



MOLASSES MARKET BRIEFING

MARCH 2020

In this market briefing we discuss the pressures that the molasses industry is currently experiencing and the reasons we are hopeful of better signs looking into 2021.

A perfect storm in 2020 but with signs of improvement into 2021

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The molasses market is currently facing multiple upward pressure points which in combination have seen price levels rise to the highest we have seen in the last several years. In order to understand the current market it is important to look at how these different pressure points are effecting the current marketplace and why we believe they should fall back towards the end of 2020 / early 2021:-

Export ban in India

The state of Maharashtra has imposed a molasses export ban due to the drought conditions in the area which has reduced available supply to export by around 350,000 MT. However the current export ban is only valid until September 2020 and it is expected to be lifted. Overall it is expected that the Indian Sugar crop will recover to 32-33 million tonnes from 26 million tonnes of Sugar this year.

Reduced Thailand exports

Due to drought conditions in Thailand the sugar crop has come in lower than originally projected with molasses exports from this crop expected to fall by around 400,000 MT. More normal weather patterns going forward should see a recovery in the supply for export when the new crop material becomes available, though this may not be a full recovery.

IMO 2020 Regulations

The introduction of the IMO 2020 regulations on low Sulphur fuels led to a significant spike in freight rates, this is now levelling off at higher levels than last year but has importantly come down from the initial levels it had risen to.

Beet Molasses Demand

On the back of prolonged wet weather the US has had a poor sugar beet crop which has resulted in them importing beet from Europe which has had the knock on effect of firming the current market but we are hopeful these exports west will start to ease back.

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Corona Virus Outbreak

Current molasses supply lines have to date not been disrupted but there are plenty of potential issues that the outbreak could still bring to molasses supply which are difficult to factor as of now but will need to be monitored over the next couple of months. Within the United Molasses Group we are monitoring the latest developments with the virus daily and implementing procedures and protocols to help protect the health and well-being of both our internal and external stakeholders.

Ethanol production in Brazil

One consequence of the coronavirus that we are already seeing in the sugar world is that local mills in Brazil (already in the midst of a weakening Real) on the back of tumbling crude oil prices are starting to change their ethanol/sugar production mix – and are likely to produce more sugar.

Currency

It will be important to monitor exchange rates going forward with the hope that if a good Brexit deal with the EU is achieved later this year then it will strengthen the £.

In summary we appreciate the current molasses pricing levels are very challenging for the GB animal feed sector for the reasons detailed above but the projection of better export levels in the New Year on the back of the lifting of export bans and the potential of a good new crop harvest along with hopefully a stronger pound gives a plenty of reasons to believe that by the end of 2020 and early 2021 we will see pricing easing back from the current levels.



New vehicle added to our molasses fleet

Very pleased to announce that our haulier **A & F Grant Ltd** has added this fantastic new truck to its fleet to help ensure we continue to meet your molasses needs now and in the future.

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