



World Sugar in flux - Forecasting the Market Movements

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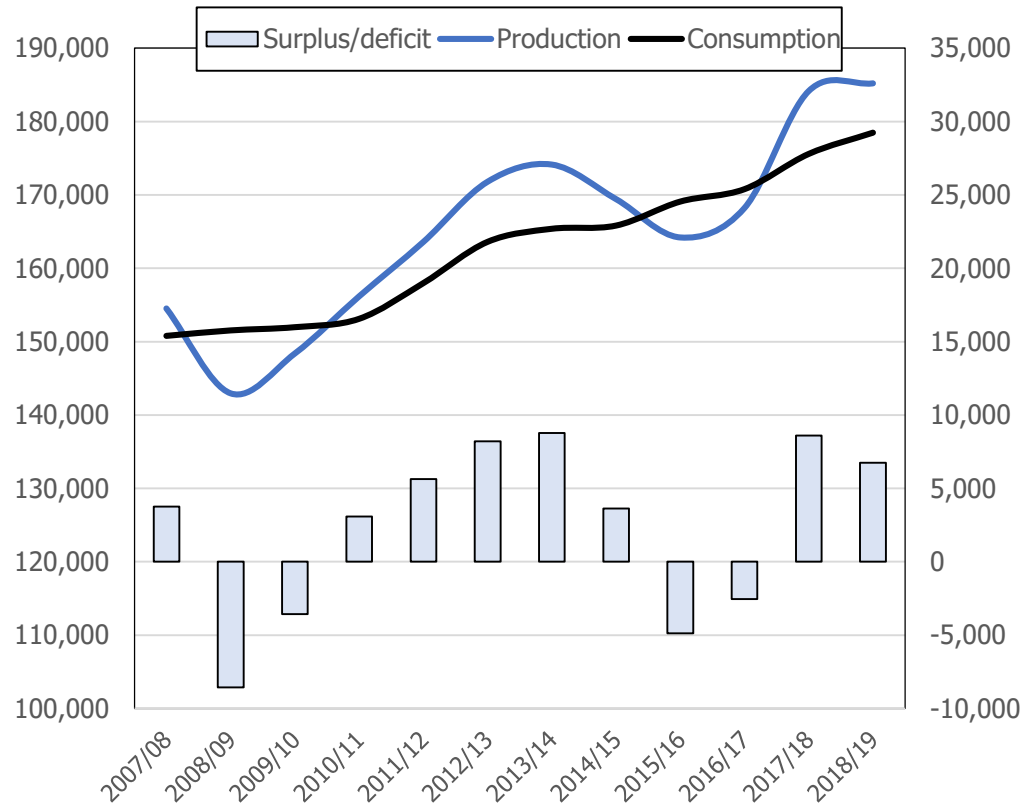
Source: <https://theprogenygroup.com/blog/the-follies-of-making-market-predictions/>

The trouble with forecasting ...

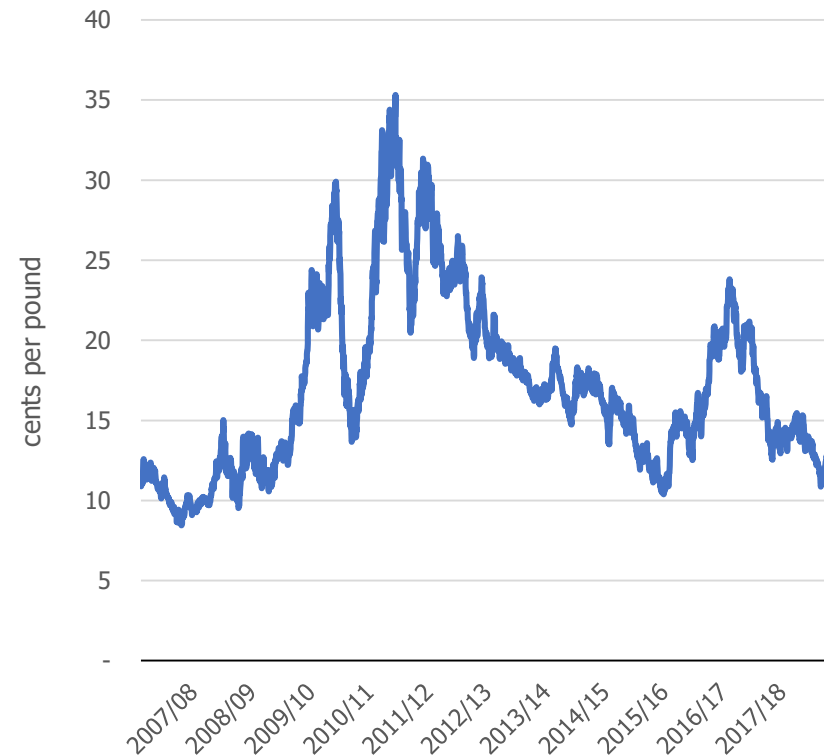


Sugar Fundamentals & Prices

Production vs Consumption (k mt)

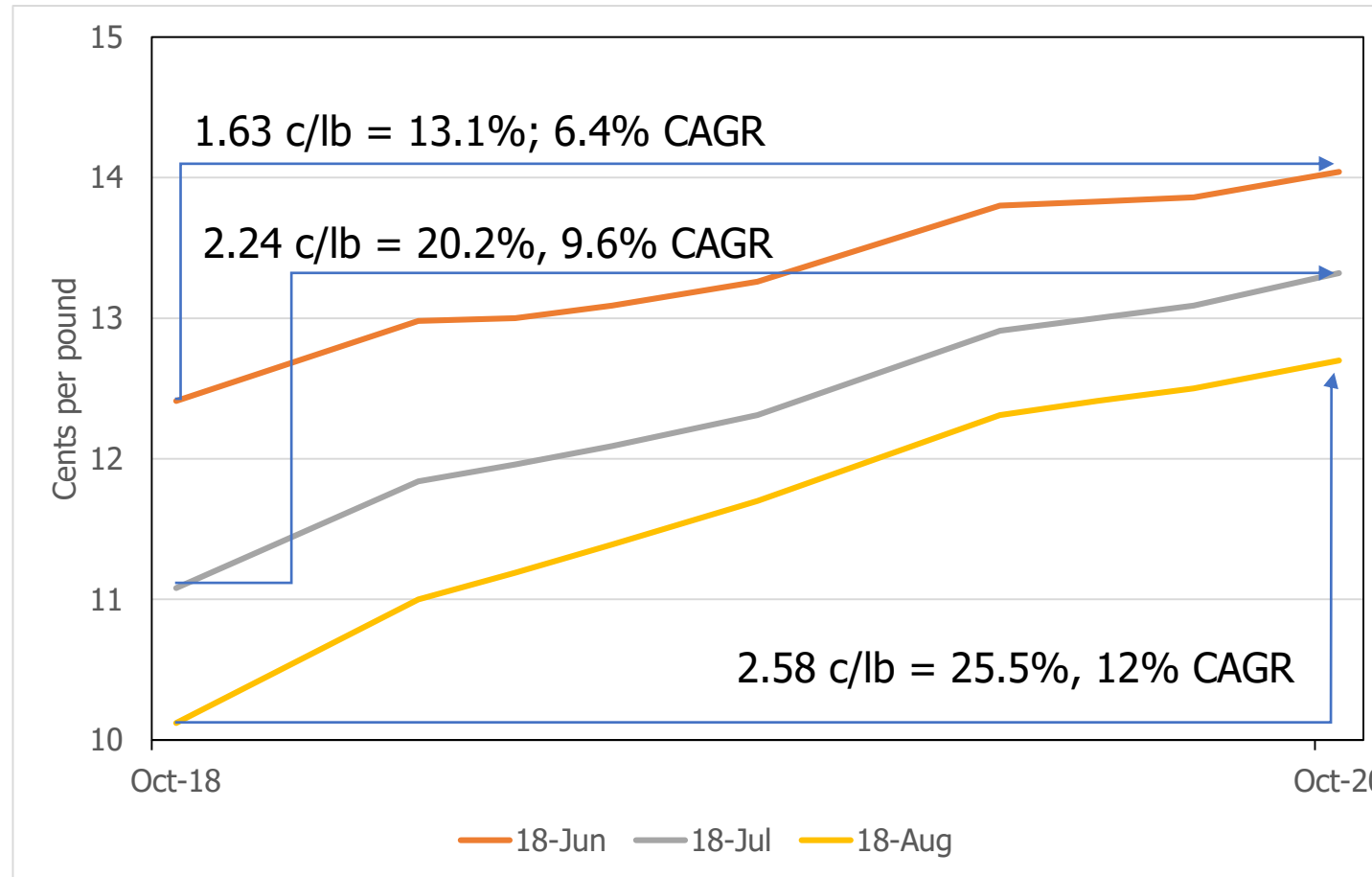


Price Action – No11 Raws



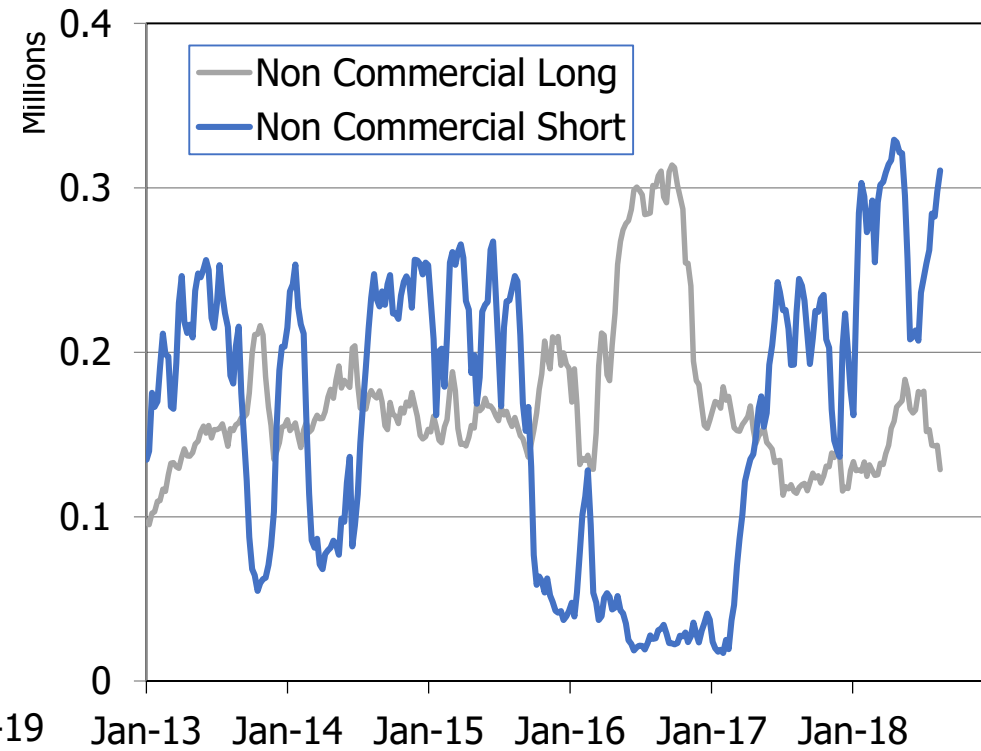
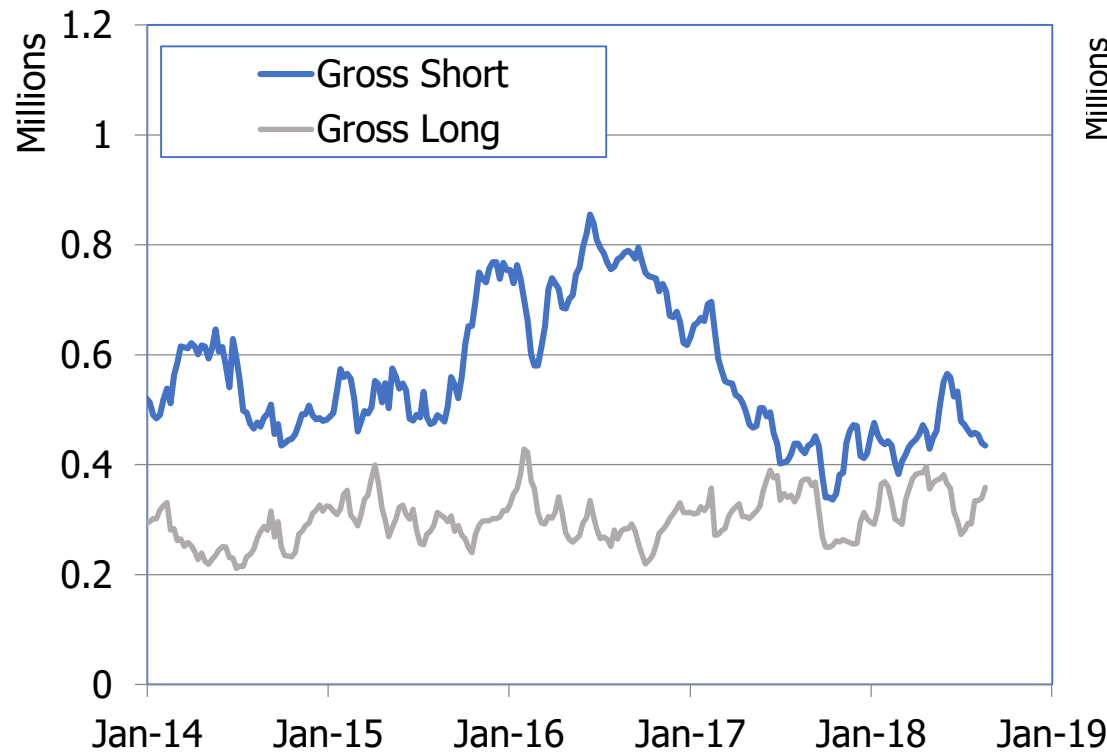


Spreads are dealing with surplus

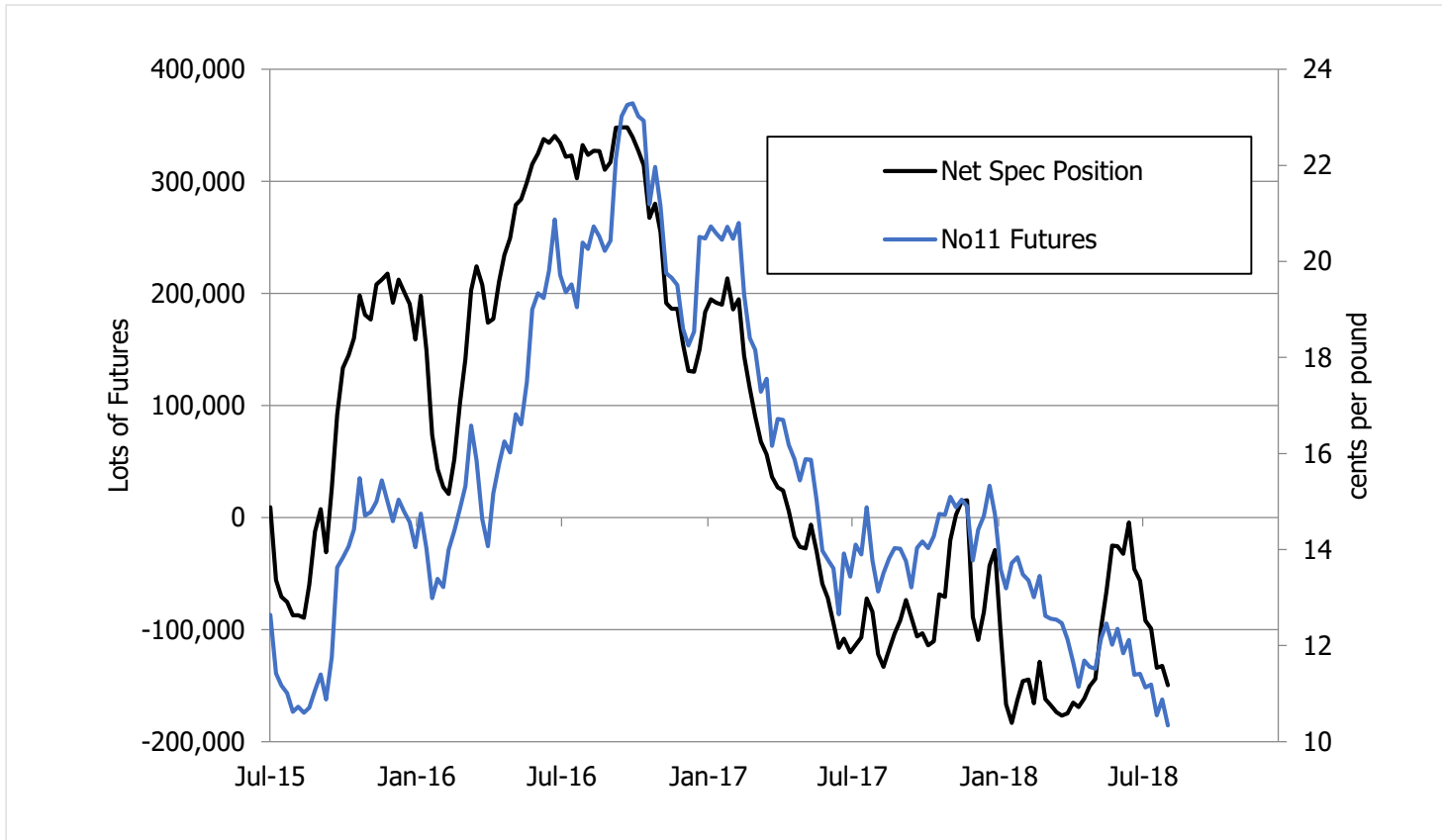




Who is driving the price...?



...





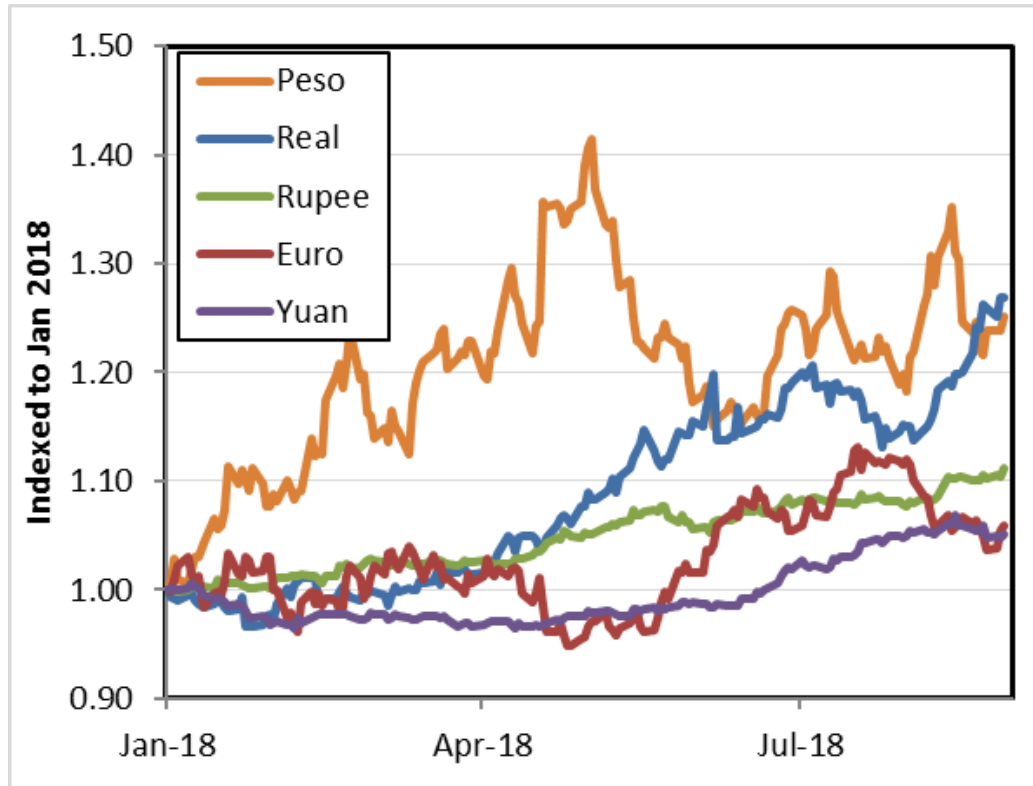
But they are also in other markets

Commodity	Change in spec position since Jan (% of OI)	Price Correlation	Recent direction	Market mood
Coffee	-14%	0.86	down	bearish
Cocoa	0.2%	0.89	down	bottoming
Kansas Hard Wheat	20%	0.83	flat	bullish
Corn	6%	0.86	flat	recovering
Soybeans	2%	0.77	sliding	bottoming
Sugar	-11%	0.11	down	bearish





And there are currency markets



- Continued talk of Mexican deliveries
- Big swing in CS Brazil ethanol allocation despite Reais
- Indian Rupee steady
- EU exports unprofitable





Market outlook

- Spreads will continue to pay a carry (but not in the whites....)
- Speculative interest in sugar could wain
.... other markets have better “stories”
- Dollar strength / Reais weakness should cap upside
- But there are changes taking place in the commercial market



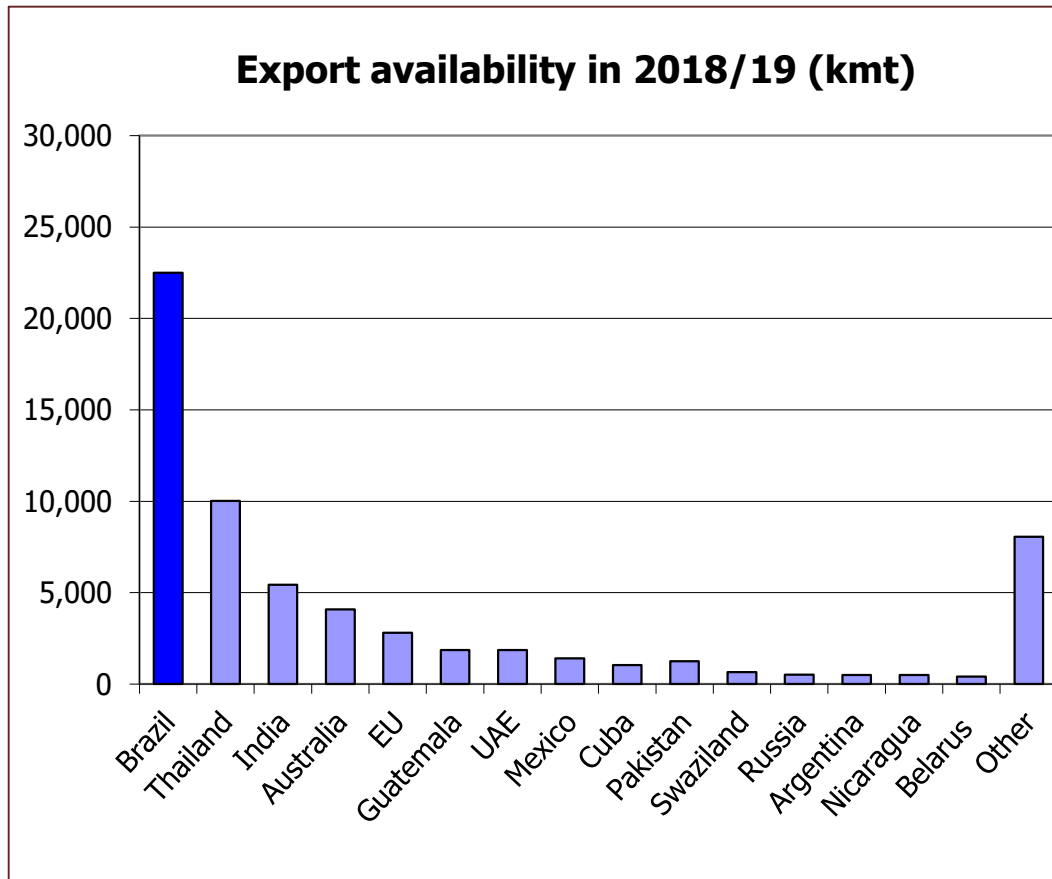


World Sugar in flux

Forecasting the Market Movements



Export availability...

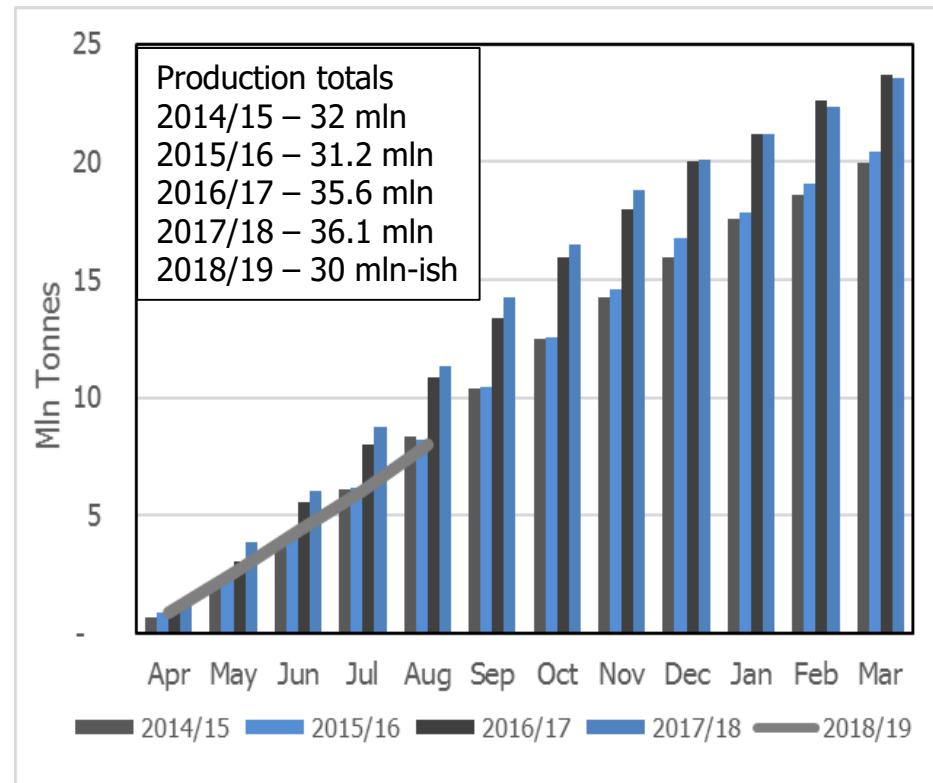
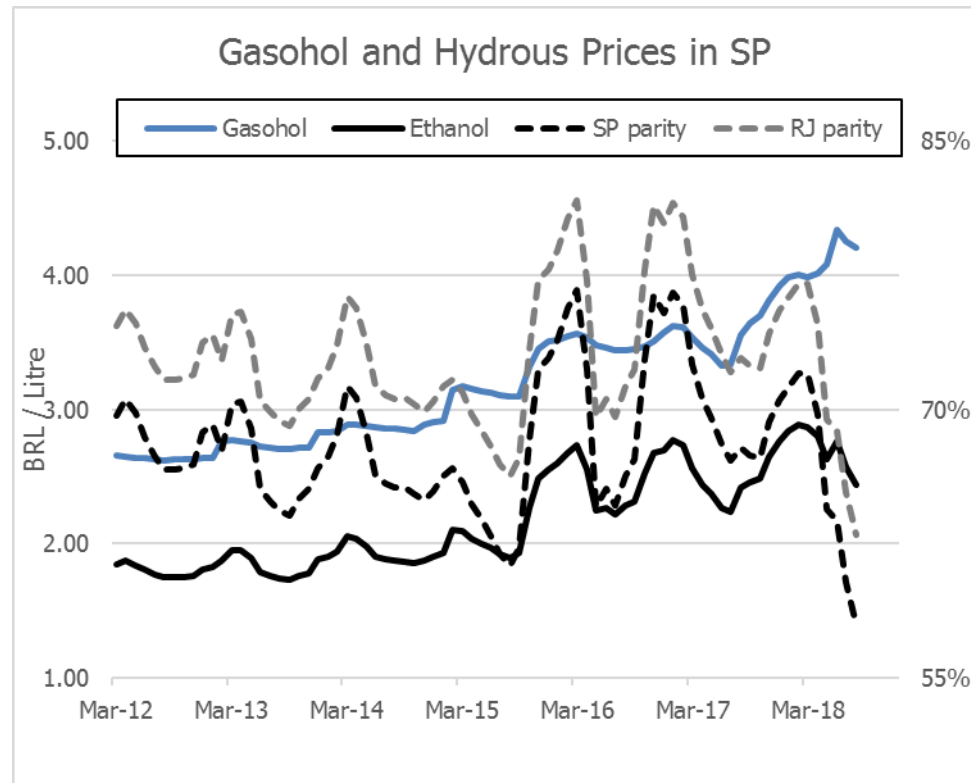


- CS Brazil production – down 6mmt and Apr-Aug export – down 3.3mmt
- Thai mills are allocating higher volume to whites – 4.1mmt remelt
- Indian mills not selling at current prices

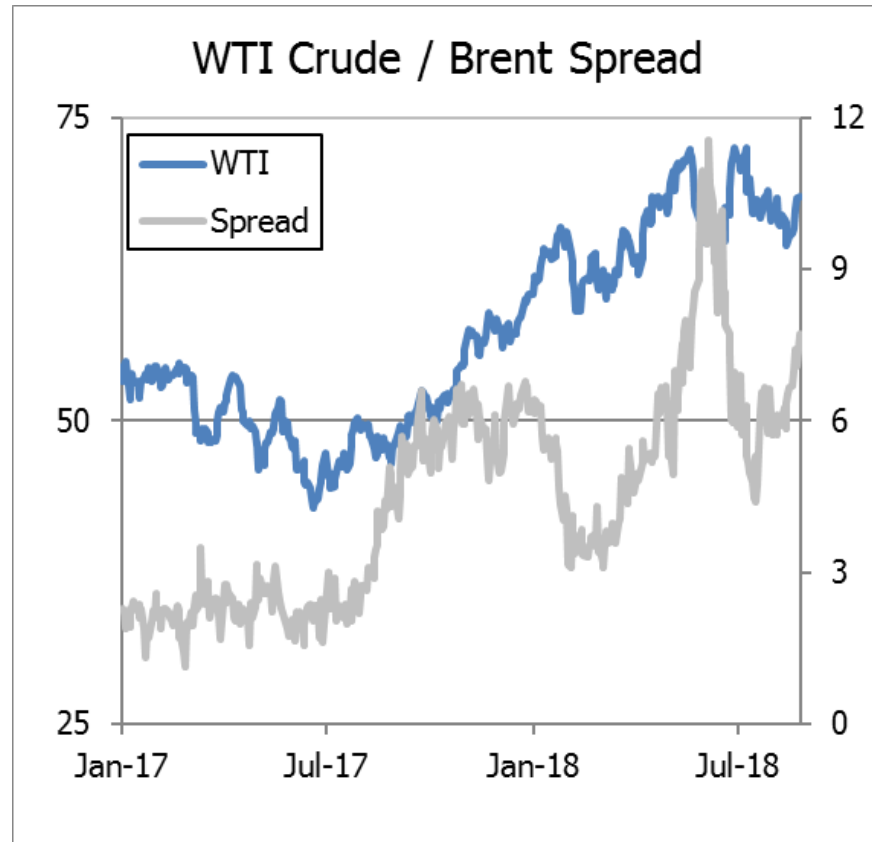




CS Brazil Ethanol / Sugar Export



Other ethanol thoughts

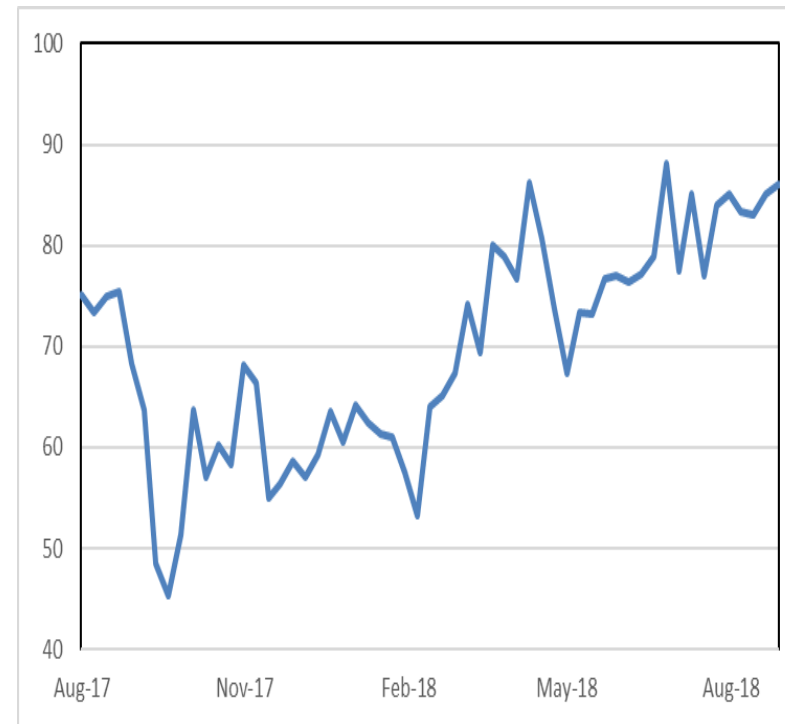
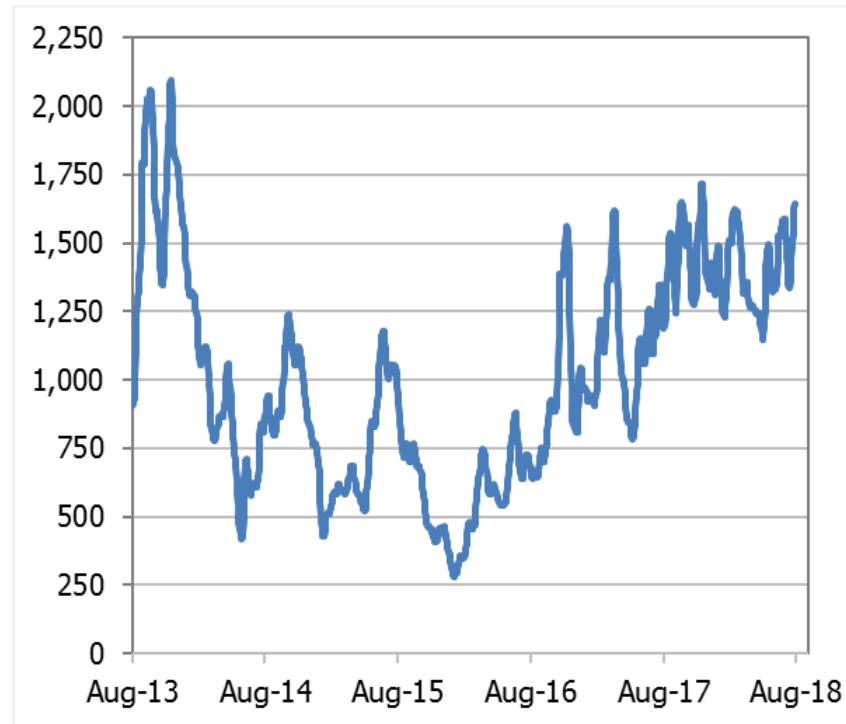


- Oil looks steady near \$70
- WTI and Brent are diverging – eliminates Shale Gas
- Other ethanol programmes remain molasses-focused but are expanding



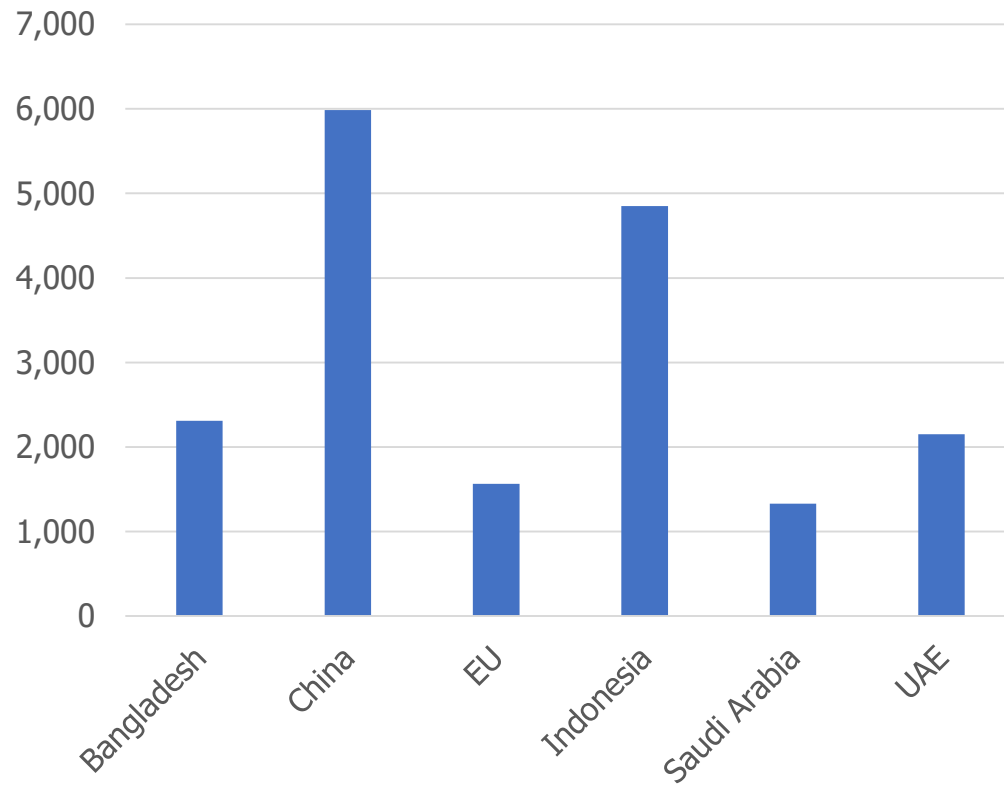


Key drivers for refiners – freight and WP





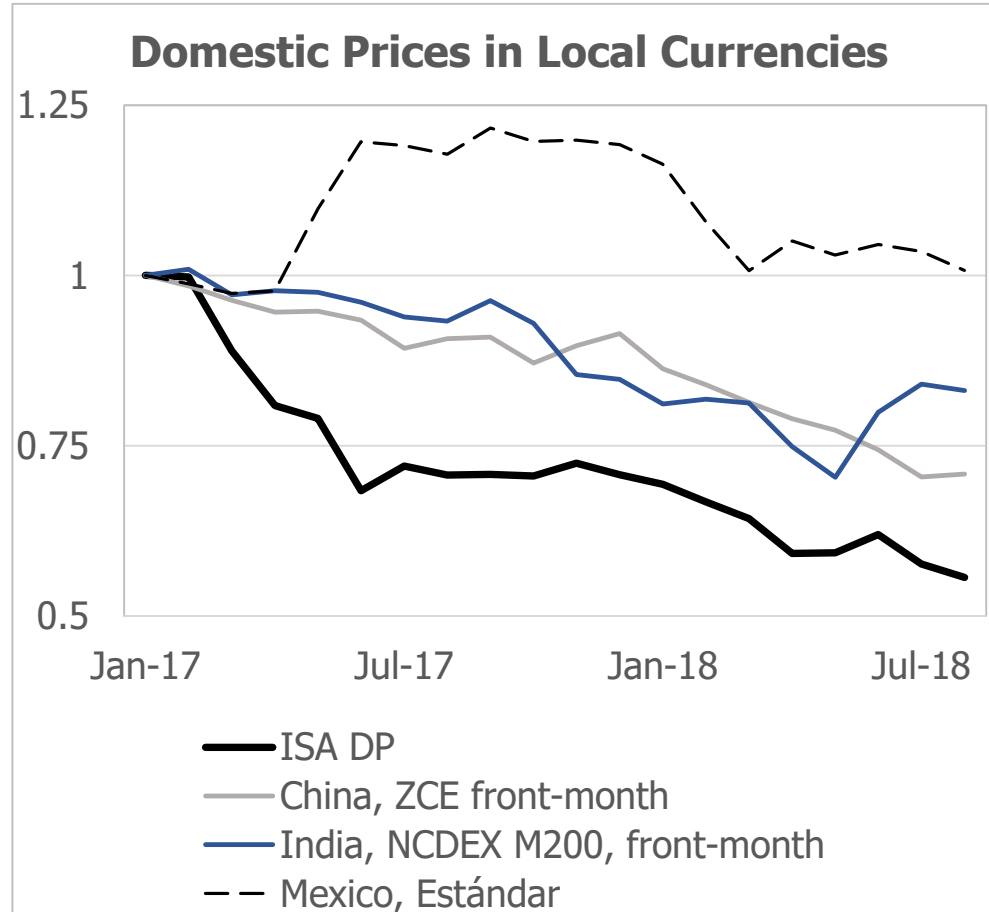
...and import demand



- Indonesia licences are not price-sensitive
- China raw sugar imports now on level playing field
- Bangladesh / UAE steady
- EU imports disappoint



Domestic Prices



- ISA price has fallen by 45%
- Mexican consumers have not seen any change
- Indian consumers have seen a 17% reduction
- Chinese consumers get a 29% reduction, but import taxes have increased....





Changing Trade Landscape

- From WTO to UN SDGs
- Bilateral Trade Agreements to binary trading routes
- Single-origin traders / brokers => inflexible trading books

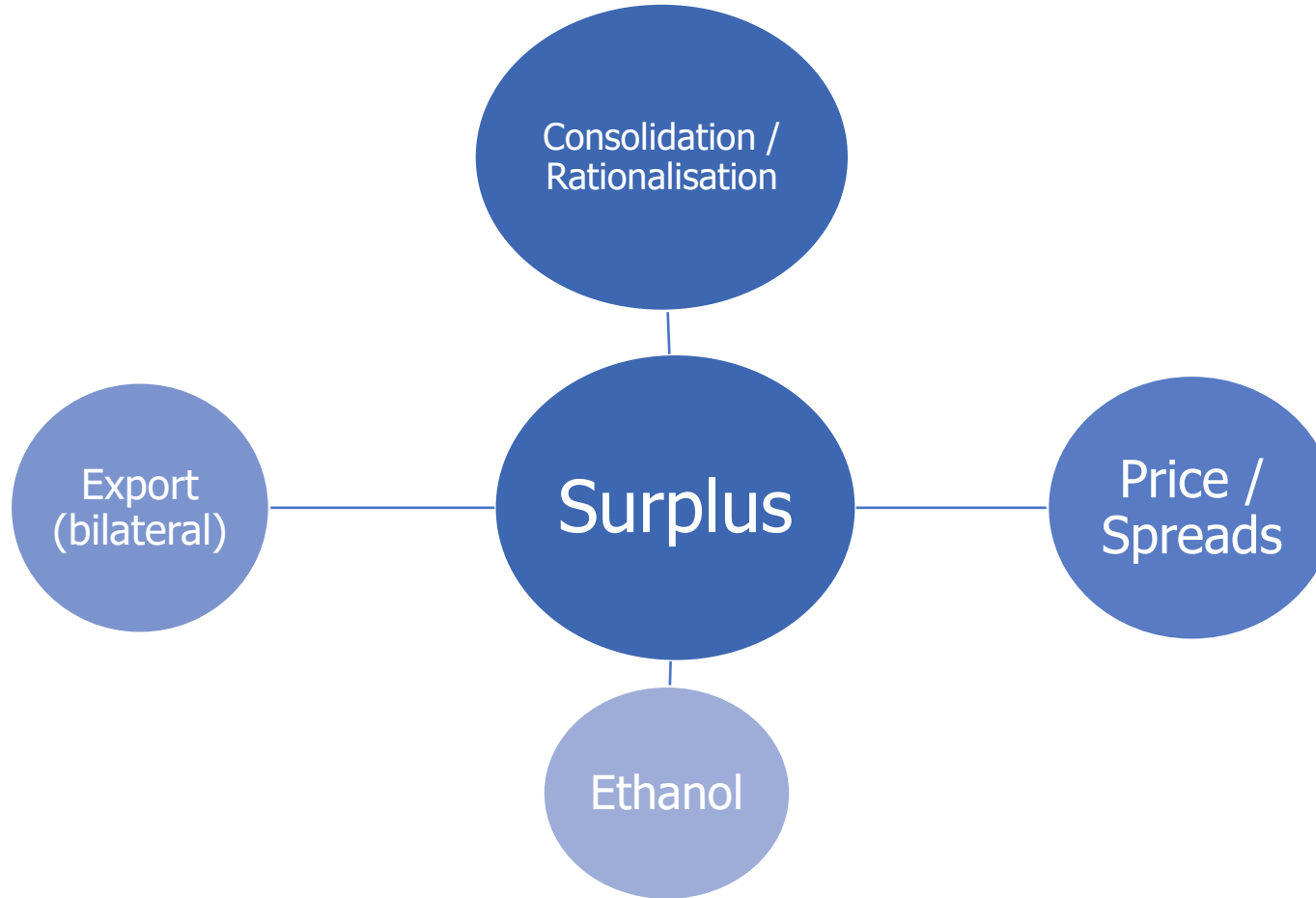




The traders' dilemma



Conclusions: Market in flux





Forward View

- No obvious increase in industry capacity although de-bottlenecking continues
- No weather guarantee
- Indian swing-cycle returns





Thank you

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ISO 27th International Sugar Organization Seminar
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