



Monthly Sugar Note

27th March 2026

Markets

The conflict in the Middle East could mark a turning point for the sugar market. After several months hovering around 13c/lb—supported by favourable weather in Brazil, improvements in the Thai crop, and a heavily short speculative positioning—the recent escalation highlights how closely commodities are tied to energy markets. In the case of sugar, this linkage is clearly supportive for prices. NY11 moved from 13.89c/lb in the end of February to 15.87c/lb on March 26th, almost 15% increase.

The Strait of Hormuz is a key import route for Iraq, the UAE, Bahrain, Oman, and Iran. Together, these countries import around 4.0mmt of raw sugar annually—just over 300 kt per month on average—accounting for roughly 10% of global raw sugar imports. At the same time, the UAE and Oman act as re-export hubs for refined and low-quality white sugar, supplying deficit markets along the East Coast of Africa and across Asia. With the Strait’s closure, alternative solutions are being explored. Iraq, for instance, is sourcing sugar via Jordan, while the UAE is assessing export options from ports that bypass the Strait. Such solutions will certainly increase the cost of transport. Meanwhile, some vessels are being redirected to other destinations, including India which may take more sugar in the coming months and less in the second half of the year.

Figure 1: Urea, Brent and Nat. gas prices – Index

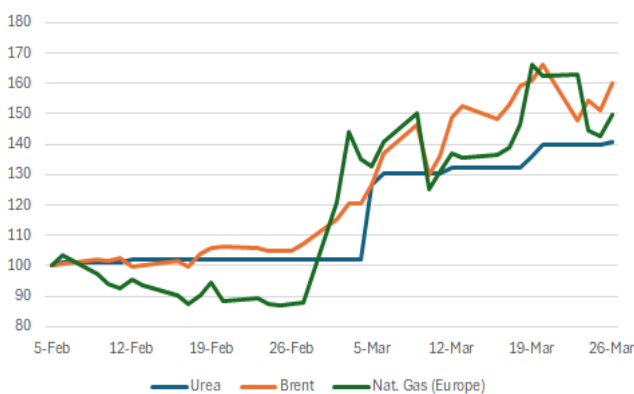
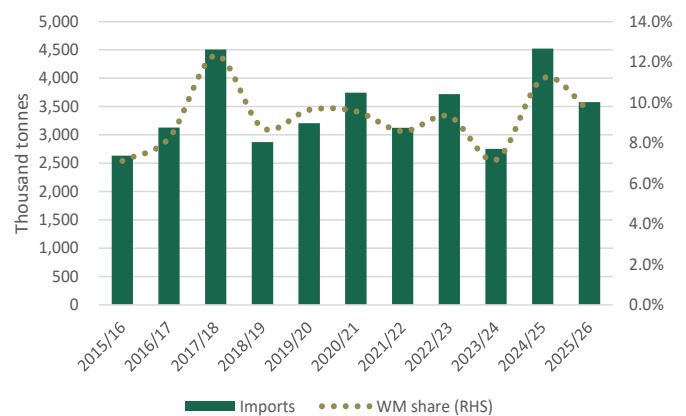


Figure 2: Oman, Iran, Iraq and UAE raw sugar imports



Source: Reuters and ED&F Man Commodity Research

The previous could be bearish for raw sugar and positive for White Premium but the scarcity of oil, natural gas and fertilizers have several implications that will affect the sugar market in several ways. Starting with Brazilian fuel market which relies on 25% of its diesel consumption and about 10% of its gasoline demand from the World Market. As Petrobras represents about 70-80% of the country fuel production, it's



price determinate the country market price. The company policy is to avoid transmitting volatility of the World Market to the consumers, In other words, Petrobras is yet to match domestic prices with World prices, which means domestic fuel prices are about 50-60% lower than the World Market.

Given the current situation, the Brazilian government eliminated federal taxes on diesel, which provided some flexibility for Petrobras to raise diesel prices without immediately impacting consumers. However, the surge in global oil prices has been so significant that these measures have not been sufficient to keep domestic prices aligned with international levels. As a result, the government is exploring additional alternatives, such as reducing state taxes—subject to approval by state governments—and increasing the ethanol blend in gasoline as well as the biodiesel blend in diesel.

A straightforward solution for gasoline would be to shift as much demand as possible toward hydrous ethanol. This would be strongly bullish for sugar, as ethanol prices would remain elevated. However, such a move is unlikely to be implemented just six months before a presidential election.

Amid the oil crisis, increasing ethanol blending has become an attractive option for countries that rely heavily on fuel imports. The Philippines, Pakistan, and Vietnam are currently considering introducing or expanding ethanol blend mandates in gasoline.

Meanwhile, higher natural gas costs pose a challenge for refineries that depend on this energy source. Sugar processors in Europe and standalone refineries in the MENA region are likely to face rising production costs. This increase—combined with the absence of UAE supply—is one of the factors behind the higher white sugar premium observed in the market. Additionally, some countries have begun reducing food production and implementing work-from-home policies to lower energy consumption, which could dampen sugar demand.

Last but not least, higher fertilizer prices are set to raise production costs and influence farmers' planting decisions for the next crop cycle. Crops that require heavy urea application, such as corn, are particularly exposed. In addition, crop management practices across all agricultural sectors—including sugarcane and sugar beet—may be affected, potentially leading to lower yields.

As a resolution to the war does not appear imminent, there are strong reasons to believe that agricultural markets are more likely to move higher rather than lower. Rising input costs and the risk of reduced supply are key supportive factors. Furthermore, developments in Brazil's fuel market will be critical for sugar price dynamics in the coming months. Overall, the recent bearish tone in the market may be nearing its end.



Fundamentals

- **Brazil C/S:** C/S production up to the end of Jan has reached 602mmt (-2.2% YoY) with ATR at 138.3Kg/t (-2.2% YoY) and sugar mix at 50.7% (vs 48.1% LY), resulting in sugar production of 40.2mmt (+0.9% YoY). Several mills have already started their new season, and UNICA should soon release the first fortnightly figures. Two main points to follow in these first reports will be hydrous ethanol sales and the production mix. Given the low beginning stocks of ethanol, the production mix for the 26/27 season should be very focused on ethanol production during the first few fortnights and with the recent conflicts in the Middle East and their impact on oil prices and flows, hydrous demand could pick up, adding further tightness to the ethanol SnD. Although Petrobras has not adjusted refinery gasoline prices, despite a disparity of over 50% versus international levels, some private refineries and downstream players have been expanding their margins. This has pushed pump prices higher, which should support stronger hydrous ethanol demand, keep inventories tighter for longer, and potentially reduce the sugar mix. The outlook for cane development remains positive for 2026/27 season and we have increased our crush estimate by 7mmt to 626mmt, but a reduction in ATR and especially the production sugar mix during the first few weeks of crop has resulted on sugar production decreasing by 1.9mmt to 38.9mmt.
- **India:** As of March 15, India's sugar production has reached 26.2mmt, up from 23.8mmt at the same point last year. Although output remains higher year-on-year, the season is expected to have a short tail, ending close to 28mmt, compared to 25.9mmt in the previous season. The government has authorized 2mmt of exports; however, actual flows have been limited due to weaker international prices and more attractive domestic returns. That said, the recent rally in global markets could incentivize additional exports. If this materializes and leads to tighter ending stocks, the government may intervene again by restricting shipments to contain domestic price increases. For now, exports are still under 0.5mmt, though this figure may need revision depending on price dynamics in the coming weeks. On the demand side, consumption remains a concern. Elevated energy costs, particularly natural gas, are weighing on industrial users, with some food manufacturers considering production cuts. Market currently estimate sugar consumption at around 28.5mmt, but downside risks are building. Domestic prices have remained broadly stable week-on-week. Ex-mill prices in central-west India are trading around INR 37,500–38,500/mt, while in North India they are in the range of INR 39,500–40,000/mt. Given tighter stock conditions linked to lower production, domestic prices are expected to stay firm from Q2 onwards. Key variables to monitor include the likelihood of El Niño developing in April/May and the progression of monsoon rainfall during June/July.
- **Asia:** Thailand crushing has reached a pivotal turning point, transitioning from what was initially perceived as a slow start into the end of peak crushing season in March. As of 24th March, cumulative cane crush has reached 99.2m, inclusive of 1.3m of cane diverted to ethanol. Overall crush is 8% higher YoY, with CCS and sugar yield up by 2% and 3% respectively compared to last year. Region wise, the crushing progress in the Central region outperformed the rest, with 17% higher cane crushed YoY, followed by North-east and Northern region which are up by 5% to 6% on average. The Eastern region has seen a large improvement in progress over the past 2 months from the delayed start due to the border conflicts, though still 3% lower YoY. The current market consensus is believed to be around slightly over 100m now, from a previous 98m to 100m. Till-date, 48 mills remain operational and 10 mills have closed. Crushing rate per day has gradually reduced from 1000mt at peak to 600mt per day on average as we start to approach the end. We estimated the 25/26 Thailand crop to end below 104m, given the slowdown in daily crush rate expected over the next 3 to 4 weeks.
- **US:** The March WASDE report came out with some important changes, reducing the ending STU from 15.9% to 15.2%, which is still above the 13.5% level that USDA considers the balanced scenario, but within the 13.5% to 15.5% range of acceptable stocks to use ratio. Main changes were the adoption of the negative effects of the frost in the Florida sugarcane production, resulting on a total production cut of 117k MTRV. Even after this reduction, FL production should still be higher YoY, showing how the outlook for the production was positive



in the country. Imports up by 166k MTRV, being +45k for the. Deliveries for human consumption up by 106k MTRV, although the numbers released so far point to even more. All in all, US SnD remains oversupplied but stocks are slightly reducing and trending towards a more balanced level than what has been registered at the past few crops.

- **Mexico:** Mexican production figures still presenting strong results for both agricultural and industrial yields YoY, which supports a crop over 5.0mmt, around 5% growth YoY. This growth could be stronger depending on the final acreage to be harvest, as this is the only point that remains behind the previous seasons. A few mills should start to end their harvest within the next few weeks providing some clarity on the acreage. Up to March 14th, the cumulative sugar production reached 2.96mmt, about 60kt above the 2.90mmt from last crop. With the high beginning stocks, and only 188kt allocated as US quota, exports to the WM should reach about 700kt, and the pace of nominations have picked up along the past few weeks, with about half of the volume expected for WM already nominated.
- **Centrals:** Despite some localized production issues, the overall regional production still looks good, and it is already moving towards its final weeks. Guatemala production up to March 8th has reached 1807kt compared to 1669kt last year, an 8.3% gain YoY, supported by strong sucrose levels and agricultural yields up 5.2% YoY. On the exports side, nominations have picked up, especially after the recent March raws expiry. Main destinations so far are US, Canada, South Korea, and China.
- **EU/UK:** With the 25/26 production campaign largely completed, we enter the early stages of 26/27 drilling. While early planting is usually positive, the outlook remains mixed as rain temporarily halts sowing across Europe. Rothamsted's forecast points to high virus yellows risk in the UK, with infection risk put at 62% in the East, 49% in the North and 59% nationally if no controls are used. This is higher than 2025 and among the highest levels seen since neonicotinoid seed treatments were banned. France granted a 120-day waiver for Movento on the 17th of March, giving growers a third product option to manage disease risk. Germany approved the long-term use of several copper-based products against *Cercospora beticola*, reducing reliance on emergency authorisations. Poland finished processing on the 17th of February with 2.58mmt of sugar, broadly in line with last year despite a 4% drop in area. In France, strong yields more than offset a 3.5% reduction in area. With sugar prices still weak, processors are also reporting greater diversion of sucrose to ethanol. In the UK, British Sugar has finished the East Anglia campaign with very good yields despite difficult weather, and total beet processed has now exceeded 7mmt. Coprob-Italia Zuccheri said its Pontelongo plant will not process beet in 2026 and will remain open only for packing, reflecting a sharp drop in beet area. Nordzucker said it will stop making sugar at its Trenčianska Teplá factory in western Slovakia after the 25/26 campaign. The site will remain open, but only as a commercial and logistics hub serving customers in Southeast Europe. Once the plant closes, Slovakia will be left with a single operating sugar factory, Agrana's Sereď site. The move marks the 21st sugar factory closure in Europe since the quota system ended. In Germany, low prices and limits on plant protection products are expected to push 26/27 beet area lower again. Across Europe, the planned cut in beet area is expected to hit mechanical harvester manufacturers as growers delay machinery purchases. 26/27 planting started well before wet weather interrupted fieldwork, by the 11th of March, 13% of the crop was sown, slightly ahead of last year. The UK reports a normal start, with lighter land moving while heavier land remains too wet. Planting is also underway in the Netherlands and Belgium, where sowing paused after rain but is expected to resume shortly. In Poland, growers supplying Sudzucker Polska have started sowing for 2026.
- **CIS:** Ukrtsukor expects Ukraine's sugar beet area to fall to 170,000 hectares in 2026, from 199,000 hectares in 2025, although yields are still improving and moving closer to EU levels. The Eurasian Economic Commission granted duty-free raw sugar quotas for 2026 of 20,000 tonnes for Armenia, 100,000 tonnes for Kazakhstan and 20,000 tonnes for Kyrgyzstan. Sugar refined from those volumes cannot be re-exported within the EAEU.



The EAEU external raw sugar duty was set at USD 203 per tonne for March and is expected to rise to USD 240 per tonne in April. Russian white sugar exports are on track to reach 130,000 tonnes in March and 900,000 tonnes since the start of the season. Market reports say the conflict has blocked imports from India and Pakistan into Central Asia, while the region is also struggling to source raw sugar. Uzbekistan is importing white sugar from Ukraine via Georgia.

Focus – Brazil C/S

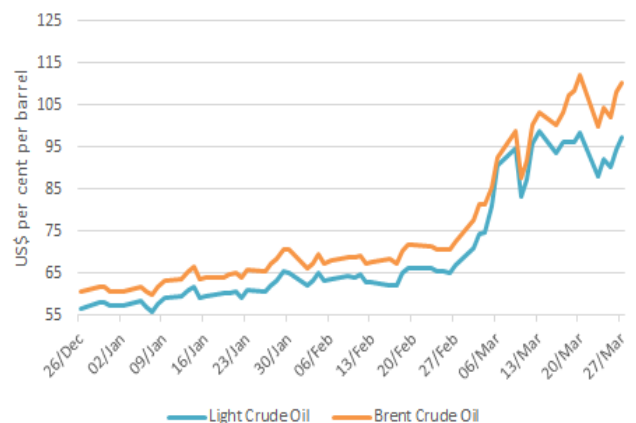
The ongoing conflict in the Middle East is adding a new layer of complexity to Brazilian ethanol and sugar market dynamics. Rising geopolitical tensions have pushed oil prices higher and disrupted trade flows, increasing the competitiveness of hydrous ethanol relative to gasoline at the pump. Although Petrobras has yet to adjust its refinery prices - despite a disparity of around 50% to international benchmarks according to Abicom estimates - private refineries have already been adjusting and retail/distribution players have begun widening their margins based on the noise around the oil prices, driving gasoline pump prices up. This has led SP state pump parities to levels below 70% and is expected to stimulate hydrous ethanol demand at a time when ethanol stocks are already historically low. The conflict has injected a significant risk premium across commodity markets, including sugar, that saw the May raw sugar futures increase by almost 10% in a week as higher oil prices are raising expectations that Petrobras may soon be compelled to adjust its prices, boosting ethanol demand even further.

With the low stocks and CS mills having only now starting their new crush, any significant increase on demand uplift from the fuel price dynamics could prolong the period of tight ethanol environment resulting on a more ethanol-oriented production mix. While we project the first few fortnights of the season to be more ethanol oriented, the length of the conflict, its impacts on oil prices and flow and finally if and when Petrobras will take action will determine the size of the impact on hydrous demand and prices and could lead to a longer period of ethanol oriented season.

Figure 3: Daily NY11 prices



Figure 4: Maharashtra sugar production evolution



Source: EDF Man Commodity Research


Prices Tab

New York #11				London #5			
(cents/lb)	26-Mar	27-Feb	% change	(\$/tonne)	26-Mar	27-Feb	% change
May (26)	15.87	13.89	14.3% ↑	May (26)	459.6	407.7	12.7% ↑
Jul (26)	16.03	13.87	15.6% ↑	Aug (26)	460.6	405.7	13.5% ↑
New York #16				White Premium			
(cents/lb)	26-Mar	27-Feb	% change	(\$/tonne)	26-Mar	27-Feb	% change
Mar (26)	35.00	32.00	9.4% ↑	May/May	109.7	101.5	8.1% ↑
May (26)	35.25	32.50	8.5% ↑	Aug/Jul	107.2	99.9	7.3% ↑
Macro				Currencies			
Indicators	26-Mar	27-Feb	% change	Against US\$	26-Mar	27-Feb	% change
CRB	361.9	312.7	15.8% ↑	Euro (EU) *	1.153	1.181	-2.4% ↓
Gold	4,379	5,277	-17.0% ↓	Pound (GB) *	1.333	1.348	-1.1% ↓
Brent Oil	108.01	72.48	49% ↑	Real (Brazil)	5.240	5.130	-2.1% ↓
Baltic Dry	2,014	2,043	-1% ↓	Rupee (India)	94.27	91.05	-3.5% ↓
Handysize	721	709	2% ↑	Rouble (Russia)	81.37	77.30	-5.3% ↓
(* rate is US dollars per FX)							

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