Research

Monthly Sugar Note

26th June 2026

Markets

Macro factors and developments in Brazil continue to divert market attention from the emerging El Niño signals being observed across many of the world's key sugar-producing regions. With the apparent easing of geopolitical tensions and the end of the conflict, although the situation remains fluid and far from certain, crude oil prices have retreated to around $70 per barrel. The decline in the world's most important commodity has weighed on a broad range of markets, with both agricultural commodities and metals moving lower over the past 30 days.

Meanwhile, the U.S. Federal Reserve is adopting a more hawkish stance, signalling that higher interest rates could be on the table as early as September. Updated Fed projections indicate that many policymakers now expect at least one rate hike before the end of 2026. Such a scenario would likely provide further support to the U.S. dollar, creating additional headwinds for commodity prices. In an already bearish sugar market, a stronger dollar can have a significant impact on mill revenues and alter the competitiveness of ethanol relative to sugar, particularly in Brazil.

In the meantime, Brazil C/S crop progression has been strong. Up to the end of May, cane crush reached 144mmt, the highest value since the crop 2021/22. ATR is also performing at good levels, at 119.7kg/ton (vs.116.9kg/ton in the past season) while millers focus continues to be ethanol as the sugar mix is almost 10p.p below the past season at 41.4%. Cumulative sugar production is about 100kt behind the past crop but ethanol output (including corn) is close to 7.5m cbm, 31.5% higher than the past season.

Figure 1: Daily – Oil prices

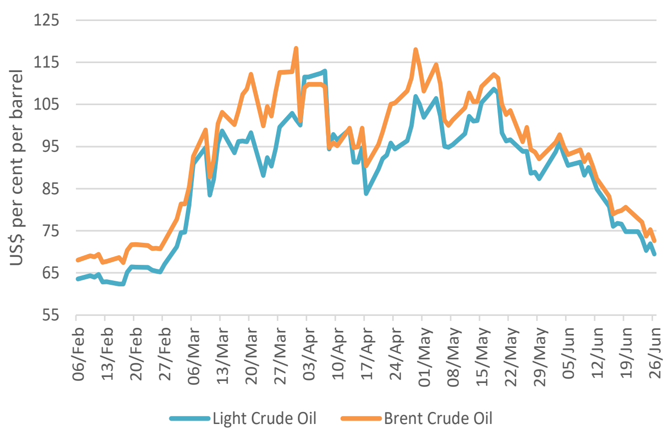
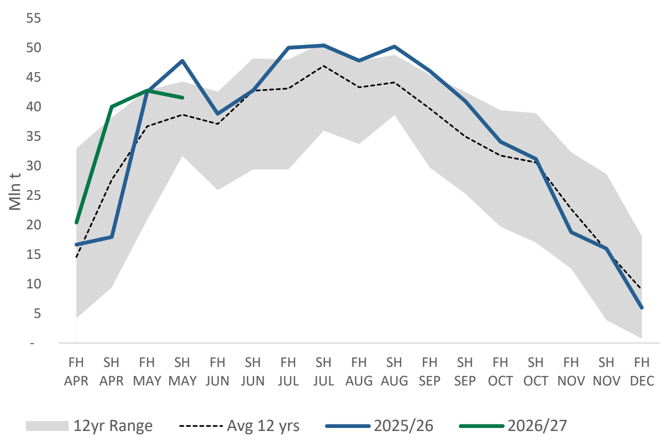


Figure 2: C/S Brazil - Cane crush output



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

The crop year began with expectations that the Brazilian government would increase gasoline prices in response to the conflict in the Middle East and raise the ethanol blending mandate in gasoline. However, from the sugar market's perspective, this anticipated support for ethanol remains far from becoming a reality. In fact, rather than providing support, the current situation is adding further pressure to sugar prices.

With Brazilian elections only a few months away, the government opted to subsidize gasoline prices, preventing domestic fuel prices from rising and limiting the competitiveness gains that higher gasoline prices would have provided to ethanol. Meanwhile, the widely anticipated increase in the ethanol blending mandate to 32%, which could generate approximately 1 million cubic meters of additional ethanol demand, has already been postponed twice. As things stand, there are no signs that the proposal will be revisited in the government's near-term agenda.

To make matters more challenging, the pass-through of higher ethanol prices from mills to retail pumps has been slow, constraining ethanol consumption. In addition, a weaker Brazilian real could further incentivize ethanol production at the expense of sugar, adding another layer of uncertainty to the market outlook.

In our view, ethanol consumption in Brazil’s Center-South region must accelerate significantly over the coming months to prevent end-of-season ethanol stocks from reaching record levels. Such an outcome would likely push ethanol prices lower, reducing the relative value of ethanol and, consequently, exerting additional pressure on sugar prices.

While Brazil is still searching for a solution to its ethanol balance, El Niño has begun to leave its mark across key producing regions. India's monsoon remains well below historical averages, Thailand continues to experience a rainfall deficit, and precipitation in Brazil’s Center-South during June has been nearly three times the historical average. These conditions increase the likelihood of a prolonged crushing season, lower cane quality, and a larger volume of bis cane being carried into the following crop year.

The market may eventually find support if adverse weather conditions persist and begin to materially impact production prospects. However, even a strong El Niño event may not be sufficient on its own to rebalance the global sugar market. Sustained higher prices would likely require a combination of factors: India moving into a net deficit position with production falling below 28 million metric tons, Thailand's crop declining below 10 million metric tons, and a recovery in demand from the Middle East. Until such conditions materialize, NY11 is likely to remain closely tied to weak ethanol prices.

Fundamentals

- **Brazil C/S:** The Brazilian crop continues to deliver strong results. By the end of May, mills had crushed 144.7 million tonnes of cane, up 15.8% year-on-year. Cane quality has also exceeded last season's levels, averaging

119.7 kg of ATR per tonne compared with 116.9 kg/tonne a year ago. Producers remain heavily focused on ethanol production, with the sugar mix standing at 41.4%, nearly 10 percentage points below last season's 50.1%. As a result, sugar production reached 6.8 million tonnes, almost 2% below the same period last year. In contrast, ethanol output increased 31.5% year-on-year to 7.5 billion litres. Crushing activity is likely to slow in June due to excessive rainfall. Cane-growing regions have received more than 90 mm of rain so far this month, roughly three times the historical average. Given the large volume of cane still expected to be processed this season, June's rainfall will likely extend the crop tail, supporting significant crushing volumes into November and increasing the likelihood of bis cane carryover into the next season. Ex-mill ethanol prices appear to have found a floor, with hydrous ethanol values remaining stable around BRL 2.20/litre. Meanwhile, domestic consumption continues to improve, although it remains below the level required to materially reduce projected ending stocks. The government has postponed for a second time the meeting that will determine whether the ethanol blend mandate will be increased from 30% to 32%. Such a change could generate approximately 150,000 cubic metres of additional ethanol demand.

- **India:** The crop 2025/26 should end with a net sugar output of27.9mmt, with 3.4mmt of sucrose diverted to ethanol. In the meantime, exports are at 735kt, number that will not increase in the final month of the crop as a sugar export ban is in place. Given a consumption of 28.2mmt, ending stocks at the end of September 2026 is projected at 3.4mmt, being a record low over the past 10 years. Cumulative rainfall over India's sugarcane-growing regions was -55% below normal as of now. Maharashtra rainfall weighted by cane areas is -76% below normal, (36% share) and Karnataka is +11% above average from 1st June to 24th June 26. UP rainfall in cane areas -52% below normal rains. Rainfall activity has picked up in Central-West India over the past days after a two-week lull. Rain has now started in key cane-growing areas; although the volume is not yet significant, it will provide some relief to the crop. The forecast looks promising, with good rainfall expected across cane regions. Cane growth remains below normal so far, but if the forecasted rainfall over the next two weeks materializes. it should help limit the downside risk of crop to some extent. The key factor to watch is rainfall in July and August. If below-normal rains persist, we could see further downside risks to the crop and a larger risk to the 2027/28 crop. Tigh conditions in 2025/26 combined with low crop prospects will keep exports ban in place, preventing Indian sugar to reach the World Market. Domestic prices are slightly improved week over week. Ex mill prices in central west India are currently trading at INR 3900–39,500 per Mt and INR 41,000–41,500 per metric ton in North India. Considering the tighter stock conditions due to lower production, domestic prices are expected to remain strong from Q2 onwards.

- **Asia:** Rainfall across Thailand remains at worrying levels, lying below both last year's figures and the 10-year historical average. This is critical as the cane is in its establishment stages and approaching the grand growth period beginning July onwards. As of 21st June, overall cumulative rainfall in Thailand since start January till date stands at 338mm, marking a 30% yearly drop, and 15% below the 10-year historical average. Northeast region remained the dryest, with 24% lower rainfall YoY, while the remaining 3 regions saw better and improved rainfall levels relative to June 2025. The 2026 monthly rainfall pattern mirrors similarly to that of El Nino years in 15/16 and 23/24 season, with the crop ending at 94m and 82m respectively. Current reports indicate El Nino may intensify the annual dry spell in Thailand between late-June to mid-July, raising significant concerns for Thailand farmers around cane quality and eventual agricultural yields. EPZ flows into China have continued to deteriorate since the government began tightening restrictions two months ago. Final EPZ demand was recorded at only 63k in May, broadly in line with April's at 67k. The slowdown reflects the China government's stricter controls over liquids and premix flows.

- **US:** The June WASDE raised U.S. sugar production for the 2026/27 season from 7.9 million tonnes raw value (RV) to 8.2 million tonnes RV, reflecting better-than-expected sugar beet crop conditions. Cane sugar production was revised marginally higher, while import projections remained unchanged at 3mmt RV. The government has yet to announce a specialty sugar quota, and there is a possibility that no allocation will be made, as occurred in the current season. On the demand side, sugar consumption was increased by 230,000 tonnes RV to 11.2 million tonnes RV. As a result, the stocks-to-use ratio rose to 14.3%, remaining comfortably above the USDA's target level of 13.5%. Given the improved supply outlook, Mexico's export quota to the U.S. could be reduced in the July WASDE update.

- **Mexico:** From October 2025 to May 2026, Mexico produced 5.2 million tonnes of sugar, up 10% year-on-year. During the same period, imports totalled just 28,000 tonnes, nearly 80% below the previous season. Sugar exports reached 744,000 tonnes, 5% higher than a year ago. Of this volume, 145,000 tonnes were shipped under the U.S. quota program, compared with 333,000 tonnes during the same period last season, with the remaining exports directed to the world market. Domestic sugar consumption declined by 70,000 tonnes year-on-year to 2.5 million tonnes. The increase in production more than offset higher exports, lifting ending stocks to 2.9 million tonnes, approximately 3% above the previous season. Meanwhile, Mexico and the United States have begun discussions regarding the review of the U.S.-Mexico-Canada Agreement (USMCA). An agreement must be reached before July 1 to prevent the automatic sunset review process that could lead to the agreement's termination after ten years, although any member country retains the right to withdraw from the pact with six months' notice. If current market conditions persist, Mexico's export quota to the U.S. is expected to increase significantly in the 2026/27 season, rising from approximately 200,000 tonnes to more than 800,000 tonnes.

- **Centrals:** The Central America production ended with a sugar output at 5.1mmt, almost 300kt higher than the previous season. From Oct/25 to Apr/26, exports reached 1.9mmt, 47% higher than the same time of the previous crop. May rainfall ended being lower than the historical average in all the Centrals countries which may impact the coming season.

- **EU/UK:** The 2026/27 beet crop is reaching its critical bulking phase. Across the EU and UK, most fields are now at or just past row closure. This is where the crop switches from building leaf area to bulking root and sugar. The June MARS bulletin puts the EU27 average yield at 77.7 t/ha, about 2% above the five-year average but below the exceptional 81.6 t/ha realised in 2025/26. The main near-term risk is a prolonged heat dome over western Europe, sitting on soils already dried out by a late May heatwave. However, sugar beet tolerates heat far better than cereals provided soil moisture holds. With some rainfall forecasted at the end of June across Europe, the dryness could be partially elevated, but July rainfall will be essential, especially for building good water reserves for August. In Belgium, the IRBAB/KBIVB has reported the first symptoms of yellows ("jaundice") in beet fields, with incidence low so far. In the Netherlands, Cosun Beet Company confirmed on 11 June that the 2026 area will be about 73,500 hectares, 11.5% below 2025, and below even the 76,000 hectares implied by spring seed orders, after growers, mainly in Drenthe, pulled back a further 2,500 hectares. In France, By 11 June, yellows symptoms had appeared in all key growing regions but at low severity, with incidence below the 2020 disaster year. Leaf diseases are very low, and crops are now at row closure, though high beet-weevil pressure has been reported. A historic heat dome has settled over western Europe, with France recording its hottest day on record on the 23rd of June, with more than half the country under a red alert and the national heat index reaching 29.8°C. Readings climbed above 40°C across Iberia, France and into the Benelux and western Germany. Sugar beet handles heat better than cereals, but only if moisture holds. With topsoils already dry, rainfall over the next fortnight matters more than the temperature itself. Rainfed crops on lighter soils are most at risk. The UK is caught in the same heat dome. The Met Office issued a rare red extreme-heat warning for the 24th – 25th of June, forecasting peaks of at least 39°C across southern England, well above the all-time UK June record of 35.6°C set in 1976. Spring rainfall across southern England was just 50% of average, leaving soils dry heading into the heatwave. For sugar beet, moisture is the concern rather than heat itself. The crop can tolerate high temperatures, but dry soils combined with peak evapotranspiration risk stalling canopy development at the point when the crop should be bulking. July rainfall will be the critical factor for yields.

- **CIS:** Russia's beet planting was 97% complete by the 9th of June at 1.14m hectares. Planting in central Russia and the Volga region ran behind schedule this spring, though the gap versus last year has been closing. Widespread rain is forecasted across all beet regions this week, heaviest in the south. Sugar.ru expects Russia to produce over 6.5mmt of sugar in 2026/27. Carryover stocks are projected at under 600,000 tonnes, compared with around 800,000 tonnes at the start of the 2025/26 season. The beet area in Krasnodar is expected to be flat YoY. In Ukraine, poor spring weather, including frosts, is expected to push 2026/27 sugar output below the 1.2mmt previously anticipated, according to Ukrsugar. In the first three quarters of the current marketing year, Ukraine exported 504,000 tonnes of sugar. Lebanon was the largest destination (21%), followed by EU countries (18%), Syria (14%) and Uzbekistan (12%), with roughly half of total exports going to the Middle East. Uzbekistan has emerged as one of Ukraine's largest sugar buyers, a shift caused by a change in logistics routes and a reduction in UAE volumes into the region.

Focus – White premium

Just after the start of the conflict, the White Premium began to rise steadily, climbing from around $100 at the beginning of the year to above $140 in recent days. Several factors have contributed to this increase, although it remains unclear whether the rally will be sustained or prove to be short-lived.

Following the closure of the Strait of Hormuz, major refineries were forced to find alternative routes for importing raw sugar. Iraq provides the clearest example, shifting its imports through Jordan as a logistics hub. While this solution allowed raw sugar imports to continue with limited disruption, it came at a significantly higher cost. An even more important consequence was the disruption to refined sugar exports from the world's largest refinery in the United Arab Emirates (UAE). During the first half of 2025, the UAE imported more than 600 kt of raw sugar for refining. Following the closure of the Strait, these imports fell by 55%, substantially reducing the country's refining activity and export availability.

Figure 3: Monthly - Front month white premium

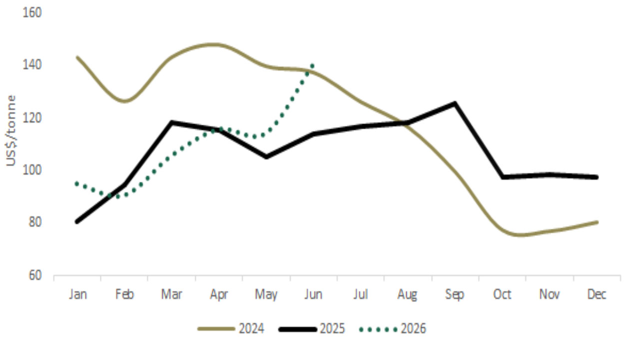
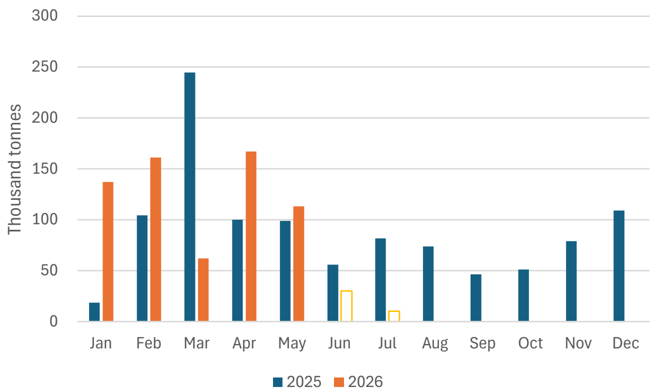


Figure 4: India LQW sugar exports



Source: Bloomberg and EDF Man Commodity Research

The situation becomes even more challenging when considering India. The government's export ban has effectively eliminated any remaining low-quality white (LQW) sugar volumes that could have been exported during the second half of 2026. Admittedly, the country's already tight domestic balance would have constrained exports even without the ban. However, when combined with the impacts of El Niño, Indian LQW exports could remain absent from the global market for an extended period. A further complication is the shutdown of India's second-largest refinery, which

had been an important supplier of refined sugar to the international market. The loss of this refining capacity further tightens global white sugar availability and adds upward pressure to premiums.

Several other factors should also be taken into account. Refined sugar production in the EU and the UK is expected to be lower, reducing export availability to supply the Mediterranean region. At the same time, strong forward sales by Centrals at the beginning of the year have reduced the volume of white sugar available for shipment during the second half of the year. Uncertainty also remains over Algeria's ability to resume exports to the world market, while the potential development of El Niño poses an additional risk to production in Thailand, currently the world's main supplier of refined sugar.

It remains uncertain whether the ceasefire between the US and Iran will prove durable. If tensions deescalate, the White Premium is likely to require independent refineries to increase production in order to rebalance the market. India is unlikely to play that role given its export restrictions, while Thailand's ability to expand exports could also be constrained by the effects of El Niño.

Taken together, these factors suggest that the market may be entering a period of structurally higher White Premiums rather than experiencing a temporary price spike.

Prices Tab

New York #11					**London #5**				
(cents/lb)	25-Jun	29-May	% change		*($/tonne)*	25-Jun	29-May	% change	
Jul (26)	13.55	14.06	-3.6%	↓	Aug (26)	444.7	438.2	1.5%	↑
Oct (26)	14.10	14.54	-3.0%	↓	Oct(26)	438.2	434.3	0.9%	↑
New York #16					**White Premium**				
(cents/lb)	25-Jun	29-May	% change		*($/tonne)*	25-Jun	29-May	% change	
Jul (26)	36.00	36.00	0.0%		Aug/Jul	146.0	128.2	13.8%	↑
Sep (26)	36.00	36.50	-1.4%	↓	Oct/Oct	127.3	113.7	12.0%	↑
Macro					**Currencies**				
Indicators	25-Jun	29-May	% change		*Against US$*	25-Jun	29-May	% change	
CRB	356.0	380.4	-6.4%	↓	Euro (EU) *	1.137	1.166	-2.5%	↓
Gold	4,026	4,536	-11.2%	↓	Pound (GB) *	1.319	1.346	-2.0%	↓
Brent Oil	75.26	92.05	-18%	↓	Real (Brazil)	5.177	5.036	-2.8%	↓
Baltic Dry	2,591	2,991	-13%	↓	Rupee (India)	94.40	95.00	0.6%	↑
Handysize	943	843	12%	↑	Rouble (Russia)	75.85	71.00	-6.8%	↓
					(* rate is US dollars per FX)				