



### **Weekly Sugar Editorial: Is NY stuck in a pattern?**

It seems as NY 11 is stuck in a range (13.50-14.50c/lb). Overall the market consensus is fairly concluded as bearish as things are improving in Brazil, Thailand, India and EU. Though we are expecting tightness in white flows for Q4 as a result there may be some upside in WP which is trading currently at US\$ 59/MT.

EU is expected to export around 3mmt from the previous quota of 1.6mmt and the production is set to surge to 20mmt for the 2017/18 but the real question is whether the farmers would be keen to export more sugar moving forward as their domestic prices are currently approximately €100/mt higher than the global prices. For the Brazilians, we are not expecting them to switch to Ethanol for the current crop as almost 85% have already priced and are executing their export contracts. However, for 2018 they have substantial to price or will be converted more to Ethanol depending on the price ahead.

#### **Fundamentals**

Indian government allowed the imports of 300k mt of raw sugar imports under a duty of 25 percent to be delivered in southern ports. Though it has been a very tough season for the country with production falling to 20 mmt, however market consensus is that the production will go to 25.1mmt for 2017/18 even some of the mills that we talked to in the ISMA conference are confident that they may even produce 27mmt. Overall financial it has been a sound season for the mills and the farmers with domestic price trading at a

range of INR 36,000(\$562.5/mt) this has led to better investment opportunity. Uttar Pradesh has overtaken Maharashtra in the production and is expected to cross 10mmt for 2017-18 season from current 8.6mmt. Most of the UP mills that we spoke to gave credit to the new variant of seed(CO118&232) which led to the improvement in the crop yield as well reduced the crop harvest to 12 month from 18 month cycle. Currently 65% farmers in the state are using this variant of seed.

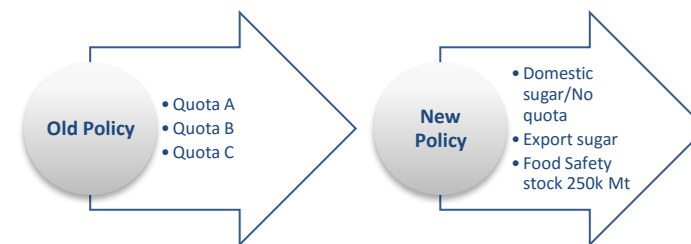


Figure 1: MSM recent field visit in U.P, India

The gap between FRP & SAP(pricing policy) has been very narrow thus helping both the mills and the farmers, though the mills in UP are expecting that the Central government will streamline the pricing mechanism to one. The mills margins were affected as the State used to follow SAP(State advised price) rather than the

FRP(Centre's fair and Remuneration price). As a result of the state imposing SAP which were usually higher the mills were forced to pay more for the sugarcane even though the domestic prices were much lower, thus resulting in backlog of arrears to the farmers.

Thailand have already hedged 35% of sugar for the next crop and are forecasting a production of 11.5mmt for the 2017-18 due to the favourable weather. The country is now reviving its policy and will be ending its sugar quota and its domestic prices would be based on (London no. 5 + Thai premium), this would extremely challenging as Thai domestic prices were usually higher than the world market and once its linked to No.5 we expect that the farmers may move to other crops.



#### **Macro**

US market rallied with major indexes as Hurricane Irma hit Florida with less force than expected and North Korea failed to conduct another nuclear missile test. Irma was downgraded to a category 1 storm early Monday after tearing a destructive path across South

**Weekly Sugar Editorial: Is NY stuck in a pattern?**

Florida on Sunday. Irma has left at least 4 million residents without power.

China recently came up with a deadline of 2040, though this news rarely affected the market shares of listed units of China's biggest oil companies- PetroChina Co, Cnooc Ltd and China petroleum barely got affected. OPEC to BP, the world's biggest oil producer have started to take electric vehicles seriously as a long term threat to demand. If China is able to follow this plan then oil demand would peak in middle of next decade 2030s.

**Market Data**

NY Sugar No. 11			
Symbol	Settle	Low/High(wk)	Open Interest
Oct'17	14.09	13.67/14.32	328,067
Mar'18	14.64	14.27/14.88	262,352
May'18	14.79	14.53/15.05	91,967
Jul'18	15.02	14.79/15.31	58,035
Oct'18	15.42	15.16/15.70	42,139
Mar'19	16.01	15.72/16.24	21,704

Sugar No. 11 Spreads		
Symbol	Settle	Low/High(wk)
Oct'17/Mar'18	-0.55	-0.62/-0.53
Mar'18/May'18	-0.15	-0.25/-0.14

London No.5			
Symbol	Settle	Low/High(wk)	Open Interest
Oct'17	374.30	371.90/381.20	25,726
Dec'17	375.70	374.20/382.70	30,881

White Premium			
Origin	Type	Price MT over NY	Shipment
Thai	45 ICUMSA	\$135.00	FOB
Brazil	45 ICUMSA	\$90.00	FOB
EU	45 ICUMSA	\$55.00	FOB
Indian	45 ICUMSA	\$98.00	FOB
Guatemala	45 ICUMSA	\$75.00	FOB

Soft Commodities	Last	Low/High
Coffee	129.95	129.75/131.95
Soybean	963'4	961'6/968'4
Corn	342'6	342'6/345'2
Wheat	436'6	436'0/442'6

FOREX	Ask	Time UAE
EUR/USD	1.19355	15:27:01

BRL/USD	3.1026	15:27:34
MYR/USD	4.2046	15:28:01
CNY/USD	6.5349	15:28:21

Metals	Last	Low/High
COMEX Gold	1337.6	1335.2/1344.6
COMEX Silver	17.845	17.770/17.955
COMEX Cooper	3.0740	3.0325/3.0830
COMEX Platinum	999.9	997'2/1008'4

Energy	Last	Low/High(wk)
WTI Oil	47.48	49.42/47.15
Brent Oil	53.31	53.25/54.14

**Highlights for this week: -**

- CFTC: funds and small specs reduce net short position by 12% to 103,686 lots on Sep 5th, but commercials raise net short position by 24% to 75,851 lots.
- China govt to auction 326,714 mt of 2011/12 crop sugar on 15<sup>th</sup> Sep, domestic sugar falls 2% to CNY 6,296/mt (US\$ 964.77/mt).
- Brazil may give up sugar in trade negotiations with the EU in exchange of access to ethanol and meat.

The statistics charts and any other information given in this market review are collected from sources believed to be reliable. MSM Trading International DMCC is not liable for ensuring accuracy, completeness or timelessness of the information which is provided as general in house decision making process. Thus, MSM Trading International DMCC and MSM Group accepts NO liability whatsoever with regard to these views and opinions.