The world sugar market is shifting from deficit into surplus and forward positions indicate that prices are expected to be lower in the future. However, forward values remain firm relative to longer-term prices.

What does this tell us about:

- The future and the need for new investment?
- Sugar prices going forward?

In the latest of our annual strategic reports, we analyse the key issues that will shape the sugar market, focusing on investment prospects and the risks that face existing stakeholders and newcomers.
Is there a need for investment in new capacity and, if so, when and where will expansion take place?

What price is needed to bring these new investments on-line?

Will Brazil’s cost structure continue to be the long-term price setter in the world market?

To answer these questions, visibility is needed on:

- Processing capacity – do we face a capacity challenge in sugar and, if so, when will it show itself?
- Will growing health concerns mean that global consumption grows more slowly in the future?
- Which industries are best placed to expand, and which are likely to contract?

What does this all mean for sugar prices going forward?
The 2017 Report addresses these critical questions with analysis of the key issues:

1. Macro-economic influences – the commodity price cycle and sugar
2. The size/timing of a capacity crunch and what could change this?
3. Potential sources of supply to meet the future growth in demand
4. Wild cards for the world market – the EU and growing health concerns
5. The implications for world sugar prices and strategic conclusions

Supported by detailed regional reports:

- Brazil – can the sugar giant recover?
- EU – the end of quotas: higher sugar output & exports?
- Eastern Europe – the drive to self sufficiency
- Asia – will the region slip further into deficit?
- NAFTA – how will potentially greater US protectionism influence sugar trade?
- Africa – to what extent can production expand?
- MENA – how will its growing deficit be supplied?
LMC’s 2017 Global Sugar: Strategic View evaluates the impact of the macro-economy on sugar, identifies the key market drivers, forecasts production and consumption to 2030, and provides a long-run view of the future level of sugar prices.
What *Global Sugar* provides
Macro-economics continue to exert a major influence on sugar prices. We examine the role of key macro drivers:

**Oil prices**
- Where are we in the crude oil and wider commodity price cycle?
- How will the move by Petrobras to align domestic/international gasoline prices change the sugar market and the role of the Real?

**Exchange rates**
- The impact of the strong US$

**Crop prices**
- Alternative crop prices and the competition for cane and beet
2. When will there be a capacity crunch?

A critical issue facing the global sugar sector is when will there be a capacity crunch and when will the market send a price signal to encourage new investment.

The expected upturn in global sugar output in 2017/18 will end two years of stock drawdown and suggests that there is no imminent capacity challenge.

*When will the situation change?*

To help answer this question we examine:

- The location and volume of stocks, distinguishing between “free market” and “politically held” stocks
- What is happening to consumption growth and the potential impact of health concerns on demand
- The level and location of processing capacity – is it in the right place?
- The scope to grow more cane/beet in locations where surplus capacity exists
3. Future sources of supply

For the past two decades, C/S Brazil has supplied most of the growth in world import demand. However, this is no longer the case.

*Where will future supply come from?*

**Key questions:**

- How much more sugar will it produce from existing cane supply?
- How much investment in additional sugar crystallisation capacity will take place within the next few years?
- What are the implications of further increases in sugar production for its domestic ethanol market?
- What is the potential for sugar production to expand elsewhere?
Rising sugar yields and industry consolidation mean that, post 2017/18, the EU will be in a position to play a much greater role in meeting global demand than it has in the past.

The big question is how much more sugar will the EU produce and export in 2017/18 and beyond? The report will consider the future dynamics that will influence the level of production in the EU and consider the implications for the world market.

**Trends in sugar yields in Australia, Brazil and France**
Sugar and its impact on health is becoming a growing concern in many developed and developing countries. Per capita consumption exceeds WHO guidelines in many countries. In response, governments are intervening by introducing taxes on sugar-containing products.

- Will global demand grow more slowly as a result?
- If so, what are the implications of this for global producers?

Examples of countries that impose or are considering imposing sugar taxes

<table>
<thead>
<tr>
<th>Countries with existing taxes on sugar or containing products</th>
<th>Countries with proposed/pending taxes on sugar or containing products</th>
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<td>Bulgaria</td>
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Please note that this list is not designed to be exhaustive.

Daily intake of sugars versus WHO and SACN recommended levels

- Daily intake
- @ 10% of daily calorie intake
- @ 5% of daily calorie intake
A key output of the report is forecasts for production and consumption to 2030 for these regions and countries:

<table>
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<th>W Europe</th>
<th>W &amp; C Africa</th>
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Ultimately, what does all this mean for world sugar prices and the price level that is needed to encourage new investment?

We examine the key benchmarks for world sugar prices:

• The No. 11 price needed for major industries to expand to supply either their domestic or export markets.

• Ethanol parity prices in Brazil (the price at which Brazilian mills are willing to produce more ethanol at the expense of sugar).

and explain how these shift and alter the price outlook.

**Opportunities & risks for your business**

Building on the key findings, we develop strategic conclusions about the near, medium and long-term market to assist your decision-making.
Regional reports: prospects in the key regions

The service also features “stand-alone” reports on each of 7 regions:

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- The outlook for supply/demand to 2030
- Policy
- Pricing in that region
Global Sugar: Strategic View – Deliverables & timing

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• Main Report (approx. 50 pages) – electronic & 2 paper copies
• Executive Summary – PowerPoint
• Regional reports – detailed analysis on the 7 featured regions
• Key data – Excel
• Briefing on the report by senior LMC staff – by webinar or in person
• Reasonable access to LMC staff for questions on the report

When

2017 Report will be available in April
Fees & contacts

Fees

- The 2017 report: US$20,000
- Subscribe for 3 years (2017-2019 reports): US$15,500/year

*If the briefing is conducted in person and elsewhere than LMC’s offices, travel expenses will be charged, but there will be no additional consulting fee.*

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<th>Raizen</th>
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