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# Global Sugar Balance Update

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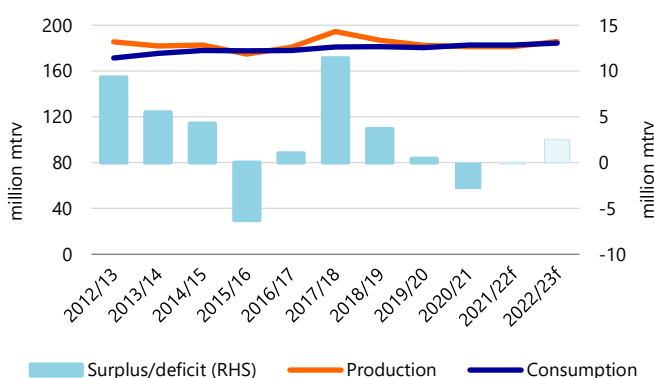
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Rabobank forecasts a 2.5m metric ton surplus for the upcoming 2022/23 season, driven by production increases, particularly from Asia. In this article, we describe the main fundamental drivers behind our supply and demand forecasts and set our prices expectations through 2022. We expect these to remain supportive, driven by high energy prices.

Our latest revision of the global sugar supply/demand balance and first look into the new season point to a balanced market for 2021/22 with a preliminary projection of a 2.5m metric tons raw value (mtrv) surplus for 2022/23 (see Figure 1).

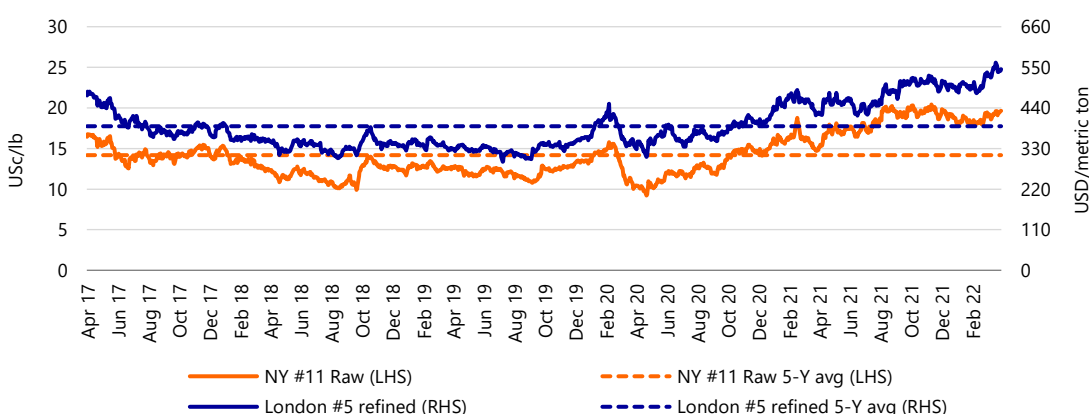
Figure 1: Global supply/demand balance, 2012/13-2022/23f



Source: Rabobank 2022

World raw sugar prices have experienced strong gains since the war in Ukraine started, although not at the same level of grain price increases. May ICE #11 is trading around USc 19.5/lb since the beginning of April, which is almost 10% higher than a month ago. The support provided by higher energy prices has been somewhat offset by higher production prospects, especially coming from Asia.

Figure 2: Sugar prices, NY #11 Raw vs. London Refined #5, Apr 2017-Feb 2022



Source: Bloomberg, Rabobank 2022

Rabobank is projecting a 2.2% YOY increase in production and a modest increase of 0.8% in global consumption in 2022/23. The production increases come primarily from Asia, but also Brazil and the EU. We are also factoring in a 50% reduction in Ukraine plantings based on official reports. Global consumption is showing little growth, as the impact of Covid-19 on consumption has already been minimized since last year, and consumption is expected to return to normal trends. See our article [Sugar Consumption: Examining the Bend in the Trend](#).

## Key regional highlights:

- For the 2022/23 season in Center/South Brazil, our preliminary forecast is for 560m metric tons of cane milled, with a mix of 45% going to sugar to produce 33.6 million metric tons. At present, there is more uncertainty than usual about the evolution of the sugar/ethanol arbitrage in the coming months, given the ongoing invasion of Ukraine by Russia and its consequences for oil prices. There are also questions about Petrobras's fuel price policy and possible intervention in prices in Brazil. Meanwhile, recent fuel consumption statistics illustrate that high prices for gasoline and ethanol have resulted in demand destruction. In January 2022, combined gasoline and hydrous ethanol sales (in gasoline equivalent terms) were down 9% in volume versus January 2021. As the new campaign gets underway, mills are holding back on further hedging of sugar in order to maintain flexibility in the face of the uncertain outlook.
- Indian sugar production for 2021/22 has been revised upward to 35.7m mtrv, and numbers as high as 8.5m metric tons are now circulating as projections of possible exports for the current crop year. With reservoirs full, the industry is positive about the outlook for the 2022/23 crop. A total of 4.4bn liters of ethanol – from cane, molasses, and grains – will be required to meet the 10% blending target in 2022.
- In the EU, prices have been supportive throughout 2021 and 2022 so far, with spot prices ranging between EUR 500/mt to EUR 600/mt for most of last year – levels not seen since before the abolition of quotas. The European Commission's latest contracted price for January was EUR 434/mt, which is still higher than the reference price of EUR 400/mt. Besides higher market prices, the use of neonics to prevent virus yellows have been authorized again for beets in key producing countries. These factors combined have certainly provided an incentive for farmers to increase beet plantings this season, with acreage expected to increase between 0.5% and 1% YOY. If growing conditions are favorable and yields return to normal average levels, we can expect production to increase by 2.6%, reaching 17.7m mtrv. In addition, the European Commission has presented a EUR 500m aid package to support farmers impacted by the war in Ukraine, along with a temporary derogation allowing the production of crops that can be used for food and feed purposes on fallow land.
- The USDA Outlook released in February forecast sugar production in the US to be 2% lower, at 8.3m mtrv in 2022/23, after reaching a record of 8.5m mtrv last season. On March 31, USDA released farmers' plantings intentions for 2022, showing beet acreage is expected to fall by 1.4% while soybean area showed a 4% increase. Higher fertilizer costs could be a possible explanation for the decrease (since soybean requires less nitrogen), but, in general, beet refined sugar prices have been supportive and about 12% higher than last year. The US might need as much as 1.5m mtrv of Mexican sugar in 2022/23. It is quite possible Mexico will be able to fulfil the US needs, as we expect Mexican production in 2022/23 to be 3% higher than the previous year's, at 6.5m mtrv.

Although the 2.5m mtrv global surplus expected for 2022/23 points to a small increase in sugar availability in the world market, Rabobank forecasts ongoing support for sugar prices, with the ICE #11 set to trade between USc 19.3/lb to USc 20.1/lb through 2022. The market appears to have taken the prospect of higher Indian exports in its stride. Meanwhile, with energy prices likely to be kept firm by the Russia/Ukraine war, Brazil's mix has room to move if higher world fuel prices are fully passed on to local pump prices.

# Imprint

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