THAILAND SUGAR UPDATE REPORT

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TABLE CONTENT

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KEY FINDINGS

2021/22 crushing season		
Cane crushed up to 01st February = 49.6 Mt	↑	13% y-o-y
Sugar produced up to 01st February = 5.18 Mttq	↑	10% y-o-y
Estimated harvested cane = 91 Mt	↑	37 % y-o-y
Estimated sugar production = 10.19 Mttq	↑	35% y-o-y
Sugar exports		
[Jan 21 – Dec 21] = 4 Mt	↓	34% y-o-y
Projected Q1 2022 exports = [redacted]		
Export prices		
Thai raws = 424 USD/t [Dec 21]	↑	44% y-o-y
Thai whites = 451 USD/t [Dec 21]	↑	12% y-o-y
Thai refined sugar = 486 USD/t [Dec 21]	↑	18% y-o-y
Domestic sugar sales	[redacted]	
2021 domestic white sugar sales = [redacted]		
Estimated 2021 domestic sugar sales [raws + whites] = [redacted]		

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1 - 2021/22 THAI CANE CRUSH

The cane crush started on 07th December 2021 this season: 3 days earlier than a year ago. With all sugar mills operating, we have now fully entered the "cruising altitude" phase which will last significantly longer than a year ago: cane output being projected to reach 91 Mt this season (against 67 Mt in 2020/21).

In this context, all production statistics are well ahead of last year (Table 1). However, it looks as if 2021/22 cane quality (measure in CCS) and sugar recovery rates are having difficulties to catch up with last season.

Overall and based on an average national sugar recovery rate of 112 kg sugar/ t cane for the season, we anticipate 2021/22 Thai sugar output to total 10.19 Mt against 7.57 Mt last season.

Table 1 – Thai cane crush dashboard after 57 crushing days

	2021/22			2020/21			Y-o-Y variations		
Total Harvested cane [t]	49,617,278			43,863,228			13%		
	Green	Burnt		Green	Burnt		Green	Burnt	
	38,761,288	10,855,990		33,100,409	10,762,819		17%	1%	
	80%	20%		81%	19%				
Sugar production [t, tel quel]	5,185,300			4,727,480			10%		
	Whites	Raws	Specials	Whites	Raws	Specials	Whites	Raws	Specials
	901,966	4,094,918	188,416	919,614	3,578,806	229,060	-1.92%	14.42%	-17.74%
Sugar recovery [kg sugar/t cane]	104.5			107.8			-3%		
CCS	12.29			12.58			-2%		
Molasses production [t]	1,756,408			1,607,727			9%		
Nb operating mills	57			57			=		
Campaign start date	7-Dec-20			10-Dec-20			3 days earlier		
Campaign end date	-			2-Apr-21					

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

2 - SUGAR EXPORTS

Annual Thai sugar exports slumped to a historical low of 4 Mt in 2021: down 34% from the previous year which was already the lowest volumes exported by the country for many years (Graph 1). This final – yet provisional – figure is perfectly in line with estimates released during Q3 2021 and which were considered "low" by some other analysts/market players.

Graph 1 – Annual Thai sugar export volumes

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

[redacted]

However, 2021 volumes shipped to ASEAN countries dropped more than 1.8 Mt (or 48%) from a year ago following a second successive decline in exports destined to Indonesia and Vietnam (Graph 2).

Graph 2 - Thai sugar export destinations: Y-O-Y variations

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Although Indonesia drastically reduced its sugar imports in 2021 on the back of limited availabilities and a change in specifications and import duties (which allowed much larger volumes of Indian subsidized sugar to enter the country[1]), the country [redacted] (Graph 3).

Graph 3 - Thai sugar export destinations

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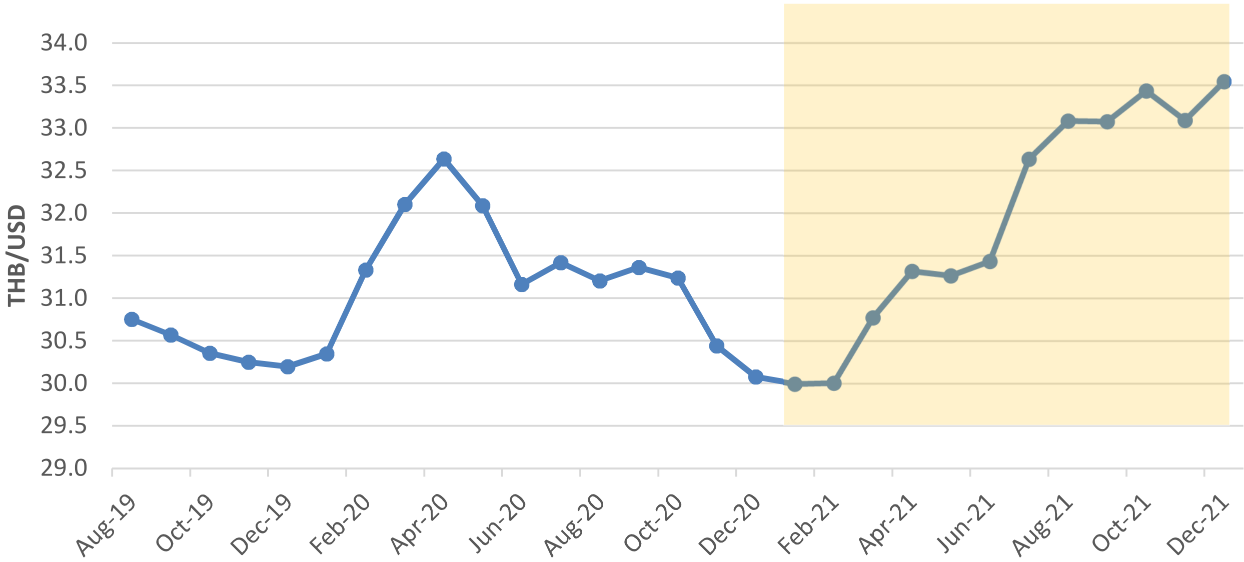
Meanwhile, the almost continuous depreciation (Graph 4) of the Thai Baht (THB) recorded in 2021 is expected to benefit Thai sugar export companies (as it mechanically increases export returns when expressed in THB) in 2021/22 : 60 to 70% of exports being traditionally priced before the start of the crushing season which occurs in December.

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

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



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] – should be able to recover in 2022.

Table 2 - Impact factors for 2022 Thai sugar exports

Factors	Impact on the 2022 export dynamics
[redacted]	[redacted]
Historically-high freight rates	[+/-] Positive for the ASEAN market as Thailand has a geographical advantage over some competitors
New waves of Covid infections	[+/-] Negative impact on domestic/international sugar consumption [-] Logistical "slowdown" with possible bottlenecks in ports (at origin and destination)

[2] For more details, please refer to our annual report describing the financial situation of some public-listed Thai sugar groups.

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 included) for refined sugar.

Meanwhile and in line with international sugar market trends, average Thai sugar export prices have continued to recover. By the end of [Dec 21]:

[redacted]

However, the positive impact of this recovery for Thai sugar companies this season has been limited as sugar export shipments remained historically low in 2021 (Table 3).

Graph 5 - Thai sugar export prices

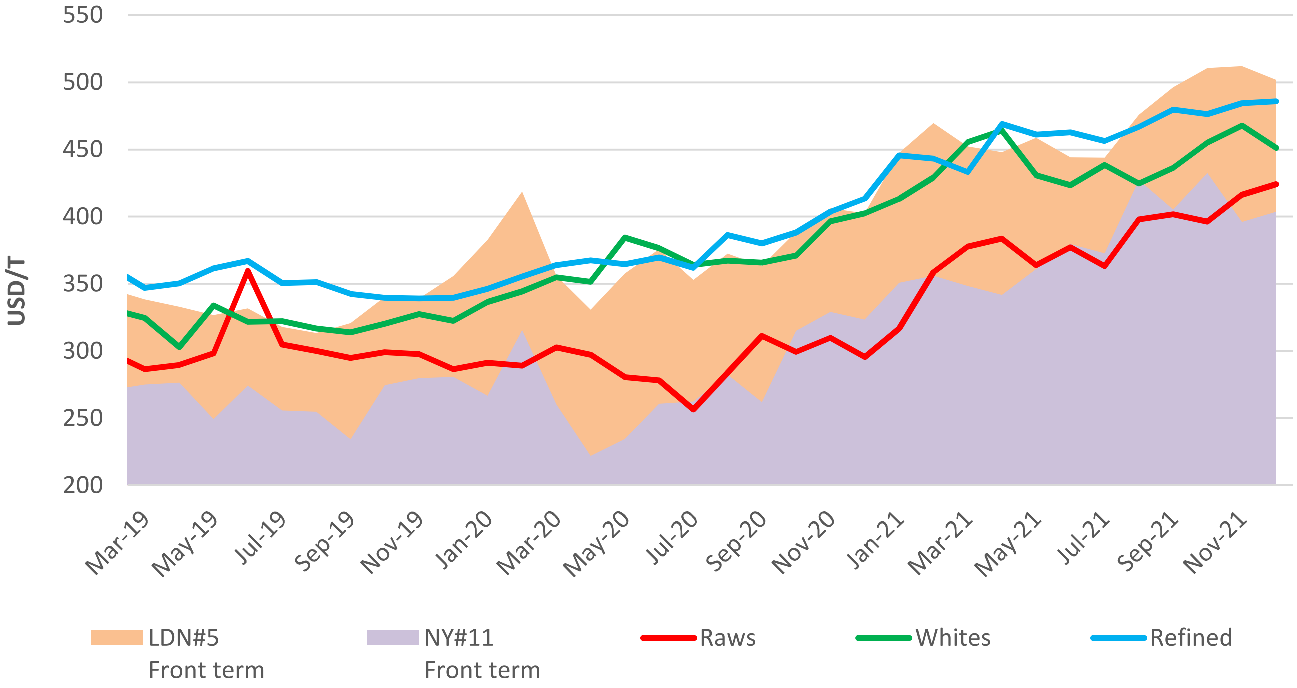


Table 3 - Export prices classified per type of sugar

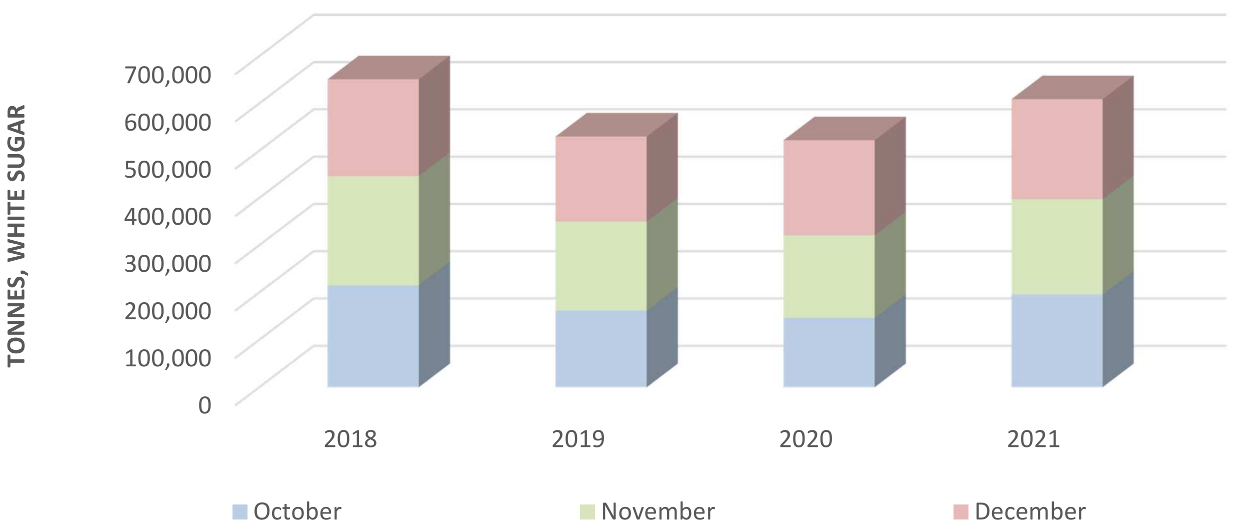
	Raws [USD/t]	Whites [USD/t]	Refined [USD/t]	Total export volumes [t]
Jan 21	317	413	446	271,783
Feb 21	359	429	443	253,577
Mar 21	378	455	433	362,957
Apr 21	[redacted]	[redacted]	[redacted]	[redacted]
May 21	[redacted]	[redacted]	[redacted]	[redacted]
Jun 21	[redacted]	[redacted]	[redacted]	[redacted]
Jul 21	[redacted]	[redacted]	[redacted]	[redacted]
Aug 21	[redacted]	[redacted]	[redacted]	[redacted]
Sep 21	[redacted]	[redacted]	[redacted]	[redacted]
Oct 21	[redacted]	[redacted]	[redacted]	[redacted]
Nov 21	[redacted]	[redacted]	[redacted]	[redacted]
Dec 21	[redacted]	[redacted]	[redacted]	[redacted]
[Jan 21 - Dec 21] Variation	↑ [redacted]	↑ [redacted]	↑ [redacted]	

Looking forward and given the relatively good prospects for the ongoing Indian and Thai crushing seasons, export prices should not benefit from any particular supportive factors[3] unless adverse weather conditions seriously affect prospects for the upcoming Brazilian 2022/23 season which is due to start in [Apr 22].

4 - Domestic Sugar Consumption

Domestic white sugar sales totaled 609,093 t during Q4 2021: up 16% from the previous quarter and 17% from a year ago (Graph 6).

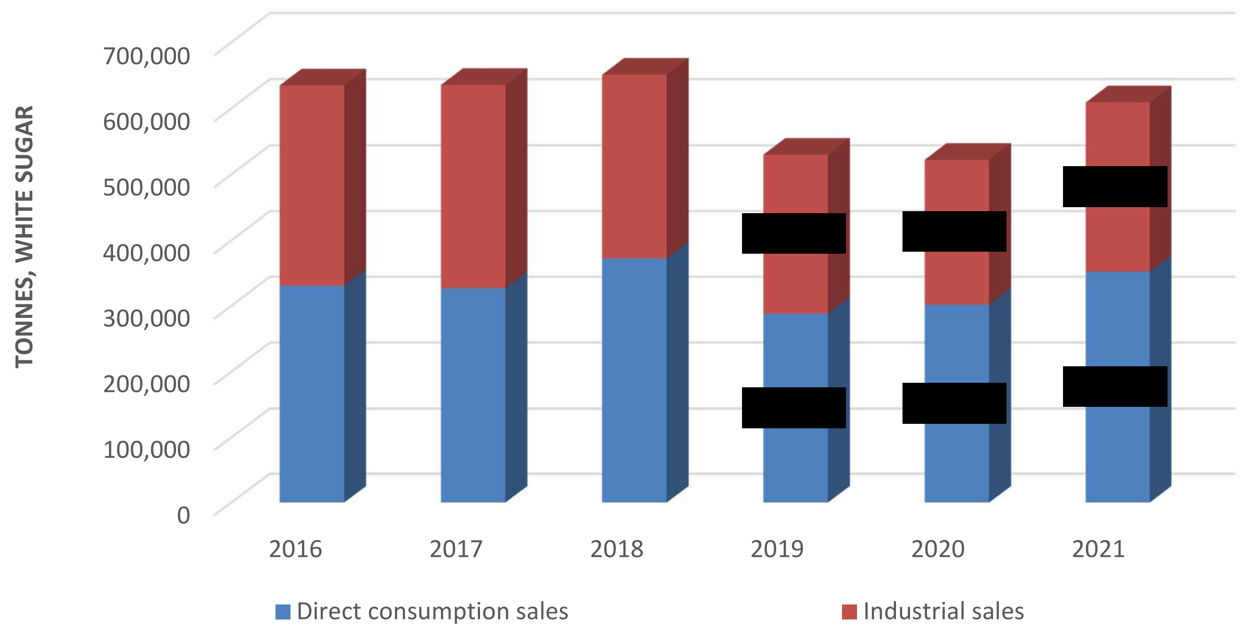
Graph 6 - Domestic white sugar sales [Q4]



[3] The non-renewal of the Indian export subsidy for 2021-22 is certainly a supportive factor for international sugar prices but its effect has already been priced by operators for a few months.

From a statistical point of view, both industrial (17%) and direct consumption (17%) sales are up from a year ago (Graph 7).

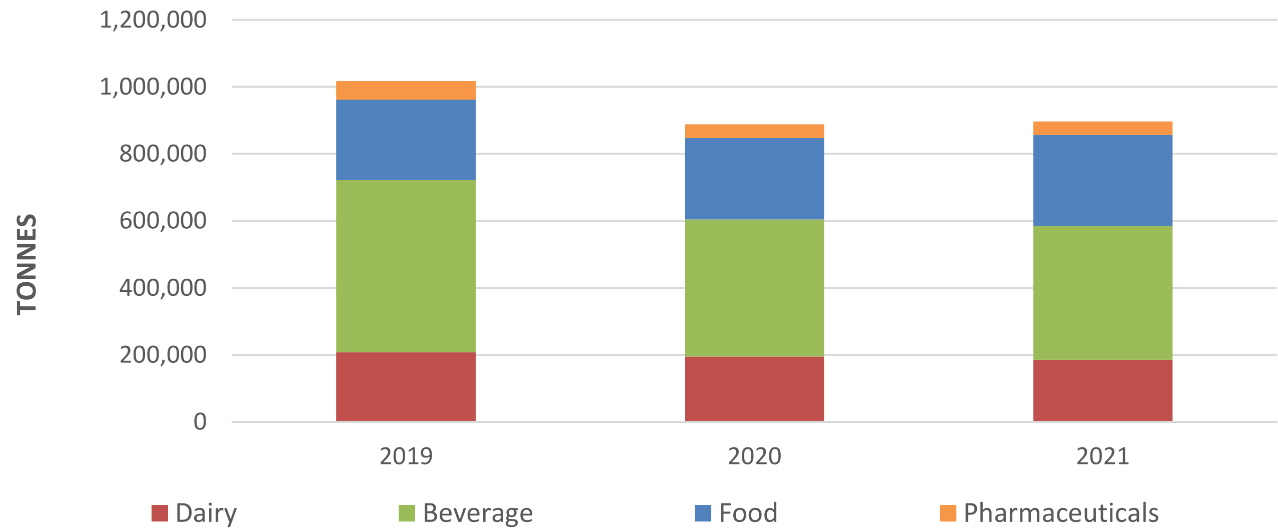
Graph 7 - Segmented domestic sugar sales [Q4]



However, [redacted]

[redacted]

Graph 9 - Domestic sugar sales for major industrial sectors



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Overall and on a cumulative basis, [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]

(e) estimate

5 – ALTERNATIVE CROPS

[redacted]

[redacted]

[redacted]

Graph 10 – Average gross margins calculated for sugarcane and alternative crops

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Source : APIC Consulting (adapted from OAE)

Although the recovery seems real, cane production costs have increased quite dramatically over the past seasons as it becomes more and more difficult to hire "cheap" cane cutters from neighboring countries due to the Covid-19 pandemic. Meanwhile, the very significant increase in the proportion of harvested green cane [redacted]

[redacted]

[4] **It is normally advised to harvest green cane with mechanical harvesters but due to the cost it represents, a significant proportion of cane farmers are not in a position to purchase such harvesters and stick to manual harvesting.**

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