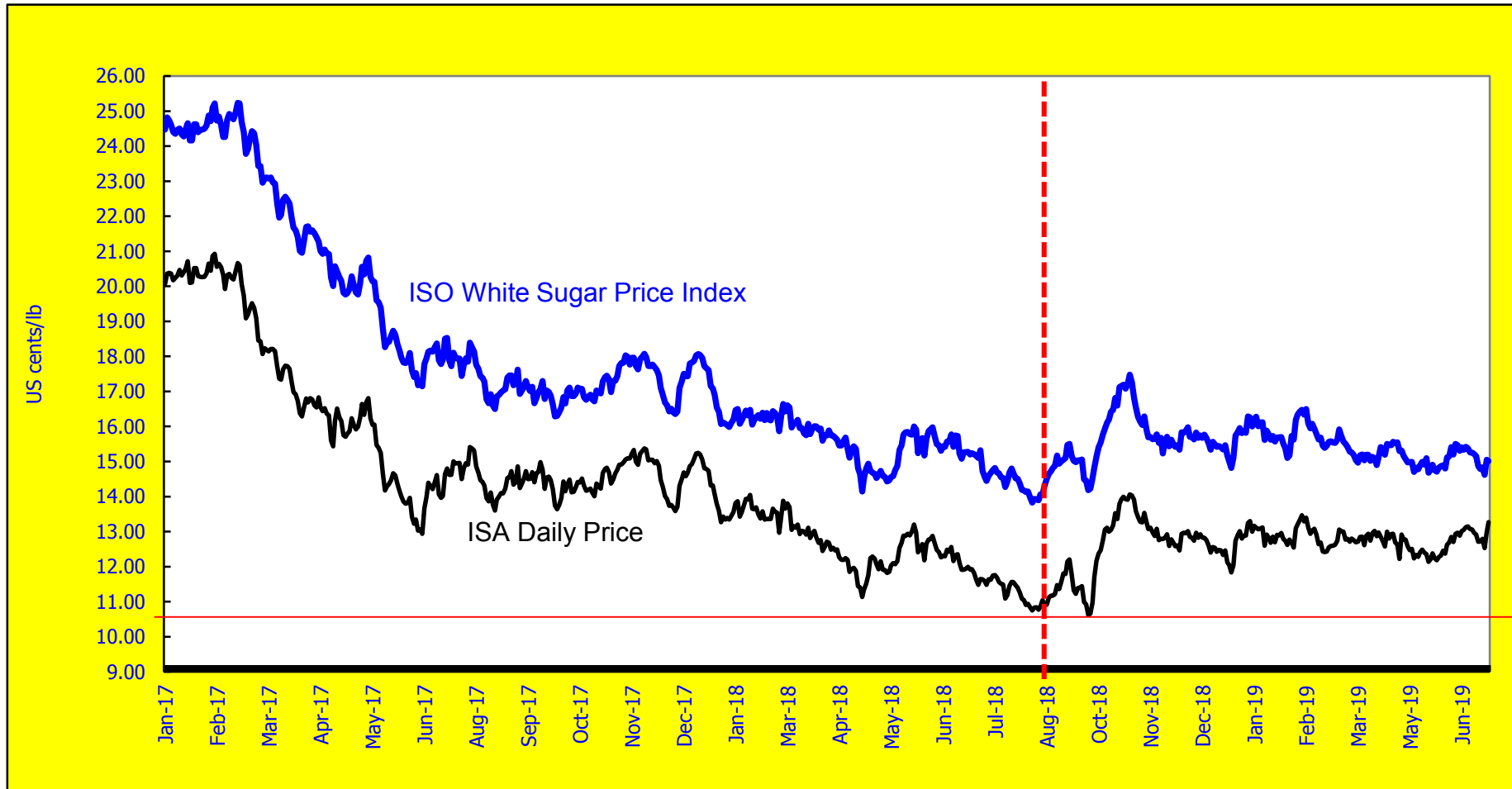


WORLD SUGAR MARKET

José Orive
Executive Director
International Sugar Organization



A year ago world prices hit bottom

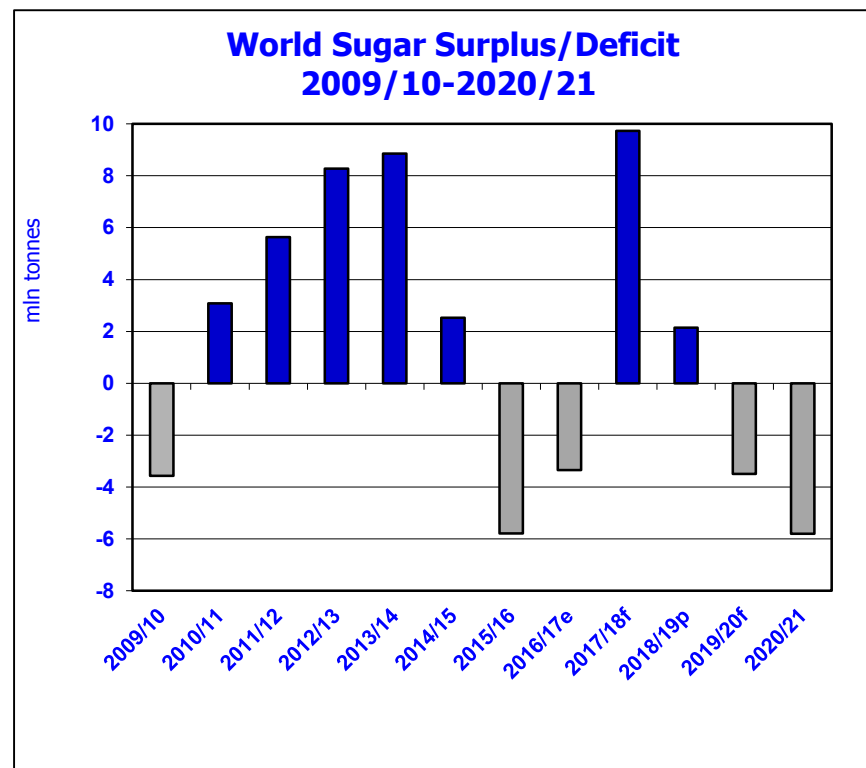


For two consecutive years world sugar balance has been characterized by statistical surplus

JULY 2019	2018/19	2017/18
Surplus (mln t)	2.141	9.726

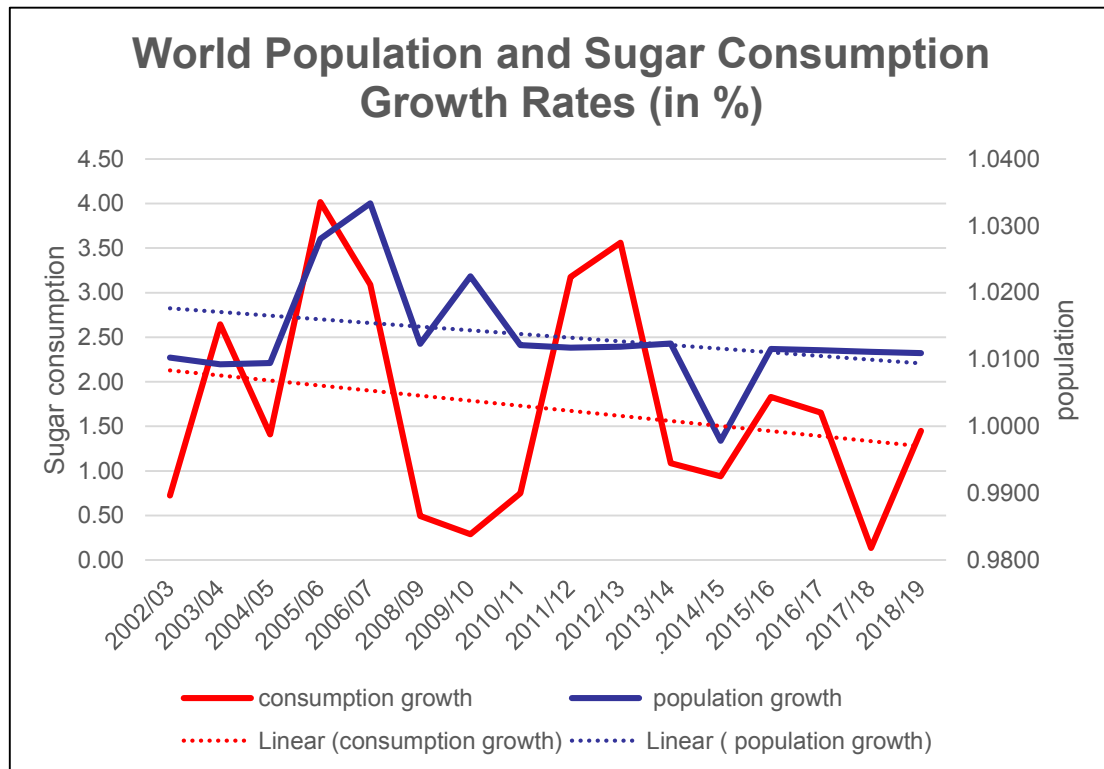


A possible end of the surplus phase in 2019/20



2019/20





Recent years have shown a readable trend towards a slow but steady erosion in those rates from an average of about 2% in the mid-2000s to the current level below to 1.5%.

A considerable part of losses in consumption growth rates can be attributed to a slowing down in global population growth.

Sugar and Health debate starts taking its toll

2019/20 - growth rate close to the long term-average of 1.39%

2019/20



Consumption
Growth
+1.39%

Current
Production
(2018/19)

~177.9 mln t

~177.6 mln t

Deficit

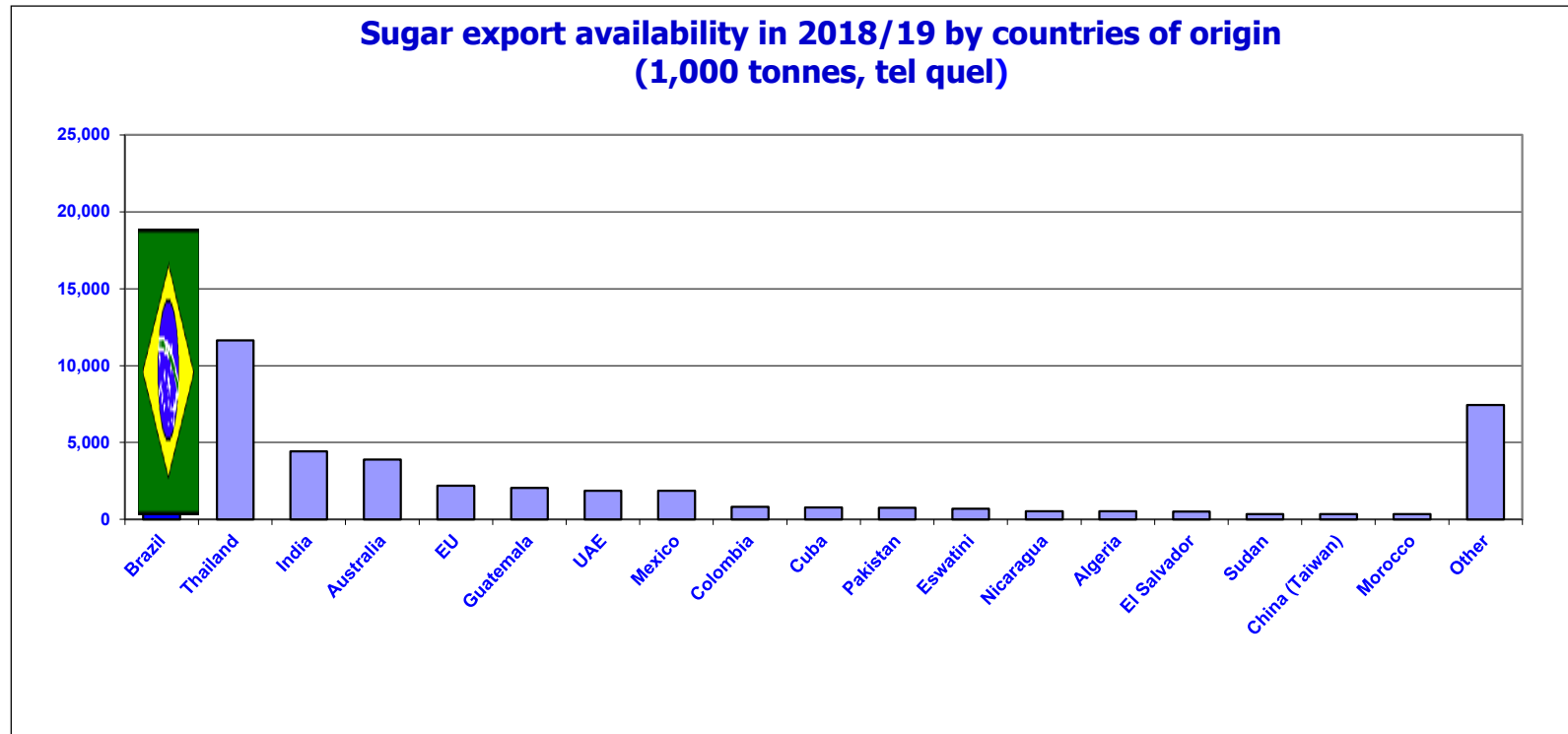
0.3 mln t

Suggesting a 1.39% growth in world sugar use and flat world sugar production, world S&D look well balanced.

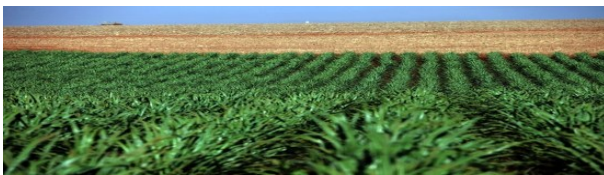
But how plausible is a no-change production assumption?

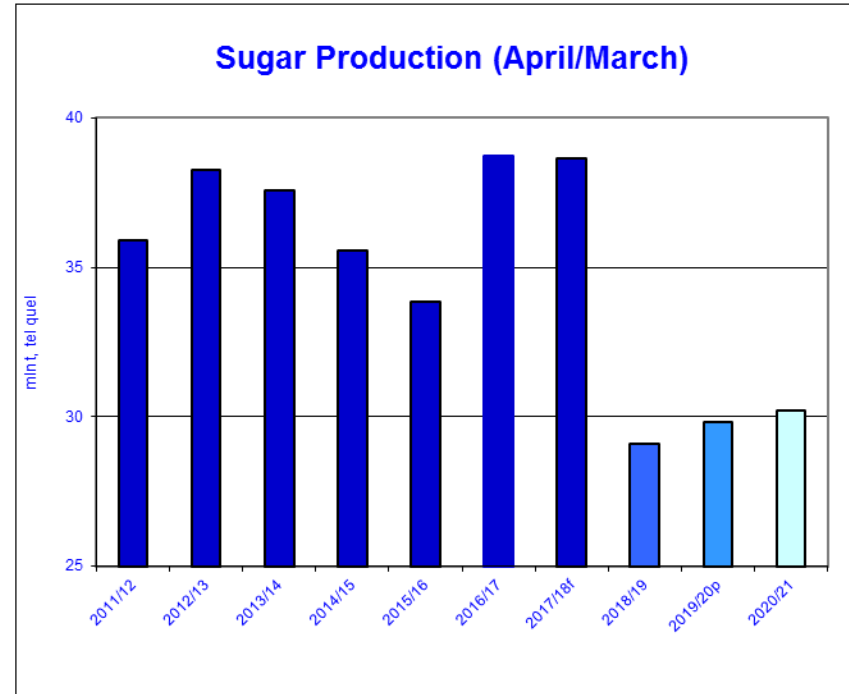
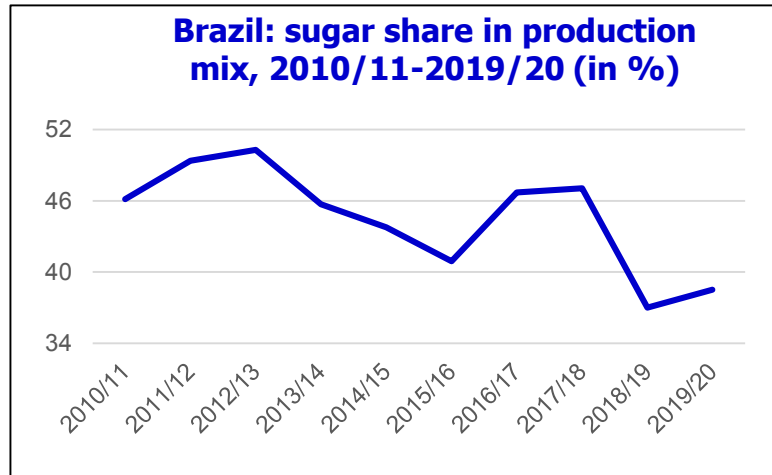
2019/20





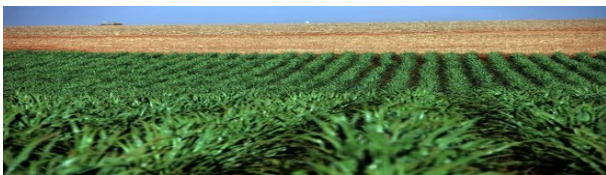
Brazil – the world's largest sugar exporter



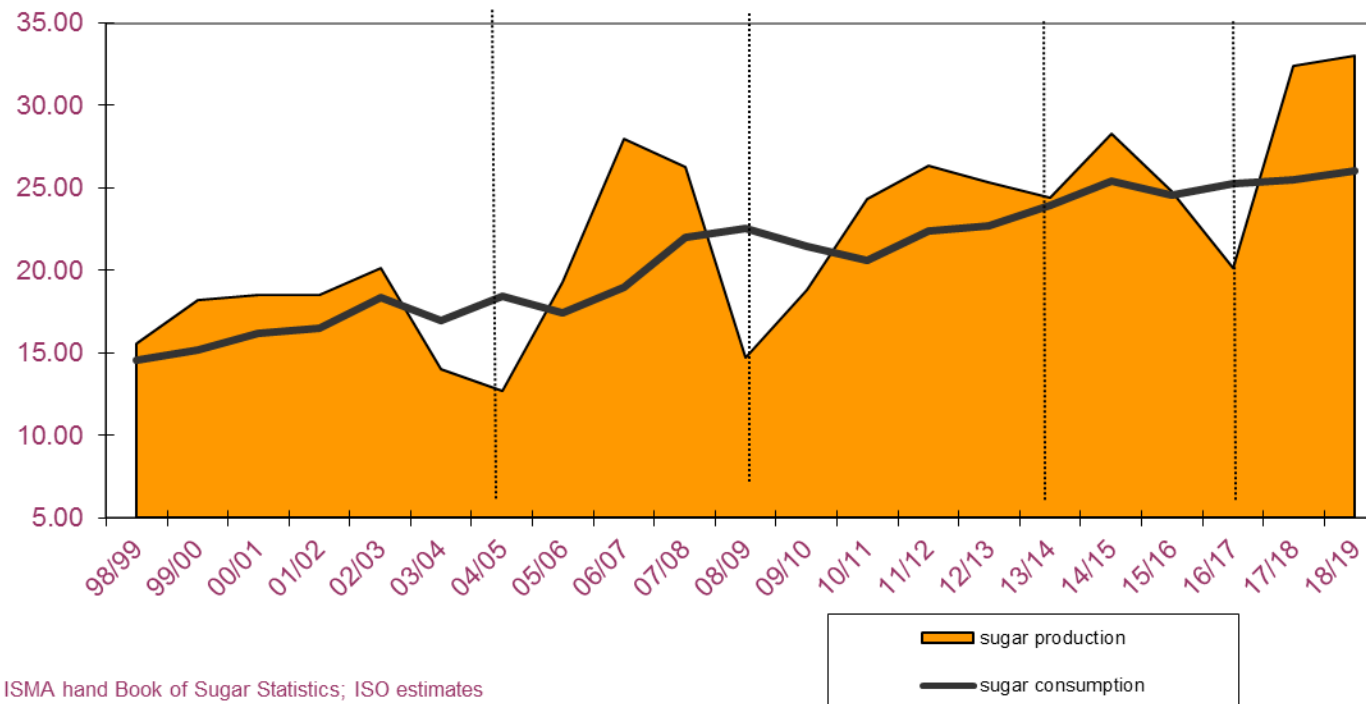


2018/19 (Oct/Sep) – 28.6 mln t
+ 4.5%
2019/20 (Oct/Sep) – 29.9 mln t

Brazil – the world's largest sugar exporter



Sugar production and consumption in India (in mln tones, tel quel)

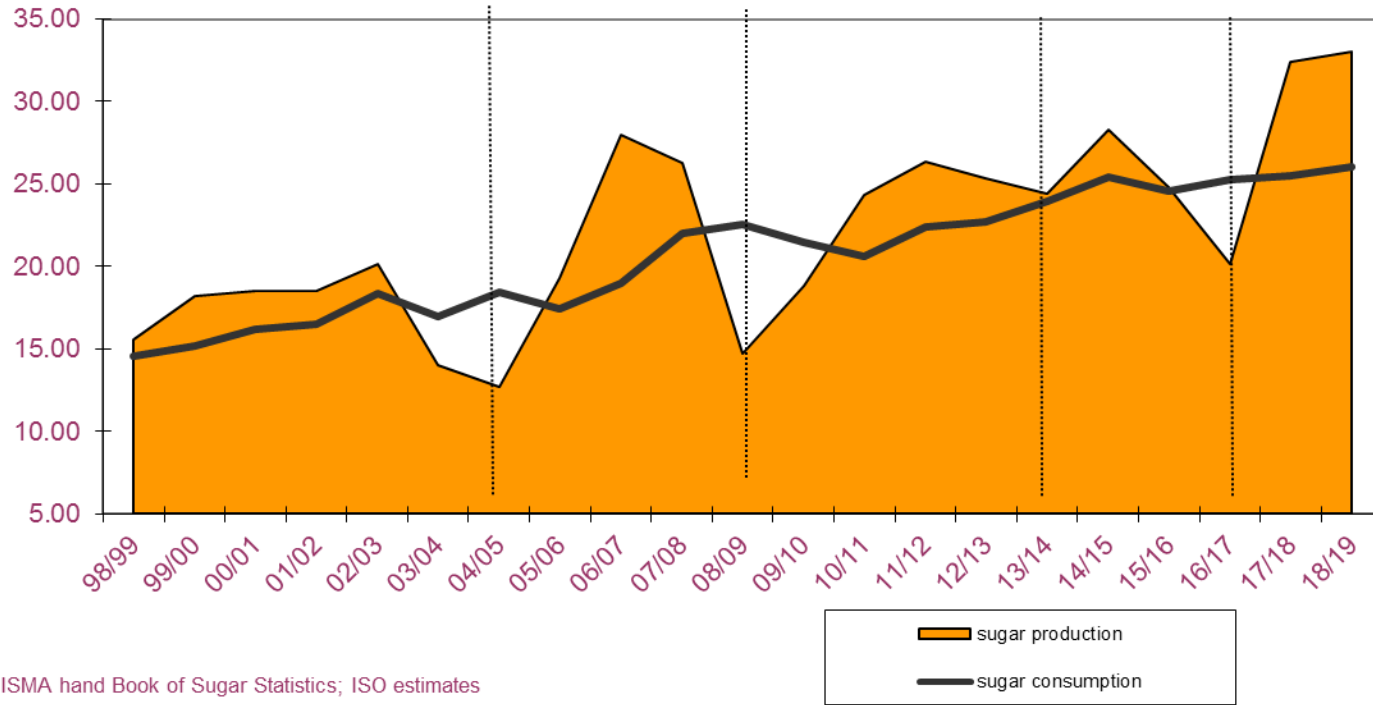


2018/19 output industry's
projections:
July 2018 – 35.0 mln tonnes
Oct 2018 – 32.4 mln tonnes
Jan 2018 – 30.7 mln tonnes
May 2018 – 33.0 mln tonnes

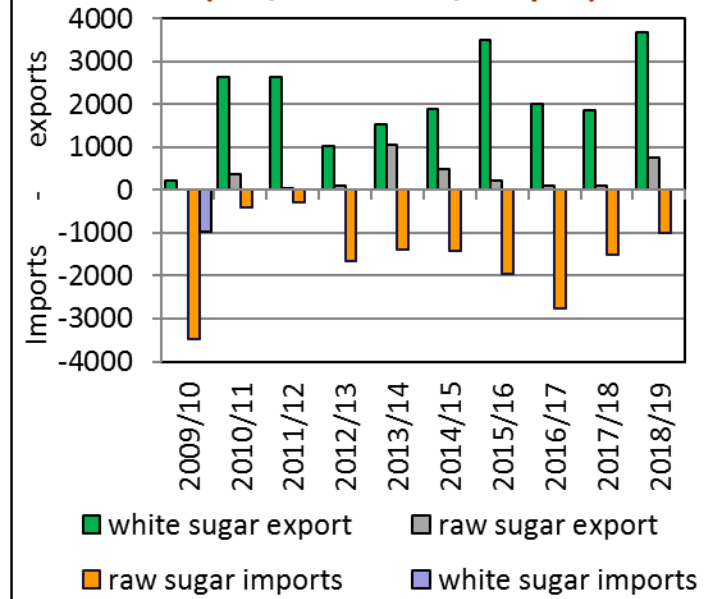
India – the world's largest sugar producer and consumer



Sugar production and consumption in India (in mln tones, tel quel)



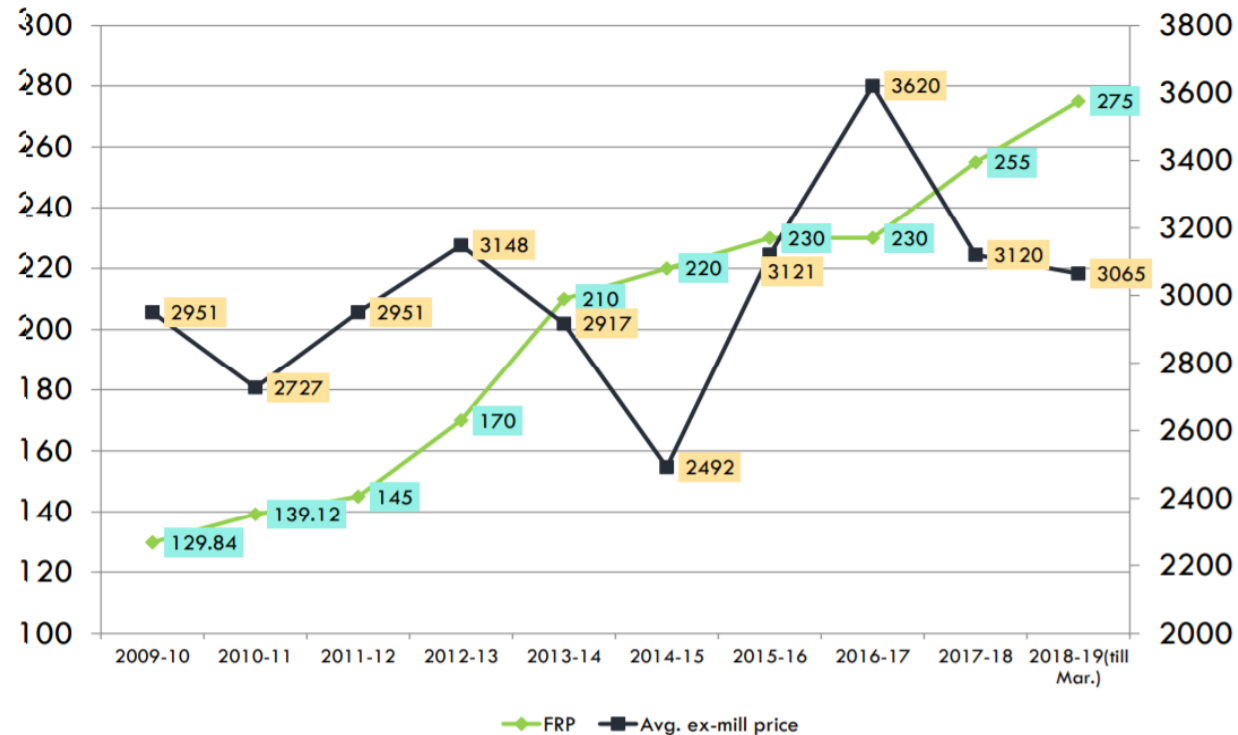
Sugar exports and import by India (in 1,000 tonnes, tel quel)



India – the world's largest sugar producer and consumer



FRP Vs Ex-mill sugar prices



50 mln cane growers

Guaranteed prices for cane
 (2011/12 - INR1450/τ USD29/t
 2015/16 - INR2300/τ USD38t
 2018/19 - INR2750/τ USD41/t
 2019/20 - ???

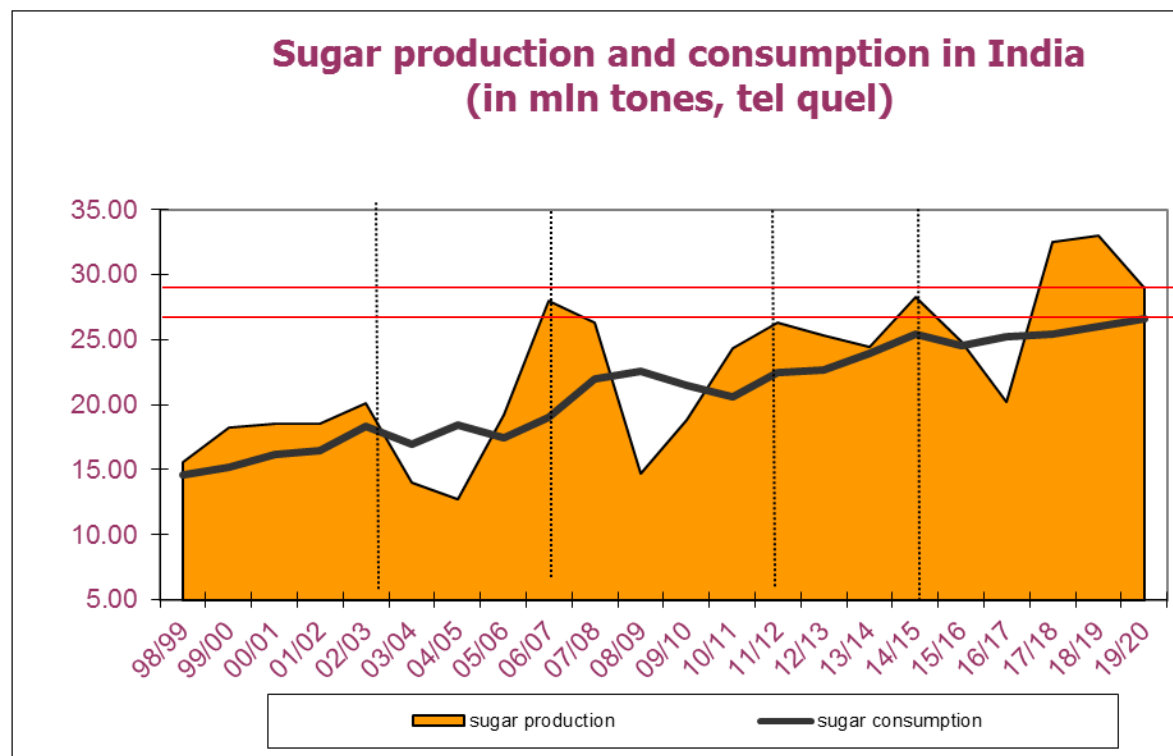
... But cane prices are not correlated to sugar prices ...

Millers' arrears to farmers (June 2019)
 INR190 bln (USD2.7 bln)



India – the world's largest sugar producer and consumer





Production to decrease to 29 mln tonnes
Deficient monsoons
Cane arrears

2.4 mln tonnes + stocks (~15 mln t – ISMA)
ISMA targets 7 mln tonne exports

India – the world's largest sugar producer and consumer



March 2019 – The WTO dispute settlement body received three submissions from Brazil, Australia and Guatemala about sugar and sugarcane in India. The specific measures that are subject of the request for consultation include the fixing of Minimum Indicative Export Quotas (MIEQ), minimum selling prices (MSP) in the domestic market and increasing fair and remunerative cane prices (FRP), which is lifting production above domestic requirements.

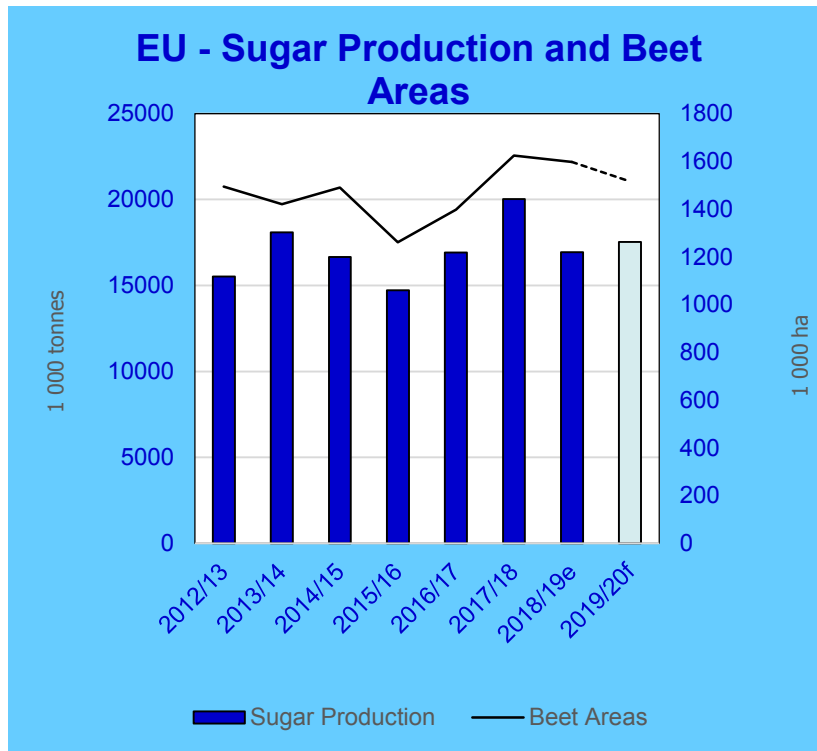


Can ethanol reduce India's sugar surplus?

YES, but it may take some time, particularly due to the necessity to reform the cane payment system. Ethanol production from cane priced at more than USD40/tonne is not economically viable option taking into account abundant molasses supply...

India – the world's largest sugar producer and consumer



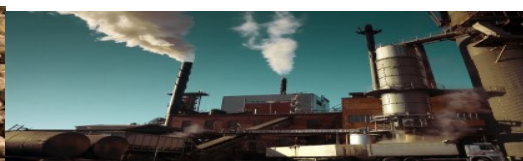


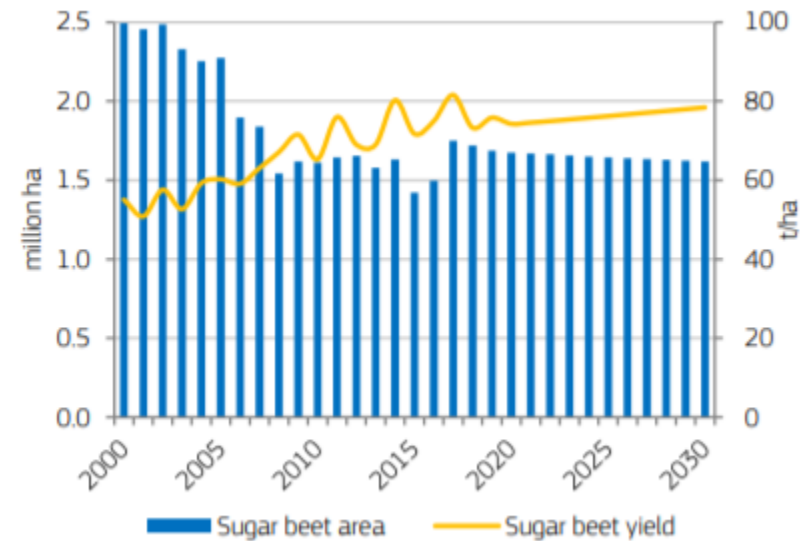
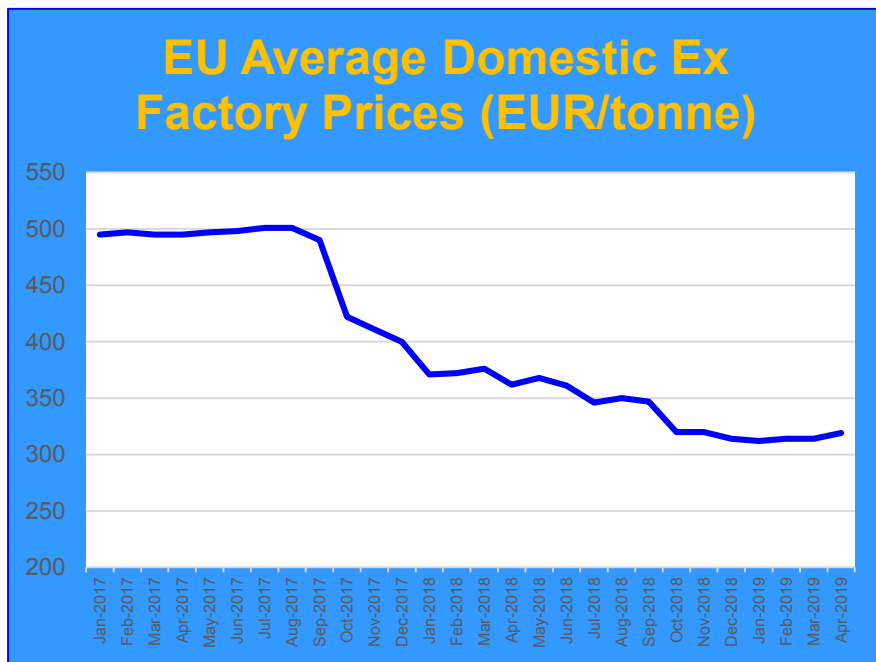
The EU crop monitoring unit MARS currently forecasts sugar beet yields at 75.4 tonne/ha up 11% from 2018/19 and up 0.5% from the 5-year average.

The European Commission estimates planting area in 2019/20 to reduce by 4.6%

Improvements in yields allow us to suggest a modest rise in sugar output by about 3.5% despite a decrease in beet area.

EU-28 – the world's third largest sugar producer

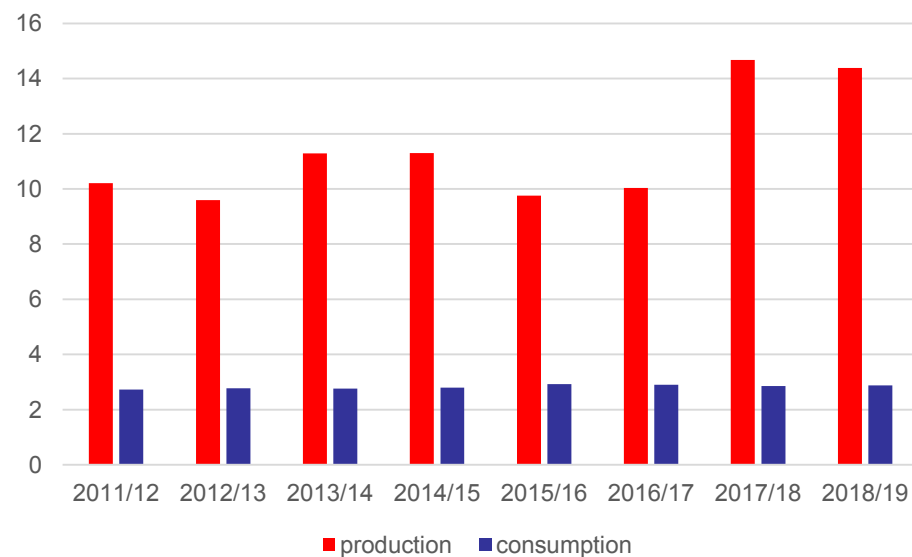




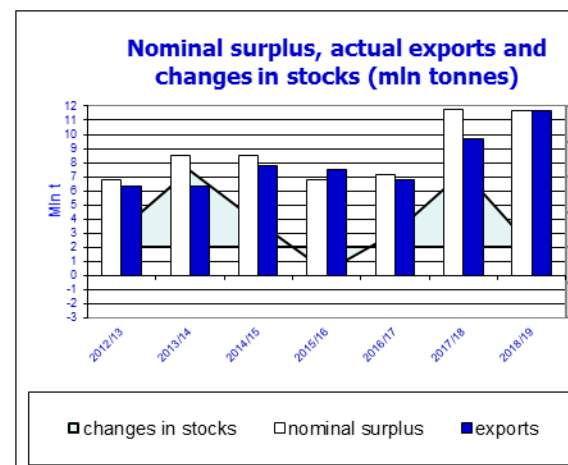
EU-28 – the world's third largest sugar producer



Thailand – Sugar Production and Consumption

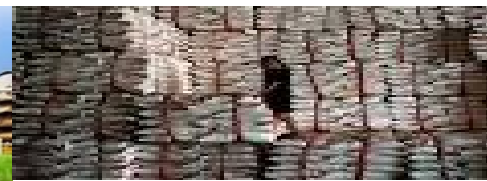


2018/19 output industry's projections:
Dec 2018 – 13.0-13.5 mln tonnes
May 2018 – 14.4 mln tonnes

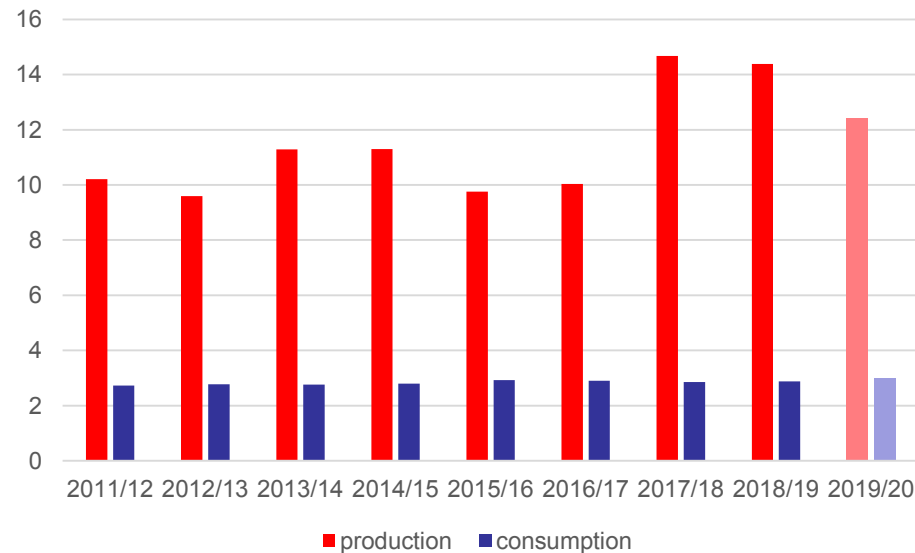


Ending stocks
Sep 2016 – 4.3 mln t
Sep 2019 – 6.8 mln t

Thailand – the world's second largest sugar exporter



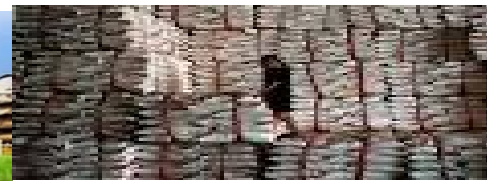
Thailand – Sugar Production and Consumption



For 2019/20 we assume a 1.5 mln tonnes drop as poor cane prices at a time of rising prices for cassava – a key competitor for cane cultivation – are estimated to have driven farmers to switch between crops...

... but exports may be not effected as stocks are high

Thailand – the world's second largest sugar exporter



**Consumption
Growth
+1.39%**

**Production
2019/20**

Deficit

~177.9 mln t

~174.4 mln t

3.5 mln t

However, considerable surplus stocks are still overhanging the market and still need to be absorbed before prices can return to more remunerative levels for producers.

2019/20



CONCLUSIONS

High Accumulated Stocks will have to be absorbed by the market before we can see any improvement on prices.

Government policies will continue to support the sugar sector, mainly for political reasons.

The weather will play a vital role as it's the key element that could provoke variations in production and perhaps some significant reduction in global output.

The War Against Sugar will continue, it's CRUCIAL the sector communicates better and is able to convey proactive messages based on facts & sound scientific evidence.



Thank you for your attention!

www.isosugar.org

28th ISO Seminar

26-27 November 2019 – London

"Sugar – it's about people"

