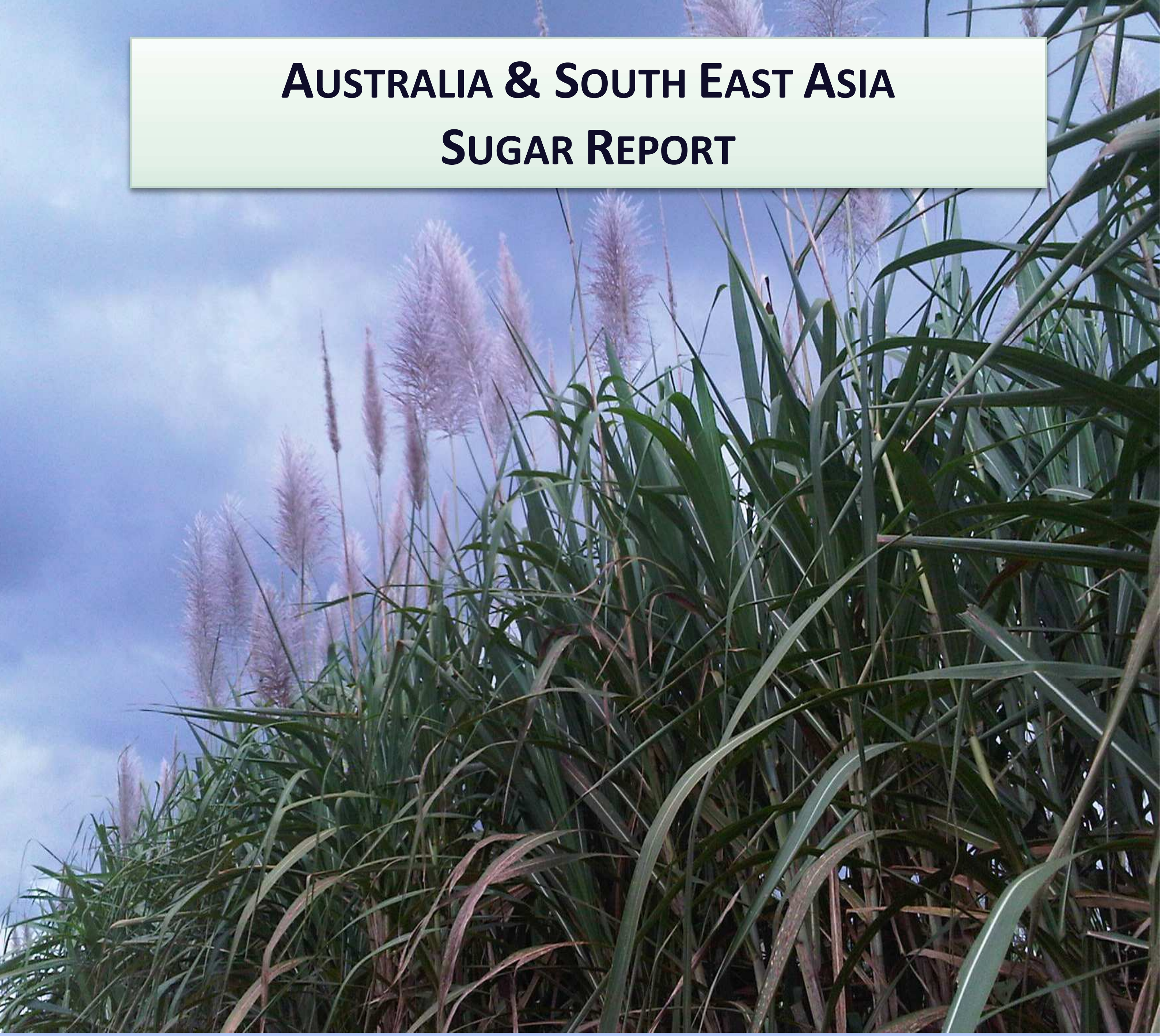
AUSTRALIA & SOUTH EAST ASIA SUGAR REPORT



Q2 2021

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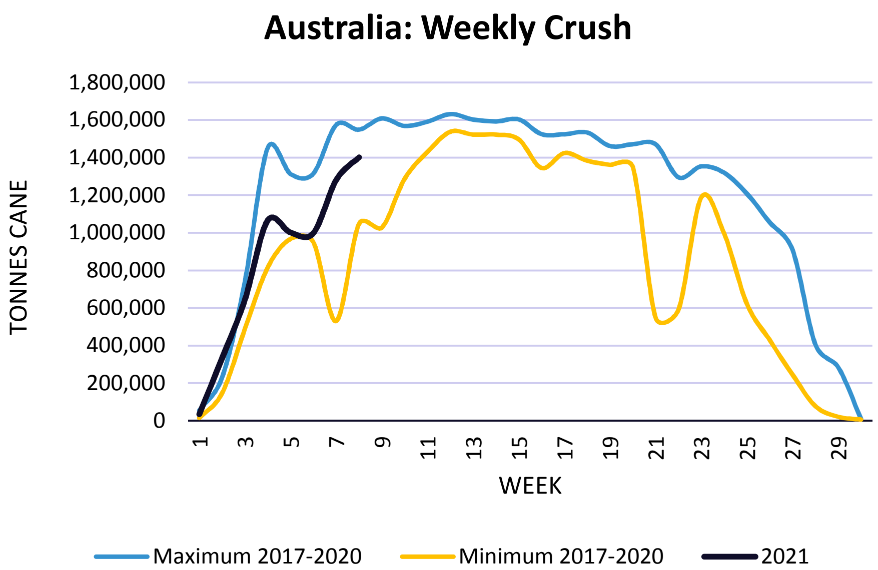
TABLE CONTENT

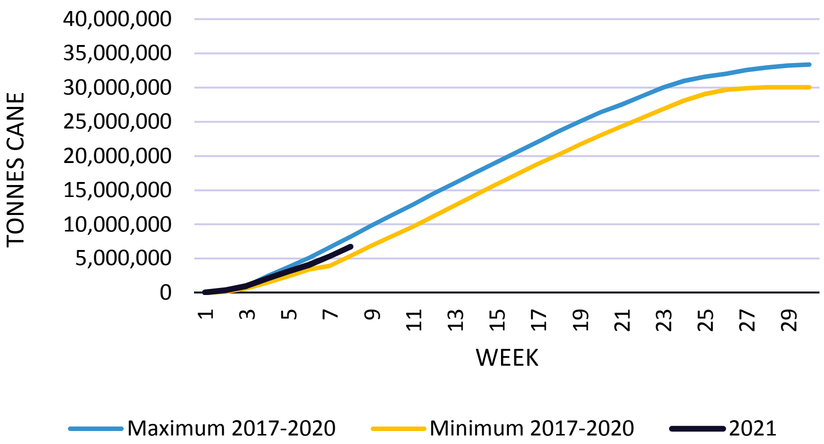
AUSTRALIA

2021 Crush Commenced Early June: Rain Frustrates Early Harvest Pace

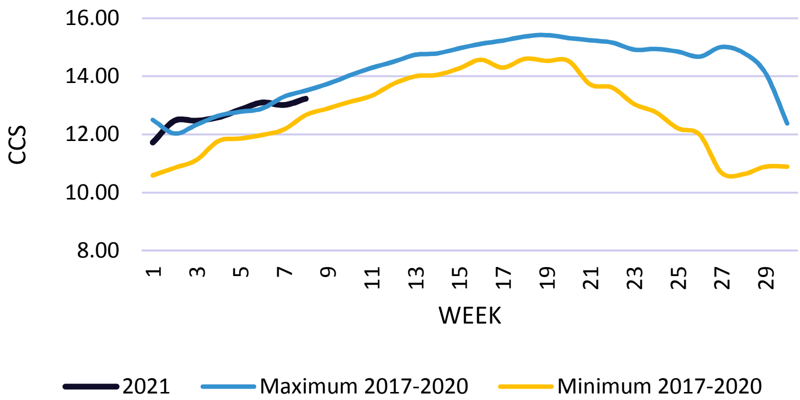
The Queensland cane harvest and crush commenced with the Tableland mill and Mackay Sugar starting on 1 and 3 June respectively. All four Wilmar Mills started the following week on 8 June, as did the New South Wales industry. [redacted] The comparable figure last season was lower at 6.3 mln tonnes, due to much more severe rain disturbances. Queensland's to-date crush had reached 6.4 mln tonnes and NSW around 383,000 tonnes by the end of week 8. The to-date CCS level for the Australian industry remains comparatively high and so far has averaged 12.89 units, well above 12.34 units associated with the horror start to last season's campaign.



Australia: Cumulative Weekly Crush



Australia Weekly CCS



Australia's 22 sugar mills (2 mills fewer than last season) should process 31.5 mln tonnes of cane, according to the ASMC, as against 31.1 mln tonnes last season. Industry performance remains well below the not-too-distant 2016 level of 36.5 mln tonnes crushed. 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. In direct contrast, 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 suggesting an improvement in the crop over the 2020 level.

Assuming that the crush progresses well over coming [redacted].

Australia Weekly Crush (tonnes)

Week Ending	Weekly Crush	To-Date Crush	Weekly CCS	To-Date CCS
2021				
6/06/2021	35,151	35,151	11.72	11.72
13/06/2021	332,511	367,662	12.47	12.39
20/06/2021	643,916	1,011,578	12.47	12.44
27/06/2021	1,065,965	2,077,543	12.59	12.54
4/07/2021	[redacted]	[redacted]	[redacted]	[redacted]
11/07/2021	[redacted]	[redacted]	[redacted]	[redacted]
18/07/2021	[redacted]	[redacted]	[redacted]	[redacted]
25/07/2021	[redacted]	[redacted]	[redacted]	[redacted]
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	[redacted]	[redacted]	[redacted]	[redacted]
12/07/2020	[redacted]	[redacted]	[redacted]	[redacted]
19/07/2020	[redacted]	[redacted]	[redacted]	[redacted]
26/07/2020	[redacted]	[redacted]	[redacted]	[redacted]

Positive Outcome for Australian Growers in UK-Australia FTA

Australia's sugarcane growers have welcomed the opportunity to grow sugar exports to the United Kingdom under an in-principal trade deal between the two countries. The proposed UK-Australia Free Trade Agreement gives immediate and substantial up-front tariff-free access [redacted] According to CANEGROWERS, Australian sugar is of high quality, sustainably and ethically produced and well placed to top up local beet sugar production so that UK refiners can meet domestic consumption demands.
CANEGROWERS 16 June

Sugar Industry AUD 1 Bln Hit from India's Sugar Subsidies

New analysis has calculated an AUD 1 bln cost to the Queensland sugar industry from Indian Government price and export subsidies currently under investigation by the World Trade Organisation (WTO). The finding has alarmed but not surprised peak industry organisations the Australian Sugar Milling Council (ASMC) and CANEGROWERS, who say it confirms the need for continued pressure from the Australian Government and industry against India's subsidies.

[redacted]

[redacted]

Australia, Brazil and Guatemala made a formal complaint to the WTO in February 2019 regarding the harm caused by the Indian Government subsidies to their sugar industries. The WTO panel's report on the complaint may be handed down during 2021. The ASMC is commissioning further analysis to determine the wider impact on the regions and the State's economy.

[redacted]

ASMC and CANEGROWERS have praised the Australian Government for its advocacy on behalf of the sugar industry to date and urged continued support for growers, millers, dependent businesses and regional communities which continue to feel the impact of price distortions in the global sugar market.

Link to the AMSC-commissioned Green Pool report "Indian Sugar –The Impact of Over-production on Sugar Industry Revenues"

CANEGROWERS 15 July

Australian Industry Looking for Industry Plan and Roadmap to 2040

The Australian sugarcane industry is looking to develop a situational analysis and an Industry Plan and Roadmap to 2040. The Situational Analysis is intended to identify key factors of influence and critical uncertainties of the industry while taking account of previously developed reports including Sugar Research Australia-commissioned Megatrends Report and Diversification Review.

The proposed Sugarcane Industry Plan and Roadmap is intended to provide a clear path for the Australian industry to protect and grow value by leveraging the industry's core assets (knowledge, skills, brand capital and supply chain assets). This will include:

• building a common understanding of the key factors of influence (and plausible scenarios considering the possible directional movement of the critical key factors of influence) likely to shape the future for the Australian industry for the period 2021 to 2040;

• based on plausible scenarios, establishing agreed priorities to support the industry in protecting and growing value ;

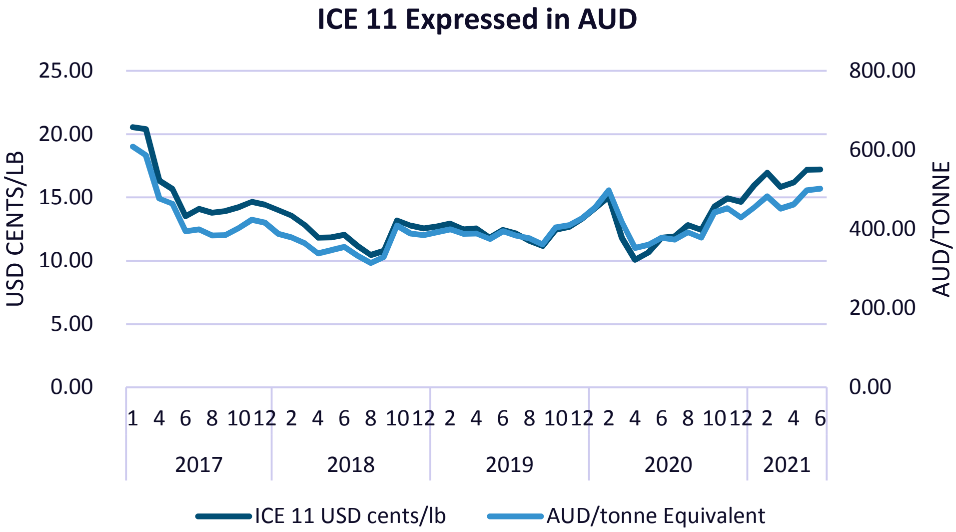
• developing strategies, initiatives and timelines to support the industry's priorities, providing insight into the skills, resources, innovation, and infrastructure the industry will need to reach its goals: and

• providing a platform for the industry to work together on the universal priorities of strategic importance.

Sugar Research Australia June 2021

Pricing

[redacted]



ECRUU Newsfeed Highlight

2/6/2021 AUSTRALIA – Sugar sector ready to boost electricity output

Sugar mills owned by Wilmar and Mackay Sugar were able to supply some electricity to the grid in Queensland to help deal with a breakdown at a power station. The Australian Sugar Milling Council (ASMC) noted that the sugar industry could potentially triple the production of electricity which would help Queensland meet its renewable energy goals. The council said it would continue its efforts to diversify into ethanol, cogeneration, bioplastics and biochemicals. (ASMC & ASMC).

APIC-WKS comment:

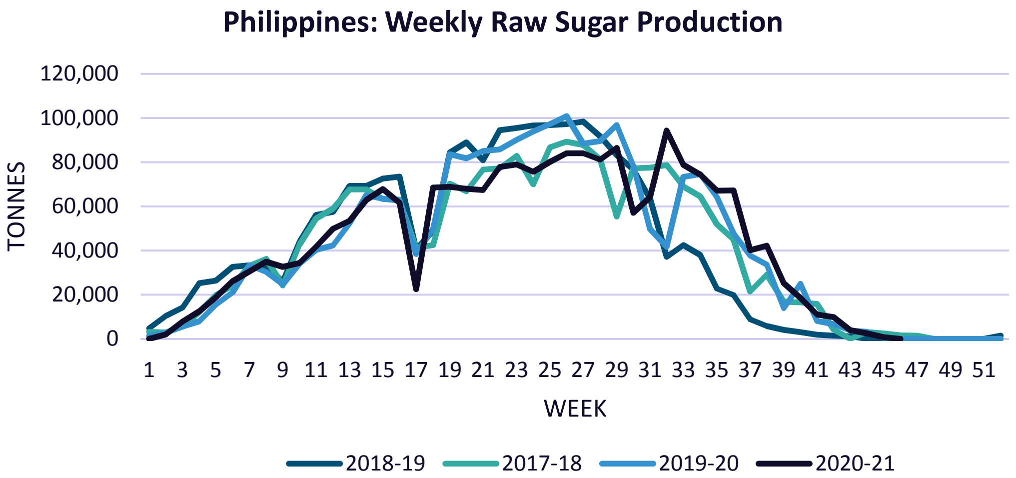
Cogeneration is the simultaneous production of electricity and heat. All cane mills cogenerate power by burning bagasse in their boilers. However, some mills have invested in high pressure boilers which enables the generation of surplus electricity that can be sold to the national grid. These investments have been driven growing demand for electricity and by attractive electricity prices. More importantly, the desire of some governments to promote sustainable energy sources means that national electricity utilities have been willing to pay preferential prices for electricity generated from bagasse because of its renewable status (biopower). In short, energy policy has been a key factor behind investment, particularly for those sugar industries that receive preferential tariffs for cogenerated electricity. Countries where producers have benefitted from favourable policy for IPPs include Brazil, India, Mauritius, Pakistan, Philippines and Thailand. Because cogeneration relies on the availability of bagasse, sugar industries with long crushing season benefit more from investment in electricity export. A final factor influencing investment is how the revenues from cogeneration are shared. Historically, electricity revenues typically accrue solely to the miller. However, canegrowers are increasingly lobbying to include this value in revenue sharing systems. A key issue going forward is how to incorporate electricity into revenue sharing formulae while still ensuring that the mill (the investor) is able to make a sufficient return to justify the required investment.

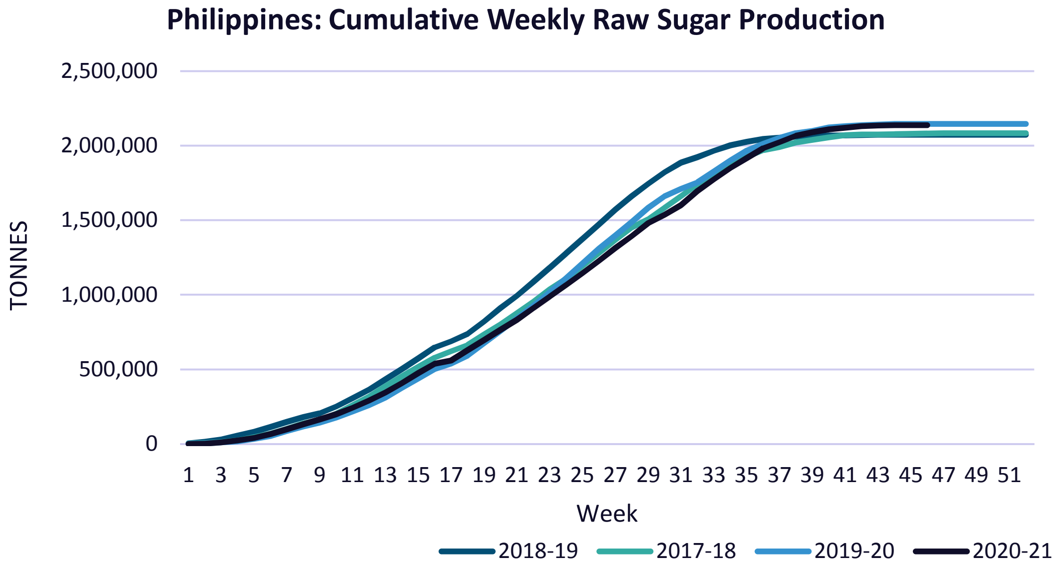
PHILIPPINES

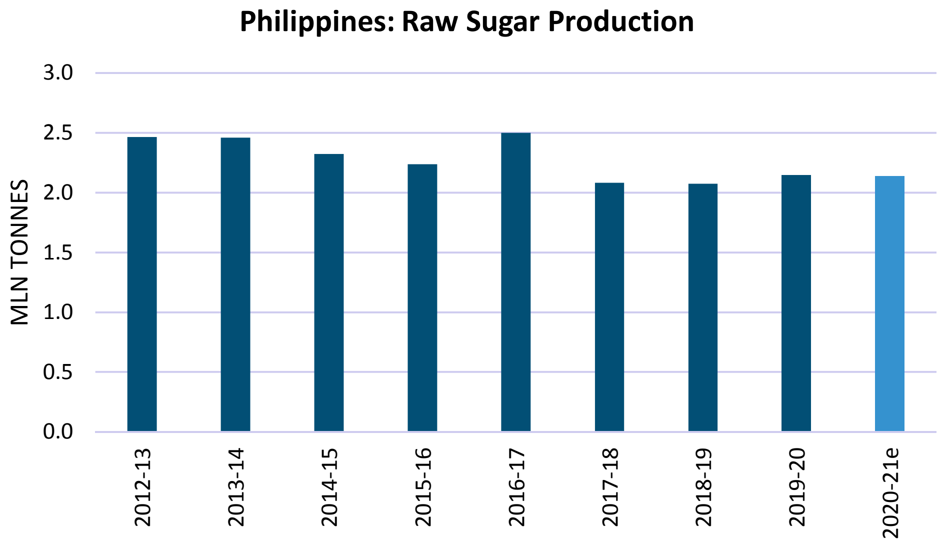
2020-21 Season Surprise

The 2020/21 crush season (starting September 1, 2020) was initially anticipated by the Sugar Regulatory Administration (SRA) to yield 2.19 mln tonnes of sugar, indicating an expected slight rise in output as against the 2019/20 tally of 2.15 mln tonnes. However, in late March the SRA was forced to lower its estimate to 2.101 mln tonnes , as the harvest had been adversely affected by weather. [redacted] As a result, output reached 2.137 mln tonnes of raw sugar, with all mills crushing out by 11 July, exceeding the 2.101 mln tonne seasonal target.

Cane throughput is significantly higher this season at [redacted]



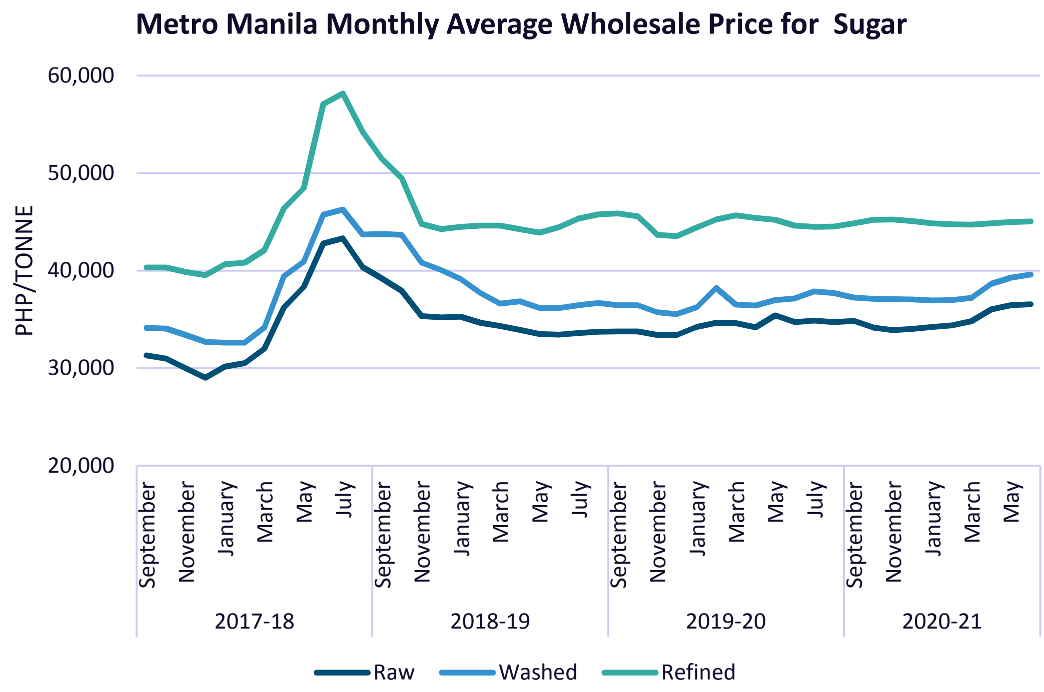




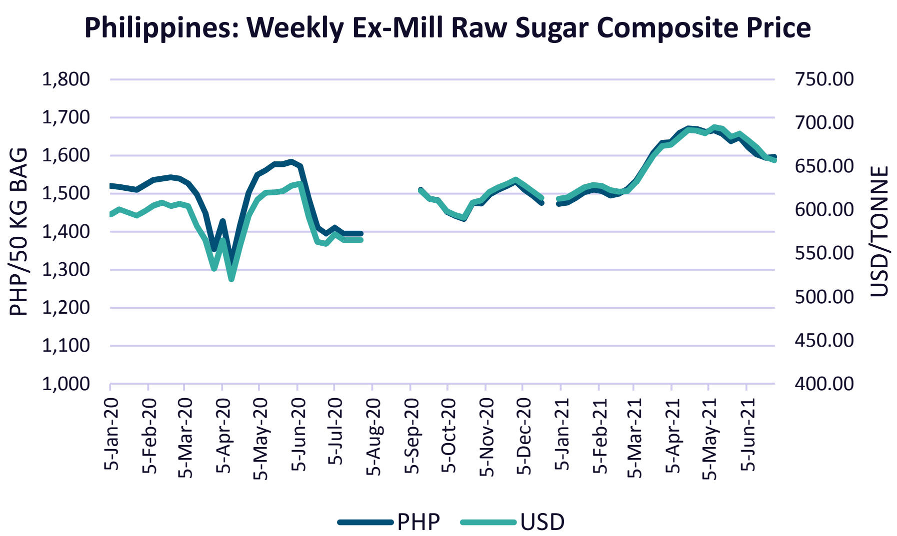
With lower-than-expected output, the SRA moved late March to amend the 2020-21 allocation of raw sugar production from “A” or US Market Sugar at 7 % and “B” or Domestic Sugar Market at 93%, to 100% “B” quota. Effectively, the US sugar allocation was cancelled. However, some sugar had already been exported to the US, (around 104,000 tonnes) so the SRA [redacted]

Domestic Prices

Metro Manila Prices wholesale prices for refined sugar have remained fairly stable so far in 2021 – see graph. Q2 prices average PHP 44,956/tonne, [redacted] 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.



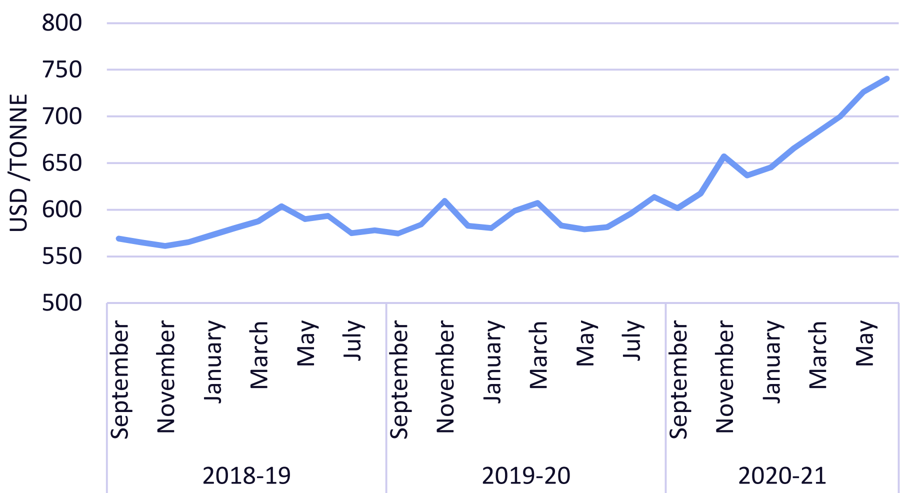
Ex-mill prices for raw sugar [redacted]



Export Prices

Indicative Prices for raw sugar imported into the US market continue well above world market levels, averaging USD 722/tonne during Q2 2021 compared to USD 665/tonne during Q1. Prices under the US tariff rate quota system are normally higher than world market prices but lower than domestic prices..

US Raw Sugar Price, Duty Paid, New York



Study Suggests Gradual Sugar Trade Liberalization

Opening-up sugar trade to imports has to be gradual to ensure that the anticipated cheaper prices, which may hurt local producers, will benefit all consumers, according to a study commissioned by state planning agency National Economic and Development Authority (Neda). The report prepared by Brain Trust Inc. – entitled "An Assessment of Reform Directions for the Philippine Sugar Industry" concluded that the case for sugar trade liberalization appears weak at this time. Should it be pursued nonetheless, it would be best done gradually and only partially, especially in the face of severe distortions in the world sugar market.

Study simulations showed that fully liberalizing trade in sugar would predictably hurt planters and millers, both of whose profits are projected to decline by 57%, while consumers gain in welfare (consumer surplus) by up to 65%. A modest net gain to [redacted]

The Inquirer 12 April.

ECRUU Newsfeed Highlight

30/3/31 PHILIPPINES – Refined sugar prices up amid ample raw sugar supply

There is currently 2.23 million mt of raw sugar supply in the market, up from 1.21 million mt last year, according to the Sugar Regulatory Administration (SRA). However, exmill prices of refined sugar increased by 7.5% to PHP 1,666/50kg (USD 34.6/50kg) due to the lower refined sugar production.

Separately, the country's first stevia grower and producer, Glorious, said it expects good demand for healthier sweeteners going forward. (Phil Star & Manila Bulletin)

APIC-WKS Comment:

The stevia sweeteners market has become more complex in recent years, with:

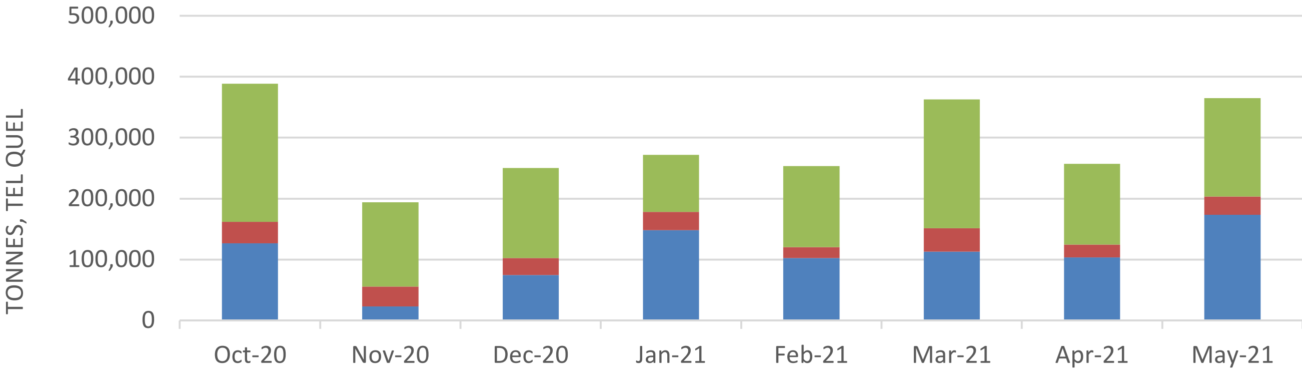
- sweeteners extracted from stevia leaves;
- sweeteners made with stevia leaf extracts as a starting material that then undergo an enzymatic conversion process to get to the better tasting steviol glycosides such as Reb M; and
- sweeteners such as Reb M made via fermentation of sugars with genetically engineered yeast. (Cargill and DSM have already partnered to make Eversweet via the Avansya joint venture.)

THAILAND

Exports down 61% from a year ago

Thai sugar exports remained at historical lows over H1 2021 with an estimated 0.9 Mt shipped throughout Q1 2021 and 1 Mt over Q2 2021.

On an [Oct-Jun[1]] basis, this continuous slowdown in exports has resulted in 2.72 Mt being exported in 2020-21: down 61% from a year ago.



	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
Refined	226,741	137,888	147,655	93,805	133,529	211,702	132,453	161,297
Whites	35,332	33,097	28,142	29,928	17,392	38,254	21,011	29,980
Raws	126,620	22,724	74,353	148,051	102,659	113,004	103,445	173,441

From a geographical point of view and over the [Jan – May] 2021 (latest consolidated data available), Thai sugar exports were essentially shipped to:

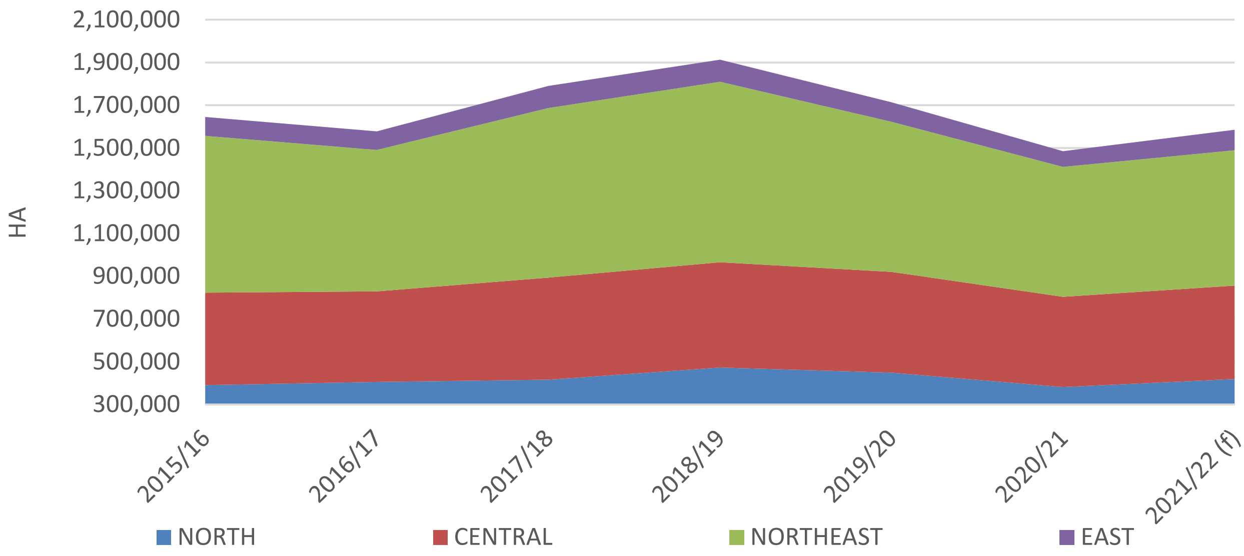
- Indonesia (311 kt), Vietnam (117 kt), Japan (63 kt) and South Korea (60 kt) for raw sugar
- Cambodia (59 kt) for white sugar
- Cambodia (190 kt), Vietnam (149 kt) and Taiwan (55 kt) for refined sugar.

Interestingly, 2021 shipments to Cambodia over [redacted].

Thai sugarcane acreage up 7% in 2021/22

According to our information, Thai acreage is projected to be up 7% from 2020/21 with a total [redacted]

[1] June export data are yet to be published but we estimate that approximately 373 kt were shipped according to our local sources.



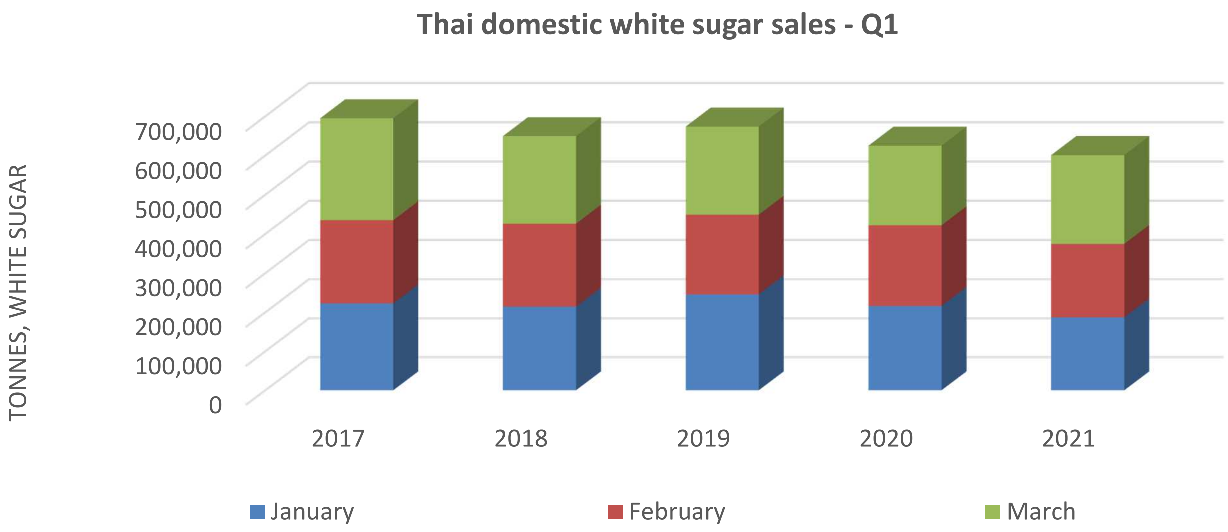
Meanwhile, accumulated rainfalls - although better than over the past 2 campaigns - remain lower than in 2018-19.

Overall and based on our calculations, sugar output [redacted]

Thai domestic white sugar sales down 8% since January 2020

Domestic white sugar sales totaled [redacted]

Looking at detailed statistics[2], the demand destruction (most likely related to the Covid-19 situation) continues to affect both industrial (-5%) and direct consumption (-3%) sales.



[2] For a comprehensive analysis of the market situation in Thailand, please refer to our "Thailand sugar update report".

Looking ahead and despite persistent uncertainties regarding the Covid-19 pandemic, we anticipate:

[redacted]

Meanwhile and unlike some other analysts, we believe that the possible deferment of the next sugar "excise tax" phase scheduled for [Oct 21] may have very little or no effect on sugar sales to the beverage sector: a number of sugary drink companies (such as Coca-Cola or TCP) having already reformulated their products.

VIETNAM

Vietnam imposes an ad valorem import duty on Thai sugar

On 16 June 2021, Vietnam officially replaced its temporary anti-dumping & anti-subsidy taxes - enforced since [Feb 2021] on sugar originating from Thailand – by an *ad valorem* import duty of 47.64% which consists of:

- an anti-dumping tax amounting to 42.99%
- an anti-subsidy tax amounting to 4.65.

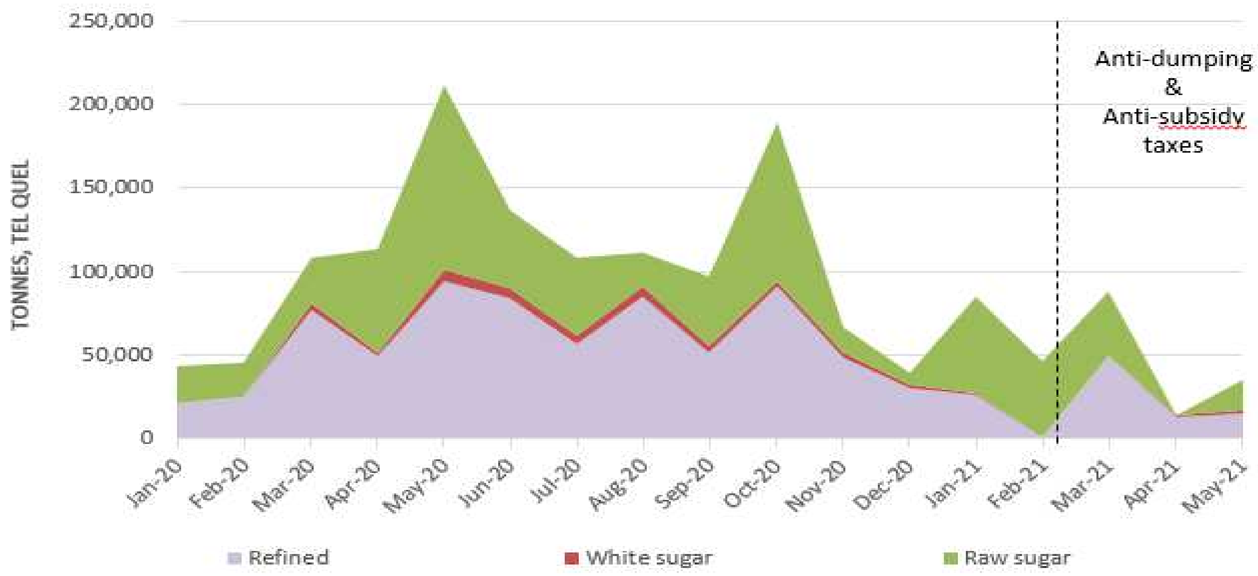
This decision, valid for a period of 5 years, comes after Vietnamese authorities finalized an anti-dumping/anti-subsidy investigation that started in [Aug / Sep] 2020 and which was initiated on behalf of the domestic Vietnamese industry.

Compared to temporary tax rates enforced in [Feb 2021], [redacted]

[redacted]

Thai sugar imports down 94% from a year ago

Following the enforcement of a combined anti-dumping/anti-subsidy tax on Thai sugar since [Feb 21] and for a subsequent 5-year period (cf. Vietnam imposes an ad valorem import duty on Thai sugar), officially-recorded Thai shipments to Vietnam have literally collapsed in 2021 totalling [redacted]



[3] See our "ASEA Q1 2021" report for additional details about those temporary taxes which were different for raws and white/refined sugar.

However, a rise in the amount of sugar flowing to Vietnam from neighbouring countries – and which are in structural sugar deficit - suggests that some Thai sugar is still channelled through "third part" countries (such as Malaysia or Indonesia) onto the domestic Vietnamese market.

	Sugar exports to Vietnam [t]			
	2018	2019	2020	2021
Malaysia	[redacted]	[redacted]	[redacted]	[redacted]
Indonesia	[redacted]	[redacted]	[redacted]	[redacted]

2020/21 season ends with only 6.3 Mt of cane crushed

Ending on 15th May 2021, the 2020/21 season hit a historical low with only 6.3 Mt of cane being crushed. Based on a recovery rate of [redacted], a total of [redacted] of sugar was domestically produced.
If unfavorable weather conditions (marked by late rainfalls during the 2019/2020 season in most areas of Vietnam as well as heavy rains in Dec 2020 causing harvest delays) did affect sugarcane's quality and yields, the deteriorating situation in the country largely results from low cane prices which gave local farmers no other options but to switch to other crops.
Although multiple factors can explain the difficult situation in which the Vietnamese cane sugar sector currently stands, there is – in our opinion – no doubt that imports coming from neighboring countries do weight on domestic sugar prices adding a downward pressure[4] for local sugar companies to remunerate cane at an economically viable price.

In this regard, it is useful to point out that Vietnam is a country in structural deficit of sugar with:

[redacted]

However, the sugar deficit has been much wider in recent years as an estimated 30% or more of the theoretical sugar production capacities did not operate over the past 3 seasons.

[4] Significant amount of smuggled sugar are also fueling this downward pressure. Over [2015 – 2019], it is estimated that an average [490,000 - 890,000] tons/year was smuggled in the country, representing about [30% - 100%] of the sugar domestically produced.

Domestic Vietnamese sugar prices further appreciating

According to our local sources, prices continued to appreciate over Q2 2021. Compared to a year ago, domestic sugar prices are now up [redacted]

If the import taxes imposed on Thai sugar certainly played the most significant role in this appreciation, international sugar prices were also supportive and as Vietnam faces a structural sugar deficit which traditionally results in domestic prices settling at a level close to the import parity.

[VND/kg]	White sugar		
	Apr 21	May 21	Jun 21
Hanoi	[16,275 – 16,450]	[16,350 – 16,650]	[16,820 – 17,060]
Central Vietnam	[redacted]	[redacted]	[redacted]
Ho Chi Minh	[redacted]	[redacted]	[redacted]

[VND/kg]	Refined sugar		
	Apr 21	May 21	Jun 21
Hanoi	[redacted]	[redacted]	[redacted]
Central Vietnam	[redacted]	[redacted]	[redacted]
Ho Chi Minh	[17,300 – 17,450]	[17,350 – 17,450]	[17,600 – 17,760]

MALAYSIA

Disruptions in Malaysian refineries

According to local information, MSM's refinery in Johor was closed for about 2 months to fix a boiler's breakdown. Effective from April to June, the closure triggered delays for the fulfilment of domestic and export commitments although the company claimed the impact was minimal thanks to the use of already-existing refined sugar stocks and a boost to Prai's refining activities in Penang.

However, Prai sugar refinery had to be temporarily closed for Covid-19 disinfection purposes from 08th to 15th June 2021 while some sources reported issues with the quality of sugar: some impurities being found in the refined white sugar requiring a full "reset" of the whole production line.

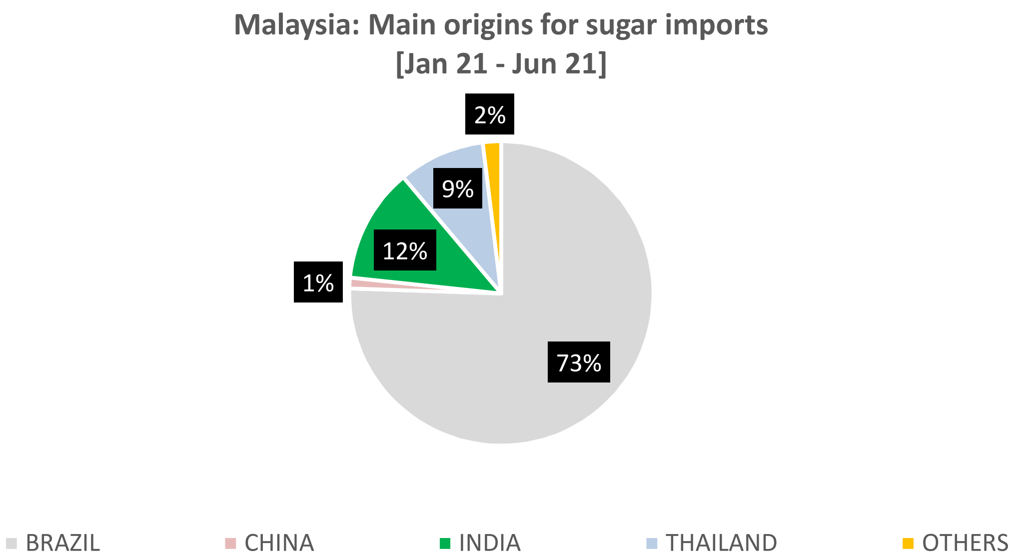
Following those multiple disruptions, MSM did request to import refined sugar in an attempt to minimize delays for the delivery of sugar to its customers. The company also announced that the Johor refinery (which has a 1.09 Mt refining capacity) would reach a 50% utilization rate over Q3 2021 while Prai is said to have already recovered to a 80% utilization factor following resumption of its activities on 17th June 2021.

Rumours suggesting an interest from Wilmar for the Johor refinery

According to some local newspapers, Wilmar is said to have expressed an interest in acquiring a [redacted] stake in MSM's Johor refinery at a price value [redacted]. An option to increase the stake from [redacted] at a price value [redacted].

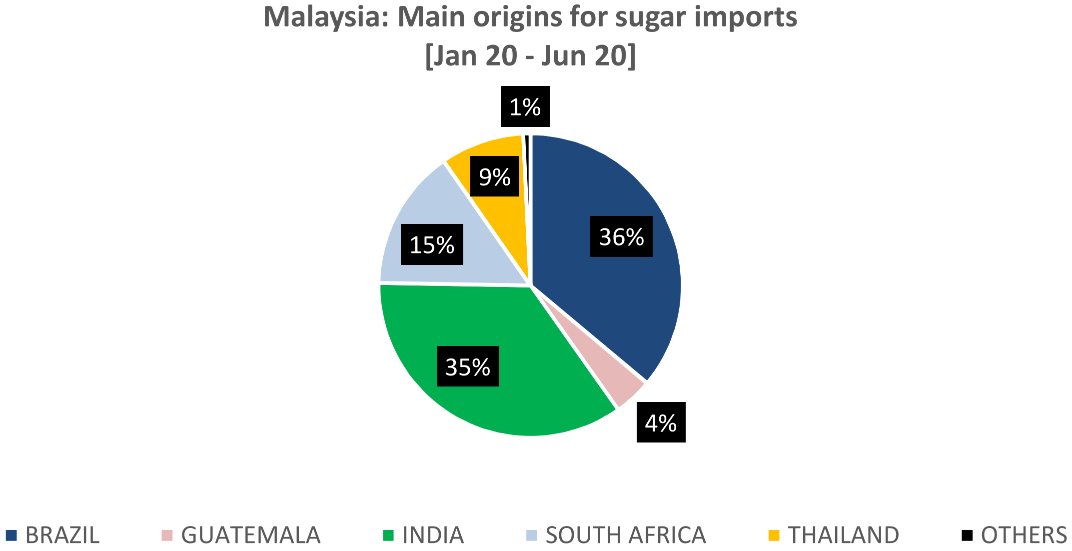
More than 2/3 of Malaysian sugar imports originating from Brazil

According to Malaysian custom statistics, more than 2/3 of Malaysian sugar imports originated from Brazil during the first half of 2021[5].

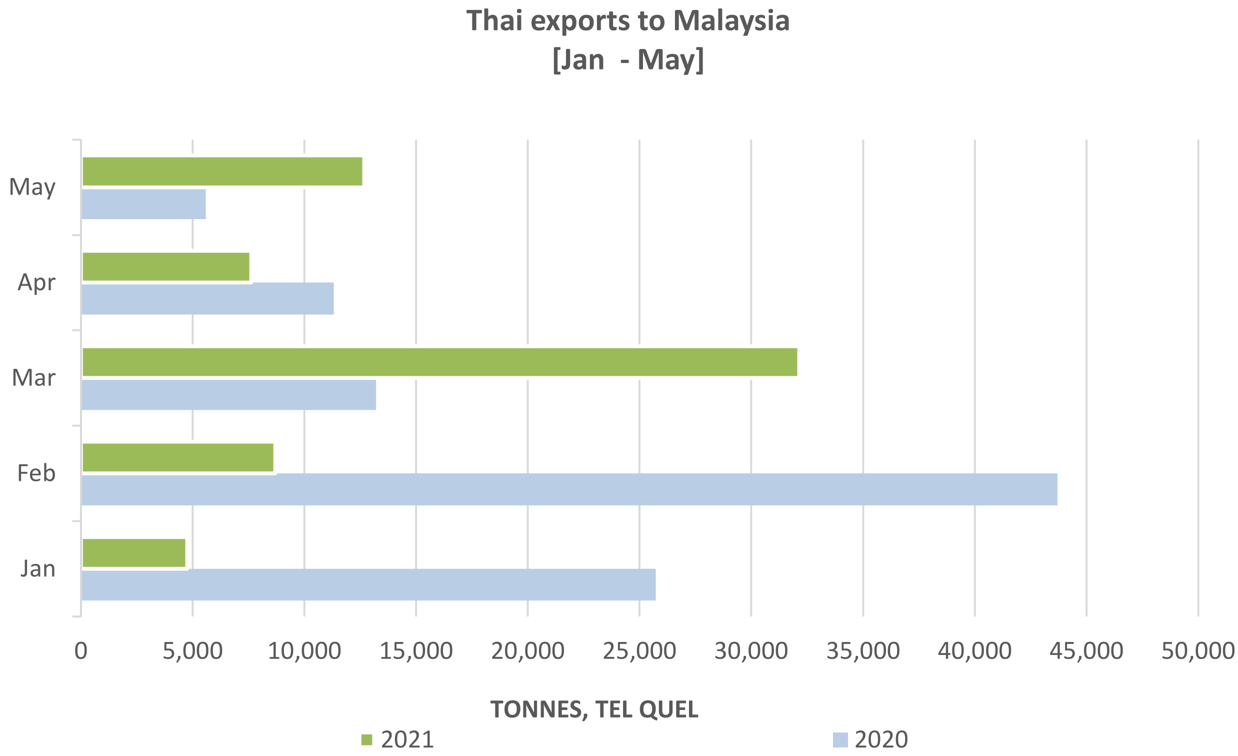


[5] According to our information, a total of 746,907 t of Brazilian sugar has already been shipped to Malaysia over the [Jan – Jul] period this year.

This is significantly different from a year ago when Indian sugar accounted for 35% of Malaysian Imports.



Meanwhile, Thai sugar exports to Malaysia significantly went up in [Mar 21] and [May 21] to a lesser extent



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