Research

Monthly Sugar Note

26 June 2025

Markets

The recent sharp rise in oil prices, driven by escalating tensions between Israel and Iran, has not been sufficient to offset the bearish fundamentals currently weighing on the sugar market. As a result, the NY11 front-month contract has fallen to below 16 cents per pound—its lowest level since April 2021. Favourable crop weather across the Northern Hemisphere and strong output from Brazil's Centre-South (C/S) region are adding downward pressure. Market signals suggest Brazil may need to reduce its sugar production mix to restore price support.

In India, the early arrival of rains in May led to good soil moisture conditions, despite some dryness in early June. Forecasts indicate that the monsoon is strengthening, and with an expanded crop area, India appears on track to deliver a substantial sugar crop next season. Thailand's rainfall has also been favourable, particularly in the Northeast—the primary cane-growing region responsible for over 50% of the country's production—supporting a positive outlook for the upcoming crop.

According to UNICA, as of the end of May, Brazil's C/S region crushed 125 million metric tons (mmt) of cane—12% below last year's volume at the same time. Sugar output lags as well at 7.0mmt, compared to 7.8mmt in the previous season. April's heavy rainfall delayed the harvest, but performance in the second half of May suggests a rebound is underway. During this period, cane crush reached nearly 48mmt, up 6% year-over-year, approaching record levels. Notably, the sugar mix hit an all-time high of 51.9%, compared to 48.2% in the previous crop. The only downside has been the ATR (Total Recoverable Sugar), which remains low due to the recent rains—124.9 kg/ton versus 130.2 kg/ton a year ago.

Figure 1: India cumulative rainfall in cane areas

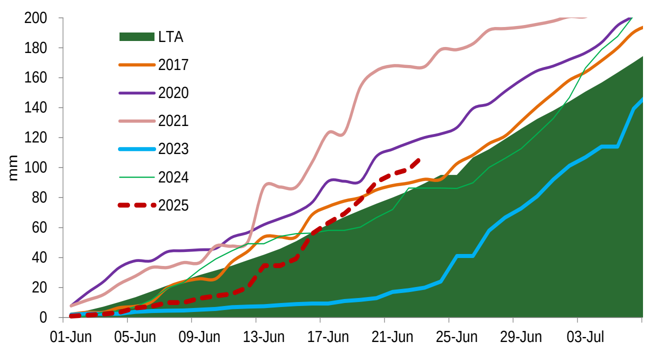
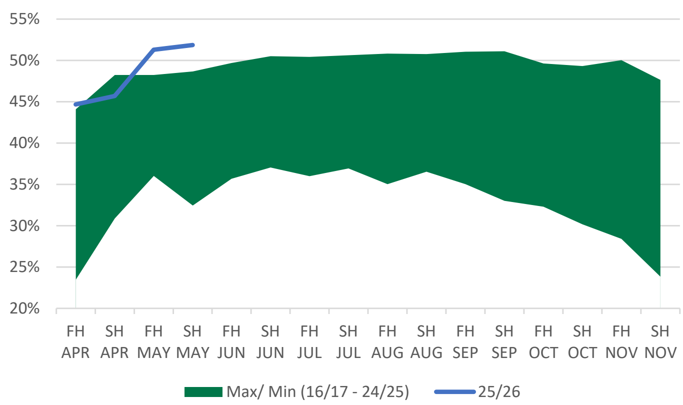


Figure 2: Centre South sugar mix - Fortnightly



Source: Reuters, UNICA and ED&F Man Commodity Research

Petrobras' recent decision to reduce gasoline prices by 5.6%—arguably poorly timed—has increased pressure on ethanol prices, while maintaining more attractive returns for sugar production over biofuel. Currently, anhydrous ethanol is priced around 16 cents per pound, and hydrous ethanol at roughly 15 cents per pound. Notably, the price differential stands at just 100 points, meaning further weakness in sugar prices could shift Brazilian mills' sentiment toward reducing the sugar mix.

So far, no wash-out requests have been reported in the market, suggesting that Brazilian millers are well hedged for the current crop. This limits their ability to pivot toward ethanol production. Moreover, a shift would expose them to the risks of the spot ethanol market, which is fraught with uncertainty in the coming months, not least following the announcement this week of an increase in the gasoline blend from 27.5% to 30%, a potential supply increase due to higher crop yields, and Petrobras' future pricing policy—likely to raise gasoline prices to reflect the higher oil prices, though such a move would be politically sensitive for Brazil's government ahead of the 2026 elections.

Looking ahead, we see little reason to expect the market to trend higher. UNICA's reporting will likely cause some short-term price fluctuations, but Q3 2025 supply appears secure, regardless of the Brazilian crop's final size. A weak finish to the Centre-South harvest may offer some limited price support during the transitional window between Brazil and India's crops, but overall, the market lacks any strong bullish catalysts.

Fundamentals

- **Brazil C/S**: Just two months into the 2025/26 season, early results are already raising flags about the production outlook. April agricultural yields came in below expectations—not enough to prompt downward revisions yet, but certainly a warning sign for the months ahead. On the production side, April output was disrupted by rainfall, shifting focus to second-half May data. While production volumes were strong, the sugar mix—though still high—fell short of expectations, adding to market concerns. Market estimate remains unchanged at around 590-600mt of cane crushed, which will result in a sugar output in the range of 40-41mmt. June has been wetter than average, likely causing further production disruptions and negatively affecting both ATR and sugar mix. That said, the additional rainfall could improve cane yields later in the season and reduce the risk of large-scale fires like those seen last year.

- **India:** India's final crystal sugar production for 2024/25 is estimated at 25.96mmt. Lower smuggling to Bangladesh has eased consumption to under 29mmmt, resulting in projected ending stocks close to 5mmt by September 2025. Of the 1mmt export quota approved by the government in January, and 25kt of pharma-grade sugar allowed through April 2026, almost 600kt had been shipped by June 10. Pre-monsoon rainfall has been above average, with Maharashtra and Karnataka reporting 12% and 40% surpluses respectively through mid-June—boosting outlooks for the 2025/26 crop. If monsoon conditions remain favourable through September, both yields and planting prospects for 2026/27 could improve. With expanded cane acreage, 2025/26 crystal sugar production is forecast above 31mmt which will certainly generate exports. Ethanol feedstock allocation remains a key variable. Preliminary signals suggest 32–33% of ethanol output will be sourced from sucrose, the remainder from corn and surplus rice.

- **Asia:** Thailand entered its wet season in June, seeing much needed improvements in rainfall to key cane regions. In the Northeast, cumulative rainfall for June reached 100.4 mm, marking a significant 206% increase YoY compared to last year’s 32.9 mm, and slightly exceeding the 10-year average of 91.9 mm. However, the Northern and Central regions experienced disappointing rainfalls, recording a 32% and 8% YoY decline respectively, and way below their 10-year averages by 52% and 54%. In other Asia countries, sugar production has improved gradually, as we approach the end of crushing season. In China, sugar production concluded at 11.16mmt, a yearly increase of 12% compared to 2024. In the Philippines, crushing is still ongoing and current sugar production has rise to a 4-year high of 1.95mmt according to SRA, slightly higher than last year, and may reach 2mmt, exceeding industry forecasts. On the demand side, CS Brazilian lineups to China in June continue to remain strong.

- **US:** The June WASDE brought key updates to the U.S. sugar supply and demand (SnD). For 2024/25, production was lowered by 71k MTRV—66k from beet and 5k from cane. The bigger shift came from domestic deliveries, cut by 104k MTRV to 11,000k MTRV, down 2.4% YoY, reflecting continued sluggish demand. This trend also impacted 2025/26, with forecasted deliveries reduced by 23k MTRV, matching the previous year's level. Beet sugar output for 2025/26 was lowered by 27k MTRV, but combined with high beginning stocks, total production still points to an oversupplied market. Despite lower high-duty import estimates, Mexico’s export quota is currently pegged at 607k MTRV—up from last season’s 451k but still below historical norms.

- **Mexico:** As the 2024/25 season nears completion, Mexico reports positive agricultural and industrial yields despite a 2% decline in harvested area. Up to June 7, harvested area dropped 2%, cane crushed fell 1%, yet agricultural yields rose 0.3% and sucrose content climbed 2.5%, lifting sugar production 1% year-on-year to 4.743mmt. An emerging trend in the 2025/26 season is a 4% YoY decline in overall sweetener demand—sugar sales are down 8%, while HFCS is up 10%, marking the highest HFCS usage since 2011/12.

- **Centrals:** The 2024/25 season concluded with a regional output of 4.8mmt, roughly 150kt lower YoY. Early-season heavy rains negatively impacted sucrose content in cane, contributing to the weaker figures. Despite this, Guatemala’s exports remain robust, largely driven by refined volumes tied to backlog from the high deliveries at the March and May London expiries.

- **EU/UK:** Sugar beets across the EU are at a critical growth stage, with crop performance now hinging on rainfall and sunlight. Early-season planting faced dryness, making upcoming precipitation vital. While conditions have improved in the western beet belt, rainfall may still be insufficient to fully support yields. In France, farmers have completed aphid spraying due to an early infestation, while UK growers expect average results amid persistent dryness and a forecasted June heatwave. Sugar Market Observatory data shows EU sugar prices fell to €540/mt in April, down 10% M/M and 35% Y/Y. Disease pressure is high, with inconsistent rainfall increasing outbreaks of beet weevil, aphids, SBR, Stolbur, and Cercospora. For 2025/26, the EU’s beet acreage is down 9% YoY, with total sugar output (including ethanol) projected at 15.5–16.0 mmt. Trade-wise, EU-27 sugar exports reached 1.1 mmt by March, with slower May–June volumes expected due to market prices.

- **CIS:** In Russia, sugar beet plantings for the 2025/26 season total around 1.18 million hectares—slightly above last year. However, dry weather and frost, particularly in Belgorod and Lipetsk, prompted the replanting of approximately 120,000 hectares. Thanks to adequate seed reserves, this proceeded without major delays. In Krasnodar, 4,100 hectares were affected by frost, with 3,700 replanted and the remainder switched to other crops. Sugar output is forecast at 6.3–6.5 MMT, with domestic use at 5.8 MMT, leaving a potential export surplus of roughly 800,000 tonnes. By contrast, in Ukraine, beet acreage is down significantly, with production expected at 1.5–1.6 MMT. Of its EU export quota, 97,000 t have been used, leaving about 10,000 t unshipped. A new 11.7 KMT quota for June to December 2025, paired with soft global prices, may hinder export potential—raising the likelihood of increased domestic stockpiles or unprofitable overseas sales. The region’s trade landscape remains fluid and warrants close attention in the coming months.

Focus – MENA

Following a period of low White Premiums that led to reduced raw sugar imports by stand-alone refineries in the MENA region, the market may now be entering a more favourable phase for tolling factories located in North Africa and the Middle East.

In 2024, stand-alone refineries capitalised on elevated White Premiums, importing a record volume of nearly 13 million metric tons of raw sugar—35% more than in 2023. Notably, over 4 mmt were imported during Q3 2024 alone, supported by strong demand and limited competition from other white sugar producers at the time. However, the outlook shifted as the robust 2024/25 EU/UK harvest, coupled with a substantial Ukrainian sugar output, led to an oversupply of white sugar in the Mediterranean market. In addition, the Indian government's announcement of a 1 mmt export quota at the beginning of 2025 pushed the White Premium into double digits. Consequently, raw sugar demand from the refineries plummeted, reaching just over 1.5 mmt in Q1 2025—half the volume recorded during the same period the previous year.

Figure 3: Front month White Premium

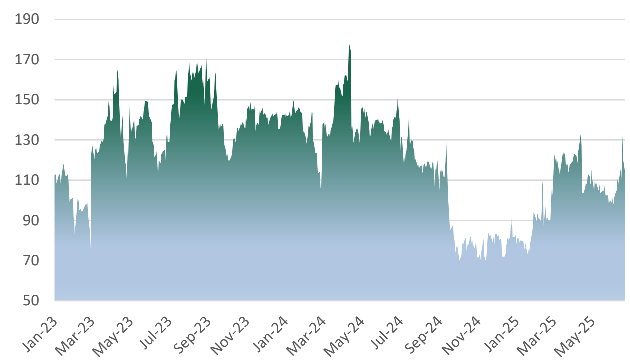
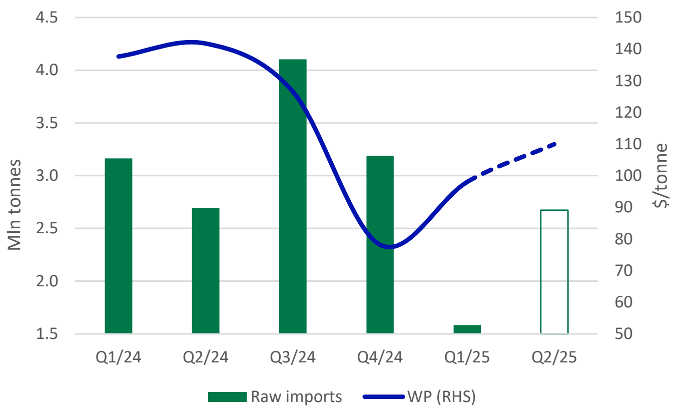


Figure 4: MENA* - Bulk sugar raw imports



Source: LSEG &F Man Commodity Research / *Algeria, Egypt, Iran, Iraq, Morocco, Saudi Arabia, UAE and Yemen

Prospects appear to be improving for the remainder of 2025. The likelihood of Pakistani imports continues to rise week by week, with a potential white sugar quota of 500,000 metric tons expected to be announced imminently. Unlike last year, Central producers are unlikely to have much white sugar available for global markets. Meanwhile, the EU/UK crop is forecast to decline significantly due to a 9% reduction in planted area, exacerbated by dry weather conditions that are likely to impact yields.

That said, several risks must be taken into account. Ukrainian sugar, which has lost access to the EU market, is expected to generate a surplus of approximately 500,000 metric tons from a total crop of 1.5 mmt—requiring alternative destinations. Additionally, new refinery capacity is coming online in Cameroon, Algeria, and the Gulf region, while Egypt plans a notable production expansion in 2025. Most notably, India and Thailand are experiencing strong output growth driven by favourable weather and increased planting area.

The probability of a higher White Premium in the coming months is considerable. However, favourable weather conditions across Northern Hemisphere crops may drive the premium back to lower levels by 2026. Furthermore, the

Indian government may delay the start of its exports due to low stock levels, while Thailand's production is expected to gain momentum only by mid-January. All factors considered; we anticipate that the current window for elevated White Premiums will be relatively short-lived.

Macro

If May saw a pickup in market sentiment as tariff trade deals with the US gathered momentum with the likes of China and the UK, then June saw the complete opposite as markets braced for a massive escalation in the war in the Middle east. The 12-day war waged by Israel and the USA against Iran, the third largest producer of oil, led to heightened geopolitical risks and a massive spike in crude oil to nearly $80/bbl. The complete turnaround of sentiment led to a couple of weeks of stocks trading lower and gold pushing higher amid safe-haven buying, only to return back to normal upon a surprise ceasefire. How long this holds remains to be seen, but markets seem comfortable that neither global oil supplies nor regional shipping will be disrupted. Brent crude has now fallen back to the mid-$60s where it was before the war began and markets are trading risk-on again.

But global economic uncertainty still prevails, and the focus will soon shift to the upcoming July 9 deadline for Trump's 90-day tariff pause. There are concerns that the US's rising debt will continue to weigh on the US dollar, while US growth will suffer from higher tariffs and lower immigration, in turn impacting investment. While the Federal Reserve kept interest rates unchanged this month, its messaging reflected it was closely watching inflation should the tariffs cause consumer prices to rise. The next couple of months will remain uncertain as countries navigate through bilateral trade deals and sectoral tariffs – which does not bode well for global economic growth.

Figure 5: Crude oil roller coaster

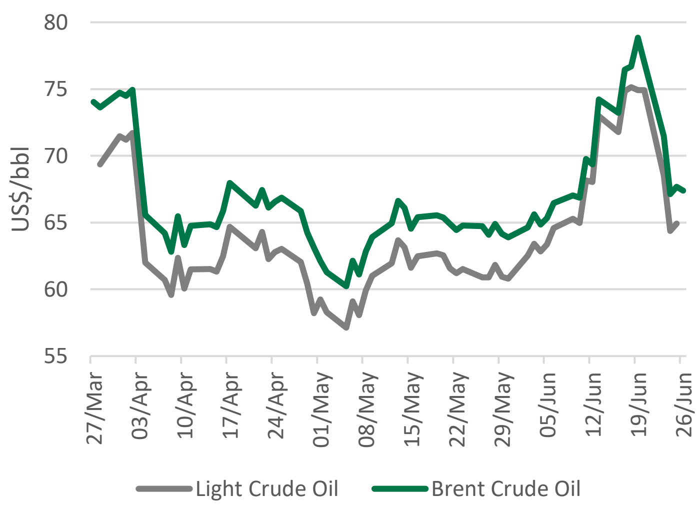
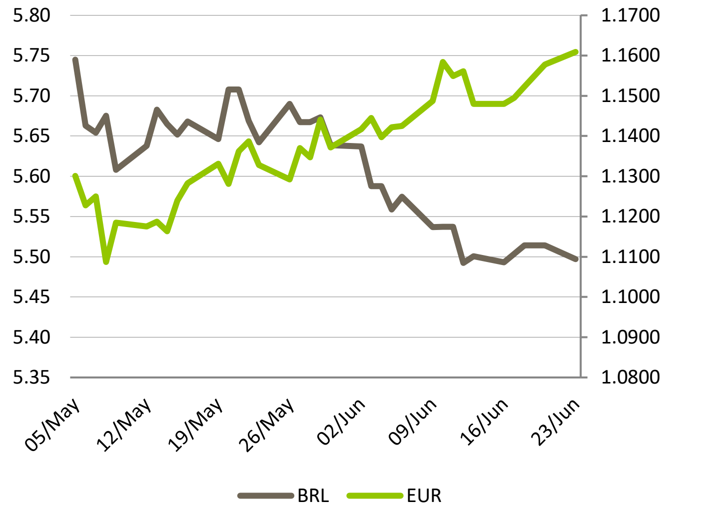


Figure 6: Euro firms more than BRL



Source: Reuters, ED&F Man Commodity Research

Against this background, commodities are likely to suffer, with energy and metals demand likely to be negatively impacted. Gold will remain the outperformer, having seemingly replaced the dollar as the most desirable safehaven asset this year. Even grains and other soft commodities are struggling to rally despite the weaker dollar, given loosening fundamentals.

Amongst currencies, the euro has been a strong performer in June, rising to 1.17 against the dollar. Yet, despite the weaker dollar, the Brazilian real has struggled to rally like the euro. The Brazil's central bank raised interest rates by 25 bps this month to 15%, the highest since July 2006, and the 7th consecutive hike amid unanchored inflation expectations and resilient activity. The hawkish move surprised markets, which thought that the tightening cycle was finished as inflation expectations start to stabilise. In its statement, Copom indicated that, after lifting rates by 450 basis points since last September, it now plans to maintain rates at current levels while monitoring inflation's path back toward the bank's 3% official target.

Prices Tab

New York #11					**London #5**				
(cents/lb)	25-Jun	30-May	% change		*($/tonne)*	25-Jun	30-May	% change	
Jul (25)	15.98	17.05	-6.3%	↓	Aug (25)	479.0	476.1	0.6%	↑
Oct (25)	16.61	17.23	-3.6%	↓	Oct (25)	469.7	473.0	-0.7%	↓
New York #16					**White Premium**				
(cents/lb)	25-Jun	30-May	% change		*($/tonne)*	25-Jun	30-May	% change	
Sep (25)	34.95	36.21	-3.5%	↓	Aug/Jul	126.7	100.2	26.4%	↑
Nov (25)	33.90	36.00	-5.8%	↓	Oct/Jul	117.4	97.1	20.9%	↑
Macro					**Currencies**				
Indicators	25-Jun	30-May	% change		*Against US$*	25-Jun	30-May	% change	
CRB	296.6	290.4	2.1%	↑	Euro (EU) *	1.166	1.135	2.7%	↑
Gold	3,332	3,289	1.3%	↑	Pound (GB) *	1.366	1.346	1.5%	↑
Brent Oil	67.68	63.90	6%	↑	Real (Brazil)	5.563	5.722	2.8%	↑
Baltic Dry	1,665	1,418	17%	↑	Rupee (India)	86.03	85.50	-0.6%	↓
Handysize	633	601	5%	↑	Rouble (Russia)	78.25	77.50	-1.0%	↓
					(* rate is US dollars per FX)				