



Monthly Sugar Note

27th May 2026

Markets

With the conclusion of Northern Hemisphere crops, we believe the sugar market had three potential drivers that could have pushed prices higher in the coming months: the sizeable net short position held by speculators, developments in Brazil’s fuel market, and the potential impact of El Niño. At present, however, it appears that only weather-related factors are offering support, as the market has struggled to sustain levels above 15 c/lb for any meaningful period.

The latest Commitments of Traders report (as of 19 May) shows a net speculative short position of 92k lots—still significant, but well below the levels seen in mid-March, when shorts exceeded 200k lots. We had expected that, at some point, speculators would be forced to cover these positions, providing support to the market. This was indeed evident in late March and again towards the end of April. As a result, while speculative positioning continues to offer some degree of price support, its influence is now less pronounced than it was over the past two months.

The crop has started strongly in Brazil C/S. According to UNICA, Centre-South Brazil crushed 60.0 mmt of cane by the end of April, nearly 75% above the same period last year. ATR levels are also higher at 112.6 (vs.106.8kg/ton) kg/tonne. The key highlight has been the sugar mix, which came in line with market expectations, showing a strong tilt towards ethanol production at 38.2% (versus 45.2% last season). As a result, the domestic fuel market has been well supplied, putting significant downward pressure on ethanol prices at the mill level.

Figure 1: Weekly - Net spec condition vs. NY prices

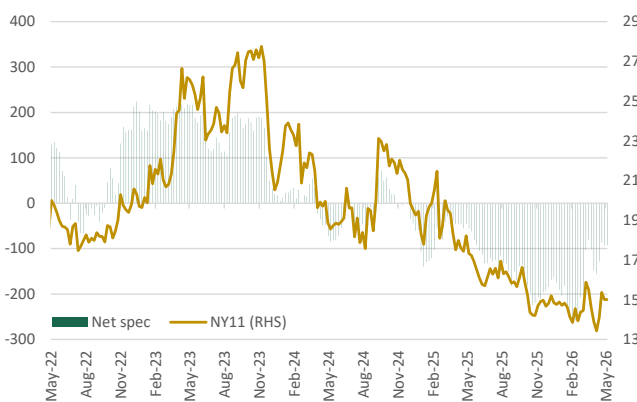
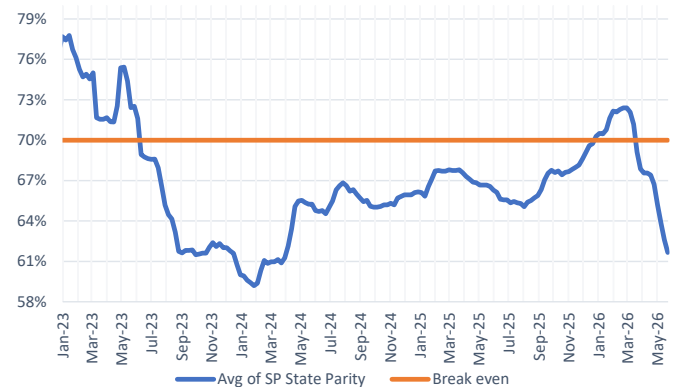


Figure 2: Pump Prices Parity (Hydrous/Gasoline in SP)



Source: The ICE, ANP and ED&F Man Commodity Research



The market could have found additional support if the decline in ex-mill prices had been swiftly passed through to retail pumps, which was not the case. While hydrous ethanol prices at the mill level dropped by around 25% between January and mid-May, pump prices fell by only 7%, indicating an expansion in distributor and retail margins. The current hydrous-to-gasoline price ratio in São Paulo is close to 62%, whereas it would need to be under 60% to meaningfully stimulate hydrous ethanol demand.

In the meantime, the Brazilian government has finally presented a measure to reduce the financial losses of the Petrobras, the private refineries and gasoline importers. The government is basically subsidizing these agents with BRL.0.44/litre to reduce the gap between the international prices and the domestic market. The measure should give some space to Petrobras to keep gasoline prices unchanged which is not positive for ethanol, therefore without impact for the sugar market.

At the same time, the anticipated increase in the anhydrous ethanol blend from 30% to 32% in gasoline might be in place only after July. This measure could add roughly 0.8 million cbm of anhydrous demand, helping to absorb the currently ample ethanol supply.

Compounding the bearish outlook for sugar, Brazilian producers are now pointing to a crop approaching 650 mmt. This suggests that overall output—whether directed towards ethanol or sugar, depending on relative price signals—may exceed expectations. As a result, the global balance for the 2025/26 crop year, which had appeared close to equilibrium following weaker Indian production, is now shifting towards a sizeable surplus. Ultimately, a strong El Niño may be required to tighten the market and rebalance fundamentals.

Fundamentals

- **India:** India's 25/26 sugar balance continues to tighten, supporting expectations for firm domestic prices through Q3 and into early Q4. As of May 15th, sugar production has reached 27.5mmt, up 7.04% YoY. At present, only five sugar mills remain operational for the main crushing season. However, an additional 0.4mmt of sugar is expected to be produced during the special season, when around 12–13 mills resume operations in South Karnataka and Tamil Nadu. For the full 25/26 season, India's net sugar production will end close to 28mmt, after accounting for the diversion of approximately 3.4mmt of sucrose toward ethanol production. With a domestic sugar consumption just over 28mmt, ending stocks for September 2026 are forecast at around 3.4mmt. Given the relatively tight stock situation, domestic sugar prices are expected to remain well supported in the coming quarters. On the trade side, the Government of India has reinforced its restrictive stance by shifting sugar exports from the "restricted" category to the "prohibited" category. Despite this policy shift, India has already exported around 685kt of sugar so far, with a further 40–50kt likely to be shipped. Looking ahead to the 26/27 season, India's sugar market outlook remains heavily influenced by weather risks. Below-normal rainfall expectations, the potential emergence of an El Niño pattern, and historical yield impacts associated with weak monsoon performance are expected to weigh on agricultural productivity. In the domestic market, prices have remained broadly stable week over week. Ex-mill prices in Central-West India are currently trading around INR 38,500–39,000 per metric ton, while prices in North India are holding at INR 41,000–41,500 per metric ton. With production expected to remain constrained and stocks comparatively tight, domestic sugar prices are likely to stay firm from Q2 onward.



- **Asia:** The outlook for the 26/27 Thailand crop remains bleak, comparing with a strong 25/26 season that delivered a booming crop despite a delayed harvest, finalizing at 105.86m. Since April, Thailand rainfall appears much weaker comparing with the previous season, below both 2025 and the 10-year historical averages. From the start of May, rainfall has underperformed last year's in main growing regions, with 26% lower YoY in North-east region, 22% lower in Eastern region, and 15% lower in Central region. On the contrary, the Northern region rainfall appears positive, recording 58% YoY higher rainfall since early May. On a cumulative basis, overall rainfall since January till date stands at 123.9mm in all regions, noticeably lower than 173.5mm in 2025 and 169.1mm across the 10-year average. The drought weather conditions and elevated temperatures in Thailand pose serious concerns to farmers as the cane enters the critical grand growth stages and sufficient rainfall is necessary for good yields. A preliminary survey conducted in end April with the farmers on the 26/27 crop have indicated moderate ratoon cane development, moderate fertilizer application, and minor to moderate severity of disease outbreak. Current projections from the Thailand mills, cane board/associations and farmers place the 26/27 crop range between 99mmt - 103mmt. Asia demand remains relatively muted since the start of year. China EPZ demand has toned down in April, recording only 67kmt EPZ monthly import, with the flow evident via Laos from Thailand since January.
- **US:** The May WASDE presented the first view of the US crop 26/27. According to the USDA, the US sugar production will fall 390kt due to the lower beet area and the frost registered in the Florida cane fields. Without changes in the country demand which is the same of the past season (11.2mmt), the USDA has pegged the Mexico quota at 949kt, 749kt higher YoY, being the highest quota since the crop 22/23. Despite the previous, the US government is yet to define the specialty sugar quota which will be announced by June and can impact considerably the supply, impacting the Mexican quota. Last year, such quota was not allowed, impacting the US organic sugar market.
- **Mexico:** As of May 9th, Mexico sugar production totalled 4.8mmt, 267kt higher YoY. With only 4 mills ending the season, the Mexican government has increased the sugar production project from 5.0mmt to 5.4mmt. The additional volume will increase the Mexican sugar exports to the World Market. The USDA projects the Mexican crop at 5.2mmt for the current season and 5.1mmt for the crop 26/27.
- **Centrals:** As of May 10th, Guatemala crushed 25.7mmt of cane, almost 1mmt more than the past season. With good yields, sugar production is close to 2.7mmt, 217kt ahead the past crop. Out of the total production, 1.9mmt is white sugar which is 340kt more than produced at the same time of the past season. Raw sugar output is 20kt behind the past crop at 773kt while AMA production is 85kt, only 2kt more than the previous crop. Nicaragua crop should end at 736kt of sugar, below expectations due to dry conditions.
- **EU/UK:** Planting across the EU and UK is largely complete, with an estimated 7–10% area decline. In the Netherlands, Cosun Beet Company confirmed that beet was sown on 76,000 hectares in 2026, down 9% year-on-year, sowing was completed broadly in line with the five-year average, though slightly later than last season. Aphid populations remain below the damage threshold as of the latest monitoring data, though warmer conditions prevailing across northern Europe mean the situation is being watched carefully heading into the key emergence period. In Belgium, IRBAB has warned that aphid populations in several regions have reached the intervention threshold, driven by warm May weather. Separately, the Confederation of Belgian Beet Growers (CBB) confirmed the planted area for 2026 has fallen to 42,000 hectares from 50,000 hectares last season, a 16% decline. The CBB noted this occurred despite growers lacking profitable crop alternatives, suggesting the area contraction is primarily a response to low sugar prices and cost pressures rather than rotation logic. This makes it harder to assume a quick recovery in area if market conditions improve. The French government approved a second pesticide exemption waiver this season, allowing growers to use Verseon for a second time, according to local media. The French beet institute ITB confirmed high virus yellows risk in several regions, with Centre-Val de Loire identified as particularly exposed. Beets in central Poland



continue to struggle with dry conditions, with recent rainfall proving insufficient to replenish soil moisture. Further dry conditions are likely to persist, while beetle damage has so far been limited, growers are being urged to consider irrigation. The NFU warned this month that beet growers are heading into the 2027/28 contract negotiations with British Sugar in difficult conditions. The conflict in the Middle East has sent red diesel costs up 30–40%, with some farms now ordering fuel without knowing the final price until it arrives on farm. Fertiliser availability is also a growing concern for those who did not buy ahead before the conflict began. The NFU has urged the government to suspend fertiliser import duties and called for red diesel to be recognised as a critical input to domestic food production. Adding to the uncertainty, around 750,000 tonnes of sugar beet was placed on contract holiday for 2026, with growers opting to sit out the season while retaining the right to return in 2027. The index-linked beet price has recovered from around £21/t in February to £28–29/t in recent weeks on the back of the LDN5 rally, driven by the increase in Brent Crude.

- **CIS:** A Moscow court ruled in early May that Vadim Moshkovich must transfer his controlling stake in Rusagro, Russia’s second-largest sugar producer, to state ownership. The seizure covers shares totalling approximately 68% of the company and valued at around 67 billion rubles (\$886 million). When combined with previously nationalised assets, the state now controls around 20% of Russia’s total sugar production capacity. According to the Russian Analytical Digest, prosecutors launched nearly 70 confiscation cases in 2025 alone, with the total value of assets targeted for seizure since 2022 exceeding 4.99 trillion rubles. For the sugar market, state ownership of Rusagro does not change near-term production capacity. The government has indicated it plans to auction its stake, though the timeline is unclear. Separately, delayed spring planting caused by wet weather is expected to push back the beet harvest start, offering some support to domestic prices. A senator called publicly for Russia to accelerate sugar exports, citing India’s export ban as a potential opening on global markets. Beet sowing in Belarus was completed in early May with 107,000 hectares planted, marginally exceeding the 106,000 hectare official target, according to the Ministry of Agriculture.

Focus – Brazil C/S

After favourable weather conditions in Brazil during the first quarter of the year, the likelihood of a large crop has become increasingly evident. This is supported by the latest CTC results, with agricultural yields in April 2026 reaching 83 ton/ha, up 12% year-on-year. At the same time, April has been relatively dry. While this could pose risks for cane to be harvested later in the year, it has been highly supportive for the current harvest pace. As of end-April, Brazil’s Centre-South had crushed 60.5mmt of cane, running 26mmt ahead of the previous season.

Figure 3: Brazil C/S – Cane crush output

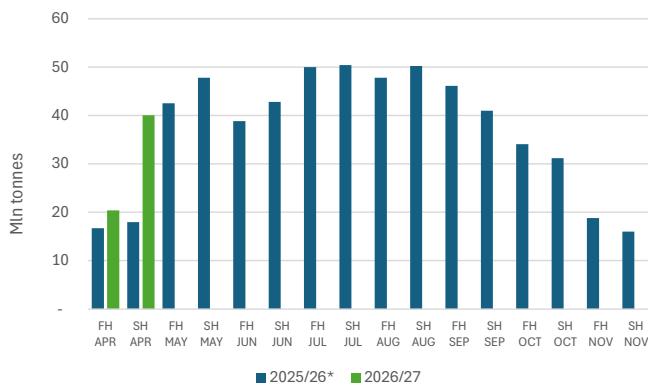
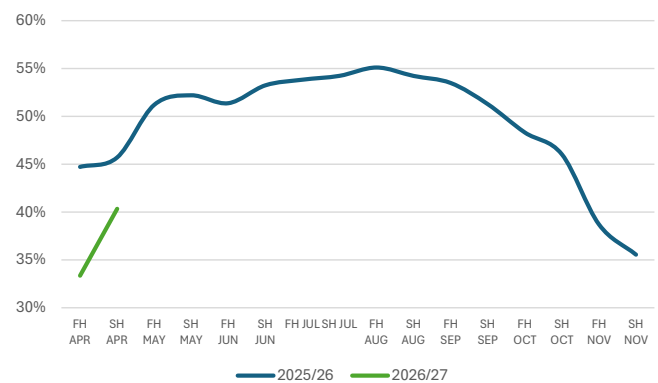


Figure 4: Brazil C/S – Sugar mix evolution



Source: UNICA and EDF Man Commodity Research



The dry conditions have also contributed to strong ATR levels, currently at 112 kg/ton—6kg/ton higher than last year. The key question, however, remains the sugar mix. At the start of the season, the market expected a stronger tilt towards ethanol production. This has been confirmed by data, with cumulative sugar mix through end-April at 38.2%, significantly below the 45.2% recorded in the previous crop. Nevertheless, despite the lower mix, high cane volumes have kept cumulative sugar output at 2.5mmt, still above last year's level of 1.6mmt over the same period.

Combined cane and corn ethanol output has also increased significantly year-on-year. In the first month of the crop, total ethanol production reached close to 3.3m cbm, nearly 1.4m cbm higher than the same period last season. Hydrous ethanol accounts for the largest increase, standing at 2.3m cbm—860k cbm above last year. Anhydrous production is close to 983k cbm, up 515k cbm year-on-year.

Mid-May figures are expected in the coming weeks. The wetter conditions observed during this period are likely to narrow the gap between the current and previous crop, although they may benefit cane to be harvested in the second half of the year. Another key factor is the expected development of El Niño in the coming months. Unlike in India, its impact in Brazil's Centre-South is likely to be mixed. Southern regions—such as Paraná and southern São Paulo—may see a slower harvest pace and some deterioration in cane quality. In contrast, northern areas—including northern São Paulo, Minas Gerais, and Goiás—could benefit from increased rainfall, supporting higher agricultural yields.

Overall, Centre-South cane output is moving towards a large crop, with production expected to exceed 640mmt and with the potential for additional cane to be harvested towards the end of the season. The allocation between ethanol and sugar will depend on price developments in the coming months. For now, sugar appears to be the more attractive option, which could push the sugar mix back towards the high-40% range—an outcome that would add further pressure to an already bearish market.

Prices Tab

New York #11				London #5			
<i>(cents/lb)</i>	26-May	30-Apr	% change	<i>(\$/tonne)</i>	26-May	30-Apr	% change
Jul (26)	14.54	14.61	-0.5% ↓	Aug (26)	436.9	438.9	-0.5% ↓
Oct (26)	15.00	15.05	-0.3% ↓	Oct(26)	437.1	438.5	-0.3% ↓
New York #16				White Premium			
<i>(cents/lb)</i>	26-May	30-Apr	% change	<i>(\$/tonne)</i>	26-May	30-Apr	% change
Jul (26)	36.00	36.10	-0.3% ↓	Aug/Jul	116.3	116.8	-0.4% ↓
Sep (26)	37.00	36.25	2.1% ↑	Oct/Oct	106.4	106.7	-0.3% ↓
Macro				Currencies			
<i>Indicators</i>	26-May	30-Apr	% change	<i>Against US\$</i>	26-May	30-Apr	% change
CRB	388.3	395.1	-1.7% ↓	Euro (EU) *	1.163	1.173	-0.9% ↓
Gold	4,506	4,622	-2.5% ↓	Pound (GB) *	1.345	1.360	-1.1% ↓
Brent Oil	99.58	114.01	-13% ↓	Real (Brazil)	5.034	4.954	-1.6% ↓
Baltic Dry	3,085	2,673	15% ↑	Rupee (India)	95.68	94.90	-0.8% ↓
Handysize	843	791	7% ↑	Rouble (Russia)	72.00	74.95	3.9% ↑
(* rate is US dollars per FX)							



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