THAILAND SUGAR UPDATE REPORT

Q4 2020

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TABLE CONTENT

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KEY FINDINGS

2020/21 crushing season	
Cane crushed up to 14th January = 21.57 Mt	↓ 16.8% y-o-y
Sugar produced up to 14th January = 2.11 Mttq	↓ 16.2% y-o-y
Estimated harvested cane = [redacted] Mt	↓ [redacted] y-o-y
Estimated sugar production = [redacted] Mttq	↓ [redacted] y-o-y
Sugar exports	
[Jan 20 – Nov 20] = 5.85 Mt	↓ 36.9% y-o-y
Projected Q1 2021 exports = [redacted]	
Export prices	
Thai raws = 310 USD/t [Nov 20]	↑ 4.0% y-o-y
Thai whites = 397 USD/t [Nov 20]	↑ 21.0% y-o-y
Thai refined sugar = 404 USD/t [Nov 20]	↑ 19.2% y-o-y
Domestic sugar sales	
[Q1+Q2+Q3] 2020 domestic white sugar sales = 1.79 Mt	↓ 8.4% y-o-y
Projected 2020 domestic sugar sales [raws + whites] = [redacted] Mt tel quel	↓ [redacted] y-o-y
Climate data	
Abundant rainfalls over Q4 2020 seemingly helped with cane development growth (the upward potential mentioned in our Q2 2020 report materialized)	
No sizeable recovery in cane productivity but most recent crushing figures suggest a better sugar recovery rate than originally thought	

1 - 2020/21 THAI CANE CRUSH

The cane crush started on 10th December 2020 this season: 10 days later than a year ago.

This delay was not much of a surprise as:

- the 2020/21 sugarcane output is expected to be lower than last year and range between [redacted] Mt,
- the country witnessed a very dry summer which reportedly affected cane development in a number of provinces.

However, significant rainfalls that prevailed throughout Q4 2020 seemingly helped the cane to recover.

[redacted]

In this context and at this stage, [redacted]

This season's crush is also characterized by an unusually high proportion of harvested green cane following decisions from authorities to tighten controls and penalties applicable to those who are burning cane right before harvesting.
According to our information, growers may be subject to fines [redacted] should they deliver burnt cane while mills are requested to pay a [redacted] for accepting burnt cane exceeding a limit set at 20% this season.

Meanwhile and from a regional point of view, the season started extremely slow in the Central region (and to a lesser extent in the Northern region) where only half 11 mills (out of 20) were operating after 25 crushing days (Graph 1). But as of 14th January 2021, the situation was back to "normal" with all sugar mills operating and a daily cane crushing volume above 1 Mt nationwide.

Graph 1 – Number of operating mills [2020/21]

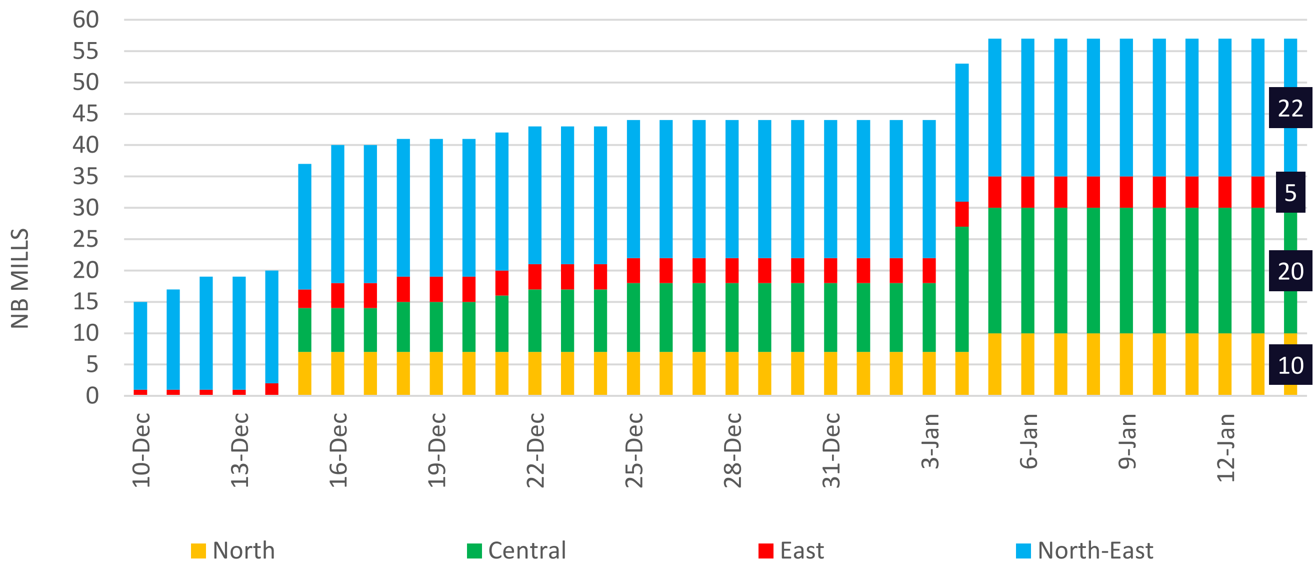

Table 1 – Thai cane crush dashboard after 36 crushing days

	2020/21			2019/20			Y-o-Y Variations		
Total Harvested cane [t]	21,570,474			26,140,202			↓ 16.8%		
	Green		Burnt	Green		Burnt	Green		Burnt
	16,842,454 78%		4,728,020 22%	13,942,764 53%		12,197,438 47%	↑ 20.8%		↓ 61.2%
Sugar production [t, tel quel]	2,109,732			2,517,203			↓ 16.2%		
	Raws	Whites	Specials	Raws	Whites	Specials	Raws	Whites	Specials
	1,649,600	377,896	82,236	1,942,691	479,502	95,009	↓ 15.1%	↓ 21.2%	↓ 13.4%
Sugar recovery [kg sugar/t cane]	97.8			96.3			↑ 1.6%		
CCS	12.08			11.88			↑ 1.7%		
Molasses production [t]	705,602			994,744			↓ 29.1%		
Nb operating mills	57			57			=		
Campaign start date Campaign end date	10 Dec 2020 -			01 Dec 2019 31 Mar 2020			10 days later		

For more data and analysis of the Thai cane crush, please refer to our "Thai harvest update reports" which are published throughout the crushing season

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2 - Sugar Exports

Despite a timid rebound in [Oct 20], Thai sugar exports continuously dropped throughout the second half of 2020 (H2 2020). In [Nov 20], Thai sugar exports hit historical lows with less than 200 kt shipped abroad.

Overall, the significant slowdown witnessed over H2 2020 [1] has brought 2020 Thai sugar exports down to 5.85 Mt over [Jan 20 - Nov 20]: down 37% from a year ago (Graph 2).

Graph 2 – Thai sugar exports

THE GRAPH HAS BEEN REMOVED

From a geographical point of view, Thai shipments to all main traditional destinations have gone down: a large number of those countries (such as Indonesia or Malaysia) switching to Brazilian and Indian origins.

In this regard, Vietnam [redacted]

Looking ahead, the recent surge in international sugar prices combined with a 2020/21 cane crush now reaching cruising altitude, Thai sugar exports are anticipated to [redacted] over Q1 2021.

[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".

Graph 3 – Thai sugar exports to Vietnam

THE GRAPH HAS BEEN REMOVED

Overall, our impact factor table for Thai sugar exports [Q1 2021] is the following:

Factors	Impact on the Q1 2021 export flow dynamics
Appreciation of international sugar prices to multi-year highs	[+++] Strong economic incentive for Thai millers to export and ship more sugar
[redacted]	[--] Additional competition from Indian sugar likely to limit Thai physical premium
[redacted]	[++] International sugar prices likely to remain supportive (15 - 17 cts/lb range?) until Brazilian new crop can hit the market
Low 2020/21 Thai sugar output	[redacted]
[redacted]	[-] Negative impact on Thai export returns when expressed in local currency
Covid-19 epidemic: restrictive measures possibly re-activated in a number of Asian countries other “infectious waves” arise	[+/--] Negative impact on domestic industrial sugar consumption in Thailand but also in the rest of the world [+] Some countries possibly looking to get hold of stocks at destination (for food security reasons) [-] Logistical “slowdown” with possible bottlenecks in ports (at origin and destination)
Removal of Vietnamese sugar import duties for ASEAN countries since Jan 2020 and	[++] “legal” Thai sugar shipments to Vietnam likely to remain high

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3 - Domestic & Export Sugar Prices

[redacted]

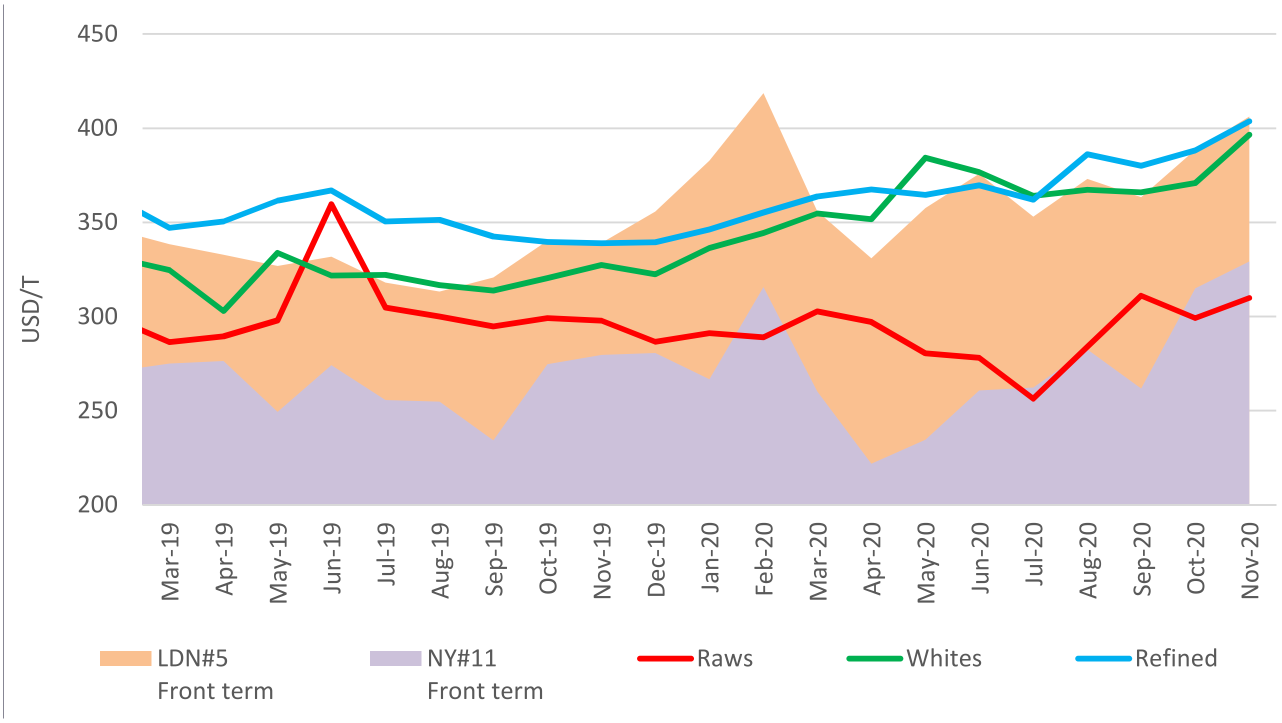
[redacted]

As for exports and driven by the rise of international sugar prices, Thai whites and refined sugar prices further recovered throughout Q4 2020 (Graph 4).
Over [Sep 20 – Nov 20], white and refined prices went up respectively:

- 8% and 6% when expressed in USD,
- 5% and 3% when expressed in local currencies.

In the meantime and despite the appreciation of NY#11 contractual prices, Thai raw sugar export seemingly remained pressured by [redacted]. However, the very low level of exports recorded over Q4 2020 surely limits the significance of prices recorded over this period.

Graph 4 - Thai sugar export prices



From a quantitative point of view and by the end of [Aug 20]:

- the export price for Thai raws (FOB basis) was set at 310 USD/t against 330 USD/t for the NY#11 contract on the front-term,
- the export prices for Thai whites was set at 397 USD/t against 406 USD/t for the LDN#5 contract on the front-term,
- the export prices for white refined Thai sugar was set at 404 USD/t.

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Table 2 - Export prices classified per type of sugar

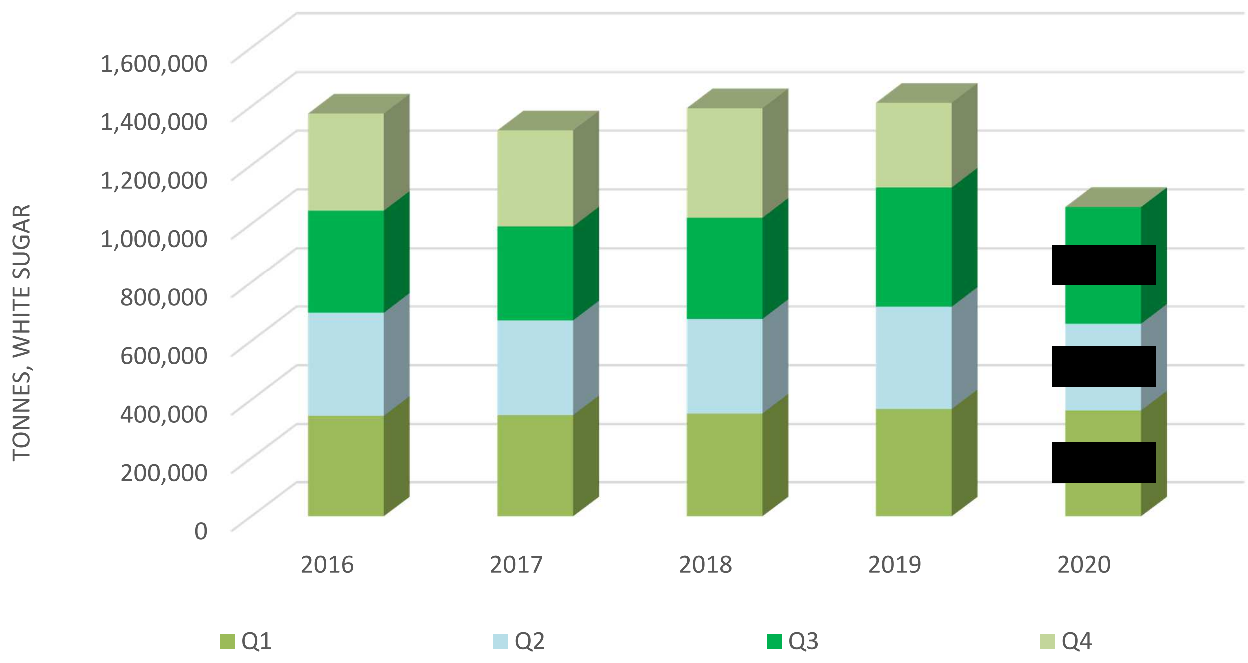
[USD/t]	Raws	Whites	Refined
Nov 19	298	328	339
[redacted]			
Nov 20	310	397	404
[Nov 20 - Nov 19] Variation	**↑ 4.0%**	**↑ 21.0%**	**↑ 19.2%**

4 - Domestic Sugar Consumption

Domestic white sugar sales totaled [redacted] t over Q3 2020: [redacted]. This significant recovery – which we did not anticipate - was triggered by the combined effect of a:

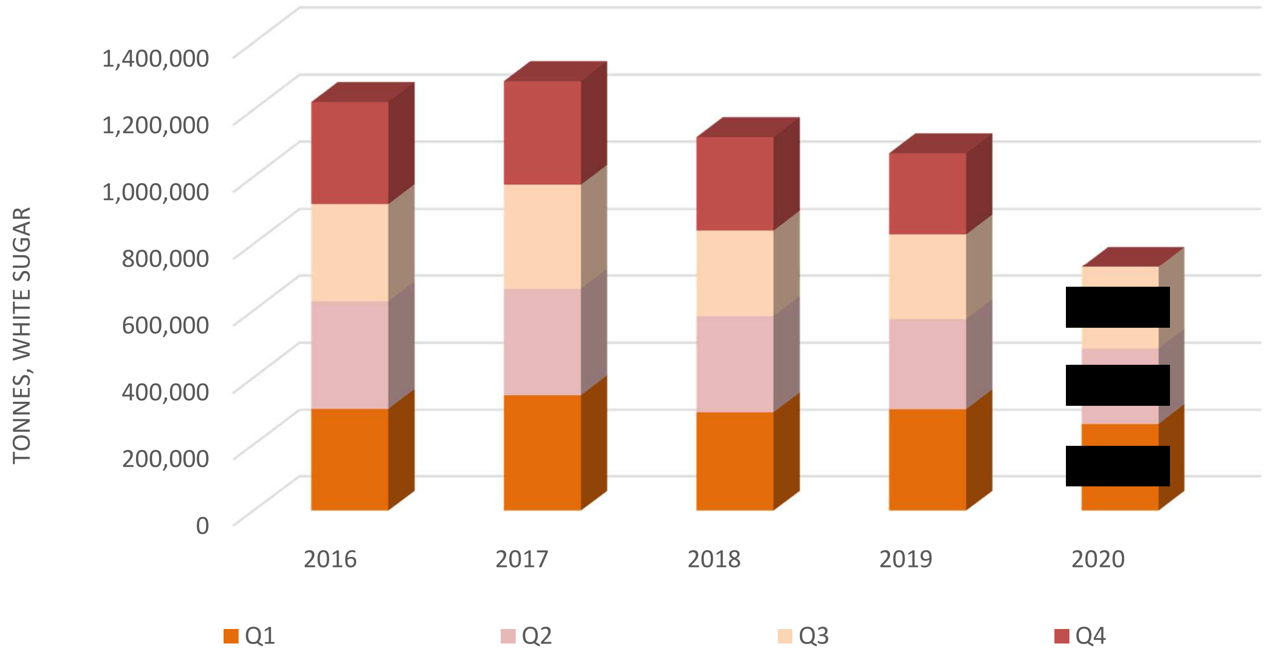
- [redacted]% increase in direct consumption sales when compared to the previous quarter (Graph 5),

Graph 5 – Thai domestic sales of whites for direct consumption purpose



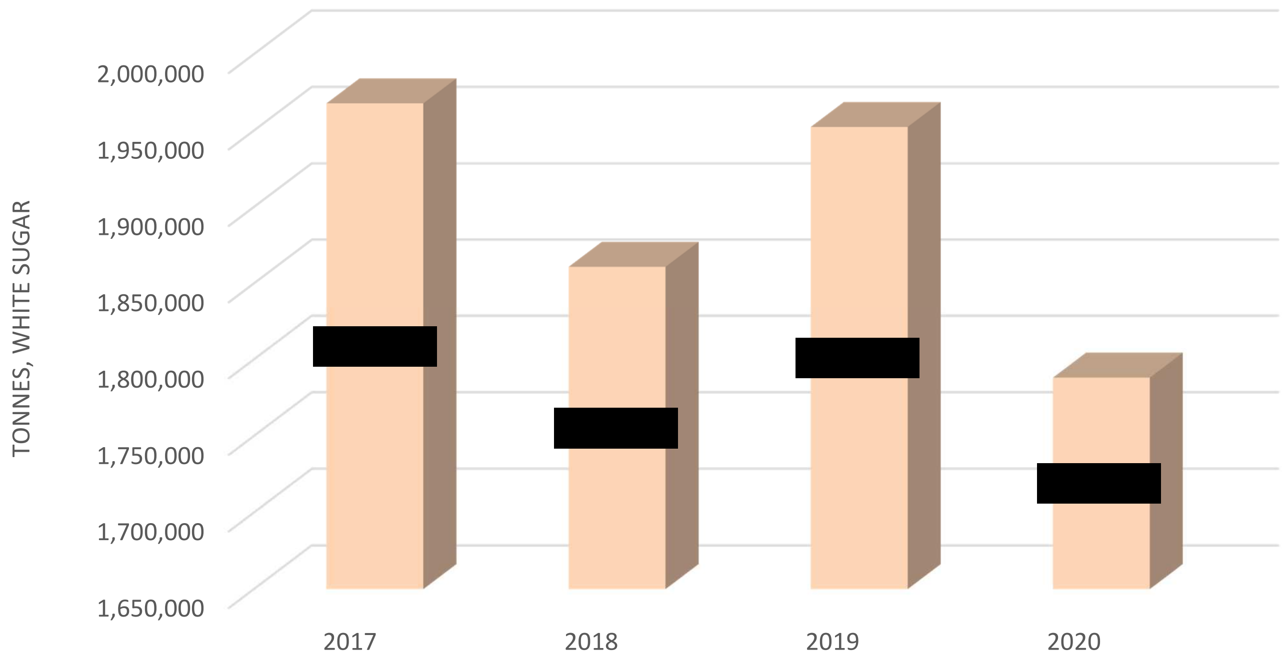
- [redacted]% increase in industrial sales when compared to the previous quarter (Graph 6),

Graph 6 – Thai domestic sales of whites for industrial purpose



However, this surprising development brings 2020 domestic sugar sales up to 1.79 Mt by the end of [Sep 20]: [redacted] (Graph 7). In that sense, the Covid-19 pandemic seemingly triggered a (minimum) 5% demand destruction so far this year.

Graph 7 – [Q1 + Q2 + Q3] domestic white sugar sales



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Looking ahead, we anticipate domestic sugar sales for Q4 2020 to total about 602 kt. Total 2020 white sugar sales are therefore projected to hit a historically-low level of [redacted] Mt.

Additionally, we anticipate the use of raw sugar for domestic purposes to go down at [redacted] Mt.

Overall, this situation should result in domestic Thai sugar (raw + white) consumption dropping to [redacted] Mt in 2020 (Table 4).

Table 4 - Annual domestic Thai sugar consumption

	2020 (e)	2019 (p) [Mt, tel quel]
Annual domestic consumption of white/refined sugar	[redacted]	[redacted]
Projected annual domestic consumption of raw sugar (essentially for industrial purposes such as fermentation and bioplastics industries) other than ethanol	[redacted]	[redacted]
Projected use of cane juice (in sugar equivalent) for domestic ethanol purposes	[redacted]	[redacted]
TOTAL	[redacted]	[redacted]

(p) provisional (e) estimate

5 - Climate Data

Abundant rainfalls recorded over [Sep – Nov 20] allowed major cane regions to catch up with last year (Graph 9). By the end of [Nov 20], accumulated rainfalls were:

- down 2% in the North,
- up 10% in the Northeast,
- up 20% the Central region
- up 5% in the East.

Meanwhile, mean temperatures recorded in [Oct 20] and [Nov 20] were lower than the ones recorded in the past two seasons (Graph 10).

In this context, it looks as if weather conditions that prevailed over Q4 2020 helped sugarcane to recover from a very dry summer which had spread fears of an even more disastrous crushing campaign than what it looks now.

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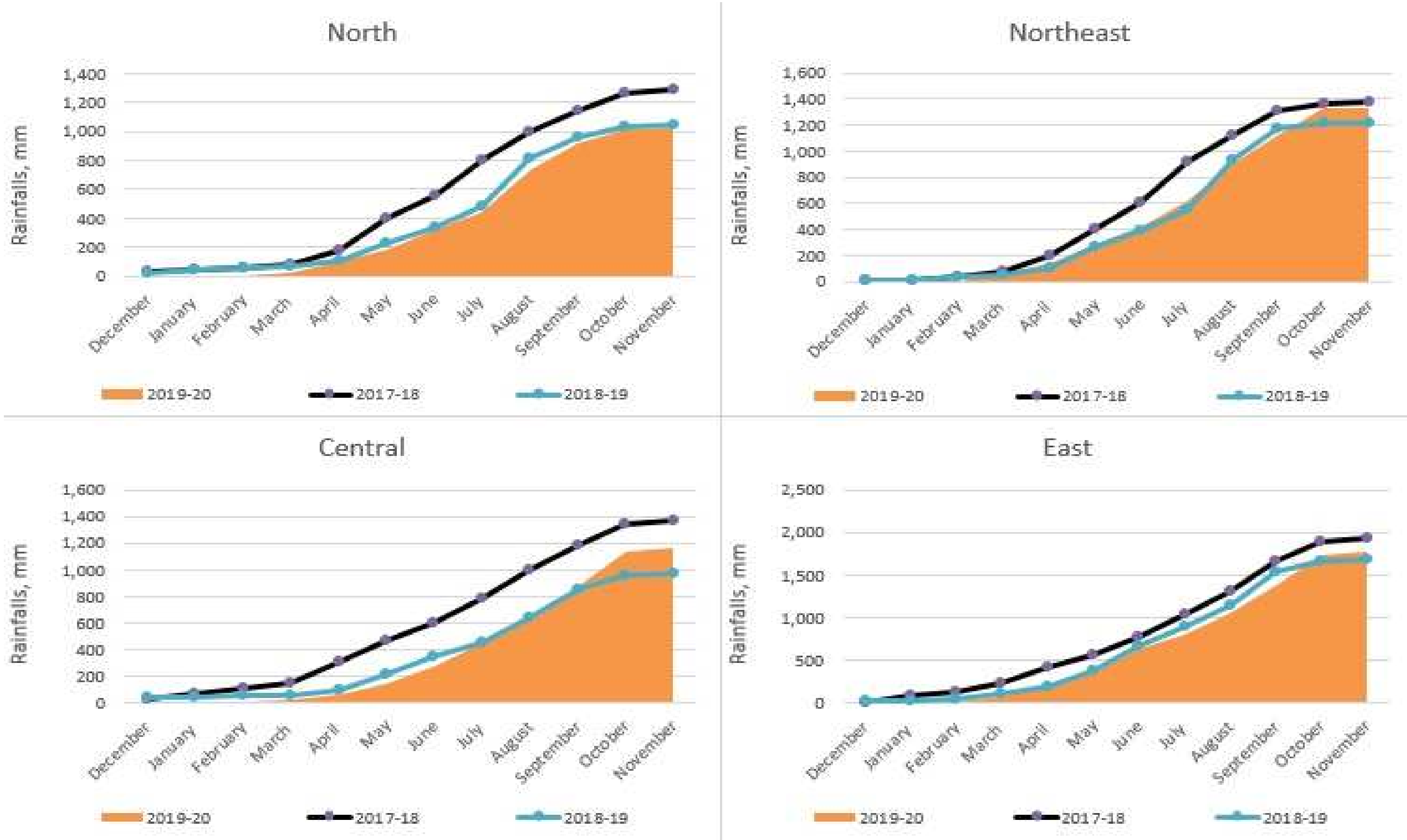
Graph 9 - Accumulated rainfalls (in mm) in major cane regions



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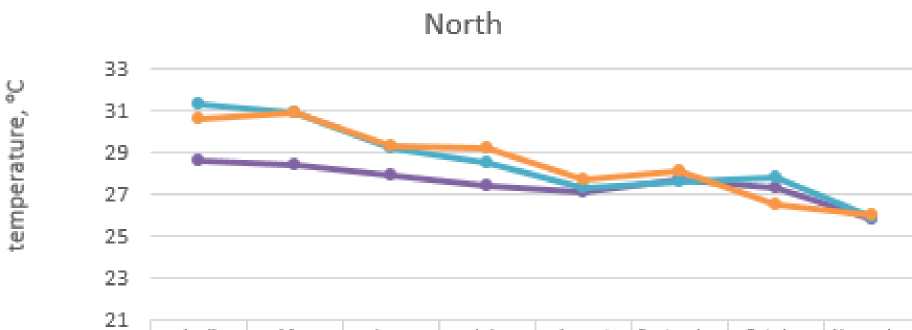
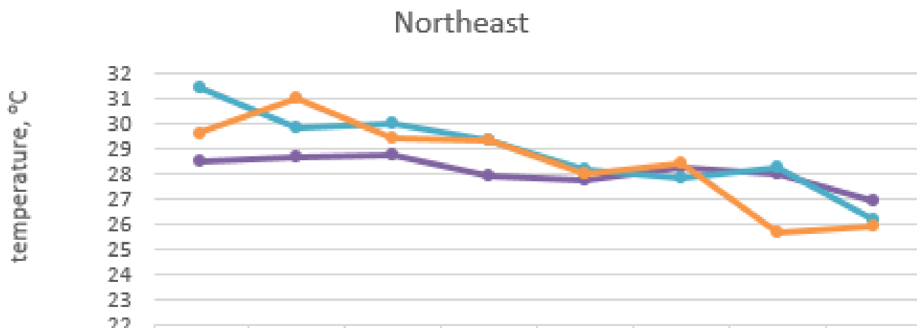
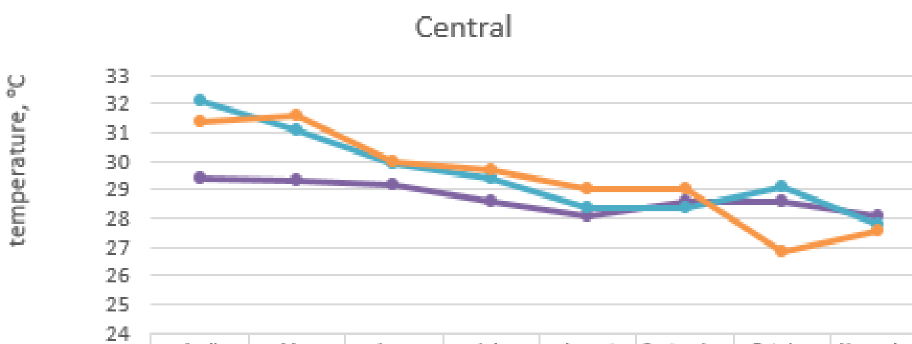
Graph 10 - Mean temperatures (in ^{0}C) in major cane regions



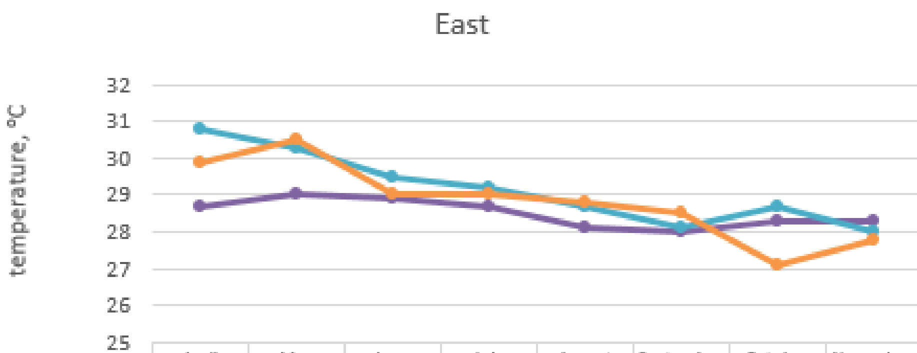
	April	May	June	July	August	September	October	November
2017-18	28.6	28.4	27.9	27.4	27.1	27.7	27.3	25.8
2018-19	31.3	30.9	29.2	28.5	27.3	27.6	27.8	25.9
2019-20	30.6	30.9	29.3	29.2	27.7	28.1	26.5	26.0



	April	May	June	July	August	September	October	November
2017-18	28.5	28.6	28.7	27.9	27.7	28.2	28.0	26.9
2018-19	31.4	29.8	30.0	29.3	28.1	27.8	28.2	26.1
2019-20	29.6	31.0	29.4	29.3	28.0	28.4	25.6	25.9



	April	May	June	July	August	September	October	Novembe
2017-18	29.4	29.3	29.2	28.6	28.1	28.6	28.6	28.1
2018-19	32.1	31.1	29.9	29.4	28.4	28.4	29.1	27.8
2019-20	31.4	31.6	30.0	29.7	29.0	29.0	26.8	27.6



	April	May	June	July	August	September	October	November
2017-18	28.7	29.0	28.9	28.7	28.1	28.0	28.3	28.3
2018-19	30.8	30.3	29.5	29.2	28.7	28.1	28.7	28.0
2019-20	29.9	30.5	29.0	29.0	28.8	28.5	27.1	27.8

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