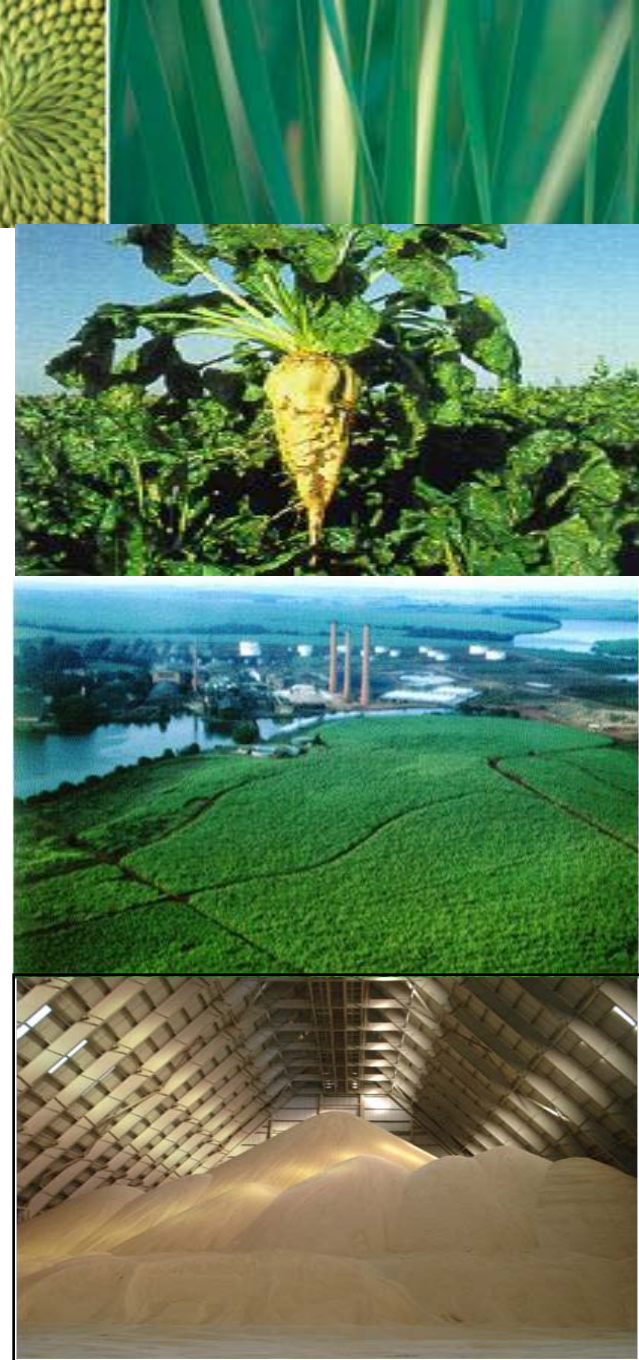


# New Trade Flows in Sugar

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Kingsman India Sugar Summit  
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# Agenda

- The Declining Flows
- The Static Flows
- The Growing and New Flows
- Conclusions



# Ambition !

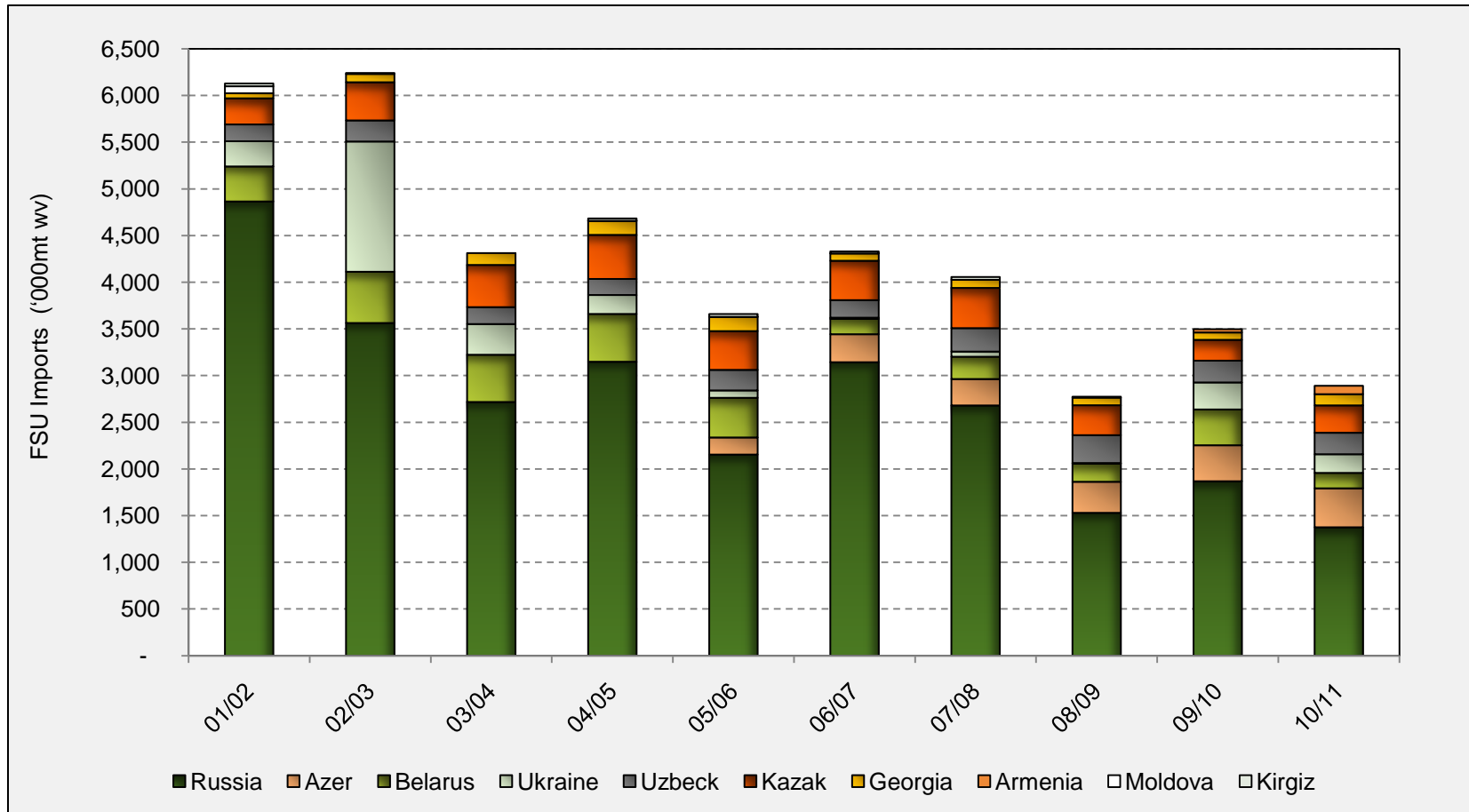




# The Declining Flows

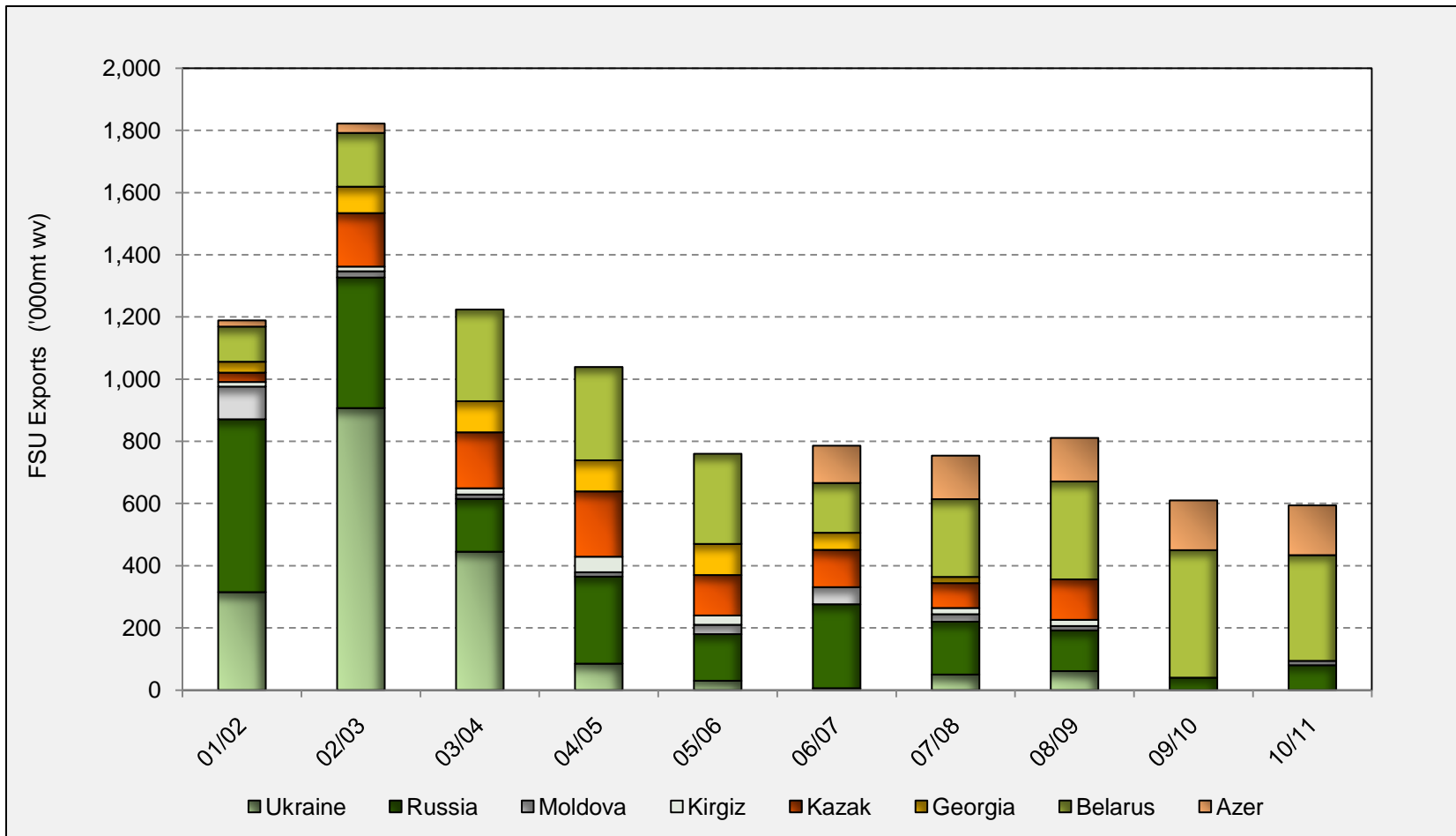


# FSU Raw sugar imports continue their declining trend



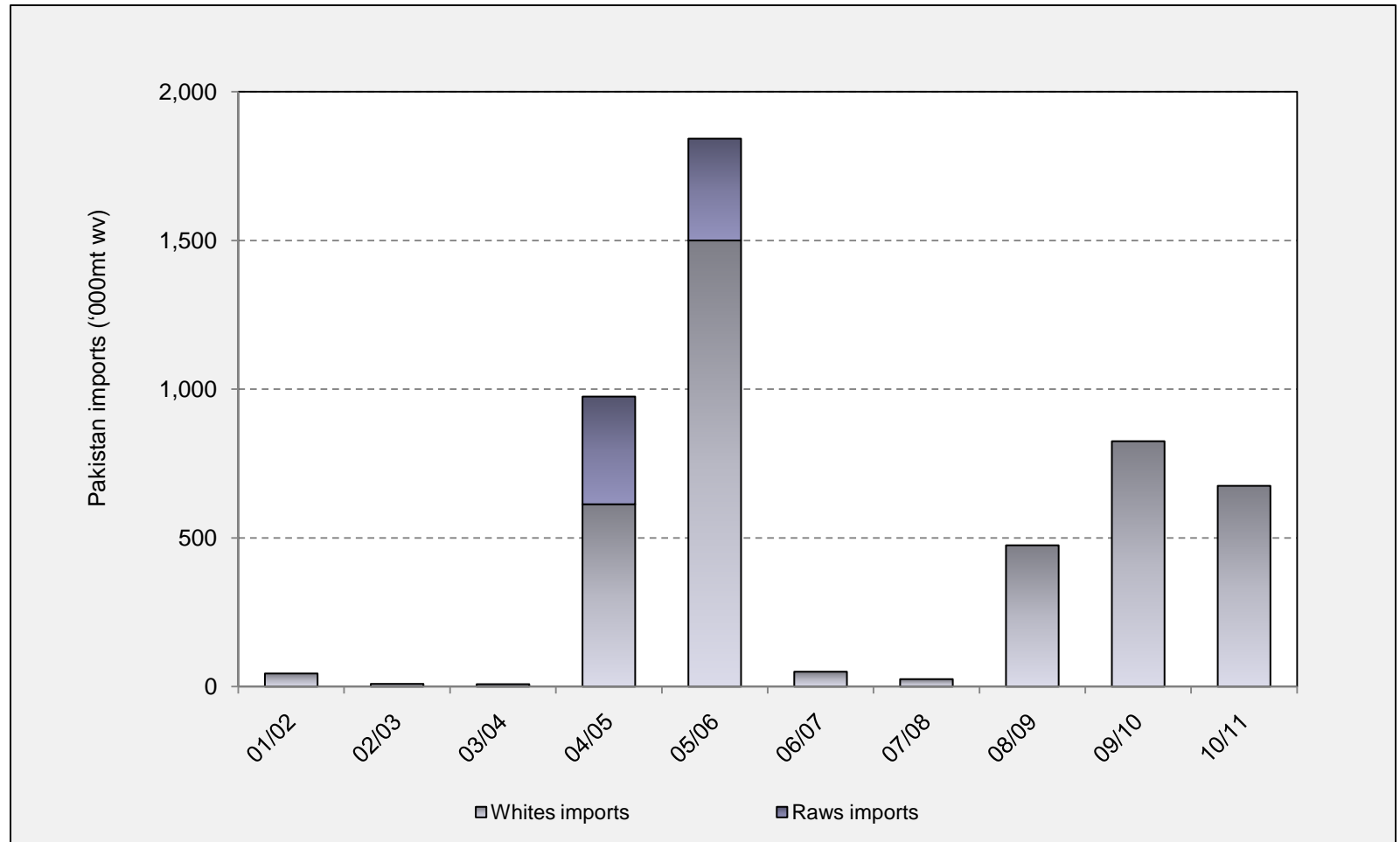
- Trend is down as production increases and consumption falls.
- Bulk of the decline attributable to Russia though Kazakhstan also plays a role.
- Belorussian exports to Kazakhstan are growing.

# FSU White sugar exports also in decline



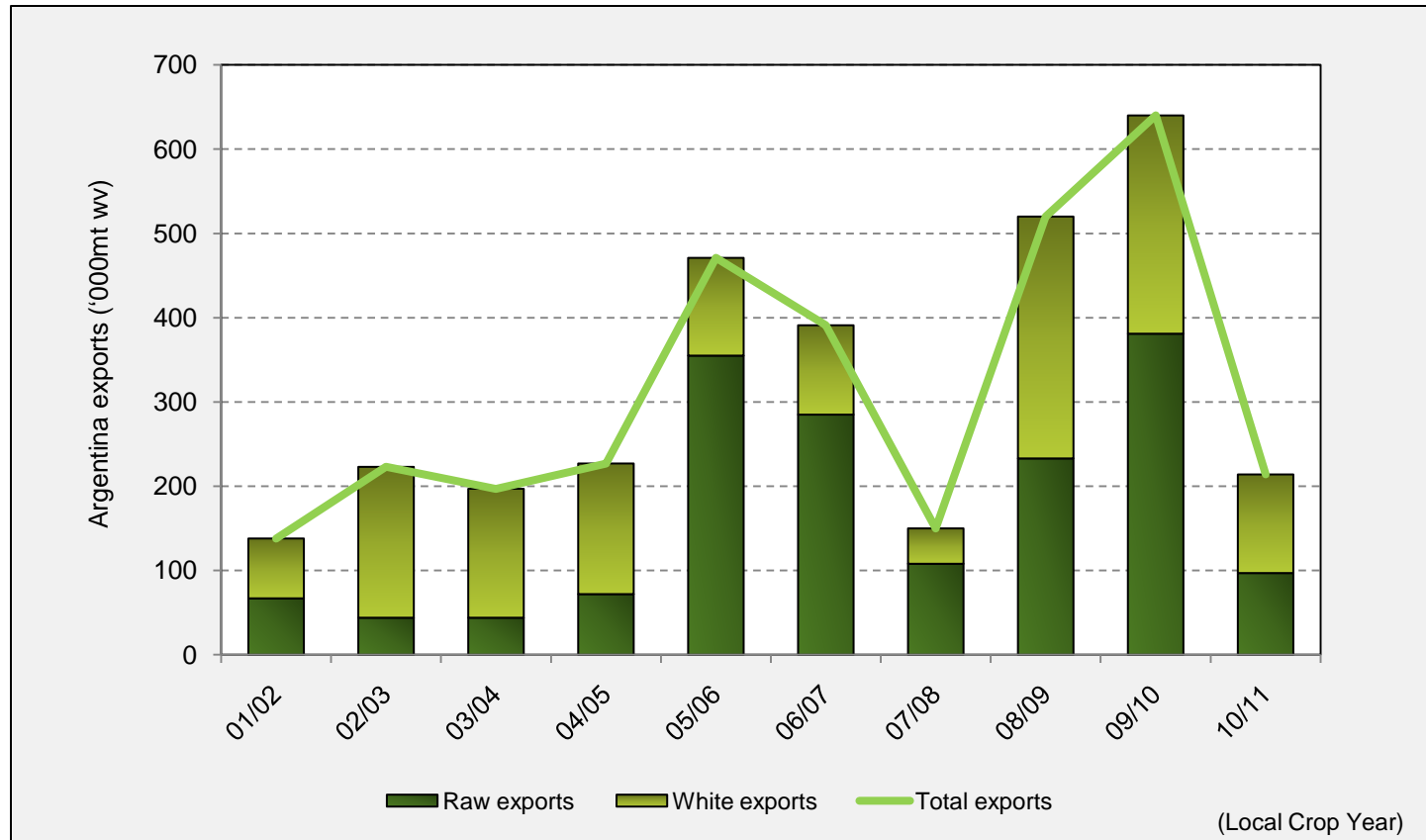
- Kazakhstan white exports disappear.
- Belarus now world's 7<sup>th</sup> largest whites exporter with 70% share of FSU whites export market.
- Azerbaijan maintaining/growing slowly their exports.

# Pakistan: White imports expected to decline



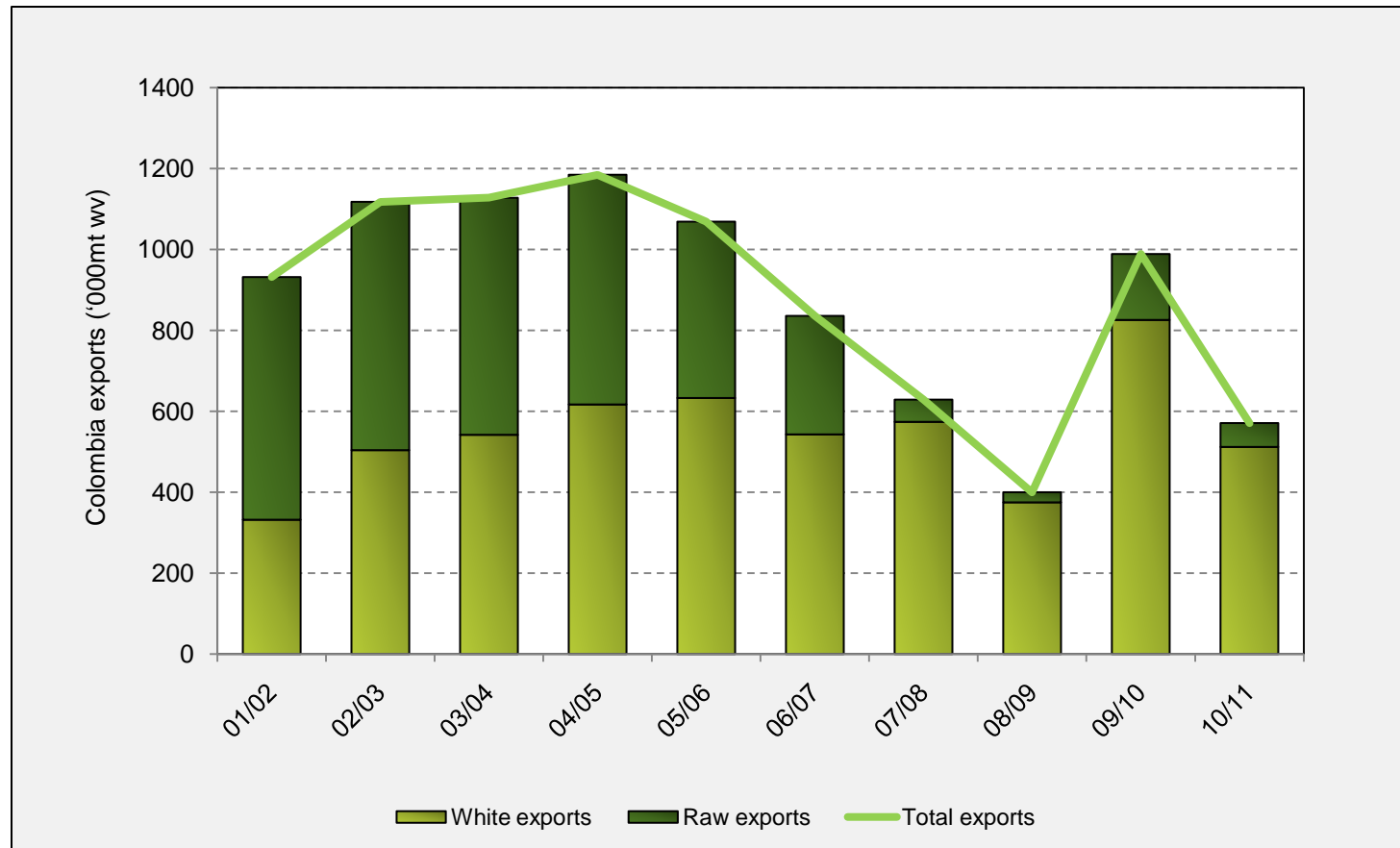
- 10/11 production expected up 500mmt which leads imports to fall 18%.
- Despite some drought damage, Pakistan production expected to recover off low 09/10 base.
- OND 10 arrivals mitigate the fall in 09/10 import volumes.

# Argentina starts producing ethanol and cuts sugar exports



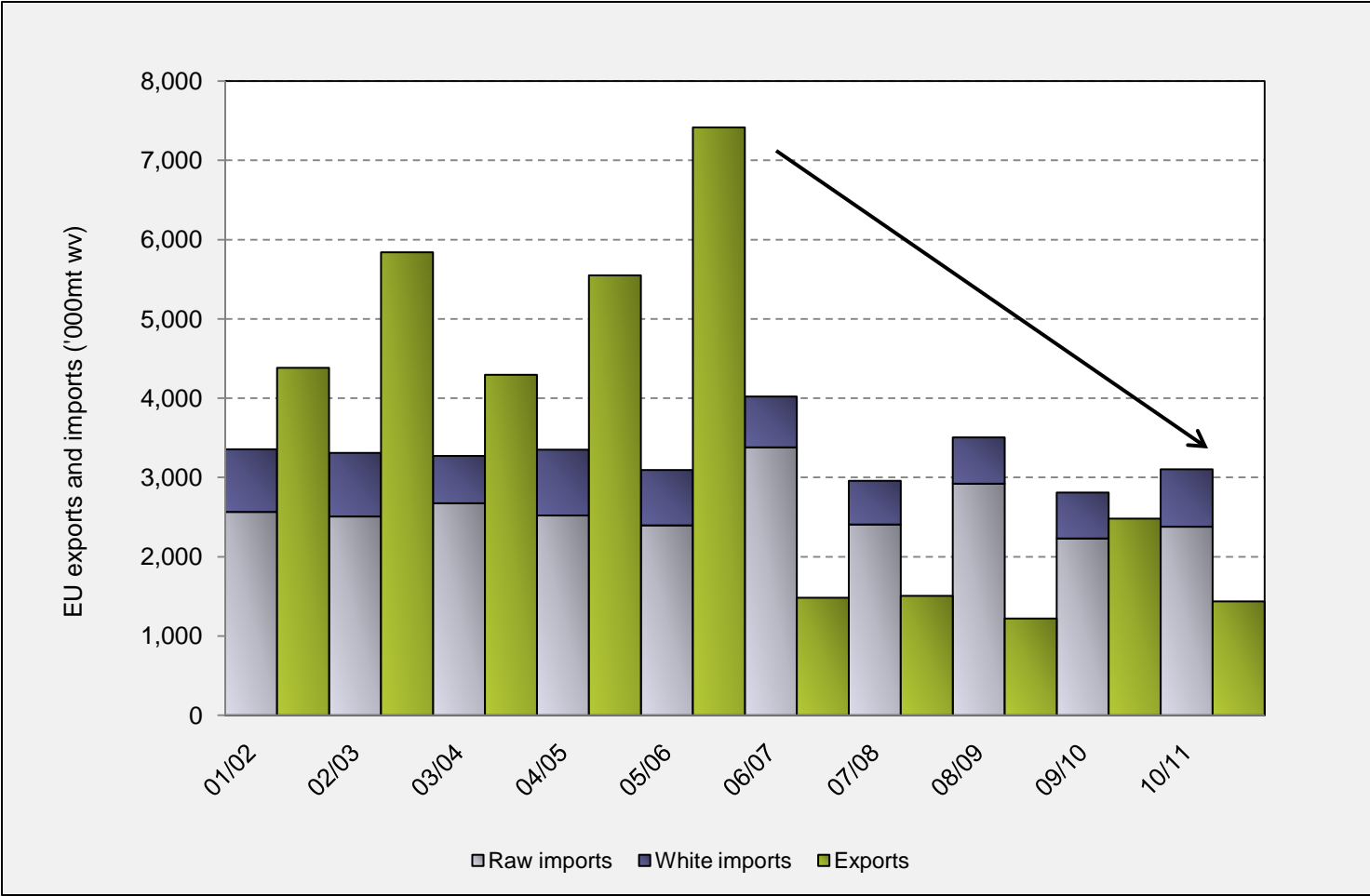
- Ethanol program diverts greater portion of the cane away from sugar to ethanol.
- 10/11 sugar output is expected to fall by 7%. 11/12 – (-12%).
- Total exports down 70% with Raws worst hit.

# Colombian sugar exports on downward trend



- Historically exports were evenly split between Raw and White.
- In 10/11, exports expected to drop by 42% on reduced production.
- 2011 introduction of Ethanol program will exacerbate this decline in White exports.

# EU27 exports & imports



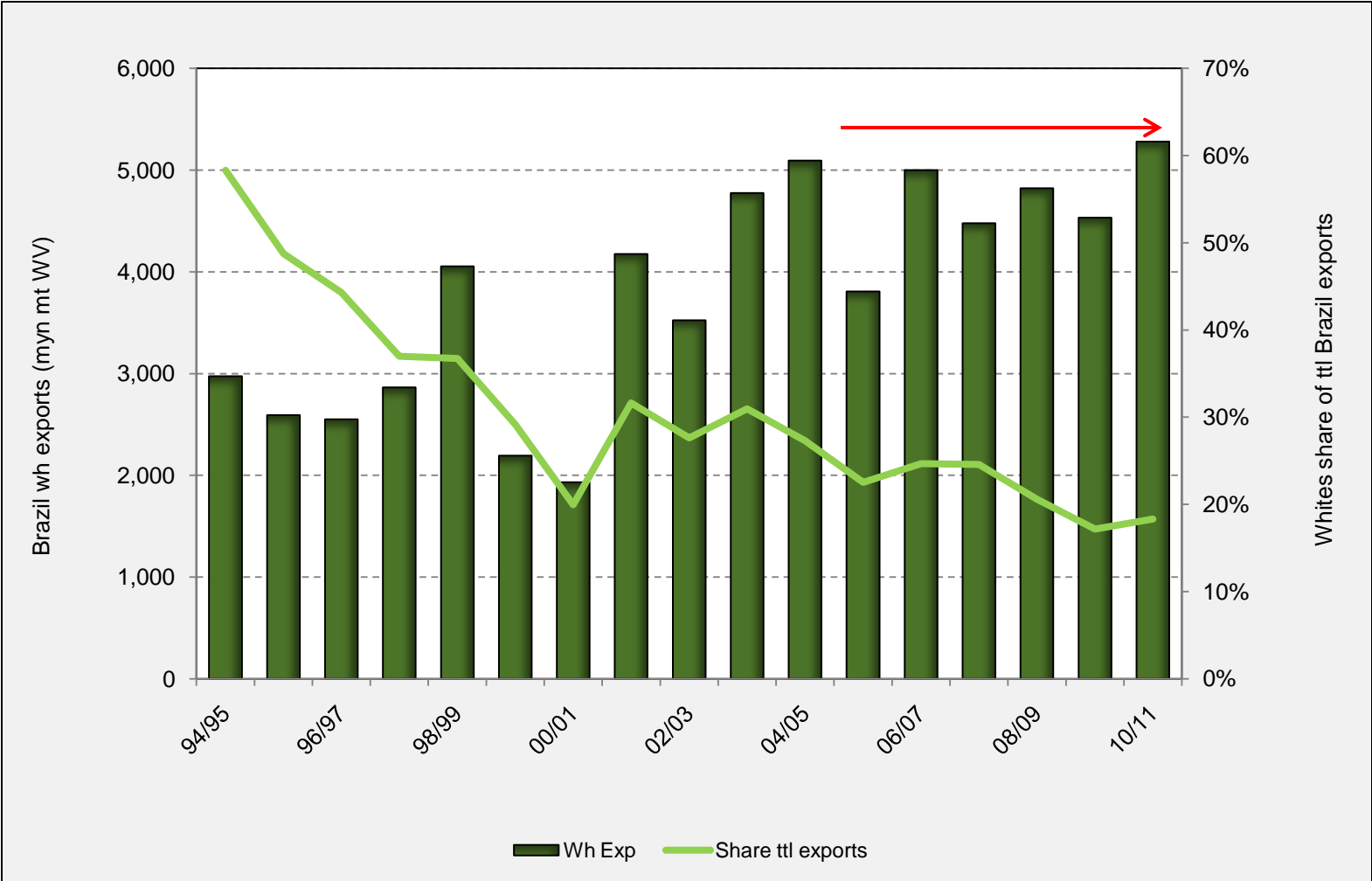
- Exports in decline – function of policy.
- Imports have not yet taken off as EBA is starting.



# The Static Flows

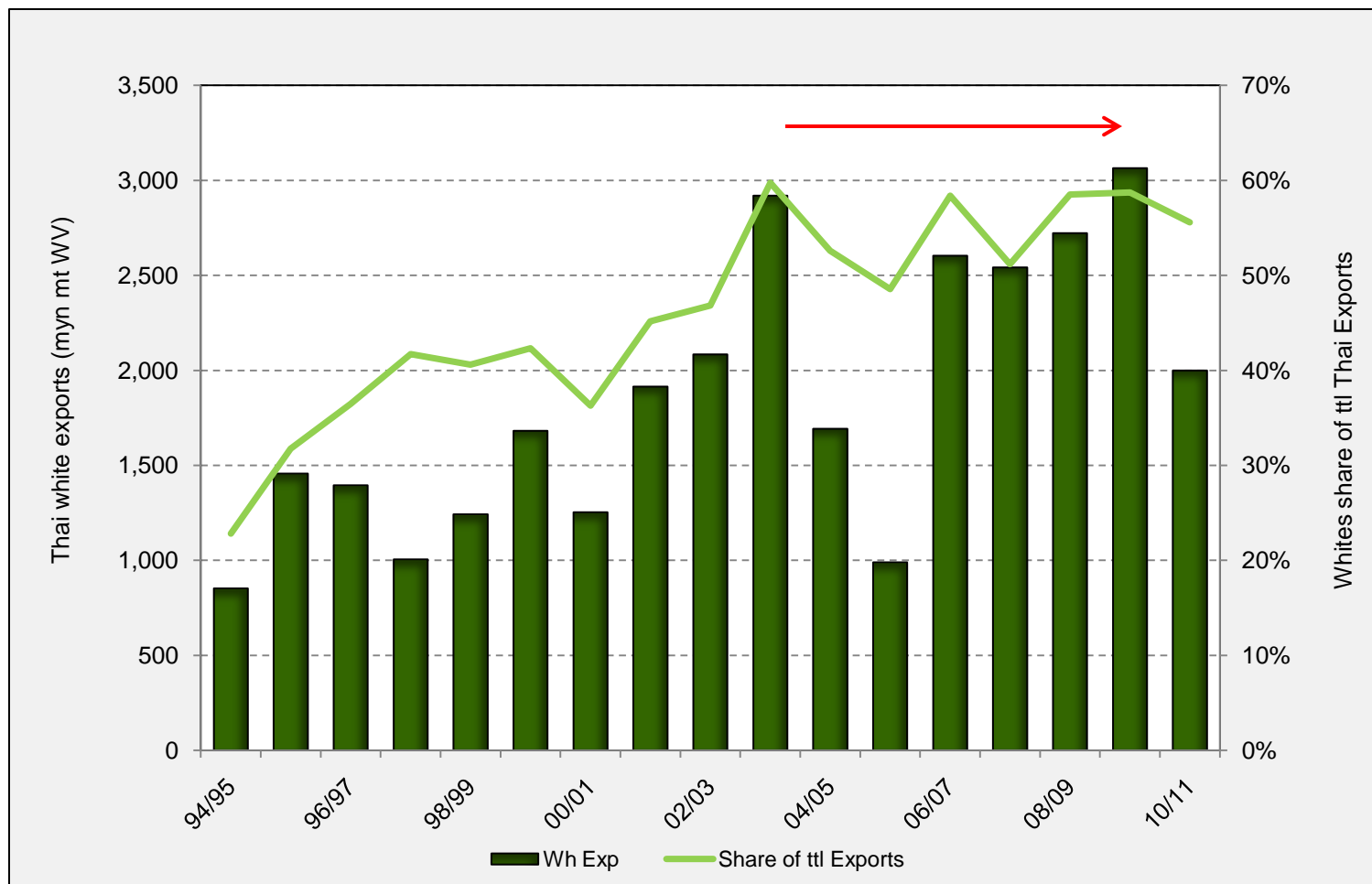


# Brazil : white exports appear to have maxed out at 5myn mt



- As overall exports grow, Whites' share of exports declines to 18%.
- Brazil focuses its attention on Raws.

# Thailand: Maximum production unchanged since 2004



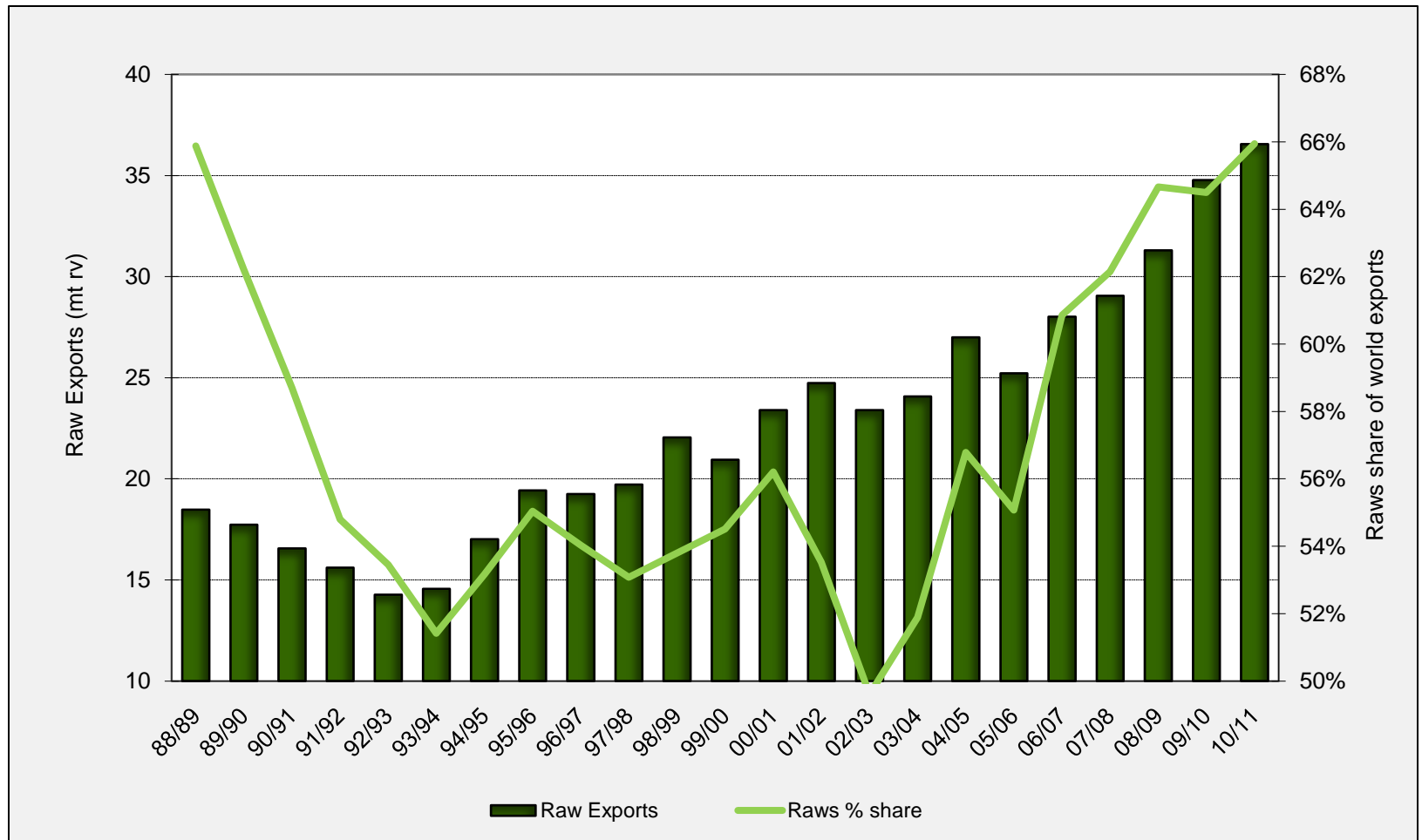
- Whites share of total Thai exports have exceeded 50% since 03/04.
- But, absolute volume of White exports static at about 3myn mt.
- 2011 domestic quota increase will impact Whites exports.



# The Growing & New Flows

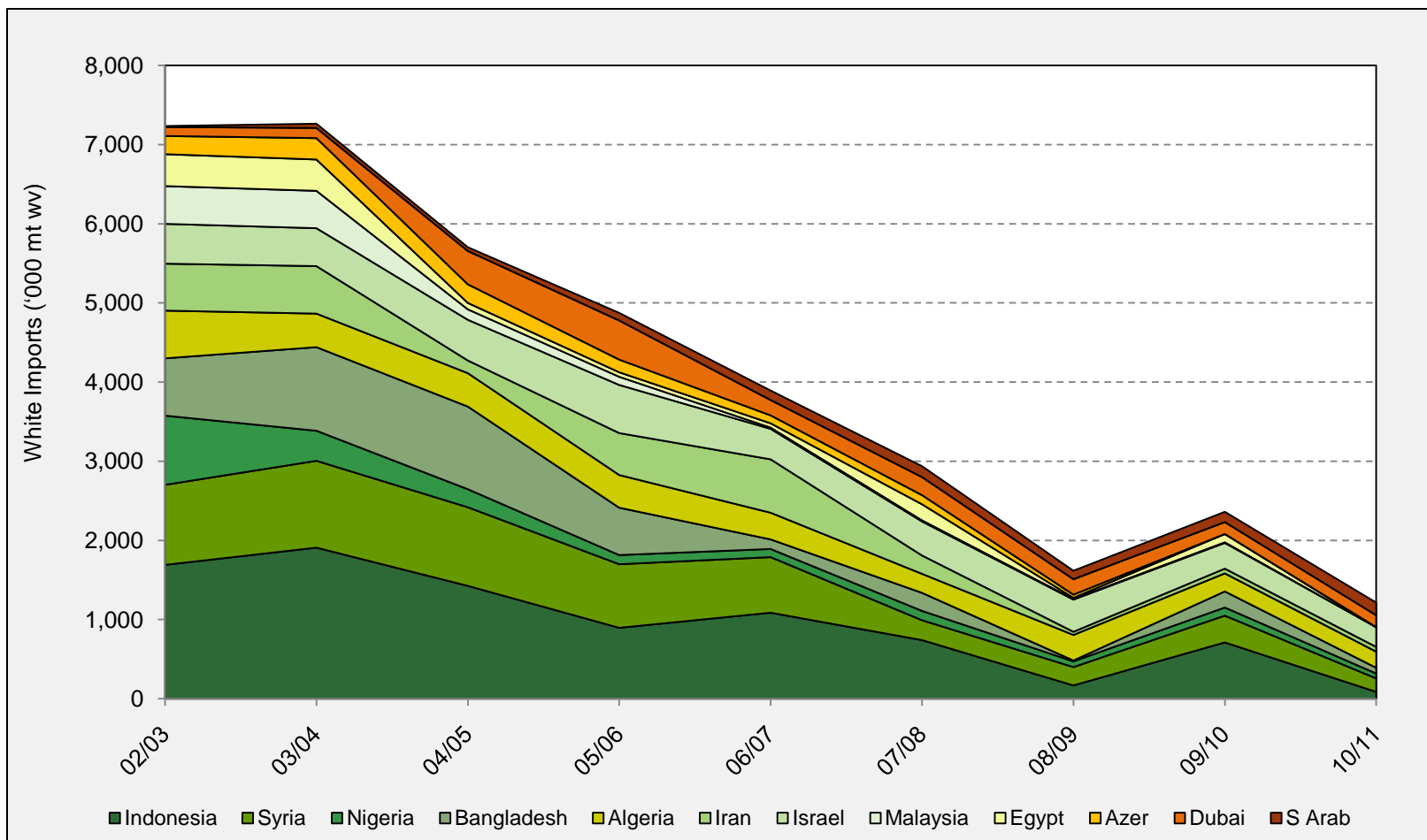


# Raw sugar's growing share of world trade



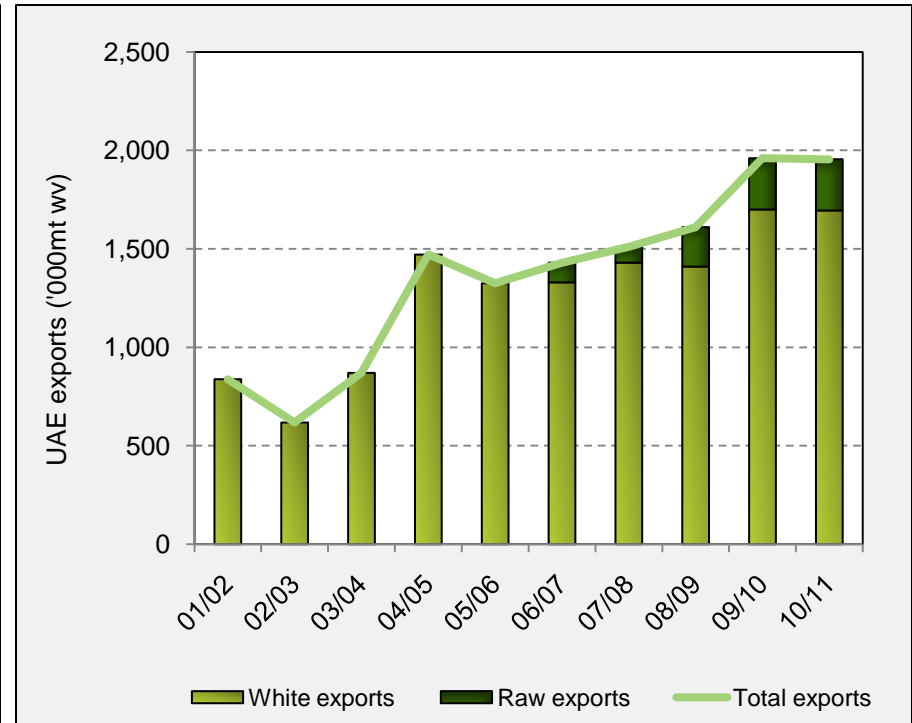
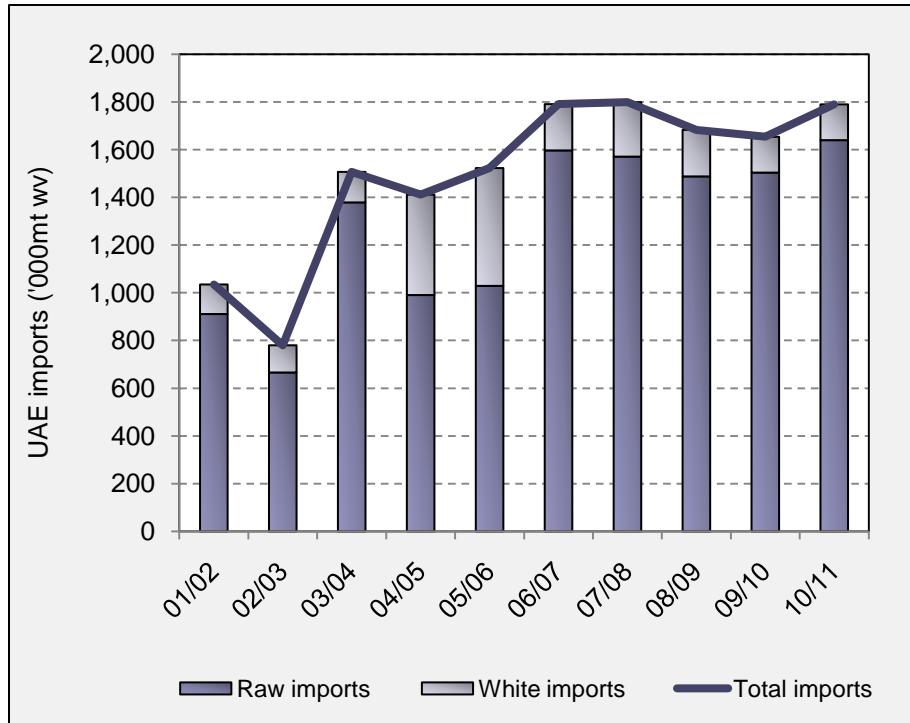
- Over the last 2 decades, Raws' share has grown from 50% to 66% of world sugar trade.

# The emergence & growth of new destination refineries is the major driver behind downtrend in the whites trade



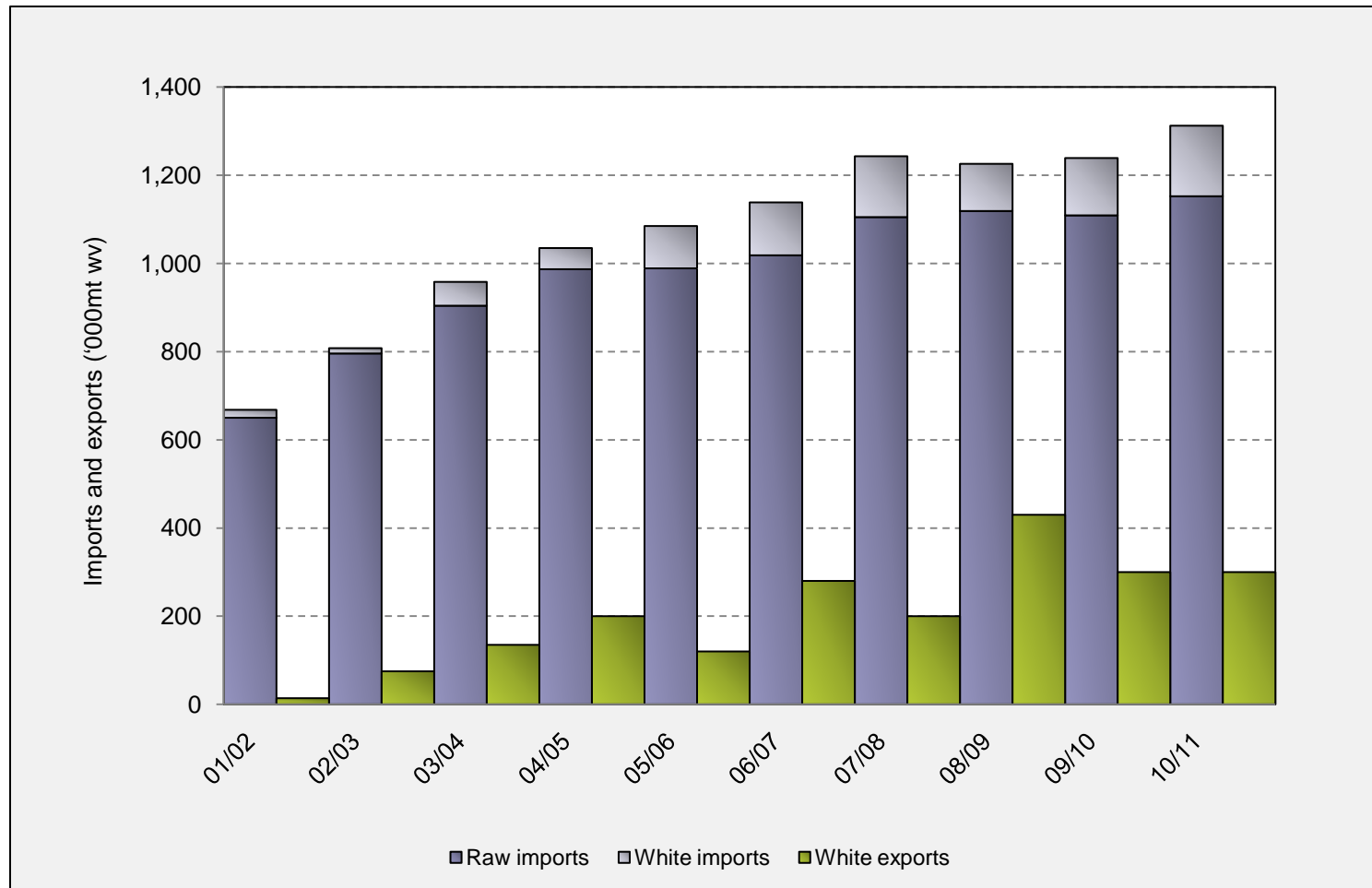
- 6myn mt of seaborne Whites trade replaced by Raws.
- 94% of whites exported from destination refiners is to world market homes .

# UAE maintains pole position as biggest toll-refiner



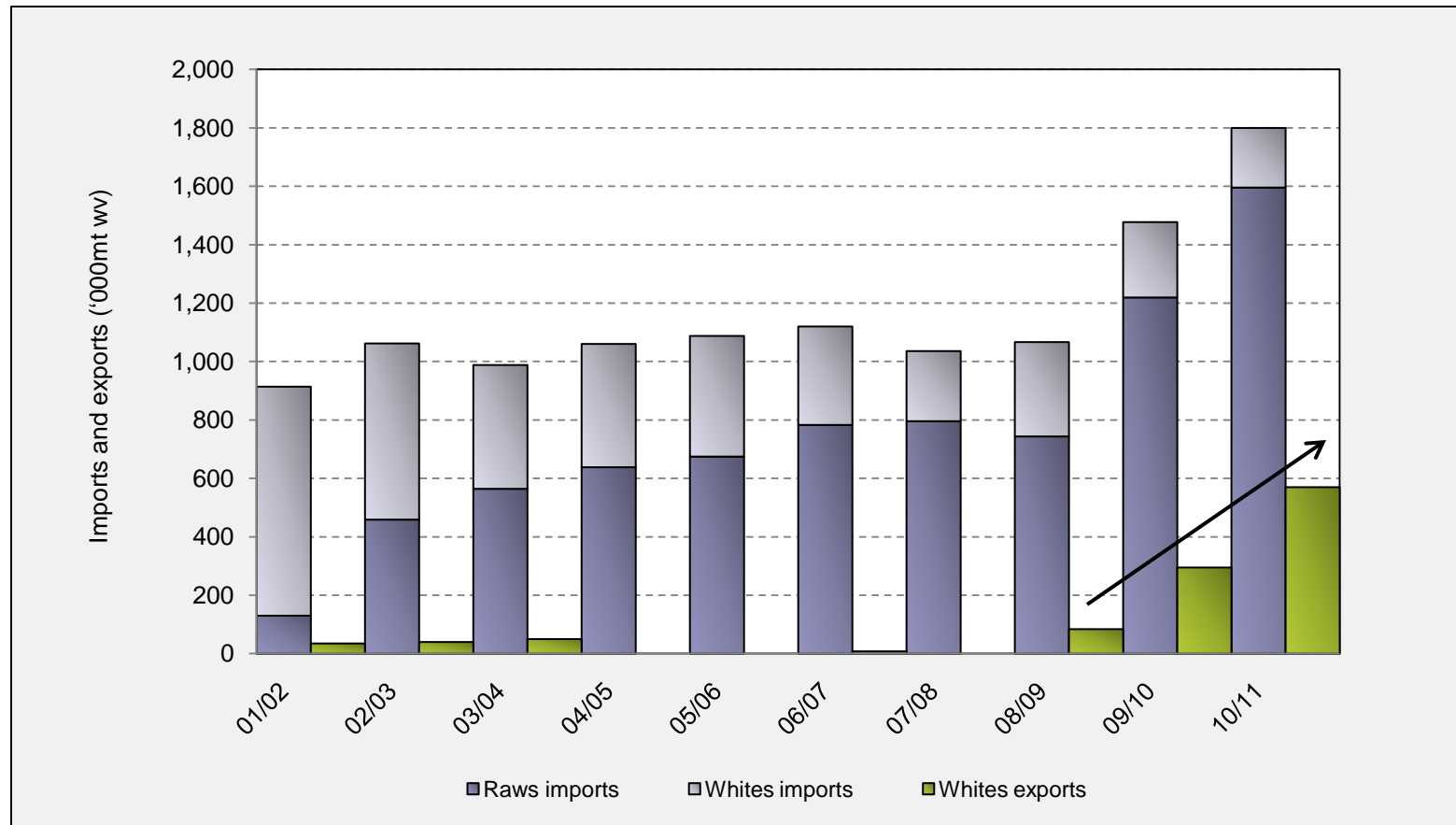
- No 4 biggest Whites exporter with growth dependent on Raws imports.
- Not a new white sugar flow but a big one that is growing at 10% pa.
- Expect further capacity expansion end 2010.
- Country also exports 250mmt bagged Raw sugar.

# Saudi Arabia: Steadily growing Raws imports and Whites exports



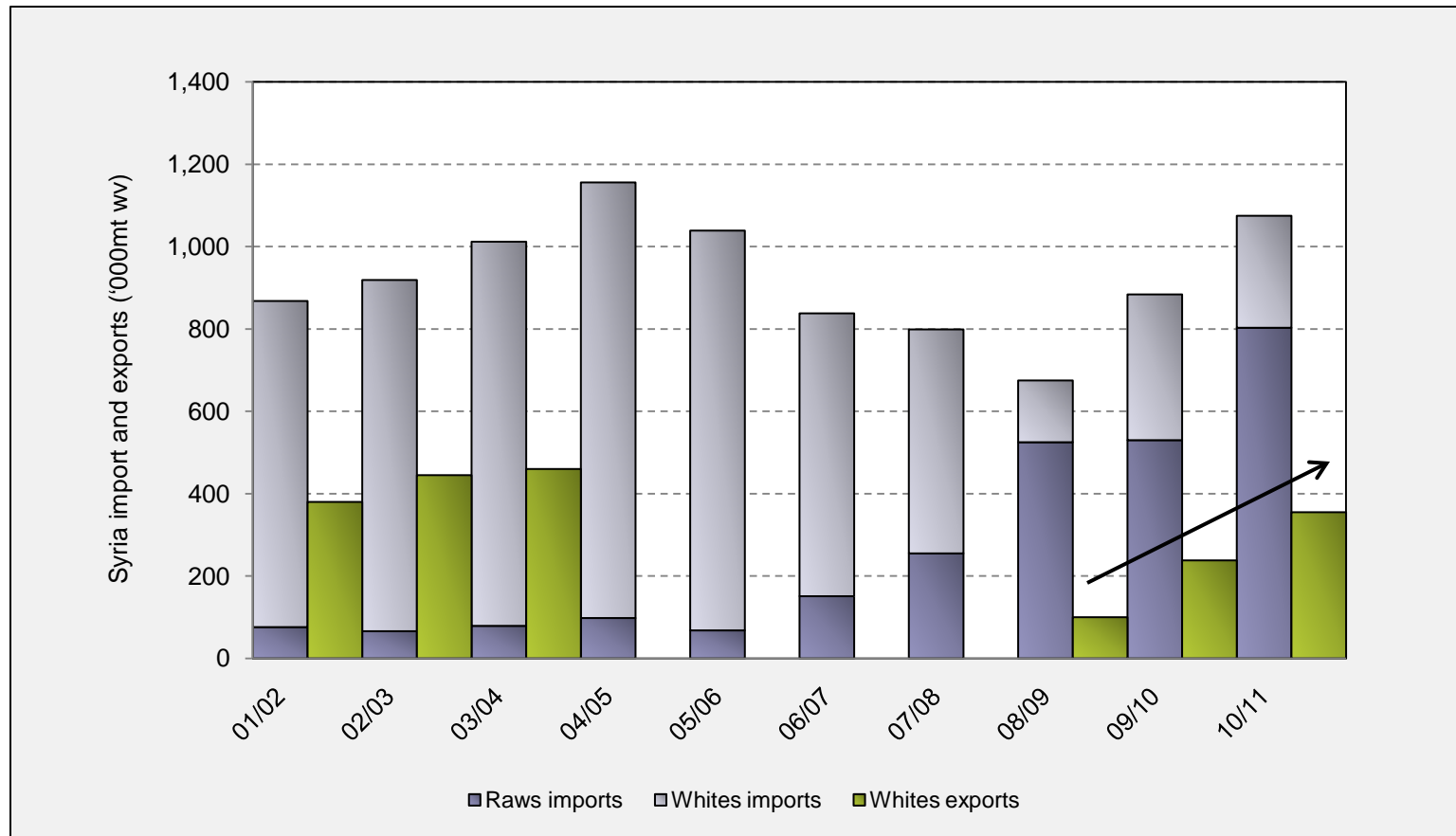
- Total imports grow gradually at 8% pa.
- Whites exports grow steadily.

# Algeria: Traditional White sugar buyer to modern tolling refinery



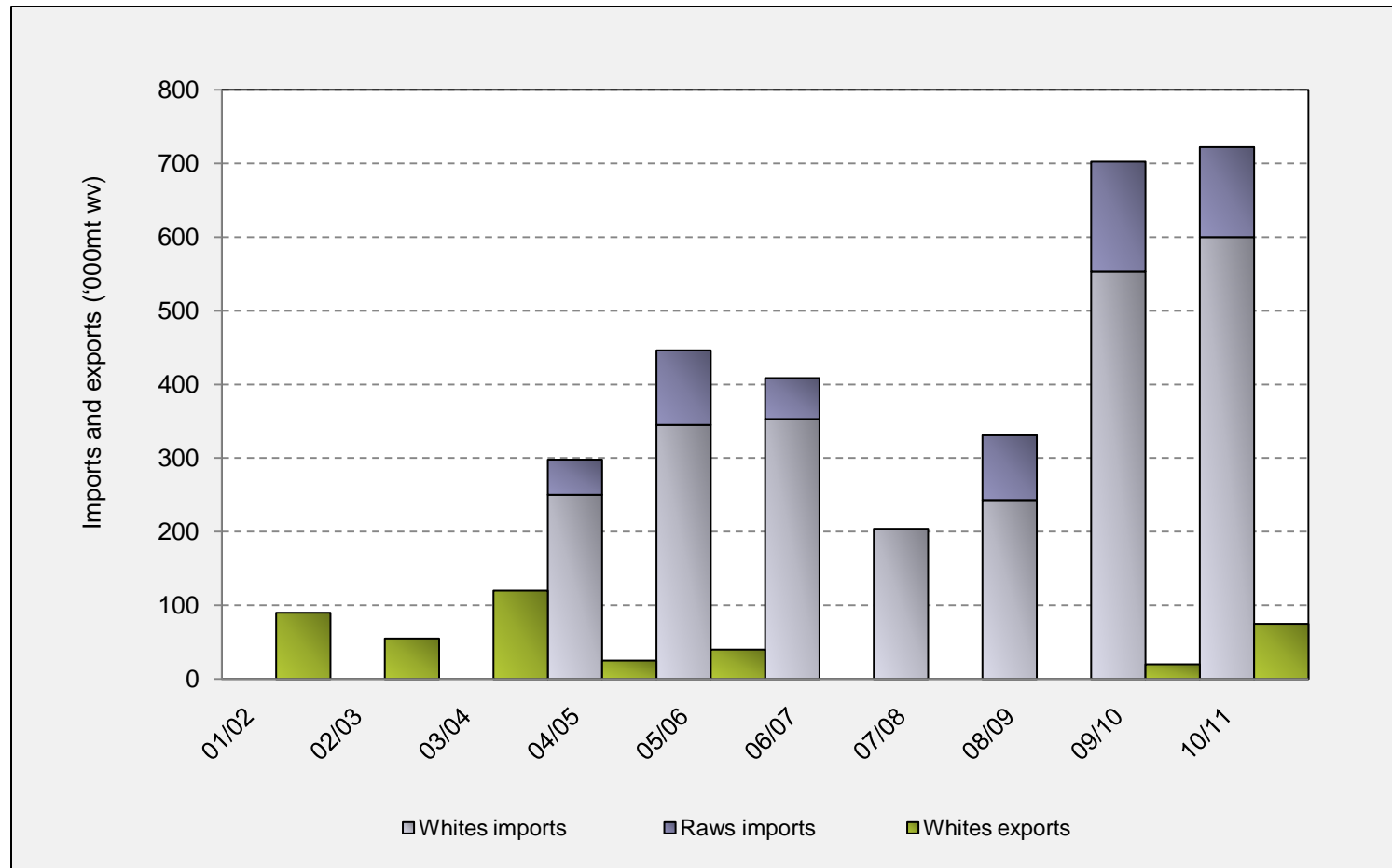
- Increased refining capacity pushes Raw imports to record levels & White imports decline.
- White exports follow the upward trend of imports.
- Recently emerged trade flow set to reach 800mmt pa in calendar 2011.

# Syria: Expanding refinery capacity & regional exports



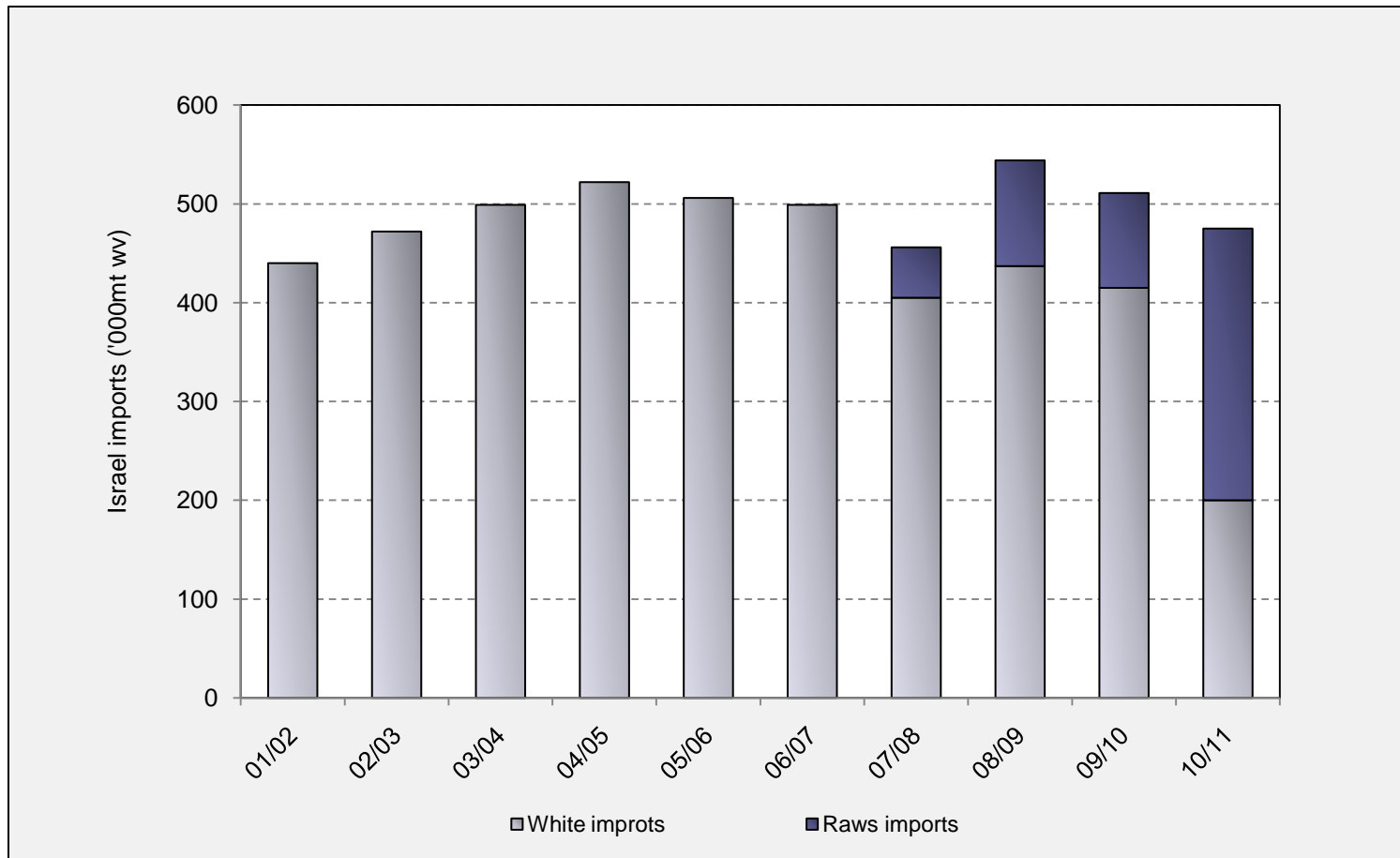
- Traditional primary White sugar import market.
- White imports from 2001 to 2005 include Iraqi transit.
- With a 2<sup>nd</sup> refinery on stream soon, Syria becomes surplus refining capacity.
- Significant growth in White exports expected.

# Sudan: A growing black hole for the sugar market



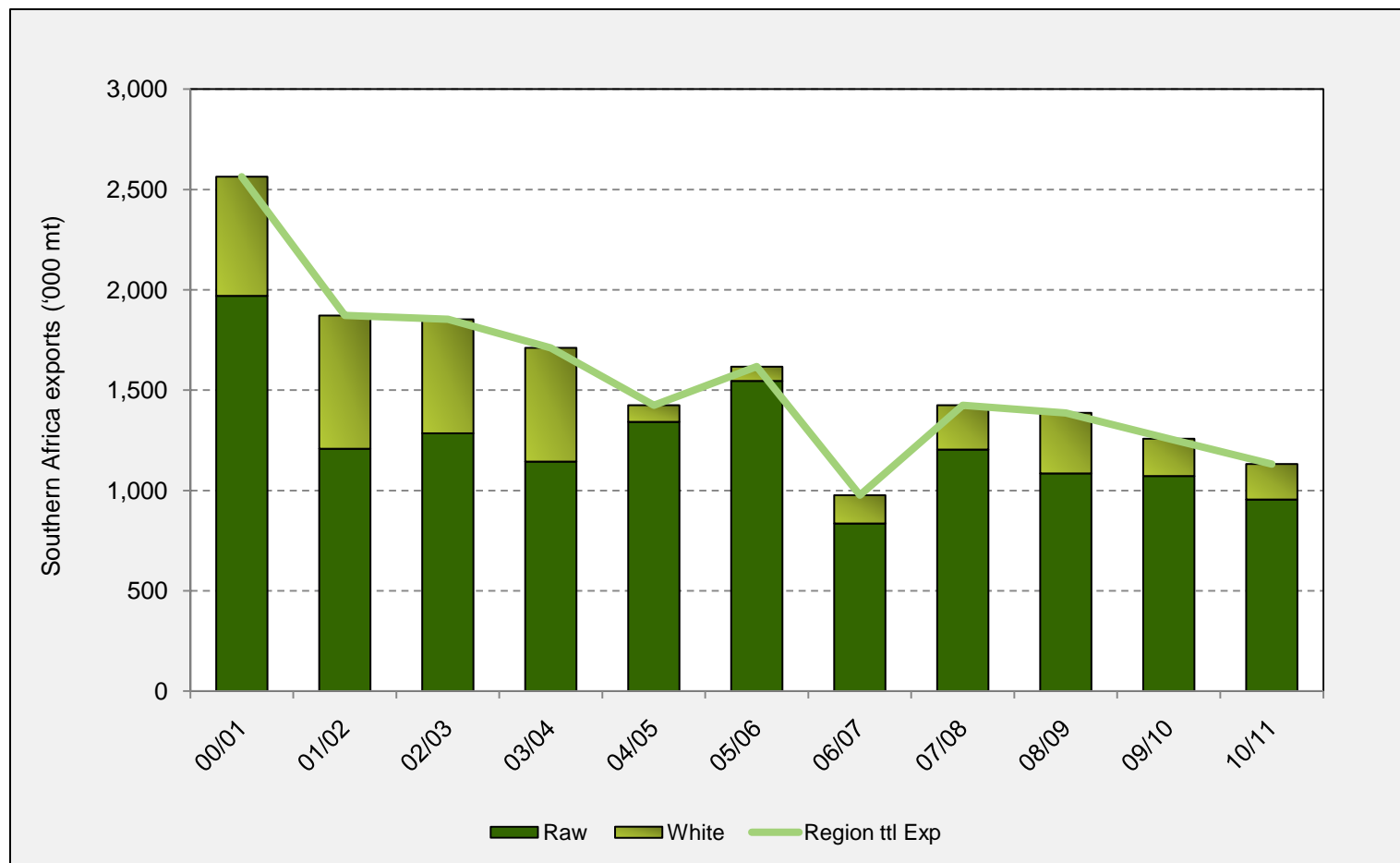
- Growing market with rapidly increasing consumption outstripping production.
- Upward trend in imports to 700mmt with 09/10 imports double 08/09 level.
- Although EBA participation has been uncertain, it could become an important trade flow.

# Israel: Raw sugar flow to replace whites imports



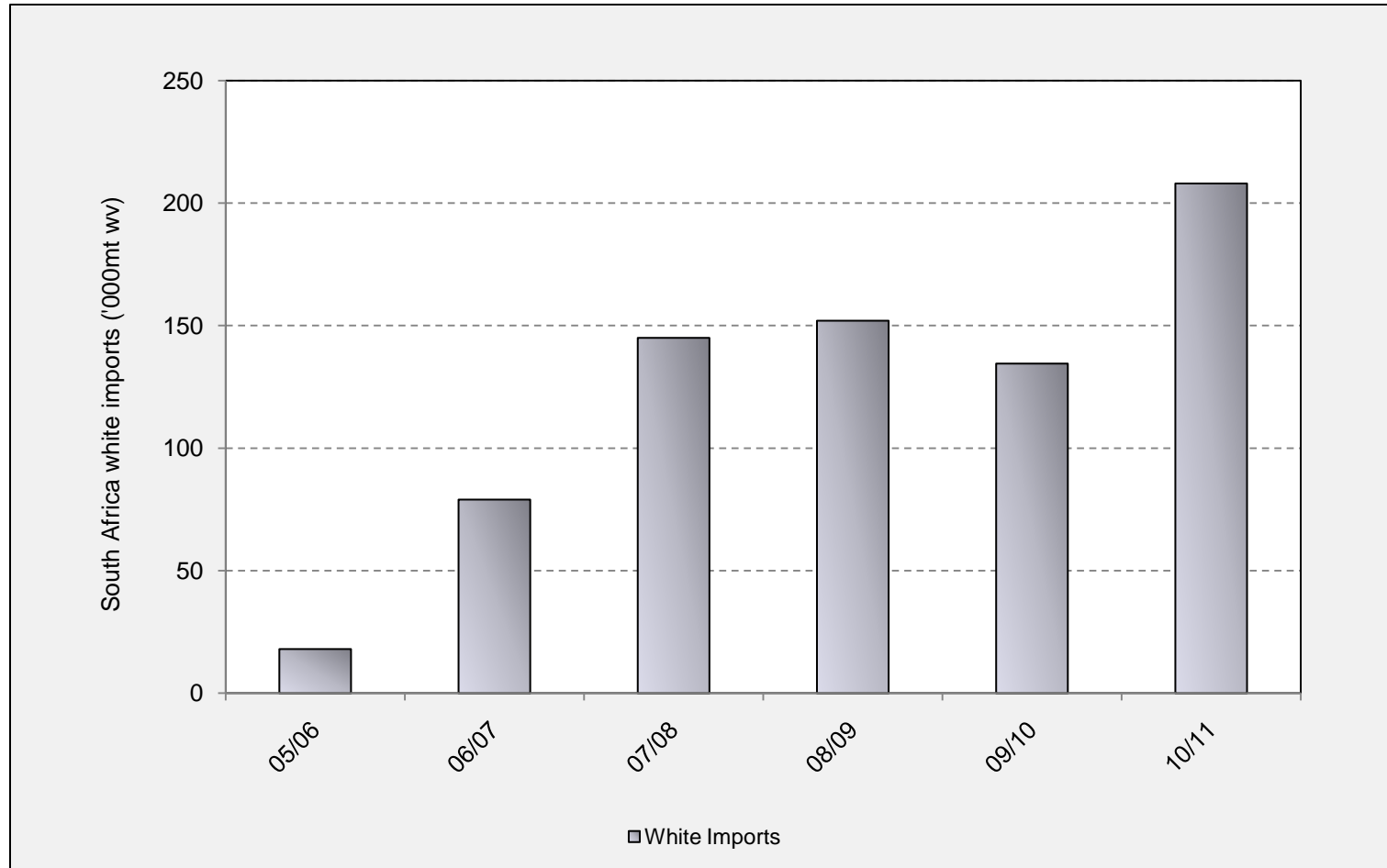
- Total imports remain stable.
- White sugar imports decline as Raw sugar imports triple.

# Southern Africa: Total exports in long term decline...



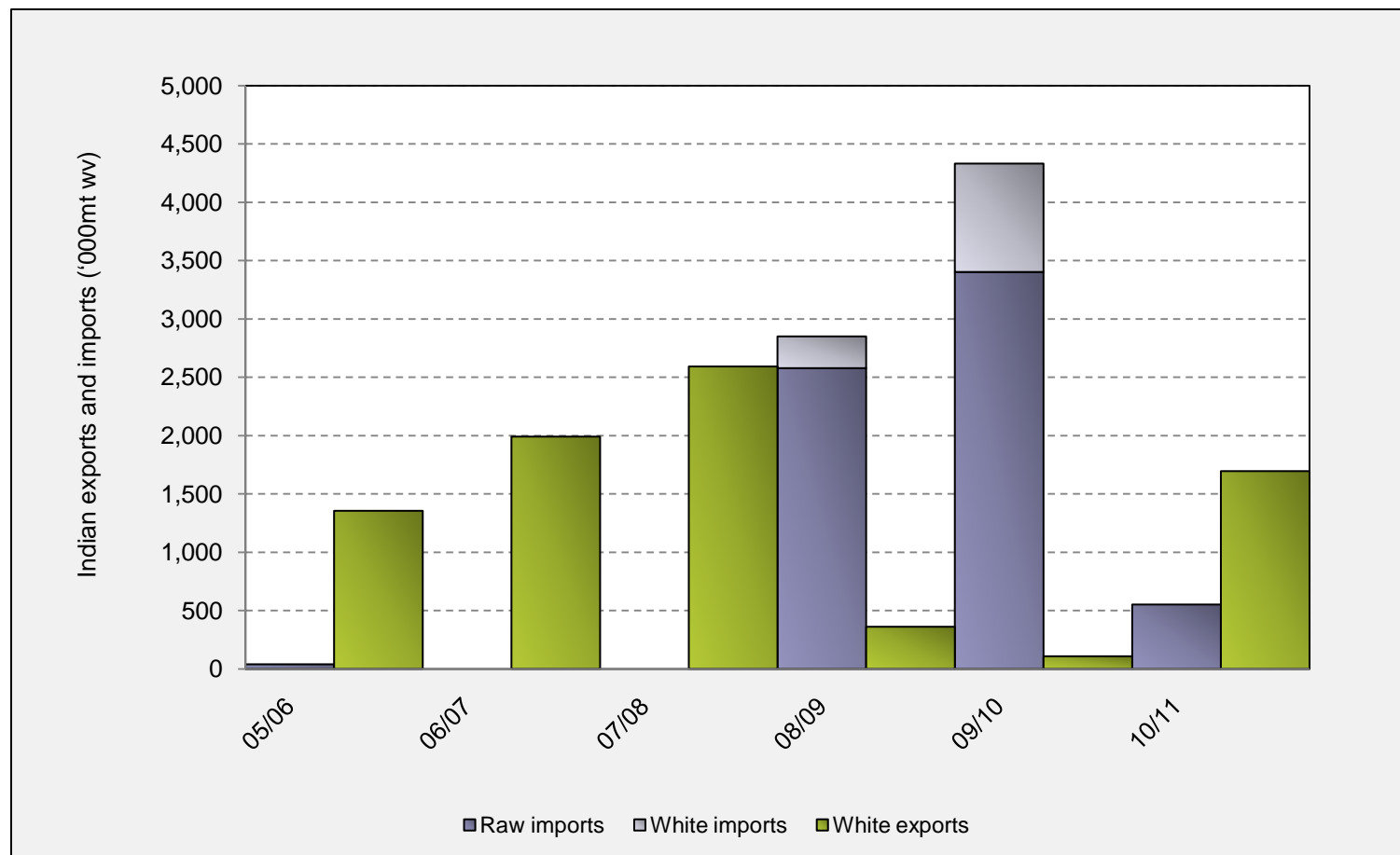
- Exports down 1.5myn mt (1.0myn mt Raws & 500mmt Whites).
- Largely function of decreasing South African production.

# White imports increase on tightening regional market



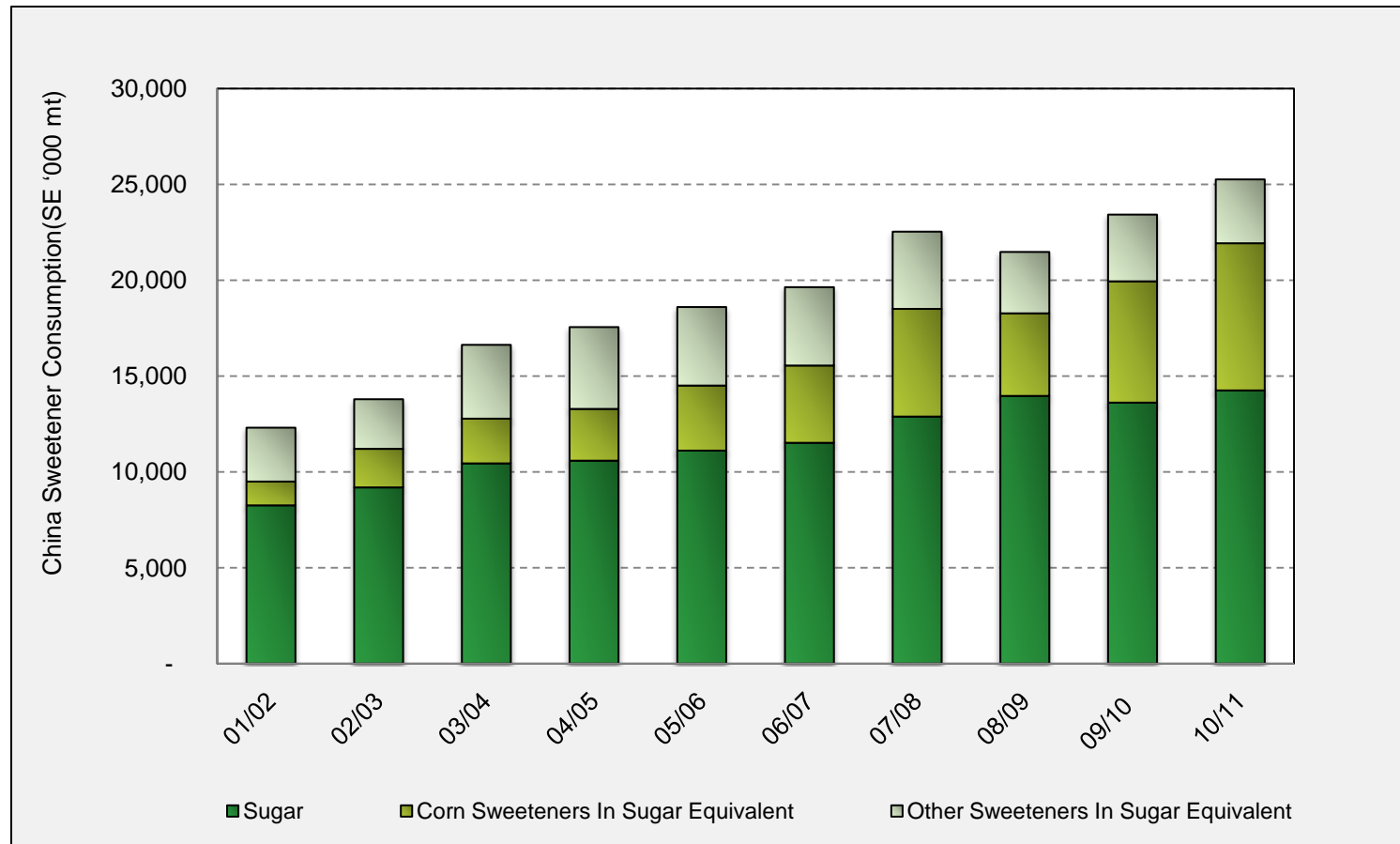
- Recent new trade flow of up to 200mmt.
- Brazilian origin.

# India set to become a structural exporter



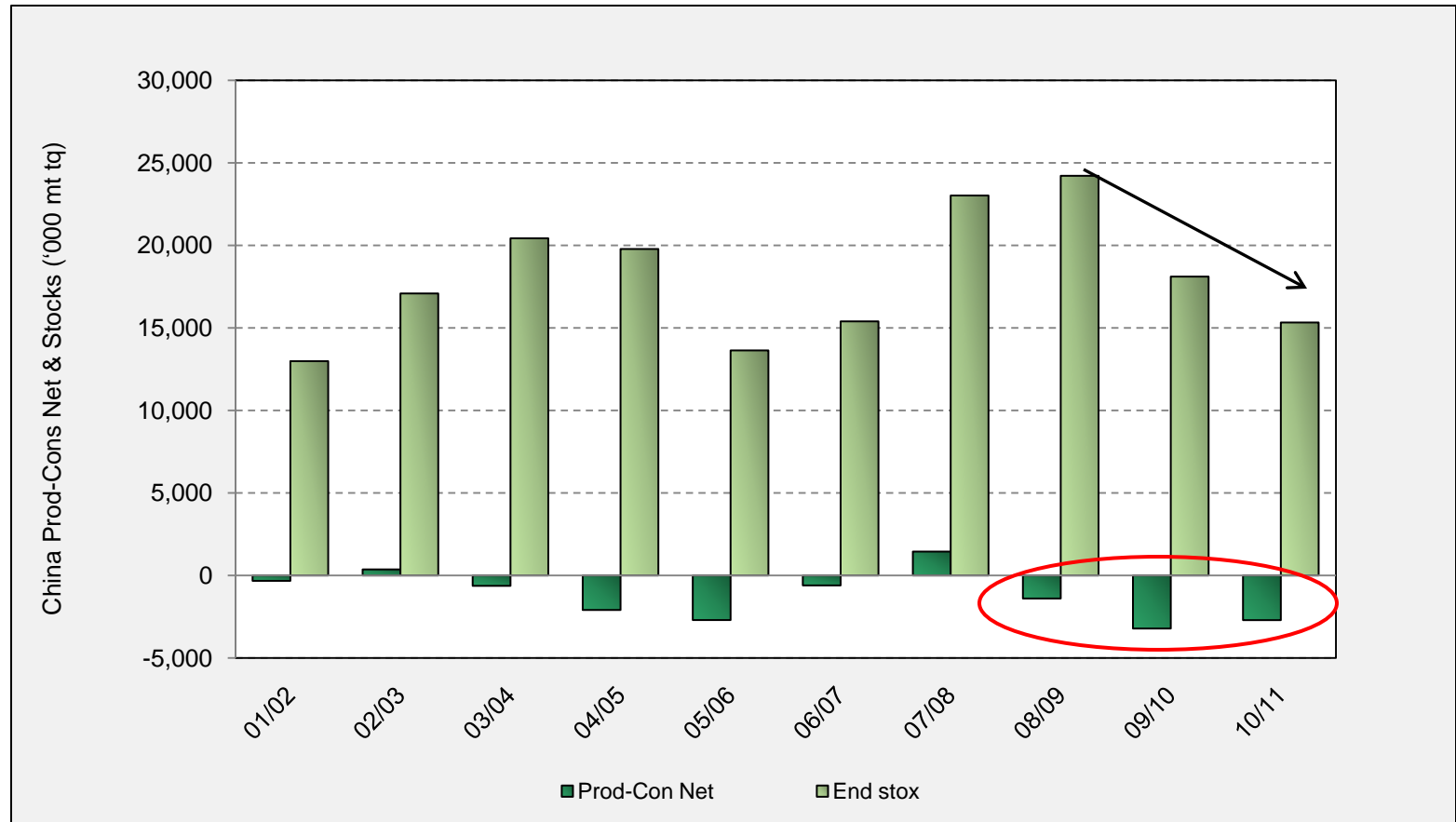
- Raw imports are no longer a new flow.
- White imports appear in years with very bad crops.
- White exports have become more regular.
- In 10/11 white exports reemerges with potential to become a structural flow thanks to Renuka and Silkroad refineries.

# China's sweetener consumption grows at 9% pa



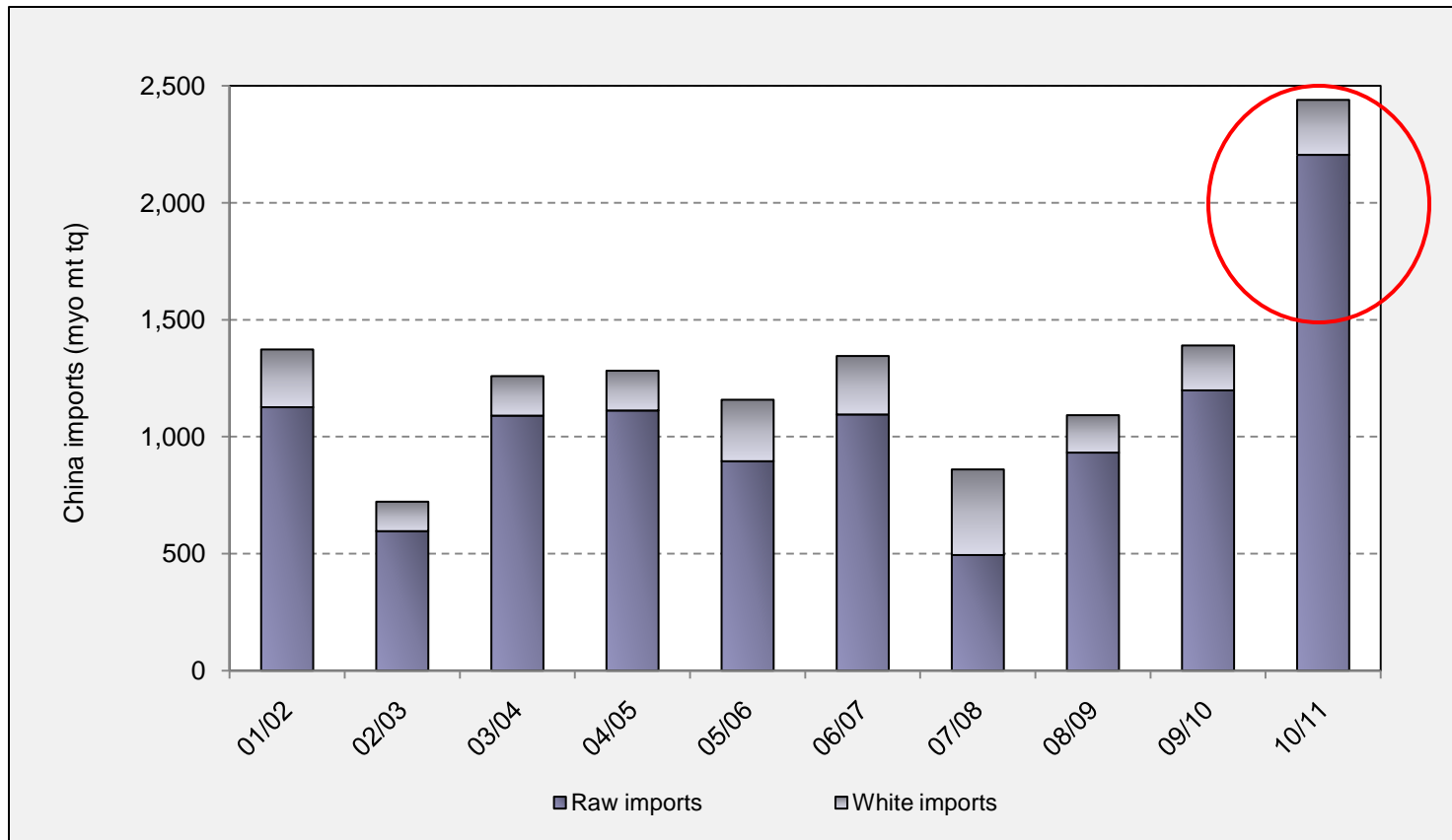
- Total sweeteners consumption is estimated at 25myn mt.
- Sugar consumption increases slower than starch based sweeteners.
- Starch-based sweeteners have grown off a low base & become a key substitute .

# China: The domestic market becomes increasingly tight



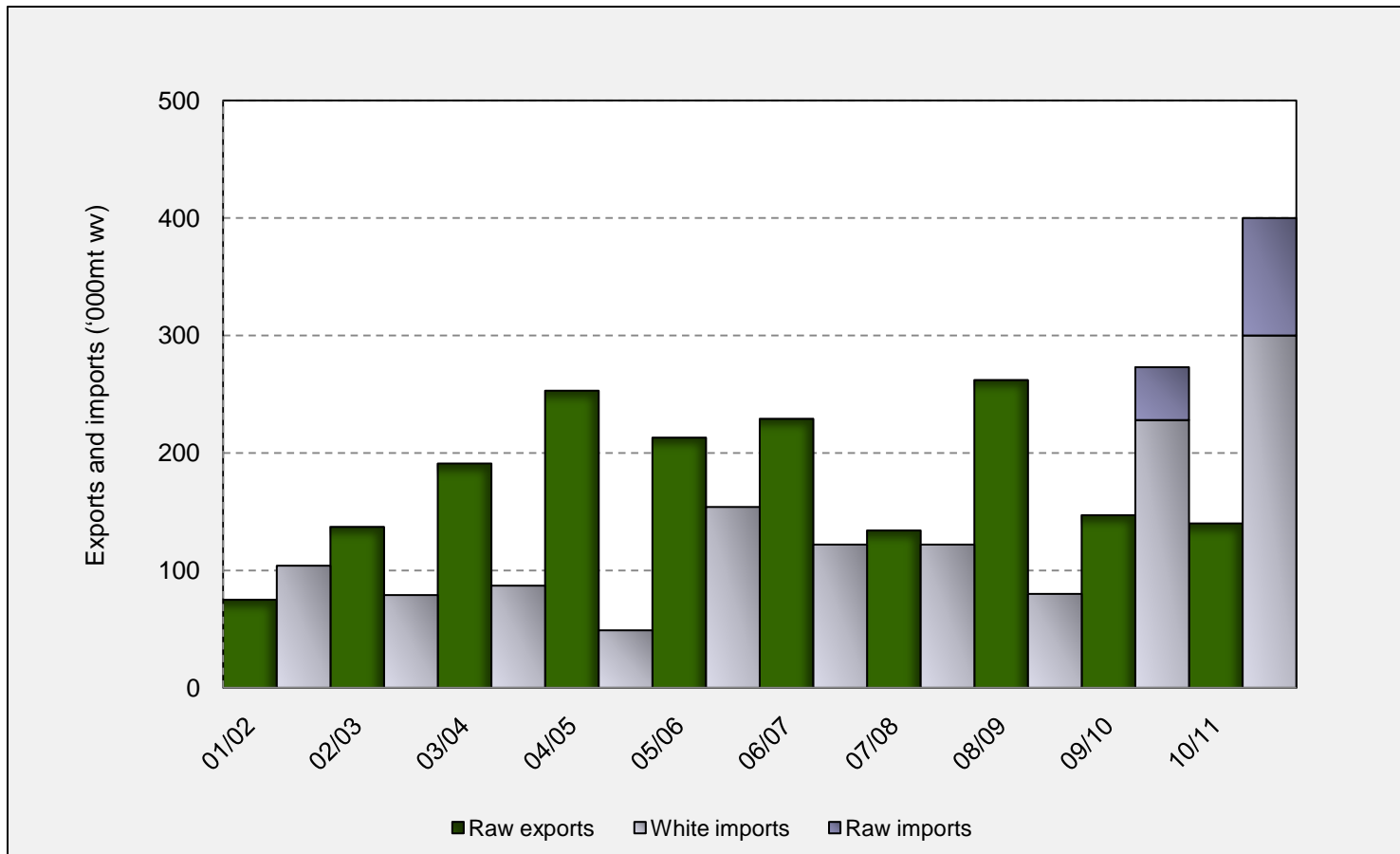
- Stock/use ratio down to less than 1.5mth after 3 years of deficit production.
- In absolute terms, ending stocks look normal but consumption has increased.

. . . such that, China should emerge as one of Top 10 raw sugar buyers in 10/11



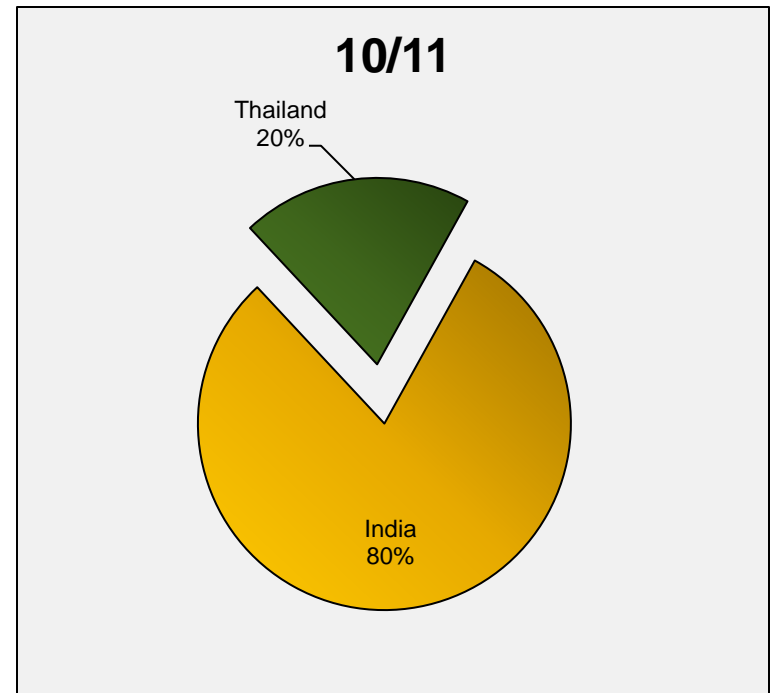
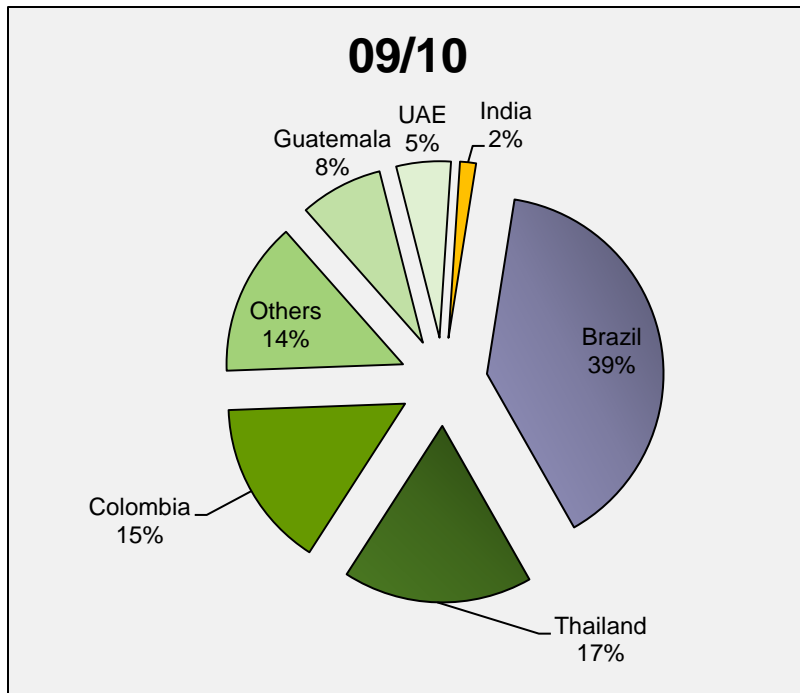
- 10/11 total imports expected to reach 15 yr record high level.
- Bulk of increase expected to be Raw sugar.
- The big question is when it becomes a significant flow of imports.

# Philippines becomes a bigger white sugar buyer



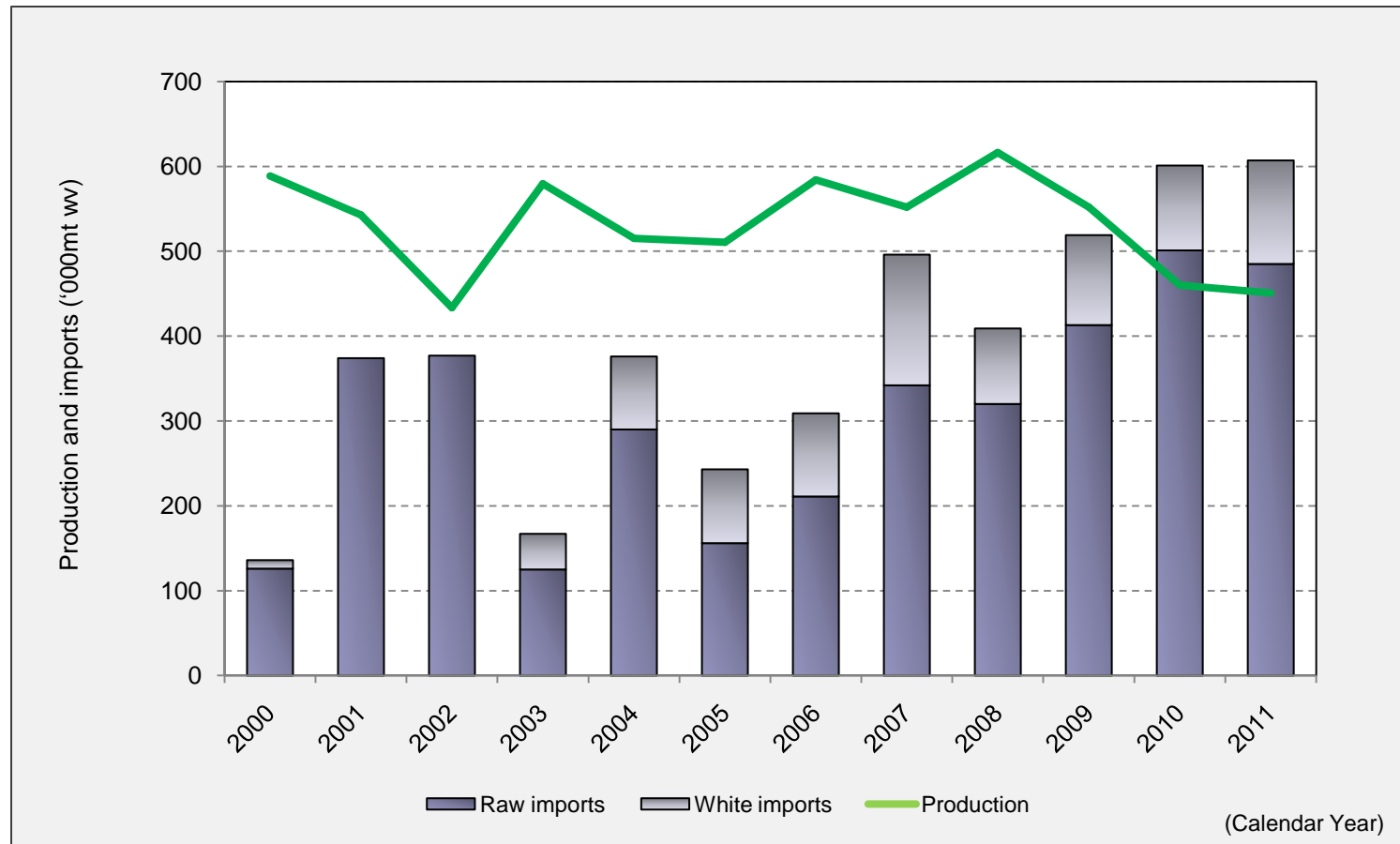
- Raw sugar exports are a function of US Quota – min level of 130mmt.
- Bad crop pushes white imports to record high, 200mmt & 300mmt, in 09/10 & 10/11
- Unclear how long this trend will last.

# Sri Lanka importers see India as major supplier



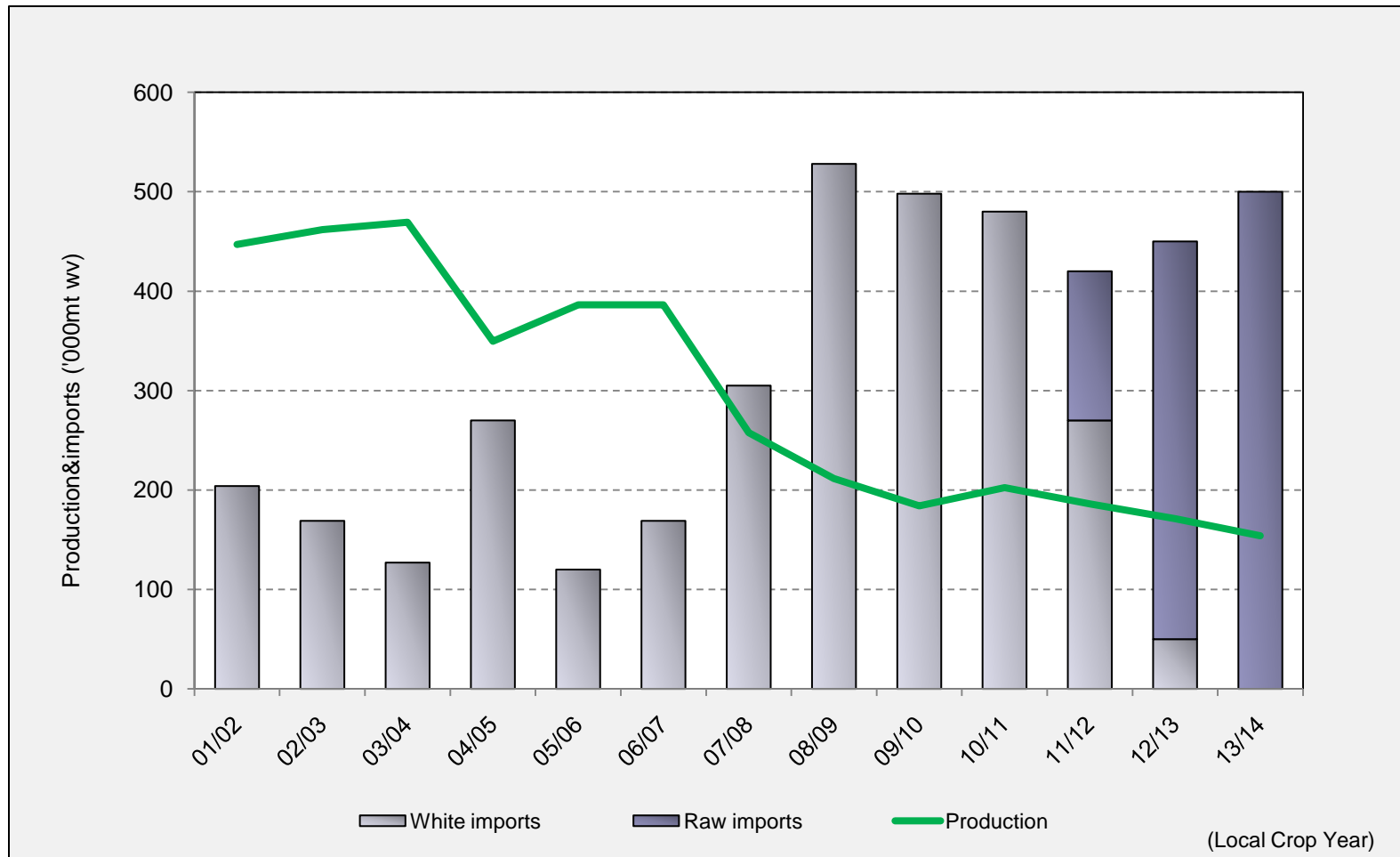
- In 07/08, 90% of sugar imports came from India.
- In 09/10, Brazil, Thailand and Colombia were the main suppliers.
- In 10/11, the new Kakinada refinery should give India predominant market share.

# Venezuela strongly committed to grow in imports



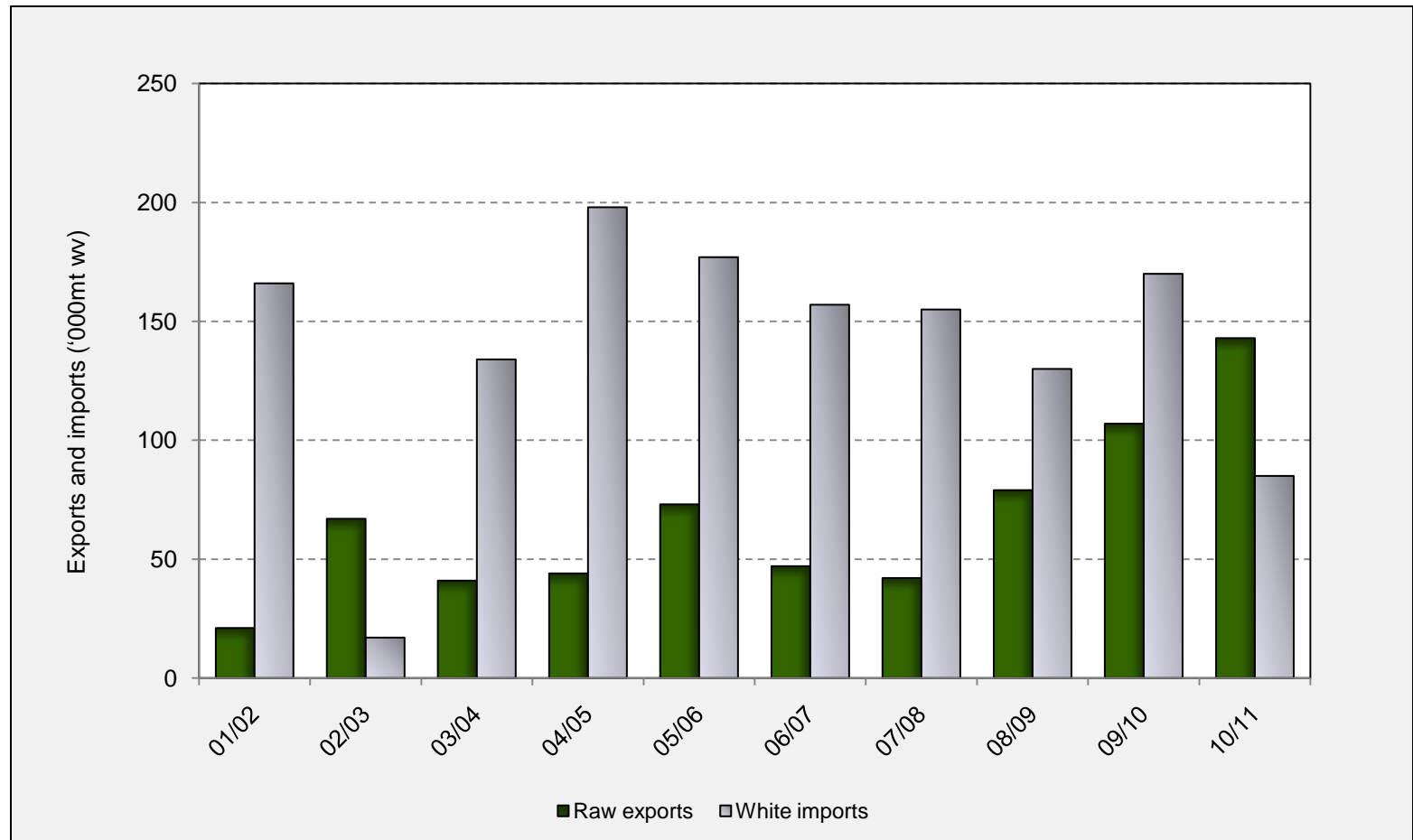
- Production declines at -2% pa (-150mmt 2000-2011).
- Consumption grows at +3% pa.
- With import growth of 16% pa, upward trend is guaranteed by Mr. Chavez' current policies. It's primarily a Brazilian trade flow.

# Chile will swing soon from White to Raw sugar imports



- Production declines at -2% pa and imports increase.
- Plans to convert beet factory to Raw sugar refining.
- New Raw sugar flow will emerge while white sugar one will gradually disappear.

# Peru: Emerges as a new exporter



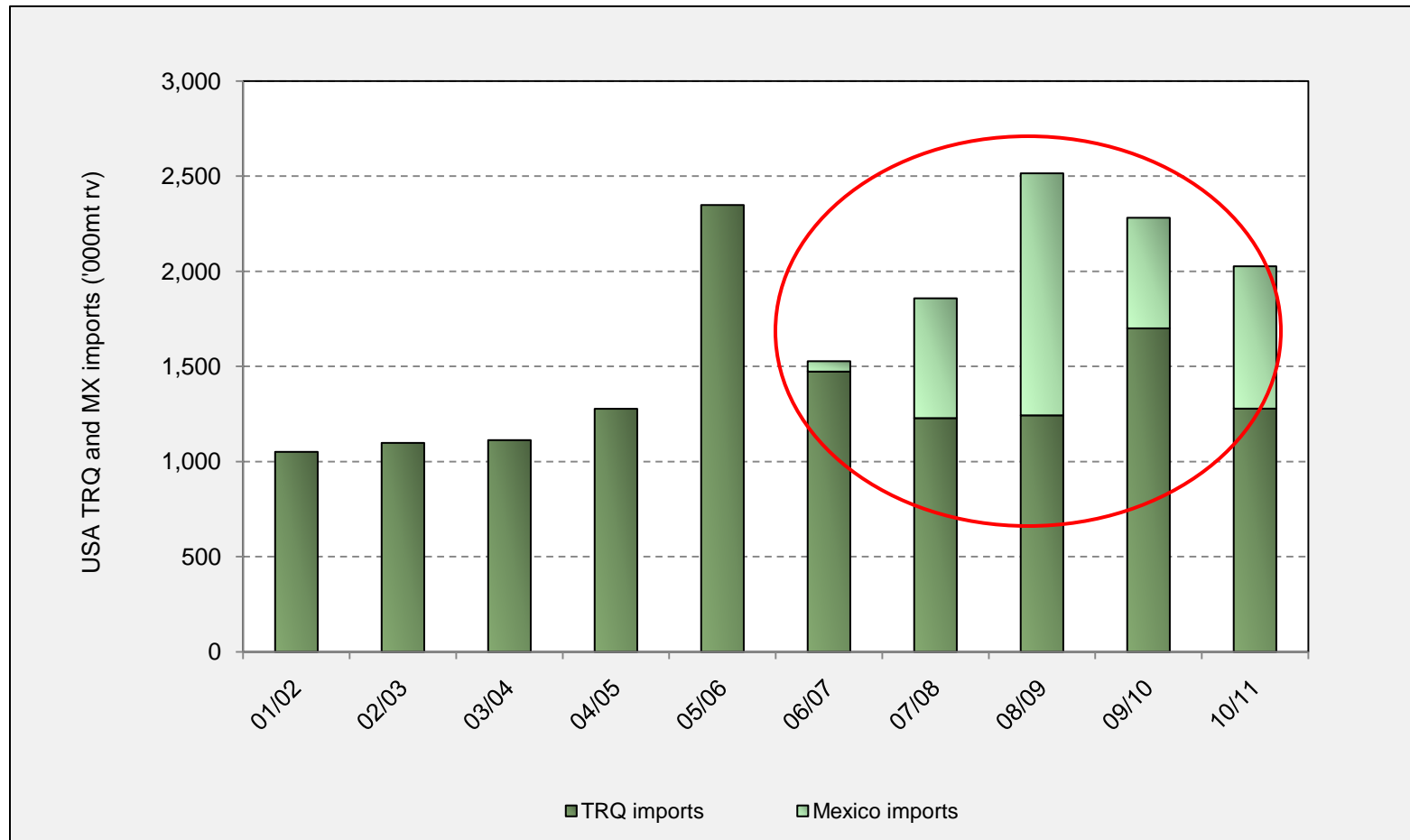
- Production grows at 4% pa.
- White imports decline & post 2006 Raw exports increase sharply to 150mmt.
- Regular world market player, set to expand.

# Guatemala: Whites gain growing share of record exports



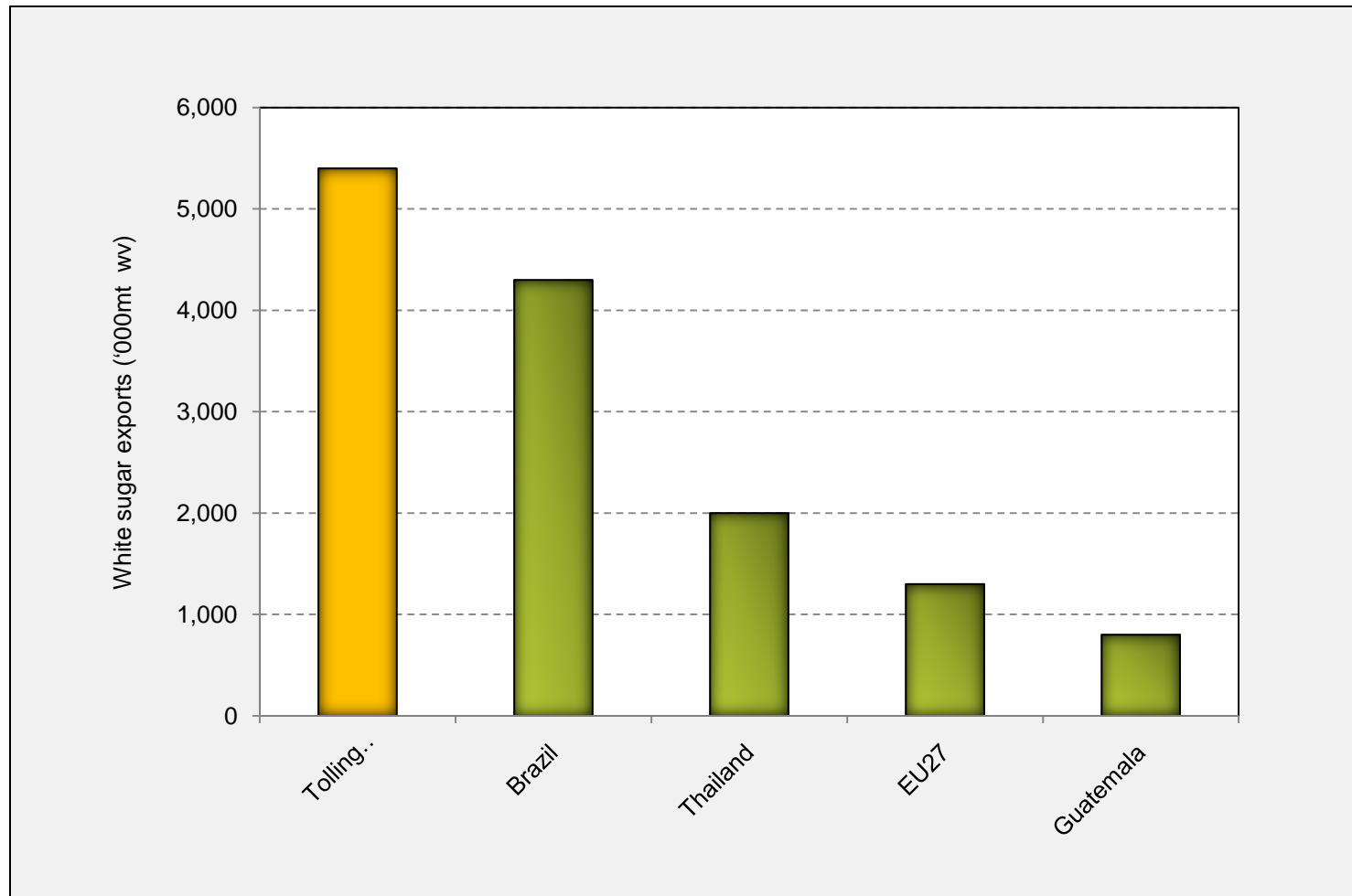
- Last decade, exports were stable ranging from 1.2 - 1.4myn mt.
- 09/10 total exports expected to reach 1.8myn mt, Raws & Whites evenly split
- Historically, a Raws exporter, Guatemala has ambitiously grow in Whites – 650mmt in 10/11 vs. 150mmt in 01/02. New refinery set to complete in 2011.

# Mexico: Sugar flows to the USA increase



- In Jan 2008, the US-MX border opened for all sweeteners.
- In 08/09, USA imported 1.3myn mt.
- In 10/11, Exports may steady at 800mmt.

# Looking forward: 11/12 White sugar exporters



- Tolling refineries will surpass the traditional White sugar exporters.

# Conclusion

- New flows are always emerging as new countries emerge for destination refining
- Raws share of global trade will continue to rise
- The Traditional 3 big suppliers have maxed out their export volumes
- The white sugar trade is not dead but will continue to grow in different ways
- End-destination refineries will grow and surpass traditional origins as the most important kind of white sugar supplier
- These toll refineries will have more sugar for export than any single destination
- Before, the economics of white export sugar used to be set by the EU Costs of beets
- Today the economics of white flows will be set by the costs of standalone refineries
- These refineries have different operating costs, because they have different energy sources & sizes but they will perform similar economic calculations.
- When the world is short white sugar we will need to pay for their marginal supply
- There will be a closer relationship with NY No11 & a big impact on the “white premium”

# Conclusion continued

- Bulk raw sugar freight rates will impact whites prices as well
- Standalone refineries do not have to run at all times, their marginal operating costs are more clearly defined than an integrated backend refinery attached to a mill
- Containerization to grow to 80% of total traded whites volume
- The London white sugar contract will struggle to be relevant
- Visibility and transparency of the white sugar market will decline as multiple 'origins' have different economics & sell to increasing numbers of smaller importers
- Need for risk management will increase around spreads and inverses
- The reliability of Export data from these refineries will decline
- Different notion of competitiveness (cross subsidy of export flows)
- Challenge for Indian participation
- In years of deficit Whites premium will be much higher
- Whites premiums will on average be higher than they used to be - perhaps \$80 usd is the low versus \$55-60 before





