AUSTRALIA & SOUTH EAST ASIA SUGAR REPORT

WKS WE KNOW SUGAR CONSULTING

apic Consulting

Q4 2020

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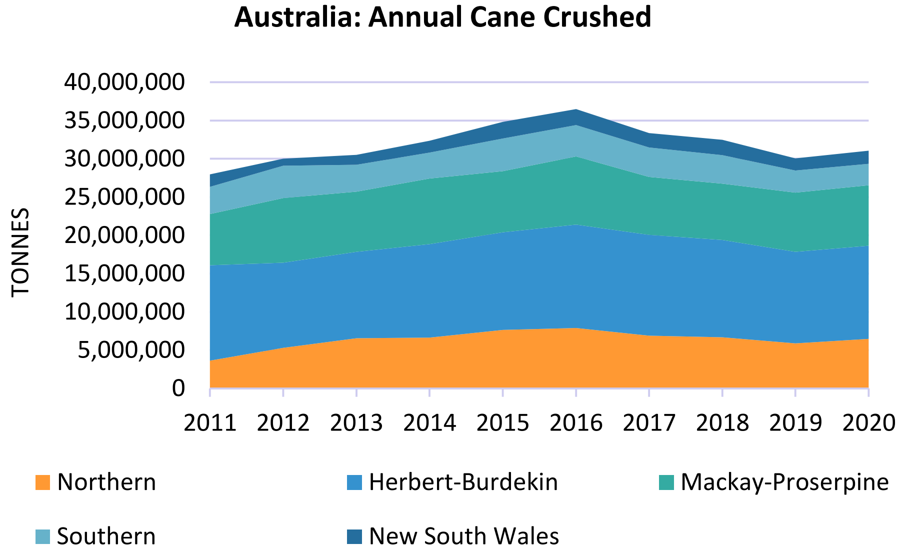
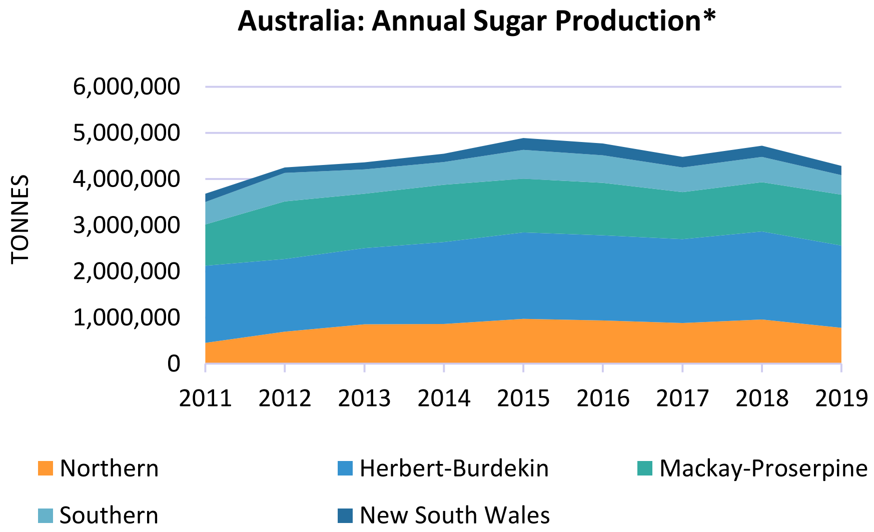
TABLE CONTENT

AUSTRALIA

Australia's 2020 Crush Complete…Last Mill Crushed-Out 10 December

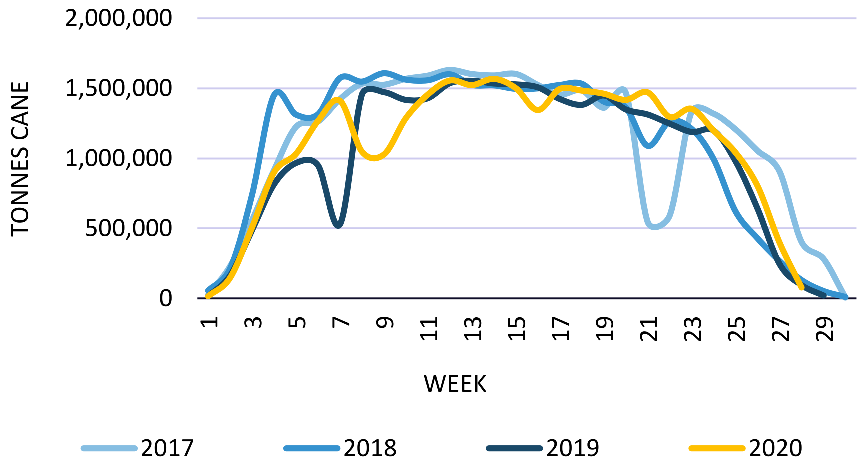
The Australian cane harvest and crush came to an end on 10 December, with Mackay Sugar the last milling company to crush-out. Queensland's seasonal crush total rose to [redacted] mln tonnes and the NSW industry tally reached [redacted] mln tonnes. The Australian 2020 crush ended at [redacted] mln tonnes. This is [redacted] million tonnes more than the 2019 seasonal total of 30.04 mln tonnes (achieved in a 29-week crush season). Importantly though, sugar content has trailed last year for the entire crush and the season average at [redacted] units compares to 14.09 units in 2019. With a sugar content difference of this magnitude, 2020 sugar production will [redacted], if not lower – no official sugar production data are yet available.



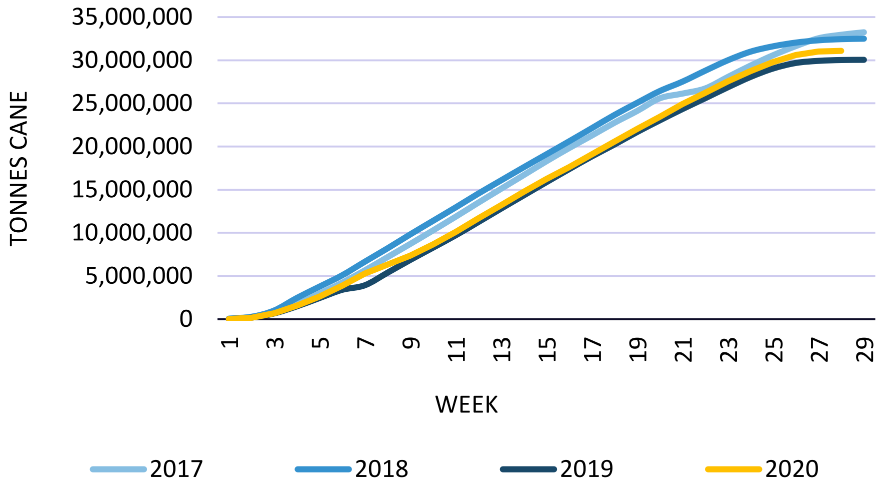


*No official data available for 2020

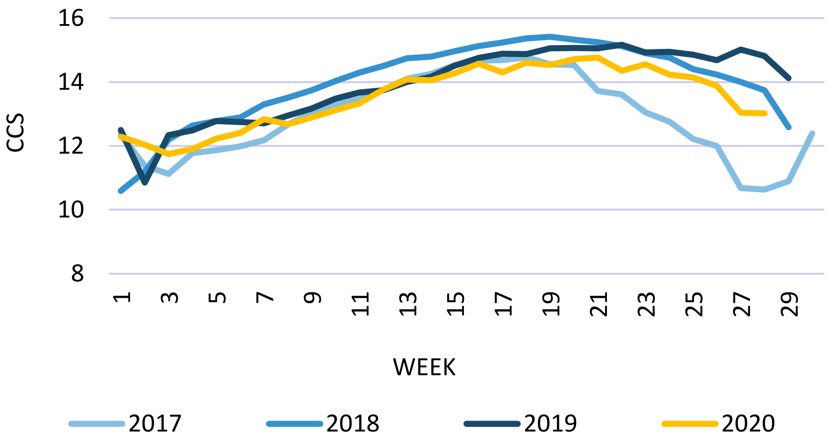
Australia: Weekly Crush



Australia: Cumulative Weekly Crush



Australia Weekly CCS



Australian Weekly Crush (tonnes)

Week Ending	Weekly Crush	To-Date Crush	Weekly CCS	To-Date CCS
		2020		
7/06/2020	14, 891	14,891	12.28	12.28
14/06/2020	146,629	161,520	12.03	12.06
21/06/2020	507,354	668,839	11.74	11.81
28/06/2020	900,277	1,569,115	11.90	11.86
5/07/2020	1,032,063	2,601,178	12.22	11.91
12/07/2020	1,267,116	3,868,294	12.40	12.07
19/07/2020	1,410,548	5,278,842	12.84	12.28
26/07/2020	1,047,408	6,323,196	12.68	12.34
2/08/2020	1,027,462	7,350,657	12.89	12.42
9/08/2020	1,287,106	8,637,763	13.12	12.53
16/08/2020	1,455,860	10,093,546	13.33	12.64
23/08/2020	1,555,530	11,649,076	13.75	12.79
30/08/2020	1,522,689	13,171,766	13.88	12.94
6/09/2020	1,567,250	14,739,017	14.05	13.06
13/09/2020	1,500,970	16,239,986	14.27	13.17
20/09/2020	1,344,471	17,584,458	14.57	13.28
27/09/2020	1,495,035	19,079,558	14.30	13.36
4/10/2020	1,483,535	20,563,094	14.60	13.45
11/10/2020	1,461,411	22,024,504	14.53	13.52
18/10/2020	1,416,990	23,441,420	14.71	13.59
25/10/2020	1,470,617	24,911,988	14.76	13.66
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Source: Australian Sugar Milling Council (ASMC), WKS Estimates

The 2021 cane crop in Queensland is looking promising. Higher Q4 world market prices has "lifted spirits" in the canegrowing sector (ICE 11 prompt price in AUD averaged [redacted] higher in Q4 at [redacted] vs AUD 381.50/tonne), but any positive impact on cane areas has to be diminished by the reality that the total area [redacted]. Furthermore, the southern cane-growing region has suffered from drought but recent rainfall is improving conditions there. Optimistically, cane production in Queensland [redacted]). Adding a typical crush volume for the smaller NSW industry of around [redacted], the Australian crush could reach as much as [redacted] mln tonnes in 2021.

Sugar Leaders Carve Out Future Vision

Australia's sugar industry leaders have carved out a vision for the future following a forum which involved the CANEGROWERS organization, Australian Sugar Milling Council, Australian Cane Farmers' Association, and Sugar Research Australia. [redacted].

Building on the vision the aim is to enhance s[redacted] to secure a prosperous long-term future, and sustainably meet the needs of Australian and global customers and of regional communities. Leaders also recognised there is a longer-term opportunity to position the sugar industry [redacted] that can underpin and create commercial opportunities. The representatives agreed to meet regularly in 2021 to progress industry priorities, and to maintain regular communication with industry and government stakeholders.

[redacted] 15 December and [redacted] 11 December.

Maryborough Sugar Mill to Close

After 126 years of operation, the Maryborough sugar mill will not crush again after this year. There are plans for Maryborough and Sunshine Coast cane to be sent to Isis Central Sugar Mill (ICSM), near Childers. However, ICSM needs to build infrastructure (A trans-loader) to be able to take the additional cane, but they need government support to do this. MSF Sugar has agreed to a toll crush arrangement with ICSM in 2021 and 2022. MSF Sugar had a cane supply agreement with around 90 growers until the end of the 2022 season, which means until then they are going to pay the cost to get cane sent to ICSM and will pay a toll milling fee. There is still uncertainty around what will happen after the two years are up.

CANEGROWERS Maryborough says the announcement from MSF Sugar that it will stop operating the Maryborough Mill and instead arrange for contracted sugarcane to be crushed elsewhere ends six months of uncertainty and speculation for growers. Confirmation that an agreement is well advanced between MSF Sugar and Isis Central Sugar Mill for grower's cane to be processed in Childers has provided a degree of certainty for the future. MSF Sugar has a responsibility to ensure growers are not disadvantaged and that arrangements are made to satisfy its obligations under the current Cane Supply Agreement (contract) with the company. CANEGROWERS Maryborough is advocating strongly for an ongoing agreement with the Isis Central Sugar Mill beyond the two years of any toll crushing agreement.

[redacted] 25 November and [redacted] 2 December

Bundaberg Sugar Announces Closure of 135-year Old Bingera Sugar Mill

The Bingera sugar mill near Bundaberg will not crush again as the mill operator Bundaberg Sugar Limited (BSL) says it will close the site this year, leaving just its Millaquin mill in operation next year. The Bundaberg region cane tonnage is insufficient to justify BSL running two mills. Bingera mill had one of the worst seasons in its history, only crushing [redacted] of sugar cane. The total BSL crush this year was just over [redacted], which was down from [redacted] in 2016. Bundaberg Sugar has said all cane will be processed at the Millaquin Mill in future.

[redacted] 23 October.

Sugar Mill Viability At Risk From Land Losses

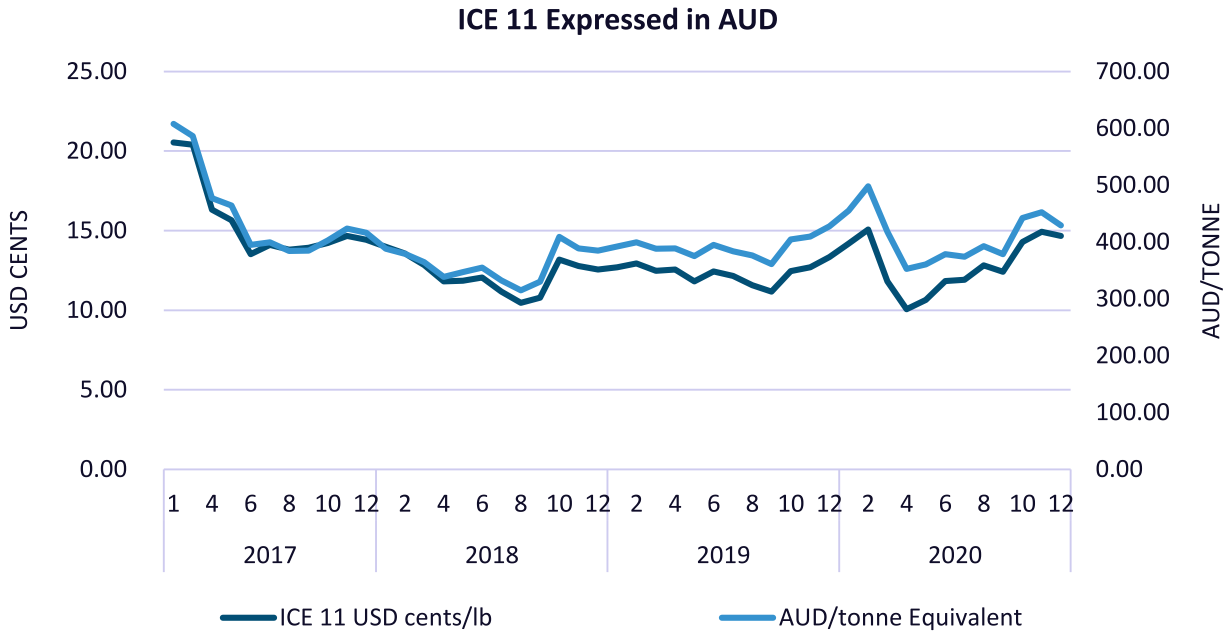
The sugar industry continues to lose cane land to other uses and the viability of some sugar mills is increasingly compromised. Significant decreases in the number of canegrowers ([redacted] volume of sugarcane land (down [redacted]) and number of mills (down [redacted]) has occurred over the past [redacted] years because of falling industry margins and competition for land (predominantly from tree crops and more recently solar farms). While the transition of land use to tree crops such as macadamia nuts and avocados is consistent with the State Planning Policy (SPP), the loss of cane land to [redacted]. Ideally, a broader 'State interest – Agriculture' policy would be added to the SPP that explicitly exempts [redacted] from incompatible development if that land has been significantly improved and is strategically essential to the region. For example, cane land that has been significantly improved through complementary investment in rail or irrigation water infrastructure would be considered strategically important not only in terms of mill viability and regional prosperity, but also to the viability of the other infrastructure users who rely on such infrastructure being available and utilised.

[redacted] November

Pricing

Australia's sugar industry is very highly dependent on world market prices for both export and domestic sugar returns – meaning that the industry is directly exposed to global competitive pressures. There is no tariff protection to Australia's domestic market which absorbs around 20% of production. In short, Australia is one of the few major exporters that has a small domestic market and is especially vulnerable to adverse world sugar price movements.

Developments in the ICE 11 price adjusted for the USD/AUD exchange rate show the underlying trends in the Australian sugar pricing environment – see figure. Importantly another key pricing component - the value of the Thai (Far East) premium - must be included to understand the true level of physical pricing for the Australian industry (for export and for domestic sales made near export parity). Early in 2020 the ICE 11 inflated by the Thai premium [redacted]. But, the onset of COVID-19 saw world prices sharply retreat. Together with a strengthening Australian currency against the USD, the indicative export price by [redacted]. By September the indicator price had [redacted], even with a lower estimated Thai premium of [redacted], on the back of a modest rise in the monthly average ICE 11 price. For the month of December, the indicator price was higher, [redacted], driven mainly by a stronger ICE 11 value compared to September, as the Thai premium was much the same.



ECRUU Newsfeed Highlight

9/11/2020 AUSTRALIA - Queensland govt to review reef laws, first credit purchased

The Labour party was reelected in Queensland, while it had campaigned with a pledge to review some of the more controversial provisions of the reef protection laws passed last year. Meanwhile, HSBC purchased the first credits under the Reef Credit Scheme aimed at encouraging growers to improve their water practices. A cane grower in Tully sold the credits after preventing the runoff of 3,000kg of nitrogen. (ABC & The Guardian)

APIC-WKS comment:

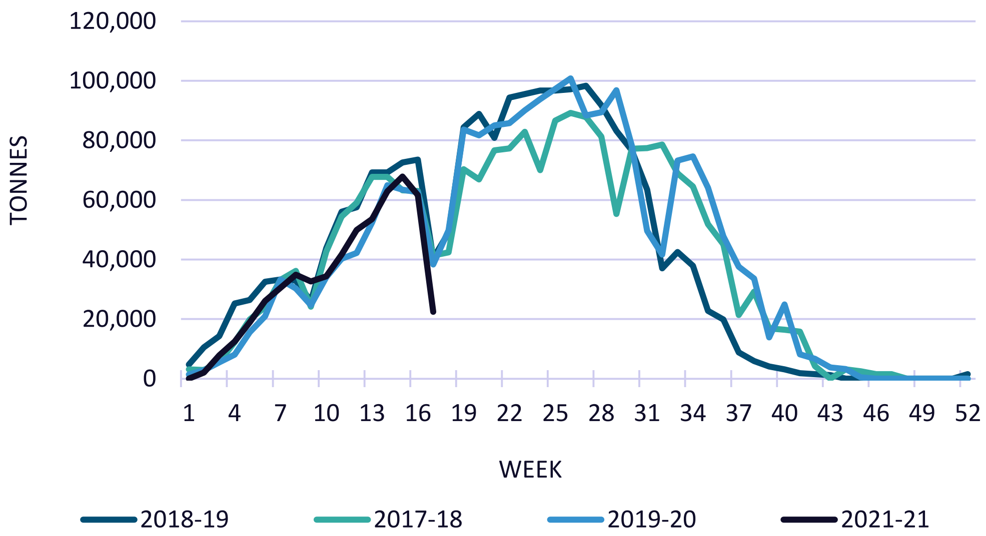
Against the background of the State government's reef protection laws (introduced in 2019), aimed at reducing nutrient and sediment run-off into wetlands, rivers and eventually the Great Barrier Reef, a new initiative — the **Reef Credit Scheme** — has been recently launched. Australian company **GreenCollar** devised reef credits in response to the emerging consensus that a market-mechanism to incentivise water quality improvements across catchments of the Great Barrier Reef. The scheme was developed in partnership with landholders, the Queensland Government, and natural resource management organisations Terrain NRM and NQ Dry Tropics**.** Like carbon credits, the tradable reef credits are independently governed and audited by a scheme hosted by Eco Markets Australia. Every credit equates to 1 kilogram of nitrogen, or 538kg of sediment, that would no longer end up polluting the reef catchment.

PHILIPPINES

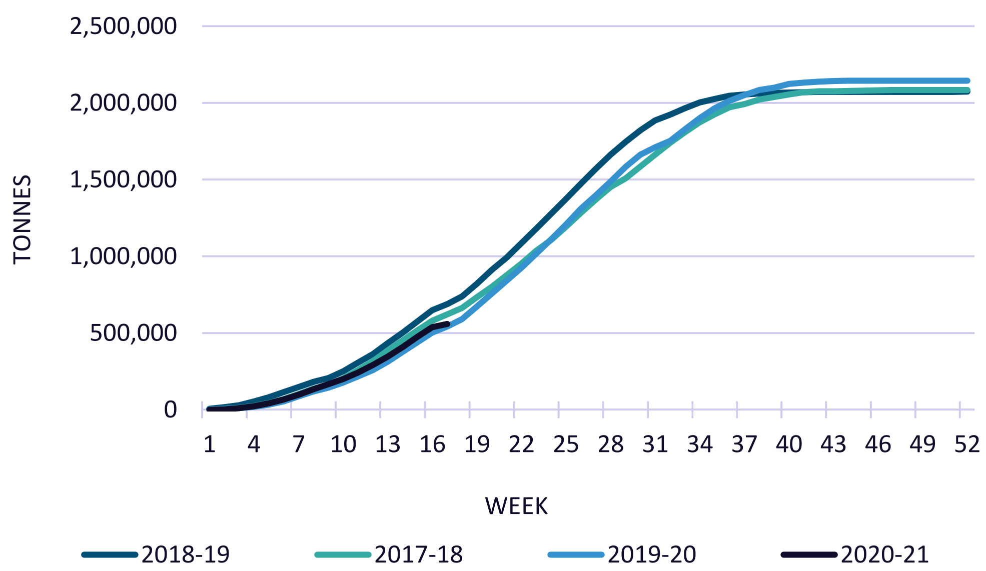
2020-21 Season Running Ahead of Last Year

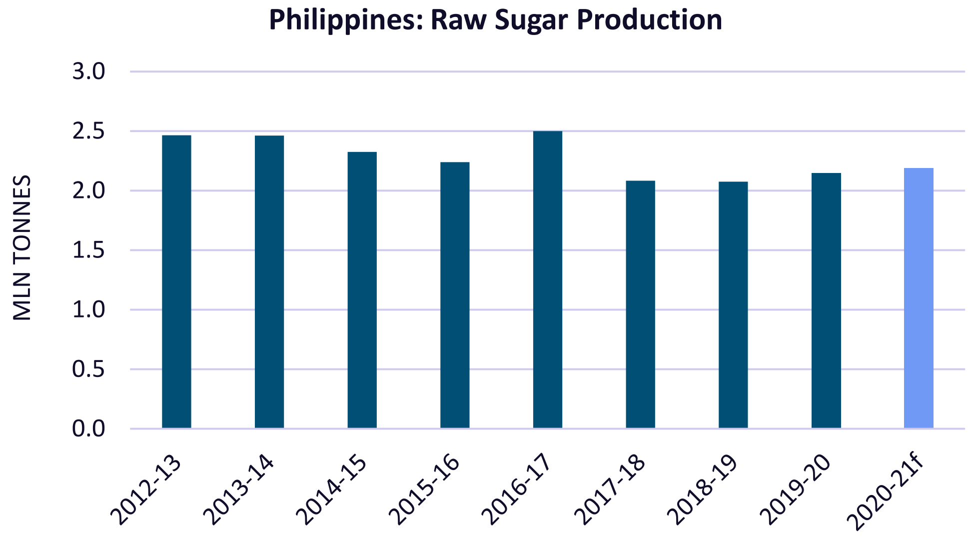
The 2020/21 crush season (starting September 1, 2020) at the end of 2020 showed a [redacted] over last year, despite harvest interruptions caused by typhoons during December. By week ending 27 December, sugar output had reached almost [redacted], compared to 541,000 at the same stage of the 2019/20 harvest (week 17). The Sugar Regulatory Administration (SRA) has penned a 2020/21 estimate of [redacted] mln tonnes, indicating an [redacted] as against the 2019/20 tally of 2.15 mln tonnes.

Philippines: Weekly Raw Sugar Production



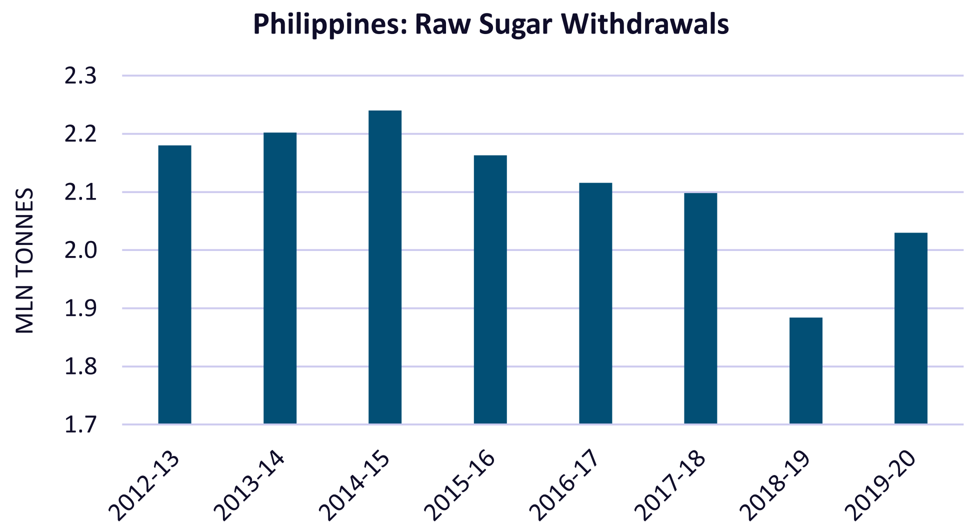
Philippines: Cumulative Weekly Raw Sugar Production





Sugar consumption – measured using domestic sugar withdrawals (for direct consumption and refining) at [redacted], together with imported refined sugar of [redacted], totalled [redacted] mln tonnes in 2019/20. Refined sugar was imported under Sugar Order No. 4 and No. 4-A, under which exporters of "A" sugar for the US market were allowed to import a corresponding volume of sugar at a ratio of 1:1 raw equivalent.

Raw sugar withdrawals [redacted] mln tonnes in 2019-20 represented a substantial jump from only [redacted] mln tonnes the previous year. Even so, this was still substantially [redacted] seen in 2014/15. For 2020/21 consumption (withdrawals together with imports) is thought likely to [redacted] mln tonnes, as the economy [redacted].



A [redacted] sugar withdrawals used for refining, mirrored in [redacted] raw sugar is [redacted] in 2021/21. Typically, [redacted] of B (raw) sugar withdrawals were used for refining but this fell to [redacted] in 2017/18 [redacted] in 2018/19 and [redacted] in 2019/20. Declining output of refined sugar has mirrored easing withdrawals of refined sugar [redacted]

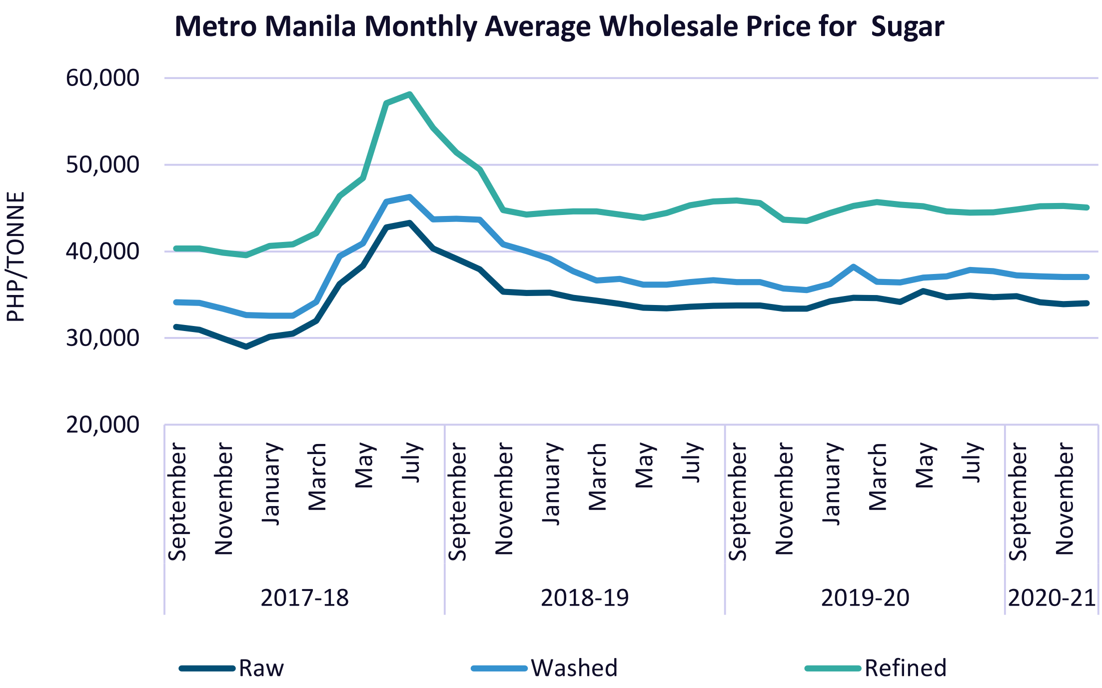
[redacted]

In terms of the outlook for **exports**, the SRA has already allocated [redacted] of 2020/21's higher anticipated production for the US market (so-called A quota) [redacted] allocated in 2019/20. The decision reflected that fact that the industry ended the year [redacted].

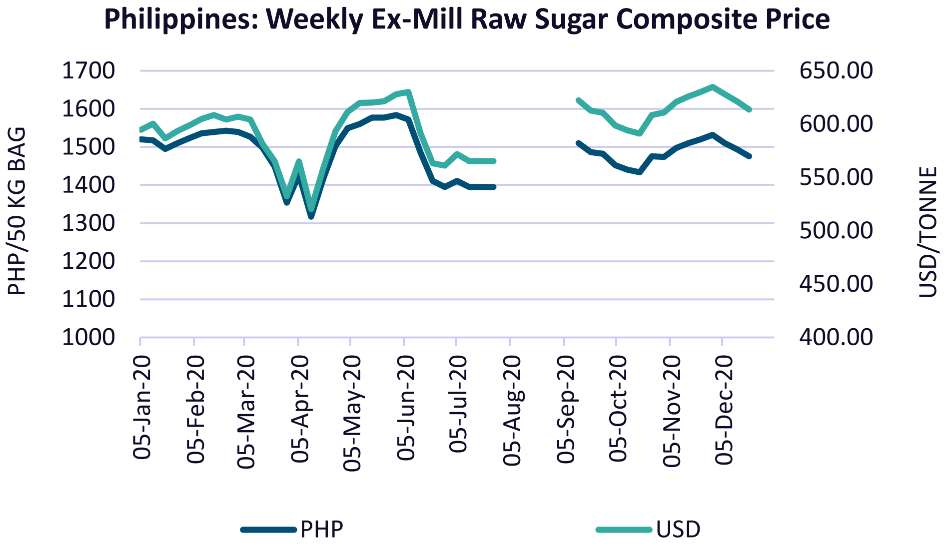
The SRA has said the country would not need to **import** any sugar this season as it would end with 255,00mt of raw sugar and 194,000mt of refined sugar in stocks, enough to cover demand.

Domestic Prices

Metro Manila Prices for refined sugar remained [redacted] Q4 2020 – see graph – averaging [redacted], as against an average of PHP44,600/tonne for Q3. The Philippine Retail Price Law limits any significant rise in retail prices of basic agricultural commodities. On August 14, 2020, DA Administrative Circular 11 was issued, but the suggested retail price of raw sugar (brown and washed) at [redacted] and refined sugar at [redacted]. This policy was aimed at ensuring the retail price of sugar did not rise significantly during the Luzon-wide lockdown or enhanced community quarantine due to COVID-19. More recently, the government fixed the price of essential goods as of November 16 and for a period of 60 days to stabilise prices as the country deals with the damage from three successive typhoons. [redacted]

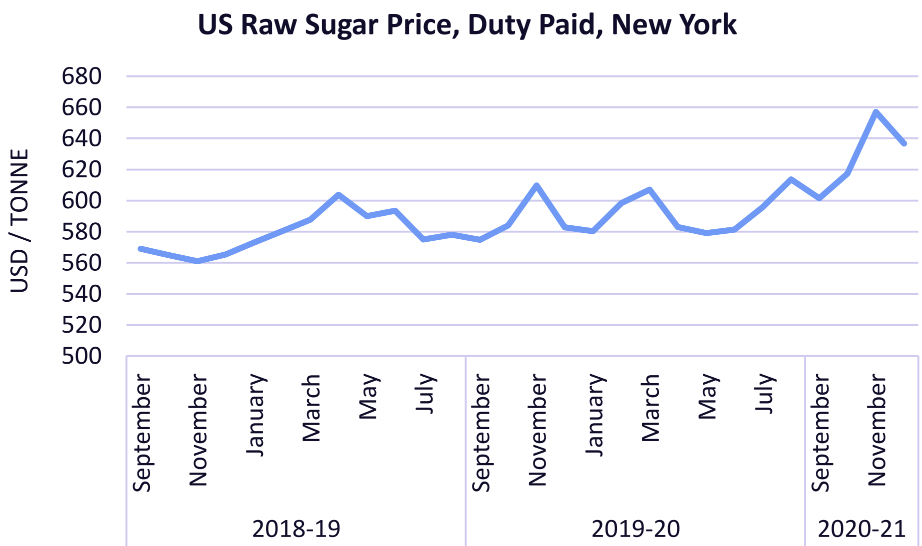


[redacted]



Export Prices

Indicative Prices for raw sugar imported into the US market continue [redacted], averaging [redacted] during Q4 2020, some [redacted] higher than Q3. Prices under the U.S. tariff rate quota system are normally higher than world market prices but lower than domestic prices. [redacted].



Liberalization | Deregulation of Sugar Imports Issue Still Simmers

The House of Representatives has adopted a resolution expressing “strong opposition” to the planned liberalization or deregulation of the importation of sugar in the country. [redacted]

In September 2019, the Department of Finance [redacted] However, the resolution noted that major sugar exporting countries such as Thailand and India can sell their excess sugar at below cost of production because they provide “massive subsidies and other forms of protection such as domestic and export support prices to their farmers and industries.”

The resolution likewise pointed out that the deregulation of sugar importation will not affect the competitiveness of food products for export which contain sugar because they can already import sugar without the value added tax or customs duties provided that the end-product is exported and not sold locally.

[redacted] 16 November.

ECRUU Newsfeed Highlight

5/11/20 PHILIPPINES – SRA to accept request for US exports

The Sugar Regulatory Administration (SRA) said it would start accepting requests to export sugar to the US for 2020/21. The US sugar quota was maintained at 142,260 tonnes raw value this year. (CNN)

APIC-WKS Comment:

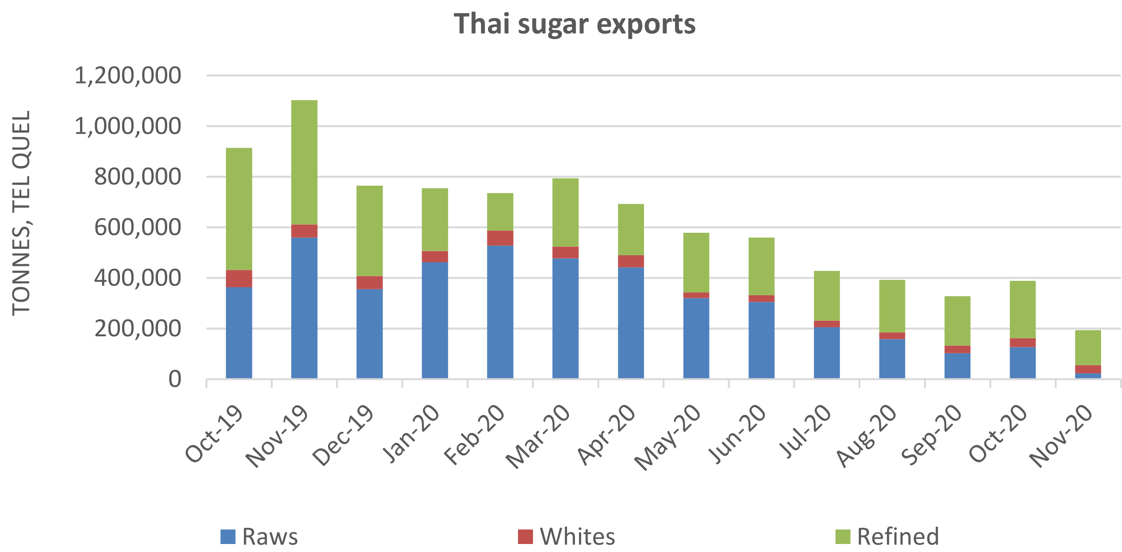
[redacted]. According to the USDA the Philippines exported about [redacted] in 2019/20, short by nearly [redacted] TRV due to the initially low local supply projected and insufficient time to meet an extended deadline to ship sugar to the US. No exports to other countries are allocated for this year.

THAILAND

Exports down [redacted] from a year ago

Thai sugar exports hit [redacted] with less than [redacted] shipped in [Nov 20].
Overall, the [redacted] witnessed over H2 2020 [1] has brought 2020 Thai sugar exports down to [redacted] over [Jan 20 - Nov 20]: down [redacted] from a year ago.

However, the recovery of international sugar prices and the start of the 2020/21 cane crush on 10 December 2020 [redacted]



From a geographical point of view, Thai shipments to all main traditional destinations [redacted]

In this regard, [redacted] remained an exception as it continued to record historically high levels of sugar imports coming from Thailand throughout H2 2020 (cf. [redacted]).

The 2020/21 cane crush off to a [redacted] start

The 2020/21 cane crush officially kicked off on [redacted] 2020: its [redacted] campaigns.

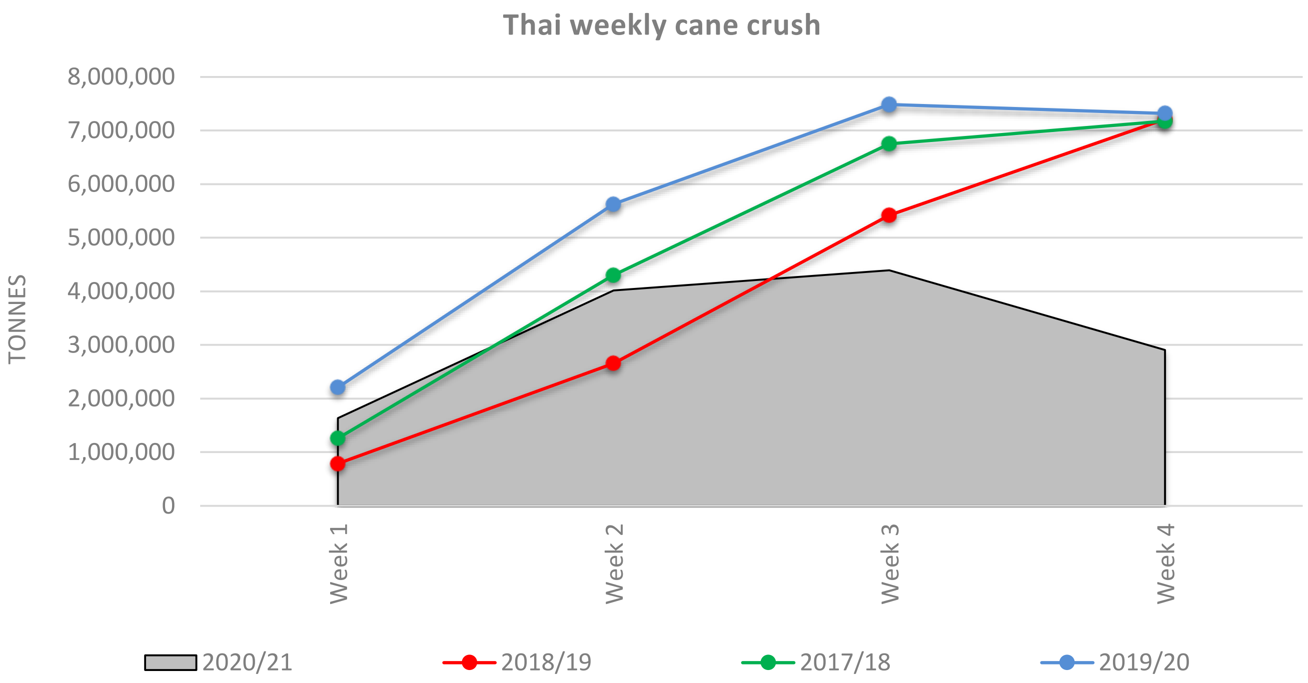
Campaign [Start Date]	
2014/15	01 December
2015/16	25 November
2016/17	06 December
2017/18	01 December
2018/19	20 November
2019/20	01 December
2020/21	[redacted]

[1] This significant slowdown is in line with our projections which were made available in the [Q2 2020] edition of our "Thai sugar update report".

In addition to [redacted] season, the Thai cane crush was yet to reach cruising speed by the end of December due to:
[redacted]

However, with i) more than [redacted] tons of cane daily crushed on 06 Jan 21 & 07 Jan 21 and ii) considering that [redacted], it looks like the Thai crush is [redacted] and should be [redacted] onwards.

On 07th January 2021 i.e. after 29 harvesting days, a total of [redacted] of cane had been crushed and [redacted] of sugar produced nationwide[2].



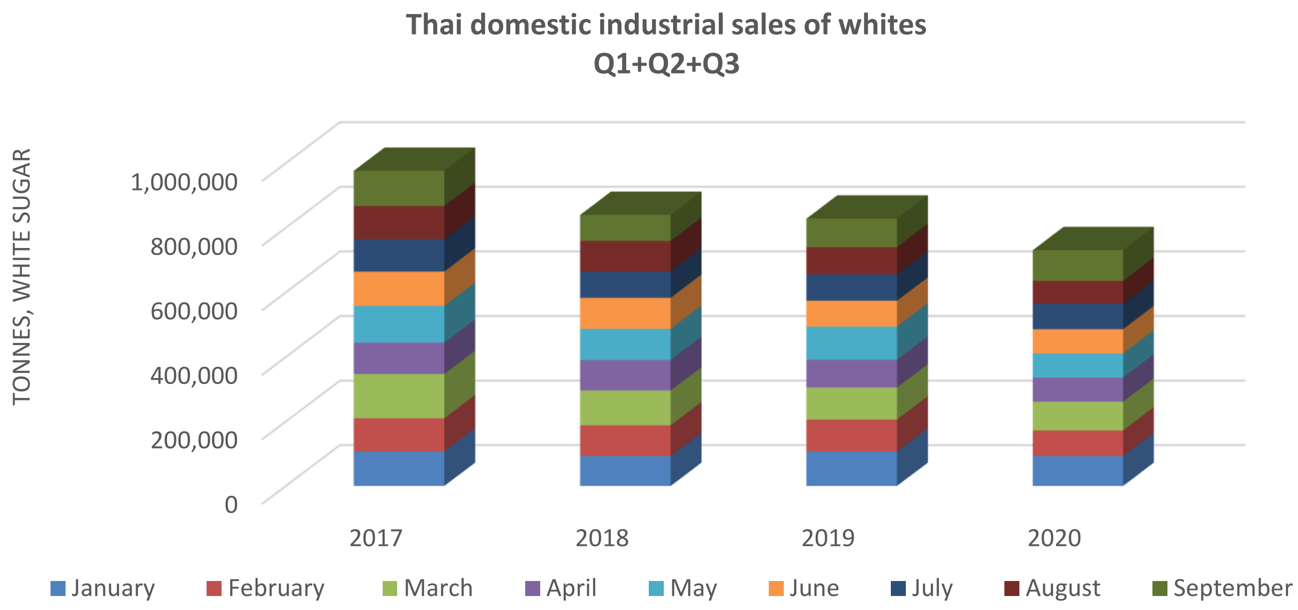
Looking ahead and given the significant difference between 2020/21 and 2019/20 [redacted], expectations for this 2020/21 season may have to be [redacted] and sugar output could [redacted].

Thai domestic white sugar sales down [redacted] since January 2020

Domestic white sugar sales totaled [redacted] over Q3 2020: up [redacted] from the previous quarter but [redacted] from a year ago.

Overall, Thai domestic white sugar sales [redacted] are [redacted] since January 2020. Looking at detailed statistics[3], the impact of the demand destruction (most likely triggered in large part by the Covid-19 pandemic) [redacted]

[2] To access all data and analysis regarding the Thai cane crush, please refer to our "Thailand crush report 2020/21".
[3] For a comprehensive analysis of the market situation in Thailand, please refer to our "Thailand sugar update report".

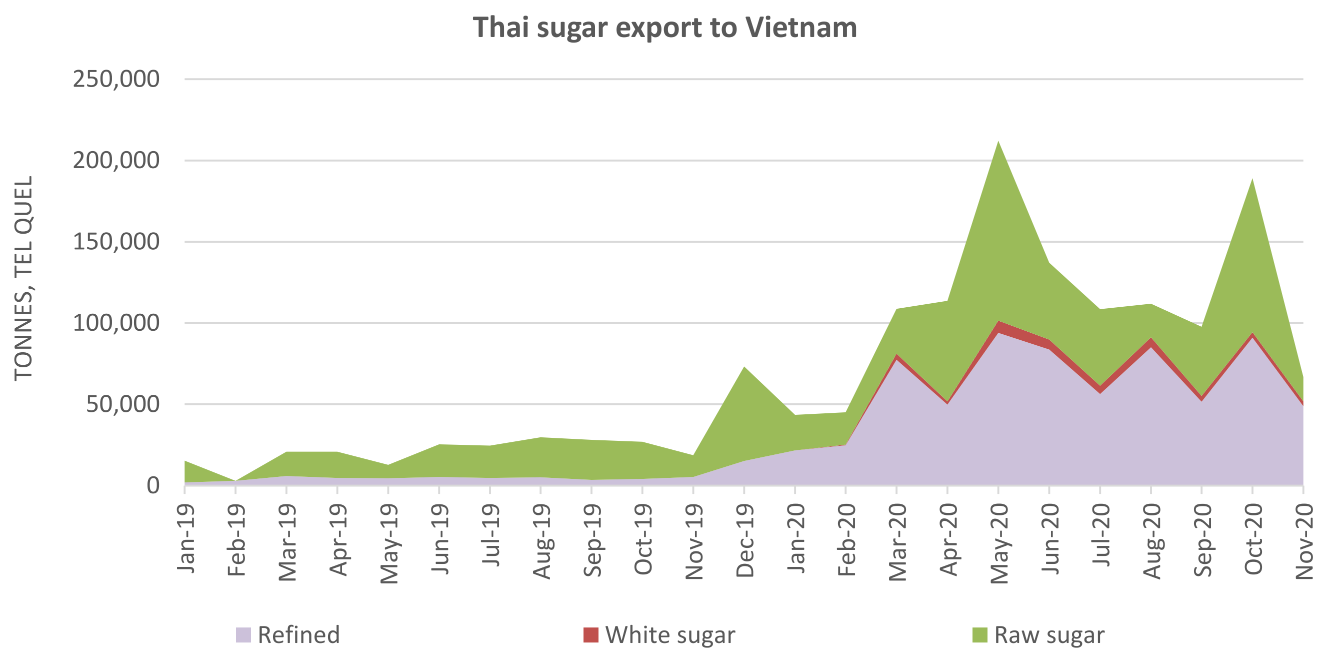


Looking ahead, we anticipate domestic sugar sales for Q4 2020 to total [redacted]. Total 2020 white sugar sales are therefore projected to [redacted].

VIETNAM

Thai sugar imports reaching [redacted] by end [Nov 20]

According to official statistics, the volume of imports coming from Thailand reached [redacted] *tel quel* by the end of [Nov 20]: more than [redacted] level recorded a year ago.



This [redacted] directly results from [redacted].

However, with the export price of Thai sugar to Vietnam averaging [redacted] in [Nov 20] and considering the recent appreciation of international sugar prices (the NY#11 front-term contractual price being currently traded above 15cts/lb), [redacted]

2020/21 cane crush continues [redacted]

Due to [redacted] during the 2019/2020 season in most areas of Vietnam), sugarcane's [redacted] seasons.

In the meantime, some regions experienced heavy rains in December therefore causing delays in harvesting.

By 31 December 2020, a total of [redacted] had been crushed and [redacted] had been produced.

Domestic Vietnamese sugar prices recovering

As anticipated in our previous report, the appreciation of international sugar prices and the decision [redacted] seemingly helped domestic prices to further recover over Q4 2020.

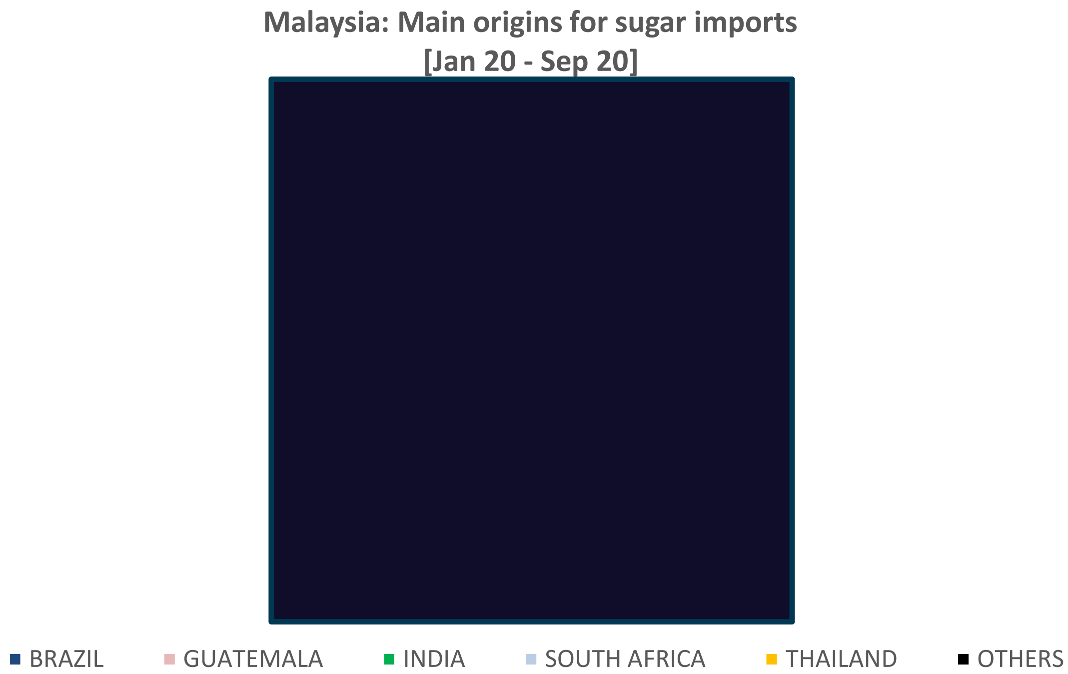
[VND/kg]	White sugar		
	Oct 20	Nov 20	Dec 20
Hanoi	[12,675 – 12,888]	[redacted]	[redacted]
Central Vietnam	[12,650 – 12,800]	[redacted]	[redacted]
Ho Chi Minh	[12,900 – 13,600]	[redacted]	[redacted]

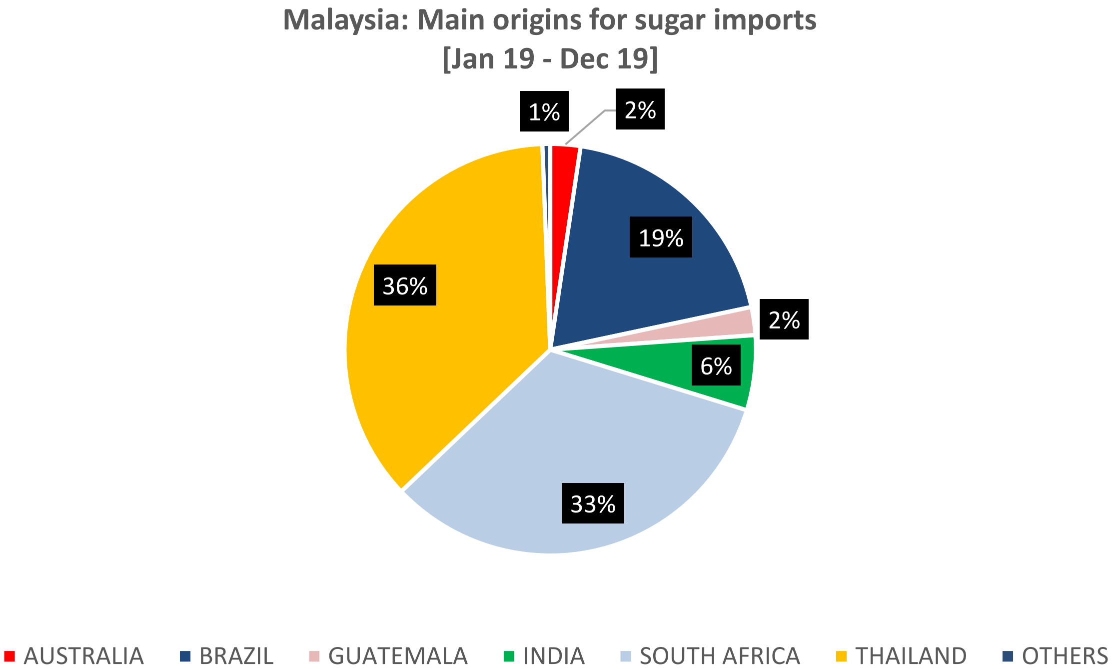
[VND/kg]	Refined sugar		
	Oct 20	Nov 20	Dec 20
Hanoi	[12,900 – 13,400]	[redacted]	[redacted]
Central Vietnam	13,200	[redacted]	[redacted]
Ho Chi Minh	[13,275 – 13,600]	[redacted]	[redacted]

MALAYSIA

Steep drop from [redacted] sugar imports: Brazil and India prevail

According to our information, [redacted] imports accounted for more than [redacted] of the total sugar import value recorded over [Jan 20 – Sep 20] therefore confirming [redacted].





ECRUU

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