Monthly Sugar Note

30th October 2025

Markets

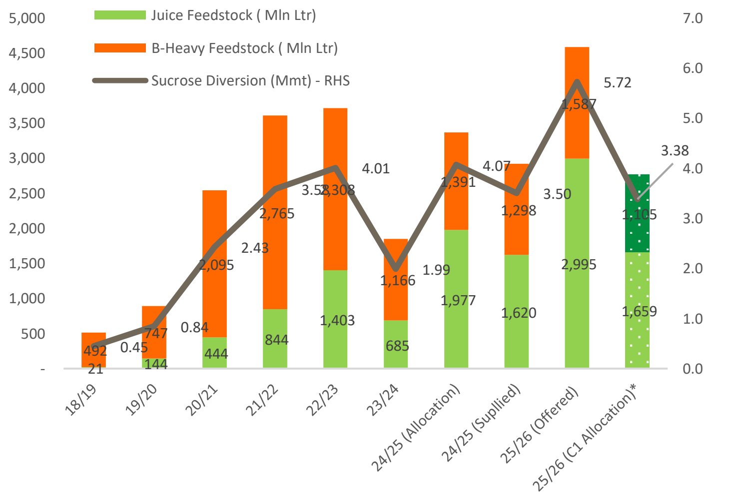
Commodity markets faced a turbulent month as the U.S. government shutdown increased uncertainty and pressured the dollar, while escalating trade tensions added fresh geopolitical risk. Gold surged on safe-haven demand, and broader commodity sentiment swung with shifts in US tariff negotiations and global risk appetite, setting a volatile tone across the softs and energy markets.

Favourable crop progress in C/S Brazil, continued positive weather across Northern Hemisphere growing regions, and recent news of decreased cane allocation to ethanol production in India have pressured sugar prices to below 15 c/lb. Meanwhile, potential supportive factors — such as Chinese restocking, low ethanol inventories in Brazil, the heavy speculative short position, and the approaching tail of Brazil's C/S crop — remain in play, though it is uncertain whether they will be sufficient to lift prices or merely slow further declines.

As of end of September, C/S Brazil cane crush was still 16mmt below the past season (490.1mmt vs. 506.0mmt). However, the strong sugar mix of 52.7% (vs. 48.8% in the past season) took total sugar output above last season to 33.5mmt for the first time since the start of the season. ATR value at 136kg/tonne is still the lowest of the past years, but the increase over the past weeks has been remarkable, taking the market by surprise. More than 80% of the crop is now complete, and we should see lower UNICA results in October due to the high volume of rains observed in Brazil. ATR should fall, while some mills will likely direct more cane to ethanol, impacting sugar output.

Figure 1: NY11 front month contract

Figure 2: India cane allocation to ethanol



Source: Reuters and ED&F Man Commodity Research

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Rains will also have an effect on Brazil's exports. October bulk raw exports will be only 2.6mmt, almost 600kt lower than the previous month. As a result, the projected 800kt of imports of China received during the October expiry may take some time to materialize (though this was likely already priced by the market). Wet weather conditions in C/S Brazil may also delay the end of the crop. Several millers claimed that the crop should be done by the first half November which would be roughly one month ahead of the past season. For the time being, UNICA sees only 4 mills ending the season, in line with historical data.

Elsewhere, we don't foresee weather being a problem for the northern hemisphere crops. Europe's crop outlook has improved considerably over the past month, despite an area reduction of 9%. Rains have also been strong in Mexico and Central America which, while negative for sucrose content, is good for cane growth. India's monsoons, despite 13% above last season, is not delaying the start of the season, although start dates are yet to be released. If anything, the rains should increase the cane area for the following season (26/27) which may result in record production for the country.

The much-awaited results of the Indian Oil Marketing Companies tenders brought further negative sentiment to the sugar market. After inviting bids for 10 Bln Ltr of ethanol supply, the government allocated 2.89 Bln Ltr from sucrose-based feedstock and 7.6 Bln from grain-based feedstock. This translates to a sucrose diversion of only 3.6mmt, a lower number than expected, suggesting India has more sugar to be exported. While exportable sugar is likely to be present, the current low-price environment could dampen Indian millers' selling interest. The key question now is whether the global market will move higher to absorb this potential supply, or if domestic prices in India will need to fall further to trigger exports.

In the futures market, the exact net speculative position remains unknown due to the lack of CFTC data releases following the US government shutdown. Market behaviour since the last report likely indicates a further increase in the large short position, which stood at around 170,000 lots at the end of September. With the market structure inverted, speculators may eventually need to cover their shorts or face losses when rolling positions ahead of the March expiry. In the meantime, many sugar producers appear under-hedged, holding back on pricing in anticipation of potential price recovery.

To conclude, while there are reasons for price drop over the past weeks, we also see some factors that have the potential to trigger some positive price reaction in the near future, although any move is likely to be short-lived and limited in nature, due to looming surpluses.

Fundamentals

- **Brazil C/S**: As of the end of September, Centre-South Brazil has processed 491 million metric tons (mmt) of cane, down 3% year-over-year (YoY). The average total recoverable sugar (ATR) stands at 136.0 kg/ton (-4% YoY), with a sugar mix of 52.7% compared to 48.8% last year. This has resulted in sugar production of 33.5

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mmt, a 1% increase YoY. Approximately 82% of our full-season cane crush estimate has been achieved. The key highlight for September was a reduction in the sugar mix to 52.4%, down from 54.6% in August. While wetter weather played a minor role, the primary driver was a shift in production toward ethanol, influenced by price parity—particularly in states located farther from export ports. In September, NY FOB Santos averaged 15.66 c/lb, while hydrous ethanol reached 16.29 c/lb in sugar equivalent. Although this differential isn't large enough to prompt major production shifts, small adjustments across multiple mills have had a cumulative impact. Despite currently low soil moisture levels, weather conditions are improving, which will be positive for the next season. However, wet weather is delaying exports; October's export volume has been revised down to 3 mmt, nearly 700 kt below the previous month. The forecast for November also indicates heavy rainfall, which may further delay both harvesting and shipments.

- **India:** The southwest monsoon (June–September) in sugarcane-growing regions was 13.4% above average, supporting better crop conditions than last year. For 2025/26, net crystal sugar production is likely to be above 31 mmt, with gross sucrose close to 35 mmt and 3.6 mmt diverted to ethanol. In the first-cycle ethanol tender, Indian Oil Marketing Companies invited bids for 10.5 billion litres. The government allocated 2.89 bn litres from sucrose-based feedstock and 7.6 bn from grain-based sources, including 1.65 bnl from juice, 1.1 bnl from B-heavy molasses, and 0.012 billion from C-heavy molasses. This translates to 3.4 mmt of sucrose diversion for government firms and 0.2 mmt for private ones. The number is lower than market expectations, suggesting stronger sugar export potential. The crushing season has begun, with 8–10 mills active in Karnataka and most others expected to start by early November. Favourable monsoon conditions have boosted reservoir levels and groundwater. Strong planting intentions from October to January point to increased acreage in Central-West India for 2026/27. Domestic sugar prices currently range from INR 38,000–38,500/tonne in Central-Western states and INR 40,000–40,400/t in the North. Prices have softened slightly in Central-West India due to the new crushing season and post-festive demand dip. Domestic prices remain above world market levels, which may limit export volumes in the near term.

- **Asia:** Thailand remained generally wet in October, with rainfall down 26% in the Northern region and 36% in the Central, while the Eastern and Northeastern regions saw increases of 46% and 68% respectively compared to last year. Cumulative rainfall since January has reached 1,314 mm—exceeding both last year's total (1,176 mm) and the 10-year average (1,179 mm)—supporting expectations for a strong 2025/26 crop. Production estimate remains above 100 mmt. Regional demand across Asia remains subdued heading into Q4 2025. Indonesia's raw sugar import demand has been poor, though China's raw sugar import demand has improved.

- **US:** Due to the government shutdown, the USDA has not released the October WASDE report. Nonetheless, sentiment around an oversupplied U.S. market persists. The 2025/26 season begins with high beginning stocks, and while official harvest data is unavailable, local reports suggest a strong pace and good beet quality—pointing to solid production ahead. Meanwhile, domestic consumption remains weak, largely attributed to the widespread use of weight loss drugs, which recent studies estimate may affect up to 10% of the population. As a result, import needs are expected to decline significantly this season. However, with the Mexican quota set at a minimum of 200k MTRV (188 kt tq), ending stock projections remain above balanced levels.

- **Mexico:** The 2025/26 harvest is set to begin in the coming weeks, with sugar production projected to rise. The increase is supported by widespread rainfall throughout the year; however, recent excessive rains in central and eastern regions may impact final output due to some acreage loss and reduced sucrose levels. With high beginning stocks, Mexico is expected to have around 800 kt available for export. Given the U.S. quota is capped at 188 kt, Mexico is likely to ship approximately over 500kt to the world market.

- **Centrals:** As the 2025/26 crop nears, several mills are preparing to start harvest in the coming weeks. Strong recent rainfall has supported healthy crop development, and production is forecast to show an increase.

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Reduced Brazilian participation in U.S. exports—especially in re-export and high-duty categories—continues to open opportunities for Central American producers to meet this demand.

- **EU:** EU crop harvesting is progressing well across several member states. In Sweden, beet yields are near the five-year average and remain attractive for 2026/27 despite reduced contracted area. Germany is seeing stronger yields thanks to favourable weather that extended the growing season by about a month. Austria is also reporting high yields and solid output, while the Netherlands, UK, and Belgium are on track for strong crops. On the export front, the EU has signalled approval of a 100 kt quota for Ukrainian sugar, though the start date remains unclear. While current export activity is slow, volumes are expected to pick up from September onward with the arrival of new crop. Domestically, tensions are emerging in Spain, where farmers may protest Azucarera's decision to halt beet processing at Jerez in 2026, potentially adding friction to an otherwise positive yield outlook.

- **CIS:** Russian sugar prices continue to decline in line with global trends. As of now, 20.44 million mt of sugar beets have been harvested from 536 thousand hectares (45% of total area), with yields averaging 38.1 mt/ha—up from 36.9 mt/ha last year. Factories have processed 14.2 million mt of beets, producing 1.91 million mt of sugar, slightly above last year's 1.81 million mt. However, processing efficiency has dropped to 13.45%, down from 14.25% last year and 14.85% at season's end. Despite cold spells in Central and Eastern regions, the 2025/26 production forecast remains steady at 6.6–6.7 million mt. Export activity remains firm, with 110 kt shipped in October. The Russian Agricultural Ministry has signalled that sugar beet seed imports from "unfriendly" countries may be cut to one-quarter of 2025 levels in 2026. In Belarus, 54% of the harvest is complete, with 2.886 million mt of beets gathered and yields up 5.21 mt/ha year-on-year. Ukraine's campaign is progressing well, with 4.7 million mt harvested from 90 thousand ha (35%) and strong yields of 52.4 t/ha, translating to roughly 1.5 million mt of sugar. Overall, regional production remains solid despite weather challenges and evolving trade dynamics.

Focus – Brazil – Can ethanol save the market?

Brazil's corn ethanol industry has expanded at breakneck speed over the past five years, scaling from roughly 2.5 billion litres in 2020/21 to about 6 billion litres in 2023/24 and an estimated 10 billion litres in 2025/26, as new plants clustered in Mato Grosso and Goiás came online and ramped up output. Corn ethanol's share of Brazil's total ethanol supply has climbed from almost nothing to about one-fifth by 2023 (≈20.5%) and roughly one third in 2025/26. The surge has been propelled by cost efficiency and market signals.

There is no doubt that the growing contribution of corn-based ethanol has been positive for Brazil's energy matrix and the environment. However, this additional supply is also reducing the ability of sugarcane mills to shield themselves from downturns in the global sugar market. Historically, ethanol production has been heavily oriented toward the domestic market, while a significant share of sugar output is exported. In periods of global sugar surplus, sugarcane mills could rely on the local ethanol market to minimize losses or even secure modest profits. This dynamic was evident in the 2019/20 crop, when ethanol prices outperformed sugar, driving the sugar mix down to 34.3%—the lowest level in the past two decades.

With current sugar prices below 15 c/lb and hydrous ethanol paying close to 16.5 c/lb, we should expect a shift toward biofuel production. Ethanol ending stocks are 22% lower than the past year, at 8.2 billion litres by the mid of October, supporting higher prices in the first quarter of 2026. However, the start of the new season—and the commissioning of additional corn ethanol plants, which are expected to add roughly 2 billion litres of supply—will complicate this

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scenario. At the same time, oil prices show little sign of strengthening, prompting Petrobras to cut refinery gasoline prices by 4.9% in October. Potential adjustments to ethanol import policies could also emerge as a strategy to support lower U.S. import tariffs, currently at 50%.

Figure 3: C/S ethanol production per feedstock

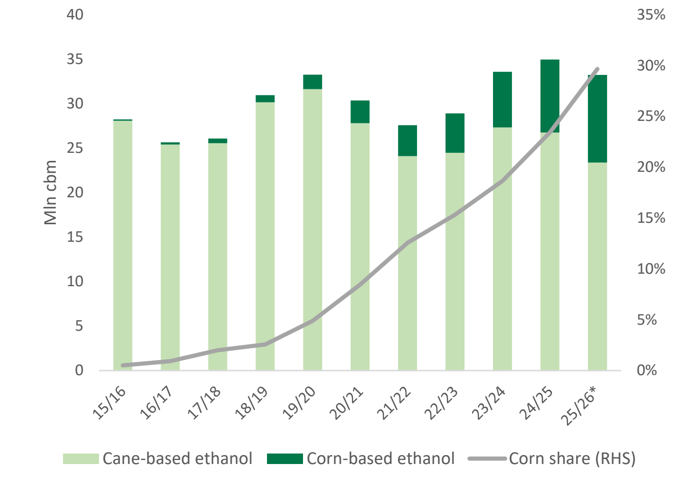
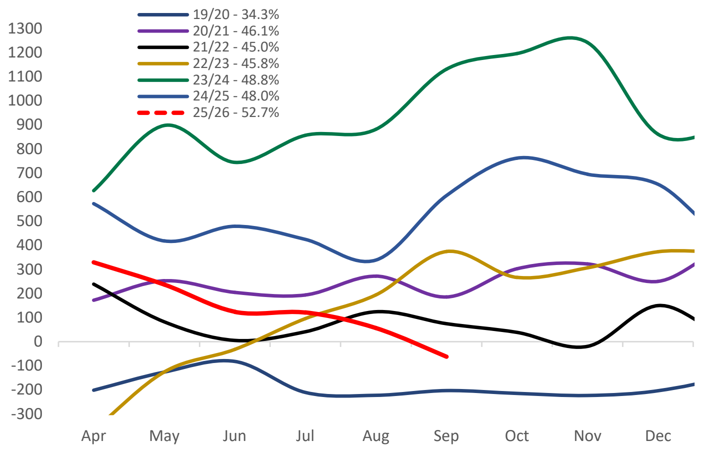


Figure 4: Monthly hydrous sugar gap and crop sugar mix



Source: MAPA, Itau BBA and EDF Man Commodity Research

Overall, high ethanol prices may prove short-lived given the forthcoming increase in corn-based supply, alongside a cane crop expected to exceed 600 million metric tons. Assuming a cane crush of 610 mmt with a sugar mix of 51.5%, plus additional corn ethanol production, total ethanol availability could approach 36 billion litres —nearly 3 billion more than projected for the 2025/26 crop. This volume should be sufficient to meet domestic demand and prevent higher gains from ethanol production.

Macro

October was another volatile month for global macro markets, with US tariff uncertainty, war negotiations and Fed rate cut expectations dominating sentiment – all in the absence of key data due to the month-long US government shutdown. Geopolitical risks sent gold prices to all-time highs, whilst the US dollar languished, having lost much of its safe have appeal that investors used to love. Equities also soared to fresh records amid signs of inflation pressures moderating, prompting speculation that the Federal Reserve could cut before the end of the year. Global corporate earnings remained broadly resilient, particularly in technology and AI-related sectors, which continued to drive equity performance. Meanwhile, bond yields eased slightly from their recent highs, helping stabilize risk sentiment.

The International Monetary Fund's October World Economic Outlook revised global growth expectations for 2026 down to around 3.1%, citing persistent inflation in advanced economies, weaker manufacturing output in Europe and China, and softer consumer spending in the U.S. However, the forecasts were much better than their July, or even April predictions, reflecting economic resilience to the US-led trade war.

Macro sentiment was buoyed late month by expectations of some thawing in tariff threats, with President Trump travelling to Asia to meet President Xi to negotiate trade deals. The Brazilian real recovered to 5.37 on US dollar weakness, strong carry, and in anticipation of a removal of tariffs by the USA. In commodities, performance diverged sharply. Gold and silver prices surged as investors sought safety amid market uncertainty and potential monetary easing signals. Crude oil, however, came under pressure as signs of slowing global demand, particularly from China

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and Europe, weighed on sentiment. Rising U.S. production and higher OPEC+ output compliance slippage added to supply concerns, while weaker refinery margins hinted at fading end-user demand. However, the US's surprise sanctioning of top Russian oil exporters, Rosneft and Lukoil, allowed prices to recover later in the month.

Figure 5: Crude oil vs Gold prices

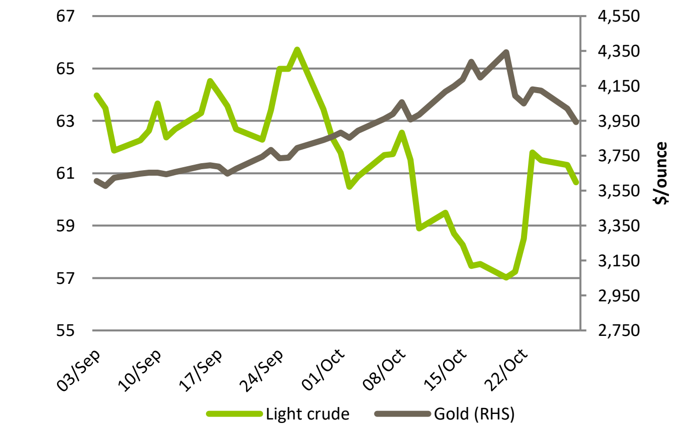
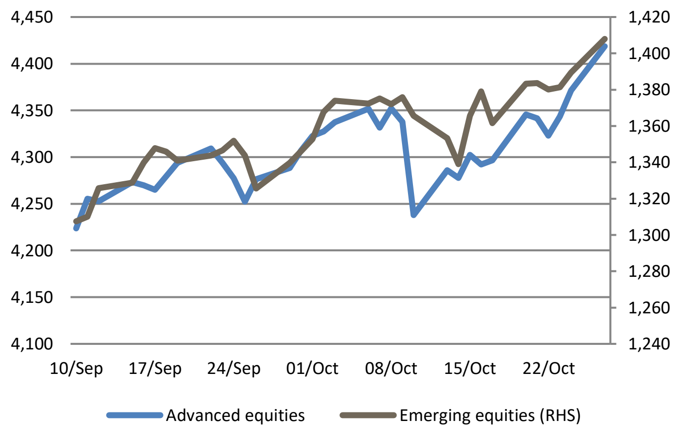


Figure 6: Equities keep outperforming



Source: Reuters, ED&F Man Commodity Research

With the US government in its fourth week of shutdown, lack of economic data means the Fed's decision on interest rates this month will be based on nebulous information. With only delayed US CPI figures to rely on, and little visibility on non-farm payrolls, it's possible that a Fed rate cut, whilst widely expected, may be premature. Higher inflation pressures are still expected to come as tariff pass-throughs start to hurt US consumers, and a loosening of financial conditions would only stimulate an already buzzing US economy.

Prices Tab

New York #11					**London #5**				
(cents/lb)	27-Oct	30-Sep	% change		*($/tonne)*	27-Oct	30-Sep	% change	
Mar (26)	14.46	16.60	-12.9%	↓	Dec (25)	422.2	468.3	-9.8%	↓
May (26)	14.08	16.14	-12.8%	↓	Mar (26)	416.2	462.5	-10.0%	↓
New York #16					**White Premium**				
(cents/lb)	27-Oct	30-Sep	% change		*($/tonne)*	27-Oct	30-Sep	% change	
Jan (26)	34.00	35.45	-4.1%	↓	Dec/Mar	103.4	102.3	1.1%	↑
Mar (26)	34.00	35.45	-4.1%	↓	Mar/Mar	97.4	96.5	0.9%	↑
Macro					**Currencies**				
Indicators	27-Oct	30-Sep	% change		*Against US$*	27-Oct	30-Sep	% change	
CRB	301.5	300.6	0.3%	↑	Euro (EU) *	1.164	1.173	-0.8%	↓
Gold	3,981	3,858	3.2%	↑	Pound (GB) *	1.334	1.344	-0.8%	↓
Brent Oil	65.62	67.02	-2%	↓	Real (Brazil)	5.373	5.322	-0.9%	↓
Baltic Dry	1,976	2,134	-7%	↓	Rupee (India)	88.20	88.81	0.7%	↑
Handysize	874	856	2%	↑	Rouble (Russia)	79.25	82.90	4.4%	↑
					(* rate is US dollars per FX)				

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