ED&F MAN EST. 1783 | Research

Monthly Sugar Note

26 August2025

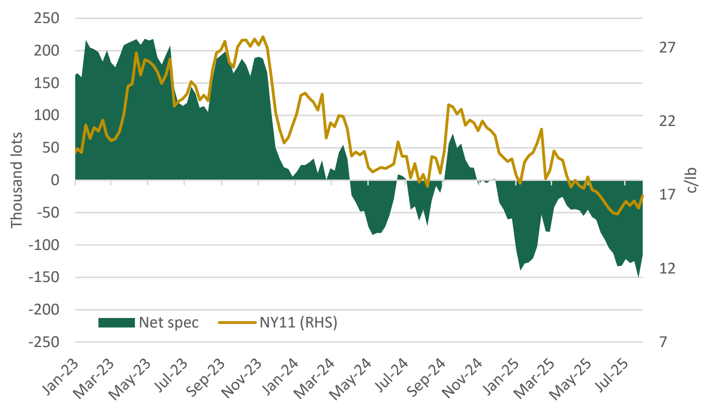
Markets

The impact of tariffs on the U.S. economy remains uncertain. Recent data show a rise in producer price inflation, yet indications of a weakening labour force are also rising. Concerns have been growing over heightened political interference with the Federal Reserve, which has both weakened the US dollar and caused shorter dated US treasury yields to fall, whilst sending long-dated yields higher amidst a more inflationary view. The U.S. has secured new trade agreements with several countries, including Japan, and is negotiating a pending deal with the European Union. However, relations with key BRICS members remain fraught, with both Brazil and now India facing a 50% tariff.

Against this volatile macro backdrop, the sugar market has been notably sluggish over the past month. Prices have struggled to gain momentum, largely due to positive crop developments in Brazil and the Northern Hemisphere. Brazil's Centre-South crop continues to lag behind last year's performance, as reflected in recent UNICA reports. Whilst a delayed start to the season has contributed to weaker cane quality, the sugar mix has reached record highs with each new update. By the end of July, millers had crushed 306 million metric tons (mmt) of cane—8.6% less than the previous season. Yet the sugar mix stands at approximately 52.1%, an all-time high for this period. The ATR (Total Recoverable Sugar) has dropped to 126.9 kg/ton, the lowest in 11 years. Total sugar production reached 19.3 mmt, trailing last year's output by 1.6 million.

Figure 1: NY11 – Sugar prices (front month)

Figure 2: Net Spec position



Source: Reuters and ED&F Man Commodity Research

Despite lower production and historically low stocks of sugar and ethanol, the NY11 futures contract has yet to respond positively – trading instead in a very range-bound fashion. The most promising bullish signal may lie in the potential for rising ethanol prices, driven by reduced output projections and the implementation of E30 fuel standards, which began on August 1.

With Brazilian ethanol stock shortages yet to materialize, the market continues to monitor crop developments in Thailand and India. In Thailand, rainfall has been generally adequate across much of the country. Although July saw lower precipitation in the Northeast, strong rains in previous months have likely ensured sufficient soil moisture for cane development. Some producers in the Northeast are reporting a high incidence of white leaf disease, which could affect agricultural yields. Nonetheless, the overall crop is expected to surpass last season's output due to increased acreage. In India, rainfall has also been favourable across most regions. Maharashtra stands out, where rainfall has been uneven, but the broader outlook remains positive for crop development.

Beyond fundamentals, speculative activity has played a significant role in market dynamics. Speculators have maintained a net short position since December 2024, with no clear signs of reversal in the near term. As of August 12th, the net short stood at approximately 115,000 lots. While occasional long positions have nudged the market toward 17 cents per pound, these are typically followed by renewed shorting, exerting downward pressure and bringing prices closer to 16 c/lb.

Pakistan's situation also warrants attention. The country's sugar production declined from 6.8 mmt in the 2023/24 crop year to 5.8 mmt in 2024/25, while domestic consumption remains above 6.5 mmt. This imbalance highlights the need for increased imports. Although the tender process has faced delays, around 85,000 tonnes have been secured through three tenders. Additional imports may be announced in the coming days, potentially lending support to the White Premium.

Looking ahead, the market anticipates ample sugar supply over the coming months. The ethanol price floor has become a stabilizing factor, and Brazil's tight ethanol balance at the end of the season may offer some price support. However, if Brazil-U.S. relations deteriorate, a weakening BRL could make sugar exports more attractive for Brazilian producers, potentially keeping prices subdued.

Fundamentals

- **India:** As of 18 August, cumulative rainfall across all Indian sugarcane-growing regions stands at 21% above average. Region-wise, rainfall weighted by sugarcane area is 12% above average in Maharashtra, 60% above average in Karnataka, and 27% above normal in Uttar Pradesh. These favourable rainfall patterns, combined with an increase in sugarcane planted area, strong pre-seasonal rains in May, and continued robust monsoon activity since June, have created highly supportive conditions for the 25/26 sugarcane crop. Market consensus sees the 25/26 gross sucrose production above 35mmt, about 4mmt higher than the 24/25 season. Net crystal production is expected close to 31mmt up by 5mmt compared to last year's (26mmt). Thanks to this year's favourable monsoon, reservoir levels are nearly full, while groundwater conditions have improved. Given the current planting trends and the strong intention for pre-seasonal planting (expected to occur from October to January), India may see a potential increase in acreage for the 26/27 season in Central West India.

- **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, the sugar crop concluded at 11.16mmt, an increase of 12.03% compared to 2024. In the Philippines, crushing is still ongoing and current sugar production has risen to a 4-year high of 1.95mmt according to SRA, slightly higher than last year's 1.92mmt. On the demand side, CS Brazil lineups to China in June continued to remain strong.

- **US:** The August WASDE report increased ending stocks for the 24/25 season by 277,000 metric tons raw value (MTRV), primarily driven by a 222,000 MTRV rise in import estimates across both TRQ and reexport markets. Additional gains came from higher domestic production, partially offset by a modest increase in exports. For the 25/26 season, beginning stocks were revised upward, and an additional 211,000 MTRV of sugar production was announced, raising the stocks-to-use (STU) ratio to 17.7%. Based on current figures, even if Mexican imports are reduced to the minimum guaranteed level of 199,000 MTRV, the U.S. still shows a domestic surplus of 270,000 MTRV. Therefore, unless there are significant shifts in supply and demand components, a substantial upward revision of Mexico's export quota appears unlikely.

- **Mexico:** Mexico's sugar production for the 24/25 season concluded at 4.77 mmt (mmt), up 1.4% YoY but slightly below initial projections. The shortfall was partially offset by weak domestic demand, which declined 7.1% YoY for the Oct-Jul period, supporting a strong white market export forecast of 650 thousand tonnes, with 470 kt already shipped—primarily to Morocco, Canada, and U.S. reexports. Additionally, 150 kt of low pol raw sugar have been earmarked for the 25/26 U.S. quota and scheduled for export in Q4. This eases pressure on the current season's export commitments but shifts the pressure to the next crop. Based on recent updates to the U.S. supply and demand outlook, it appears unlikely that the export quota will exceed the currently guaranteed 188 thousand tons, meaning the volume already produced and reserved is nearly sufficient to fulfil the quota.

- **Centrals:** Sugar production in the region for the 24/25 season concluded at 4.8 mmt, approximately 150 kt lower YoY, primarily due to heavy early-season rains that adversely affected sucrose content. For the 25/26 season, rainfall has remained intense, particularly in June and July, with forecasts indicating continued heavy precipitation in the coming days. While abundant rainfall generally supports cane development, excessive volumes can lead to damage, as observed in the previous crop cycle. Current conditions are considered favourable, though closely monitored, and the outlook suggests about 2.0% year-over-year crop increase.

- **EU/UK:** Sugar beet development across the EU has progressed well, supported by timely rainfall in July and August that fostered healthy crop growth. In Germany, early test results show strong performance, with beet yields reaching 68.5 t/ha, sugar content at 16.4%, and sugar yields of 11.2 t/ha—significantly higher than the previous week's figures of 57.5 t/ha, 14.93%, and 8.6 t/ha. The UK has also benefited from favourable precipitation, contributing to promising beet growth despite a 9.6% reduction in cultivated acreage. Overall, EU sugar beet production is expected to match 2023 levels, driven by above-average yields, though disease pressure from Cercospora, SBR, and beet weevil remains a concern. Looking ahead to 26/27, preliminary signs point to a contraction in cultivated area, with Nordic Sugar announcing a 10% reduction in planting across Sweden and Denmark, potentially lowering output. On the trade front, Ukraine has already fulfilled its 11kt sugar export quota to the EU within two months. While EU exports have moderated, the strength of this year's crop may shape expectations for next season's export potential. However, with global sugar prices under pressure and mounting challenges within the EU market, internal dynamics will need close monitoring.

- **CIS:** Russia's crop outlook has improved since July, with production now expected at 6.6–6.8 mmt, thanks to rainfall easing drought conditions. Beet tests show strong development, with root weights averaging 402 g, top weights at 394 g, and sugar content at 14.9% as of August 10. Russia may export more than 1.0mmt, though this remains uncertain, while rising beet pellet trade could reduce raw sugar demand in nearby markets like Uzbekistan and Azerbaijan. Production for the 25/26 season is already underway. In Ukraine, favourable rainfall supports an expected output of 1.5 mmt, but exports remain limited to 20–30kt/month despite heavy stocks. With EU access restricted until January 2026 under the new quota system, Ukraine's approach to managing surplus remains unclear.

Focus – Brazil C/S

With more than half of the projected cane already harvested, clear trends are emerging in the production mix and ATR of the Centre South Brazilian crop, although cane availability remains uncertain. C/S mills have been struggling with the sucrose content due to early-season rains that prolonged cane vegetative growth and the cumulative ATR is the lowest observed in the past 10 years.

Figure 3: Sugar mix evolution

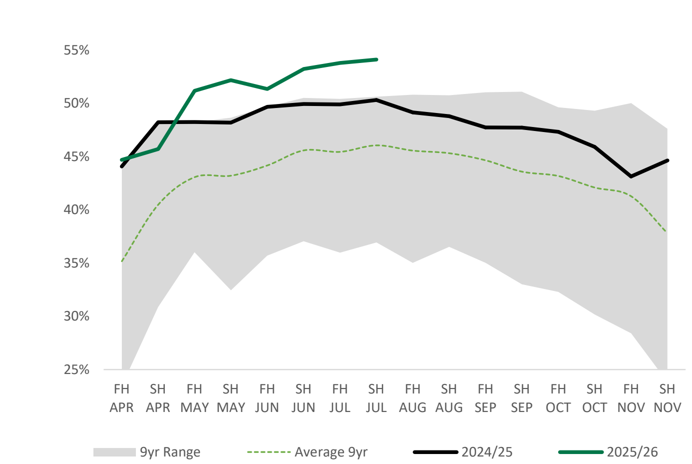
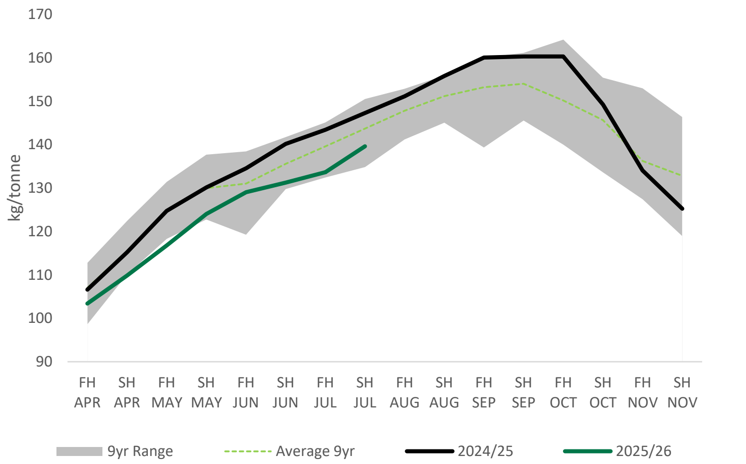


Figure 4: ATR evolution



Source: UNICA ED&F Man Commodity Research

On the other hand, the sugar mix continues to deliver strong results, a positive effect of the recent investments, but also showing a very small impact on production given the recent narrowing of sugar and ethanol parities. Cumulative figures up to the end of July show cane crush at 306mmt (-9% YoY) with ATR at 126.9kg/t (-5% YoY) and sugar mix at 52.1% (vs 49.1% LY), leading to sugar output of 19.3mmt (-8% YoY). Agricultural yields from April to July fell 10% YoY, a steep drop, but still consistent with full season crush near 600mmt levels. This, combined with a weak ATR but strong mix projections, should still lead to a low 40mmt range of sugar production.

Cane ethanol production, however, has been hit by both poor ATR and the strong sugar mix; and even with record high corn ethanol production, overall ethanol stocks are historically very low. The recent increase in Brazil's anhydrous blend mandate from 27% to 30% in August is expected to tighten supply further and support ethanol prices, though higher prices may curb hydrous demand while improving import parity, particularly during the intercrop period. A significant risk lies in politics, as the U.S. has imposed a 50% tariff on imports from Brazil, including sugar and ethanol. It is not clear if or at which level yet, but the removal of the current 18% tax on imported ethanol into Brazil could be discussed between the two countries. If that were to be confirmed, it could flood the local market with US ethanol and change substantially the view on the ethanol SnD.

Macro

Markets have been on a more volatile ride this month amidst mixed data coming out of the US economy, tinged with concerns over central bank independence and further tariff related politics. The first half of the month saw dollar weakness emanating from the softer than expected US non-farm payrolls data for July, which led to higher expectations of a rate cut by the Federal Reserve. But by mid-month, hotter-than-expected US producer price inflation (suggesting that tariff costs are beginning to be passed through the supply chain) pushed 2-year US treasury yields higher, allowing the dollar to firm. But the real mood lift came when, following months of pressure from President Trump, Fed Chair Jerome Powell gave a more dovish speech than expected at the annual Jackson Hole symposium. By suggesting that “downside risks to employment are rising … and if those risks materialise they can do so quickly in the form of sharply higher lay-offs and rising unemployment", markets began to price a nearly 90% chance of a 25 bp rate cut in September. This in turn triggered a strong positive macro move, pushing equity markets back to historical highs.

Despite the summer seasonal lull, and partly influenced by the moves in the US dollar and US treasury yields, we saw other markets experiencing different levels of volatility this month. Both the euro and the BRL both performed well against the dollar; the former helped by a less dovish European Central Bank (although this week’s political risks associated with government collapses in France and Netherlands have been negative influences), while the latter was helped by consistently strong carry trade opportunities with the Brazilian Selic rate at a lofty 15%. The Indian Rupee has performed less well due to the 50% tariff coming into effect this week, reaching near record lows.

Commodities have been mixed during August, with grains dipping to seasonal lows amidst favourable weather and good crop progress in the USA and Europe, whereas coffee managed to rally again due to short-term scramble for physical coffee despite the 50% US tariffs on Brazilian coffee. Gold prices hovered near its record high levels due to the weaker dollar and continued political uncertainty related to tariffs and politics. Crude oil prices have been on a more declining trend by contrast. Bearish supply/demand report updates from the IEA and OPEC, both pointing to surplus oil markets ahead, weighed on Brent crude, with potential ceasefire negotiations with the US, Russia and Ukraine not helping.

Figure 5: BRL and EUR both firm against USD

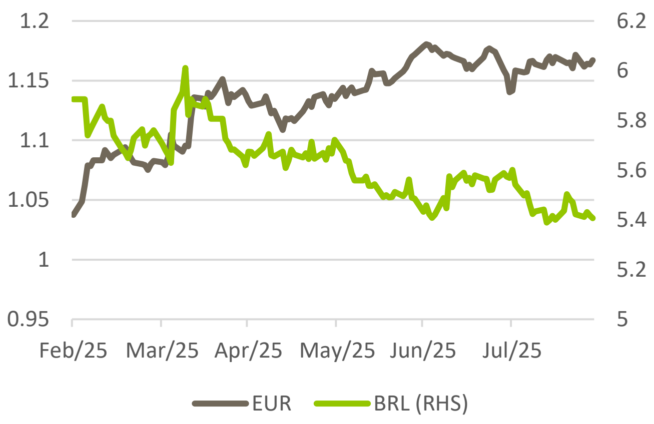
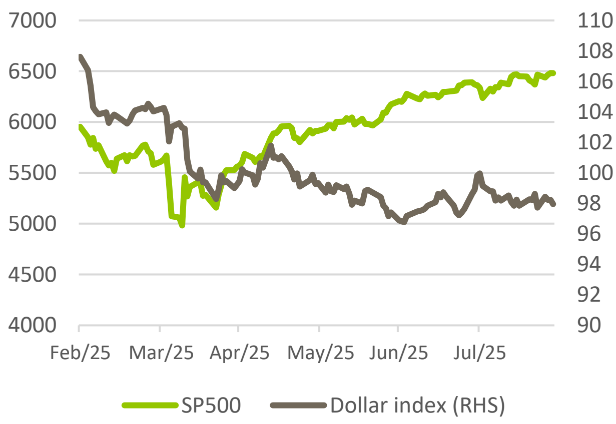


Figure 6: Stock markets soaring away



Source: Reuters, ED&F Man Commodity Research

Prices Tab

New York #11					**London #5**				
(cents/lb)	27-Aug	31-Jul	% change		*($/tonne)*	27-Aug	31-Jul	% change	
Oct (25)	16.47	16.35	0.7%	↑	Oct (25)	488.4	467.8	4.4%	↑
Mar (26)	17.13	16.97	0.9%	↑	Dec (25)	478.1	460.8	3.8%	↑
New York #16					**White Premium**				
(cents/lb)	27-Aug	31-Jul	% change		*($/tonne)*	27-Aug	31-Jul	% change	
Nov (25)	36.70	36.95	-0.7%	↓	Oct/Oct	125.3	107.3	16.7%	↑
Jan (26)	36.50	36.65	-0.4%	↓	Dec/Oct	115.0	100.3	14.6%	↑
Macro					**Currencies**				
Indicators	27-Aug	31-Jul	% change		*Against US$*	27-Aug	31-Jul	% change	
CRB	300.7	299.8	0.3%	↑	Euro (EU) *	1.164	1.142	1.9%	↑
Gold	3,397	3,290	3.2%	↑	Pound (GB) *	1.350	1.321	2.2%	↑
Brent Oil	68.05	72.53	-6%	↓	Real (Brazil)	5.417	5.601	3.3%	↑
Baltic Dry	2,046	2,003	2%	↑	Rupee (India)	87.64	87.50	-0.2%	↓
Handysize	745	678	10%	↑	Rouble (Russia)	80.35	81.10	0.9%	↑
					(* rate is US dollars per FX)				