

How important is sugar in the global ethanol equation? (and vice-versa)

Kingsman Indian Sugar Summit

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1 September 2010



Global sugar/ethanol picture

Sugar

- Sugar in 2010/11 crowding out ethanol prodn
- Global sugar prices out-compete Braz ethanol

Other

- Oil prices are only “soft” support for ethanol
- Grain price rally pushing feedstock prices up

Ethanol

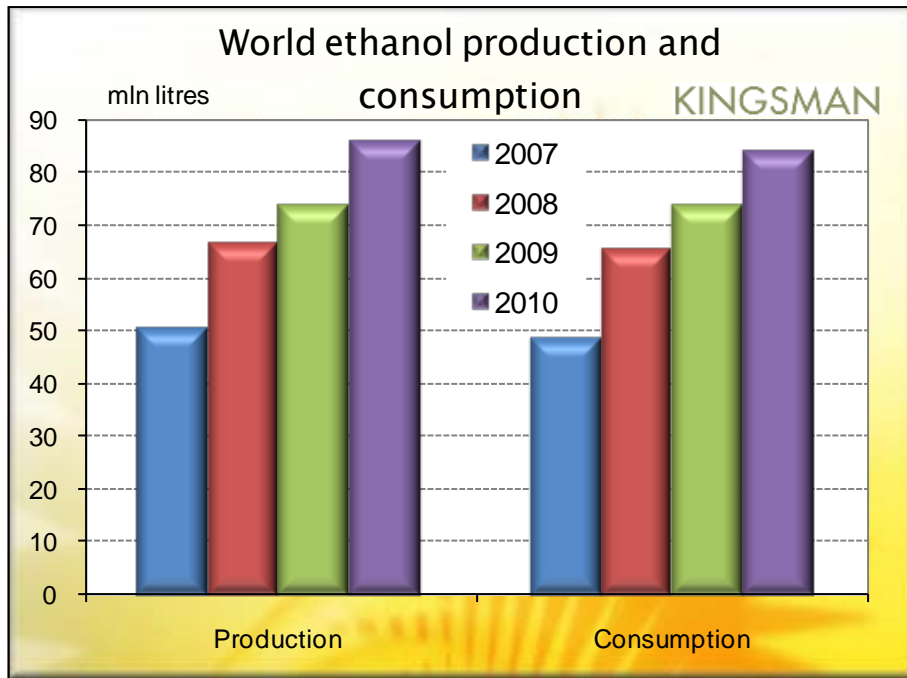
- Globally, mandated or price supported is fine
- Non-mandated usage – more difficult

Global Ethanol S&D

2010

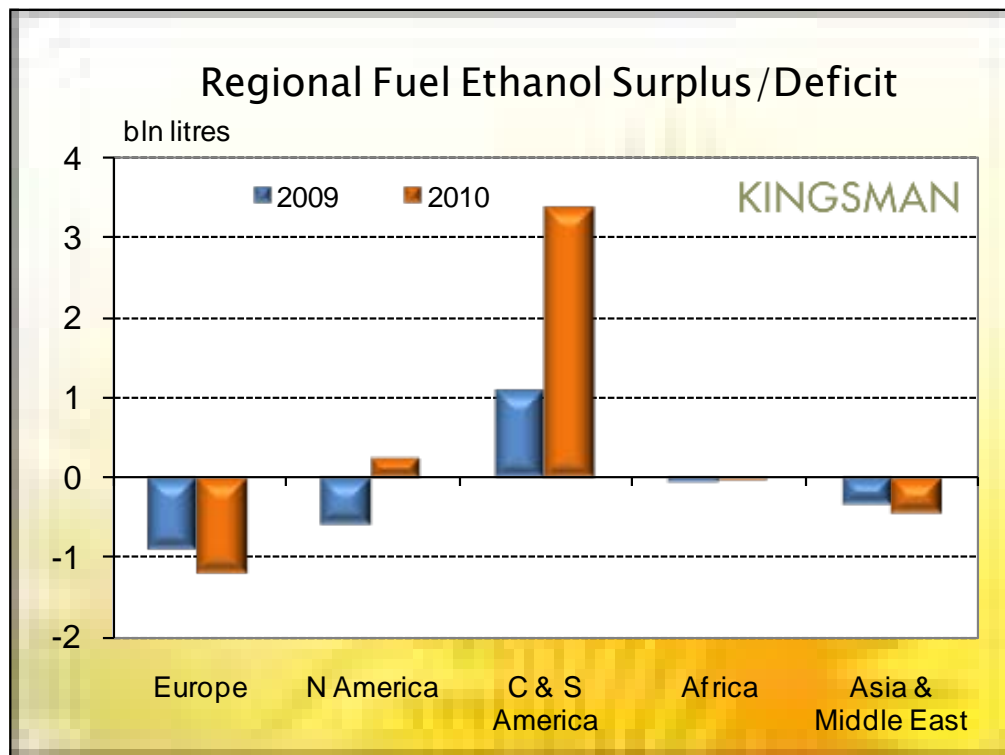


Global Ethanol Prodn has grown faster than consumption, causing a surplus



- Our latest forecasts:
- Prodn: 85.48 bln l.
- Consn: 83.50 bln l.

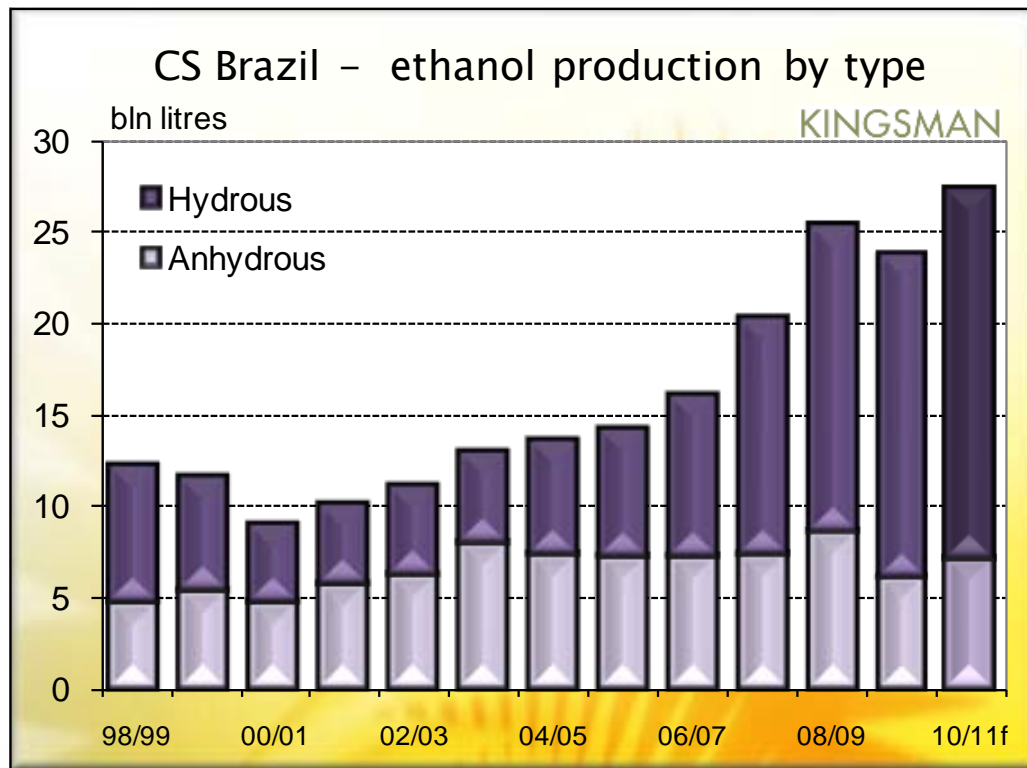
Our forecast shows strong regional imbalance



Brazil Ethanol – where the real sugar interface lies

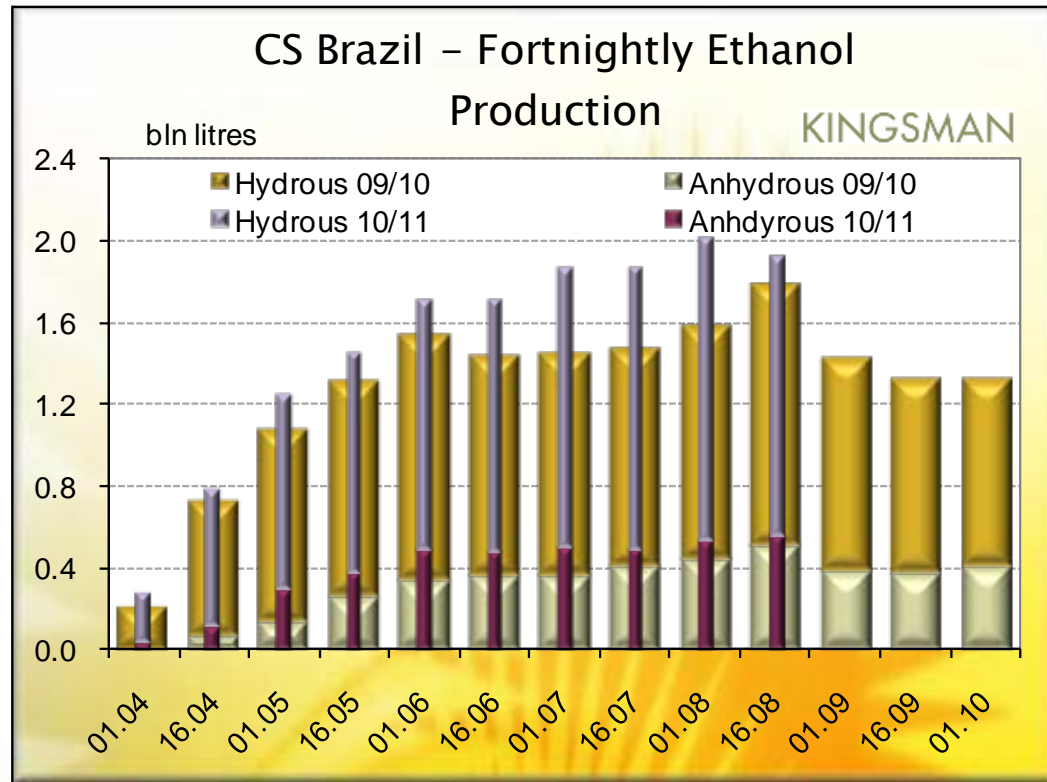


Brazil – major producer & exporter, using sugar cane

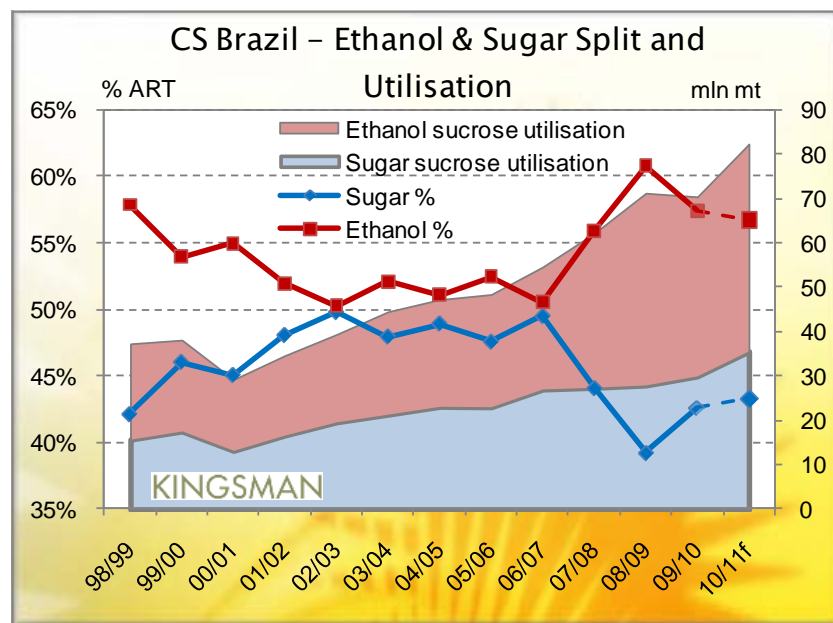
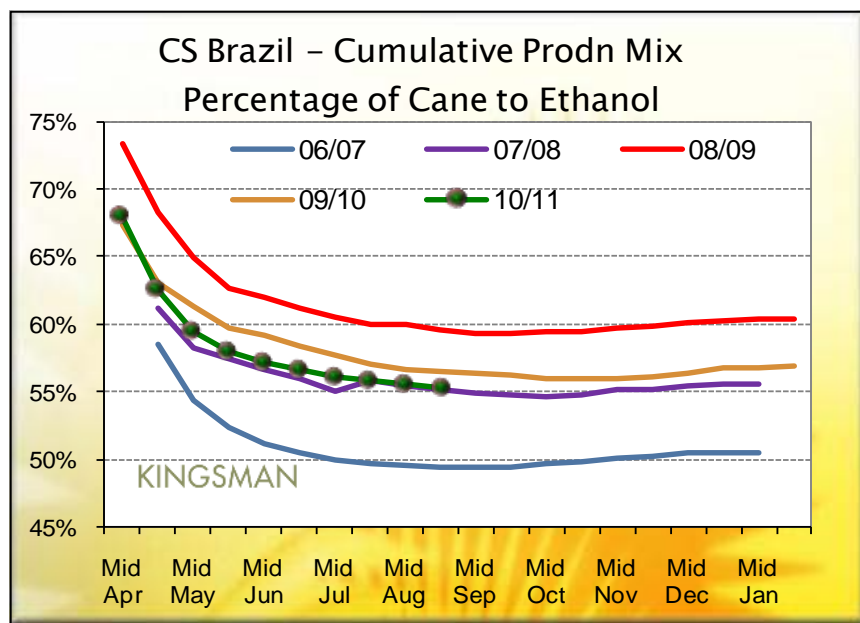


- Prodn: 26.8 bln l
31.35% of global
- Cons: 23.4 bln l
28.02% of global
- Surplus: 3.4 bln l
Compared to 1.98 bln l global

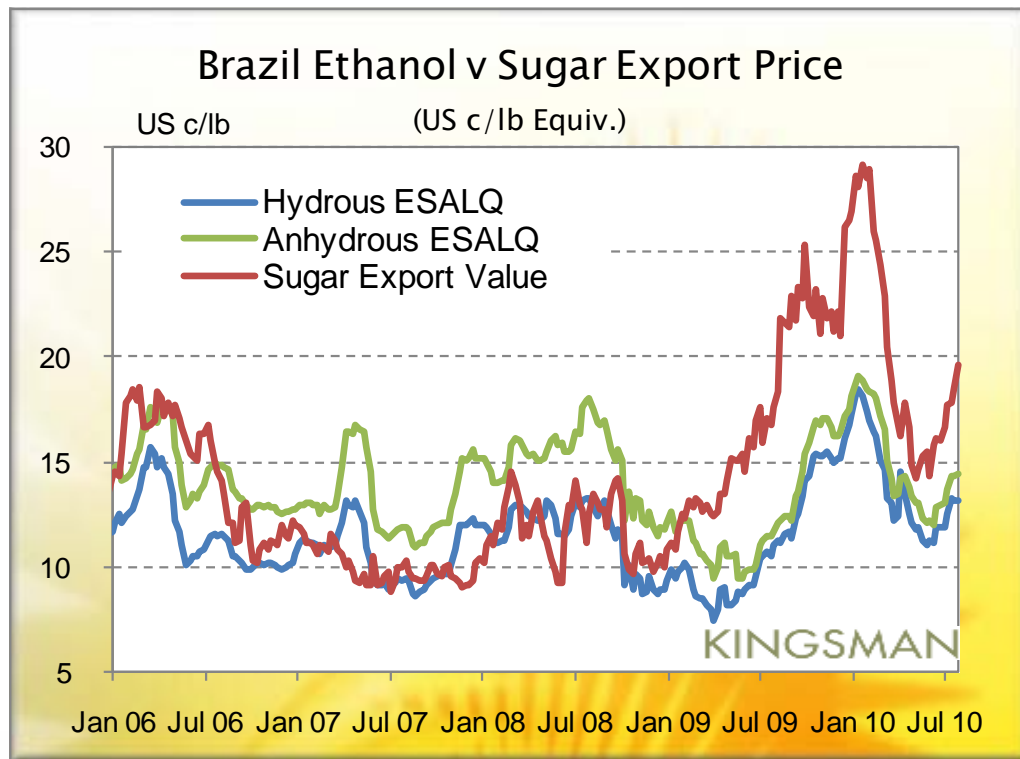
Brazil – while ethanol prodn is well ahead of 2009/10



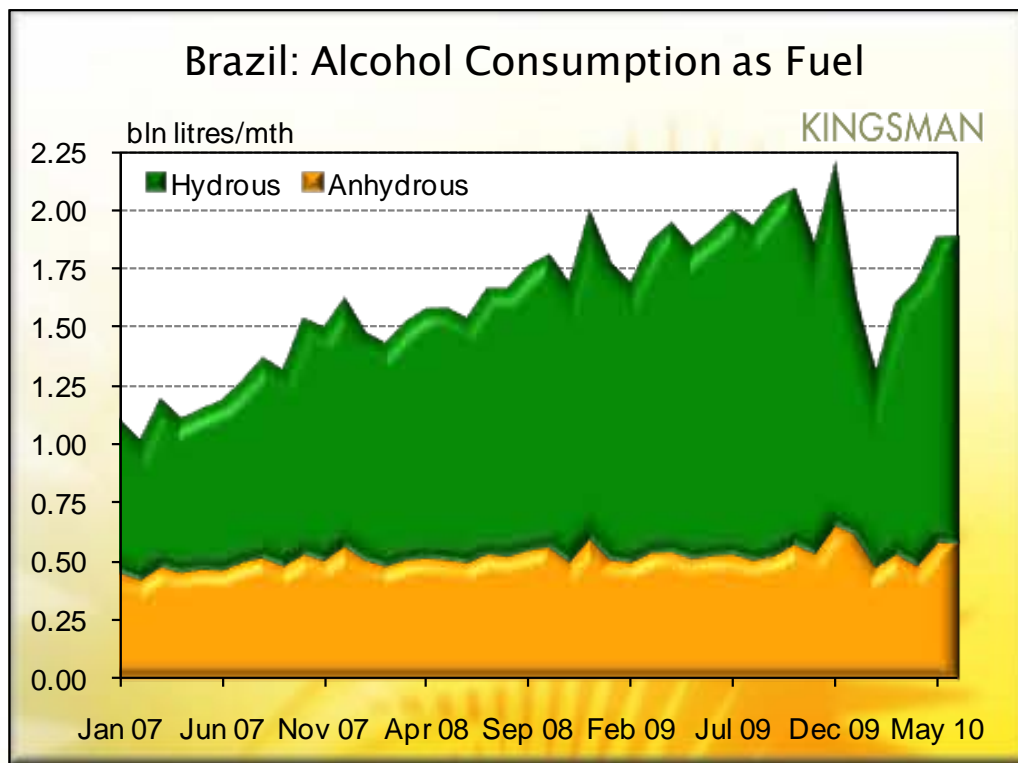
Brazil – sugar reduces potential ethanol production



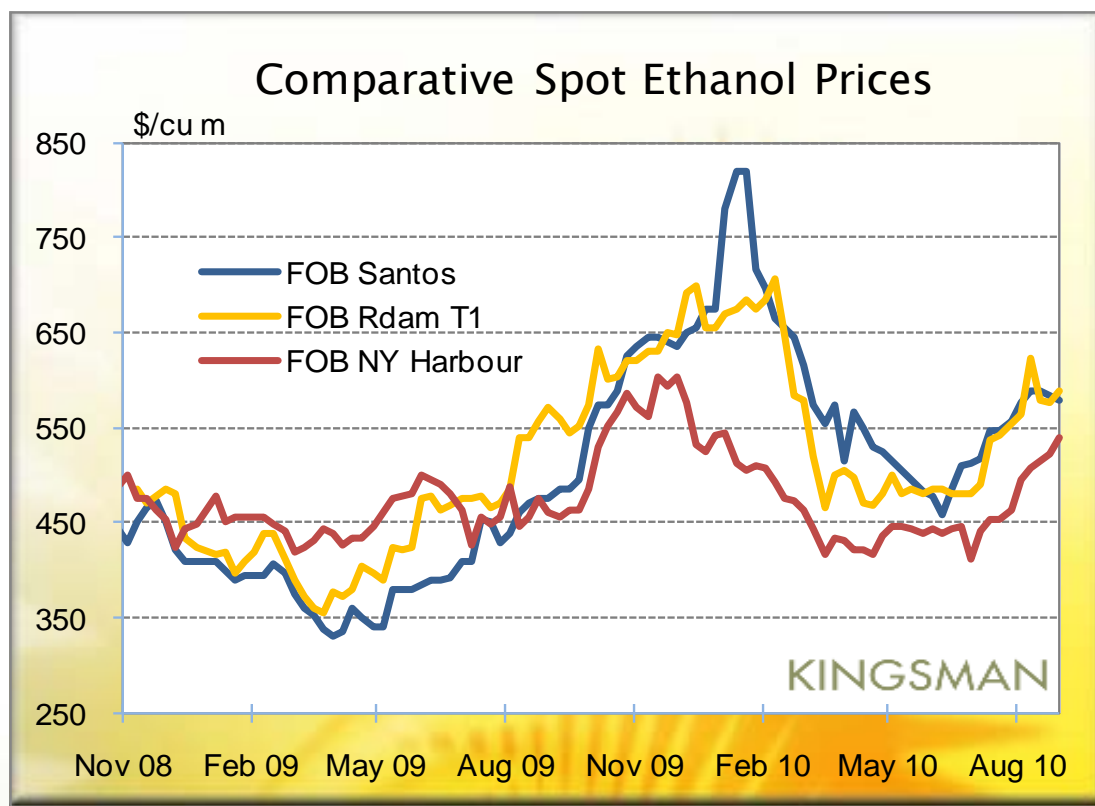
Unsurprising, since sugar price more attractive



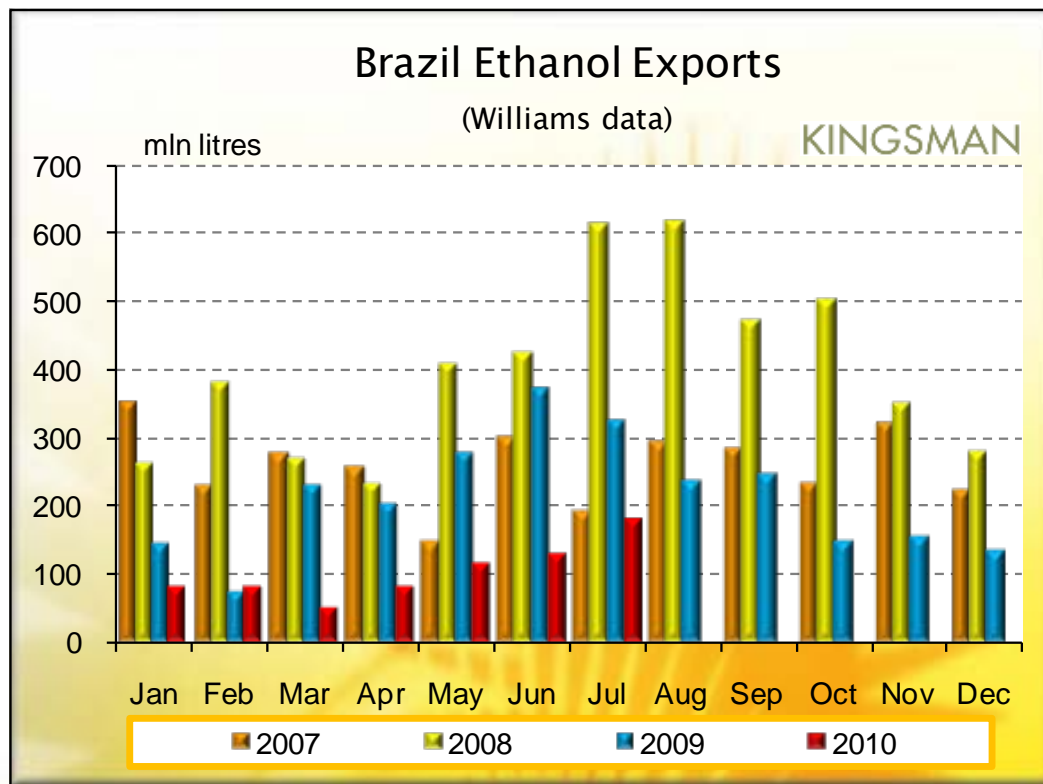
Brazil – Consumption is recovering slowly after a dip



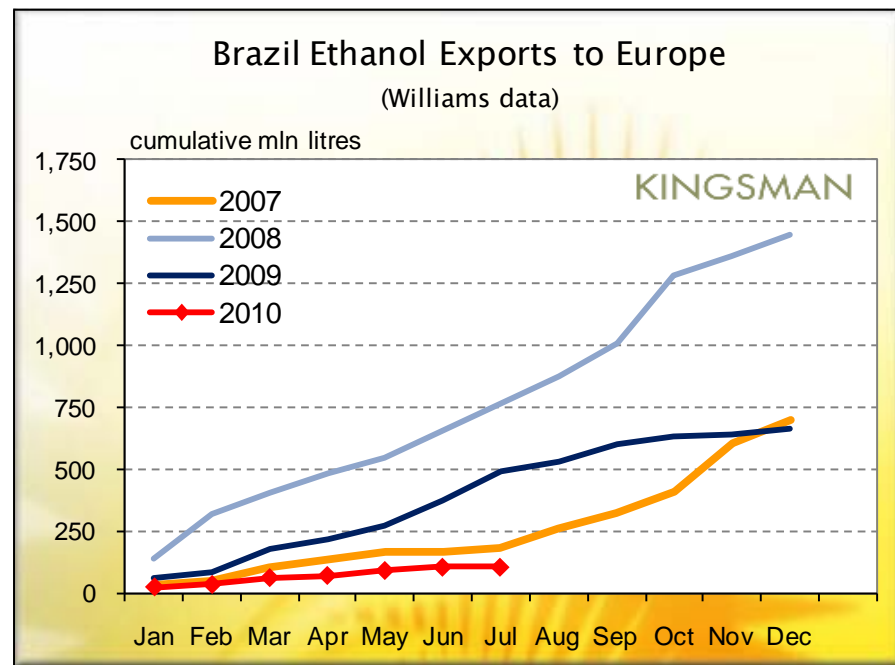
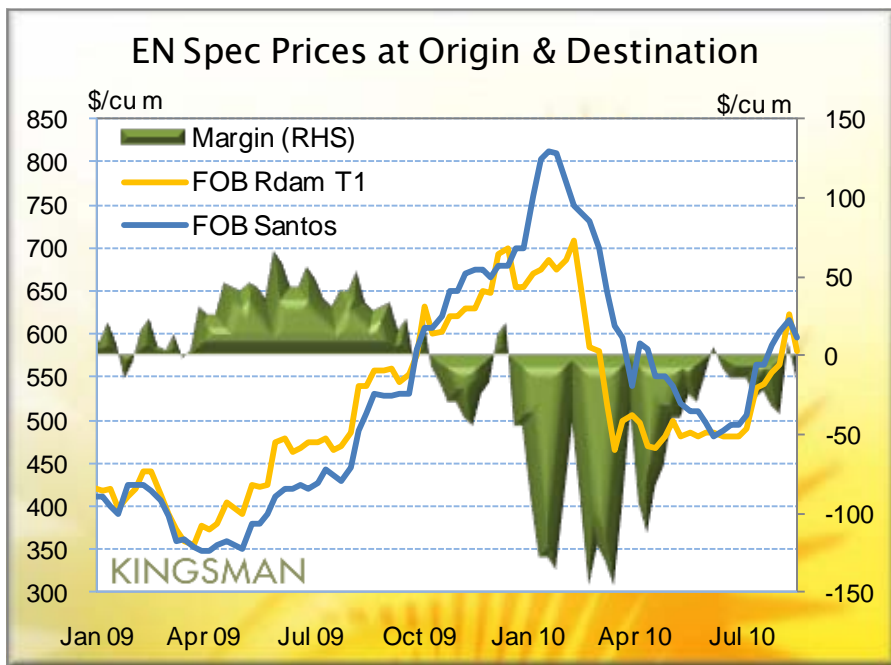
Brazil - Despite export availability, prices not competitive in US/EU



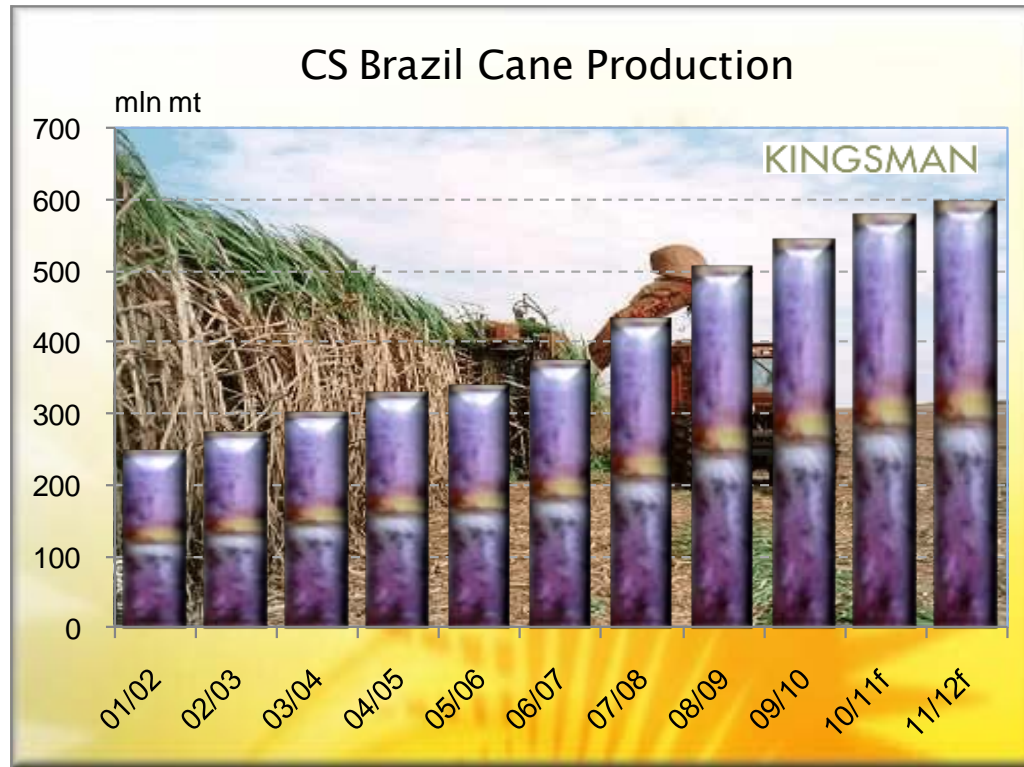
Brazil – As a result, reduced exports in 2010



Brazil – Export window to Europe remains shut



Brazil – Looking forward, more cane available



Question is in 2011, will there be more cane? More sugar? More ethanol?

Brazil - summary

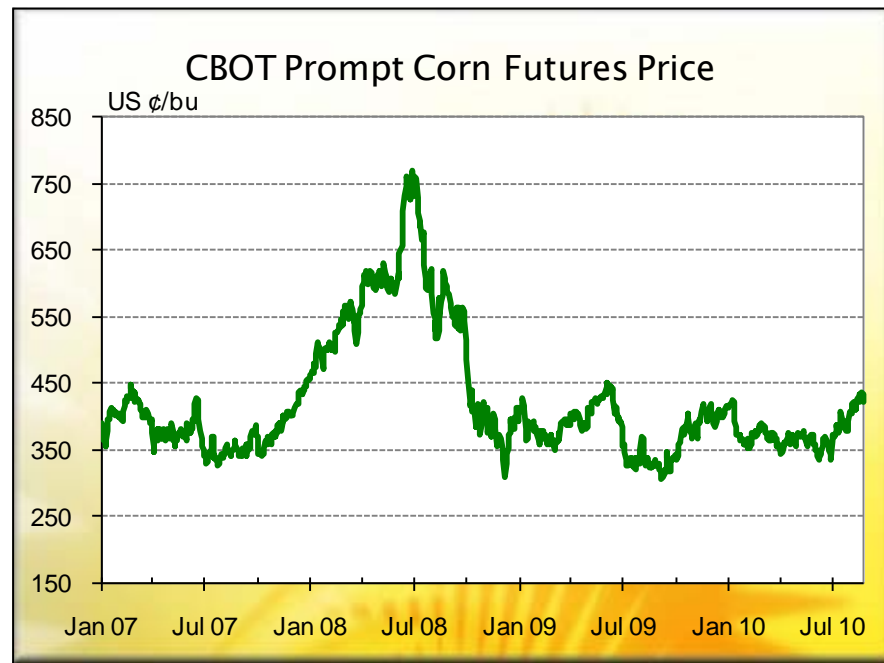
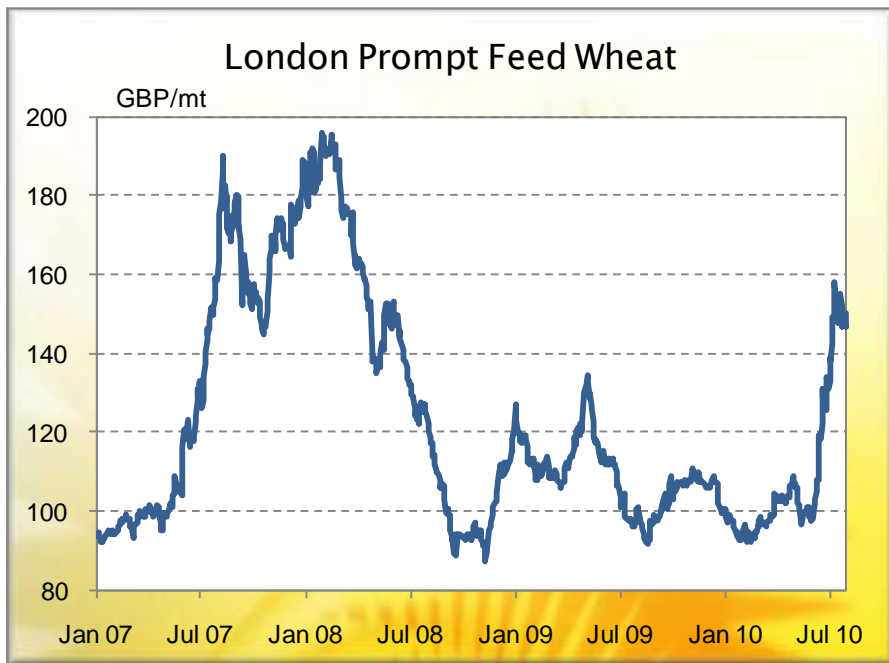
- Ethanol playing catch-up from 2009/10 (so is sugar)
- Plenty of unmet ethanol demand in 2010
- Domestic prices > export, record Aug highs
- Exports of fuel ethanol have suffered



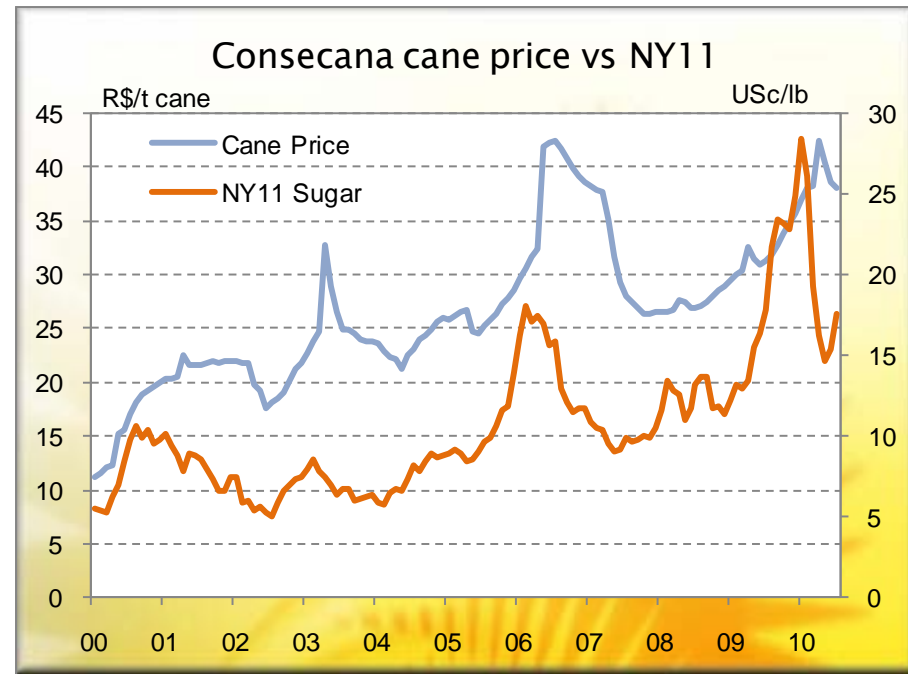
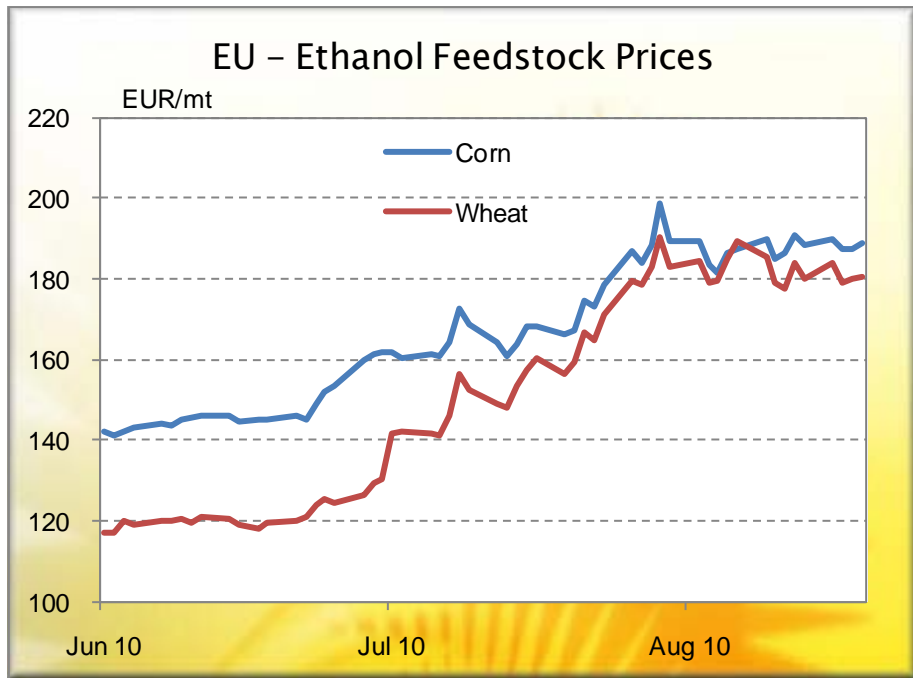
Global Ethanol – not all smooth sailing



Global – Ethanol Feedstock prices on the rise

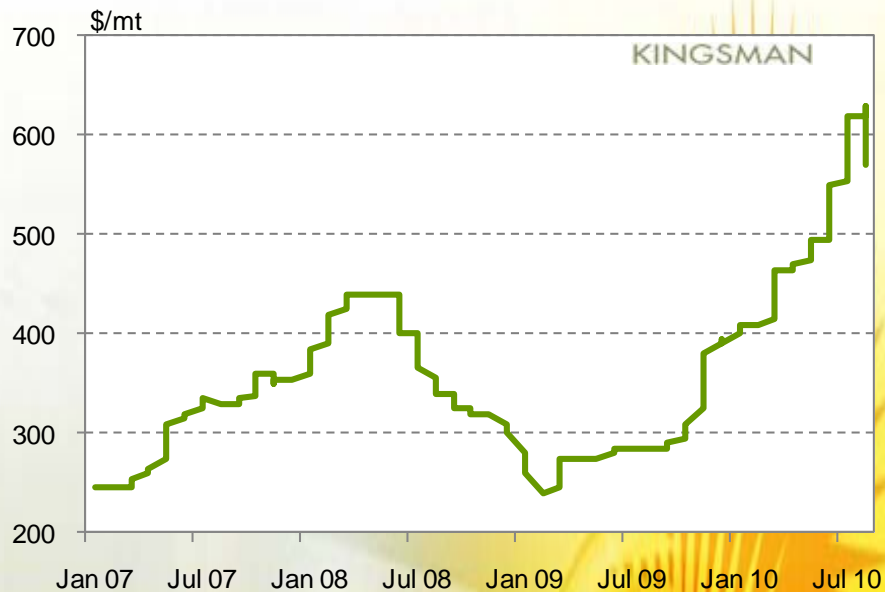


Global – Ethanol Feedstock prices on the rise (2)

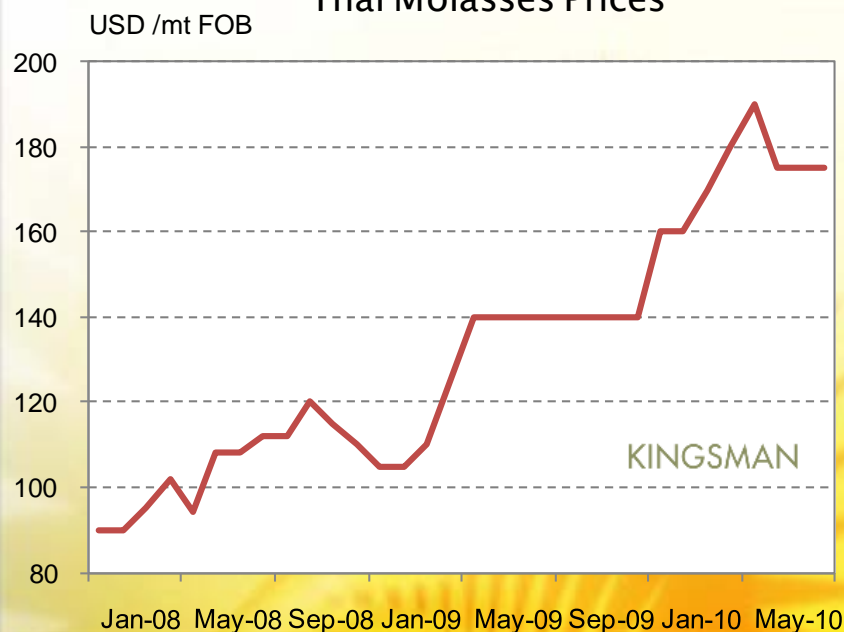


Global – Ethanol Feedstock prices on the rise (3)

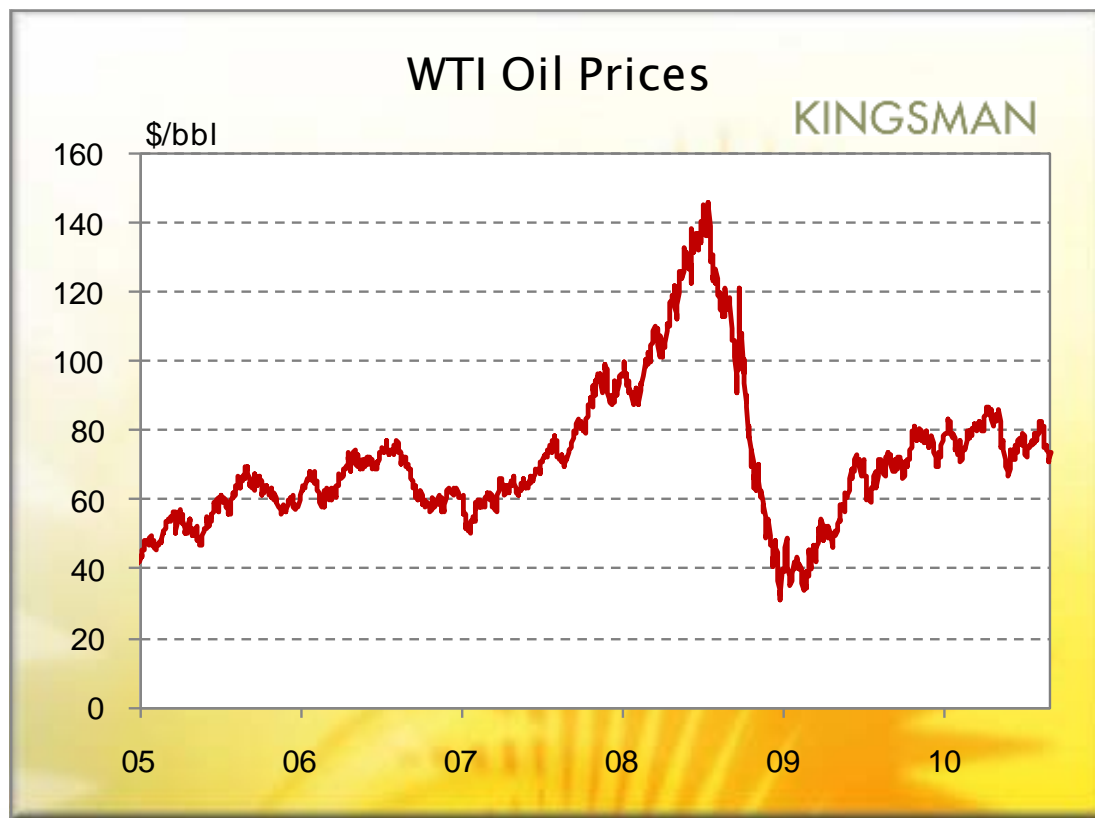
Thailand – Cassava Exports Price



Thai Molasses Prices



Commodity Price hike doesn't include oil



Oil price probably insufficient to “push” new ethanol schemes

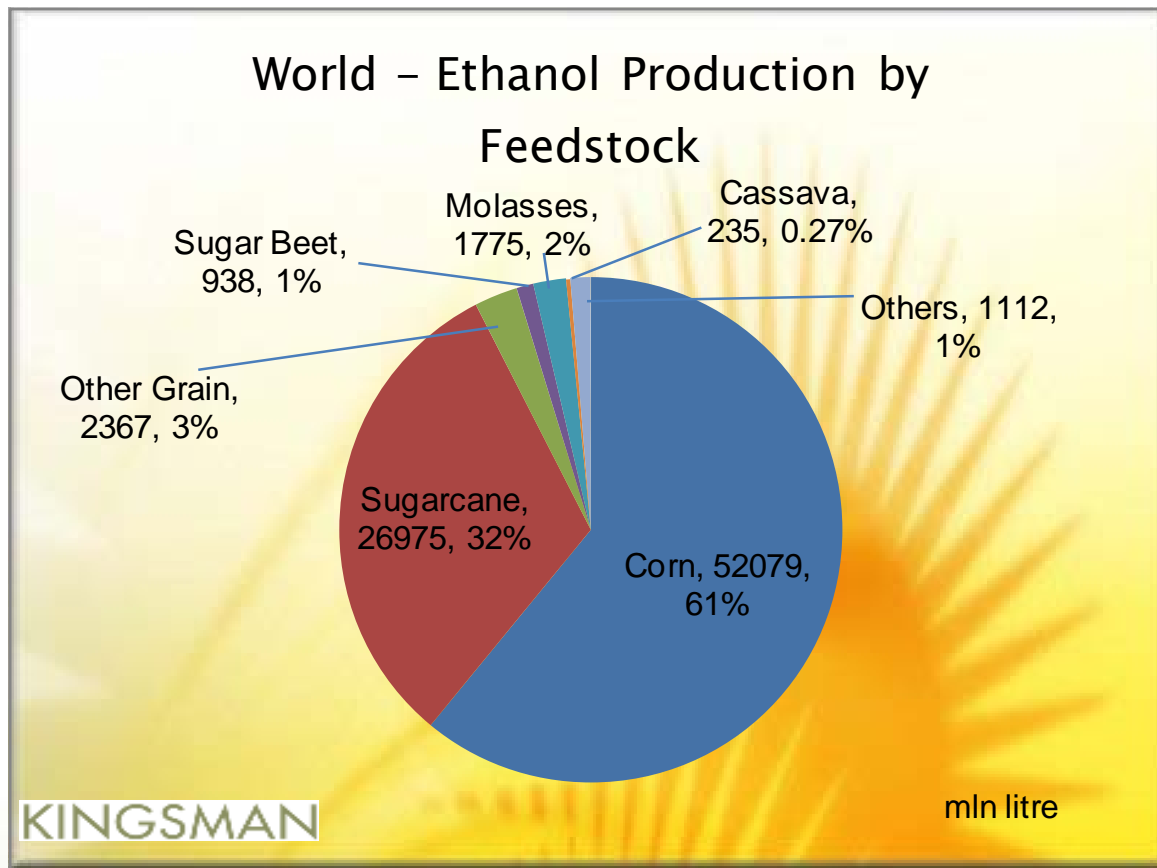
Global Ethanol – where does sugar fit?



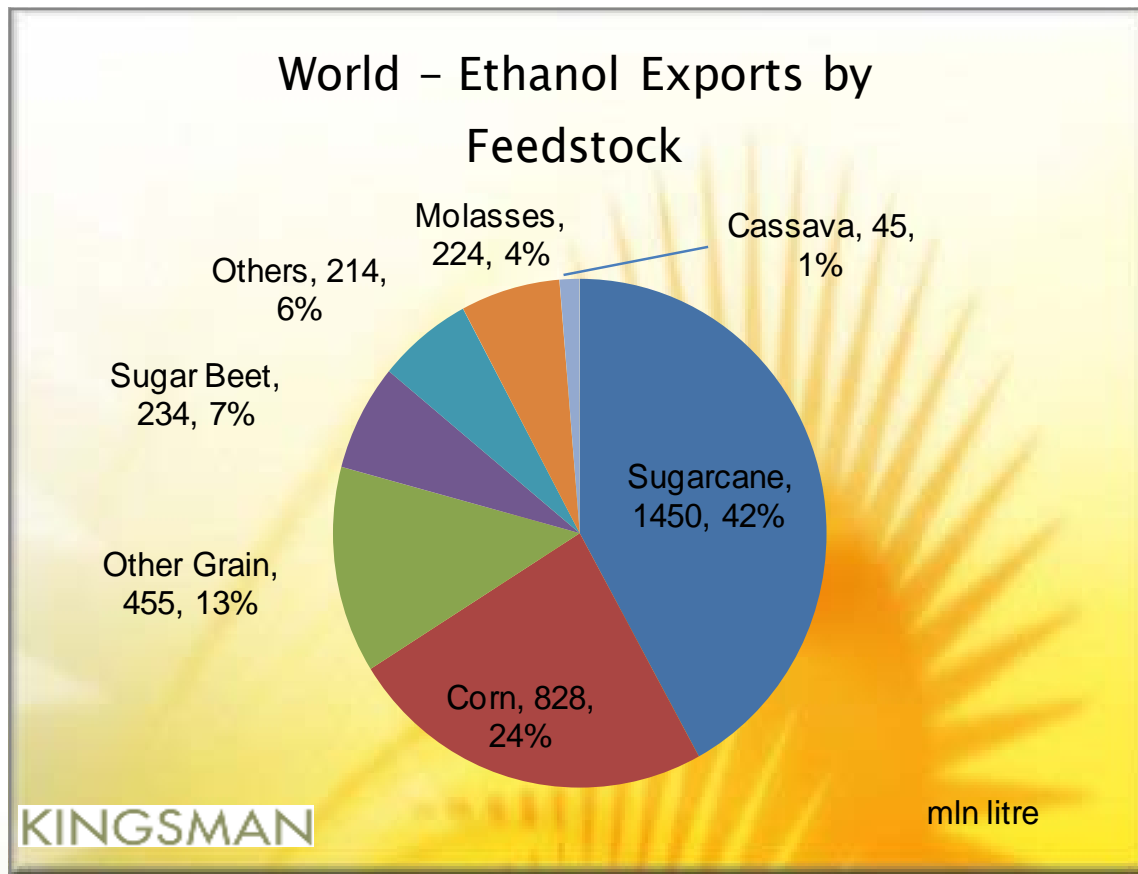
Other Major Producers (except Brazil)

- World – Grain, Sugar cane, Sugar beet, Molasses, Cassava
 - USA - Corn
 - EU - Corn, Wheat, Sugar Beet
 - China – Corn, Cassava
 - Canada – Corn, Wheat
 - Thailand – Cassava, Molasses
 - Australia – Wheat residue, Molasses, other grains
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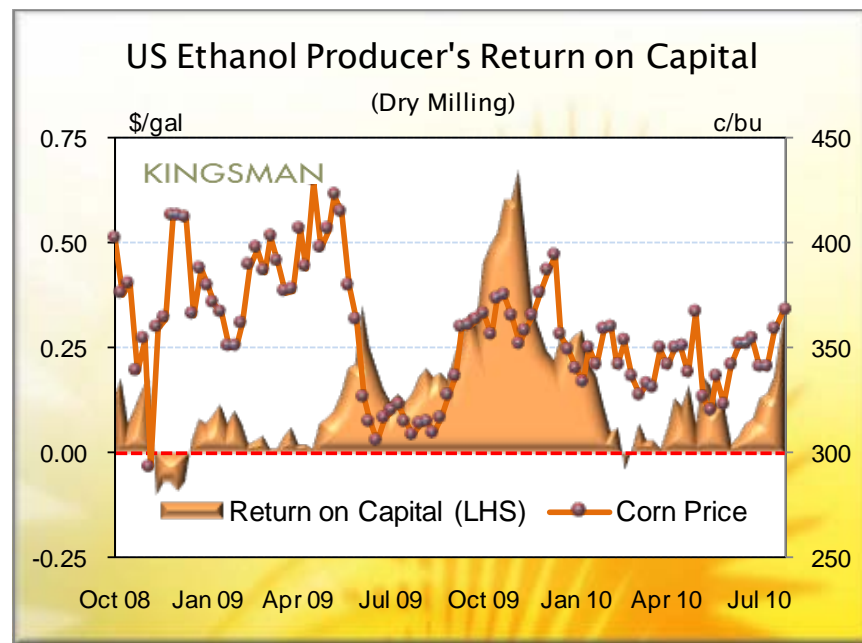
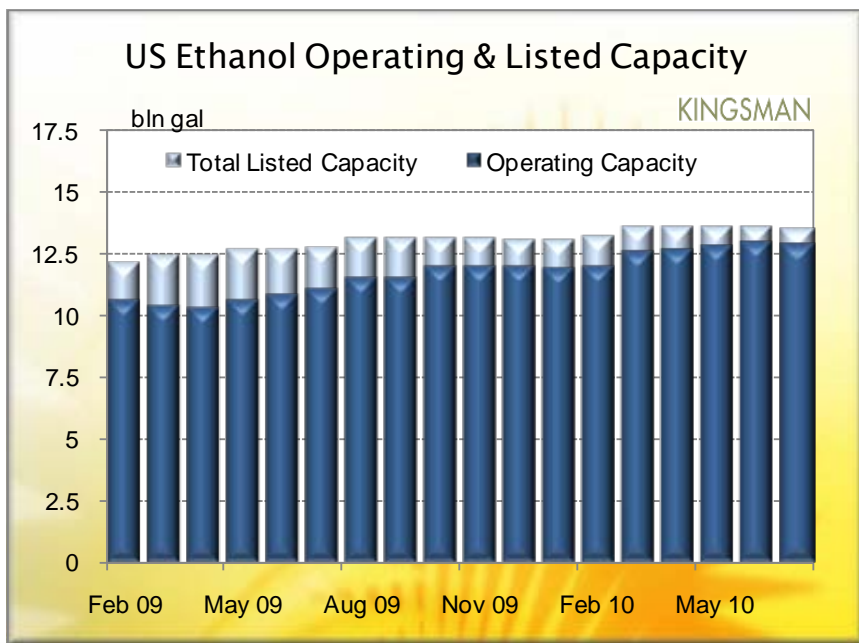
Global Prodn – Corn & Sugarcane the major feedstocks



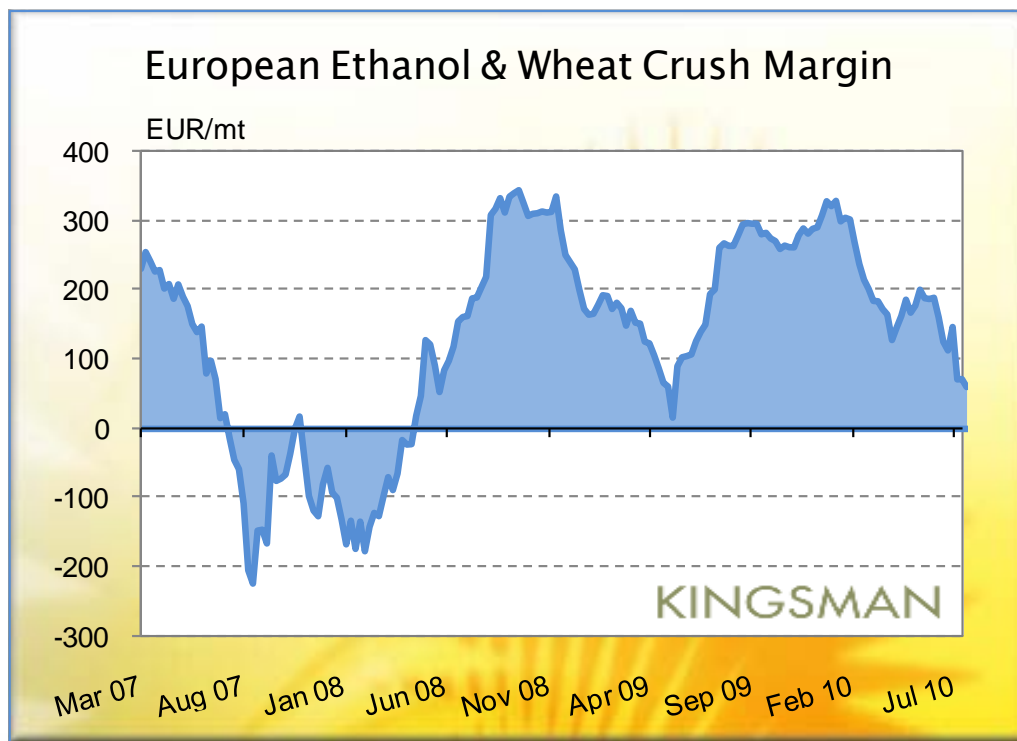
Global Exports – Sugarcane the major feedstock (2010)



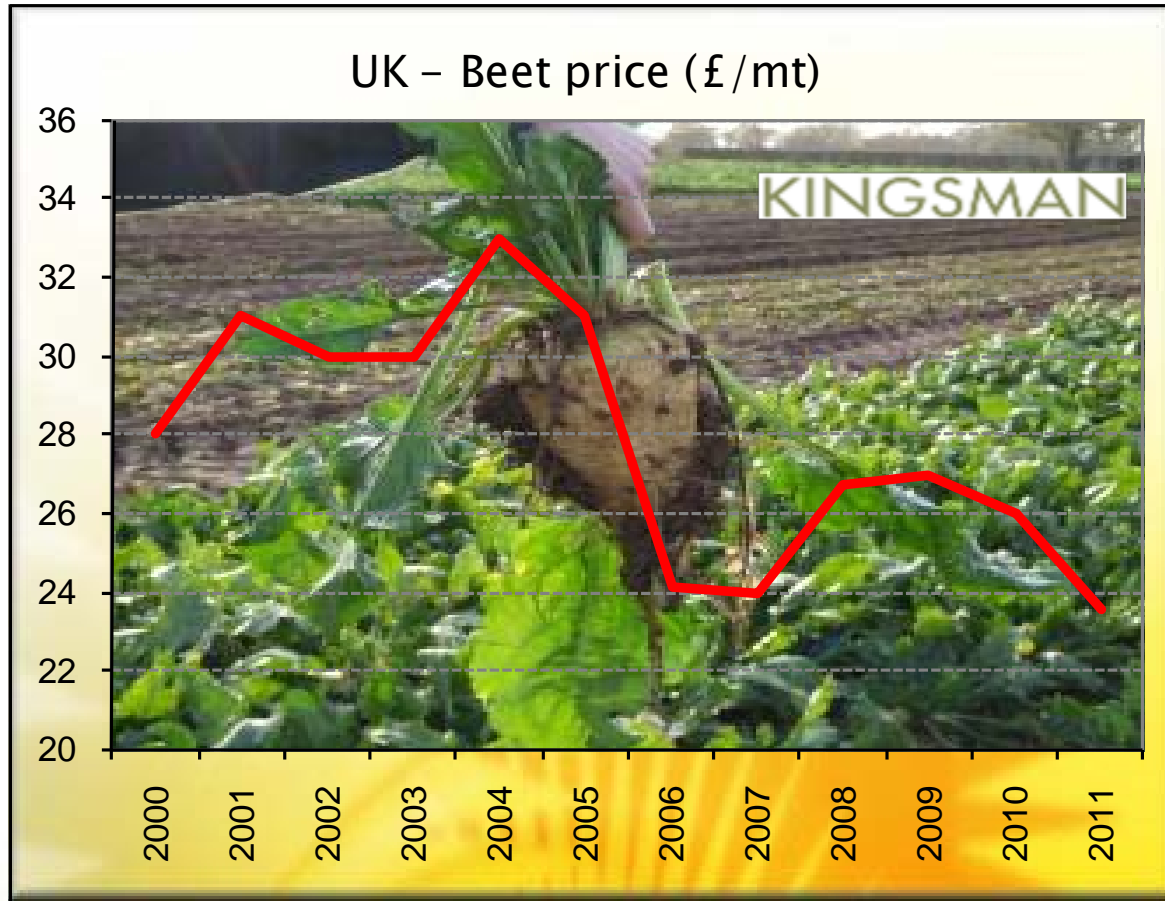
US – Strong growth of ethanol production relies on mandates, gasoline price & corn price



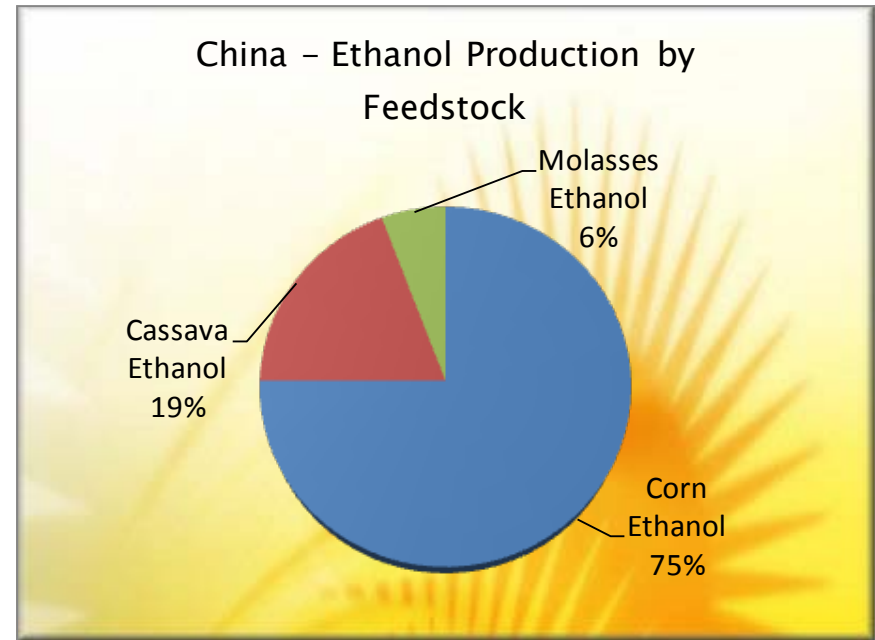
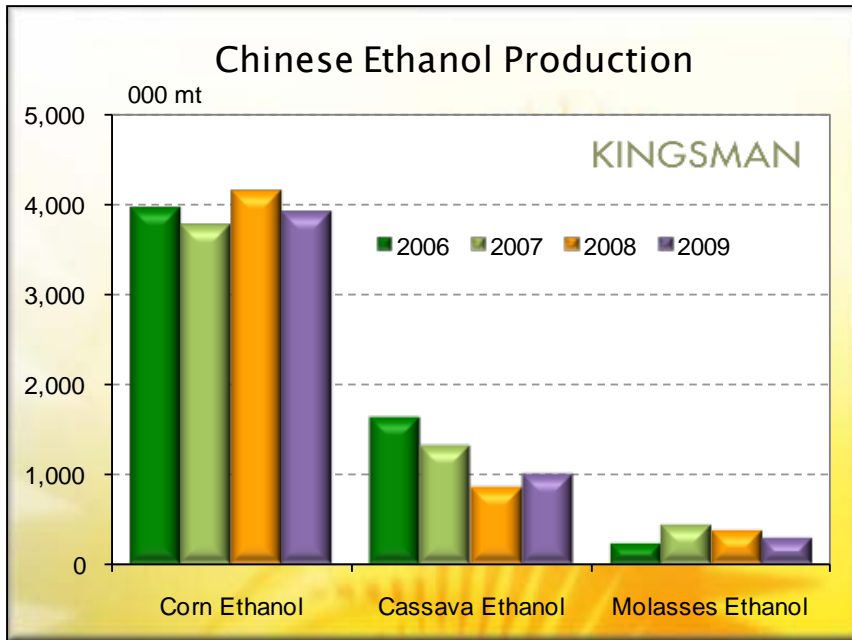
EU – Crush Margin falling due to rising feedstock cost



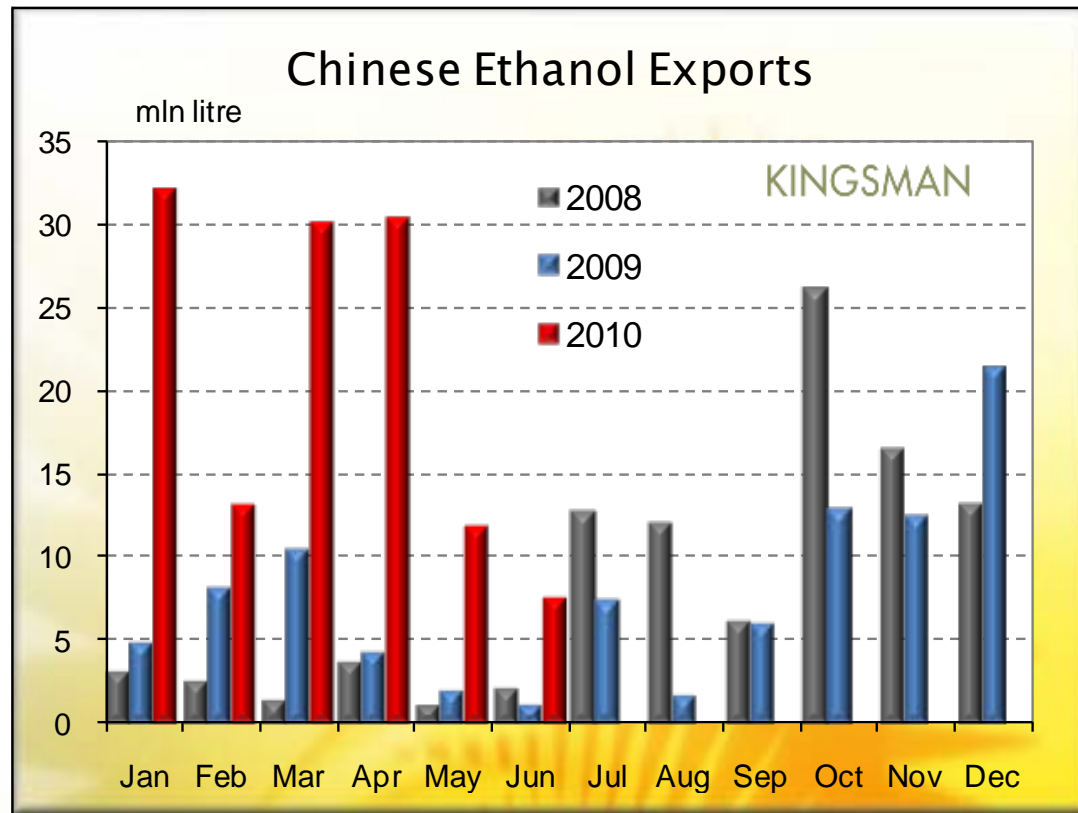
EU – beet feedstock the exception to rule?



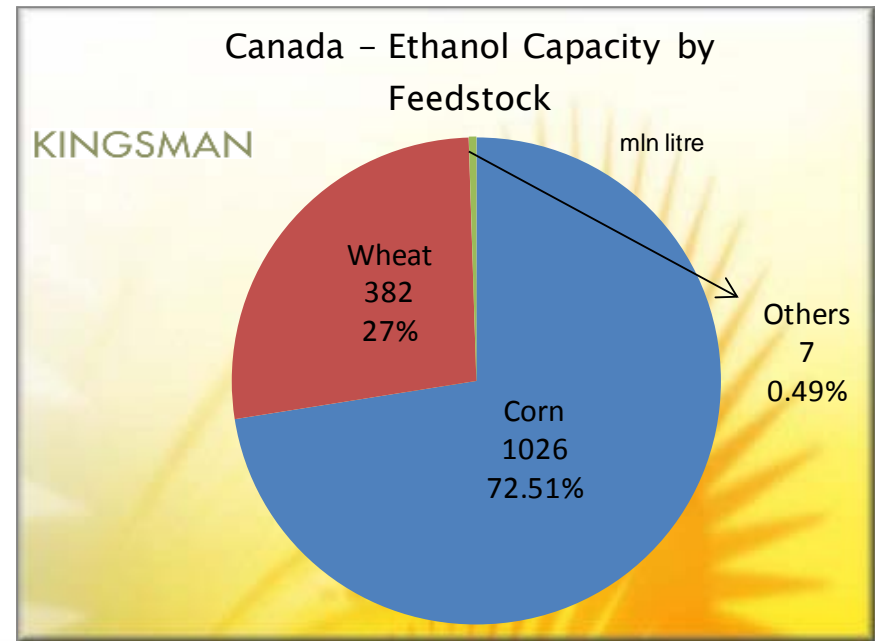
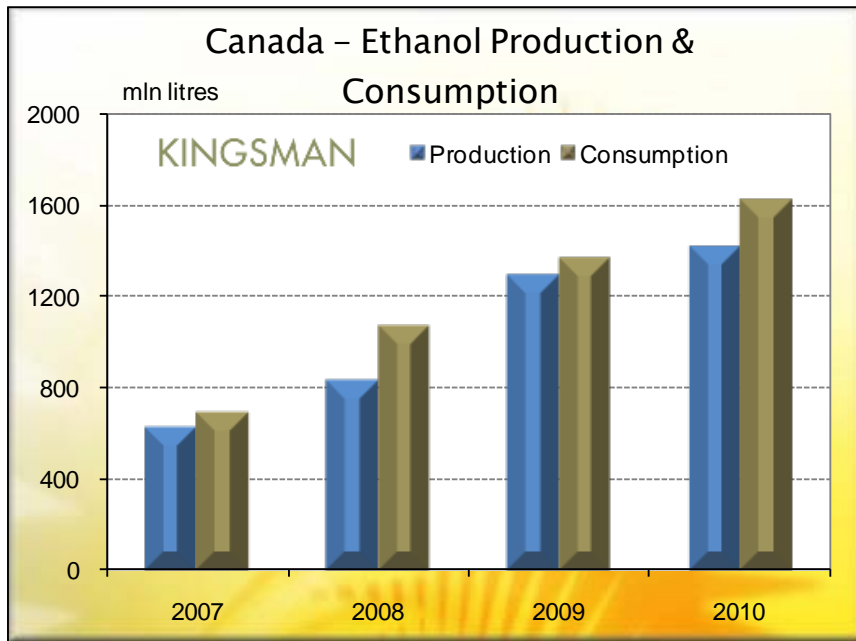
China – Corn is still the main feedstock



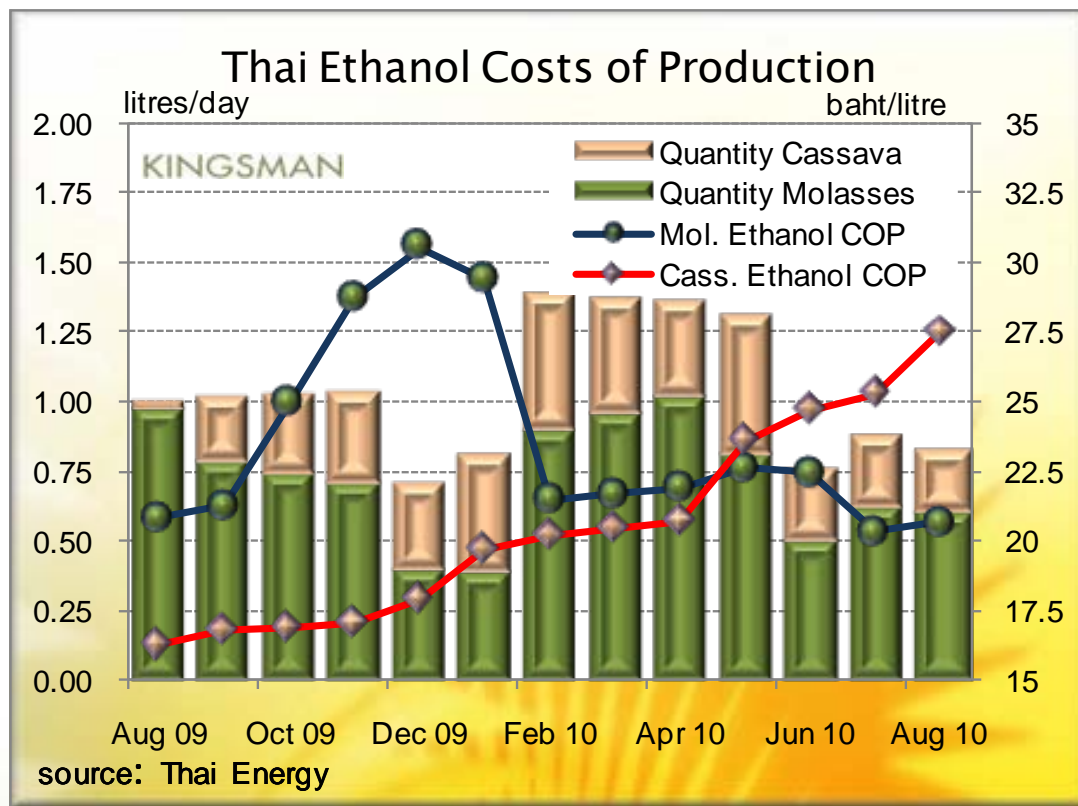
China – despite this, a small increase in exports



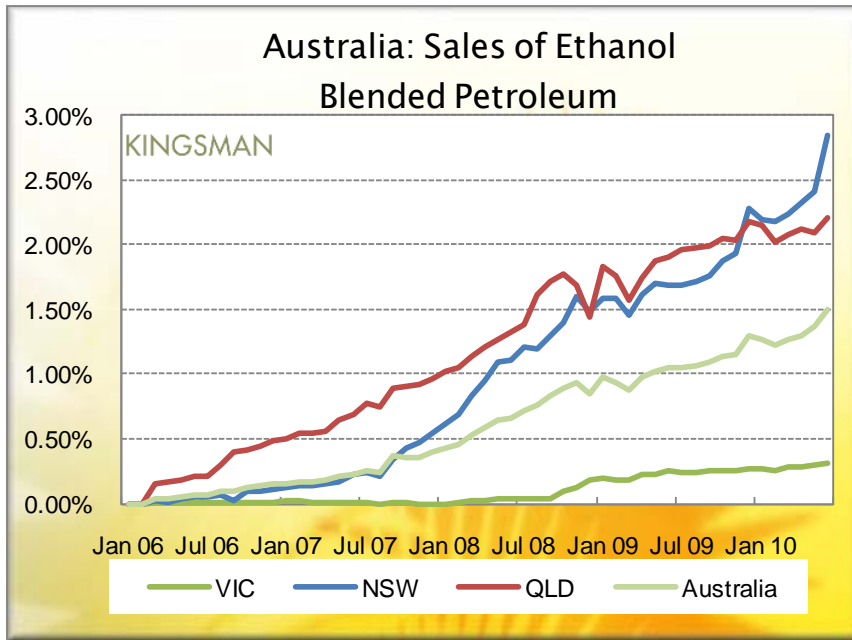
Canada – Corn accounts for over 70% of feedstock in ethanol



Thailand –making more ethanol from molasses



Australia – tiny market, but dominated by wheat residue & molasses



Three Ethanol Producers

Feedstocks	Capacity (mln litres/yr)
wheat	150
molasses	60
sorghum	90

Global sugar/ethanol picture


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