



# Monthly Sugar Note

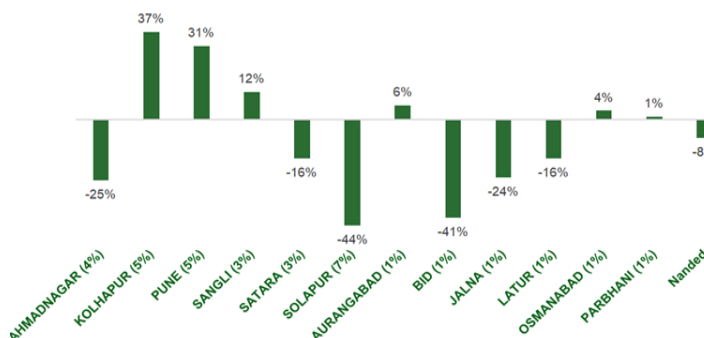
31<sup>st</sup> July 2025

## Markets

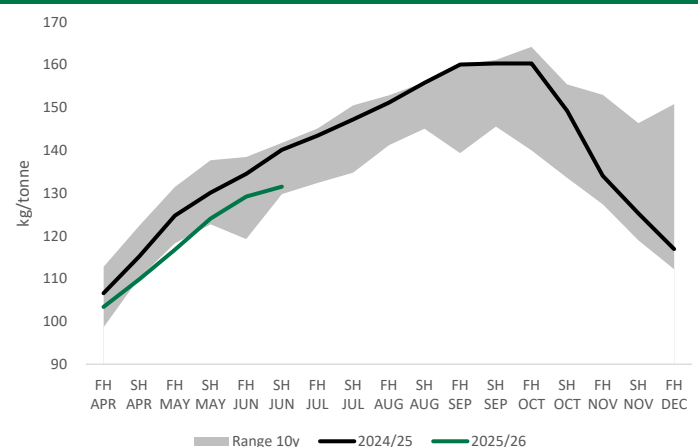
The world's leading sugar exporter, Brazil, now finds itself among the nations facing high tariffs from the United States. President Donald Trump has threatened to impose a 50% tariff on Brazilian sugar starting August 1—marking what could be the first case where tariffs are driven more by political motives than economic concerns. Unlike other recent targets of U.S. trade actions, Brazil enjoyed a \$6.8 billion trade surplus with the U.S. last year, meaning the U.S. exported more goods to Brazil than it imported. This unusual trade dynamic raises questions about the rationale behind the proposed sanctions. Given Trump's prior trade manoeuvres and the significance of Brazilian products like coffee and beef in the U.S. market, a negotiated deal—or at least a delay—could still be on the table.

Adding fuel to the fire, Trump has suggested that Coca-Cola should switch its sweetener in the U.S. market from corn syrup to cane sugar, a move that would further elevate Brazil's importance, as it holds a tariff-rate quota (TRQ) of 155,000 tons and is the leading source for the Re-export and TR2 sugar quotas. The impact of these tensions on the sugar market remains uncertain. Prices have hovered between 15-16.50 cents per pound over the past month. However, if Brazilian exports are restricted and no resolution is reached soon, countries like Mexico and those in Central America may stand to gain from the disruption.

**Figure 1: MH rainfall – Jun/Jul 2025 vs. Hist. avg.**



**Figure 2: Centre South ATR- Fortnightly**



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

In the meantime, Brazil's Centre-South crop figures continue to trail last year's performance due to ongoing rain episodes that have delayed crushing, along with lower ATR values that are limiting sugar output. As of the end of June, C/S mills have crushed 206mmt of cane, representing a 14.1% decline YoY. ATR stands at 122.2kg/tonne, down nearly 5% from the 128.3kg/t recorded in the 24/25 crop. The sugar



mix remains at a maximum sugar scenario of 51.0%, compared to 48.7% in the previous season. As a result, cumulative sugar production is 2mmt lower YoY, totalling 12.2mmt.

In India, weather developments remain mixed. Rainfall across Maharashtra has been uneven, with certain regions experiencing heavy precipitation while others face dry conditions. From June 1 to July 27, Solapur registered just over 50mm of rainfall—approximately 44% lower than the historical average. Although soil moisture remains favourable due to record rainfall at the end of May, conditions will need to improve in the coming weeks to validate expectations for a bumper crop.

Thailand has generally seen supportive weather for cane growth, although white leaf episodes have been observed in parts of the Northeast region. This has widened the outlook for the next crop, with projections ranging from below 11mmt to nearly 11.5mmt. Analysts concur on a more than 5% increase in planted area compared to the prior crop, but the full impact of the disease will only become clear once the harvest begins.

On the white sugar market, sentiment has turned slightly bullish over the past month. The strong monthly EU export phase is concluding, and expectations for lower production in the next cycle—due to reduced acreage and dry weather—have combined with limited white sugar availability from the Centrals and imports from Pakistan, and the Philippines. This backdrop has supported white premiums, though if India and Thailand confirm output increases, we may see premiums revert to double-digit levels.

In summary, the sugar market has gained new elements in recent weeks. The evolving U.S.-Brazil tariff story may shift North American trade dynamics, potentially reducing Brazilian imports while opening space for Centrals and Mexico. At the same time, Brazil's C/S production is trending below early-season expectations. India and Thailand are facing production uncertainties, yet the 25/26 crop year is still expected to deliver a surplus, which should act as a ceiling on further price gains.

## Fundamentals

- **Brazil C/S:** With the first quarter of the 2025/26 season now behind us, results show a mixed picture. Cumulative agricultural yield is down 11% YoY, as anticipated due to the rainfall pattern - yet still supportive of our full-season crush estimate of 595mmt. The wetter conditions observed during Q2'25 contributed to a 14% YoY decline in cumulative cane crush, while ATR values also fell 5% YoY. On the positive side, mills continue operating under a high sugar mix scenario, currently 5% or 2.3 percentage points above the previous year. Overall, sugar production is 14% lower YoY, equating to a drop of 2.0mmt. The key downside risk now lies with ATR.
- **India:** Cumulative rainfall across sugarcane-growing regions is 8.2% above average. Maharashtra is 3% above, Karnataka 49%, and Uttar Pradesh 4% above normal. These favourable patterns, combined with expanded cane area and strong pre-monsoon rains, have created excellent crop conditions - markedly stronger than last year in Central West India. Mills are lobbying for a timeline extension; further developments to be monitored. ISMA's first advance estimate is expected July 30, likely reflecting current strong crop trends. Domestic sugar



prices have firmed slightly—trading at INR 38,000–38,500/mt in Central-West and INR 38,500–39,000/mt in Northern regions—driven by limited Central-West stock and rising festive demand. Ethanol allocation decisions are expected by late Oct–early Nov.

- **Asia:** Thailand rainfall continues to improve throughout July, approximately 11% higher in Northern and Central regions despite below the 10-year average. In contrast, Northeast rainfall is notably low this month, recording a 35% YoY decline and 25% lower than the 10-year average. Overall, cumulative rainfall to date in all regions is at 654mm, 22% higher on average, supporting expectations of higher agricultural yields and a larger 25/26 Thailand crop. Insights gathered during our recent July crop tour indicate a potential 11%-18% yearly increase in 25/26 Thailand crop, contributed by 6%-10% increase in cane area from the switching of cassava to cane planting and 4%-8% higher agricultural yields from higher rainfall.
- **US:** The July WASDE report introduced key revisions to the U.S. sugar outlook. For 2024/25, beet sugar production rose by 4k MTRV while domestic deliveries were cut by 73k MTRV (–3.1% YoY), lifting ending stocks by 80k MTRV and raising the STU ratio to 17.4%, pointing to an oversupplied market. For 2025/26, beginning stocks were revised up by 80k MTRV, but production - mostly beet sugar - was trimmed by 54k MTRV; domestic deliveries were reduced by 150k MTRV, reflecting a 1% YoY decline. TRQ and FTA imports remain unchanged, while the Specialty/refined TRQ is still pending and unlikely to be announced. To maintain a 13.5% STU ratio, USDA reduced Mexican imports by 209k MTRV to 398k MTRV (376kt raw), with only 50% of the published quota guaranteed under the current Suspension Agreement - far below historical norms.
- **Mexico:** The Mexican sugar crop is nearly complete, with only two mills still operating as of July 12th. Final production reached 4.77mmt, a YoY growth of only 1.4%, slightly lower than initial estimates. Despite lower output, weak domestic demand - down 7.6% YoY for Oct/Jun - offset the impact, allowing for strong WM exports of 650kt (of which 435kt already shipped, mostly to Morocco, Canada and US Reexports). US exports are currently estimated at 425kt, with low bagged sugar shipments forcing a revised split towards low pol raws. Looking ahead, 2025/26 production is projected to rise, with an exportable surplus of 785kt.
- **Centrals:** The 2024/25 sugar production season has concluded with output falling short of expectations, with a combined production of 4.8mmt, about 150kt lower YoY, mainly due to heavy early-season rains that negatively impacted sucrose content. For the 25/26 season, so far cumulative rains have been favourable for cane development, especially given the wet June. Exports are happening at a much lower pace as most of the sugar have already been moved out of the region. The exception is Guatemala's conventional shipment of refined sugar, which still has vessels on the lineup that arrived in April and some should leave only by September, still a backlog from the London expiries.
- **EU/UK:** The EU sugar beet crop for 2025/26 is currently in the growth phase, with July rains significantly improving soil moisture levels across key producing regions such as Germany, France, the Netherlands, and the broader Western EU beet belt. These timely rains are expected to support crop development and may lead to a slight upward revision in yield forecasts in the August JRC MARS report, despite an earlier downward adjustment. France is facing pressure from aphid infestations, which are causing the yellow virus to spread. Cercospora leaf spot is increasingly visible across the western beet belt, while Syndrome Basses Richesses (SBR) continues to impact southern Germany. Looking ahead, the EU's import quota for Ukrainian sugar is projected at 100 KMT for 2026/27.
- **CIS:** The 2025/26 CIS sugar season reflects diverging trends: Russia has planted 1.17 million hectares of sugar beet (slightly up YoY), with production forecast higher than last season, driven by strong early beet weights. Backed by ample stocks, Russia aims to export around 1 MMT, targeting CIS buyers, where competitively priced beet pellets are gaining market share over Brazilian raws. Meanwhile, Ukraine's sugar beet area fell to 210,000 hectares due to tighter EU quotas and more lucrative crop alternatives, reducing production. Export



flows are more diversified, though weak June volumes (5.2 KMT) are leading to growing inventories—with limited near-term outlets. Overall, regional dynamics are being reshaped by Russia's aggressive export push and Ukraine's quota-constrained supply.

## Focus – US Import Tariffs and Impacts on US Trade Flows

President Trump is now seven months into his second term, a period marked by considerable upheaval in global trade dynamics, with notable ramifications for the sugar market. The administration's initial proposal—25% tariffs on imports from Mexico and Canada—was ultimately postponed and then suspended. However, the landscape shifted dramatically on April 2nd, a date Trump referred to as "Liberation Day," when new tariffs ranging from 10% to nearly 50% were imposed on several countries, excluding the USMCA region. These were quickly adjusted to a uniform 10% during a 90-day temporary window, which is now approaching its conclusion. As that deadline looms, a fresh round of tariff rates and trade agreements is scheduled for announcement on August 1st.

One of the most unexpected and potentially disruptive moves for the sugar industry is the imposition of a 50% tariff on Brazilian sugar imports to the United States. This came as a surprise, not only because Brazil had initially been subject to just 10%—reflecting its status as one of the few countries where the U.S. maintains a trade surplus—but also because the justification for the increase centred primarily on criticisms of Brazil's legal system. So far, no bilateral agreement has been reached, and this development threatens Brazil's competitiveness in the American sugar market. The resulting shift in trade dynamics may have significant knock-on effects across regional flows.

According to USDA data for the 2023/24 crop year (October to September), the United States imported a total of 3.4 million metric tons (Raw Value) of sugar. That year, a domestic market imbalance prompted an increase in the Raw Sugar Tariff-Rate Quota (TRQ-raw) and led to a substantial volume of imports under High Duty provisions (TR2). Of all imports, 34% entered under TRQ-raw, 7% under Refined Sugar TRQ, 6% came from Free Trade Agreements, 8% under the Re-export quota, 14% from Mexico, and 31% through the TR2 category. Brazil's share reached 33% of total U.S. sugar imports, amounting to 1.13 million metric tons Raw Value, comprising 235kt under TRQ-raw, 95kt under the Re-export quota, and 802kt under TR2. The actual volume is likely even higher, as a substantial portion of refined or specialty sugar—including organic imports where Brazil is the leading supplier—is classified separately

Figure 3: 23/24 U.S. imports per type of quota

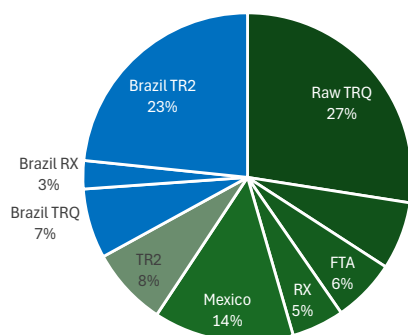
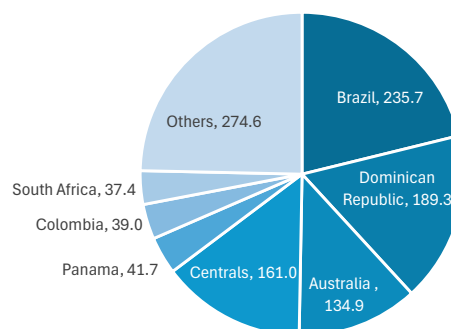


Figure 4: U.S. Raw tariff Rate quota



Source: USDA & EDF Man Commodity Research



From October 2024 to June 2025, the United States imported 2.2 million metric tons (Raw Value) of sugar. Excluding organic imports, Brazil accounted for over 300,000 tons, representing 14% of total U.S. imports, with the majority—approximately 155,000 tons—entering under the Tariff-Rate Quota (TRQ). Unlike the previous season, the TRQ quota is unlikely to see an expansion, and opportunities under the High Duty (TR2) mechanism will be more limited as current market conditions do not require significant additional imports. Looking ahead to the 2025/26 season, the USDA projects minimal import requirements, which would further reduce demand for TR2 volumes.

While Brazil may continue to participate in TRQ imports—given that it remains a more economical alternative to paying full duties—its competitiveness under other import categories, such as the Re-export (RX) quota and TR2, is expected to decline. Central American countries are likely to gain a stronger position, with Mexico and other regional origins also poised to benefit from this shift. Negotiations surrounding the 50% tariff on Brazilian sugar remain unresolved. Even if a reduction is achieved, the revised rate could still be significantly higher than the original 10% proposed back in April.

## Macro

Markets have been surprisingly resilient in July despite the uncertainty of trade deals with the USA. After the China trade deal last month, and a handful of others this month – most importantly with Japan and the EU - markets are relieved that the broader market fall out has not been as bad as feared. The Trump administration's huge experiment pitting protectionist trade policy and Depression-era tariffs against the economic orthodoxy of the past 40 years seems so far not to deter investors. Granted, US inflation data has not been too troubling yet - nor retail or employment data - but as higher tariffs kick in, the US economy is bound to slow down. For now though, US stock markets keep notching fresh record highs as companies keep reporting better than expected earnings, while US economic data comes in better than expected. This is yet another example of equity investors' ability to find the silver lining in almost anything.

Figure 5: US dollar recovering



Source: Reuters, ED&F Man Commodity Research

Figure 6: Commodity price movements

Asset alias	Latest week	Last week	One-month	Three-month	YTD
Platinum	-2.3	-0.9	5.9	46.2	56.3
Palladium	-3.7	1.5	17.6	34.0	37.9
Silver	-0.3	-1.3	5.3	15.1	31.2
Gold	-0.6	0.2	1.5	2.9	28.5
Tin	1.9	-0.5	2.6	6.9	17.9
Copper	-0.2	1.3	0.2	3.9	12.0
Aluminium	0.2	1.1	2.9	8.7	3.6
Lead	0.0	-0.5	-1.2	3.1	3.2
Iron	2.5	1.5	11.7	6.0	2.8
Soybeans	-1.4	2.8	0.3	-3.6	1.0
Nickel	0.5	0.2	1.6	-1.5	0.1
Cotton	-0.7	1.9	-0.1	-0.8	-0.3
Wheat	-1.5	0.2	-1.2	-1.2	-2.4
Coffee	-2.0	6.0	-2.3	-25.6	-6.9
Crude oil	-1.4	-1.9	0.4	3.4	-9.2
Brent crude	-1.1	-1.4	1.9	2.8	-9.4
Corn	-2.2	3.2	-1.4	-17.7	-12.9
Natural gas	-12.3	7.6	-11.5	1.4	-13.1
Sugar	-3.2	1.5	-1.9	-10.4	-15.4
Cocoa	6.8	-4.6	-4.2	-11.3	-28.7

Positive change Negative change

Even the US dollar staged a recovery this month after a negative performance in the first half of the year. US govt interference with the Federal Reserve weighed heavily on the USD, and sent bonds selling off mid-month. But this likely discouraged Trump from previous ideas of firing Powell, allowing a subsequent recovery. The US currency has also benefitted from a still strong US labour market and inflation numbers that have come in line with expectations,





suggesting US companies are either not passing on full costs, or are drawing down inventories piled up prior to the tariffs. While pressure on US inflation may yet come later in the summer as the full tariff impacts are felt, we don't expect the Fed to lower rates until later this year.

Oil prices have recovered back to the \$70/bbl mark on optimism that a trade war between the US and its major trading partners was abating and as President Trump ramped up pressure on Russia over its war in Ukraine. However, upside is limited from these levels due to higher output plans from OPEC+ that will potentially send the global crude oil market into a surplus in Q4. A continued revival in the dollar may also weigh on energy prices. The latter is also putting pressure on the Brazilian real, which has weakened again to the 5.60 levels following the 50% tariff threat by the US administration. Until a trade agreement is found, BRL volatility will continue – not least because, perversely, the fighting talk from President Lula is aiding his popularity in Brazil (and thereby putting pressure on Brazil's currency).

### Prices Tab

<b>New York #11</b>				<b>London #5</b>			
(cents/lb)	28-Jul	30-Jun	% change	(\$/tonne)	28-Jul	30-Jun	% change
Oct (25)	16.43	16.20	1.4% ↑	Oct (25)	474.8	465.1	2.1% ↑
Mar (26)	17.05	16.94	0.6% ↑	Dec (25)	466.1	457.2	1.9% ↑
<b>New York #16</b>				<b>White Premium</b>			
(cents/lb)	28-Jul	30-Jun	% change	(\$/tonne)	28-Jul	30-Jun	% change
Sep (25)	37.00	34.85	6.2% ↑	Oct/Oct	112.6	108.0	4.3% ↑
Nov (25)	36.95	33.60	10.0% ↑	Dec/Oct	103.9	100.1	3.8% ↑
<b>Macro</b>				<b>Currencies</b>			
Indicators	28-Jul	30-Jun	% change	Against US\$	28-Jul	30-Jun	% change
CRB	303.5	297.3	2.1% ↑	Euro (EU) *	1.159	1.179	-1.7% ↓
Gold	3,314	3,303	0.3% ↑	Pound (GB) *	1.336	1.373	-2.8% ↓
Brent Oil	70.04	67.61	4% ↑	Real (Brazil)	5.588	5.432	-2.9% ↓
Baltic Dry	2,226	1,489	49% ↑	Rupee (India)	86.67	85.69	-1.1% ↓
Handysize	680	635	7% ↑	Rouble (Russia)	81.35	78.20	-4.0% ↓
				(* rate is US dollars per FX)			

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