

56th MECAS Meeting

Quarterly Market Outlook

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55th MECAS Meeting

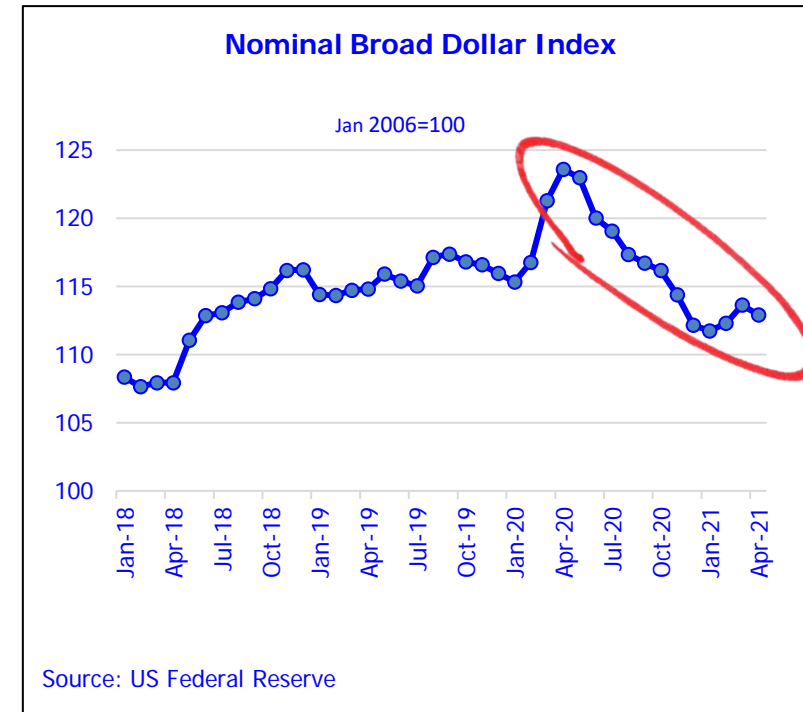
Agenda

- 1 Currency Movements*
- 2 Domestic Prices*
- 3 Commodity Prices*
- 4 Fuel Ethanol*



Currency Movements

- US FED interest rate policy resulted in weak Nominal Broad **USD** Index since start of the pandemic.
- Between February and April, **BRL, CNY, INR, IDR, RUB** depreciated versus the **USD**...
- ...but in May, several currencies appreciated against the USD.
 - **BRL** averaged BRL5.30 / USD in May, from BRL5.56 / USD in April



Currency Movements

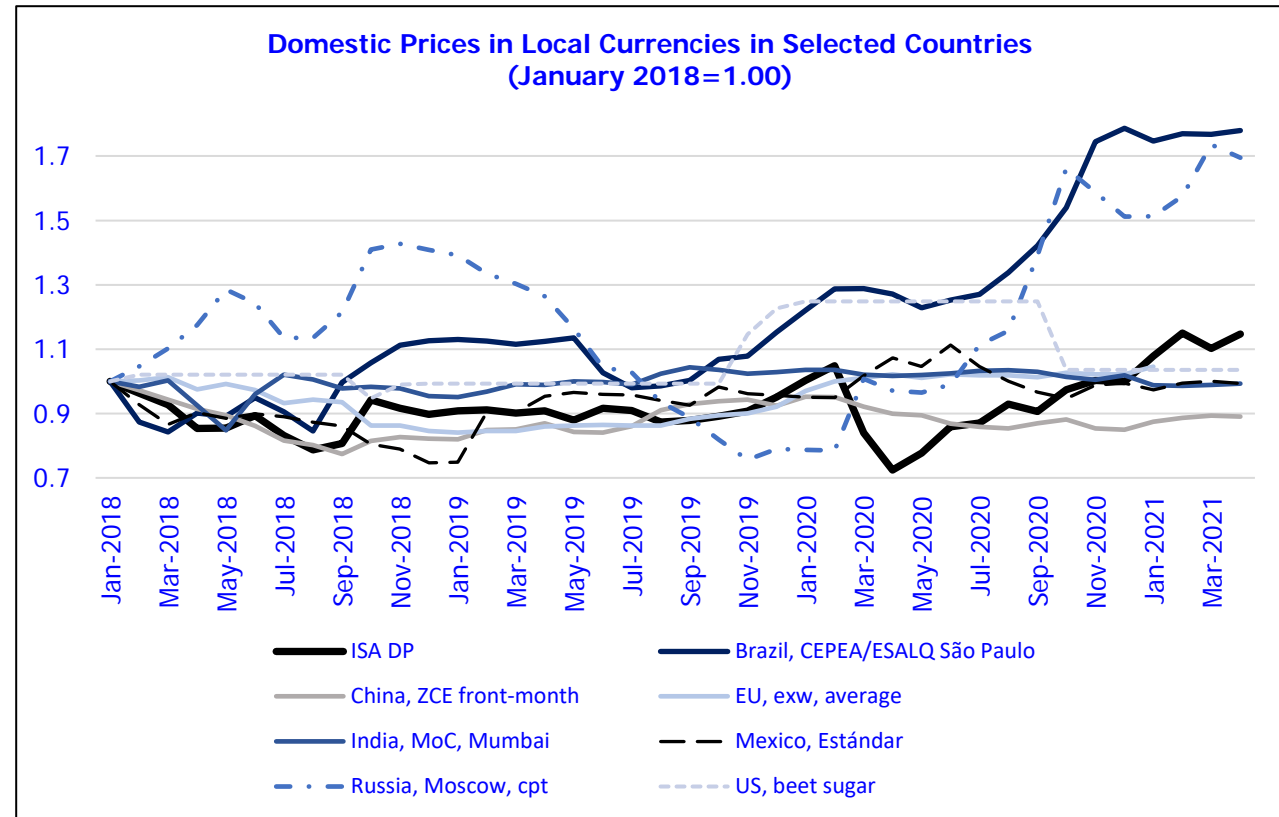
- The **ISA Price** little changed between February and April.
- Expressed in IDR, ISA prices rose 3% as the currency depreciated between Feb-April. Expressed in **BRL, INR** and **MYR**, ISA prices rose 2%. In terms of **EUR** and **CNY**, they rose 1%.
- In **MXN**, Prices fell 2%. In **GTQ**, ISA prices eased 1%.
- In terms of **AUD, IRR**, and **KRW** ISA Prices were little changed.

ISA Price (cent/lb) in selected currencies

		Feb-21	Mar-21	Apr-21	3-month change
US Dollar	USD	16.20	15.54	16.16	0%
Australian Dollar	AUD	20.90	20.15	20.99	0%
Brazilian Real	BRL	87.74	87.73	89.87	2%
Chinese Yuan	CYN	104.65	101.16	105.35	1%
Euro	EUR	13.39	13.06	13.49	1%
Guatemalan Quetzal	GTQ	125.26	119.77	124.57	-1%
Indian Rupee	INR	1178.80	1131.20	1202.60	2%
Indonesian Rupiah	IDR	227282	223458	234702	3%
Iranian Rial	IRR	680400	652680	678720	0%
Korean Won	KRW	18011	17576	18090	0%
Malaysian Ringgit	MYR	65.55	63.86	66.65	2%
Mexican Peso	MXN	329.34	322.54	323.45	-2%
Thai Baht	THB	485.88	478.47	506.46	4%

Domestic Prices

- Mixed results for domestic prices
- Increases in **Brazil, EU, India, and Russia**
- Prices broadly stable in **Mexico and the US**



Domestic Prices

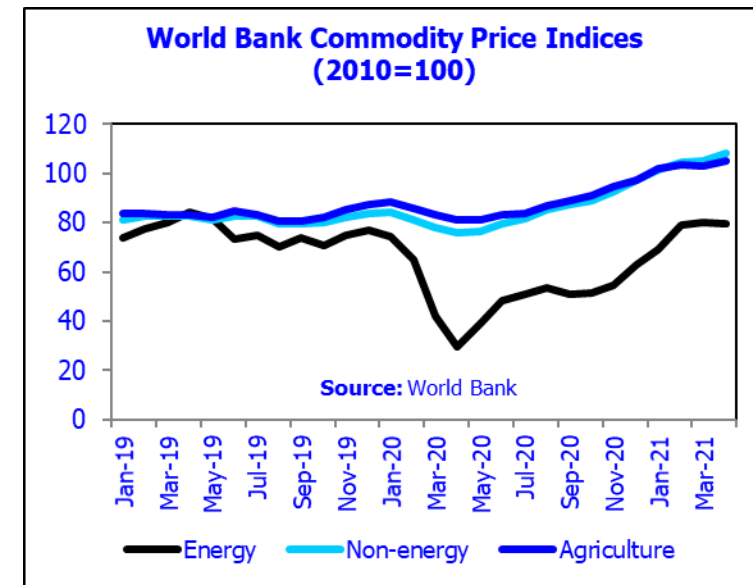
Domestic price changes in LCU and USD in selected countries

		Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	3-month change (Feb-Apr*)	
ISA DP	USD/tonne	288.81	281.75	302.69	311.73	310.41	335.32	▲	8%
Brazil	BRL/tonne	2,123.83	2,175.64	2,126.15	2,153.96	2,151.67	2,166.75	▲	1%
	USD/tonne	392.01	423.28	396.88	397.28	381.48	389.54	▼	-2%
China	CNY/tonne	5,116.52	5,091.00	5,242.00	5,309.60	5,350.83	5,336.05	▲	0%
	USD/tonne	774.60	778.24	810.38	821.97	822.06	818.59	▼	0%
EU	EUR/tonne	379.00	379.00	388.00	390.00	394.00		▲	1%
	USD/tonne	448.35	460.38	472.43	471.74	468.80		▼	-1%
India	INR/tonne	32,814.70	33,285.70	32,288.00	32,208.90	32,308.00	32,436.70	▲	1%
	USD/tonne	415.28	415.98	398.53	392.70	389.17	386.07	▼	-2%
Mexico	MXN/tonne	15,998.11	16,092.14	15,748.52	16,093.53	16,197.68	16,081.46	▼	0%
	USD/tonne	785.63	804.59	790.51	791.42	780.52	803.47	▲	2%
Russia	RUB/tonne	43,597.02	41,538.34	41,553.42	43,262.78	47,664.90	46,538.20	▲	8%
	USD/tonne	567.69	558.30	558.63	582.08	640.40	611.55	▲	5%
US	USD/tonne	804.69	804.69	804.69	804.69	804.69	804.69	■	0%

*EU Feb-Mar

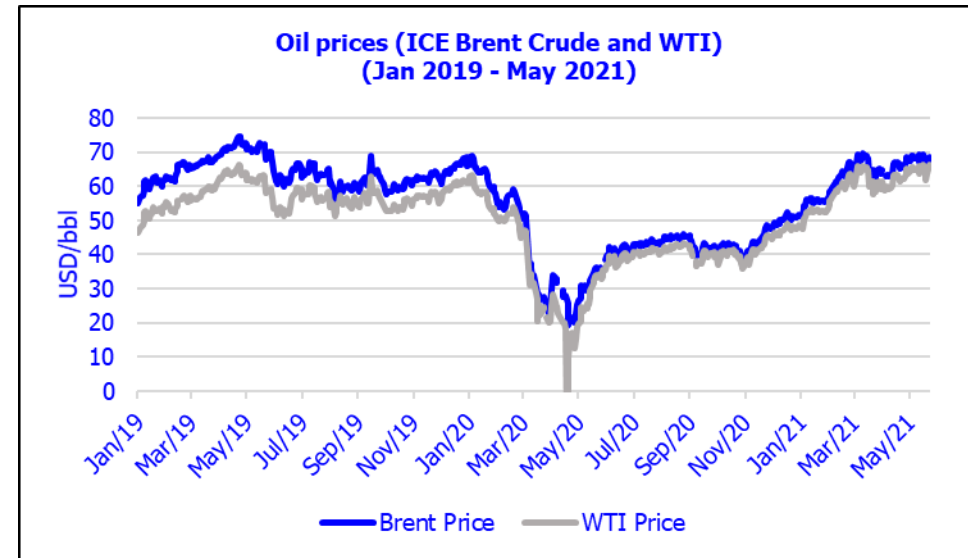
Commodities

- Surge in Commodity prices in Q1 2021
- **Non-energy** prices up 12% in Q1
 - **Agriculture** price index rose
 - Wheat futures hit multi year high of USD7.5/bu
 - Soybean futures hit a near 9-year high
 - Corn prices at highest since 2013.
- World Bank **energy** price index up by 1/3 in Q1 2021.



Commodities

- **Crude oil** prices recovered to around USD70/barrel
- Supported by supply cuts in OPEC+ countries
- Improved economic outlook in many countries...
- ... but oil demand still down at least 5% from 2019 levels



Ethanol

- 2021 continues to be a challenging year for transport fuels, and fuel ethanol
- In the US, gasoline usage expected to increase in 2021, boosting ethanol production and inclusion.
- In Brazil, production in 2021 set to fall, consumption rise.
- In India, the Ethanol Blended Petrol programme gets a boost, with E20 target advanced to 2023, resulting in higher production and inclusion
- Global Supply and demand are not expected to recover to pre-covid levels in 2022

Production and Consumption

US



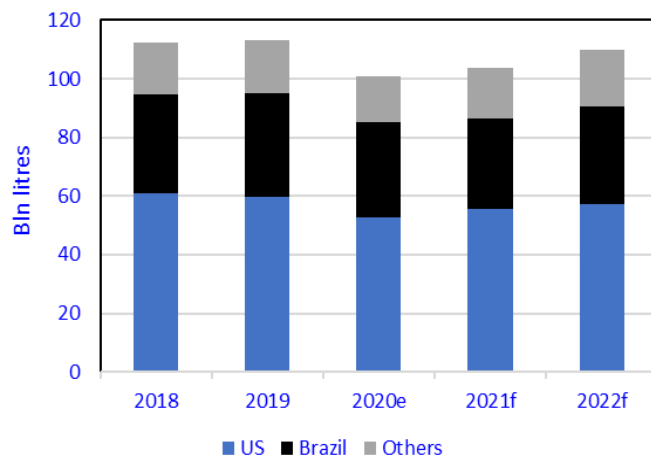
Brazil



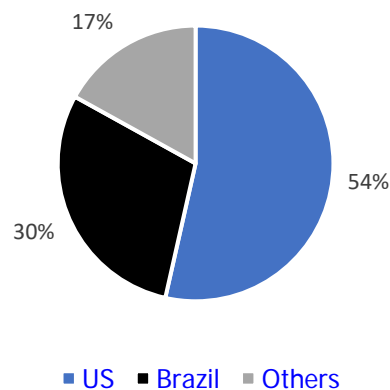
India



World Ethanol Production

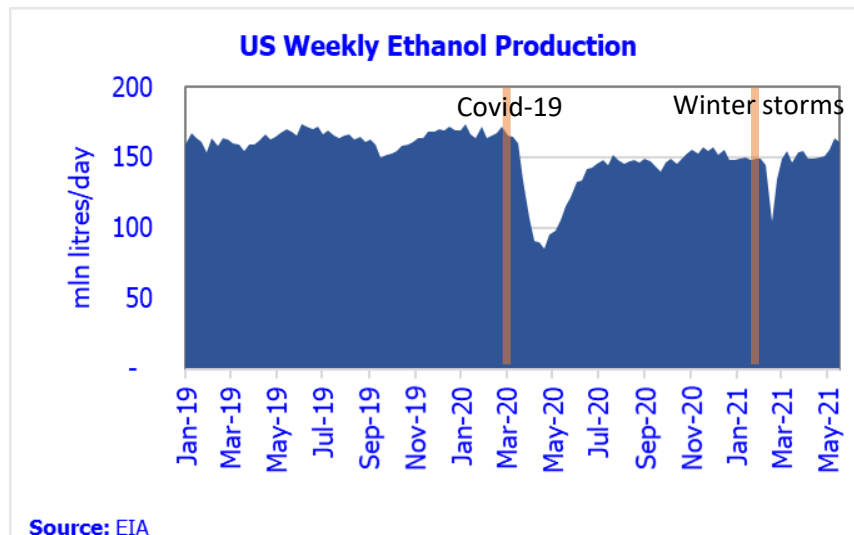
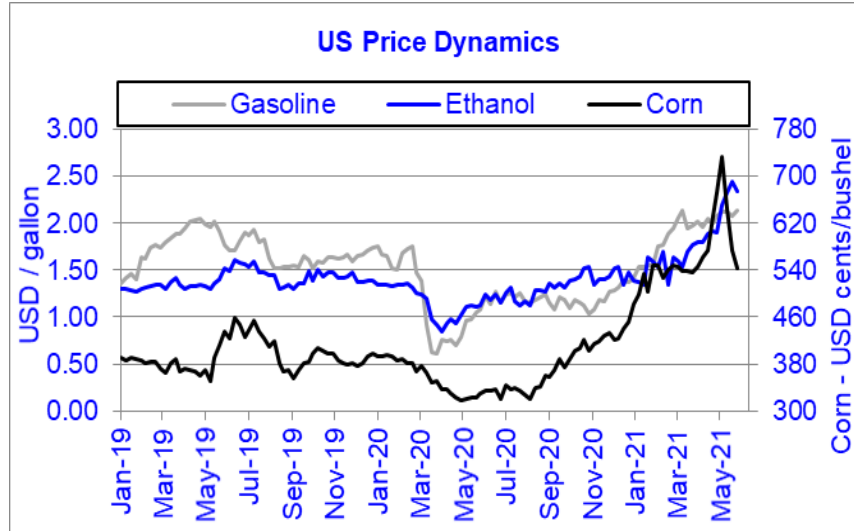


Share of World Ethanol Production (2021f)



- World **production** in 2021 revised to 103.9 bln litres.
 - expected to recover in 2022 to 109.7 bln litres.
- World **consumption** in 2021 revised to 103.4 bln litres.
 - expected to recover in 2022 to 107.3 bln litres.
- US and Brazil dominant producers (84% of world total) and consumers.

US Dynamics

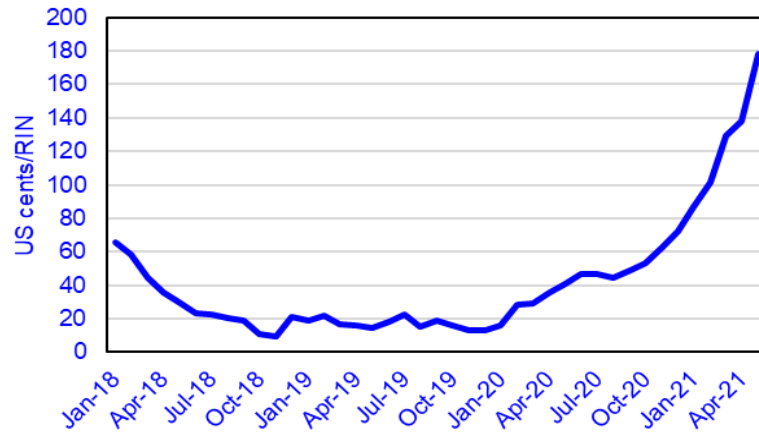


Source: EIA

- Corn / ethanol prices rally
 - Sold at a premium to gasoline
 - Producer margins supported by record RIN values
- US ethanol production suffered two recent shocks: Covid-19 (Mar 2020) and winter storms in Feb 2021
 - ...lower demand had kept production lower than pre-Covid-19
 - Gasoline usage improving
 - Summer driving season
 - Vaccination levels

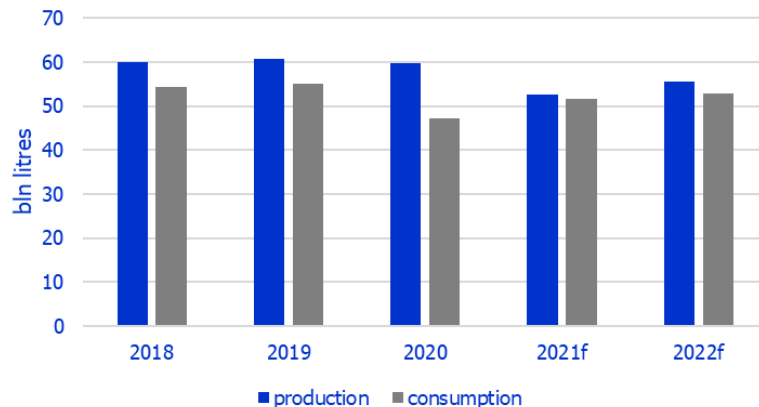
US Dynamics cont.

Monthly Average Current Year RIN Values

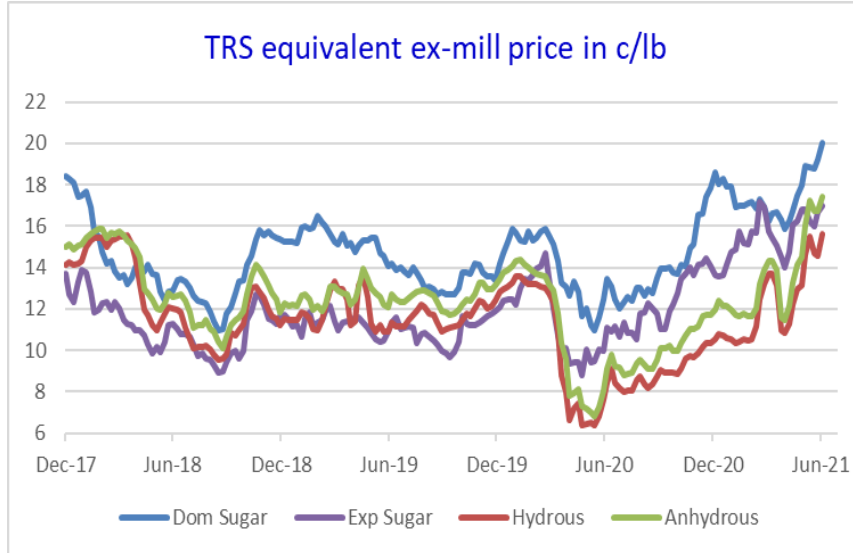


- RIN values rise to highest since start of RFS programme
- Exports down so far in 2021 compared to 2020
- Policy uncertainty:
 - Industry continues to wait for EPA to release renewable volume obligations in RFS
 - Uncertainty regarding small refinery exemptions
- Policy support:
 - Coronavirus relief programmes
 - Higher Blends Infrastructure Incentive Program

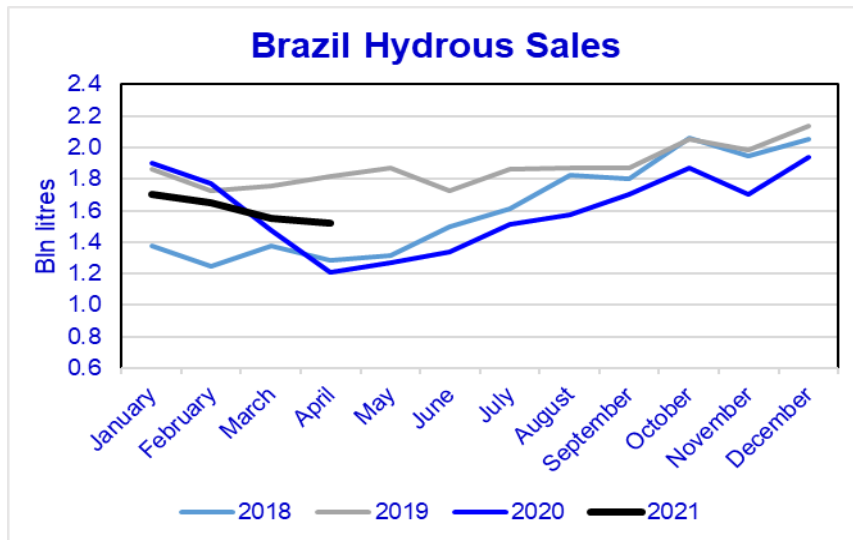
US Ethanol production and Consumption



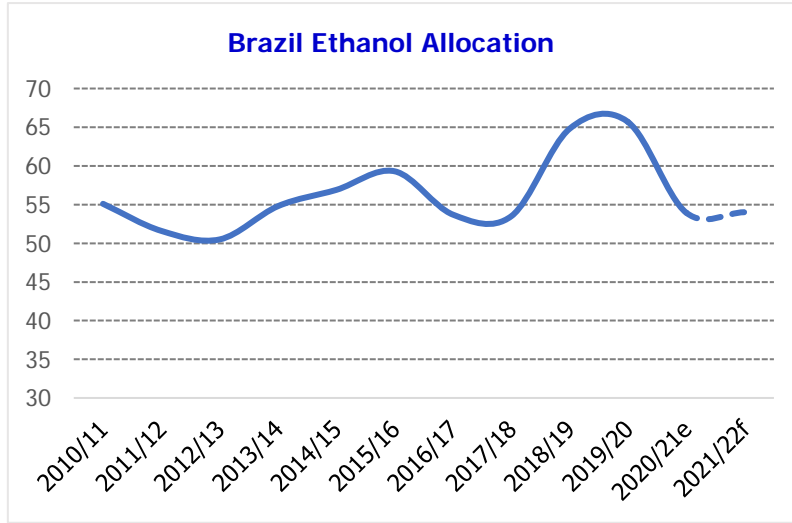
Brazil Dynamics



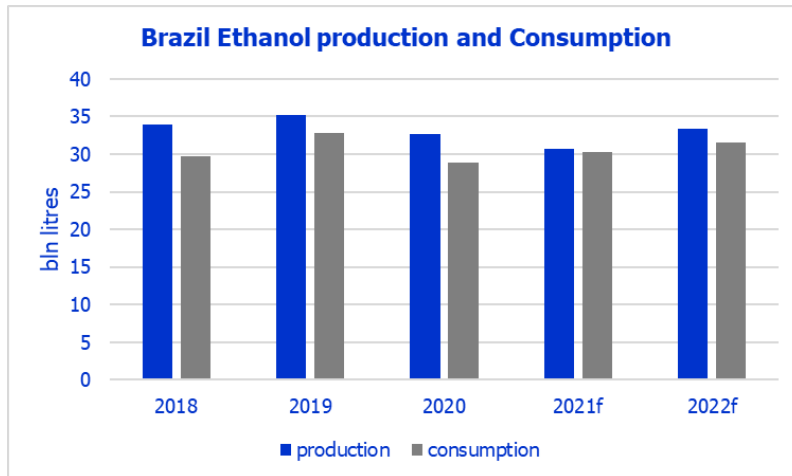
- Sugar exports more profitable than hydrous ethanol despite strengthening BRL
- Improving fuel demand vs 2020, boosting ethanol prices
- But gasohol still preferred at the pump, anhydrous ethanol demand up as a result



Brazil Dynamics cont.



- CS Brazil production mix still focuses on sugar
- Lower crop expected, production set to fall
- Tighter ethanol balance
 - BRL strengthening?
 - More imports?



India

India

- 2021 set to be a record year for production and consumption
- Production set to rise to 2.7 bln litres, up from around 2 bln litres in 2020
- Government support for b-molasses and cane juice to divert production from sugar...
 - ... ethanol prices raised
- Mills contracted to supply 3.23 bln litres
- National E20 target advanced to 2023

Source-wise Procurement Status of Ethanol

(in Crore Litres)

Raw Material	Total LOI Qty.	Total Contracted Qty.	Receipt Qty.
Sugarcane Juice / Sugar Syrup / Sugar	43.33	41.86	30.60
BHM (B-Heavy Molasses)	196.73	184.44	85.73
CHM (C-Heavy Molasses)	61.82	56.12	20.26
DFG (Damaged Food Grains)	42.61	37.71	14.77
SR (Surplus Rice)	3.55	2.93	0.66
Total	348.04	323.06	152.02

All-India Average Ethanol Blending

The average all-India ethanol blending percentage as on 31.05.2021 = 7.66%

Conclusion

- Uncertainty remains over the impact of the pandemic on global fuel supply and demand
 - Vaccine timing and effect on fuel usage?
- World production in 2021 revised to 103.9 bln litres, but expected to recover to 109.7 bln litres in 2021
- Global consumption to fall to 103.4 bln litres in 2021 and rise in 2022 to 107.3 bln litres
- US and Brazil remain key to the global outlook in 2021
 - US – returning to “normal” fuel ethanol production and use levels
 - Brazil – lower crop, BRL strength, ethanol vs sugar parity, competitiveness of hydrous vs gasohol factors to look out for
- Positive developments in India, where higher ethanol prices will continue to spur additional production and offtake



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Thank you

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