

Market Report

> FranceAgriMer's Economic analysis of the sugar market

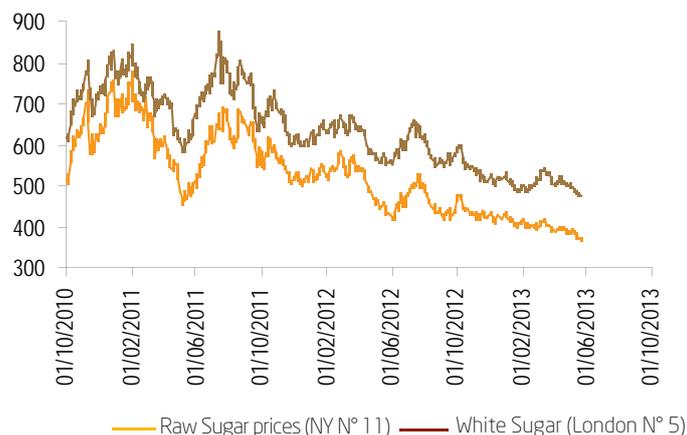


• number 21 / June 2013 / **Sugar Market Report**

The beet campaigns are finally completed in the northern hemisphere. In 2012-2013 for the first time, the world sugar production will exceed 181 Mt, which is more than 10 Mt than the consumption needs. The share of cane sugar production in global production is expected to grow to 79.0% against 77.1% in the previous year. In most countries, the cane or beet harvests were good, superior to those of last year (Brazil, Mexico, and China) or slightly decreased (India, Thailand, Russia). Sugar production in Brazil would reach 40.6 Mt, slightly less than 26.6 Mt in India, and 10.3 Mt in Thailand. Mexican production, which is estimated at 6.5 Mt, is exceptional. The decline in production in Russia and Ukraine is not big enough than expected, and totaled 7.6 Mt. In this context, global prices have significantly decreased in May, falling to their lowest three-year level. The 2012/13 EU sugar production which is estimated at 17 Mt fell by 1.7 Mt compared to the previous year. At the end of May 2013, 0.9 Mt of sugar in the form of exceptional imports and out of quota sugar conversion have fuelled food sugar market. The supply of the latter one is ensured and the stock of quota sugar is expected to increase again at the end of campaign at the level of 2 Mt. At the same time, since February, the rising sugar price on the EU market is interrupted. Although declining, the level of the French sugar production (4.5 Mt against 5 Mt) is sufficient to participate in the EU market supply as in previous years, exporting 0.3 Mt of sugar as such.

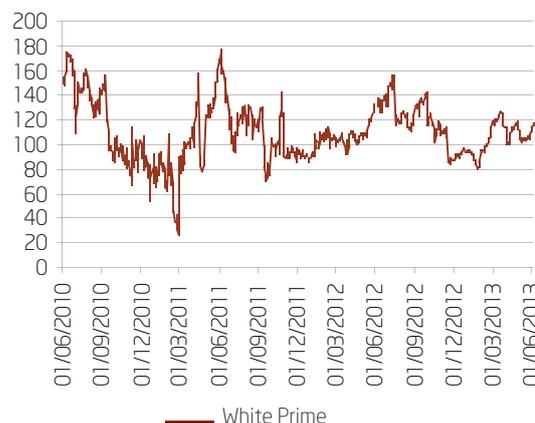
THE WORLD SUGAR MARKET. 2012/13 - SECOND CONSECUTIVE YEAR OF SIGNIFICANT WORLD STATISTICAL SURPLUS

World sugar prices (\$/t)



Source : LIFFE et ICE

White nominal premium (\$/t)



Source : LIFFE et ICE

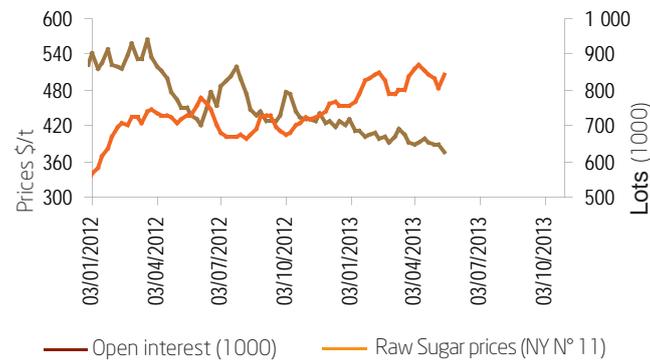
Since October 2012 the decline in world sugar prices was quite irresistible and steady with USc20/lb until November 2012, USc19.5/lb in December 2012 and less than USc19/lb in January 2013. The lowest prices since August 2010 at the end of mid-May 2013 which declined to 16.55 (31/05/2013) cents/lb showed the great impact of the surplus on the market

As for monthly averages the differential between the ISO White Sugar Price Index and ISA daily price improved from USD 96.12/tonne in February to USD102.29/tonne in April, and fell to USD 94.14/tonne in mi May followed by confirmation that Thailand's 12/13 output has proven to be higher than expected with both Brazil and Mexico reaching a new sugar production record.

Improving estimates of world production and stocks in 2012/13 marketing year do not leave a chance for a rise in sugar prices. World output growth is ahead of the global demand for sugar by 4.3%. Given these factors, the experts can not expect a possible increase in prices for the current marketing year.

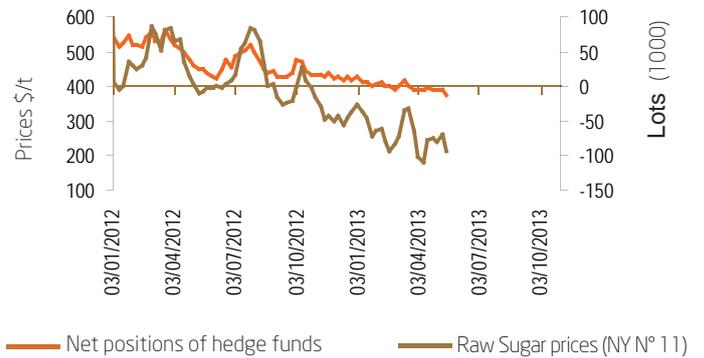
The May trading price for raw sugar for July delivery fell to 16.94 cents/lb. This is the lowest price level since July 16, 2010.

Prices of raw sugar and open interest on the NY futures market



Source: CFTC (Com

Prices of raw sugar and net positions of hedge funds



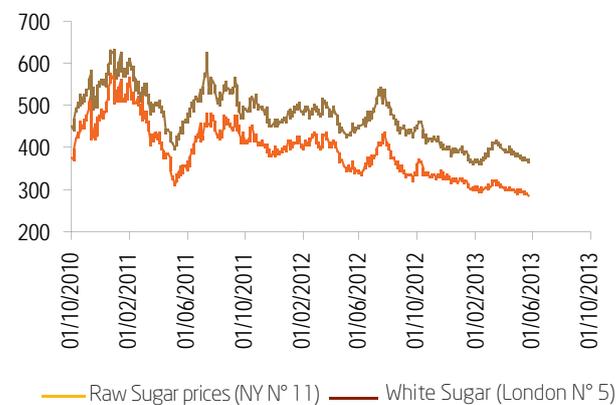
Source: CFTC (Commodity Futures Trading Commission)

According to US Commodity Futures Trading Commission (CFTC) analysts, the raw sugar will be sold at 17.5 cents/lb in New York in the next three and six months. The previous forecast promised price at 18.5 cents/lb.

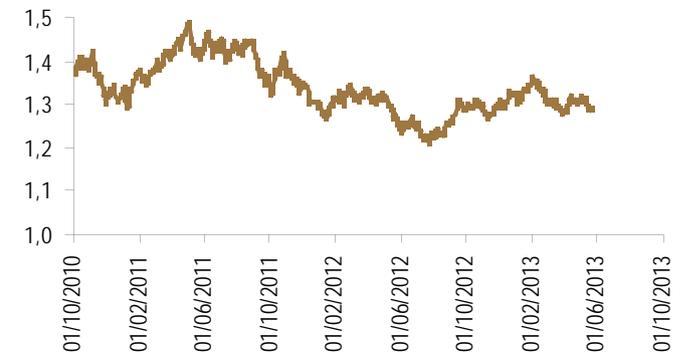
The May average price quotation for raw sugar for July 2013 delivery on the New York Mercantile Exchange amounted to 376.50 USD / t, which is 13.85 USD / t less than the April average price quotation.

Until now the futures markets remain bearish driven by fundamentals, taking into account the number of net-short positions of the hedge funds which reached a record of 110 000 lots on 9th of April, which means that in order to unwind their positions through purchases, they bet on a decline in the future.

World sugar prices (€/€)



Exchange rate (€/€)

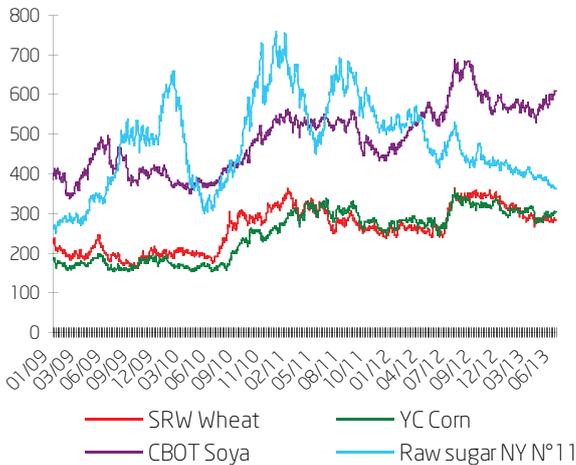


Source: CFTC (Commodity Futures Trading Commission)

Since November 2012, the financial community kept a large volume of short positions on sugar. Some of these positions have been covered recently, especially in March and April. Although in May the funds reduced the number of net-short positions to 80 000 lots, the latter remains at an exceptionally high level.

As always, the monetary factor also affects the price changes. Maintaining a high exchange rate of the US dollar vis-à-vis the currencies of major exporters promotes lower world prices, as constant prices in the currency of the exporting country will be lower than US dollar.

Evolution of prices (FOB) of other agricultural commodities (\$/t)



Source : CBOT, ICC

According to ISO analysts, wheat, sugar and corn prices decreased by respective 14%, 12% and 13% after last year highs, nevertheless over the longer term corn, wheat and soybeans prices remain relatively high with a respective 68%, 53%, and 44% increase in April 2013 in comparison with January 2010. The current season the trend is obviously going to persist leaving almost no room for eventual correlation with the raw sugar.

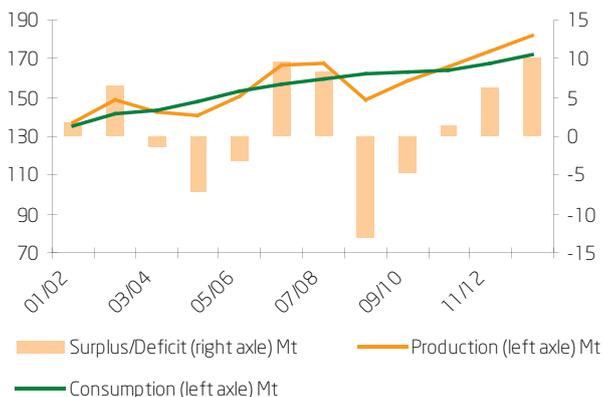
In mid-May the upward trend was pronounced for July futures corn contracts and a slight downward trend for new-crop December futures. The July soybean futures contracts went up as well with the new-crop November soybeans futures. July wheat futures were trading high in the beginning of May while raw sugar prices were moving back down. The mood on the European markets of wheat continues to be defined by the situation in Chicago, where the quotes for wheat started to fall in the second half of May.

According to the estimates of different analysts (ISO, FO Licht, Kingsman, USDA, Rabobank) in 2012/13, the global production/consumption balance will be once again in surplus with the 10 Mt gap with the indications coming from the 11/12 season (7 Mt). The main factor behind the decline in world prices was probably determined by two successive surplus campaigns (2011/12 and 2012/13). According to ISO and FO Licht the world sugar production is around 182 Mt in 2012/13 against 175 Mt in 2011/12 setting a new production record. Global sugar consumption is around the level of 170 Mt (171.73 Mt according to ISO and 168.69 Mt according to FO Licht), up to 3 Mt compared to the year 2011/12.

World sugar balance	Production	Consumption	Surplus/deficit
	2012/13 (for)	2012/13 (for)	2012/13 (for)
FO Licht (14/03/13)	183,1	173,1	10,0
ISO (20/05/13)	181,7	171,7	10,0
ISO (15/02/13)	180,4	171,8	8,5

According to ISO forecast in 2013/14 the global surplus would reach 3,5 Mt, while the forecast for 2012/2013 increased from 8.5 Mt to 10 Mt.

World Production Balance (Mt)



Source : ISO

The downward trend will continue due to the fundamentals factor fuelled by further possible increase in 2012/13 surplus which will probably flow into a new crop season. These price dynamics leaves no optimism for a significant improvement.

Thus, the export availabilities remain at a quite high level (55.9 Mt), while the demand for imports falling for the second consecutive season as it was projected previously (51.6 Mt against 52.7 Mt in 2011/12 and 55.3 Mt in 2010/11). The imbalance between import demand and export availability is getting bigger though not excluding the stocks' increase due to a massive trade surplus projected for 2012/13. The global consumption is estimated at 171.73 (ISO May Report) which in its turn slow down the exports.

Evolution of production in major exporting countries (Mt raw)

Exporting countries	Production			Consumption			Surplus/deficit		
	2012/13 (for.)	2011/12	2010/11	2012/13 (for.)	2011/12	2010/11	2012/13 (for.)	2011/12	2010/11
Brazil	40,6	34,6	38,1	13,4	13	13,3	27,2	21,6	24,8
India	26,6	28,5	26,6	24,6	24	22,5	2	4,5	4,1
Thailand	10,3	10,7	10	3	3	2,7	7,3	7,8	7,4
Mexico	6,5	5,3	5,3	4,5	4,5	4,3	2	0,8	1
Australia	4,5	4	3,5	1	1	1,1	3,5	3	2,4
Total major exporting countries	88,5	83,1	83,6	46,5	45,4	43,9	42	37,7	39,7

Sources : ISO, FranceAgriMer (May 2013)

Evolution of production in major net importing countries (Mt raw)

Exporting countries	Production			Consumption			Surplus/deficit		
	2012/13 (for.)	2011/12	2010/11	2012/13 (for.)	2011/12	2010/11	2012/13 (for.)	2011/12	2010/11
Russia	5,2	5,5	3,5	5,9	5,7	5,9	-0,7	-0,2	-2,4
Algeria	0	0	0	1,4	1,4	1,3	-1,4	-1,4	-1,3
Indonesia	2,6	2,5	2,5	5,7	5,5	5,4	-3,1	-3	-2,9
Pakistan	5,2	5,2	4,5	5,1	4,9	4,8	0,1	0,3	-0,3
China	13,9	12,5	11,4	15,4	15	14,8	-1,5	-2,5	-3,4
Malaysia	0	0	0	1,5	1,5	1,4	-1,5	-1,5	-1,4
USA	8,4	7,7	7,1	10,5	10,4	10,3	-2,1	-2,7	-3,2
EU	17,3	18,9	16,7	19,3	19,2	19,2	-2	-0,3	-2,5
Total importing countries	52,6	52,3	45,7	64,8	63,6	63,1	-12,2	-11,3	-17,4

Sources : ISO, FranceAgriMer (May 2013)

Brazil: Records continue

According to different estimations (ISO, USDA, F.O. Licht) Brazil's production is forecast at a record 40.6 Mt, up 1.8 million on higher yields. The good weather will remain the main positive factor. The Brazilian exports are estimated at 27 Mt. The ethanol production, which increased due the high domestic demand, doesn't seem to suppress the sugar exports. China remains Brazil's top market along with such markets as the United Arab Emirates, Algeria, Indonesia, Russia and India.

Thailand: Production boosts

The production in the country, which was estimated last season at around 10,7 Mt due to the drought, will reach in the ongoing season a record level at 10.3 million (ISO, F.O. Licht). The exports are expected at a record level of 8.5 Mt due to the improving demand from Asia, especially from Indonesia. The consumption continues to grow reaching 3 Mt comparing to 2.9 Mt in the previous season.

India: Towards the new market system

India's production is estimates around 26.6 Mt (ISO, F.O.Licht) because of the less important than expected sugarcane yields. The production that trends to go down along with the low world prices will provoke the imports' increase estimated at 1.3 Mt (ISO, USDA). The country's exports are expected to remain at 1Mt tons (ISO). Starting from April 4, the Indian Government deregulated sugar sales and eased its control over sugar mills, making the industry more reactive to market dynamics.

China: Consumption is in upward trend

China's production is forecast at 14 Mt, based on coming quite high yields. Consumption continues to increase reaching 15.5 Mt (ISO). Its increase would have provoked provoke in its turn the rise in imports but it didn't happen. The imports to China in 2012/13 are estimated at 1,641 Mt (ISO, F.O. Licht), compared to 2.077 Mt imported in the first seven months of 2011/12 mostly provided by Brazil.

Mexico: Still faithful to US

Mexico's production is estimated at 6.5 Mt (ISO, F.O. Licht), up 1.2 Mt more than last season. The consumption in the country is expected to go up along with both exports and ending stocks (2 Mt and 1.4 Mt respectively). Mexico tends to remain in the future the largest exporter to the United States.

Russia: Lack of investments in the sector

Russia's production is increasing amounted to 5.2 Mt (ISO, F.O. Licht). Last season beet crop was high than the actual demand. This situation ended up with the carry forward that have never processed. The difficult market conjuncture and excessive global stocks had a negative impact on the investors' mood. To meet domestic demand, imports are estimated at 880 000 t which is 100 000 t higher than in the previous season.

> 2013/14 Estimations

According to ISO analysts, Brazil is expected to keep up rate of 3% growth in sugar output, and can result a 1.2 Mt growth in global sugar supply in 2013-14.

Further, in slight increases in output are expected in Australia and Thailand, while Russia and Ukraine are also set to raise production in the frame of the higher self-sufficiency concept.

The size of India's crop still remains uncertain. It is possible that if Indian production does not decrease by more than 2 Mt from the 24.5 Mt forecast for 2012-13, the return of a large-scale deficit such as it was seen on at the end of the previous decade, looks rather remote.

EU SUGAR MARKET**> In 2012/13, the production will reach 17 Mt (not including the carry forward 2011/12)**

Based on data provided by each country, the sugar production in the EU (including sugar cane) is provisionally estimated at 17 Mt, intermediate level between the record volume of 2011 (18.7 Mt) and well above the level of 2010 (15.4 Mt).

The decline in 2012/13 fresh production was partially offset by a record of the carry forward of the previous year (0.8 Mt); total available production in 2012/13 will be similar to 2009/10 season and less than 1 Mt than in 2011/12. Insofar unlike 2009/10 and 2011/12 campaigns, sugar exports will not exceed 1.35 Mt (against 2 Mt of 09/10 and 11/12 campaigns), it is very possible that in 2012/13, the availability of EU sugar for the European market (16.44 Mt) is less than 0.4 Mt in comparison with the 2011/12 campaign (16.84 Mt) but higher than 2009/10 campaign (15.92 Mt) as well as the 2010/11 campaign (15.53 Mt).

However, if the level of production in 2012/13 remains generally high, the production under quota will be less than the quota of 0.16 Mt, despite the use of 'travail à façon' in order to partially fill the gap in production in some countries (Italy and Greece in particular). However, the out of quota availabilities remain high (4.6 Mt).

Mt	2007	2008	2009	2010	2011	2012
Quota	16,85	13,47	13,34			
Fresh sugar production	17,10	15,35	17,50	15,36	18,69	16,99
Opening stock	0,52	0,69	0,42	0,57	0,15	0,80
Available production	17,62	16,04	17,92	15,93	18,84	17,79
Production under quota	14,46	13,13	13,28	13,15	13,31	13,18
Out of quota production	3,16	2,91	4,64	2,78	5,52	4,61

Source : European Commission / FranceAgriMer

The weather conditions are causing declines in production in the United Kingdom and Spain, two countries where the production will not reach the quota level, unlike previous campaigns. In contrast, the better weather conditions in the northern part of EU allowed to maintain or at least to limit the decline in production in the Netherlands, Germany and Poland. Without working arrangements between Member States, the production under quota would have reached 12.9 Mt, 0.4 Mt under the allowed quota.

Production/1000 T	2011	2012	Country	2011	2012
Belgium	881	761	Hungary	122	112
Czech Republic	615	565	Netherlands	998	969
Denmark	519	480	Austria	547	468
Germany	4 267	4 014	Poland	1 911	1 805
Greece	159	158	Romania	146	254
Spain	613	424	Slovakia	233	229
France (Met)	4 775	4 222	Finland	94	140
France (DOM)	417	420	Sweedden	417	366
Italy	506	546	United Kingdom	1 315	904
Lithuania	152	148	EU Total	18 687	16 987

Source : European Commission / FranceAgriMer

With a deficit of the production under quota and an out of quota volume, greater than domestic demand, the 2012/13 campaign faced the same problems as previous campaigns: out of quota balance surplus, quota balance deficit, not mentioning the weak chance of substantial increase in traditional imports. In this context, the European Commission has decided to extend the system of previous campaigns, namely exceptional imports in the form of auctions and the release for sale of out of quota sugar in the food market with reduced penalty payment vs the full rate of € 500 / t.

> 2012/13 Imports: excluding exceptional measures, an expected increase of 0.1 Mt

The exceptional measures imports which are under traditional preferential regimes (ACP, LDCs, Balkans, Moldova) are expected to increase only slightly (50 000 tonnes). Imports from ACP and LDCs countries could be increased at least by 0.1 Mt to 1.9 Mt against 1.8 Mt in 2011/12. The pace of issuing import licenses has accelerated since the beginning of the year, the total volume of ACP / LDC certificates amounted to 1.8 against 1.16 Mt on 24/05/2013. However, at the end of May, imports from the Balkans decreased by 50,000 t compared to 2011/12 due to lower production affected by summer drought 2012. We estimate the 12/13 imports from Balkans at 0.31 Mt, against 0.36 Mt in 2011/12. We estimate the sugar imports from Peru and Colombia at 50 000 tonnes, but this figure may seem "optimistic" because the regulations issued only for Peru opened the zero tariffs import quotas for Peru and for a maximum volume of 27 000 tonnes until the end of 2013.

Total 12/13 imports slightly exceed 3 Mt, 0.08 Mt more than in 2011/12 taking into account the imports from Moldova (20 000 t), those with full duties (90 000 t) and imports for the new duty-free quota that Croatia will get from 01.07.2013.

Forecast Imports / Mt	2011/12 (Customs)	2012/13 (FAM)
ACP-PMA	1,80	1,900
CXL	0,65	0,660
Balkans	0,36	0,310
Croatia (July – Sept)		0,020
Moldova	0,02	0,020
Andean countries & Central America		0,050
Imports full duties	0,12	0,090
Exceptional imports	0,52	
12/13 Awarded tenders		0,434
Total	3,47	3,464
Total exceptional off imports	2,95	3,030

Source : European Commission / FranceAgriMer

> A quota balance presented a current deficit of 0.6 Mt (off measures) for 2012/13

The 12/13 annual balance sheet of off measures resources contains the quota production (13.18 Mt) and "traditional" unprocessed sugar imports (3.03 Mt) and imports of processed products (0.50 Mt), a total of 16.71 Mt. These resources have to face a request for sugar for consumption on the internal EU market, mainly in processed products (16.1 Mt), and sugar that is incorporated into processed products for third countries' exports (1.2 Mt), which represents in total a demand of 17.3 Mt. In 2012/13 the current or primary deficit amounts to 0.6 Mt imposing further measures in order to avoid any interruption in supply or excessive pressure on the market.

These complementary measures have taken the form of the device already implemented in 2011/12, which was the reduced duties imports and re-sale of out of quota sugar as food at a reduced penalty.

> 2012/13 reduced duty imports (auction)

According to the schedule below, the Commission has decided to initiate the reduced duty imports in the form of reduced duty auction. During the first three sessions of four planned, 221 000 tons of imports of raw sugar and 220 000 tonnes of white sugar were allowed, with a minimum fee of € 141/t for the brown sugar and 161 € / t for white sugar. These levels are lower than those of auctions in 2011/12, even though the difference between the world price and the price in the EU has increased. The total allowed amount (435 000 t in white equivalent) fits in the context of the announced target of 0.6 Mt.

Import duty auctions	24/01/2013	28/02/2013	16/05/2013	13/06/2013
Raw sugar				
Requested volume (t)	175 000	168 000	248 500	
Requested minimum duty (€/t)	72,6	110,15	46,20	
Requested maximum duty (€/t)	305,0	195,0	155,0	
Accepted minimum duty (€/t)	195,0	141,0	141,0	
Allowed volume (t)	54 000	127 000	40 000	
White sugar				
Requested volume (t)	91 724	145 413	145 993	
Requested minimum duty (€/t)	100,0	100,0	31,5	
Requested maximum duty (€/t)	313,0	350,0	269,0	
Accepted minimum duty (€/t)	240,0	161,0	161,0	
Allowed volume (t)	8 540	95 293	116 121	

Source : European Commission / FranceAgriMer

> Release of out of quota sugar on the food market

Along with the auctions, and for the sake of balance, the Commission has decided to use once again the conversion of out of quota sugar in the form of food in order to restore balance in the quota balance sheet. This measure also helps absorbing out of quota sugar surplus.

Out of quota sugar conversion	March 2013	April 2013	June 2013
White sugar			
Requested volume (t)	1 374 080	1 135 090	
Penalty (€/t)	224	172	
Allowed volume (t)	150 000	150 000	150 000
Acceptation level	10,92%	13,21%	

Source : European Commission / FranceAgriMer

The European Commission has already decided to release 450 000 tons of out of quota sugar on the food market by the release of 150 000 tonnes per tranche; during the first two auction sessions; every time the request for licenses exceeded 1.1 Mt, which are 8-10 tons required for an available tonne. This ratio indicates both the importance of this measure and the quantities available for its implementation.

> 2012/13 balance: between security of supply and heavier end stock of quota sugar

The already implemented exceptional measures amounted to 0.88 Mt, which represents higher volume than the current deficit of the balance sheet: market supply will be provided without interruption and an increase of at least 0.25 Mt of ending stock is possible, which would bring the stock to 1.8 Mt, which is for the first time the level of the end of 2007/08 season. Due to the June 2013 auction and due to the fourth tranche of conversion, the stock could even exceed 2 Mt.

2012/13 Forecast balance of UE-27 quota sugar (Mt)

2012/13 Campaign			
Stock on 1/10/12	1,59	Domestic use	16,12
- market	1,59		
- intervention	0,00	Exports	1,24
		- quota sugar	0,05
Carry forward 11/12	0,80		
Available raw sugar production	12,37	Total Use	17,35
Imports	3,97		
- as such	3,03	Stocks	1,83
- in process products	0,43	- market	1,83
Out of quota sugar release	0,45	- intervention	0,00
Total	19,18	Ending stocks 1/10/13	1,83

Source : European Commission / FranceAgriMer

> A high quota sugar stock on March 1, 2013

According to the latest data released in May, the stock of quota sugar on 03/01/2013 would be 9.6 Mt against 10.2 Mt on 02/01/2013; stock variation of February would be particularly low, less than 0.7 Mt, while on average, over the last 4 years the stock decline is 1.1 Mt. The stock on March 1, 2013 would exceed the last year level by 0.9 Mt and would be the highest level since 2008. However this indicator does not denote a sign of market tensions compared to previous campaigns.



Source : European Commission / FranceAgriMer

> The 2012/13 out of quota: high production, preserving the possibility of a carry forward of more than 0.5 Mt

4.61 Mt of 2012/13 production are sufficient to meet the needs of industrial sugar, with a slight decrease compared to 2011/12 (1.95 Mt against 2.05 Mt) as well as 1.3 Mt on the world market and to meet the needs of conversion into food sugar. On the basis of 0.45 Mt already committed, there would be 0.88 Mt for the fourth optional instalment of 0.150 Mt, in which case the carry forward would amount to 0.73 Mt. Unlike the 2011 ending stock, which had no effect on the seedlings in 2012, this level of carry forward could have been caused by the decline in sugar beet acreage in 2013 (according to FO Licht- 2% - 3%).

2012/13 forecast balance of UE-27 out of quota sugar (Mt)

	2011/12	2012/13		2011/12	2012/13
Beginning stock 1/10	0,00	0,00	Chemical-pharm industry	0,65	0,65
			Alcohol - Bioethanol	1,40	1,30
Fresh sugar production	5,53	4,61	Exports	2,03	1,35
			Release on food market	0,65	0,45
Imports	0,02	0,02	Total Utilisations	4,75	3,75
Total	5,55	4,63	Carry forward	0,80	0,88

Source : European Commission / FranceAgriMer

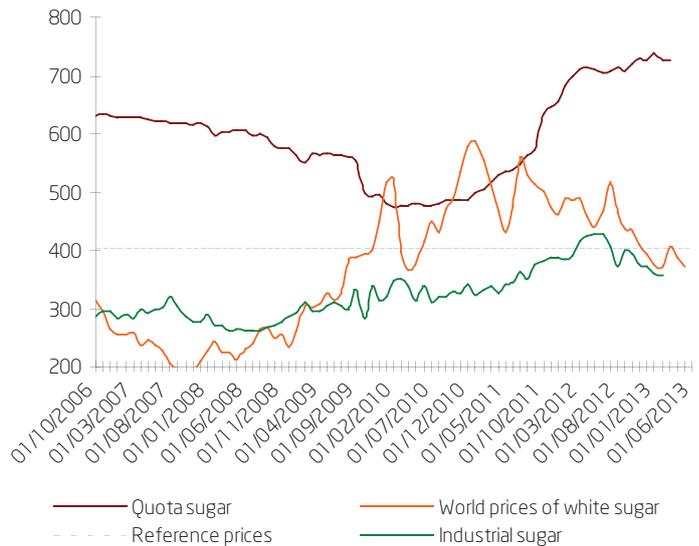
EU MARKET SUGAR PRICES

Average sugar prices

The price of quota sugar increased again in the early months of 2012/13 and reached its maximum of 738 € / t in January 2013, after a pause between April and September 2012, at a level between 705 € / t and 715 € / t. In February and March 2013, this rise has stopped at 725 € / t and 727 € / t respectively. This stabilization which is still above 700 € / t is accompanied by world prices' gap widening, which at the same time decreased by 60 € / t since October 2012.

It is possible that the exceptional measures implemented in late January play a certain role in stabilizing domestic prices of quota sugar; it is too early to say that lower prices were initiated from April 2013.

Changes in average selling prices for industrial sugar confirms the downward trend that began in June 2012, when they reached a record level of 428 € / t. The parallels between the decline in world prices and the industrial sugar were well observed.



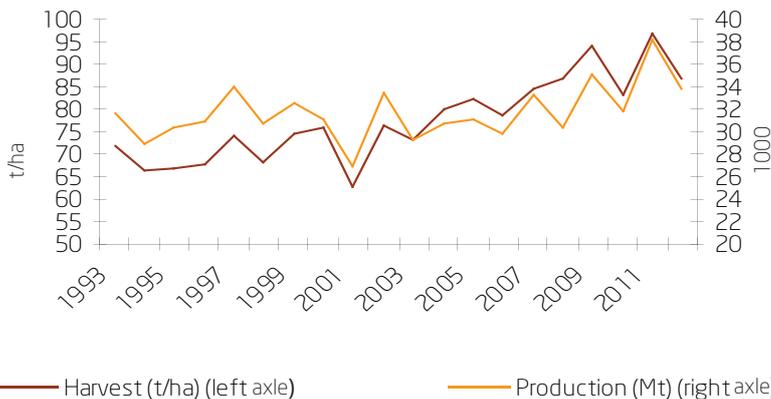
Source : European Commission

THE FRENCH SUGAR MARKET

> 2012/13 Campaign: in spite of a decline in production, a high volume of out of quota sugar is available for conversion into food sugar

- 33.7Mt of beets harvested for production of 4.5 Mt of beet sugar

In 2012/13, the beet crop declined of 11.5% compared to 2011/12, with 33.7 Mt against 38.1 Mt, the true record level. The decrease in the average yield at 16 ° (86.6 t / ha against 96.9 t / ha, - 11%) is its main cause, even if the surfaces' reduction (-1%) also made its contribution. This surfaces' reduction was itself an anticipation of lower production need. The weather conditions of the 2012 campaign finally reduced the level of sugar in beets, which amounted to 17.9% (18.8% in 2011), the lowest level since 2006.



In 2012/13, the production of beet sugar has evolved in the same proportions as the beet crop, which is 4.5 Mt against 5.1 Mt in 2011/12, with a decrease of 9%.

Production / 1 000 T	2009	2010	2011	2012
Beet sugar	4 691	4 345	5 059	4 523
Cane sugar	265	258	259	261
Total	4 956	4 603	5 318	4 784
Carry forward	42	24	11	98
Quota	3 387	3 262	3 422	3 425
Out of quota	1 612	1 364	1 907	1 457

The renewal of 'Contrats de travail à façon' between manufacturers and manufacturers from Metropolis has almost totally saturated the production quota allocated to France (3.437 Mt), i.e. the volume of production of food sugar, and has simultaneously reduced the available out of quota volume of 0.16 Mt. The latter, initially exceeded 1.6 Mt, which doubles the demand for industrial sugar (including alcohol) on the French market.

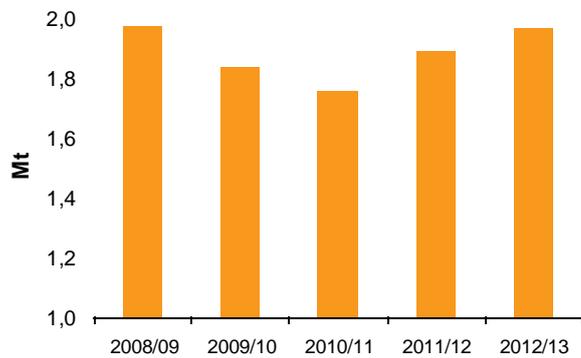
- The 2012/13 quota sugar balance

The availability of quota sugar balance is almost identical to one of the 2011/12 season; in fact, if the 2012/13 campaign has begun with a stock higher than the previous year (0.22 Mt against 0.14 Mt), however the quantities of out of quota sugar released for sale in the framework of the EU program are currently limited (67 337 t against 143 720 t in 2011/12). But this volume could be revised upwards, as a new volume for sale will be released in early June. Also the sugar imports tel quel or as processed products stay unchanged since 2011/12 (1.13 Mt). The demand for food sugar on the French domestic market is estimated at 2.08 Mt and sugar exports in the form of processed products are estimated at 0.77 Mt, the same as in 2011/12.

It would be necessary to export 1.77 million tonnes of sugar tel quel to the rest of the European Community in order to avoid a further increase in stock at the end of the season. If this was the case, the stock of quota sugar on 1/10/2013 would remain unchanged at 0.22 Mt. For the moment, total exports of sugar to the EU are down compared to last year: at 04/01/2013, they amounted to 0.75 Mt against 0.90 Mt at 1/04/2012 and 1/04/2011. This decline has two causes: reduced exports to third countries passing through Belgium, but also lower exports to the rest of the EU, particularly to Spain, and to a lesser extent to Italy and to the UK.

As the consequence of sugar exports as such situation, there's a significantly higher level of stocks of quota sugar at the beginning of April 2013 than in previous campaigns:

Quota sugar stocks on April 1



2012/13 forecast balance of French quota sugar (Mt)

	2011/12	2012/13		2011/12	2012/13
Beginning stock au 1/10	0,14	0,22	Domestic utilisations	2,08	2,08
- market	0,14	0,22			
Carry forward	0,01	0,10	Exports	1,77	1,78
			- to EU	1,74	1,77
Raw sugar production	3,41	3,33	- third countries	0,03	0,01
			Processed products exports	0,77	0,77
Imports	1,13	1,13	Total utilisations	4,61	4,63
- quota sugar	0,37	0,36			
Out of quota sugar release	0,14	0,07	Ending stock 30/09	0,22	0,22
			- market	0,22	0,22
Total	4,83	4,85			

Source : FranceAgriMer

• 2012/13 out of quota sugar balance

The total potentially available out of quota production was estimates at 1.6 Mt, a level much lower than the initial 2.07 Mt in 2011/12 campaign or 1.8 Mt in 2010/11, though it remains still high in relation to absorption capacity of the internal market for industrial sugar (0.8 to 0.9 Mt). Therefore, in order to avoid the risk of pretty high carry forward, the relief measures for out of quota sugar surplus should be undertaken: like recent seasons, the out of quota sugar was transformed in food sugar for EU deficit market.

This transformation was carried out in two ways: firstly, the 'travail à façon' between mainland and DOM as well as between France and other EU Member States, and within the framework of the EU program of release for sale of out of quota sugar in the food market, with reduced penalty.

Amounts of out of quota sugar under 'travail à façon' and for release as food sugar

1000 tonnes	2009/10	2010/11	2011/12	2012/13 (1)
Travail à façon	231	119	284	309
Metropolis – DOM	184	0	158	159
France –UE	47	119	126	150
Conversion into food sugar	0	158	144	67
Total	231	277	428	376

(1) forecast numbers

Unlike previous campaigns, the demand for participation in the EU program for the conversion of out of quota sugar has not reached its maximum (350 000 t) in 2012/13, as both in March and in April, the applications were fewer (290 000 t and 270 000 t respectively).

Similar to last year the pace of industrial sugar supplies in the first six months of the campaign is consistent with the prediction of a total demand of 0.8 Mt over the entire campaign (including 0.6 Mt of distillery).

2012/13 forecast balance French out of quota sugar (Mt)

	2011/12	2012/13		2011/12	2012/13
Beginning stock 1/10	0	0	Chemical-pharm industry	0,20	0,20
			Alcohol - Bioethanol	0,60	0,60
Raw sugar production	1,78	1,31	EU supply (including RUP)	0,12	0,09
			Exports on third countries	0,62	0,28
Imports	0,00	0,00	Release on quota sugar market	0,07	0,07
			Total utilisations		
Total	1,78	1,31	Carry forward	0,10	0,07

Source : FranceAgriMer