

1. Adoption of the Agenda

5 minutes

The Draft Agenda was distributed with **Draft MECAS/Agenda(18)01** of 30th March 2018.

2. Market Situation and Outlook

90 minutes

Since our last meeting in November, world market prices remained under bearish pressure of surplus fundamental. World market prices fell from about USD15 cents/lb to USD11.14 cents/lb on April 25th, the lowest daily quotation since December 2008. Since then, raw sugar prices have rebounded to the current level of about USD12.80 cents/lb (**CHECK ON 27TH**). What are the fundamental factors behind a dull tone of the market? For this meeting of the MECAS Committee the Secretariat prepared the third revision of the world sugar balance for 2017/18 as well as some tentative projection for the coming 24 months.

The **US dollar** reached an eleven-month high in June, pressuring emerging and developed market currencies. In May, the Brazilian Real hit its weakest level since early 2016, while the Euro recently slid to its lowest level since mid-2017, boosting their export competitiveness.

Turning to **commodities**, the price of Brent crude and WTI oil has surged, with Brent touching USD80/barrel for the first time since 2014. While growing US production was expected to cap rising prices, it has not yet made a significant impact due to constraints on new shale oil production. Shifting the attention to **domestic sugar prices**, markets monitored by the ISO have seen mixed results. Owing to this season's bumper crop, the fall in India's sugar prices has outpaced the decrease in world prices since the start of the October/September season.

Turning now to our fuel ethanol analysis in the *Quarterly Market Outlook*. Our latest assessment of world **production** in 2018 is approaching 106 bln litres up from our previous projection of 102.5 bln litres in November. A key driver for higher output is the situation in Brazil. Ongoing weakness in the world sugar market has prompted Brazilian mills to change their sugarcane allocation: that is, more ethanol and less sugar. Meanwhile, Brazilian consumers are facing rising gasoline prices as a result of higher global oil and gasoline values, which is altering the demand profile in favour of hydrous ethanol.

In the US, production has also continued at pace thanks to cheap corn, but the weekly output totals are well above domestic usage levels, resulting in a drive towards exports and a political move towards year-round E15 usage. In Asia we consider developments and prospects in China and India.

One fresh long-term dynamic has become clearer in recent months, especially in Europe. A negative consensus against diesel is building, both due to car producers flaunting rules as well as the impact of non-CO₂ pollutants on health.

Mr. Sergey Gudoshnikov will introduce the Outlook for Sugar followed by **Mr. Pedro Arruda** to present Domestic Prices, Currencies and other Commodities. Finally, **Mr. Peter de Klerk** with an assessment of the Outlook for Fuel Ethanol and Molasses.

Introduction of PETER to Members

Peter de Klerk joined the ISO in January 2018 and this is his first MECAS meeting. Peter has worked in the sugar trade for nearly two decades and brings a strong research and commercial knowledge to the ISO.

3. MECAS(18)05 – Recent Trends in Seasonality of World Supply and Demand for Sugar

30 minutes

The strict October/September basis for the ISO world sugar balance projections sometimes do not reflect important developments within any given crop year, particularly for countries with crop cycles significantly different from the October/September year (e.g. Argentina, Australia, Brazil, Colombia, or Southern Africa among others). In order to enhance further the ISO analysis of market fundamentals and their impact on world sugar market, we are planning to use quarterly balances as a new tool for forecasting trade flows in the course of a particular season and possible impact of fundamentals on world market values. This study is a preparatory paper which will allow the introduction of quarterly world sugar balances as a permanent feature of the ISO Quarterly Market Outlook.

Mr. Sergey Gudoshnikov to present study

4. MECAS(18)06 – Prospects for Brazil’s Sugar and Ethanol Industry

30 minutes

While Brazil remains the market leader in sugar and cane-based ethanol, its industry has had to contend with significant challenges over the last decade. During the peak of the expansion of the industry between 2005 and 2009, over 20 new mills came on-stream every year. Since 2010, however, the number of new mills operating has reduced to a trickle and several have had to close down due to financial difficulties. On the agricultural side, slower growth in cane areas, lower cane field renovation rates, and reduced agricultural productivity were experienced. The question is, what does the future hold for Brazil? It is not all bad news. Looking ahead, the diversified nature of the industry and the support of a new National Biofuels Policy may prove essential in restoring its health.

Mr. Pedro Arruda to present study

5. MECAS(18)08 – Profiling the African Sugar Market and Future Trade Landscape

30 minutes

The sub-Saharan Africa (SSA) region has a particular position in the sugar market today. It holds the greatest potential for sugar consumption growth of any global region, with below-average per capita consumption and above-average population growth. It has abundant resource for the expansion of agricultural production, in general, and sugar production in particular. It also has potential for diversification into biofuels, cogeneration and cooking fuels.

This paper identifies and investigates key structures and developments in national industries and sets out regional balances. Additionally, the flow of sugar from Brazil into the region will be identified. The current RTA structure and alternative strategies to the long-standing EU quota programme will be considered.

Mr. Peter De Klerk to present study

6. Verbal report on the 2018 Work Programme

5 minutes

In 2018 the Secretariat has prepared three in-depth studies:

1. Recent Trends in Seasonality of World Supply and Demand for Sugar (MECAS(18)05)
2. Prospects for Brazil's Sugar and Ethanol Industry (MECAS(18)06)
3. Profiling the African Sugar Market and Future Trade Landscape (MECAS(18)08)

Each of the study sits neatly with our strategic direction of providing economic information which allows members governments and the private sector to understand the key economic and policy related drivers of the world sugar, ethanol and sweetener industries.

For November, according the MECAS Working Programme

(C(17)08) three more studies will be prepared:

- Sugar in an Evolving Trade Pact Landscape Trends in Sugar Trade Logistics
- Sugar & the Sustainable Development Goals
- Prospects for Pakistan's Sugar Industry

(With the last study in November the Council decided that it will be completed by the Secretariat in the second half of 2018 – ISC decisions-52, item 11. In 2016/17 Pakistan became the world's fifth largest cane sugar producer and output has surged even higher in 2017/18. Production has exceeded consumption in most years over the past decade. This would be the ISO's first attempt to analyse the sugar situation in Pakistan. With a constant surplus the industry is looking to become a significant exporter to the Asian deficit countries, with potential considerable knock-on effects for existing suppliers – SG)

7. Any Other Business

10 minutes

Statistics

The Secretariat is at the final stage of the ISO Sugar Yearbook preparation (**To check on June 27TH**). So far, we have not received statistics for the 2017 calendar year from

Barbados
Belarus
Cameroon
Chad
Congo
Cote D'Ivoire
Cuba
Ecuador
Egypt
Ethiopia
Ghana
Guyana
Honduras
Indonesia
Iran
Kenya
Madagascar
Morocco
Mozambique
Nigeria
Pakistan
Panama
Paraguay
Serbia
South Africa
Sri Lanka
Switzerland
Tanzania
Thailand
Tunisia
Uganda
United Arab Emirates
Zambia

Reminder - ADMIN Meeting at 3pm

Countries to attend ADMIN Committee

attached

ADMINISTRATIVE COMMITTEE
Wednesday 27 June 2018
at 3.00 pm

LIST OF COUNTRIES

10 Largest – Appointed Automatically

- AUSTRALIA
- BRAZIL
- CUBA
- EGYPT
- EU
- INDIA
- REPUBLIC OF KOREA
- RUSSIAN FEDERATION
- SOUTH AFRICA
- THAILAND

Plus 8 Elected Members

- ARGENTINA
- CÔTE D'IVOIRE
- FIJI
- GUATEMALA
- NIGERIA
- PHILIPPINES
- SWAZILAND
- SWITZERLAND

8. Guest Speaker

30 minutes