

KINGSMAN



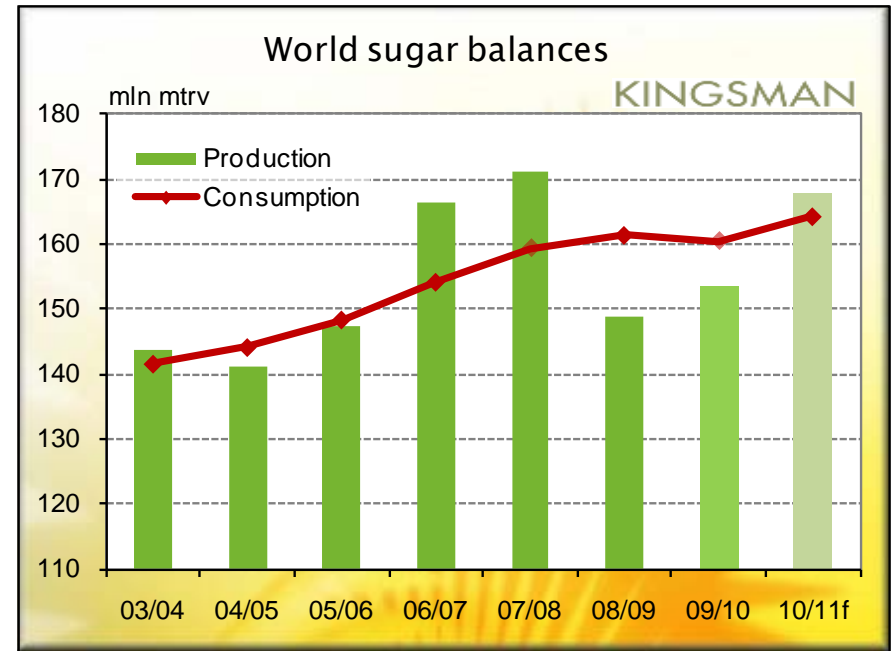
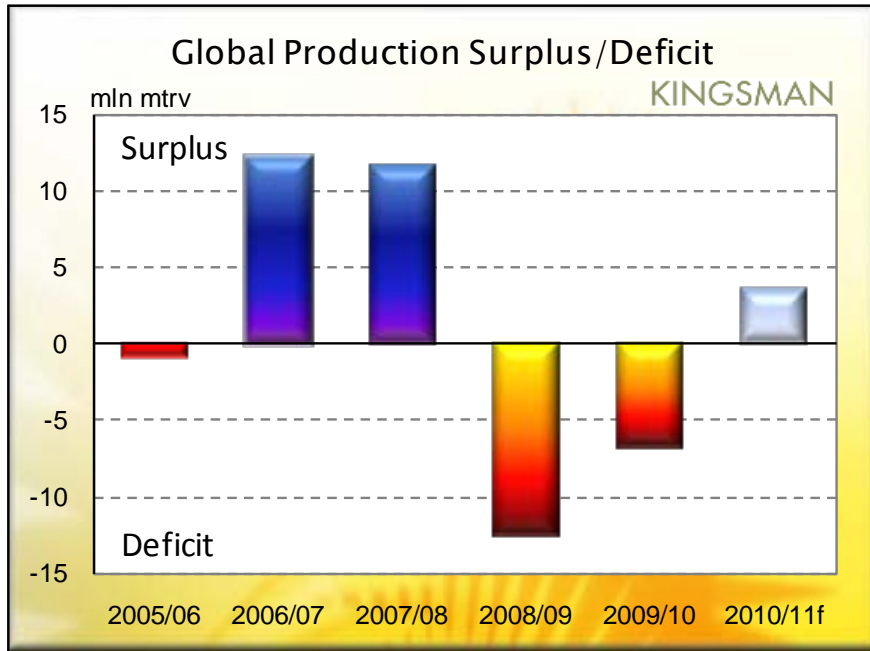
# The statistical outlook for sugar

Jonathan Kingsman

Delhi 1<sup>st</sup> September 2010



# Our revised estimates



mln mtrv	Production	Consumption	Balance	Raw Balance	White Balance
<b>2010/11 3<sup>rd</sup> est.</b>	167.72	164.20	+3.52	+0.16	-1.62
<b>2010/11 2<sup>nd</sup> est.</b>	170.17	165.00	+5.17	+2.53	-1.47

\* basis crop year 10/11 production, April 10-March 11 consumption.

\*\* no statistical adjustment factor is utilised

# Revisions for 2010/11

## (Change from last estimate in May)

### Globally

●	Production	167.72 (-2.99) mln mtrv
●	Consumption	164.20 (-0.80) mln mtrv

### Main countries

●	CS Brazil:	34.0 (-0.1) mln mttq
●	India:	24.8 (+0.8) mln mttq
●	EU:	14.3 (-0.1) mln mttq

# Revisions for 2010/11 (Changes from last year)

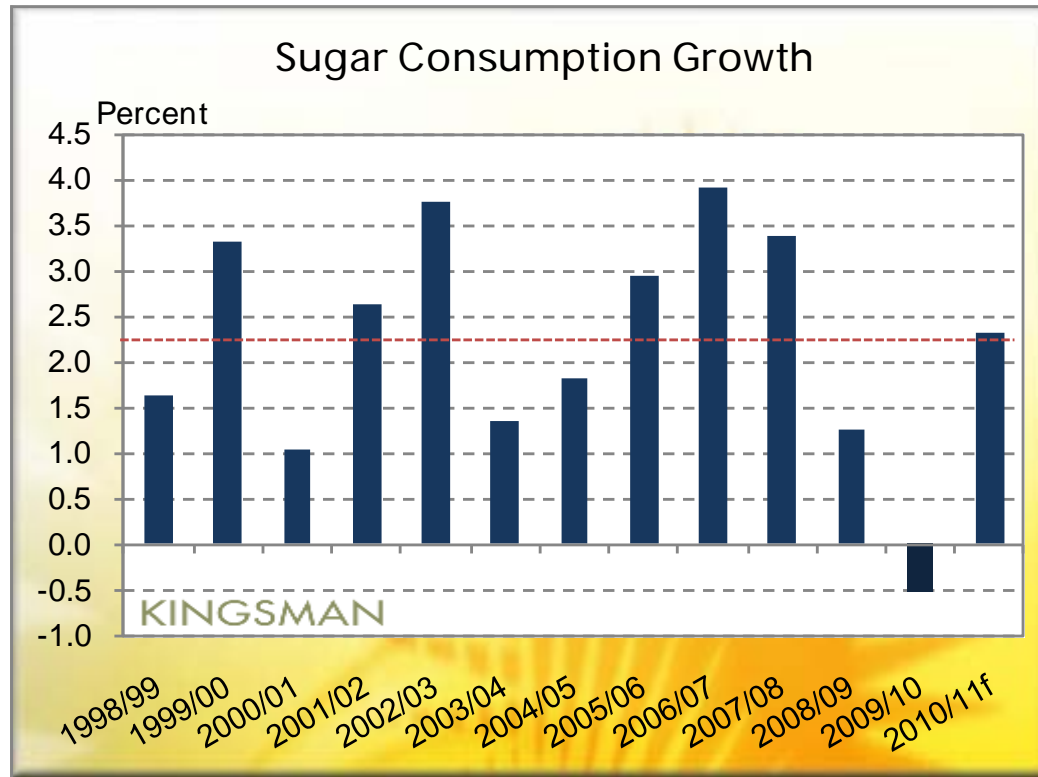
## Globally

- Production 167.72 (153.72) mln mtrv
- Consumption 164.20 (161.32) mln mtrv

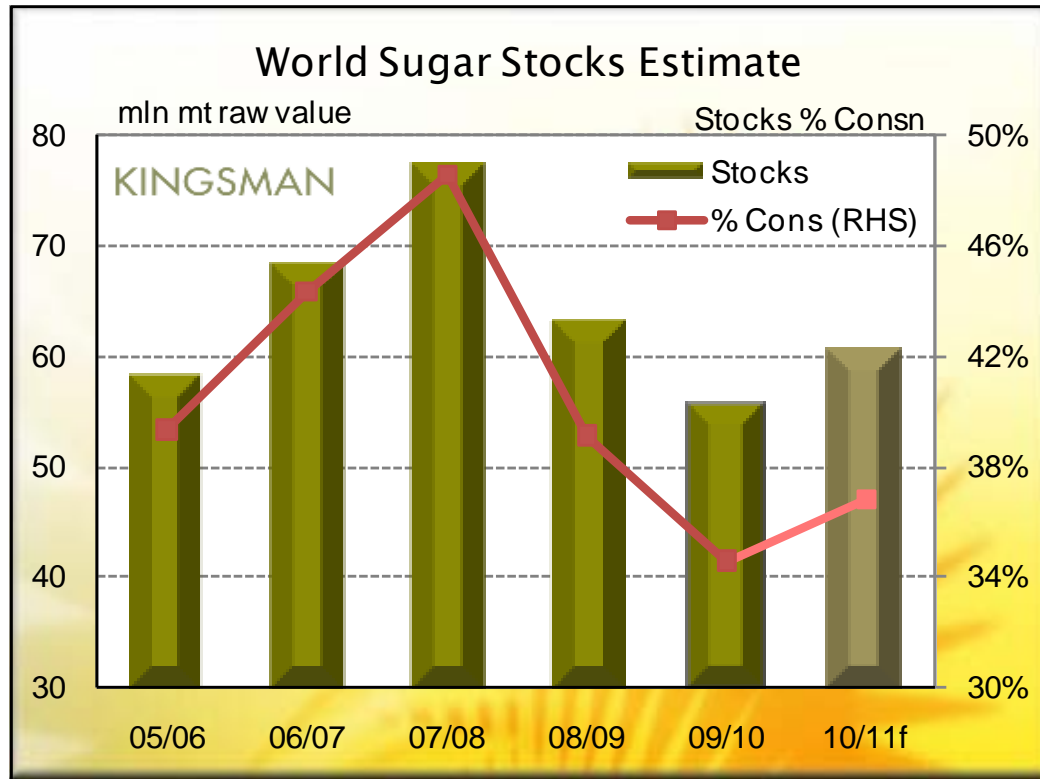
## Main countries

- CS Brazil: 34.0 (28.4) mln mttq
- India: 24.8 (18.7) mln mttq
- EU: 14.3 (15.1) mln mttq

# Consumption moving back to average growth



# Stocks will be low for the next 12 months



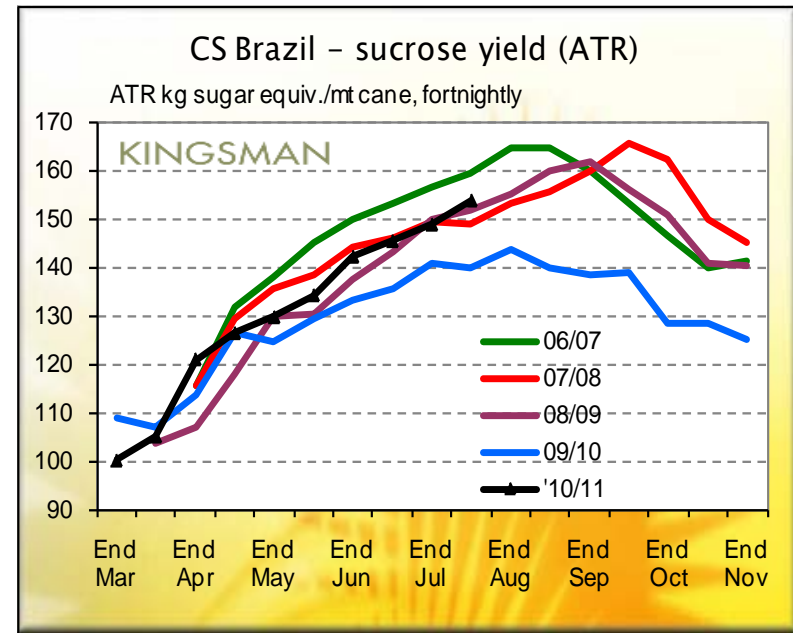
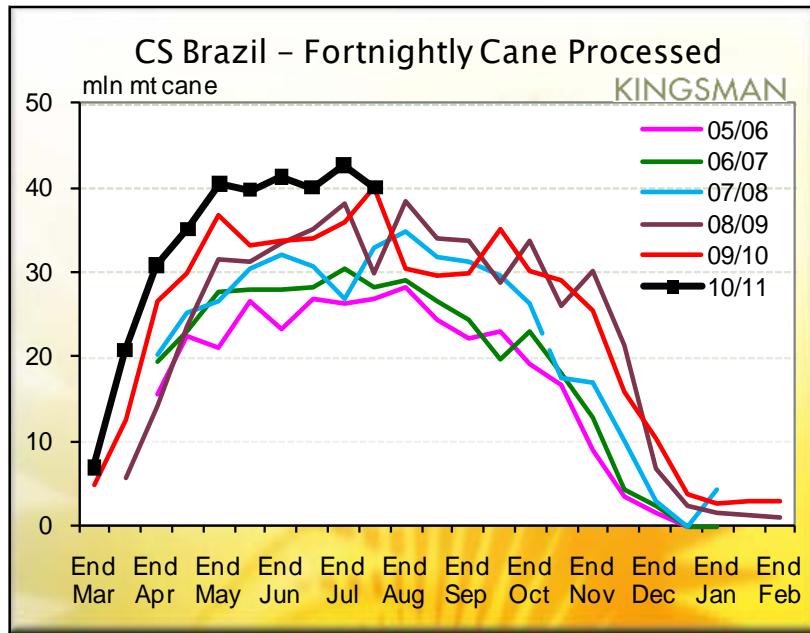
# So this is where we are now

1. Stocks are gone and need rebuilding
2. The small 2010 surplus will not refill depleted pipeline ahead of deficit forecast for first half 2011
3. Production is still at risk from weather

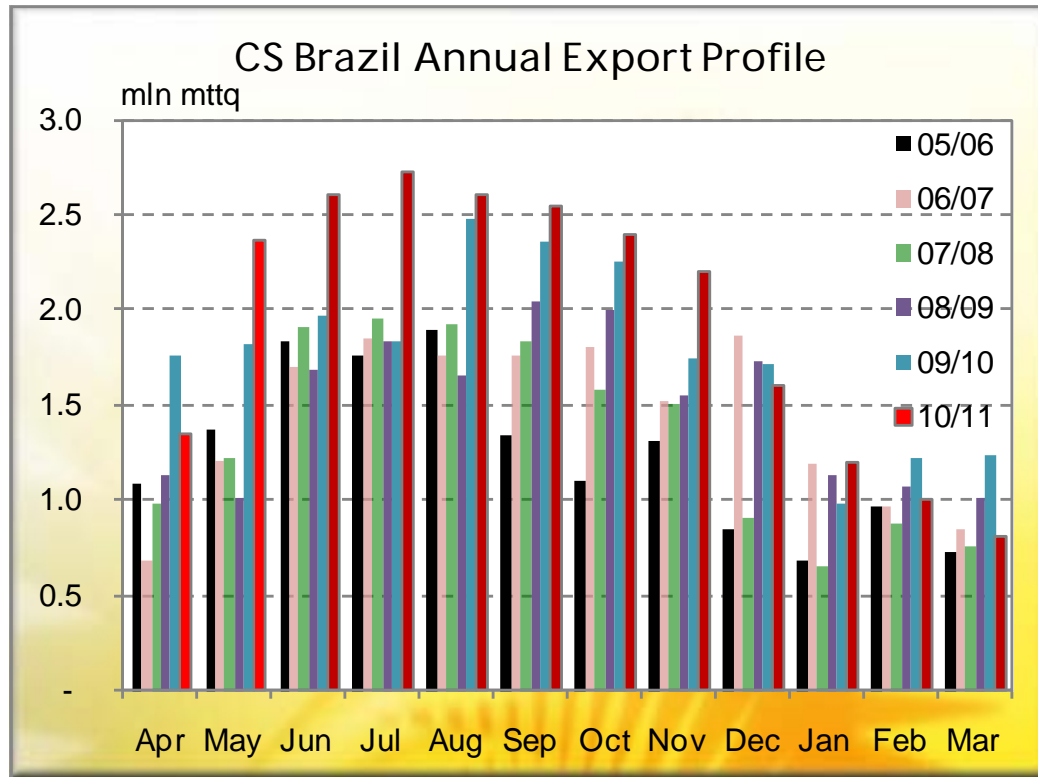


# A quick world tour

# The Brazilian harvest is very fast but worries are growing over the size of the tail



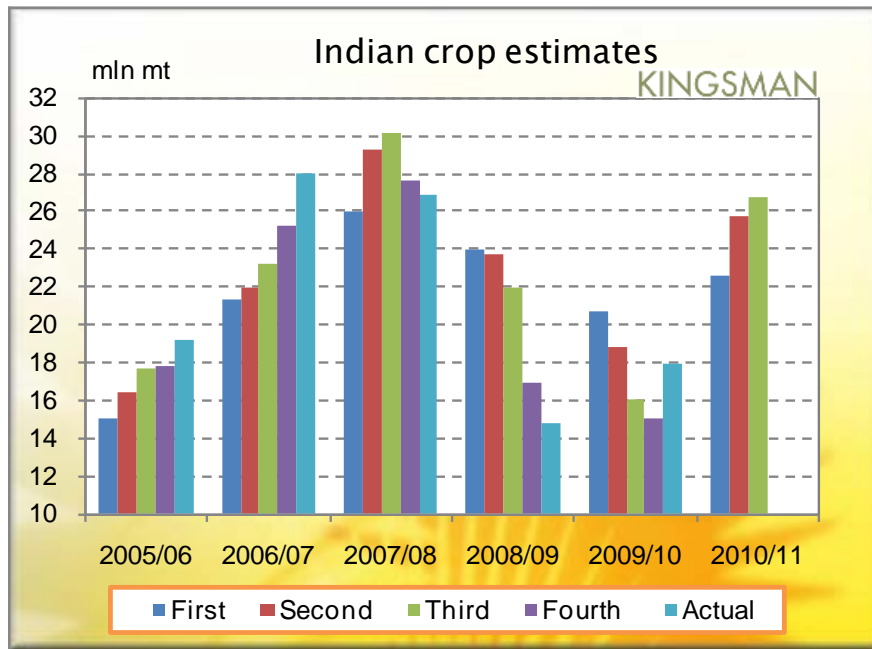
# The sugar is there – the problem is shipping it



# A normal Brazilian line-up



# The Indian crop is tough to predict: the difference between first and final outcomes can be enormous



**2006/07**

6.75 mln mt difference

**2008/09:**

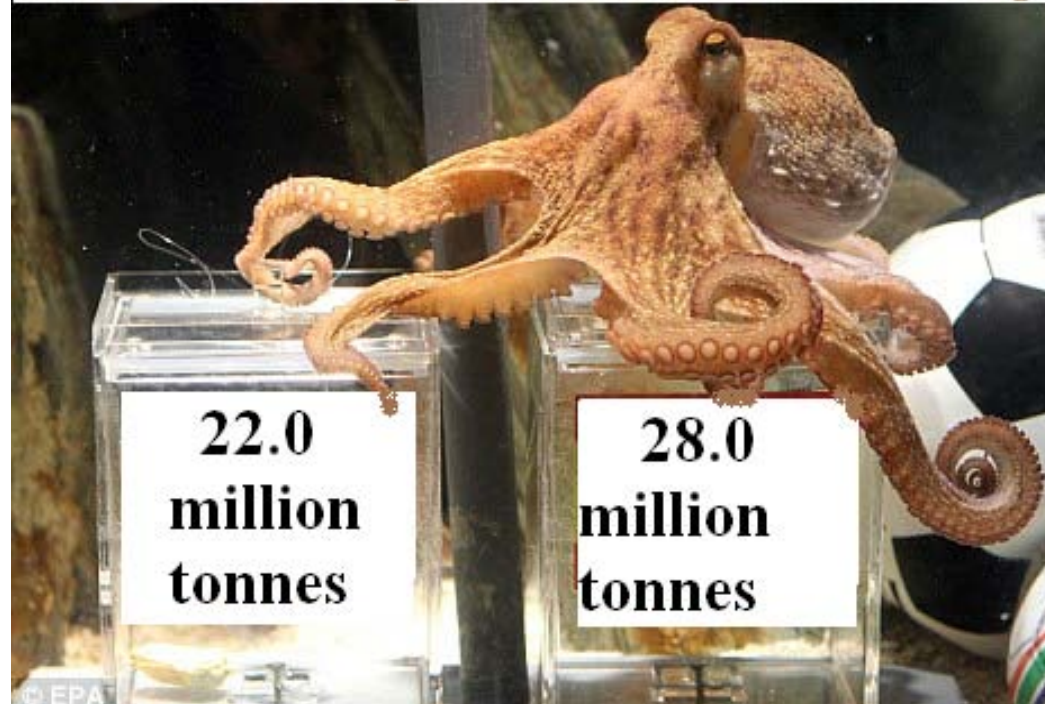
9.25 mln mt difference

**2009/10**

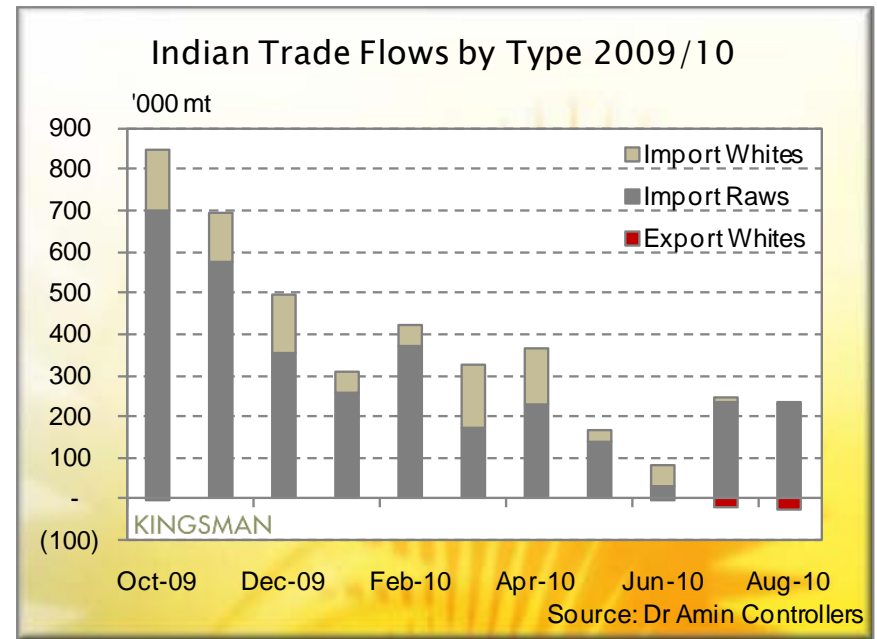
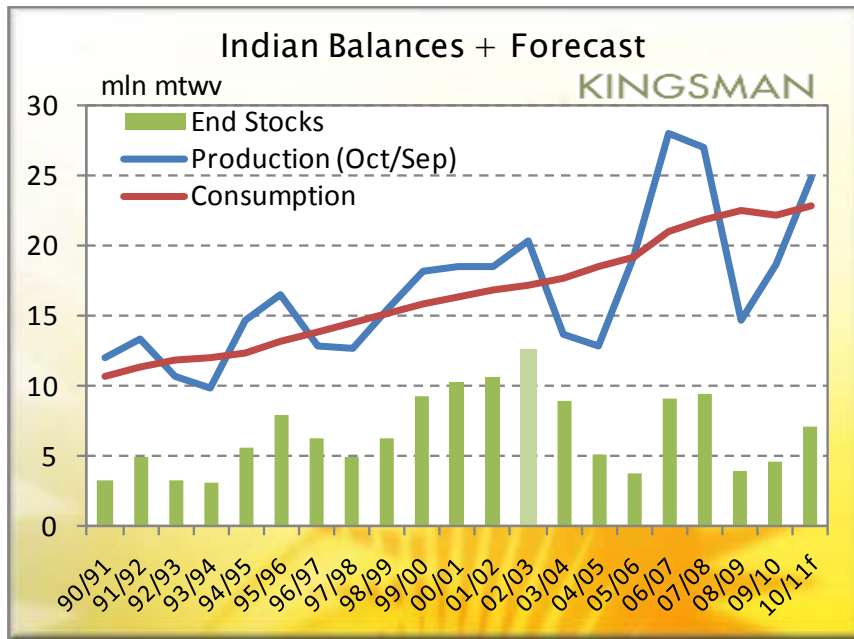
2.27 mln mt difference

# So we will try anything to improve our Indian forecasts

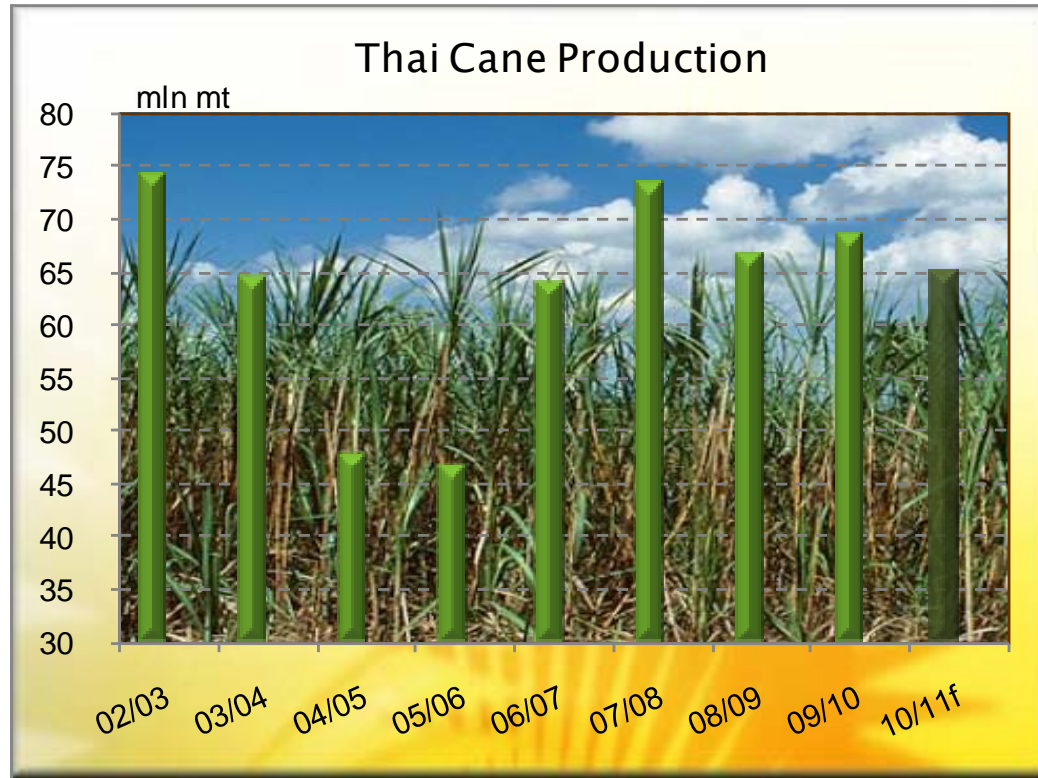
Paul the Octopus and the Indian crop



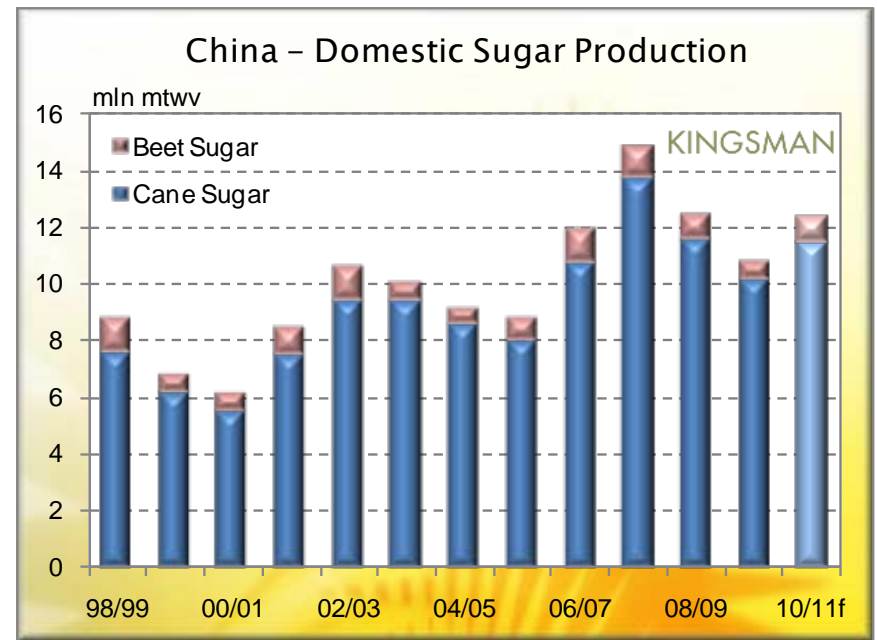
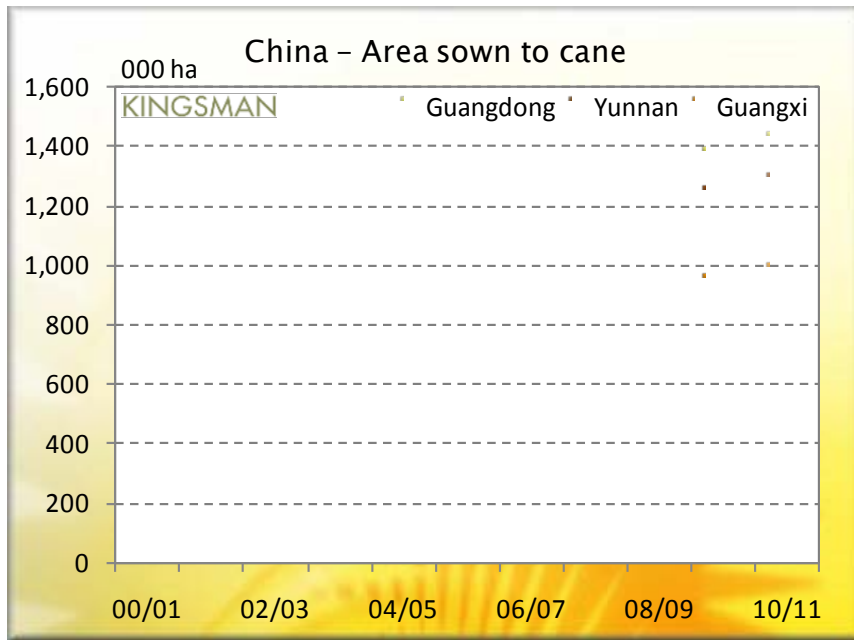
For the moment the consensus for next year is **25 mln mt** and a small exportable surplus.



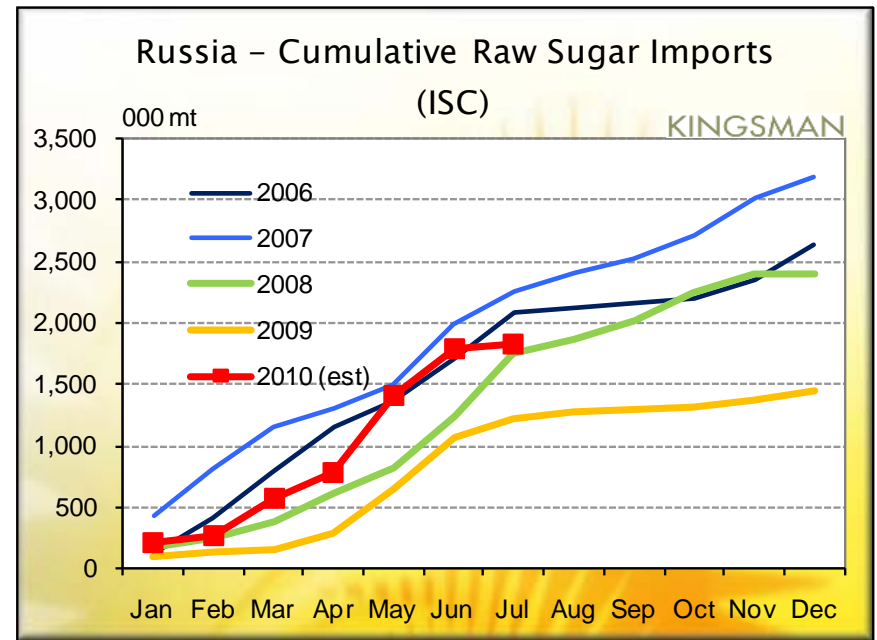
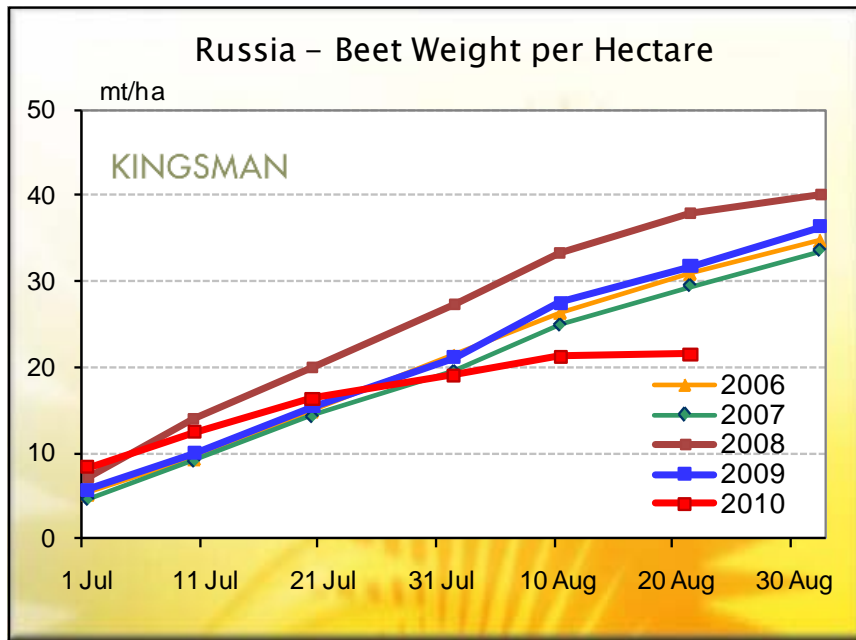
# Thailand – shortages in the domestic market and another drought impacted crop next year



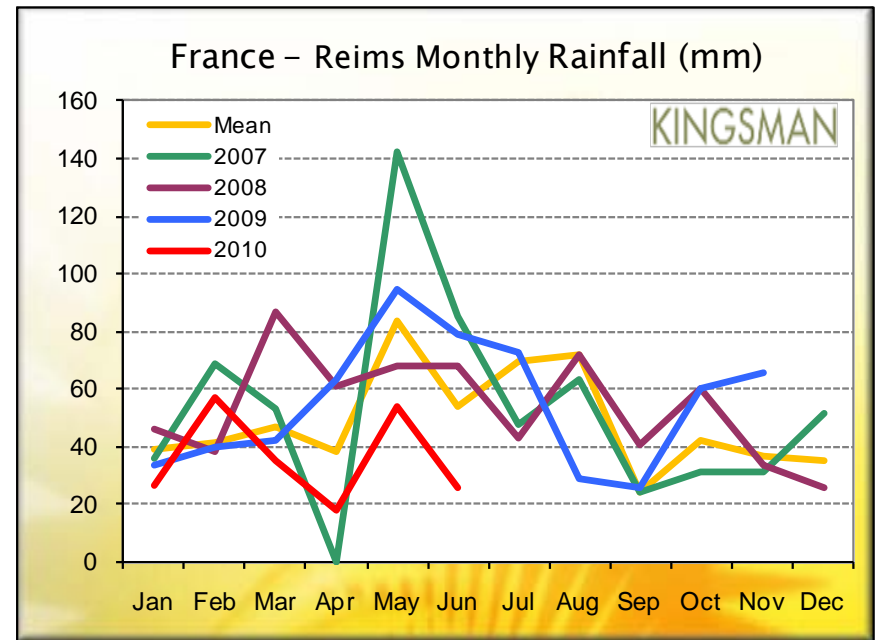
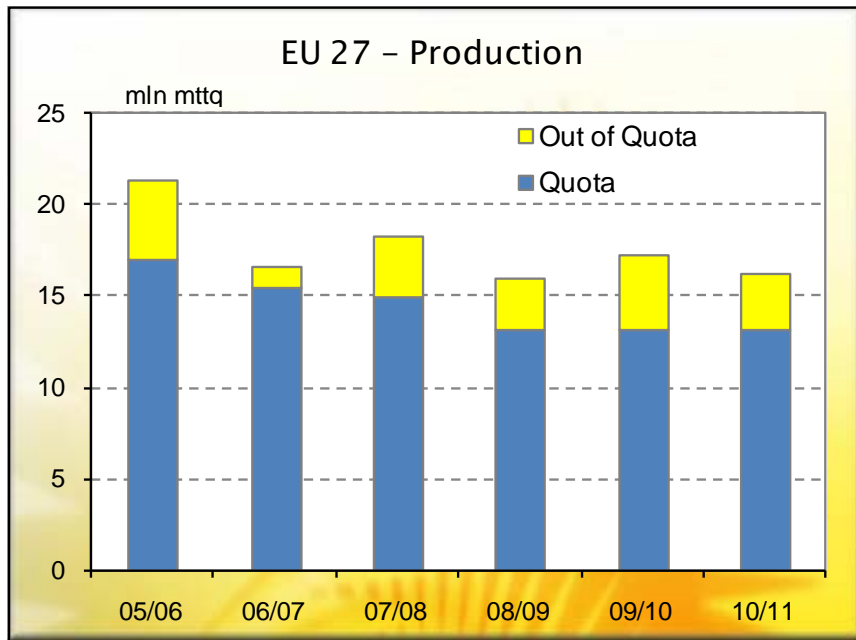
# China – some recovery, but not enough and more imports will be needed



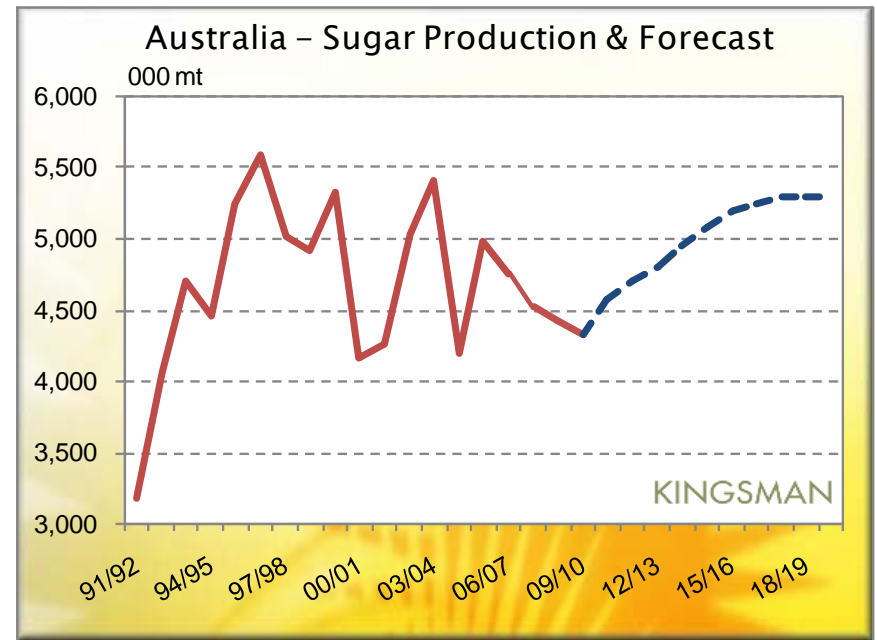
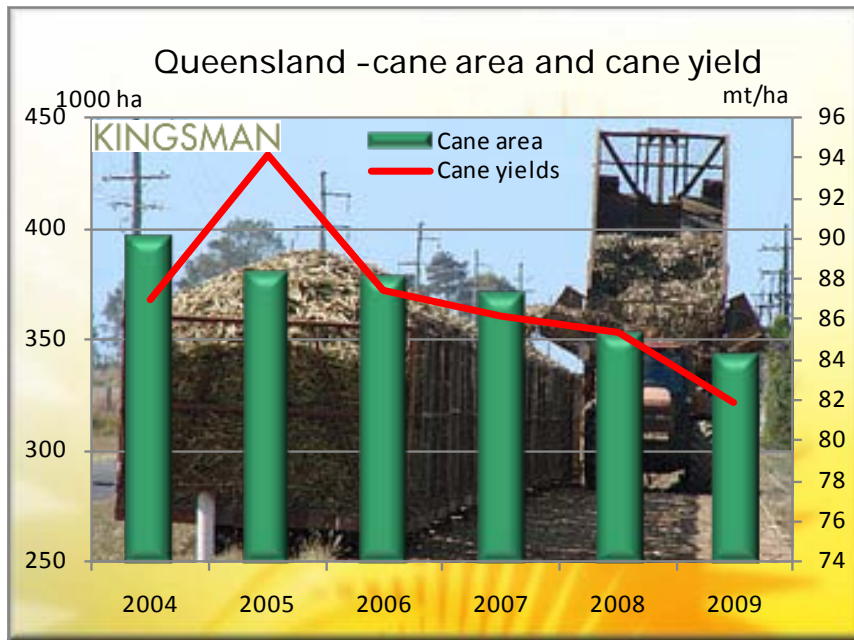
# Russia weather remains a concern and crop will be one mln mt less than first estimates



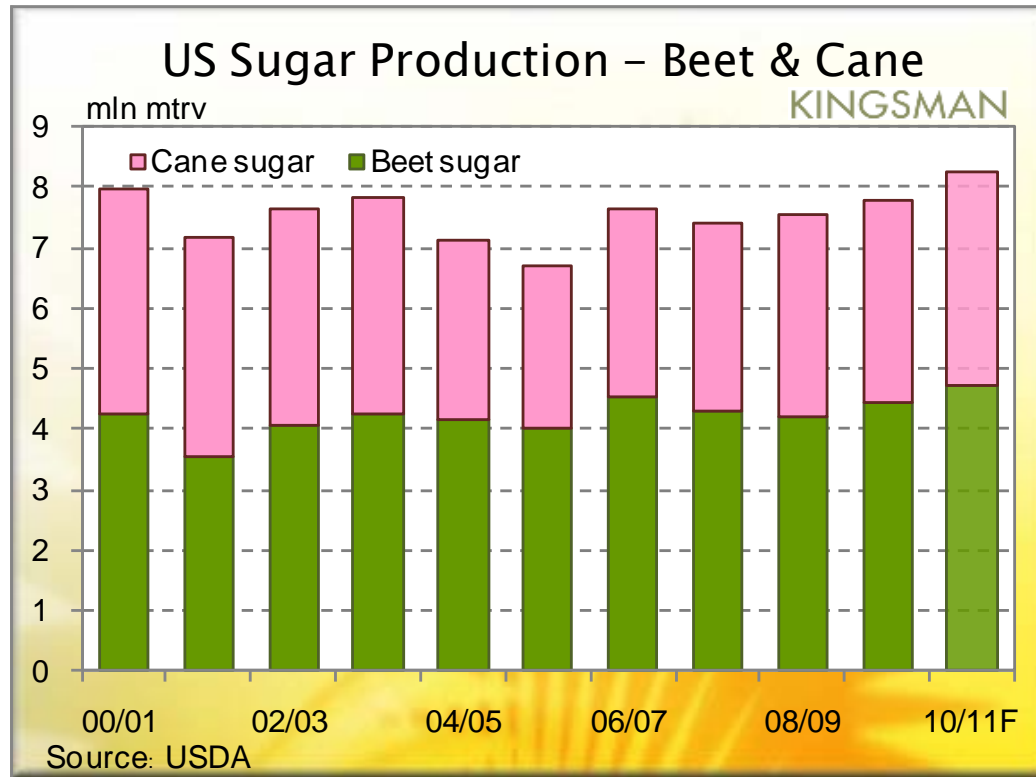
# EU production – dry weather may reduce exports to less than 650k mt next crop year



# Australia –room for recovery but this year will be slightly less than most optimistic forecasts



# USA needs more sugar – only some will come from domestic production



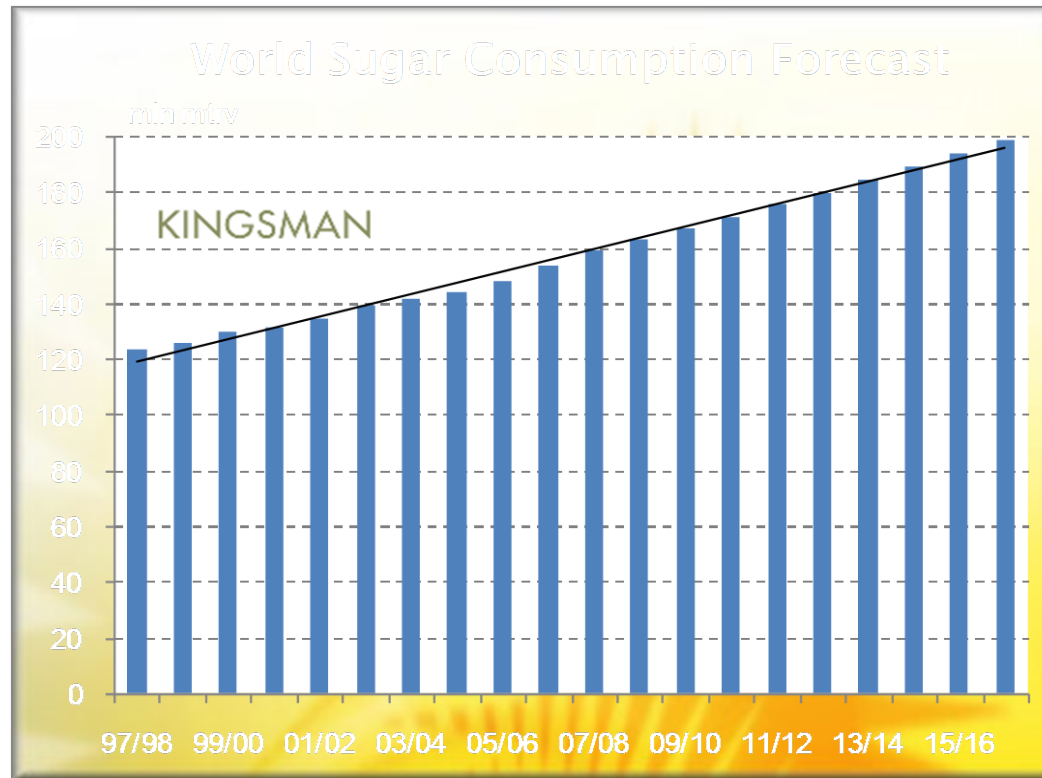
# Where do we go from here?



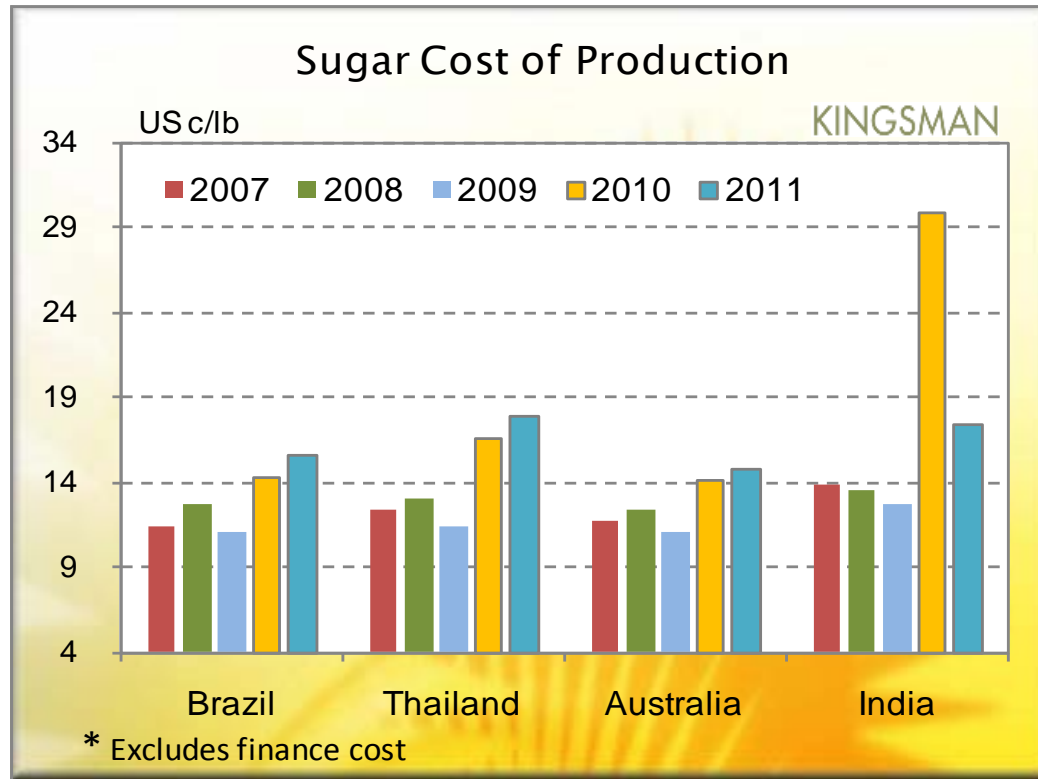


# The vision thing

# The world needs more sugar and the market needs to pay producers to produce it



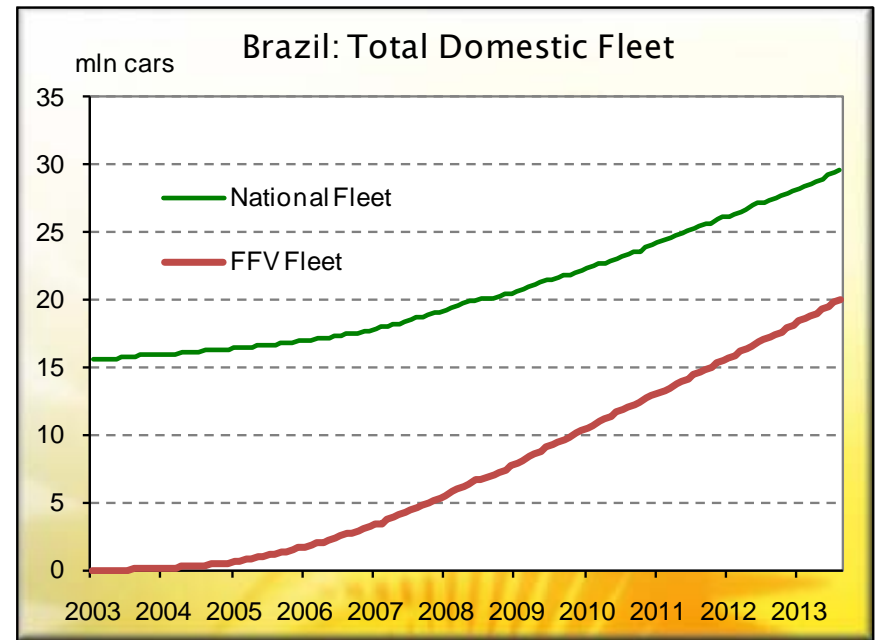
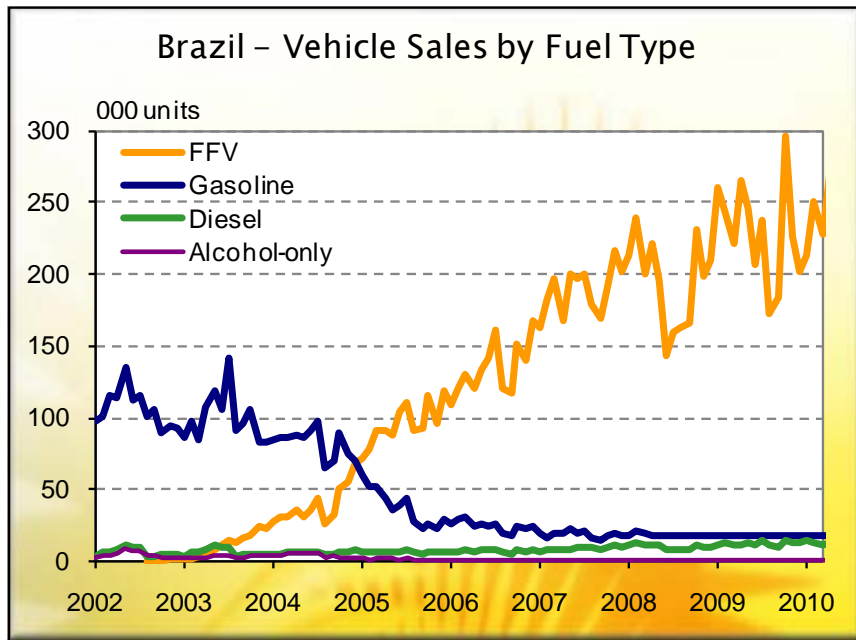
# Cost of production is increasing



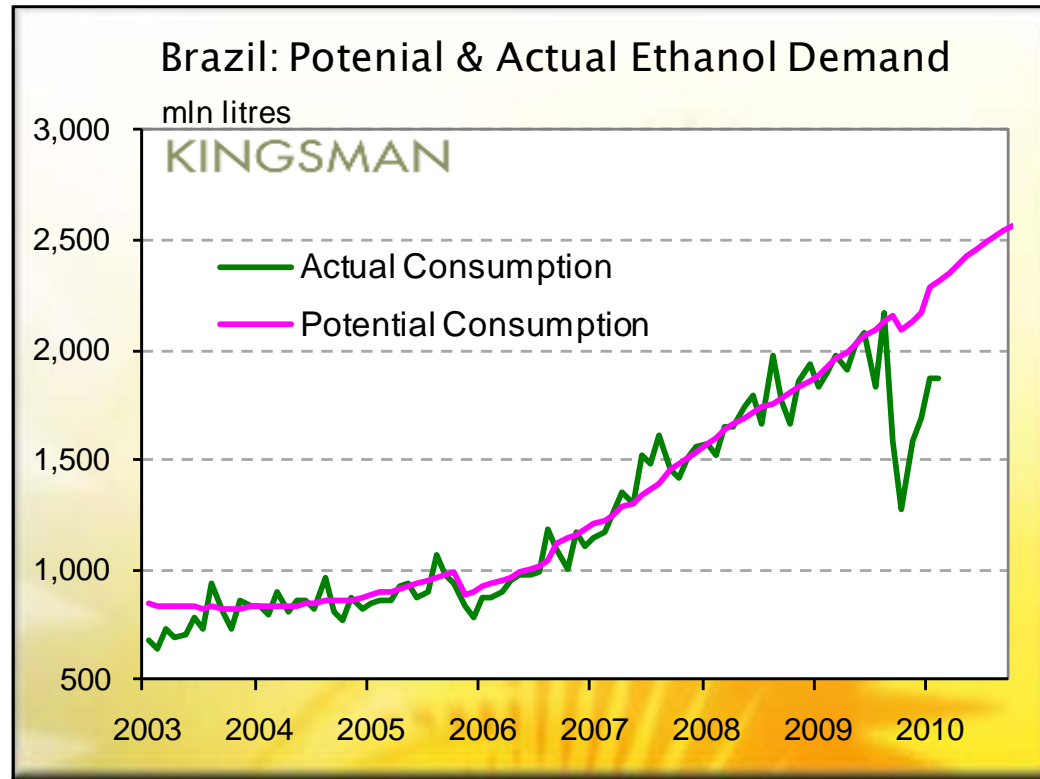
# Sugar importers rely heavily on Brazilian production and logistics



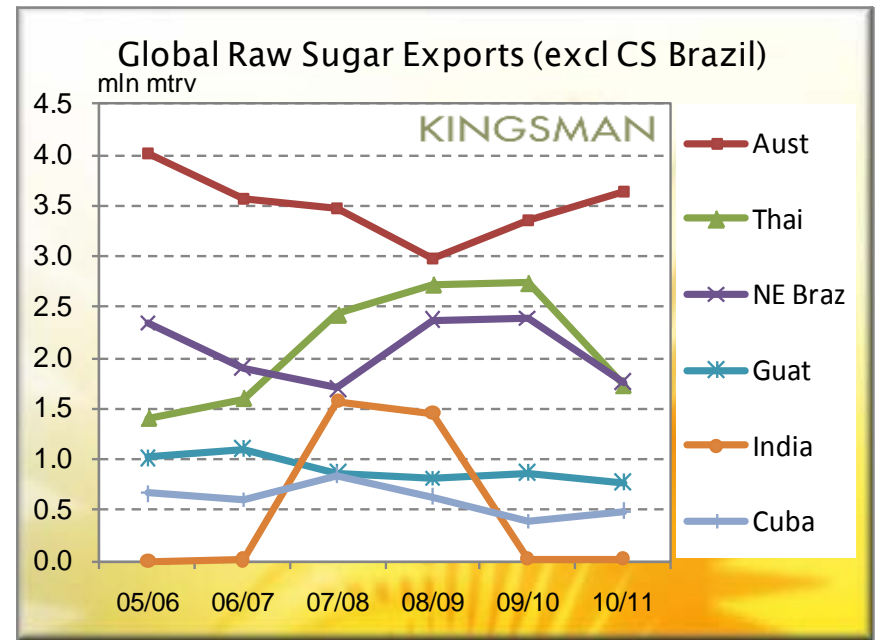
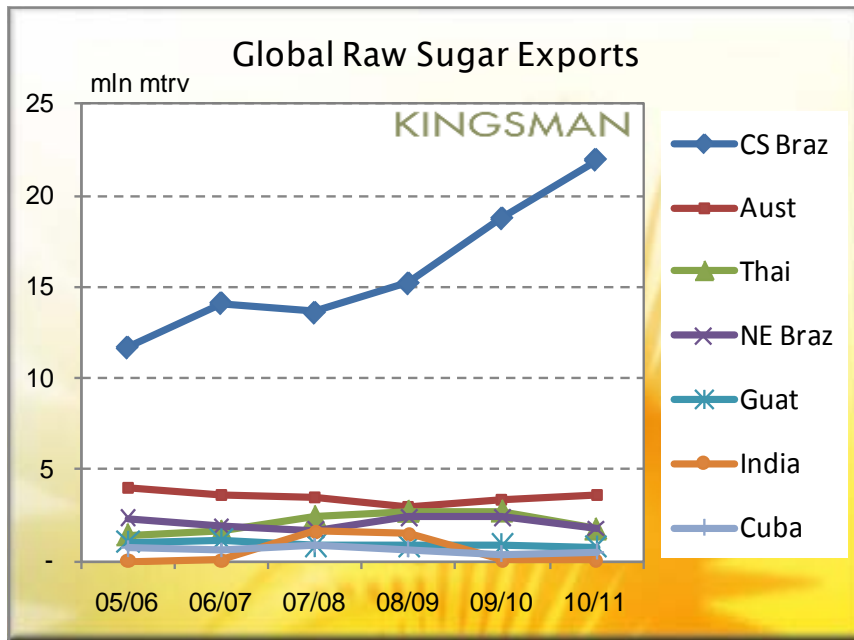
# Brazil's sugar exports have to compete with growing domestic ethanol demand



# Actual ethanol consumption last year fell far short of theoretical demand



# The most important slide



# Will the bull get its revenge?



# The conclusion

1. If the weather is kind the world should have a surplus of 3.52 mln mt in 2010/11.
2. Although this will allow some stocks to be rebuilt our tradeflow analysis is forecasting a sharp deficit for FH 2011
3. In the long term sugar prices need to pay producers to expand production – prices below 17-18 c/lb won't do that

# Things to watch out for

## **Short term:**

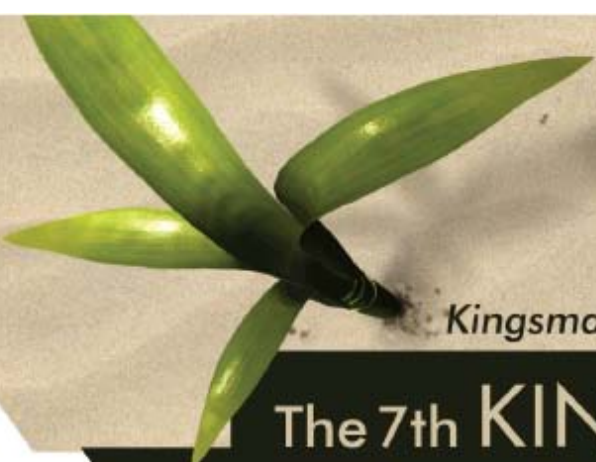
The weather at a time when global stocks are tight

## **Medium term:**

Liberalisation in India and the EU

## **Long term:**

“Globalisation” of sugar production and the entry of new players into the business



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