Research

Monthly Sugar Note

30 May 2025

Markets

On May 12, the United States and China reached an agreement to reduce tariffs, aiming to ease trade tensions that began when the U.S. imposed import restrictions in early April. Under the deal, the U.S. lowered tariffs on Chinese goods to 30%, while China reciprocated by reducing tariffs on U.S. products to 10%. Both sides agreed to reassess the situation after 90 days.

The agreement provided strong support for commodities and stocks, which responded positively in the following days. Sugar prices also saw an upward trend, rising from 17.46c/lb at the end of April to 18.22c/lb on May 13, just before the Sugar Dinner at New York Sugar Week. The increase was further fueled by disappointing production figures released by UNICA on May 13, which showed lower-than-expected sugar output in Brazil's Centre-South region during the second half of April.

According to UNICA, cane crushing during this period totaled 17.7 million metric tons (mmt), nearly 50% lower year-over-year. The sugar mix also fell short, reaching 45.8%, approximately three percentage points below the same period last year. As a result, sugar production stood at 856,000 metric tons (kt), 54% below the previous crop and about 400kt lower than market expectations. Since the start of the season, sugar output has lagged the previous year by 1mmt, totaling 1.6mmt.

Figure 1: NY11 – Daily Prices

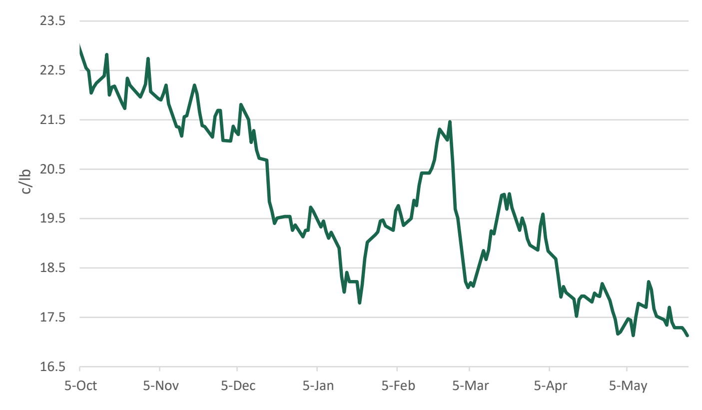
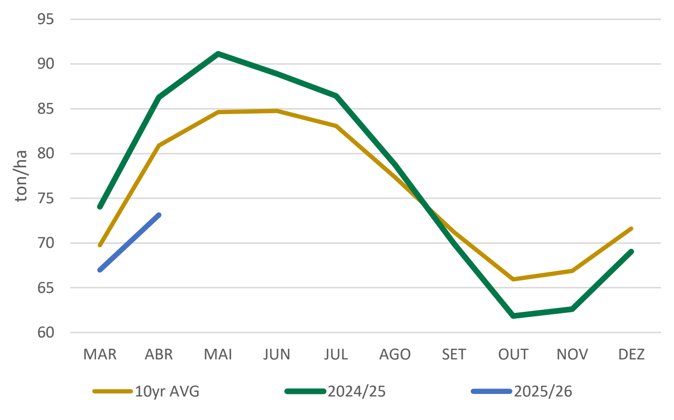


Figure 2: Centre South agricultural yields - Monthly



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

Despite recent developments, the Sugar Dinner failed to generate enough bullish sentiment to sustain price increases. Over the past few days, the front-month contract on NY11 has declined from around 18c/lb to bellow 17c/lb. Brazilian millers and some trade houses have presented concerning forecasts for the 2025/26 crop, suggesting sugar output could drop below the 40mmt mark. However, they also reported strong production expectations for India and Thailand's upcoming crops, indicating a global sugar surplus for the 2025/26 season.

We recently completed a crop tour in Brazil's Centre-South region, reinforcing the outlook shared by Brazilian producers during New York Sugar Week. After traveling nearly 5,000 km, we gathered insights from 13 groups with a combined crush volume of approximately 90mmt in the previous crop. Around 80% of the producers anticipate lower agricultural yields compared to last season due to the dryness observed in 2024. Meanwhile, all mills are actively working to increase the sugar mix—either through investments or by adopting a slower harvest pace to improve sugar factory efficiency.

India's latest crop results have aligned with market expectations. As of May 15, 2025, sugar production stood at 25.7mmt, marking an 18.8% year-over-year decline. Additionally, an estimated 150kt of sugar is expected to be produced in Tamil Nadu, with operations running from early July through September. Another 100kt will come from South Karnataka. Given these figures, total sugar production for the 2024/25 season is projected to reach 26mmt, down from 32.1mmt the previous year. For the new season, the early onset of the southwest monsoon, which arrived substantially earlier than the usual June 1 start, will bolster crop growth prospects. Current market projections indicate a production increase ranging from 6mmt to 9mmt.

Unless Brazil's Centre-South region reports significantly lower-than-expected production figures in the coming months, strong supportive factors for the market remain scarce. China's traditional role as a demand driver may already be fulfilled, particularly after securing a substantial crop of 11.1mmt. Additionally, low white premiums have failed to stimulate demand from standalone refineries, which have remained weak in recent months. In summary, further production issues from Brazil may be necessary to support the sugar market. As is customary at this time of year, UNICA figures will continue to dictate price movements.

Fundamentals

- **India:** India's sugar production for the 2024/25 season has seen a significant decline, with output reaching 25.74mmt by May 15—an 18.8% drop YoY. Cumulative production is down by 5.95mmt YoY, with all mills now closed. The final net crystal sugar production is estimated at 26mmt, down from 32.1mmt in 2023/24. Sugar consumption for 2024/25 is projected at 28.4mmt, a decrease from last year, largely due to reduced smuggling into Bangladesh. Domestic sugar quota releases have also been 6% lower through May. Given the lower production levels, India's ending stock for September 2025 is around 4.6mmt. The government has authorized 1mmt of sugar exports between January and September, with 435kt shipped as of May 10. Total exports for the season are expected to reach 0.8mmt. Meanwhile, the India Meteorological Department (IMD) has forecasted above-normal rainfall for the 2025 southwest monsoon, predicting precipitation at 105% of the long-period average. The monsoon was expected to set in over Kerala around May 27, but its actual onset occurred one week earlier. Pre-monsoon rains have been particularly strong, with central-west India recording a 95% increase in rainfall from March 1 to May 20, while the Southern Peninsula received 55% above-normal rains—factors highly supportive of the 2025/26 crop. While this bodes well for the 25/26 cane crop, actual sugar production will depend on ethanol production. In 2024/25, 35% of ethanol production was derived from cane, while the remaining 65% came from alternatives like maize, surplus rice, and damaged food grains. Given the favourable monsoon conditions and the expected increase in corn and rice production, a similar allocation pattern is likely for 2025/26. Domestic sugar prices are exhibiting regional variations, ranging from INR 38,400–38,700 per metric ton (Mt) in Central West India to INR 40,000–41,000 per Mt in North India.

- **Asia:** Following an extended period of hot and dry weather since the beginning of 2025, wet weather conditions have finally resumed in Thailand, supporting planting conditions for sugarcane. Since the start of May, rainfall has increased significantly, averaging 140.2 mm across the country, and up 176% YoY. However, the key Northeast region has seen the weakest improvement, only increasing by 108%, at 125.9 mm of rainfall, 10% below the 10-year average by this month. Temperature has moderated slightly across all regions, dipping to an average of 31°C, below both the annual and 10-year average. Our 25/26 crop estimate has been revised slightly downwards, since the previous 24/25 crop actualized lower than expected. Current projections from the Thailand sugar mills, OSCB and cane industry associations suggest the crop range of 92-108mmt for the 25/26 crop. Meanwhile, declining cassava prices, which have dropped 40% year-on-year since May last year, may continue to incentivize a shift from cassava to cane planting. 24/25 China sugar production is expected to hit a 10-year record high, from Yunnan's good performance in cane crushing.

- **US:** The May WASDE report introduced a few key changes for the 2024/25 season, though with limited impact on ending stocks. On the supply side, production was revised down by 53k MTRV, alongside a 15k MTRV reduction in TR2 estimates. However, these declines were more than offset by an 82k MTRV cut in domestic demand, leading to an increase in the ending stocks-to-use (STU) ratio from 16.2% to 16.5%. This increase in ending stocks is noteworthy, as domestic demand has been consistently weak throughout the year, and further reductions may be seen in both the current and subsequent seasons. The preliminary outlook for 2025/26 indicates a modest 24k MTRV production decline, signalling another strong crop—particularly in sugarcane, which has an upside forecast. The USDA currently anticipates unchanged YoY consumption, though this will likely be revised downward in the coming months. The 2025/26 ending stocks are projected at 1,289k MTRV, representing an 11.5% STU ratio, which falls short of the theoretical balanced level of 13.5%.

- **Mexico:** Mexican sugar production is approaching its final weeks, with agricultural yields losing momentum over recent weeks. As of May 10, cumulative figures show a 1% decline in harvested area and cane crushed, driven by a 0.2% YoY drop in agricultural yields (compared to +3.1% YoY just a month ago). However, sucrose levels remain strong at +2.8% YoY, supporting a 2% YoY increase in sugar production, which currently stands at 4.52mmt. Low-pol raw sugar production continues to be robust, surpassing the current US quota estimate.

- **Centrals:** Production in Central America's final weeks has been disappointing, leading us to reduce our regional estimate by 150kt. Heavy rains at the beginning of the season negatively impacted sucrose content in some countries. Guatemala's production, as of May 11, reached 2.49mmt, down 1.9% YoY, with even sharper declines reported in other countries. Since the March expiry, refined sugar lineups have been heavy, and some vessels may end up loading in June or even July.

- **EU/UK:** Planting for the 2024/25 production season has concluded across all EU countries, bringing total sugar beet production estimates to 16.6mmt for EU(27) and 1.1mmt for the UK. However, for 2025/26, sugar beet acreage has declined by 8–9%. The French agricultural ministry reports 391,000 hectares (kha) of beet planting, while Germany's ministry estimates 401kha. Weather conditions have remained notably dry, leading to reduced soil moisture across the sugar beet belt. While rainfall will be needed soon to support yields, current conditions do not yet signal serious concern. However, the dry weather has accelerated early aphid migration into France, the UK, the Netherlands, and Belgium. Meanwhile, beet weevils have caused some

farmers in Poland to replant affected areas. Overall, 2025/26 production estimates are expected to align closely with 2023/24 figures, with some downside risk if rains fail to return. Regarding trade, the EU has continued aggressive white sugar exports, shipping 900,000 tonnes by end February. While imports have remained slow, they may rise toward the end of the season if dryness leads to a significant production decline.

- **CIS:** Russia is anticipated to cultivate approximately 1.17 mn hectares of sugar beet, a modest increase from last season. The sowing process is nearing completion throughout the country. During April and May, frost damage occurred across roughly 120,000 hectares of sugar beet; however, this area may potentially be replanted as there remains a sufficient supply of beet seeds. Conversely, Ukraine is expected to experience a reduction in sugar production due to a decrease in the area cultivated. Current estimates for the anticipated cultivation area are 200,000-220,000 hectares (vs. 250,000 in 24/25). By end April, Ukraine exported 60,000 metric tons (kmt) out of a total of 109 kmt to the EU, with plans to export an additional 20 kmt. Nonetheless, it is unlikely that Ukraine will fully utilize the export quota allocated to them, primarily due to prevailing low prices within the European market. Recent developments indicate that the export quota for the period from June 5 to the end of December 2025 is expected to be 40 kmt; however, a formal announcement regarding this matter has yet to be made. Ukraine will need to address its remaining stock, either through further exports or by carrying it over to the next production season.

Focus – Brazil C/S

The 2025/26 season has recently begun, but April's results have already raised concerns. According to UNICA, cane crushing for the month totalled just 34mmt, down 33% year-over-year, while sugar production fell 39% to 1.58mmt. Heavy rains, particularly in the latter half of the month, disrupted harvesting operations, negatively impacting crush volume, ATR levels, and the sugar mix. Another troubling factor was agricultural yield—CTC data indicates a more than 15% decline compared to April last year. While April's rainfall was beneficial, May has been notably dry. Apart from isolated showers, precipitation levels have remained low, leaving soil moisture below optimal levels as CS enters its dry season.

Figure 3: Sugar production - Fortnightly

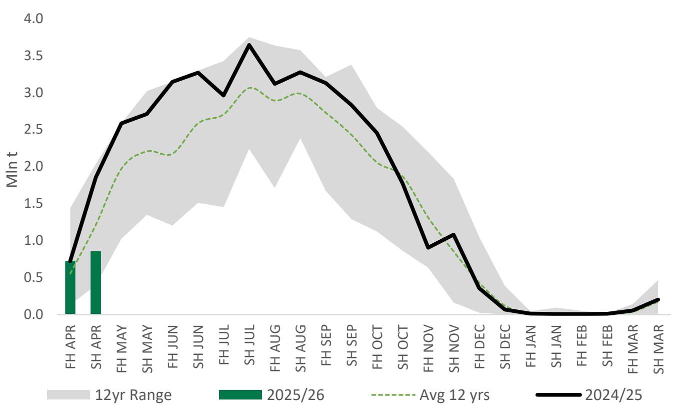
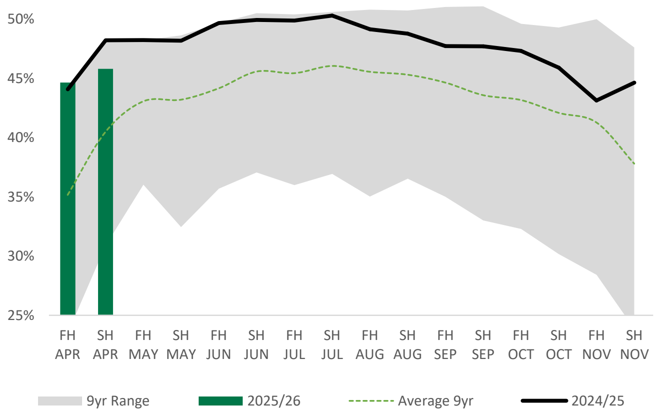


Figure 4: Sugar mix - Fortnightly



Source: UNICA and ED&F Man Commodity Research

On a positive note, May's crush could show stronger figures, with the sugar mix expected to take centre stage. April's mix was disappointing, and unless May's mix significantly improves, CS Brazil may struggle to see the full benefits of past investments in sugar production reflected in the crop's average mix. Despite considerably lower margins than previous years, sugar remains the more attractive option for producers, reinforcing a sugar-oriented crop. Even with a potential increase in ethanol demand—driven by the anticipated, though yet-to-be-confirmed, rise in the anhydrous share of gasoline at the pump in the second half of the year—any boost in demand would likely be offset by higher corn ethanol production, which is expected to reach nearly 10 million cubic meters this season.

Macro

Markets are in a better place than they were last month, as various trade deals with the UK and China, along with some back-pedalling by the US administration on tariffs, allowed risk sentiment to improve. Stocks have recovered much of their losses, although the rally has faltered of late on growing concerns over the US's budget deficit. The dollar and US bond markets have remained on the back foot though, with 30-year treasuries rising to 18-month highs of 5.1% last week. The latter was caused by Trump's proposed tax bill, which caused markets to fear the US budget deficit, and ultimately government debt, was becoming burdensome. As confidence on the US economy and its growing debt pile weight, the dollar remains weak, and down 7% year-to-date. Trade-related uncertainties, ballooning fiscal debt and weakening confidence on US's exceptionalism have weighed on markets, and US assets in particular. The erratic US trade policies have led investors to cut exposure to US assets after a long period of overperformance.

Commodity performance has been mixed in May, with gold still strong, grains and softs mostly weaker, and crude oil higher. The latter has recovered sharply this month, after the plunge in April following Trump's tariff announcements. The 90-day pause in tariffs, along with progress in some trade deals, have helped. But against this, OPEC+ seems intent on discussing another super-sized production increase at its meeting June 1, in what would be the third straight month of adding extra barrels to the market. The weaker dollar should have been a supportive factor for currencies; however, the Brazilian real has remained stuck in a range of 5.60-5.70 for much of the month.

Where markets go from here depends massively on Trump's next move. A US court has blocked many of President Trump's tariffs on imports from dozens of countries, declaring them illegal and throwing his tariff strategy into turmoil. The ruling could eliminate new tariffs on imports from China, Canada, Mexico, and other countries, which could improve prospects for the world's major economies and reduce uncertainty caused by trade wars. The Trump administration has said it will appeal the ruling, and it's unclear how quickly the decision will take effect, with many businesses and importers facing uncertainty and potential refunds on tariffs already paid.

Figure 5: Stock market rally has stalled

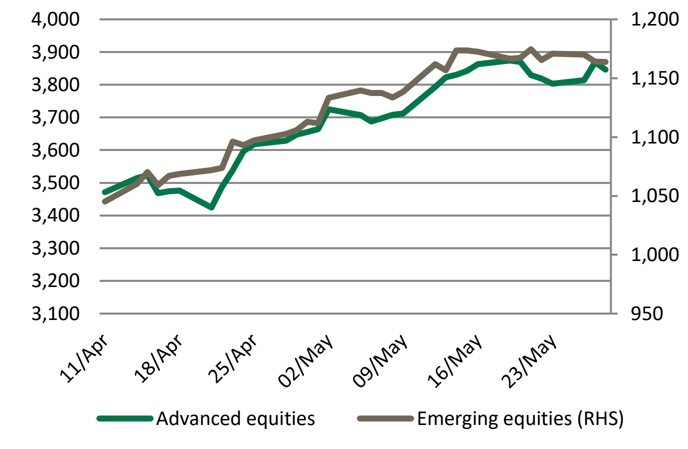
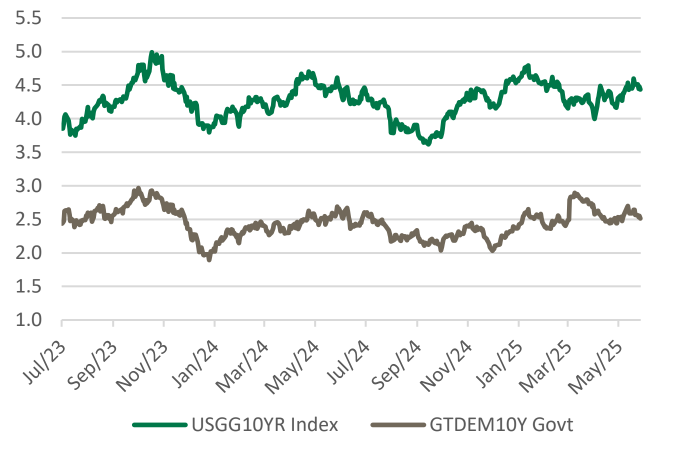


Figure 6: US bond yields are rising again



Source: Reuters, ED&F Man Commodity Research

Prices Tab

New York #11					**London #5**				
(cents/lb)	27-May	30-Apr	% change		*($/tonne)*	27-May	30-Apr	% change	
Jul (25)	17.22	17.25	-0.2%	↓	Aug (25)	482.6	492.8	-2.1%	↓
Oct (25)	17.41	17.42	-0.1%	↓	Oct (25)	478.7	483.5	-1.0%	↓
New York #16					**White Premium**				
(cents/lb)	27-May	30-Apr	% change		*($/tonne)*	27-May	30-Apr	% change	
Jul (25)	36.64	37.30	-1.8%	↓	Aug/Jul	103.0	112.5	-8.5%	↓
Sep (25)	36.74	37.49	-2.0%	↓	Oct/Jul	99.1	103.2	-4.0%	↓
Macro					**Currencies**				
Indicators	27-May	30-Apr	% change		*Against US$*	27-May	30-Apr	% change	
CRB	294.8	288.8	2.1%	↑	Euro (EU) *	1.133	1.133	0.0%	↑
Gold	3,300	3,288	0.4%	↑	Pound (GB) *	1.350	1.333	1.3%	↑
Brent Oil	64.09	63.12	2%	↑	Real (Brazil)	5.641	5.674	0.6%	↑
Baltic Dry	1,296	1,386	-6%	↓	Rupee (India)	85.30	84.57	-0.9%	↓
Handysize	587	564	4%	↑	Rouble (Russia)	80.25	82.00	2.1%	↑
					(* rate is US dollars per FX)				