ED&F MAN EST. 1783 | Research

Monthly Sugar Note

30th September

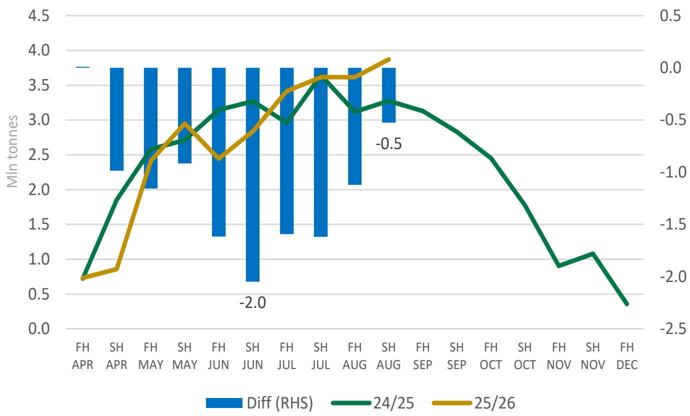
Markets

After months of economic debate and mounting criticism from President Trump, the U.S. central bank has cut interest rates. The Federal Reserve announced a 0.25% reduction in its key lending rate, bringing it to a target range of 4.00% to 4.25%—the lowest level since late 2022. The move was well received by financial markets, which have shown strong performance over the past month. However, the lower rates have added pressure to the U.S. dollar. The dollar index has weakened by 0.82% over the past month and is down 3.29% over the last 12 months. While a weaker dollar typically supports commodity prices, sugar has not followed this trend.

Over the past 30 days, sugar prices have dipped into the 15 cents per pound range. This decline is largely attributed to favourable weather conditions in Thailand and India, which support expectations of increased exports in the upcoming crop cycle. Meanwhile, Brazil's crop development has been positive in July and August, thanks to dry conditions in the Central-South (C/S) cane fields.

Figure 1:NY11 front month contract

Figure 2: Centre South sugar production evolution



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

By the end of August, Brazil's C/S region had crushed 403 million metric tons (mmt) of cane—4.8% below last year's volume. The sugar mix remains elevated at 52.8%, nearly 4 percentage points higher than the same period last year. While the high sugar mix was already priced into the market, recent improvements in ATR (Total Recoverable Sugar) and better-than-expected agricultural yields have shifted sentiment regarding Brazil's potential sugar output for the season. Although ATR remains historically low at 131.8 kg/tonne as of late August (compared to 137.5 kg/t last season), it has improved significantly—rising by approximately 20 kg over the past two months. Consequently, the sugar production gap, which exceeded 1 mmt at the end of June, has narrowed to less than 500 kt.

At the same time, agricultural yields have been stable at 80 tonne/ha from June to August, something unexpected by the analysts given the dry 2024 and the reasonable rains in the last summer. As such, Brazil's cane volume may surpass 600mmt at the end of the season. All in all, sugar output is looking closer to 41mmt, and not under 40mmt as expected previously.

In the case of whites, refined sugar has outperformed raws in recent price movements. Several tenders issued by Pakistan have contributed to additional demand, supporting prices. Meanwhile, low international prices have dampened India's appetite for white sugar exports, likely resulting in underperformance against its 1 mmt export quota. As a result, the White Premium has approached $130/tonne, spurring further demand from standalone refineries in the UAE, Saudi Arabia, and India. This has led to increased tolling activity, converting more raws into whites—evident in the October refined contract expiry, when the UAE delivered 200 kt of sugar.

Despite the recent uptick in refined sugar prices, we maintain the view that large crops from India and Thailand will be more than sufficient to meet global demand in 2026. In contrast, raw sugar continues to face pressure from the anticipated surplus in the world market. In our view, only two factors could curb sugar supply in the 2025/26 crop year (October to September). Firstly, a shift in Brazil's sugar mix toward ethanol production, driven by high ethanol prices. While unlikely this season, it becomes plausible in 2026 as ethanol stocks remain low. Secondly, India's reluctance to export sugar due to depressed international prices—a volume that will be critical to balancing the global market in 2026.

Fundamentals

- **Brazil C/S**: As of the end of August, Central-South (C/S) Brazil has processed 404 mmt of cane—down 5% YoY. The ATR stands at 131.8 kg/ton, a 4% decline YoY, while the sugar mix has increased to 52.8%, compared to 49.1% last year. These figures translate into sugar production of 26.8 mmt, 2% lower YoY. Approximately 70% of the season's estimated cane volume has already been processed. Following slightly better-than-expected agricultural yields in August, the full-season cane estimate has been revised upward by 2 mmt to 597 mmt. Although ATR remains below historical averages, it has shown consistent improvement every fortnight. Recent declines in sugar prices have made hydrous ethanol—on a sugar-equivalent basis—more attractive than sugar itself. This could prompt a modest shift in production mix toward biofuel, particularly in states located farther from export ports. However, given the advanced stage of the crop, any shift will be limited. Total sugar production is likely to stay close to 41 mmt, while ethanol output is expected to reach almost 33 mn cubic meters, including 9.9 mn cubic meters of corn ethanol.

- **India:** Cumulative rainfall across India's sugarcane regions is 13% above average, with Maharashtra at +17%, Karnataka +44%, and Uttar Pradesh +5%. Combined with expanded cane acreage, strong pre-seasonal rains, and a robust monsoon, conditions are highly favourable for the 2025/26 crop. Crop health is notably better than last year and historical average in Central West India. A recent OMC tender sought 10.5 billion litres of ethanol, with sucrose-based feedstocks expected to supply ~4.2 billion litres, implying a sucrose loss of 4.17 mmt. The government continues to prioritize domestic needs, then ethanol, followed by exports. Initial signals suggest up to 2 mmt of exports may be allowed in two tranches starting Q1. Thanks to strong monsoon rains, reservoir and groundwater levels are high. With solid planting intentions for Oct–Jan, acreage is expected to rise in 2026/27. Domestic sugar prices have been firming, with INR 39,000–39,500/t in Central-West India and INR 40,000–40,200/t in the North, driven by tight stocks and anticipated festive demand.

- **Asia:** Thailand experienced a series of wet showers throughout September in most regions. Northern regions were largely affected, with a 69% increase in rainfall compared to September 2024. In contrast, the Northeast had a slight reprieve from the large downpours in August, with rainfall levels down by 13% compared to the same period last year. Most of these regions have been already impacted by heavy and persistent rains brought by the recent Tropical Storm Mitag this month, and the approaching Tropical Cyclone Ragasa, which could have a further negative impact on the cane growth. Previously, we have highlighted waterlogging issues in the North and Northeast due to persistent rains. If the excessive rains continue to hold up, the resulting saturated soil conditions may undermine the earlier optimism for improved agricultural yields. Regional whites demand across Asia remains stable while Indonesia decides to issue less raws import permit for 2025 due to slow demand.

- **US:** The September WASDE report introduced key revisions. For the 2024/25 season, beet production was lowered by 75k MTRV following processors' final estimates. Imports rose by 73k MTRV (+41k high-duty, +32k reexports), keeping ending stocks unchanged at 2,210k MTRV and the STU ratio at 19.8%. For the 2025/26 season, production increased by 38k MTRV (mostly beets), while imports dropped by 200k MTRV—almost entirely from Mexico. The Mexican quota now stands at 200k MTRV (188kt tq), already guaranteed in the July report. STU is projected at 16.2%. This is notable, as USDA typically adjusts Mexican imports to meet its 13.5% STU target. However, under the Suspension Agreement, Mexico's quota is fixed, limiting USDA's flexibility. The updated balance sheet suggests a domestic surplus of ~300k MTRV—lower than the 2024/25 carryout but still indicative of an oversupplied market.

- **Mexico:** Weather conditions have been favourable across most cane-growing regions, with above-average rainfall in May and June and slightly below-average levels in July and August. Nationally, cumulative rainfall from January to August 2025 marks the highest volume recorded since 2010. Given this production outlook, Mexico is expected to have around 800 kt available for export. However, due to an oversupplied U.S. market, only 188 kt is likely to be shipped under the U.S. quota, leaving approximately 615 kt for world market exports—slightly above last season. Key destinations should include Morocco, Canada, and the U.S. under the Reexports program, especially as Brazil's participation in that market remains limited due to high tariffs.

- **Centrals:** In the final months of intercrop and with most of the sugar from the 2024/25 season already exported, the focus for Centrals is the development of the new crop. Rains have been strong in the region and should sustain a good crop ahead. With the lower participation from Brazil exports into the US, especially given the Reexport market and high duty imports, it opens up an opportunity for the region to fulfil this spot and be an important supplier of sugar to the US.

- **CIS:** In Russia, sugar beet harvesting is progressing well. As of 9 September, 230,000 hectares had been harvested, yielding 8 mmt of beets at 35.1 t/ha—slightly below last year's 35.4 t/ha. By 8 September, factories had processed 6.75 mmt into 872,000 tonnes of sugar, up from 765,000 tonnes last year. Processing yield is currently 12.93%, down from 13.57%, though improvements are expected. Total production is projected at 6.7–6.9 mmt, with exports estimated at 1.1 mmt. In Belarus, sugar beet harvesting is underway. Of the 109,000 hectares sown, 6% has been harvested, producing over 304,000 tonnes of beets. Yields have risen to 47.6 t/ha, up 5.7 t/ha year-on-year. Total beet output is expected to exceed 5.5 mmt, supporting sugar production of over 670,000 tonnes—the highest in 10–15 years. In Ukraine, by 5 September, farmers in Vinnytsia and Cherkasy had harvested 36,400 tonnes of beets from 900 hectares. In 2024/25, Ukraine exported 580,000 tonnes of sugar (32% of production), down from 692,000 tonnes the previous year. Of this, 17% went to the EU—mainly Bulgaria, which received 59%—and 83% to other markets including Turkey, Libya, North Macedonia, Lebanon, and Somalia.

Focus – EU

The EU sugar beet season began under favourable conditions, thanks to early sowing—most of which was completed by the end of April, marking one of the earliest sowing periods in recent years. Despite this strong start, total acreage declined by approximately 10%, reducing the area under cultivation. From May onward, drought-like conditions spread across the EU and the UK, sharply reducing soil moisture and posing a significant risk to early crop growth. However, late summer rains in July and August provided critical relief, supporting crop recovery and boosting sugar accumulation. These weather fluctuations underscore the crop's resilience, with sugar beet rebounding well despite early stress. Field testing in Germany, France, Belgium, and the Netherlands revealed high sugar content in the crops. By August, the overall outlook had improved significantly across nearly all EU regions.

Disease remains a concern. In France, particularly south of Paris, the yellow virus caused localized damage. In Germany, threats from Syndrome Basses Richesses (SBR) and Rubbery Root Disease (RTD) persist and could impact yields if outbreaks intensify. Despite reduced acreage, improved yields are expected to more than compensate for area losses. Yield estimates have been revised upward from 11.5 to 11.7 tonnes per hectare, with production forecasts rising from 15.5 to 15.7 mmt.

Figure 3: EU (27) + UK crop 26/27 forecasts

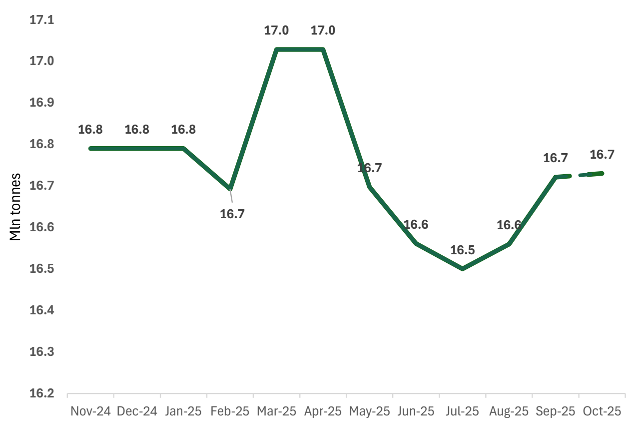
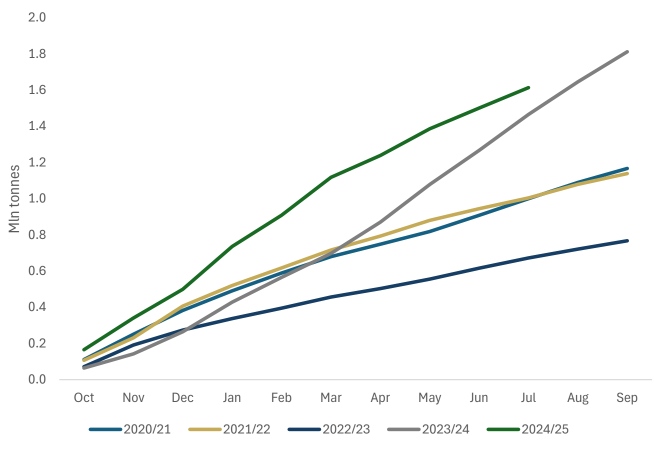


Figure 4: EU (27) cumulative exports



Source: Eurostats and EDF Man Commodity Research

Exports for the 2024/25 season are nearing completion, with cumulative EU exports reaching around 1.6 mmt by July. Final estimates suggest total exports will land between 1.7 and 1.8 mmt, with a modest slowdown expected—approximately 100 kmt per month projected for July and August. Key export destinations include Israel, the UK, Lebanon, and Norway.

Imports remain low overall, though southern EU regions are seeing increased activity due to tolling of raw sugars, particularly in September. Additionally, the EU imported around 100 kmt of Ukrainian sugar between October 2024 and July 2025, indicating that current restrictions on Ukrainian sugar imports are proving effective.

If the 2025/26 sugar beet crop delivers exceptional yields, a key consideration will be how prevailing price levels influence trade dynamics. At current prices, the EU may struggle to maintain export volumes in the range of 1.6–1.8 mmt. In this context, producers might opt to stockpile or hold inventories rather than export immediately. Alternatively, stronger demand—particularly from industrial users—could help absorb the surplus. To rebalance the market and restore profitability, a reduction in acreage during the 2026/27 season may be necessary. Such a contraction would tighten supply and support firmer prices across the EU sugar sector.

Macro

As we enter the final quarter of a turbulent 2025, one of the biggest puzzles has been how well markets seem to be performing despite heightened macro and trade uncertainty. The OECD's latest outlook saw the global economy showing greater resilience than expected, despite a hit from US tariffs. It raised its 2025 outlook for world growth and most individual economies, citing the impact of front-loading in anticipation of higher tariffs, while countries like China benefited from fiscal support. The inflation fears that many expected have not yet hurt consumers, with tariff costs not all being passed through and (for now at least) mostly being absorbed by corporates. The recent Fed rate cut of 25bps, along with the weaker US dollar, has provided additional support to both US companies (especially the export-oriented ones), as well as emerging markets as a whole.

Figure 5: US Q2 GDP rose higher than expected

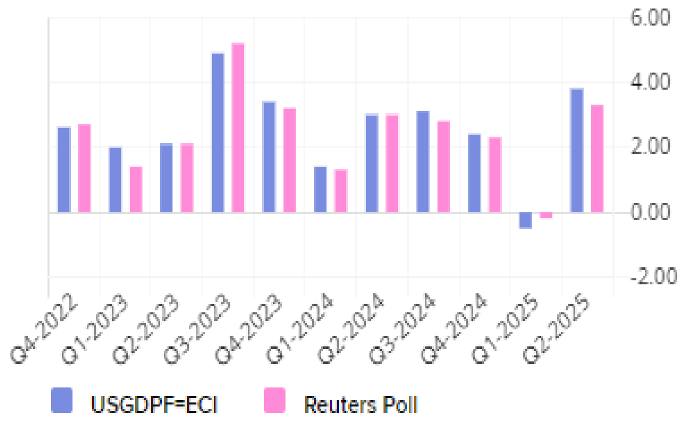
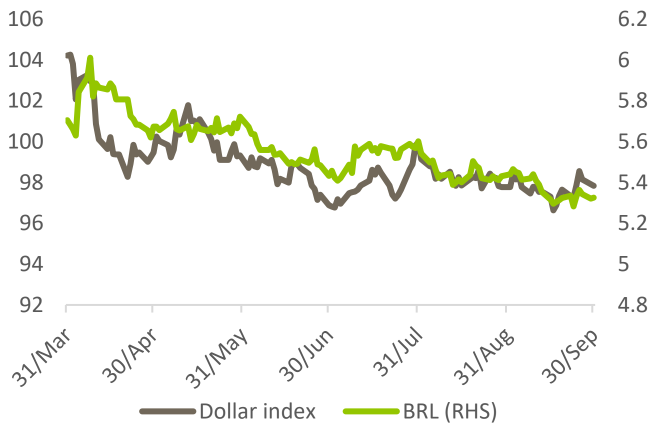


Figure 6: BRL strengthens as Dollar eases



Source: Reuters, ED&F Man Commodity Research

While financial markets suffered a brief but sharp drop when President Trump announced his tariff plans in April, most have since roared back, with the S&P 500 rallying by a whopping 33% from its lows. But bonds, EM currencies and the euro have also showed positive performance through the third quarter. This possibly reflects anticipation of lower interest rates by the Federal Reserve. US job creation has softened to an average of only 29,000 jobs per month in the three months through August, compared with 82,000 during the same period in 2024. The softening labour market however likely reflects the new US administration's immigration policies as opposed to a softening economy. As such, the market's expectations of further Fed rate cuts could be misplaced. A still strong US economy, along with eventual

tariff costs pass-through, coupled with looser monetary policy could lead to much higher inflation rates, which would be an unwelcome risk to the positive macro sentiment next quarter.

Commodities performed well over September, although most of this was led by Gold, which kept reaching new record highs. Macro drivers ranging from the Fed cutting rates, heightened geopolitical tensions, concerns over Fed independence, tariff legality and market uncertainty continuing to drive safe-haven demand, have pushed gold prices higher. Gold seems to have taken on a lot of the attributes that traditionally used to benefit US dollar. However, a loss of confidence in US institutions has weighed on the US currency, a theme that may continue next quarter too despite continued strength of US assets.

The Brazilian real also performed well this month, propelled higher not only by the weaker dollar, but also due to hopeful anticipation that the US and Brazil may negotiate the 50% tariffs imposed last month, lower, following a brief but warm encounter in NY earlier this month. By contrast, crude oil has struggled to gain much ground, with anticipation of a fundamentals surplus developing in Q4, and weighed down by OPEC+ production hikes.

Prices Tab

New York #11					**London #5**				
(cents/lb)	26-Sep	29-Aug	% change		*($/tonne)*	26-Sep	29-Aug	% change	
Oct (25)	15.87	16.37	-3.1%	↓	Dec (25)	461.0	477.7	-3.5%	↓
Mar (26)	16.38	17.01	-3.7%	↓	Mar (26)	455.7	471.4	-3.3%	↓
New York #16					**White Premium**				
(cents/lb)	26-Sep	29-Aug	% change		*($/tonne)*	26-Sep	29-Aug	% change	
Nov (25)	35.50	36.70	-3.3%	↓	Dec/Oct	111.1	116.8	-4.9%	↓
Jan (26)	35.70	36.50	-2.2%	↓	Mar/Mar	94.6	96.4	-1.9%	↓
Macro					**Currencies**				
Indicators	26-Sep	29-Aug	% change		*Against US$*	26-Sep	29-Aug	% change	
CRB	305.0	302.4	0.9%	↑	Euro (EU) *	1.170	1.168	0.1%	↑
Gold	3,760	3,447	9.1%	↑	Pound (GB) *	1.340	1.350	-0.8%	↓
Brent Oil	70.13	68.12	3%	↑	Real (Brazil)	5.343	5.430	1.6%	↑
Baltic Dry	2,259	2,025	12%	↑	Rupee (India)	88.66	88.14	-0.6%	↓
Handysize	841	767	10%	↑	Rouble (Russia)	83.37	79.90	-4.3%	↓
					(* rate is US dollars per FX)				