

Market Report



February 2017

MECAS(17)03



International Sugar Organization



Copyright © 2017 by International Sugar Organization. All rights reserved.

No part of ISO publications may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other digital (e.g. e-mail) or analog methods, without the prior written permission of the International Sugar Organization except for the use of brief quotations making reference to the International Sugar Organization. You may request permission by writing to:

**International Sugar Organization
1 Canada Square
Canary Wharf
London E14 5AA**

Tel: +44 (0)20 7513 1144

Fax: +44 (0)20 7513 1146

**Email: publications@isosugar.org
info@isosugar.org**

*The views expressed in this document are those of the ISO Secretariat.
They do not necessarily represent the views of the ISO Members.*



ISSN 1994-4950
Market Report
FEBRUARY 2017

6th March 2017

FEBRUARY MARKET REPORT

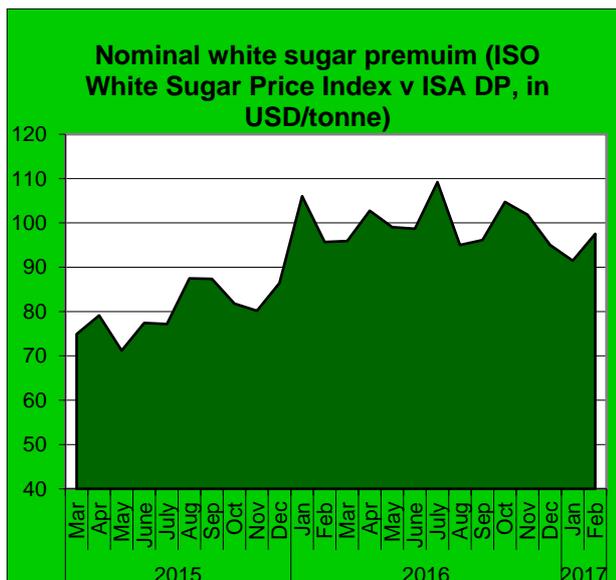
I. WORLD SUGAR MARKET

1. The Market in February

For most of February, world sugar prices remained locked in a relatively narrow trading range. Raw sugar spot prices (**the ISA daily price**) varied between 20.00 cents/lb and 21.00 cents/lb before moving to the month's low of 19.08 cents/lb on February 27th. The monthly average was 20.28 cents/lb, little changed from 20.33 cents/lb in January.

White sugar prices (**the ISO White Sugar Price Index**) varied between USD535/tonne (24.26 cents/lb) and USD556/tonne (25.23 cents/lb) before decreasing below USD530/tonne (24.06 cents/lb) during the last two days of the month. The monthly average improved to USD544.62/tonne (24.70 cents/lb) compared to USD539.72/tonne (24.48 cents/lb) in January.

The **nominal white sugar premium** (the differential between the ISO White Sugar Price Index and the ISA daily price) increased by about USD6/tonne in February, moving from USD91.49/tonne to USD97.53/tonne. This can also be compared to the three-year average of USD83.13/tonne.



Relative price stability can be attributed to a lack of new fundamental developments. **Brazil** entered the intercrop period. In the Centre-South, 594.734 mln tonnes of cane have been crushed this season up

to the first half of February, a 0.42% decrease from the same period in 2016. Sugar output has reached 35.273 mln tonnes, an increase of 15.26% compared to 2015/16 owing to a considerably higher allocation of cane towards the production of sugar (46.55%) compared to the previous season (40.89%). Industrial yields have also risen 1.68% compared to 2015/16, to 133.71 kg/tc.

Centre-South Cane Harvest Cumulative figures to February 16 th			
	2016/17	2015/16	Change
Cane crush (mln tonnes)	594.734	597.260	-0.42%
Sugar output (mln tonnes)	35.273	30.603	+15.26%
TRS (kg/tc)	133.71	131.51	+1.68%
Production mix - sugar	46.55%	40.89%	

Source: UNICA

According to UNICA, only 12 mills were operational in the first half of February. Production of sugar in the first half of February amounted to a mere 9.18 thousand tonnes, an 81.55% decrease from the same period in 2016.

In the North-Northeast, from the start of the season until the first half of February, 43.36 mln tonnes of cane were crushed, a 4.44% decrease from the same period in 2016 according to official data from the Ministry of Agriculture.



Source: MDIC/SECEX

Regarding trade, according to preliminary figures from the Ministry of Industry, Foreign Trade and Services (MDIC/SECEX), Brazil exported 1.82 mln tonnes of sugar, tel quel, in February, a 32.56%

decrease from the same period in 2016 and a 17.59% decrease from the previous month.

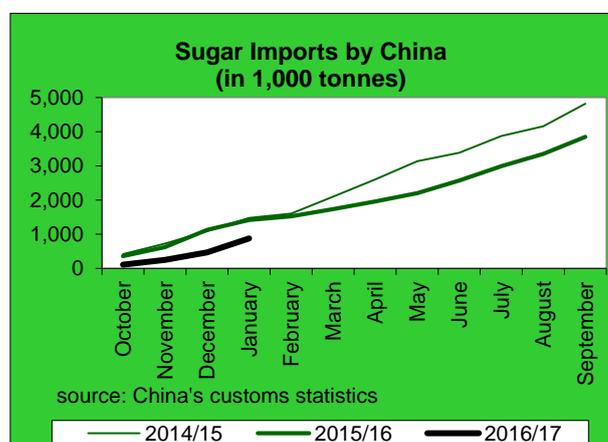
In **India**, the world's largest consumer and the second largest producer of sugar, as of February 28th, mills had produced 16.245 mln tonnes of sugar, down from 19.943 mln tonnes in the same period last year, generally in line with market expectations. There are still 257 mills crushing, down from 390 mills on the same date last year. Uttar Pradesh produced 6.246 mln tonnes, up 17% year on year with 107 mills still operating, up from 102 mills last year. Maharashtra produced 4.115 mln tonnes, down from 7.058 mln tonnes with 17 mills still operating, down from 102 mills last year. There is only one mill still crushing in Karnataka, where production stood at 2.05 mln tonnes, down from 3.615 mln tonnes. In Tamil Nadu, mills produced 690,000 tonnes of sugar, up from 528,000 tonnes last year and two out of the 38 mills have stopped operating. In line with the latest industry's projection, the ISO has revised its forecast downward to 21.0 mln tonnes compared to 23.5 mln tonnes projected in November and 25.2 mln tonnes estimated for 2015/16.

According to ISMA, sugar sales by mills to the open market have fallen by 750,000 tonnes in the first four months of 2016/17 (October/September). Total sales during 2015/16 were 24.85 mln tonnes and ISMA said that total sales during 2016/17 may fall to 24.3 mln tonnes even if the trend of falling sales can be reversed in the remaining eight months of the season.

The question of whether India will import sugar to cover the growing production shortfall is the key focus of the market. With state assembly elections in top cane producer Uttar Pradesh ongoing until March 8th and the final output levels in Maharashtra and Karnataka unlikely to be known before mid-March, the decision of the central government on the subject should not be expected before mid-March. According to ISO calculations, in order to maintain ending stocks at a level of 7 mln tonnes, India will have to import an additional 0.5 mln tonnes on top of a projected 1.5 mln tonnes of raw sugar imports by port refineries for tolling (re-export after refining). Another way to release bullish pressure on domestic prices may be a reintroduction of the Advance Licensing Scheme (ALS) for raw sugar and the Open General Licence (OGL) for white sugar. Under the ALS, Indian companies may import raw sugar duty free, if there is a commitment to re-export it in the white sugar form within a fixed period (typically, two years). Nearly all purchases made by India in 2004 and 2005 when the country imported 1.216 and 1.546

mln tonnes of raw sugar, respectively, were under the ALS.

In **China**, by the end of January, 4.54 mln tonnes had been produced, up nearly 8% from 4.211 mln tonnes in the same period of 2015/16. Cane sugar production rose to 3.610 mln tonnes from 3.397 mln tonnes last year, while beet sugar output increased to 0.930 mln tonnes from 0.814 mln tonnes. While beet processing has practically ended, cane crush continues at full throttle with the current pace of crushing still allowing the projected modest rise in output. Meanwhile, official sugar imports in January 2017 rose to 409,739 tonnes, *tel quel*, compared to only 216,512 tonnes in December. Total official imports in the first four months of 2016/17 (October/September) remained considerably smaller than in the same period last season (866,389 tonnes and 1.418 mln tonnes, respectively). The ISO suggests that while official imports are shrinking, non-official deliveries from abroad may still be close to the 1.4 mln tonnes estimated for 2015/16. This would bring the annual total import demand to 4.7 mln tonnes, making China the world's undisputed leading importer of sugar for the fifth consecutive season. The ISO projection is based on our forecast that 1.605 mln tonnes will be released from stocks. After the first four auctions in the last quarter of 2016 and January 2017, the government has already sold 643,300 tonnes of sugar from reserves.



In **Thailand**, by February 23rd mills had processed 65.6 mln tonnes of cane, down sharply from 72.9 mln tonnes a year ago. Sugar production has reached 6.657 mln tonnes compared to 7.108 mln tonnes at the same time last year. According to the Office of the Cane and Sugar Board (OCSB), the government will stop subsidising sugar production and drop domestic control of consumer prices for sugar by the end of 2017 in order to comply with the WTO rules. Under the new policy, domestic sugar prices will be freed from the control of the Ministry of Agriculture.

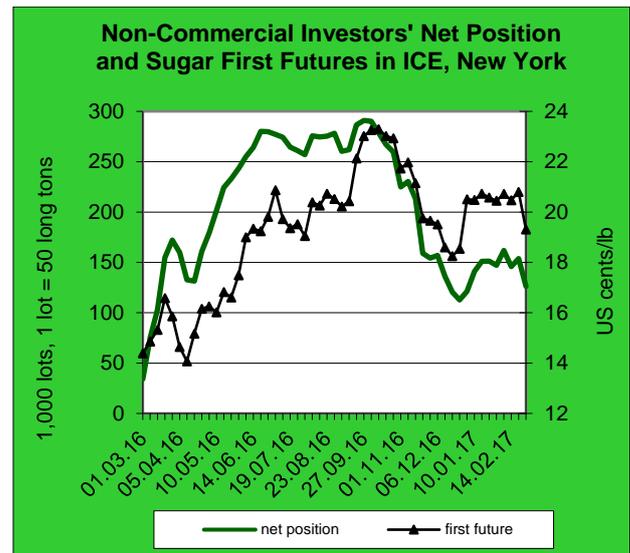
According to the USDA sugar outlook provided to the Agriculture Outlook Forum (February 23-24), **US** sugar production in 2016/17 is forecast at a record 9.313 mln short tons, raw value, up 3.6% from the previous season. A further growth to 9.408 mln tons is projected to 2017/18. This season the USDA expects imports to reduce from 3.341 mln tonnes in 2015/16 to 2.744 mln tonnes but to grow to 3.004 mln tons next season. This season the import demand includes 0.972 mln short tons from Mexico. Next season imports from this origin are put at 1.282 mln short tons.

The cane crush has accelerated further in **Mexico**. As of February 25th, mills had produced 2.920 mln tonnes of sugar, tel quel, up from 2.868 mln tonnes in the previous season. The cane crush at 27.488 mln tonnes is also up from the previous season at 26.970 mln tonnes despite a drop in the average cane yield from 78.44 tonnes/ha a year ago, to 75.60 tonnes/ha so far this season. The sugar extraction rate is hardly changed at 10.62% compared with 10.63% a year ago.

The beet harvest has practically come to an end in the **EU** with the results largely in line with expectations. **French** sugar output is expected to rise only modestly, by about 125,000 tonnes as against 2015/16. Yields have been affected by adverse weather. **Germany's** production is estimated to improve by about 0.5 mln tonnes. **Poland**, the EU's third-largest producer, raised its beet area by about 18% in 2016. Weather conditions have been generally favourable with sufficient precipitation and warm temperatures. As a result, output is also estimated to improve by 0.5 mln tonnes from last year.

As of February 20th, **Russia's** sugar production reached 6.067 mln tonnes, up from 5.175 mln tonnes a year ago. Out of the total 75 factories, five are still operating (as against two in 2015). The Ministry of Agriculture projects areas under sugar beet to rise by 1.7% to 1.129 mln ha in 2017 from 1.110 mln ha the year before. From August 2016 to January 2017, Russia exported 116,751 tonnes of sugar.

A considerable drop in sugar futures at the end of February can be attributed to a significant decrease in net-long position held by **hedge funds** in sugar options and futures in ICE New York, Contract No 11 before expiration of the March 2017 contract. The funds trimmed their net long position from 161,838 lots at the beginning of the month to 126,240 lots in the week ended on February 28th.



2. Conditions and Prospects

On February 6th, **FO Licht** released a revised forecast of the world sugar balance for 2016/17 (October/September). Global output is put at 177.959 mln tonnes, raw value, while world consumption is expected to reach 181.009 mln tonnes leaving a world statistical deficit at 5.502 mln tonnes. This can be compared to the deficit of 8.985 mln tonnes in 2015/16. FO Licht also notes that their first indicative view on the 2017/18 world sugar balance shows a surplus of 2.0 mln tonnes.

According to **Goldman Sachs'** forecast, New York sugar futures would reach 22 cents/lb in a year's time. It flagged a downside to the Indian and Brazilian crops due to drought in the former and low investments in fields in the latter.

INTL FCStone expects global sugar production will grow 5.6% to 186.3 mln tonnes in 2017/18, while a 1% increase in demand means there will be a 462,000 tonne global deficit, and stocks will fall to 63.1 mln tonnes by the end of the season, the lowest since 2011/12. In February, the group increased their estimate for the 2016/17 global deficit by 13.5% to 8.5 mln tonnes, compared to the 7.8 mln tonnes estimated in November.

On February 21st, the **ISO** released its second revision of the world sugar balance in 2016/17. As early as May 2015, the ISO suggested that in 2016/17 a large scale deficit with a magnitude of about 6 mln tonnes might arrive, prolonging a deficit phase of the world sugar cycle. In August 2016, the ISO put the shortfall between world production and consumption at 7.048 mln tonnes. In November, the predicted global statistical deficit was revised lower to 6.193 mln tonnes. The current revision has reduced it further to 5.869 mln tonnes. Although the second revision of the world balance

for 2016/17 shows a slightly smaller global statistical deficit than that projected in November, the ISO still believes that fundamentals remain constructive for the world market values in the remaining months of the current October/September season. Any easing of world prices in reaction to expectations of a possible return of the world supply and demand to a modest statistical surplus in 2017/18 may be muted due to a critically low level of stocks forecast by the beginning of the next October/September cycle.

The ISO plans to release its third revision of the world sugar balance for 2016/17 as well as an update on tentative indications for 2017/18 at the end of May 2017.

II. COUNTRY SUMMARIES

CAMEROON

Sosucam, the Société Sucrière du Cameroun, produced only 114,000 tonnes of sugar in 2016, compared to the usual output of 130,000 tonnes.

CUBA

As reported by Azcuba, the 54 active sugar mills have produced over 1 mln tonnes of sugar in the 2016/17 campaign so far, and the provinces Villa Clara, Ciego de Avila and Holguin have produced over 100,000 tonnes while Las Tunas, Cienfuegos and Matanzas should reach 100,000 tonnes soon. According to the industry, the last time the 1 mln tonne threshold was met at the same time was 15 years ago.

EGYPT

The Sugar Crops Research Institute forecasts domestic sugar production to reach 2.4 mln tonnes by the end of the season, including 1.3 mln tonnes of beet sugar and 1.1 mln tonnes of cane sugar, while domestic consumption stands at about 3.0-3.2 mln tonnes, which means imports of 700,000-900,000 tonnes per year.

EL SALVADOR

From the start of the new campaign in November to February 19th, as a result of considerable improvements in industrial yields, sugar production had reached 490,569 tonnes, up sharply from 361,717 tonnes produced by the same time last year.

GUATEMALA

As of February 19th, total sugar output in the new season (November/October) had reached 1.631 mln tonnes compared to 1.562 mln tonnes in the same period in 2015/16 despite lower cane and sugar yields.

INDONESIA

Indonesia and Australia have agreed to relax their trade barriers, particularly on sugar, cattle and pesticides. Indonesia will now lower its tariff on Australian sugar from the current level of 8% to 5%, which is the same rate set by other ASEAN members, and, in return, Australia is set to eliminate tariffs on pesticides and herbicides from Indonesia.

MAURITIUS

The four sugar mills produced 385,753 tonnes of sugar during the 2016 campaign against 366,070 tonnes in 2015.

MOROCCO

The industry produced 607,000 tonnes of sugar in 2016, enough to cover 50% of domestic needs. The industry targets to achieve the 56% of self-sufficiency in sugar by 2020.

PAKISTAN

As reported by the press, Pakistani sugar producers have sold at least 150,000 tonnes of sugar for export since late January. The sales have mostly been to neighbouring Afghanistan but also to buyers in Saudi Arabia and elsewhere in the Middle East, Myanmar and East Africa. The country did not export any sugar in July-January 2016/17, compared to the 48,704 tonnes exported in the same period last year, despite the government allowing 225,000 tonnes for exports.

PHILIPPINES

Since the beginning of a new campaign in September and up to February 5th, sugar production amounted to 0.994 mln tonnes, down from 1.308 mln tonnes by the same time in 2015/16.

SWAZILAND

As reported by the Swaziland Sugar Association, the industry produced 587,004 tonnes in 2016/17, or 15.6% less than the record 695,408 tonnes in the previous year. The Association attributes the fall in output to the drought and falling water levels.

TANZANIA

The Sugar Board of Tanzania has reportedly announced that domestic production is planned to increase to 420,000 tonnes by 2020/21 from 300,000 tonnes currently.

UKRAINE

Since September 2016 to February 2017, the country exported 522,900 tonnes. The industry

targets a 10% increase in beet area in 2017 and exports of up to 1 mln tonnes.

III. NEW SUGAR PRODUCTION PROJECTS

In **Egypt**, Al Nouran sugar factory is due to start operations in May. The plant, located in the Sharkiya governorate, will have a total production capacity of around 630,000 tonnes annually of which 280,000 tonnes will be white sugar made from beet and another 350,000 tonnes from imported raw sugar.

Algeria's Cevital signed a Memorandum of Understanding with **Ethiopia's** Ministry of Public Enterprises over the construction a sugar factory capable of producing 1 mln tonnes of sugar per year.

In **Ghana**, as reportedly suggested by government officials, the Komenda Sugar Factory would need a year and GHS6 mln (USD1.28 mln) in minimum working capital before it can start processing sugarcane at a rate of 1,250 tonnes/day.

In **Tanzania**, two public pension funds, PPF and NSSF, are planning to build a sugar mill in Mkulazi which would have the capacity to produce 200,000 tonnes of sugar.

IV. ETHANOL

United States

US ethanol production set a new record of 58.02 bln litres in 2016, according to data released today by the Energy Information Administration (EIA). Total ethanol production in 2016 was up 3.5% from the previous high of 56.06 bln litres in 2015. The data also suggest domestic ethanol disappearance of 54.5 bln litres in 2016, along with exports of 3.97 bln litres.

US gasoline consumption totalled 557.69 bln litres, up 1.9% from 2015 and a new record. The data imply an average ethanol blend rate across the US of 10.04%, meaning higher level blends like E15 and E85 saw increased market penetration. EIA also reported that a new monthly production record was established in December, with output averaging 1.047 mln barrels per day.

Earlier, on January 24th the new Administration, ordered the EPA to temporarily delay any regulations published in the Federal Register between October 2016 and January, 2017. The RFS

is among them, meaning the RFS rule for 2017 implementing record high blending obligations - originally due to take effect 10th February - is delayed until late March at the earliest. There is also a possibility that the new Administration could readjust (lower) the 2017 mandate to more closely match expected gasoline demand.

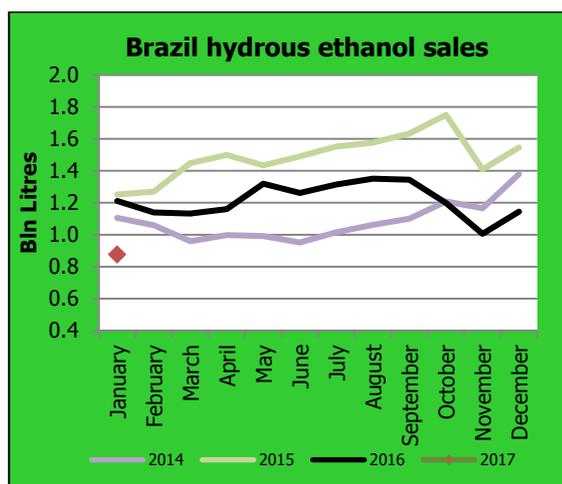
Ethanol exports in December 2016 remained up on the year, although the high levels seen in the preceding months could not be reached again. Around 373 mln litres were shipped in December, a four-month low, below 468 mln litres in November but up 20% on the year. The main destination remained Brazil. For 2016 exports reached 4.0 bln litres, a five-year high, up 25% on the year. Out of this, 1.011 bln litres were destined for Brazil, 1.000 bln litres for Canada, 678 mln litres for China and 317 mln litres for India. Other destinations included the Philippines, Peru, South Korea, and Mexico.

Brazil

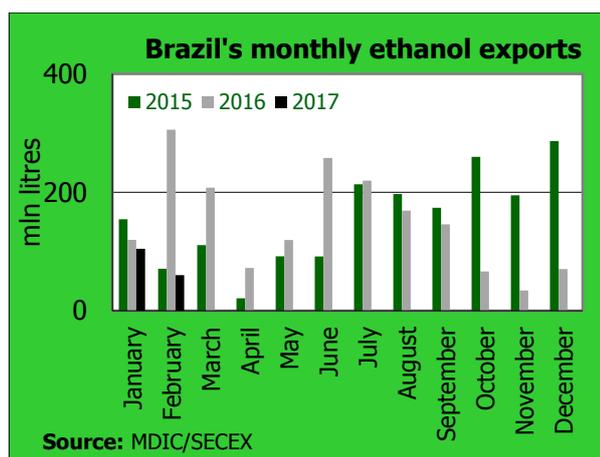
Since the start of the 2016/17 Centre-South season until the first half of February, 25.087 bln litres of ethanol were produced, an 8.27% decrease over the same period in 2015/2016. Production of hydrous ethanol amounted to 14.53 bln litres, a significant 13.34% drop, while anhydrous ethanol output fell only a small 0.21% to 10.554 bln litres. On a cumulative basis, 53.45% of cane crushed were allocated to the production of ethanol, compared to 59.11% in 2015/16.

In a decree published in the Brazilian state of Mato Grosso do Sul's Official Register on February 17th, the state reduced ICMS tax incentives to mills producing hydrous and anhydrous ethanol. Mills had been exempt from paying the ICMS tax and will henceforth pay the tax with an 18% discount. According to media reports, these changes may lead to an increase of up to 6.5% in the price of ethanol to consumers in the state.

On February 24th, Petrobras announced a 4.8% reduction in the price of diesel and a 5.4% reduction in the price of gasoline to refineries, keeping with its pricing transparency policy. Gasoline remains advantageous versus ethanol at the pump for consumers in all Brazilian states. According to the National Agency of Petroleum, Natural Gas and Biofuels (ANP), hydrous ethanol sales in January amounted to 876 million litres, a drop of 23.4% compared to December and the lowest level since May 2013. According to CEPEA, hydrous ethanol prices, however, have been decreasing for 11 weeks in a row due to mills' interest to sell as the new 2017/18 crop approaches.



Regarding trade, according to preliminary figures from the Ministry of Industry, Foreign Trade and Services (MDIC/SECEX), Brazil exported 60.31 mln litres of ethanol in February, a significant 80.28% decrease from the same month in 2016 and a 42.33% decrease from January, 2017.



EU

Ethanol imports finished 2016 on a weak note. Imports (excluding blends) in December fell to a historical low, dragging down the annual total. December arrivals were just 18 mln litres, one of the lowest levels in recent years, which can be attributed to depressed Rotterdam prices over wide parts of the third and fourth quarter, together with a weaker EUR. The 2016 total fell to around 553 mln litres from 574 mln litres. The main origins were Guatemala, Peru, Pakistan and the US.

In **Germany**, a record breaking final quarter lifted ethanol production to an all-time high in 2016. Overall, 112 mln litres were produced in December, up from 108 mln litres in November, government figures show. This brought total production in 2016 to 1.153 bln litres, up from the 2015 level of 1.117

bln litres. In 2016, grain alcohol advanced in particular with a share of over 67% in against 58% one year earlier. Ethanol from sugary feedstock fell back to 21% from 30%, while synthetic feedstock held about steady at 11%.

Other Countries

Argentina

Fuel ethanol consumption under the national quota continued to rise year on year, reaching 91.8 mln litres in December 2016, up from 77.1 mln litres in the same month a year ago. This brought total consumption in 2016 to 909.2 mln litres, up from 804.3 mln litres the previous year. Earlier in 2016, the federal government had published a decree which raised the minimum blending obligation for fuel ethanol from 10% vol. to 12% from April 1, 2016. The additional demand was completely allocated to the sugar sector.

The federal government may expand the fuel ethanol mandate to 25% between 2018 and 2020 according to the Agriculture Ministry. This would mean an increase in corn-based fuel ethanol use under the quota to 1 bln litres from 500 mln litres. Other options for raising fuel ethanol use in the future are seen in developing the market for hydrous ethanol and E85. However, this would require investment in infrastructure at the pumps and in the car fleet.

China

Imports for 2016 reached a record 890.1 mln litres, up from 686.9 mln litres in 2015 and 26.7 mln in 2014. The main origin was by far the US (853.3 mln litres vs 299.6 mln litres), followed by Pakistan and South Korea.

Ethanol imports in January plunged 98% month on month to a three-month low of 2.4 mln litres. The sharp drop was due to China's government announcing an ad-valorem import duty rate on imports of denatured ethanol of 30%, up from a previous 5% with effect from January 1st, 2017. Denatured ethanol accounted for 84% of the country's total ethanol imports in 2016. Of the cargo that were supposed to arrive in China in the first quarter of this year, seven — totaling 260,000-440,000 cubic metres — were reported to have been cancelled because of the higher tariff.

India

Sugar mills expect better returns from non-fuel ethanol by-products, such as molasses and potable spirit. Beverage alcohol manufacturers pay INR46-47/litre for rectified spirit and the realisation from fuel ethanol has declined by INR7-8/litre due to price cut and the withdrawal of excise duty

concession. Fuel ethanol fetches INR36-37/litre after incurring a 5% additional cost of production. The situation has prompted small sugar manufacturers to sell molasses to distillers of rectified spirit. At the same time, sugar millers are realising much lower profits from fuel ethanol.

Japan

Japan's fuel ethanol imports in the form of ETBE rose significantly in 2016, from 565 mln litres to 722 mln litres. In addition, for the first time, it imported 38 mln litres of fuel ethanol for local ETBE production. ETBE imports came exclusively from the US, but the US producer uses Brazilian ethanol to produce ETBE. Non-fuel imports also reached a record high, climbing to 709 mln litres against 644 mln in 2015. In this category Brazil dominated with shipments of 568 mln litres against 477 mln in 2015.

Thailand

A delayed start to the sugarcane harvest has pushed fuel ethanol stocks to critically low levels. According to official numbers, inventories at the end of November were 21 mln litres, equivalent to just five days of consumption. This compared with 14 days in November 2015. Good demand for fuel ethanol by motorists as well as the delayed and slow start of the 2016/17 sugar season have contributed to the critical situation. In order to compensate for the lack of local molasses supplies distillers imported around 85,000 tonnes between September and December.

Vietnam

The government has postponed its E5 mandate until January 31st, 2018. Current E5 sales are far below the target on a lack of consumers' confidence, infrastructure investment and operational fuel ethanol production capacity. The Industry Ministry has ordered fuel suppliers to finalise a report by the end of this year on how to raise E5 availability and use. Originally, the government targeted a nationwide E5 blend by end-2015.

V. MOLASSES

Analyst F.O.Licht note that EU molasses consumption may recover with the abolition of sugar production quotas. Overall molasses use in 2016/17 is likely to rise by about 5% to 4.4 mln tonnes following a higher local crop. Despite the rise it would be the second- lowest level since their recordings began in the early 1990s. The biggest rise may occur in the use of molasses in alcohol production and animal feed rations. Despite

this the 1.1 mln tonnes of molasses expected for compound feed in the current season are a far cry from the 4.6 mln tonnes that were regularly achieved in the mid-1990s. Even though the EU molasses market has undergone fundamental changes in recent decades it had shown signs of stabilisation during the past five years with consumption levels hovering between 5.1 and 5.8 mln tonnes. This changed in 2015/16 after domestic production fell to the lowest level since the early 1970s. With the return to higher production this year and a potentially record breaking crop next year there is a good chance local consumption will once again approach 5 mln tonnes. Longer-term prospects will critically depend on how successful the expansion strategy of the European sugar operators will turn out to be and, as a result, how ample local supplies of beet molasses will be.

EU molasses imports in 2016 totalled 1.492 mln tonnes, the lowest level for six years, down from 1.504 mln tonnes in 2015. The import matrix included multi-year lows for imports from key origins like India and Egypt, while there were four-year highs for arrivals from Russia and the US. Imports from Guatemala fell year-on year but were high compared with historical standards.

VI. COGENERATION

In **Brazil**, Albioma announced that it has received a grid connection permit for its cogeneration plant (a joint operation with Vale do Paraná). According to media reports, it is investing BRL100 mln to expand capacity from 16MW to 49MW and expects to export about 60% of generated electricity the grid in 2021.

In the **Philippines**, Roxas Holdings has delayed the construction of a 40MW cogeneration plant to 2020. The power plant will be built in the Negros Occidental province.

VII. ALTERNATIVE SWEETENERS

HFCS

The President of the **Philippines** has directed the Sugar Regulatory Administration (SRA) to regulate the entry of HFCS (sourced mainly from China), according to local press reports. On February 17th, the SRA issued a sugar order on the issuance of clearance for the release of imported HFCS and chemically pure fructose in whatever intensity or form, according to a press release from the SRA. Under the order, the SRA said that an importer or consignee of imported HFCS must be an international trader duly-registered with the SRA at

the time of the application for clearance for release. Applicants for the release of imported HFCS and chemically pure fructose must also submit to the Regulation Department of SRA in Quezon City various requirements, which must all be complied with, before the application can be accepted for processing. The sugar order further provides that the clearance for the release shall indicate the classification of the fructose as either "B" for domestic market, "C" for reserved, and "D" for world market.

VIII. WTO AND FREE TRADE AGREEMENTS

WTO

The WTO announced on 22nd February that the Trade Facilitation Agreement (TFA) had entered into force, having surpassed the minimum requirement of 110 ratifications from members. The landmark agreement aims to cut customs-related red tape, easing the flow of trade between countries by simplifying customs procedures, speeding up the clearance of goods, supporting cooperation among customs officials, and otherwise making it quicker and more efficient for goods to cross borders.

While estimates vary, some agencies such as the OECD have placed the potential reduction in trade costs at approximately 11-15% for low-income and upper middle income countries, though this level would depend on the country involved and the agreement's actual implementation in practice. WTO data further suggests that African and least developed economies are the ones which stand to see the greatest savings as a result of the deal.

Negotiations for the TFA were concluded in December 2013 at the WTO's Ninth Ministerial Conference in Bali, Indonesia, and represents the first new multilateral deal since the WTO was formed in the mid-1990s. While the future of the Doha agenda topics remains in flux, the TFA was able to move forward as part of an "early harvest" of issues that seemed the readiest for an agreed outcome.

Free Trade Agreements

NAFTA

There was considerable discussion about trade issues between the United States and Mexico at the International Sweetener Colloquium including talk about potential retaliation by Mexico in the form of ending, limiting or taxing imports of US HFCS should the US seek to exit or make "unfriendly" changes to the North American Free Trade

Agreement. In the absence of NAFTA, one speaker from Mexico said that the country would revert to the pre-NAFTA duty of 210% on imports of HFCS from the US, which in effect would shut off trade. HFCS (mostly imported from the US with a small amount produced within Mexico) accounts for about 25% of Mexico's sweetener supply and is used almost exclusively by the beverage industry. While Mexico would have the sugar to replace the loss of US HFCS (assuming sugar exports to the United States declined sharply), bottlers still would face the unpopular task of reformulation. The situation remains fragile with a high level of uncertainty. At the same time, US corn refiners would be significantly disadvantaged because they do not have a viable alternative for HFCS exports.

CETA

EU lawmakers voted on February 15th to approve the Comprehensive Economic and Trade Agreement (CETA), a sweeping trade and investment accord with Canada. The trans-Atlantic deal was negotiated over a span of nearly six years and was later signed by leaders from both sides on October 30th 2016, following a heated debate over subjects such as the inclusion of a new investment court system, which was designed to replace the previous investor-state dispute settlement mechanism (ISDS) that has become a common feature of many trade deals.

The two sides could begin implementing the accord on a provisional basis from as early as April, officials say. This means that most of the deal's chapters would be in force, except for those relating to the investment court system and any others that do not fall under EU exclusive or shared competence. In order for the deal to be implemented in full, CETA will also need to be ratified at the EU member state level, which depending on the country will involve the national legislature and in some cases regional legislatures as well.

EU-Indonesia

Trade negotiations between the EU and Indonesia are kicking into gear, according to the EU Trade Commissioner. The two sides launched negotiations last year, confirming plans to hold their first negotiating round in 2016. Officials met for two days in September to help lay the groundwork for future talks, and began to take on more "detailed discussions" during their first full round from 24-27 January. When the negotiations were launched last year, the two sides confirmed that they would be looking at addressing goods and services trade, intellectual property rights, public procurement, competition, and sustainable development topics, among others. They would also be looking to facilitate investment, given the high levels of

foreign direct investment that the EU has in the Southeast Asian archipelago.

The EU is also involved in trade negotiations with Malaysia, Thailand, and the Philippines.

EU-Japan

The EU Trade Commissioner and Japan's Foreign Minister, at a meeting in Bonn on February 19th expressed hope that their two sides can complete negotiations for a free trade deal in the near term, after previously having attempted to conclude the talks last year. The EU and Japan have been negotiating a free trade agreement since early 2013. The last negotiating round - the seventeenth was held in September 2016.

IX. MISCELLANEOUS

According to the press, the city of Philadelphia, US, has collected USD5.7 mln in the first month since a *tax on sugar-sweetened beverages* was imposed.

Japan's national forecaster, Jamstec, repeated the warning that the world could see an *El Nino* and an Indian Ocean Dipole phenomenon in the second half of 2017, which would be similar to 1997 and 2015.

The warming of the eastern Pacific Ocean over the last fortnight has increased the likelihood of an *El Nino* phenomenon happening over the next six months, according to the Australian Bureau of Meteorology (BOM) which pegged the chances of an El Nino at 50%.

Amalgamated Sugar, US, has raised USD16 mln for an education campaign aimed at informing the public about the benefits of using genetically engineered seeds, following the decision by several large food manufacturers to use slightly more expensive *GMO* free cane sugar.

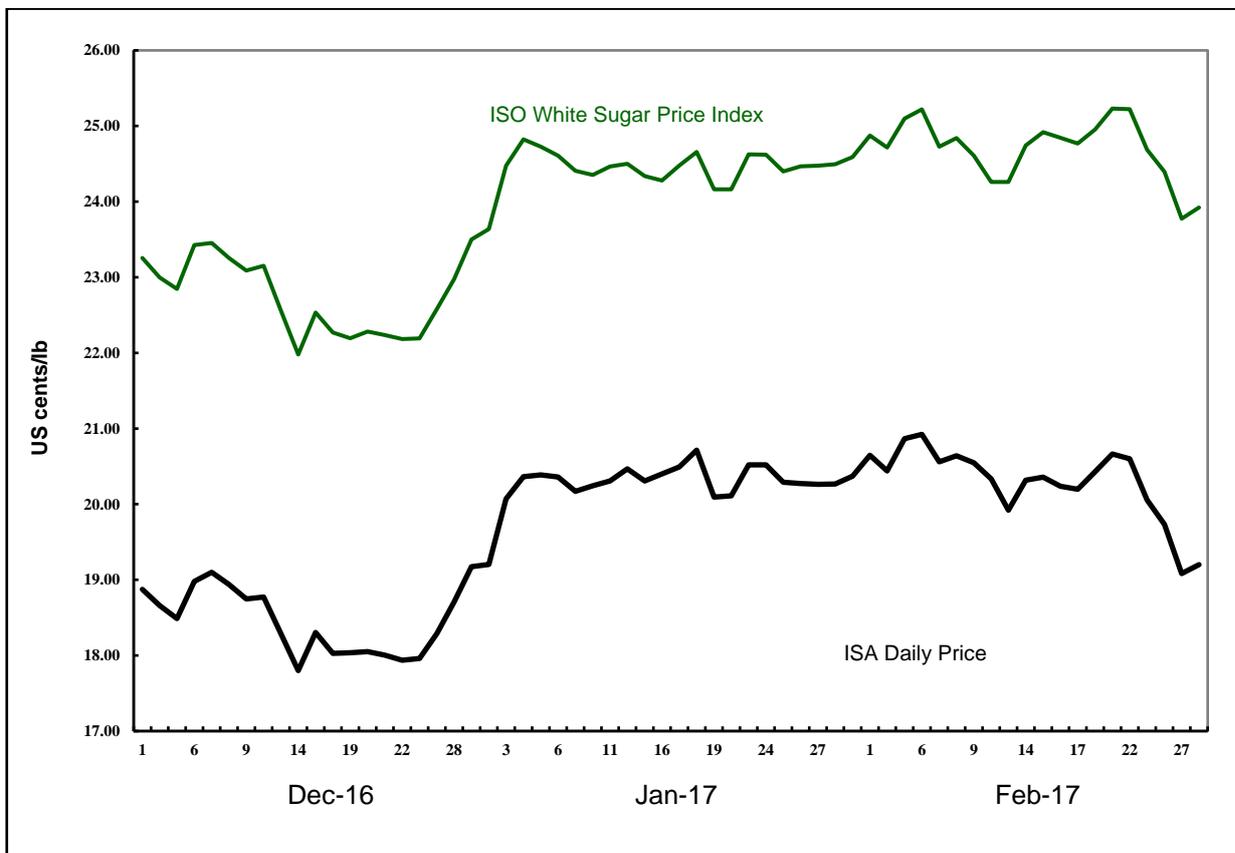
The *FAO world food prices index* averaged 175.5 points in February 2017, up 0.9 points from a slightly revised January value. At this level, the index is as much as 17.2% higher than its level in the corresponding month last year and at its highest value since February 2015. With the exception of vegetable oils, the indices of all other commodities used in the calculation increased in February, especially of cereals.

MARKET EVENTS AND PRICE DEVELOPMENTS December 2016–February 2017

HAPPY NEW YEAR!
Hedge funds rebuild a net-long position in NY

ISMA cut production estimates to 21.3 mln tonnes

March 2017 contract advance in NY



MONTHLY AND ANNUAL AVERAGES, HIGHEST AND LOWEST OF DAILY SPOT SUGAR PRICES

		2016	2017	2017	2016	2015	2016	2015	2014
		Dec	Jan	Feb	Feb	Feb	Jan/Dec	Jan/Dec	Jan/Dec
<u>RAW SUGAR</u>									
ISA Daily Price (fob)*	US cnts/lb								
Average		18.49	20.33	20.28	13.28	14.59	18.06	13.43	17.00
Highest		19.20	20.71	20.92	14.37	15.16	23.30	16.15	18.90
Lowest		17.80	20.07	19.08	12.65	13.89	12.65	11.19	14.90
<u>WHITE SUGAR</u>									
ISO White Sugar Price Index**	US cnts/lb								
Average		22.80	24.48	24.70	17.62	17.43	22.60	16.93	20.18
Highest		23.64	24.82	25.23	18.38	18.08	27.78	19.05	22.45
Lowest		21.98	24.16	23.78	16.68	16.96	16.68	15.06	17.64
ISO White Sugar Price Index**	US\$/tonne								
Average		502.67	539.72	544.62	388.39	384.33	498.13	373.25	444.81
Highest		521.10	547.25	556.25	405.25	398.70	612.40	420.00	495.00
Lowest		484.55	532.70	524.15	367.65	373.90	367.65	331.95	388.95

* The London Daily Price (LDP) for both raw and white sugar ceased to be fixed or published from 1 July 2006.

In the absence of the LDP (raws) and in order to keep the consistency of the long-term series of the ISA daily price, the ISO calculates the ISA daily price as a simple average of the close quotes for the first three future positions of the New York Board of Trade Sugar Contract No. 11.

** White Sugar Price Index is a simple average of the close quotes for the first two future positions of White Sugar Contract in Euronext.liffe, UK

International Sugar Organization

PUBLICATIONS PRICES FOR 2017

Annual Subscription rate for the Monthly Market Report* is £225 inclusive.

Subscription runs from March to February

Seminar Proceedings:

		(MECAS(13)18)*	£305
2016: Bringing Sugar together for 25 years		Indonesia: Future Sugar Prospects (MECAS(13)17)*	£305
	Online	Prospects for Sugar Refineries in Destination Markets (MECAS(13)16)*	£305
2015: Moving Towards a Sweeter Future?		Climate Change and Sugar Crops (MECAS(13)07)*	£305
	Online	International Survey on Prices for Sugar Cane/Beet and Competing Crops (MECAS(13)06)*	£305
2014: Sugar and Ethanol: Fresh Options		Future Role of Sub-Saharan Africa in World Sugar and Sugar Crop Renewable Energy (MECAS(13)05)*	£305
	Online	World Fuel Ethanol Outlook to 2020 (MECAS(12)19)*	£280

Workshop Proceedings:

2016: Sugar: Facts vs Myths	Online	Sugar Perspectives of the MENA (Middle East & North Africa) Regions (MECAS(12)18)*	£280
2015: What issues will the Sugar Sector need to focus on to keep ahead of the game	Online	FDI and M&A in the World Sugar Industry (MECAS(12)17)*	£280
2014: Positioning for the New Market Frontiers	Online	Developments and Drivers of the Sugar Market in CIS Customs Union Countries (MECAS(12)06)*	£280

ISO Studies:

Industrial and Direct Sugar Consumption and International Survey (MECAS(16)18)*	£305	Alternative Sweeteners in a Higher Sugar Price Environment (MECAS(12)04)*	£280
Foreign Direct Investment & Mergers & Acquisitions in the World Sugar Industry (MECAS(16)17)*	£305	International Survey on Yields and Prices for Sugar Crops (MECAS(11)19)*	£250
Prospects for Thailand's Sugar Industry (MECAS(16)07)	£305	Input Costs in Sugarcane and Sugarbeet Farming (MECAS(11)18)*	£250
World Trade of Molasses and Beet Pulp and By-products (MECAS(16)06)	£305	Thailand's Sugar and Fuel Ethanol Outlook (MECAS(11)17)*	£250
Sugar and Health (MECAS(16)05)	£305		
National Sugar Standards:			
A Benchmark Survey (MECAS(15)09)*	£305		
Non-Tariff Policy (NTMs/NTBs) in a Global Sugar Trade Context (MECAS(15)08)*	£305		
Domestic Sugar Prices - a Survey (MECAS(15)06)*	£305		
Government Fuel Ethanol Policy (MECAS(14)18)*	£305		
Outlook for Co-generation in Cane Sugar Industries (MECAS(14)17)*	£305		
Australia's Sugar Industry Outlook (MECAS(14)16)*	£305		
Government Sugar Trade Policy - Tariffs and Tariff Rates Quotas in a World Sugar Market Context (MECAS(14)07)*	£305		
China: Future Sugar Prospects (MECAS(14)06)*	£305		
The EU Sugar Market Post 2017 (MECAS(14)05)*	£305		
Productivity and Innovation in the World Sugar Industry			

Regular Publications:

Sugar Year Book 2016*	£285
Hardback, 400 pages, 150 Country Tables with full details of production, consumption, trade and stocks (7-8 yrs series)	
Ethanol Year Book 2016*	£230
Hardback, over 30 pages of explanatory text plus over 120 pages of tables with details of fuel ethanol production, consumption, trade and stocks for key and emerging countries as well as related biomarkets (7-10 yrs series)	
Quarterly Market Outlook*	£405
Mid-term analysis on sugar, ethanol & sweeteners market development	
Monthly Market Report*	£260
Report on sugar and ethanol markets for the previous month	
World Sugar Balance*	£290
Current forecast and historical data (7 years series) on production, consumption, import and export	

*ALSO AVAILABLE AS A SOFTCOPY

International Sugar Organization

1 Canada Square, Canary Wharf, London E14 5AA

Tel: +44 20 7513 1144

Fax: +44 20 7513 1146

Email: publications@isosugar.org

Web: www.isosugar.org