



### Weekly Sugar Editorial: NY Sugar Worst Performer in Commodities

It has been a year since we started discussing about world sugar balance going back into a surplus condition after two straight years of deficit. Since October last year NY raw sugar has plunged 37.2% which has made sugar the worst performer in commodity section along with grains. The slowdown in prices are mainly due to the bumper crops in different regions which is eventually making countries self-reliant, China being the perfect example. Cheap energy also led to cut the cost of agricultural production and dampened demand of biofuels. Despite the macro environment, NY still had its own reasons to encourage funds to extend their bearish bets, starting in mid-December rumour of India would produce 28mmt now reduced to 25mmt which is still quiet above 20.40mmt produced in 2016-17. Beet countries most notable Ukraine and Russia jumping in when price was hovering 20c/lb, also followed by EU which were celebrating its quota ends and this was more like icing over cake for them. Completing this bearish drift was China which closed its doors to imports either through rising tariff or taking stiff actions against smuggling thus making pulling the global sugar prices and making way to a be bigger than expected surplus. As a result sugar prices reached its 18 month low at 12.61 c/lb. Overall the plunge has fed some pessimism in the market making some people to believe that the worse times is yet to come.

#### Fundamentals

In India, Maharashtra 2017-18 season has started where the 113 mills licensed to operate this year are

expecting to crush 65 million mt of cane a 74% increase on year. Mills are forecasted to produce 720-730mt of sugar compared to 418mt in 2016-17 at a recovery rate of 11.24%. As per the officials of Maharashtra State Cooperative Sugar, the area under sugarcane has increased from 633,000ha to 900,000h. Total cane output is pegged at 72mmt and the surplus not used by mills will be going to cattle feed and jiggery makers. Stock limit on sugar traders will stay for two more months until December 31, the limit was imposed to control prices and is set 1000mt(Kolkata) and 500mt in other regions.

Brazil exported 2.879mmt of sugar in October, a 31% more than the same month last year but 17.7% less than the previous month for a total US\$ 1.03 billion down 19.7% on month but up 18.4% on year. Out of the total 2.467mmt was raw and the remaining 412kmt refined. Exports for this year so far stand at 24.587mmt up 3.5% on year.

Indonesia's trade ministry announced that the choice of organiser for the new refined sugar auctions will be reassessed every five years. The first auction will be held starting on January 8, 2018 and Jakarta Commodity Market (PKJ) was chosen to organised it. The 5-year reassessment was recommended by the Business Competition Supervisory Commission who mentioned a lack of transparency when PKJ.

EU imports have started much slower than that of last year. Over the last week only 2.5kmt of import licenses

were awarded to EPA-EBA countries compared to 35kmt the week before. This takes the cumulative total to 62kmt well below that of the same time last year which stood 286kmt.

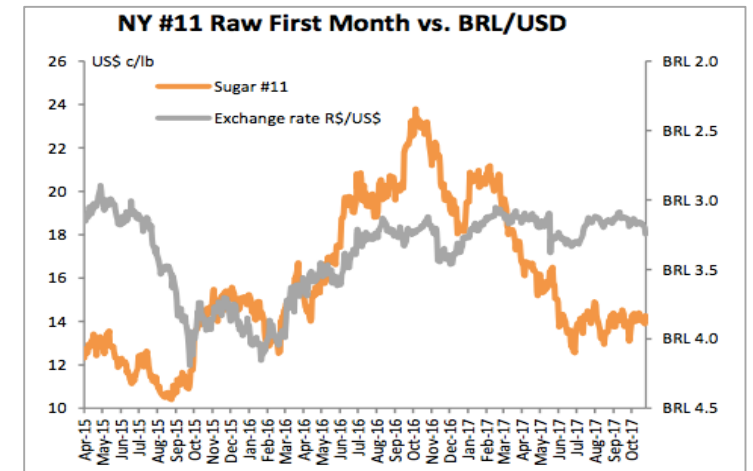


Figure 1: Source Datagro

#### Macro

Oil price has hit its highest level since July 2015 after Saudi's crown prince increased his power in the Kingdom by launching an anti-corruption purge. Oil cartel OPEC is to consider prolonging the production cuts at a meeting in Vienna at the end of November. This uncertainty generated by the future king's actions were behind the price of international benchmark Brent jumping to more than US\$62 a barrel, compared with around US\$50 in the first half of the year. Other factors have also edged the oil prices upward, such as Saudi,



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Russia, Kazakhstan and Uzbekistan met over the weekend and said they are willing to maintain on oil production to address a glut in supply and prop up prices.

**Market Data**

NY Sugar No. 11			
Symbol	Settle	Low/High(wk.)	Open Interest
Mar'18	14.38	14.15/14.84	415,024
May'18	14.48	14.26/14.90	137,730
Jul'18	14.60	14.40/14.97	67,498
Oct'18	14.87	14.67/15.21	48,105
Mar'19	15.35	15.19/15.68	27,021

Sugar No. 11 Spreads		
Symbol	Settle	Low/High(wk.)
Mar'18/May'18	-0.10	-0.14/-0.01
May'18/July'18	-0.12	-0.16/-0.03

London No.5			
Symbol	Settle	Low/High(wk.)	Open Interest

Dec'17	385.10	373.50/390.00	22,527
Mar'18	377.50	373.00/387.50	35,892

White Premium			
Origin	Type	Price MT over NY	Shipment
Thai	45 ICUMSA	\$122.00	FOB
Brazil	45 ICUMSA	\$88.01	FOB
EU	45 ICUMSA	-	FOB
Indian	45 ICUMSA	\$107.20	FOB
Guatemala	45 ICUMSA	\$75.10	FOB

Soft Commodities	Last	Low/High
Coffee	125.55	125.10/125.80
Soybean	984'2	984'2/986'0
Corn	347'4	347'2/348'0
Wheat	428'0	427'4/431'0

FOREX	Ask	Time UAE
EUR/USD	1.15682	14:11:01
BRL/USD	3.2494	14:11:04
MYR/USD	4.2290	14:11:11
CNY/USD	6.6331	14:11:48

Metals	Last	Low/High
COMEX Gold	1276.3	1275.7/1292.8

COMEX Silver	17.030	17.020/17.240
COMEX Cooper	3.1230	3.1215/3.1660
COMEX Platinum	921.0	914.0/924.0

Energy	Last	Low/High(wk)
WTI Oil	56.64	53.75/55.76
Brent Oil	62.07	59.91/62.23

**Highlights for this week: -**

- Thailand is expected to produce 11.65mmt of sugar in 2017-18 up from 10.36mmt in 2016-17, according DATAGRO.
- Bunge CFO told investors that the company has hedged about 75-80% of sugar sales for next year.
- Australia produced 3.623mmt until Oct 29 up from 10.3 percent YoY.
- India starts the 2017-18 cane crushing season without major delays with 13 mills in operation until FH Oct.
- China imports 160k mt of sugar in September 67.8% lower YoY and ends the 2016-17 crop importing 2.287mmt of sugar down from 3.733mmt in the previous season.

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