

AUSTRALIA & SOUTH EAST ASIA SUGAR REPORT



Q1 2021

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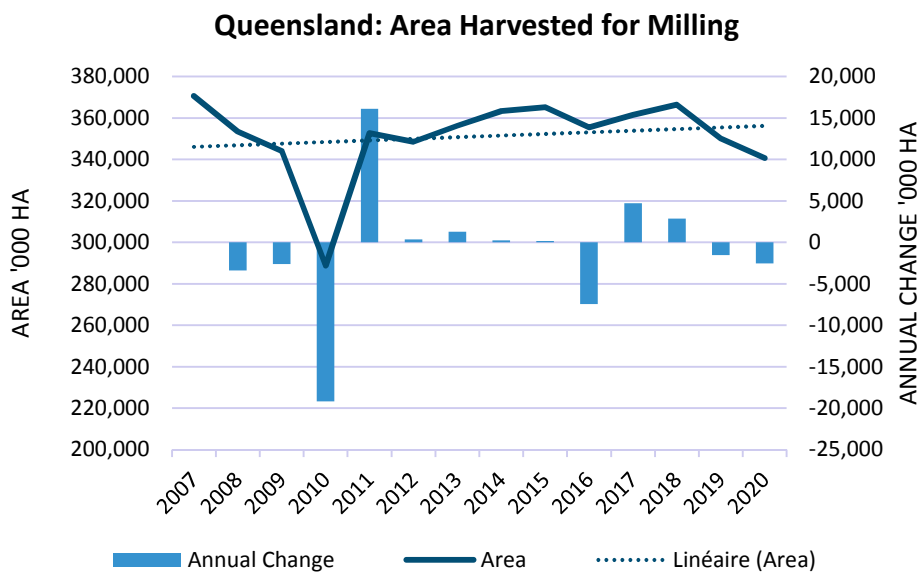
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AUSTRALIA

Queensland 2021 Crush Prospects

Sugar millers in Queensland are anxiously monitoring the area of sugarcane that will be available for harvest in the upcoming 2021 crushing season. According to the Australian Sugar Milling Council (ASMC) large variations in weather conditions in some of Queensland’s growing regions in recent months have raised concerns about the size and quality of the crop that could be available for processing this year. ASMC data has revealed that the area harvested for crushing in the 2020 season had slumped to just 340,614 hectares, the lowest area since 1993 (excluding disastrous 2010 level). As was the case in 2020, almost all mills in Queensland will operate with a sub-optimal cane supply in 2021, illustrating just how important ongoing efforts to boost productivity are for the industry’s future.

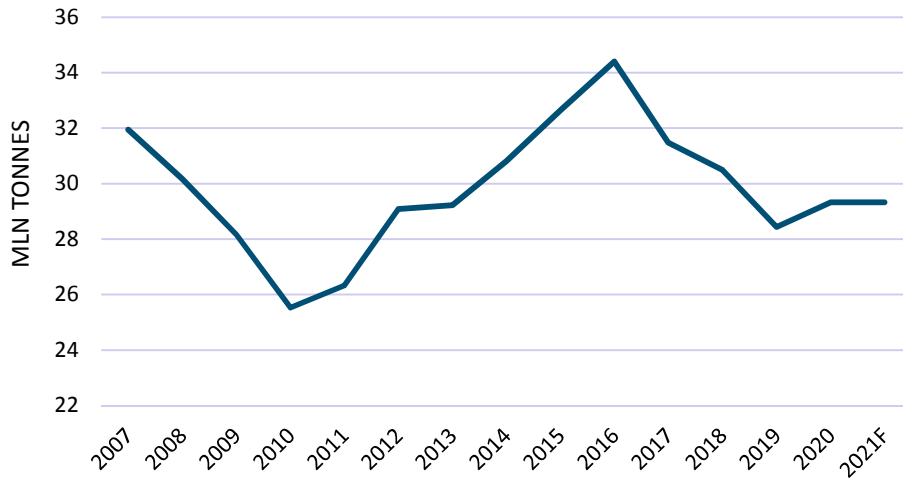


In the Far North, well above average rainfall across the Tully and Ingham districts has resulted in flooding and inundation of cane fields which, combined with the reduced hours of sunlight, will have restricted growth in the crop during this period. In direct contrast to this, the Southern region, which saw two of the five sugar mills in the region permanently closed following the completion of the 2020 crushing season (Maryborough and Bundaberg Sugar’s Bingara Mill), continued to be impacted by drought for the third consecutive growing season. However, better growing conditions have prevailed in the Burdekin and Central regions giving rise to hopes of an improvement in the crop over the 2020 levels of production.

Overall, given the variable conditions, it appears unlikely the 2021 sugarcane crop will deliver any increase on the 2020 production of 29.33 mln tonnes in Queensland, from which the sugar milling sector manufactured 4.12 mln tonnes (IPS) of sugar. A later start in some regions to the 2021 crush is possible to give the crop more time to grow and mature with a view to maximising the sugar that can be manufactured from the available sugarcane.

In a more recent assessment the CANEGROWERS organization anticipated Australia’s growers will harvest around 29.5 mln tonnes of sugarcane, 28 mln tonnes of that in Queensland. ([CANGROWERS, April 2021](#))

Queensland: Cane Crushed



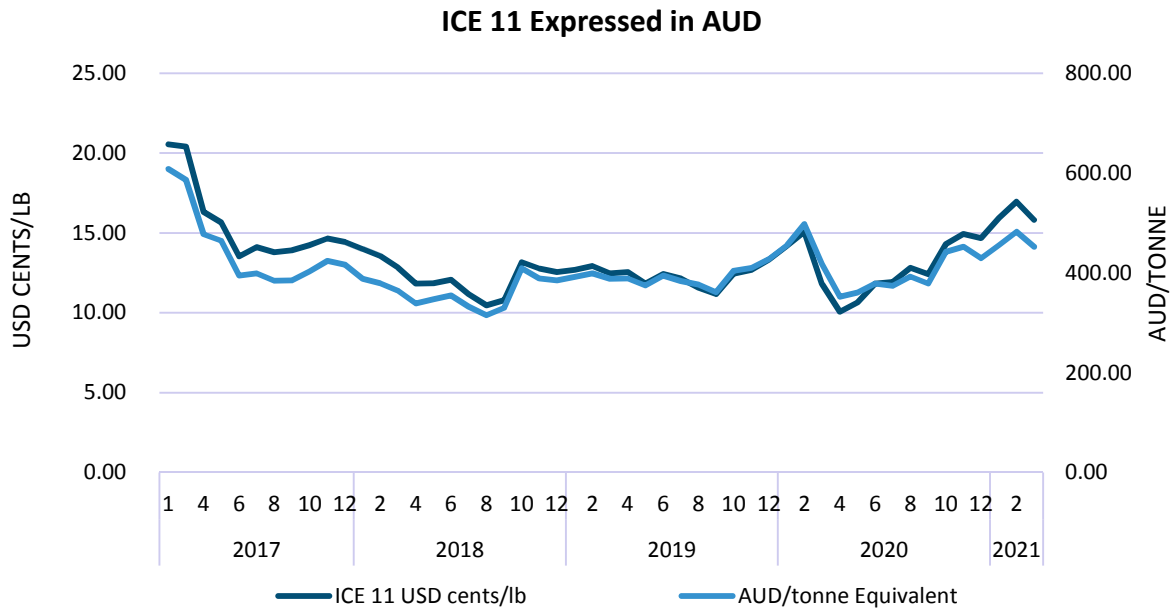
Queensland and Federal Governments Fund Transport and Transloading Infrastructure

The sugar industry has welcomed the commitment of AUD1.9 mln from the Queensland Government to a plan that will see sugarcane grown, harvested and hauled in the Maryborough region milled into raw sugar at the Isis Central Sugar Mill at Childers. The funding was critical for enabling cane to be transported to Isis Central Sugar Mill. The State government commitment follows close on the heels of a USD2.5 mln pledge from the Australian Government for the transloading facility infrastructure. Maryborough region growers are anticipated to deliver an estimated 380,000 tonnes of cane to the mill at Childers from this coming season. The extra cane will allow

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. Since the Covid-hit low of AUD 352.50/tonne in April 2020, the AUD value of the ICE 11 price had risen during the following months to average AUD 482.55 in February 2021, before easing back to average AUD 452/tonne in March. Prices this high have not been seen since early 2017. Importantly, the value of the Thai (Far East) premium had added between AUD 50-80/tonne to physical prices for Australian sugar over the past year.



ECRUU Newsfeed Highlight

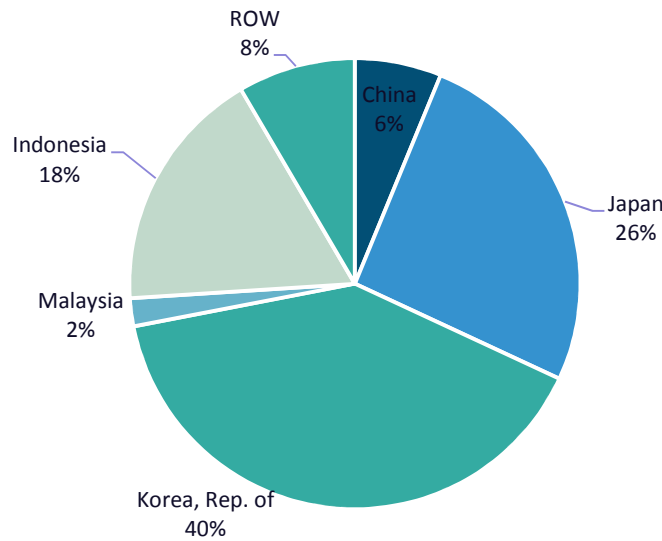
23/3/2021 AUSTRALIA – ASMC hopes to expand industry

The Australian Sugar Milling Council (ASMC) unveiled a plan to increase the revenue generated by the sugar industry from AUD 2 billion (USD 1.55 billion) currently to AUD 3 billion (USD 2.32 billion) by 2030, in part by focusing on trade and market access.

APIC-WKS comment:

With Australia’s sugar industry primarily focused on the production and export of raw sugar, the ongoing focus on trade and market access is understandable and crucial. The bulk of Australia’s sugar is exported into markets in North and South East Asia – see graph. The Japan-Australia FTA brought some relief from the stringent J-spec requirement, which was becoming increasingly challenging and costly to source, by amending the polarisation maximum for Australian raw sugar to 99.30 on a dry basis. In response, the volume of Australian sugar shipped to Japan has increased substantially. Thailand is the supplier for over 75% of Indonesia’s raw sugar requirements with preferential access given under the ASEAN FTA, but an FTA with Australia saw the applicable tariff rate shrink to 5%, consistent with the ASEAN concession, which is seeing additional tonnage being shipped.

Australia's Raw Sugar Exports by Destination



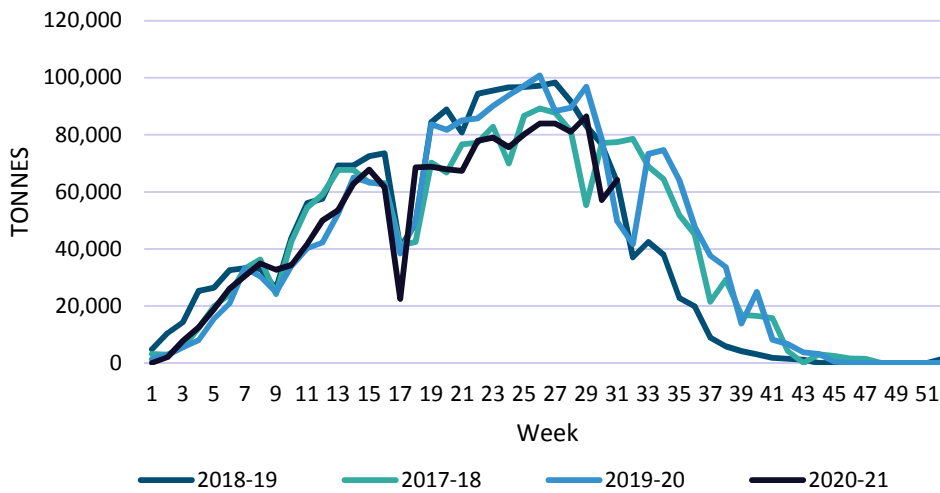
Realising that such a heavy reliance on raw sugar and world market prices is unlikely to support an ongoing sustainable industry there is a growing urgency to transform the sector into sustainably producing sugar and bio-products and to position the sugar industry at the centre of the renewable economy through research and policies that can underpin and create commercial opportunities. At the same time the Australian industry would aim to enhance sugarcane and sugar production efficiencies and supply chain infrastructure to secure a prosperous long-term future. Industry stakeholders have already come together to agree a working vision incorporating all of these elements – the so called “Sugar Plus” vision. Industry stakeholders are meeting regularly in 2021 to progress industry priorities, and to maintain regular communication with government stakeholders

PHILIPPINES

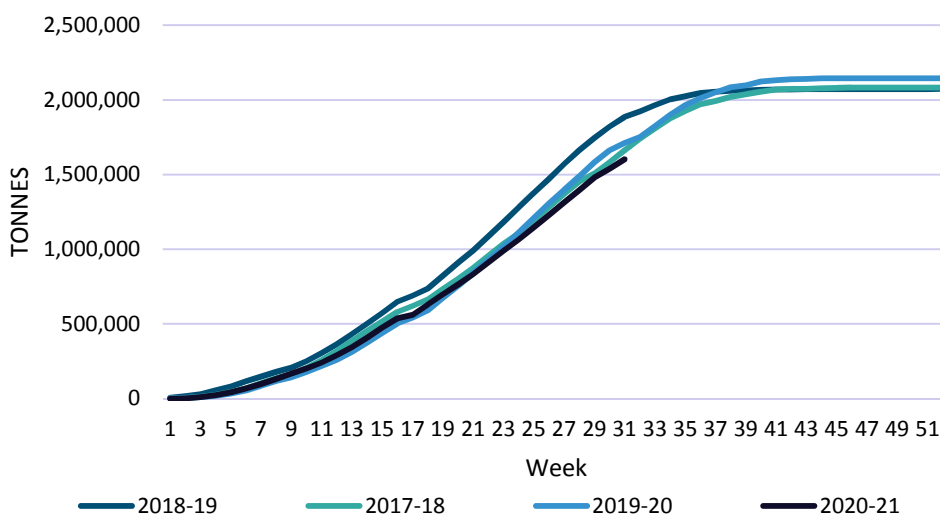
2020-21 Season Turns Sour

The 2020/21 crush season (starting September 1, 2020) is failing to live up to initial expectations. The Sugar Regulatory Administration (SRA) has penned a 2020/21 estimate of 2.19 mln tonnes, indicating an expected slight rise in output as against the 2019/20 tally of 2.15 mln tonnes. However, in late March it had to acknowledge the harvest was adversely affected by weather and lowered its estimate to 2.101 mln tonnes. The SRA noted that the impact of the La Nina was more severe than initially expected, bringing heavy rains to all sugar producing regions, causing flooding in sugarcane fields in Negros Occidental in particular, including Silay, EB Magalona, Victorias, Manapla and Cadiz. As a consequence, sugar content in cane has fallen to 1.71 50kg bags of sugar/tonne of cane (LKg/TC), compared to an initial expectation of 1.87 LKg/TC (9% lower). Sugar production by 4th April had reached 1.62 mln tonnes, down 5% from 1.71 mln tonnes at the same stage of the 2019/20 harvest (week 31).

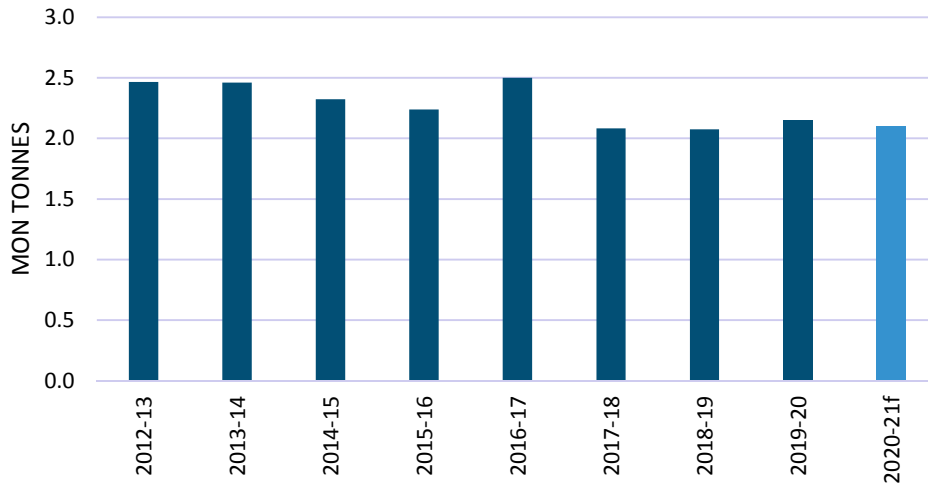
Philippines: Weekly Raw Sugar Production



Philippines: Cumulative Weekly Raw Sugar Production



Philippines: Raw Sugar Production

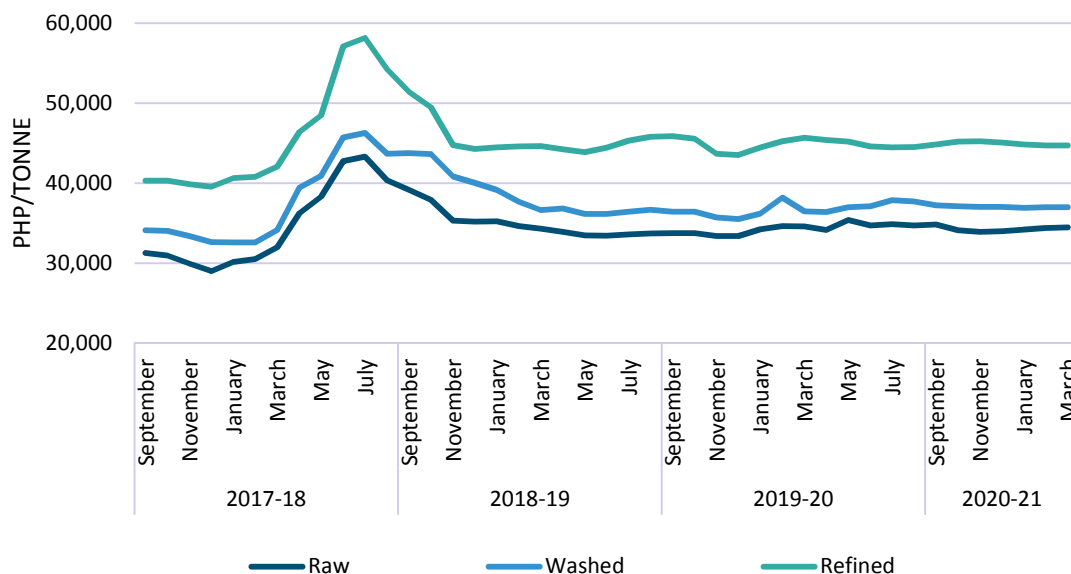


The key impact of the lower-than-expected output is the SRA moved late March to amend the 2020-21 allocation of raw sugar production from “A” or US Market Sugar at 7 % and “B” or Domestic Sugar Market at 93%, to 100% “B” quota. Effectively, the US sugar allocation has been cancelled.

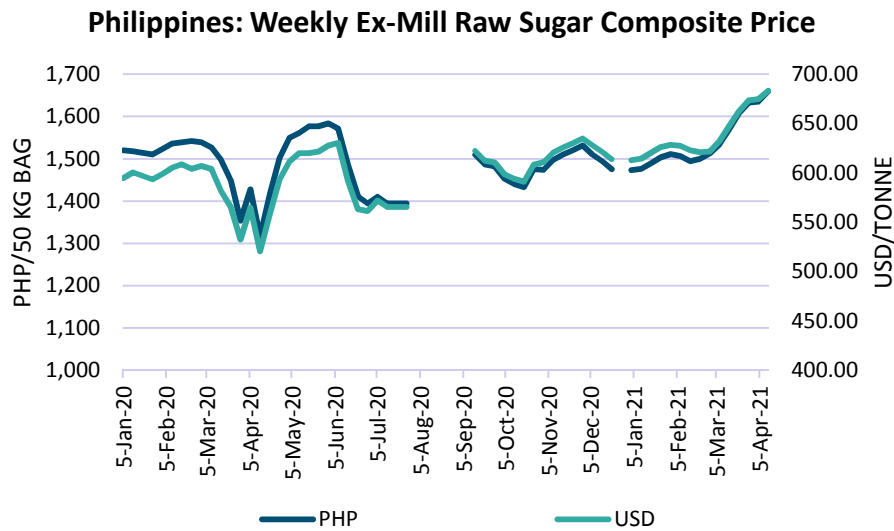
Domestic Prices

Metro Manila Prices for refined sugar weakened somewhat in Q1 2021 – see graph – averaging PHP 44,769/tonne, as against an average of PHP45,167/tonne for 2020 Q4. The Philippine Retail Price Law limits any significant rise in retail prices of basic agricultural commodities, with the suggested retail price of raw sugar (brown and washed) at P45/kg and refined sugar at P50/kg. remain unchanged.

Metro Manila Monthly Average Wholesale Price for Sugar

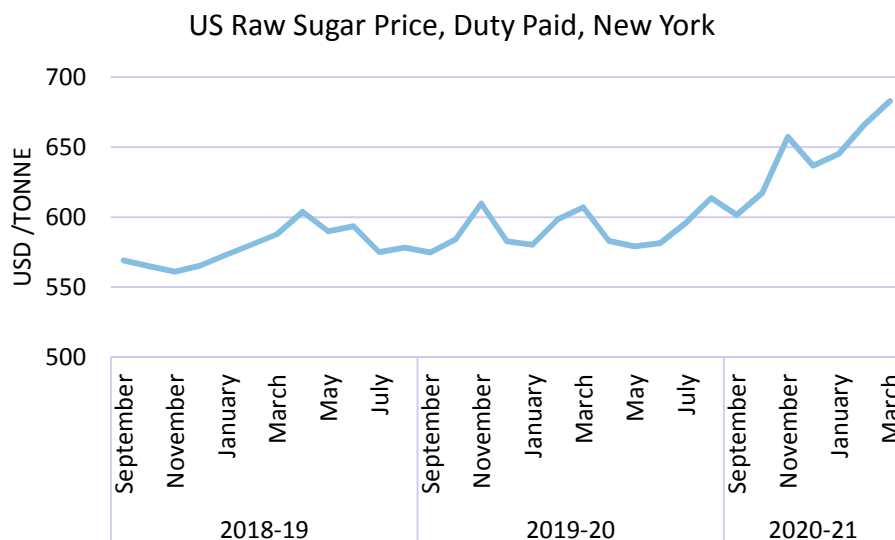


Ex-mill prices for raw sugar have ticked-up with expectations for the crop to come in lower than initially thought. Whilst ending February at USD 622/tonne equivalent, by end-March price had risen to USD 673/tonne, rising further in the first two weeks of April to USD 683/tonne.. Ex-mill prices had fallen to USD 565/tonne by end-July when the 2019/20 crush was complete.



Export Prices

Indicative Prices for raw sugar imported into the US market continue well above world market levels, averaging USD 665/tonne during Q1 2021 compared to USD 637/tonne during Q4 2020, Prices under the U.S. tariff rate quota system are normally higher than world market prices but lower than domestic prices. US domestic prices have risen over recent months from an average of USD 645/tonne in January to USD 683/tonne in March, mimicking world market developments.



Amendment to Sugar Act Discussed

Early February Lawmakers discussed a proposal to amend the Sugarcane Industry Development Act (Sida) to increase the budget designed to help the industry and make sure it is all allocated. A proposal was also presented to give the Sugar Regulatory Administration (SRA) more control over imports in order to avoid the risks of liberalisation. (ECRUU, 5 February 2021).

ECRUU Newsfeed Highlight

30/3/31 PHILIPPINES - To cancel US exports

The Sugar Regulatory Administration (SRA) will reallocate the country’s sugar supply entirely to the domestic market and will cancel the quota allocated to US exports, effective April 4. The agency initially pegged output at 2.19 million mt but production has only reached 1.22 million mt as of February-end because of the La Nina event and typhoons. ([Business Inquirer](#))

APIC-WKS Comment:

The SRA earlier allocated 7% of 2020/21’s higher anticipated production for the **US market** (so-called A quota). The Fiscal Year 2020/21 raw sugar tariff rate quota (TRQ) to the United States is set at 142,160 tonnes raw value (TRV). Adding carryover “A” sugar from the previous year was expected to allow the Philippines to fulfill its US quota. As can be seen from the Table, the Philippines has typically achieved a high fill rate against its US quota for raw sugar.

Fiscal Year	Entries	Final Allocation	Fill Rate
2010	177,367	177,367	99.4%
2011	221,809	221,808	100.0%
2012	190,018	220,441	86.2%
2013	56,373	144,901	38.9%
2014	128,536	156,359	82.2%
2015	63,460	63,460	100.0%
2016	142,160	173,690	81.8%
2017	197,857	205,990	96.1%
2018	119,582	142,160	84.1%
2019	97,933	120,160	81.5%

THAILAND

Thai sugar exports further down

Thai sugar exports totaled a historical-low of 0.83 Mt over Q4 2020: down 27% from the previous quarter and 70% from the previous year. As illustrated on the table below, raw export shipments literally collapsed while whites and refined sugar remained more resilient.

Table 1 - Thai sugar export volumes

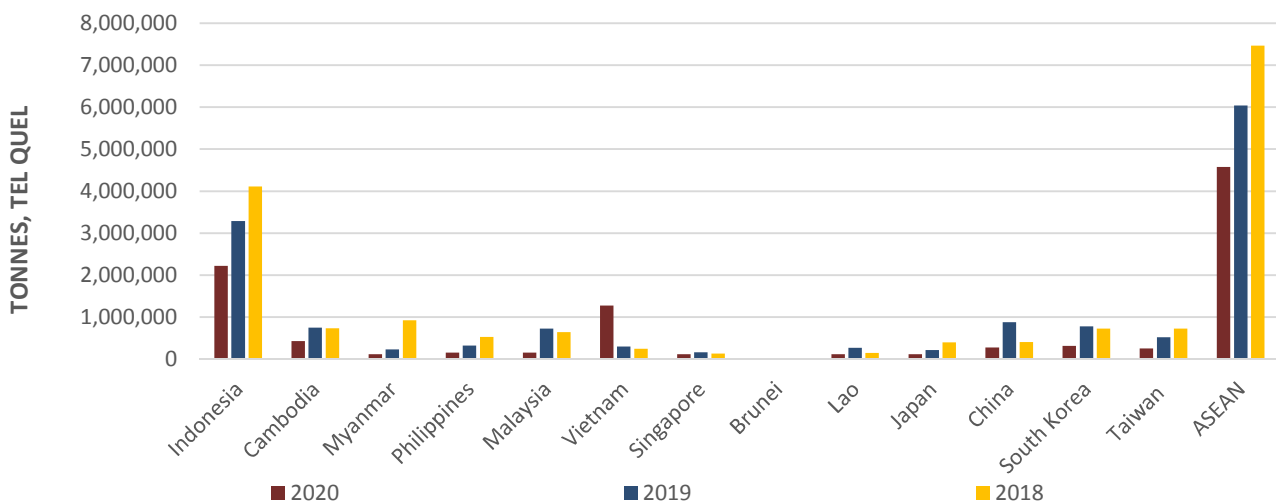
[tons]	Raws	Whites	Refined	TOTAL
Q4 2020	223,697	96,571	512,283	832,551
Q3 2020	466,650	83,939	598,484	1,149,073
Q4 2019	1,279,358	173,398	1,329,159	2,781,915
Y-O-Y variation	↓ 83%	↓ 44%	↓ 61%	↓ 34%

Overall, this situation has led to about 6.10 Mt being exported in 2020: down 39% from a year ago.

From a geographical point, ASEAN countries remained the main export destination for Thai sugar exports, accounting for respectively:

- 75% of total Thai sugar exports,
- 85% of Thai raw sugar exports,
- 65% of Thai white sugar exports,
- 63% of Thai refined sugar exports.

Thai sugar export destinations



The continuous appreciation of the THB from [Apr 20] until [Feb 21] was also a factor that adversely impacted the competitiveness of Thai sugar exports on the international market even though the current situation is now pointing towards a depreciation of THB in the near future.

As for 2021, exports for the first two months of the year totaled 525,363 t against 1,491,661 t a year ago... And the situation is not expected to significantly improve before the start of the next season although we foresee monthly export volumes to average 475 kt up until [Dec 21].

Overall, we currently anticipate 2021 Thai sugar exports to range between [5.55 – 5.92] Mttq.

2020/21 cane crush season ends in April

As anticipated before the start of the campaign and for the second time in a row, the 2020/21 cane crush - which ended in early April - has been very disappointing for the country (provisional end-season figures for the 2020/21 Thai cane crush are summarized in the table below).

However, some positive signals emerged with cane burning only accounting for 26% of the total harvested cane (against 50% in 2019/20). This situation seemingly helped to improve cane sugar content and sugar recovery rates which hit a historical high. From an industrial point of view, the increased proportion of green cane led to slower crushing pace at mills level which eventually resulted in a similar campaign length as last year.

Thailand cane crushing dashboard

[End-season: provisional data]

	2020/21			2019/20			Y-o-Y Variations		
Total Harvested cane	66,658,812			74,893,175			↓ 11.0%		
	Green	Burnt		Green	Burnt		Green	Burnt	
[tons]	49,048,547 74%	17,610,265 26%		37,709,700 50%	37,183,475 50%		↑ 30.0%	↓ 52.6%	
Sugar production	7,571,658			8,294,329			↓ 8.7%		
	Raws	Whites	Specials	Raws	Whites	Specials	Raws	Whites	Specials
[tons, tel quel]	5,179,519	1,951,642	440,497	6,111,771	1,962,685	219,873	↓ 15.3%	↓ 0.6%	↑ 100.3%
Sugar recovery [kg sugar/t cane]	113.6			110.8			↑ 2.5%		
CCS	12.91			12.68			↑ 1.8%		
Molasses production [tons]	2 762 010			3,389,107			↓ 18.5%		
Nb operating mills	57			57			=		
Campaign start date	10 Dec 2020			01 Dec 2019			10 days later		
Campaign end date	01 Apr 2021*			29 Mar 2020			2 days later		

* provisional

Subscribers which package includes our THAI HARVEST UPDATE REPORTS have access to ALL regional detailed CRUSH DATA of the year in EXCEL format.

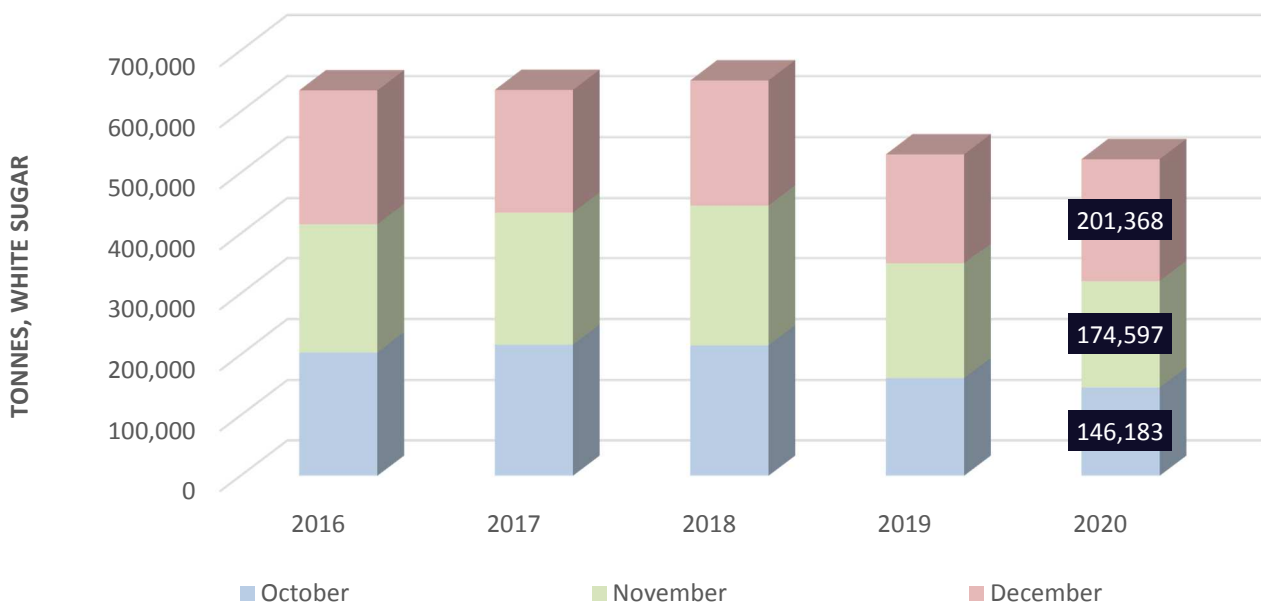
Simply connect on our [website](#) and retrieve the file using your login credentials.

Looking at the upcoming 2021/22 season, we anticipate the cane output to recover and total 85 Mt : short from the 100 Mt mark mentioned by some other analysts. Meanwhile, low temperatures recorded over [Dec 20 – Mar 21] may eventually prove to be beneficial for the early development stage of cane ratoons and positively affect cane yields for the upcoming season.

Thai domestic white sugar sales at historical lows

Domestic white sugar sales totaled 522,148 t during Q4 2020: marginally lower than in Q4 2019 but “structurally” lower than sales’ volumes recorded over the same period in [2016 – 2018] (Graph 6).

Graph 6 - Domestic white sugar sales [Q4]



From a statistical point of view, domestic white sugar sales accounting for Q4 2020 were:

- down 19% from Q3 2020,
- down 1% from the same period a year ago.

While industrial sales dropped 9%, direct consumption sales partially offset this decline and were up 5% from the previous year.

Overall and on a cumulative basis, domestic white (which refers to both white and refined sugar) sugar sales in 2020 hit a decade-low level and amounted to 2,310,277 t: in line with our initial forecast published at the same time a year ago.

This situation eventually brings total domestic Thai sugar sales - including raw sugar sales sold to domestic industries - to 3.09 Mt in 2020 (Table 4) : a level that was also correctly anticipated by our team a year ago.

Looking ahead and taking into consideration the deterioration of the Covid situation in the country, we do not anticipate any tangible recovery in domestic sugar sales for 2021. Although the projected use of raw sugar for domestic use is expected to go up, the magnitude of the increase will remain limited.

VIETNAM

Vietnam imposes temporary anti-dumping import taxes on Thai sugar

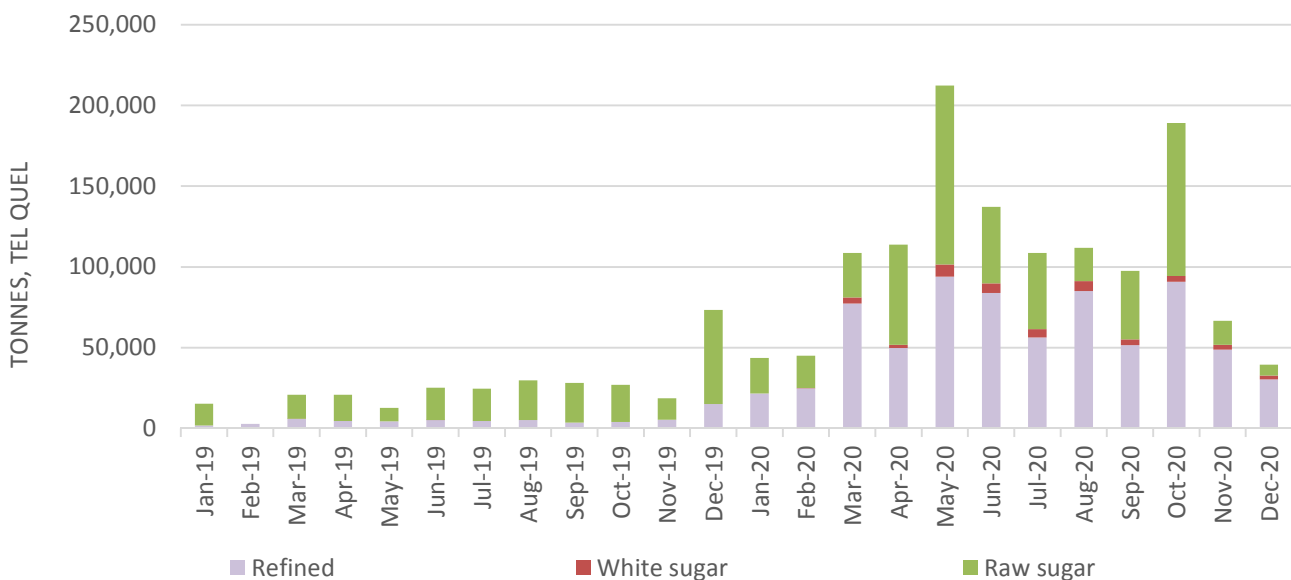
Following the launch of an investigation in September 2020, the Ministry of Trade and Industry has officially imposed a temporary anti-dumping tax of 44.88 per cent on unrefined sugar and 33.88 per cent on refined sugar imported from Thailand.

Effective since the end of February 2021, this decision is anticipated to :

- limit the amount of Thai sugar imports which rose to historical highs in 2020,
- trigger an appreciation of local domestic prices.

Thai sugar imports at historical highs in 2020, but down in 2021

According to statistics, the total volume of imports coming from Thailand reached 1.27 Mt in 2020: up 325% from the level recorded a year ago.



Although a rise in the amount of imports was anticipated after the enforcement of ATIGA on January 2020, the magnitude of the rise clearly outperformed original anticipations.

However, the decision to impose a temporary anti-dumping tax on unrefined/refined sugar coming from Thailand and limited export availabilities following another disappointing crush in Thailand should naturally bring the amount down in 2021.

With “only” 131,467 t of Thai sugar entering the country in [Jan 21 – Feb 21] and in the light of the significant rise of domestic sugar prices throughout Q1 2021, Vietnamese sugar producers may eventually have a bit more room to market their own local production at a remunerative level.

In our opinion, this situation could promote :

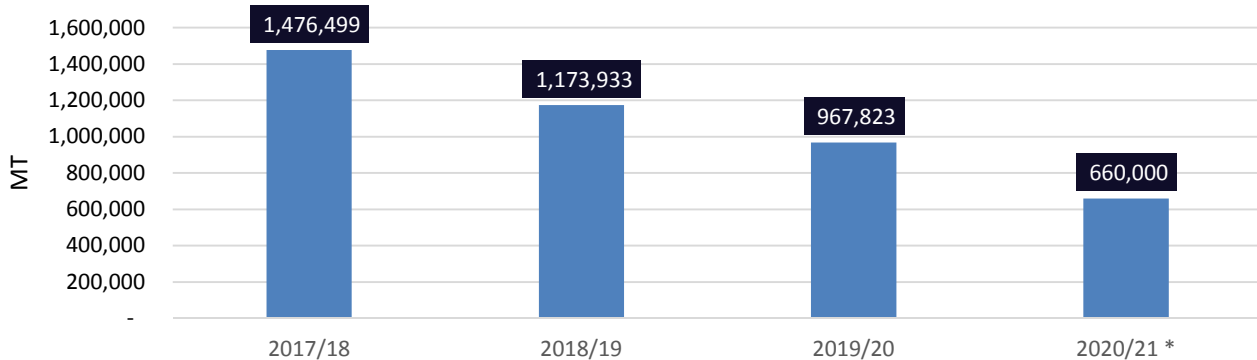
- a rise in “triangular” imports between 1) Thailand 2) Cambodia/Lao and 3) Vietnam (Thai sugar being “moved” to Cambodia/Lao where it is stored and later exported to Vietnam),
- a rise in the amount of smuggled sugar.

2020/21 cane crush to fall short of the 700,000 t mark, improved perspectives for 2021/22

According to our information, the Vietnamese cane crush totaled 639,871 t on April 15th 2021 with only a few mills still in operation. Overall, the total sugar production is anticipated to reach about 660,000 t: short of the 700 kt and more than 50% down from the 1.48 Mt produced in 2017/18.

This steep deterioration is essentially due to a lack of raw material: a number of farmers – harmed by heavy losses in recent years – switching to more remunerative crops.

However, the 2021/22 could bring this downward trend to a halt. A number of sugarcane processing companies have indeed announced a significant rise of their cane purchasing price and farmers may therefore switch back to cane. A significant recovery of the domestic sugar output is therefore anticipated.



(*) estimate

Significant recovery of domestic Vietnamese sugar prices

As anticipated in our previous reports, the appreciation of international sugar prices and most importantly the long-awaited decision to impose a temporary anti-dumping tax on Thai sugar has triggered a significant rise in domestic prices over Q1 2021.

[VND/kg]	White sugar		
	Jan 21	Feb 21	Mar 21
Hanoi	[14,750 – 14,975]	[15,900 – 16,400]	[16,740 – 16,920]
Central Vietnam	[14,725 – 15,050]	[15,950 – 16,300]	[16,380 – 16,560]
Ho Chi Minh	[14,750 – 15,075]	[16,150 – 16,500]	[16,680 – 16,920]

[VND/kg]	Refined sugar		
	Jan 21	Feb 21	Mar 21
Hanoi	[15,200 – 15,350]	[16,900 – 17,100]	[17,740 – 17,940]
Central Vietnam	15,200	[16,900 – 17,000]	[17,700 – 17,900]
Ho Chi Minh	[15,250 – 15,500]	[16,900 – 17,200]	[17,720 – 17,900]

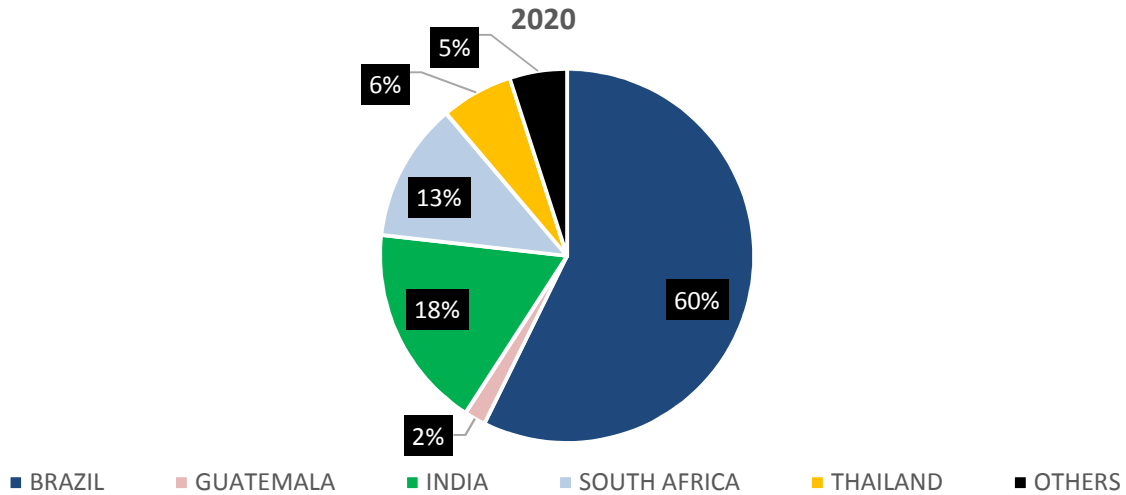
Although a further appreciation is widely anticipated by traders and analysts (domestic sugar output falling short of the 700,000 t mark while demand should remain close to 2 Mt), unsold domestic sugar stocks and an increase in the amount of smuggled sugar entering the country could eventually limit the upward potential throughout Q2 2021.

MALAYSIA

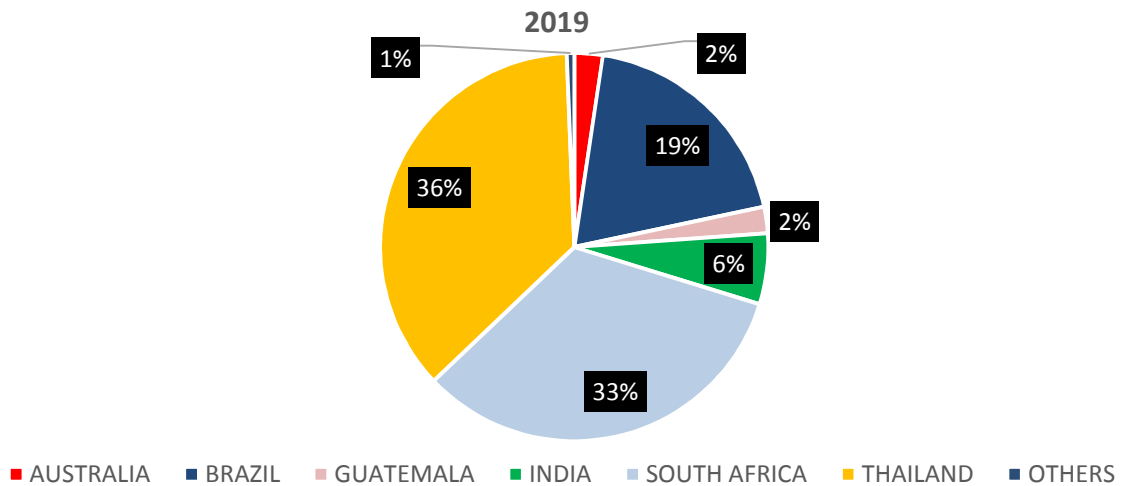
Malaysian imports dominated by Brazilian origin in 2020

According to official statistics, Brazilian sugar imports accounted for 60% of the total sugar import value recorded in 2020 therefore confirming a switch away from Thai origins which dropped to 6%...against 36% in 2019.

Malaysia: Sugar import values



Malaysia: Sugar import values



MSM’s sugar refinery in Johor temporarily closed down

By early April 2021, the group has announced the temporary closure of its Johor refinery for a period of 2 months following some issues with its boilers. Although the company is confident it will have no issue to fulfil its existing commitments thanks to existing stocks (representing about 1.5 months of production) and full-swing activities in Prai (Penang) where its other refining unit is located, this announcement should limit the ability of MSM to contract additional export commitments in coming months.



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