

Hedging Update: Slow Start to 2024



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2 min read



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Insight Focus

- Raw sugar prices are trying to stabilise around 20-21c.
- Producer hedging has slowed as they wait for better returns.
- What's going on in Thailand?

Market Price Action & Hedging Overview

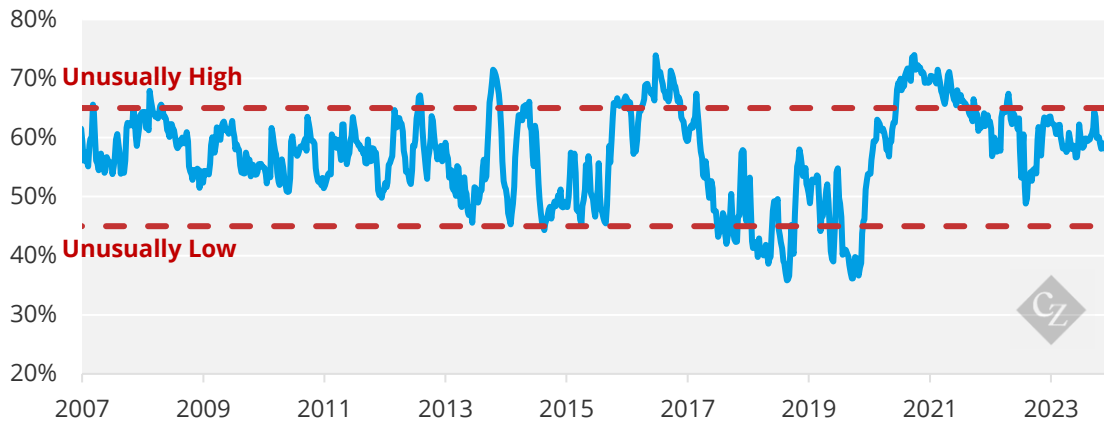
After a 25% drop at the end of 2023, raw sugar prices have stabilised and the futures are currently trading between 20-22c/lb.

No.11 Raw Sugar Futures Price



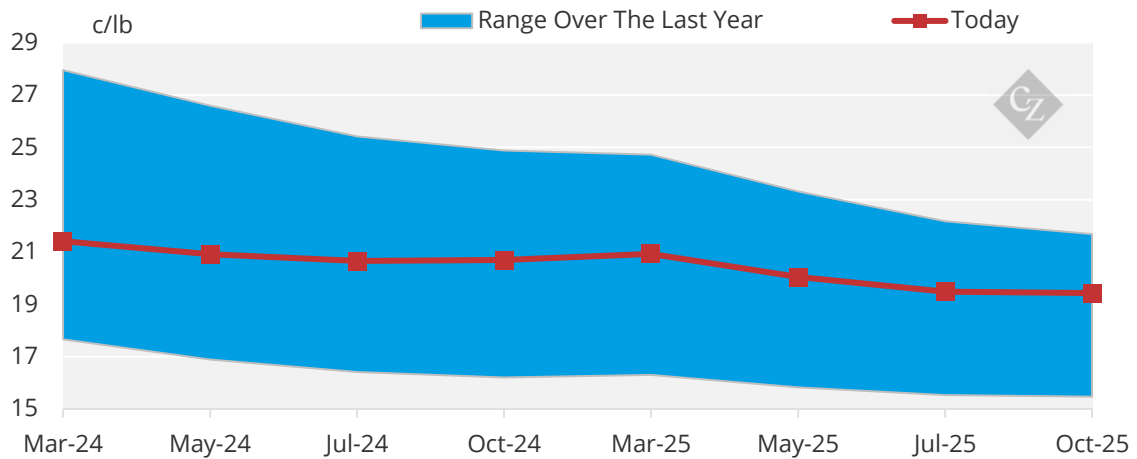
We don't think many producers are willing to sell at today's reduced price. Just 2 months ago they could get spot returns of 27c. We can see this in the percentage of futures open interest held by commercial shorts. Although this indicator remains within normal levels, it's at its lowest level in more than a year.

Gross Commercial Short as % of Total Open Interest

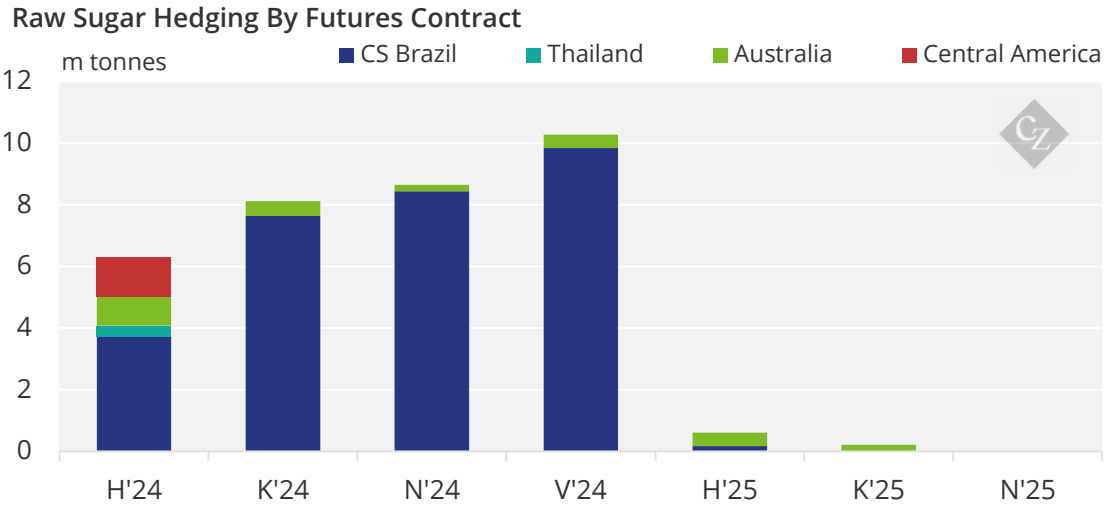


This means that if and when prices rise once more, we should expect an increase in producer selling. Futures market returns continue to comfortably exceed production costs.

Raw Sugar No.11 Forward Curve



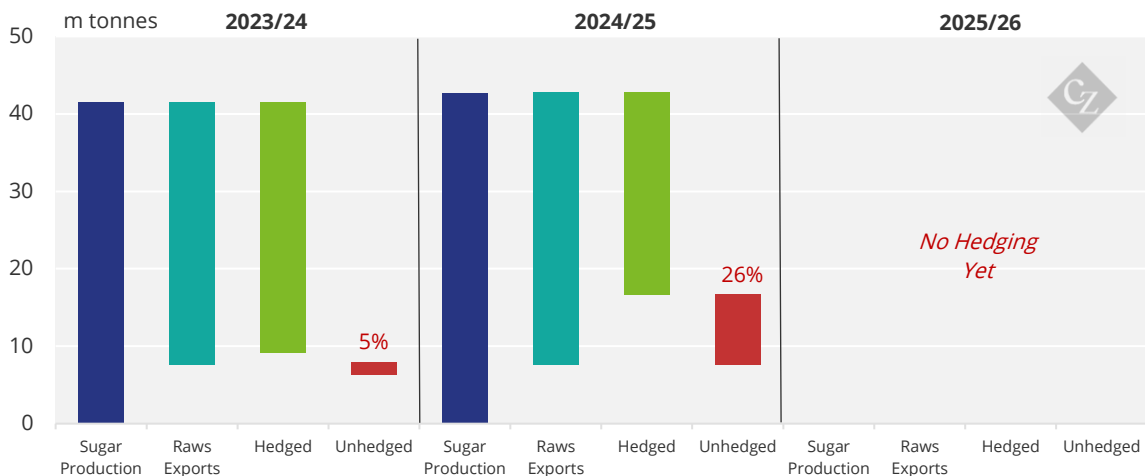
With much of the sugar production for 2024 in Centre-South Brazil, Central America, and Australia already hedged, it's possible that producers are waiting for even higher prices before pricing for the following season.



Centre-South Brazil

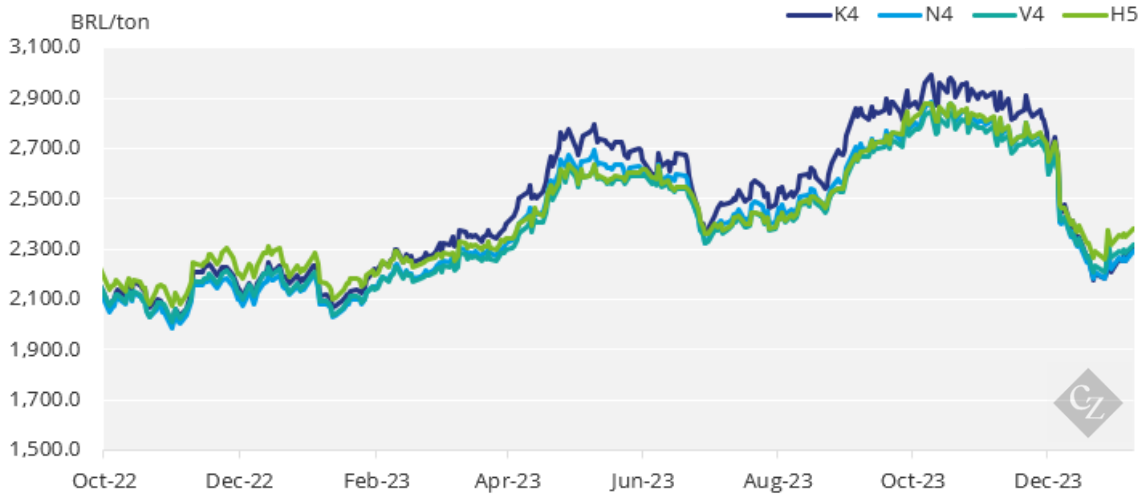
[Since our last update](#), things in CS Brazil remain relatively unchanged. With the collapse of the No.11 raw sugar futures, many mills have been hesitant to price their sugar and are waiting for the BRL to strengthen back up to 2700 BRL/tonne.

CS Brazil Hedging Breakdown



Domestic prices are currently around 2200 BRL/tonne, down 20% since our last update in December and the lowest in over two years.

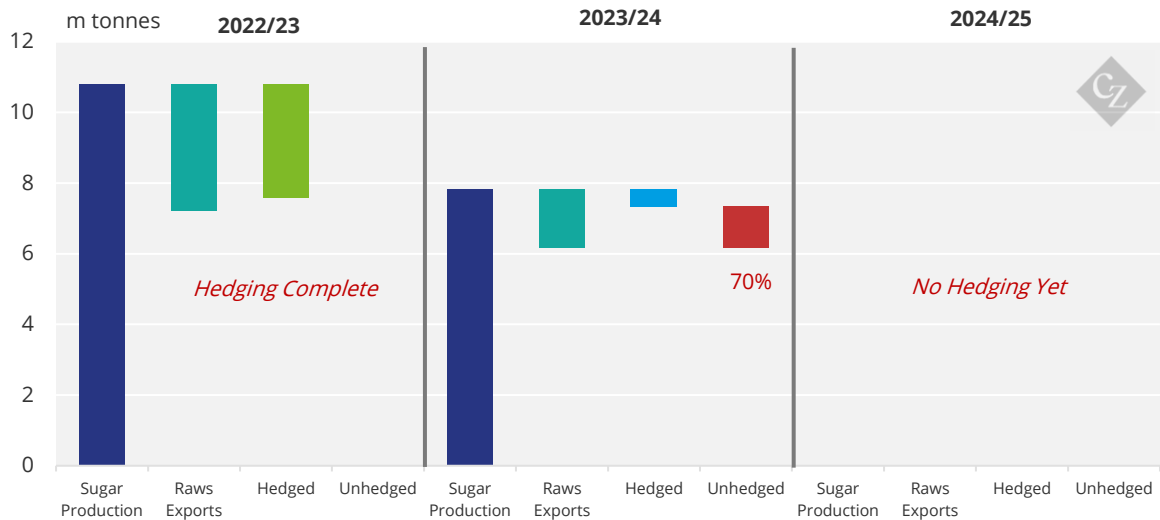
Sugar No.11 Future Contracts



Thailand

Pricing for Thailand’s 2023/24 season has advanced slightly [since our last update](#). Hedging levels in the region have increased by 10 percentage points to 30% hedged.

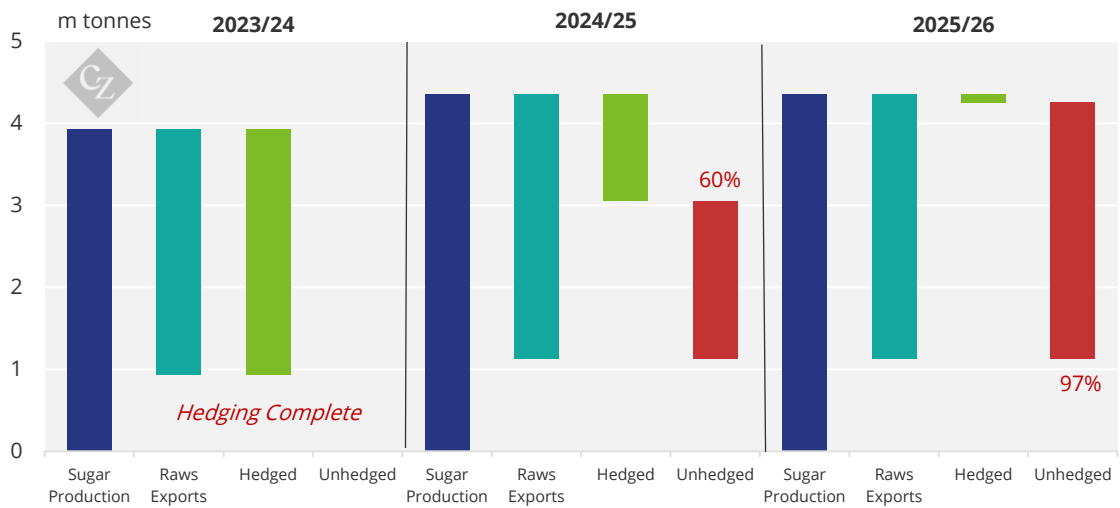
Thailand Hedging Breakdown



Australia

Looking over to Australia, hedging for the 2023/24 season is now complete, but pricing for the following season remains unchanged at 60%.

Australia Hedging Breakdown



Central America

Hedging in Central America has remained relatively unchanged. This is mainly because the majority of the 2023/24 crop has already been priced and given that next season's crop is still a long way off, mills have the luxury of waiting for better domestic returns to encourage further hedging.

Central America Hedging Breakdown

