THAILAND SUGAR UPDATE REPORT

Q3 2021

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TABLE CONTENT

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KEY FINDINGS

2021/22 crushing season [forecasts] Total harvested cane = [redacted] Total sugar production = [redacted]	 ↑ [redacted] ↑ [redacted]
Sugar exports Q2 2021 = [redacted] Q1 2021 = [redacted] H1 2021 = 1.85 Mttq Top 2021 destinations = Indonesia, Vietnam, Cambodia, South Korea Projected sugar exports in 2021 = [redacted]	 ↓ [redacted] ↓ [redacted] ↓ 55% y-o-y ↓ [redacted]
Export prices Thai raws = 361 USD/t [Feb 21] Thai whites = 448 USD/t [Feb 21] Thai refined sugar = 457 USD/t [Feb 21]	 ↑ 21% y-o-y ↑ 21% y-o-y ↑ 18% y-o-y
Domestic sugar sales H1 2021 domestic white sugar sales = [redacted] Mt Q2 2021 domestic white sugar sales = [redacted] t Projected 2021 domestic sugar sales [raws + whites] = [redacted]	 ↑ 1.1% y-o-y ↑ 7.1% y-o-y
Climate data [redacted]	

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1 – UPCOMING 2021/22 CAMPAIGN

According to our information, the upcoming sugarcane acreage should increase [redacted] million ha (Graph 1). While the increase is expected to be significant in the Eastern (29%) and Northern (10%) regions, the rise could reportedly be more limited in the Central and Northeast regions (4% overall) which account for 2/3 of the country's cane production.

Graph 1 – Thailand sugarcane acreage

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However, the decision to set the preliminary cane price for 2021/22 and 2022/23 at 1,000 THB/t cane (for a standard quality of 10 CCS) – the highest level since 2016/17 – could positively affect acreage (although, in our opinion, the most significant impact of this price rise will materialize in 2022/23 rather than 2021/22). As a consequence, [redacted].

Meanwhile, [redacted].

Overall, we anticipate:
- cane production [redacted]
- sugar production [redacted]

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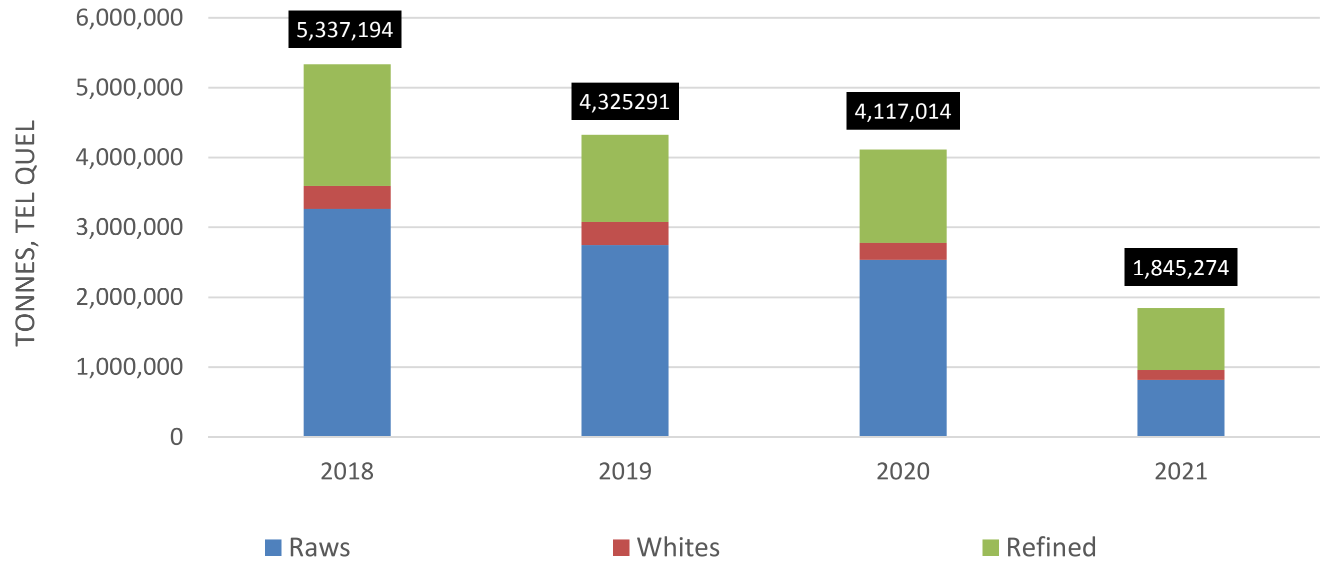
2 - Sugar Exports

Thai sugar exports totaled a historical-low of 1.85 Mt over the first half of 2021: down 55% from the previous year (Graph 1).

Graph 1 - Thai sugar export volumes [Q1 + Q2]



As illustrated on Table 1, the contraction of export volumes was more pronounced for raws than for white and refined sugar.

Table 1 - Thai sugar export volumes

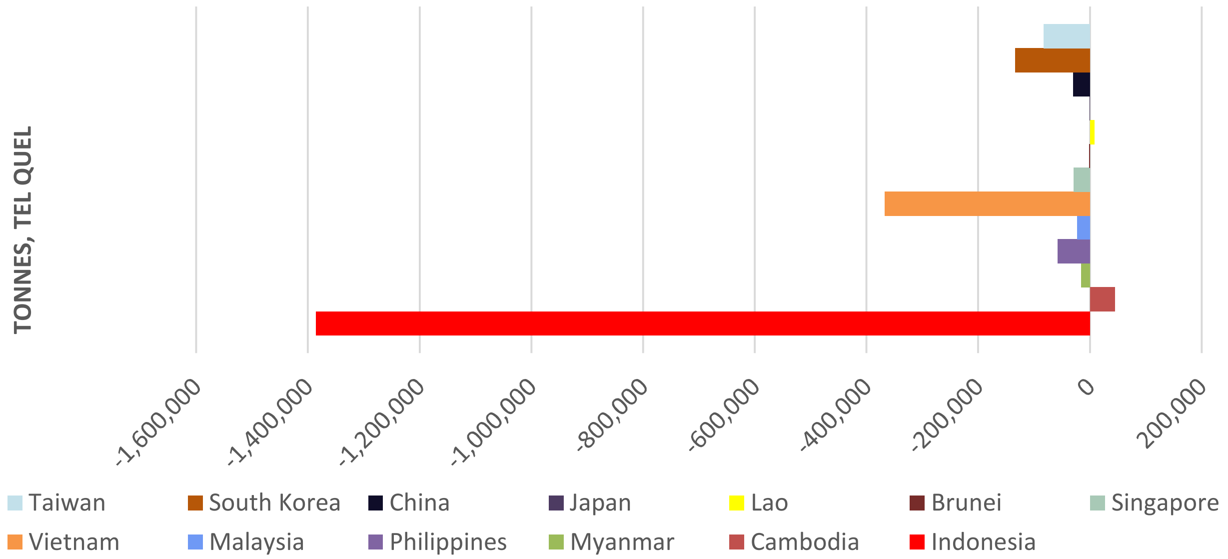
[tons]	Raws	Whites	Refined	TOTAL
Q2 2021	[redacted]	[redacted]	[redacted]	[redacted]
Q1 2021	[redacted]	[redacted]	[redacted]	**849,109**
Q2 2020	1,069,074	96,151	666,200	**1,831,426**
Q1 2020	1,468,881	149,498	667,209	**2,285,588**
Y-O-Y variation Q2	**↓ 56%**	[redacted]	**↓ 29%**	[redacted]
Y-O-Y variation Q1	**↓ 76%**	[redacted]	**↓ 38%**	[redacted]

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

- [redacted] of total Thai sugar exports,
- of Thai raw sugar exports,
- of Thai white sugar exports,
- of Thai refined sugar exports.

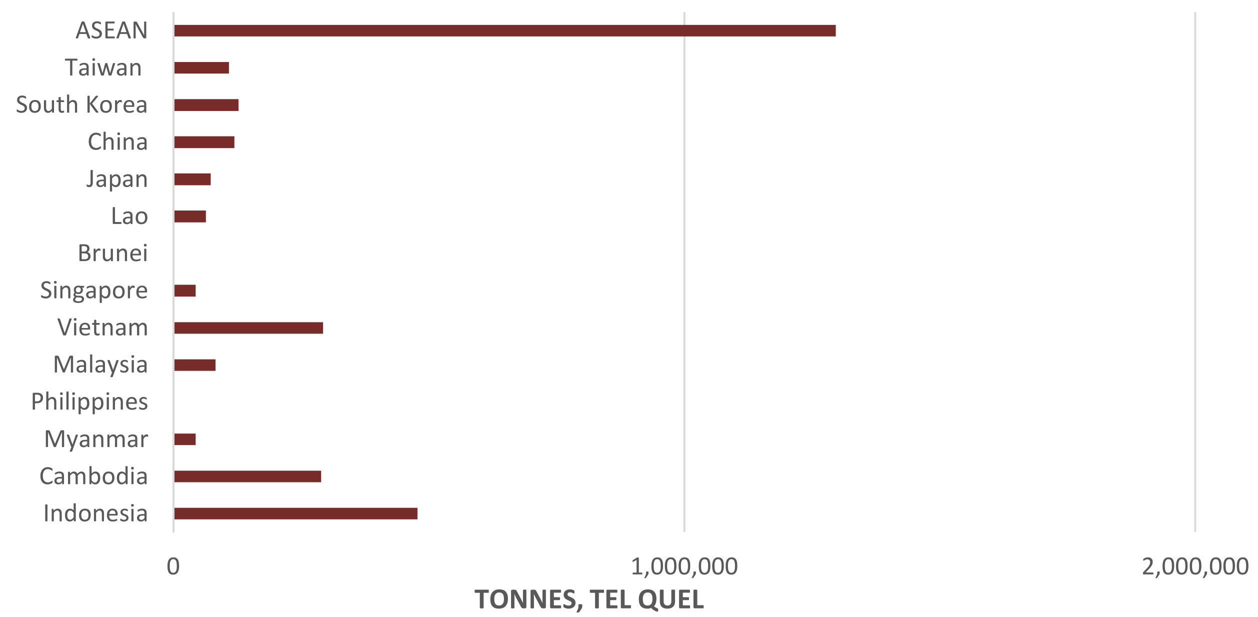
However, 2021 volumes shipped to ASEAN countries dropped more than 1.8 Mt (or 48%) from a year ago following a sharp decline in exports destined to Indonesia and Vietnam (Graph 2) for which the enforcement of import taxes seriously affected official Thai export volumes.

Graph 2 - Thai sugar export destinations: Y-O-Y variations [Q1 + Q2]



Traditionally the main destination for Thai raw sugar shipments, [redacted] (Graph 3).

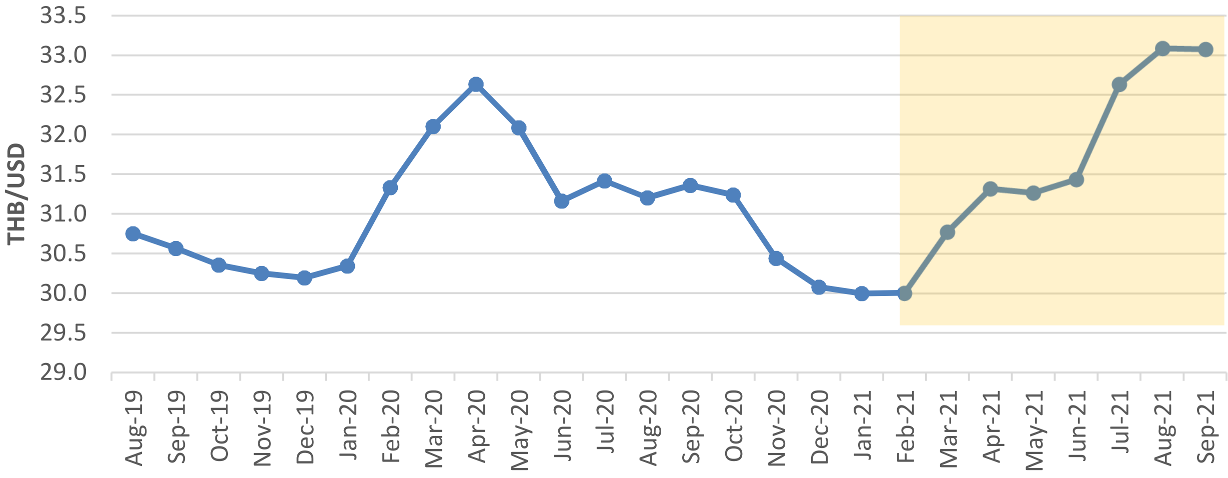
Graph 3 - Thai sugar export destinations



Meanwhile, the continuous depreciation (Graph 4) of the THB from [Feb 21] until [Sep 21] certainly benefited Thai sugar export companies (as it mechanically increases export returns when expressed in THB). The real benefit should however materialize [redacted].

[1] For additional details about the situation in India, please refer to our monthly and quarterly INDIAN SUGAR UPDATE REPORTS.

Graph 4 - THB / USD average exchange rate: monthly basis



Overall, [redacted].

Looking ahead, our impact factors list (Table 2) suggests that a number of Thai sugar companies - who recorded very low operating margins for the past years[2] – will be able to recover in 2022.

Table 2 - Impact factors for 2021 Thai sugar exports

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[2] For more details, please refer to our report about the financial situation of Thai sugar groups.

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3 - DOMESTIC & EXPORT SUGAR PRICES

Since October 2019, domestic sugar prices at retail level are no longer subject to the "Cane and Sugar Fund" contribution. Consequently, Thai millers' revenues from sugar sales are purely and simply equivalent to revenues from domestic sugar sales without any CSF contributions to be deducted.

From a growers' perspective, cane price is indexed on the following retail values for sugar sales:

- 17.25 THB/kg (VAT included) for whites,
- 18.25 THB/kg (VAT incluretail) for refined sugar.

Meanwhile and in line with international sugar market trends, average Thai sugar export prices recovered. By the end of [Jul 21]:

- Raws were traded @ 361 USD/t
- Whites were traded @ 448 USD/t
- Refined were traded @ 457 USD/t (Graph 5).

However, the positive impact of this recovery for Thai sugar companies this season is [redacted] (Table 3).

Graph 5 - Thai sugar export prices

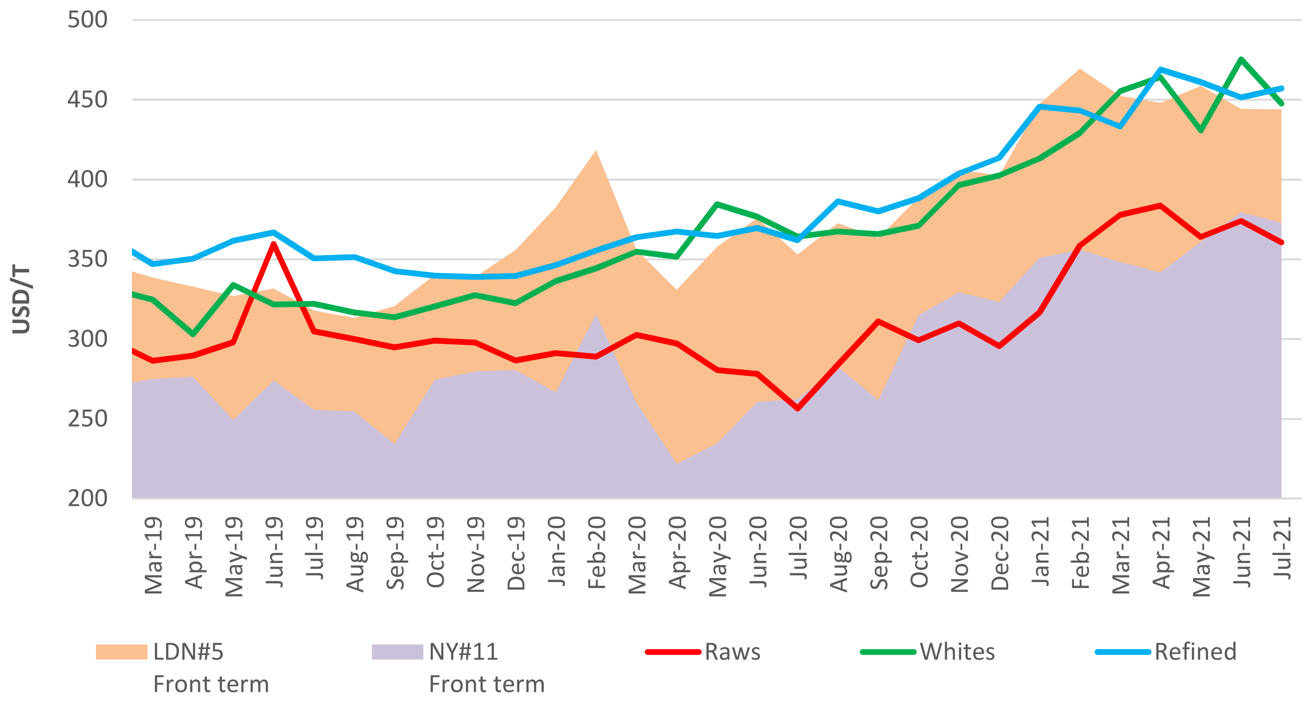


Table 3 - Export prices classified per type of sugar

	Raws [USD/t]	Whites [USD/t]	Refined [USD/t]	Total export volumes [t]
Oct 20	299	371	388	388,692
Nov 20	310	397	404	193,709
Dec 20	296	403	413	250,150
Jan 21	317	413	446	268,309
Feb 21	359	429	443	223,000
Mar 21	378	455	433	357,800
Apr 21	[redacted]	[redacted]	[redacted]	[redacted]
May 21	[redacted]	[redacted]	[redacted]	[redacted]
Jun 21	[redacted]	[redacted]	[redacted]	[redacted]
Jul 21	[redacted]	[redacted]	[redacted]	[redacted]
[Oct 20 - Jul 21] Variation	[redacted]	[redacted]	[redacted]	

Looking forward, export prices could appreciate a bit further in September and October as :

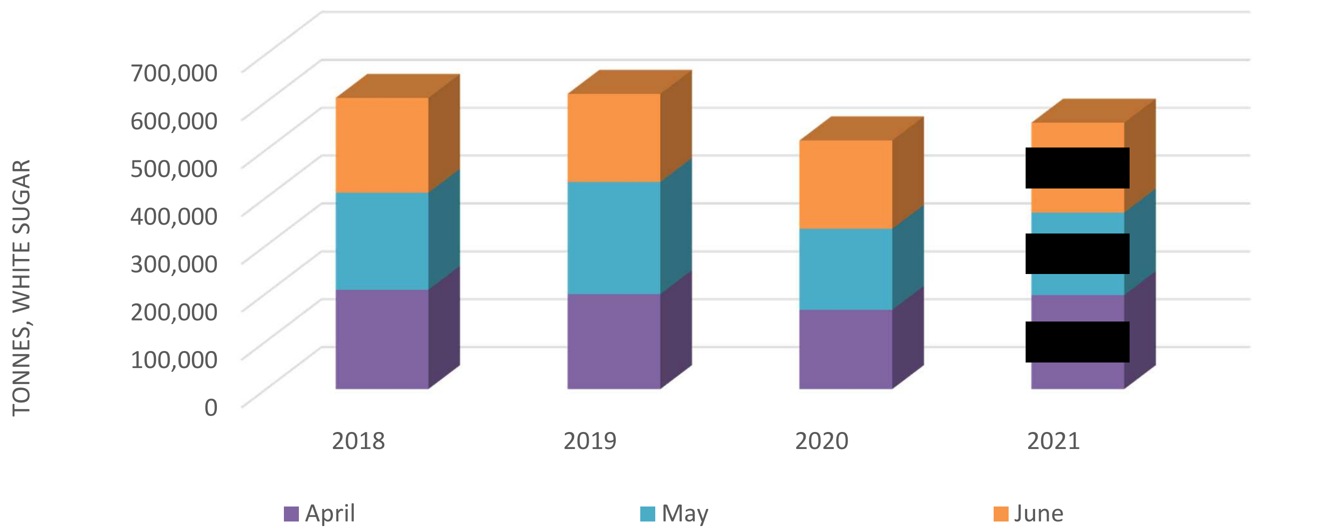
- the Brazilian 2021/22 season (Apr – Mar basis) continues to disappoint and should end sooner than originally thought,
- freight rates remain historically high.

However, good prospects for the upcoming season in India and Thailand should limit any price spike until the end of the year (the non-renewal of the Indian export subsidy is certainly a supportive factor for international sugar prices but its effect has already been priced by operators at this stage).

4 - Domestic Sugar Consumption

Domestic white sugar sales [redacted].

Graph 6 - Domestic white sugar sales [Q2]



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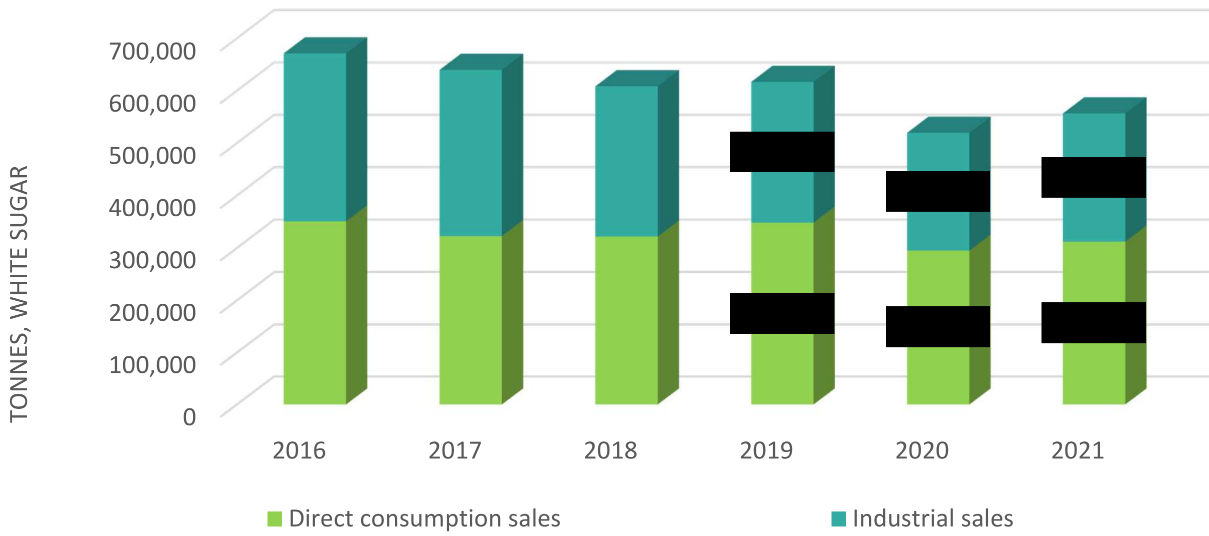
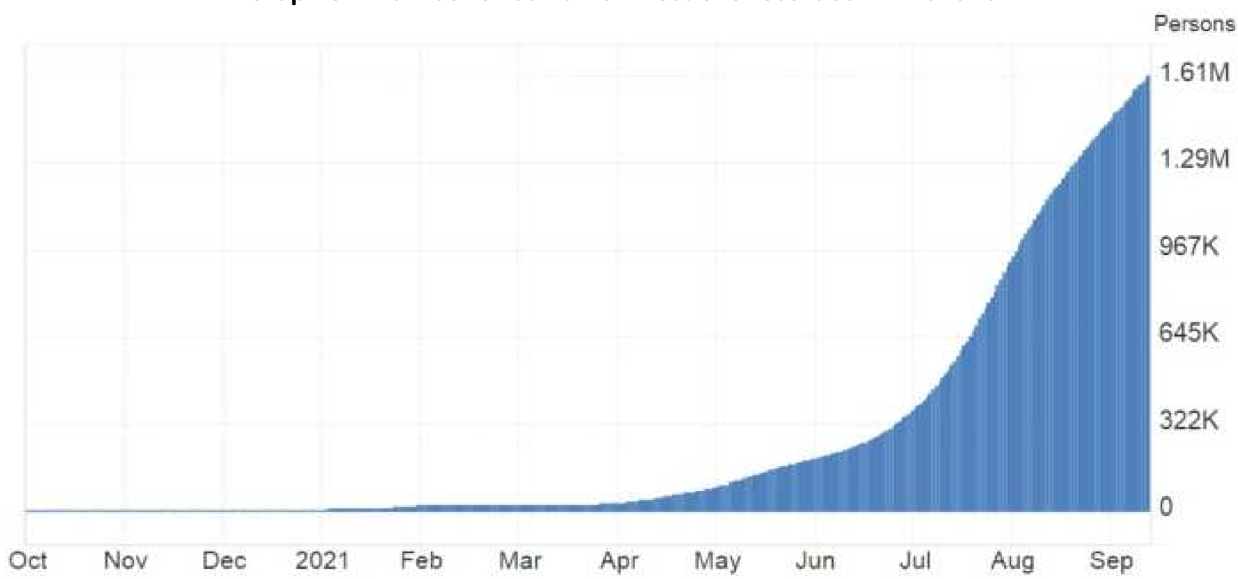
From a statistical point of view, [redacted] negatively affect the dynamics for [redacted].

Graph 7 - Segmented domestic sugar sales [Q2]



Graph 8 – Number of Covid-19 infections recorded in Thailand



Looking more precisely at industrial sales statistics for [Q1 + Q2] 2021 (Graph 9), [redacted] is more resilient to these pandemic times than other segments.

[3] In an attempt to limit the spread of the Covid-19 « delta » variant in Thailand, 29 (out of 77) provinces were placed under strict restrictions while a nighttime curfew was imposed. Despite some easing measures and public reopening for shopping malls and dine-in restaurants, a number of those measures which were originally meant to last from mid-July to end-August are still enforced.

Graph 9 - Domestic sugar sales for major industrial sectors [Q1 + Q2]

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Overall and on a cumulative basis, domestic white (which refers to both white and refined sugar) sugar sales in 2021 are anticipated to total [redacted] by end-December.
As a consequence, total domestic Thai sugar sales - including raw sugar sales sold to domestic industries – is forecast to range between [redacted] (Table 4).

Table 4 - Annual domestic Thai sugar consumption

	2021 [Mt, tel quell]
Annual domestic consumption of white/refined sugar	[redacted]
Projected annual domestic consumption of raw sugar (essentially for industrial purposes such as fermentation and bioplastics industries) other than ethanol	[redacted]
Projected use of raw sugar for domestic ethanol purpose	[redacted]
TOTAL	[redacted]

(f) forecast

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5 - CLIMATE DATA

Graph 9 presents the accumulated amount of rainfalls recorded over the [Mar – Aug] period for the past seasons[4].

Compared to a year ago :

[redacted]

As for temperatures (Table 5), mean temperatures recorded over [Dec 20 – Aug 21] have generally been lower than in 2018/19 and 2019/20 (both marked by severe droughts).

Table 5 - Mean temperatures (in ^{0}C) in major cane regions

Northern			Northeast			
2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	
24.8	22.5	[redacted]	25.9	23.8	[redacted]	December
24.2	24.3	[redacted]	25.1	25.9	[redacted]	January
25.8	25.8	[redacted]	28.5	26.3	[redacted]	February
28.3	29.3	[redacted]	30.2	29.7	[redacted]	March
31.3	30.6	[redacted]	31.4	29.6	[redacted]	April
30.9	30.9	[redacted]	29.8	31.0	[redacted]	May
29.2	29.3	[redacted]	30.0	29.4	[redacted]	June
28.5	29.2	[redacted]	29.3	29.3	[redacted]	July
27.3	27.7	[redacted]	28.1	28.0	[redacted]	August
27.6	28.1		27.8	28.4		September
27.8	26.5		28.2	25.6		October
25.9	26.0		26.1	25.9		November

Central			Eastern			
2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	
27.7	25.9	26.2	28.2	26.7	26.7	December
27.0	28.2	25.0	27.5	28.2	25.6	January
29.4	28.6	27.8	29.0	28.4	27.3	February
30.5	30.8	30.5	29.6	29.8	29.2	March
32.1	31.4	29.4	30.8	29.9	28.8	April
31.1	31.6	30.5	30.3	30.5	29.6	May
29.9	30.0	30.0	29.5	29.0	29.5	June
29.4	29.7	28.9	29.2	29.0	28.6	July
28.4	29.0	29.1	28.7	28.8	28.8	August
28.4	29.0		28.1	28.5		September
29.1	26.8		28.7	27.1		October
27.8	27.6		28.0	27.8		November

[redacted] in cane yields per ha (cf. point 1 for our cane and sugar estimates).

[4] [Dec - Nov] basis

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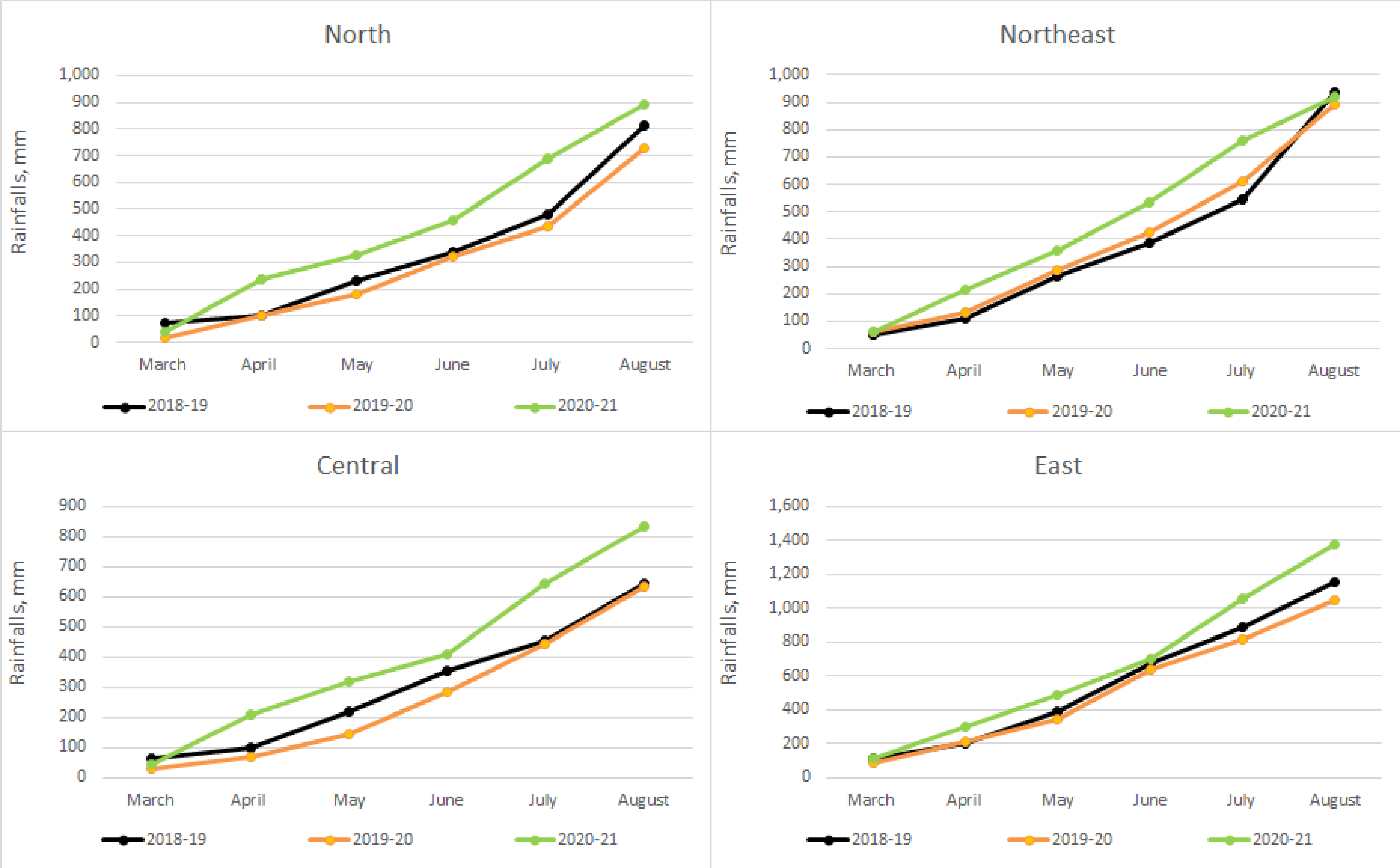
Graph 9 - Accumulated rainfalls in major cane regions



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