Research

Monthly Sugar Note

21ft August 2026

Markets

Challenging the bearish signals across the market, sugar prices rallied strongly in August, approaching the 18c/lb level. Despite Brazil C/S continuing to report reasonable production figures and global demand remaining subdued, the market has been supported by money-manager positioning, weather uncertainties, and tight sugar balance conditions in India. The unexpected strength in the market raises an important question for the key players: are prices approaching a ceiling, or could the rally continue before a potential reversal?

Without UNICA's regular updates on Brazilian crop progress, analysts are monitoring the evolution of the world's largest sugar-producing region through data released by Brazil's Ministry of Agriculture (MAPA). By the end of July, Brazil C/S had crushed 313.2mmt of cane, 6.3mmt more than during the same period last year. The sugar mix has been increasing steadily in recent weeks, driven by an oversupplied ethanol market that has made biofuel prices increasingly uncompetitive compared with sugar. Between June and July, mills increased the sugar mix from the low-40% range to 48.5% by the end of July. However, as the crop started with a strong focus on ethanol production, the cumulative sugar mix remains 7.5 percentage points below last year, at 44.2% at the end of July. As a result, cumulative sugar production is close to 17mmt, 12% below the previous year.

Figure 1: Net spec position vs. NY11 prices

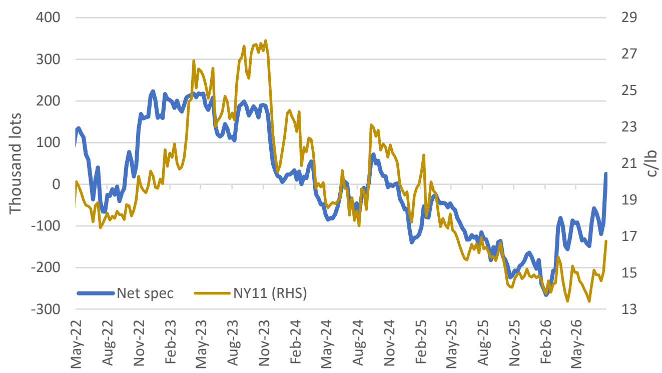
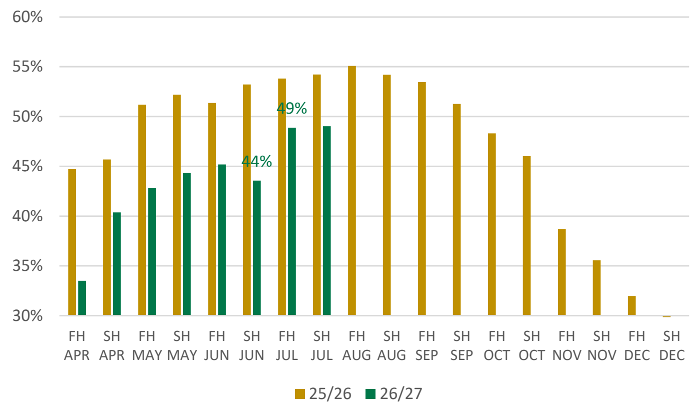


Figure 2: Brazil C/S– Sugar Mix evolution



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

Despite the lower sugar output so far, the higher sugar price environment is likely to encourage mills to allocate more cane to sugar over the coming months. This should support a final sugar production figure of around 39mmt —approximately 1–1.5mmt below last season, but still sufficient to keep the 2025/26 global sugar balance in surplus. Higher prices are also providing Brazilian mills with an opportunity to hedge production for the next crop. This could result in a high sugar mix in the 2027/28 season, when cane availability is expected to be substantial following the significant quantity of bis-cane and favourable wet-season conditions in 2026. However, the summer rains are still yet to be seen.

We also see clear bearish signals in the front spread (Oct/Mar), which has widened to nearly -100 points, its weakest level since 2019. Adding to this, Brazilian cash differentials reached record lows of around -70 points in recent weeks, further highlighting the underlying weakness in the physical market.

However, these bearish fundamentals were not enough to deter speculators, who placed greater emphasis on the growing El Niño risk, reinforced by the import quota of India. For the first time, the government acknowledged that sugar imports may be required to help ease elevated domestic prices. Against this backdrop, speculators made a significant move, covering nearly 120k lots over just two weeks. This shift took the market from a net short position of around 120k lots at the end of July to a net long position of approximately 25k lots by mid-August.

While NOAA's latest weather outlook shows a very high probability of El Niño conditions persisting through the end of the first quarter of 2027, rainfall patterns across India have been increasingly erratic, with uneven precipitation across the country's main sugarcane-producing states. At first glance, overall rainfall may not appear significantly below historical averages. However, a closer look at the key cane-growing regions reveals a more concerning picture. Given the current weather conditions, the next Indian crop is unlikely to deliver sugar production above 30mmt—a relatively low level for one of the world's largest sugar-consumption. At the same time, India is facing record-low ending stocks, contributing to prices reaching historical highs. In response, the Indian government has introduced a series of measures aimed at preventing producers and intermediaries from holding sugar stocks for extended periods. On August 20th, the government finally allowed 1mmt of raw duty free imports which should have a higher reflect in the Whites market as Indian refined re-exports will reduce.

Meanwhile, rainfall conditions remain concerning across several major producing regions. In addition to India, parts of Europe, Central America, and Thailand are experiencing below-average precipitation, raising concerns over cane development and production prospects. In Europe, the production decline is expected to be particularly significant. The region had already reduced its beet area considerably following the low-price environment of the past year and has since been hit by several heatwaves, which could result in a production decline of more than 2 MMT.

Overall, speculators may continue to build long positions in the coming weeks. Their behaviour during the rolling period will be particularly important, with the roll typically taking place around three to four weeks before the October contract expires at the end of September.

Despite the lower production figures expected for 2027, we still see ample sugar availability globally. Once India manages to rebuild its stocks, the market fundamentals should become clearer, potentially creating room for a reversal in speculative positioning. If speculators begin to unwind their long positions, the resulting selling pressure could trigger a sharp correction in prices.

Fundamentals

- **Brazil C/S:** Cane crush totalled 46.1mmt in the SH of July, an 8.3% drop compared to the 50.3mmt crushed in the same period of the previous crop, according to the data released by Ministry of Agriculture (MAPA). ATR was similar YoY, but the sugar mix fell to 48.5% from 54.1%, resulting in sugar production of 3.00mmt vs. 3.64mmt in the same period, which was in line with market expectations. Some rains during the period contributed to the lower YoY crush. Cumulative figures show that crush reached 313mmt, a 2.0% increase compared to 307mmt in the same period of 2025/26. The cumulative sugar mix stood at 44.2% versus 51.7% LY, with sugar production totalling 16.9mmt against 19.3mmt. Up until June, mills had prioritized ethanol production, but with parities shifting in favour of sugar over the past few weeks, millers have started moving production back toward sugar, though they remain below the max sugar levels. UNICA has not yet released fuel sales data for July, but mills and distributors have reported an increase in hydrous sales in recent weeks. Sugar stocks are currently at a balanced level, though a relatively slow pace of exports has been adding to ending stocks. Ethanol ending stocks remain elevated, and the CS region needs stronger hydrous demand to clear it, which should materialize given that pump parities are currently very favourable to hydrous, but it is taking much longer to start than anticipated.

- **India:** India's cumulative rainfall across the major sugarcane-growing regions is -11.6% below normal as of 18 August 2026. The rainfall situation remains particularly concerning in central-west India, especially in the key sugar-producing states of Maharashtra and Karnataka. Combined with high summer temperatures and dry weather from June through mid-August, these conditions have adversely affected crop development. Despite the poor weather, cane area should be higher in the coming season given the positive weather for sewing in 2025. For the time being, without considering any diversion to ethanol, India's current 2026/27 gross sucrose production should be under 30.0mmt. Note, however, If dry conditions persist through the remainder of the monsoon, we could see further downside to such value. Considering the currently tight domestic stock situation and historically high sugar prices, the Government of India allowed duty free imports of 1mmt of raw sugar. In addition to that, permitted coastal refineries to sell white sugar into the domestic market against raw sugar imports which has been cleared until August 20th, with such domestic sales offsetting their export obligations to the world market. The previous will have implications to whites availability to the World Market and raw demand from Brazil. The volume of sugar imported by India will be a function of the local domestic price behaviour once imported sugar start to reach the local market.

- **Asia:** Thailand weather has remained persistently dry and hot throughout August, despite some relief from the rainfall recovery in July. The main producing region, Northeast, has seen the most notable recovery till date, with August rainfall currently only 4% lower YoY and 12% lower YoY cumulatively since 1st January. However, the drought conditions remain throughout other regions, particularly in the North, where August rainfall is down 44% YoY and cumulative rainfall from 1st January is 34% lower YoY. As of 16th August, Thailand's cumulative rainfall stands at 619mmt for 2026, 22% below from 2025 and 14% below the 10-year average. Market views a cane crush value of around 100mmt. In contrast, Thailand cassava prices have been trending upwards steadily since July 2025 where it hit the lowest in 5 years at 1.4 THB/kg. As of mid-August, cassava prices reached 3.06 THB/kg, a stark increase from 2.9 THB/kg in July and 1.69 THB/kg in August 2025. This is largely due to the drop in Cambodia cassava exports into Thailand due to the border closure, tightening Thailand cassava supply and pushing up prices. Lower cassava acreage and drop in agricultural yield due to diseases and drought are also supportive of the upwards price trend. Other Asia producers such as Vietnam and Philippines are also experiencing the same weather phenomenon.

- **US:** The August WASDE report brought several updates to the US S&D balance. For the 2025/26 crop, beet sugar production was revised up by 65k MTRV (metric tonne raw value), bringing total combined production to 8.4mln MTRV, still a 1.5% drop YoY. TR2 imports up by 133k MTRV to 891k MTRV, which is in line with last season's volume. This increase reflects actual figures from the past month, split between about 30k from specialty sugar and 130k from raw TR2. Ending stocks up by 199k MTRV, lifting the stock to use ratio (STU) by 1.7 p.p. to 15.2%. For the 2026/27 crop, higher beginning stocks combined with a production cut of 48k MTRV (beet down 27k, cane down 21k) shape the balance. Within cane, Louisiana was revised up by 91k MTRV, while Florida was cut by 112k MTRV as producers report significant problems from mealybug infestation, an issue also observed in Louisiana, though estimates there remain favourable, for the time being. Imports saw only minor changes, with TR2 up 6k MTRV and TRQ down 3k MTRV. Ending stocks rose by 154k MTRV, increasing the STU ratio by 1.4 p.p. to 14.8%.

- **Mexico:** The 2025/26 Mexican crop is over, with production reaching 5.33mmt, an 11.6% growth YoY (+554kt YoY). Higher production and a small US quota led Mexico to export big volumes to the World Market, with exports to date at 600kt (including 200kt of US Re-exports). Another 110kt is still expected until the end of September, bringing total WM exports to 710kt, an 18% (or 110kt) growth YoY. Domestic sales continue their positive trend, with an expectation of 2.8% growth YoY, highlighted by the IMMEX market increasing 21% over the Oct/25-Jun/26 period. For the 2026/27 crop, rainfall has been good and supportive for cane development

- **Centrals:** Dry conditions across the Centrals are making producers increasingly pessimistic about the 2026/27 crop, although local associations are still, for the time being, forecasting higher production. In Guatemala, the Sugar Producers Association (Asazgua) noted that El Niño could bring warmer and drier weather in 2026/27, but expects sugar output to be maintained through preventive measures. In Nicaragua, the Government of Reconciliation and National Unity forecasts sugar production at 805kt, up 10% year on year.

- **East Europe:** Russian supply is improving as European supply deteriorates. Sugar.ru estimates 2026/27 Russian sugar production at 6.6mmt, against 6.4mmt in 2025/26. This reflects a beet crop of around 50mmt versus 49mmt last season, achieved on planted area of 1.149m ha, 4% lower on the year, with the yield improvement more than offsetting the area loss. The 11 August beet test returned an average of 42.6mt/ha against 40.5mt/ha a year earlier, following a weaker 1 July reading attributed to delayed plantings in the central region. Southern results are stronger, Krasnodar is averaging 50.9mt/ha, around 17.4mt/ha above last year's drought-affected crop. By 10 August, 15 factories were operating and 923kmt of beet had been processed for 102.7kmt of sugar. With domestic supply improving, Russian domestic prices have fallen, which widens the arb between local and world market prices, and should make export sales more attractive from September. However, the main constraint is logistics rather than economics, as renewed hostilities in the Black Sea are raising the cost and risk of shipping to Central Asia through Russian ports and lifting the price of alternative Georgian routings. Belarus is steady, with root weights on par with last year and higher sugar content as of mid-August. Ukraine moves the other way. Sugar production is now expected close to 1.20mmt, down around 30% from 1.72mmt in 2025 reflecting both lower area and weaker yields. Frost-delayed sowing may push the start of the harvest back by around two weeks.

Focus – EU

The 26/27 crop planting did not begin as a drought. Spring was wet, and by the end of May most of the beet belt was carrying a moisture surplus against its own five-year record. Then rainfall across France, Belgium and Germany fell to a fraction of what the month normally delivers, and it has not meaningfully recovered since.

Beet builds its yield in two stages. Through spring and early summer, it is mostly growing leaf and root structure, drawing on whatever moisture is available but not yet laying down much sugar. From roughly early July, once the canopy has closed, the plant shifts into bulking. This is when the root packs on the bulk of its final weight and sucrose content, and it does so at a rate of several millimetres of water demand a day. Cut the water off in that window and the beet closes its stomata to conserve what moisture it has, growth essentially stops, and whatever bulking should have happened in those weeks simply does not happen. Rain arriving afterwards rebuilds leaf canopy before it does anything for the root. Root weight not gained in July is not regained in August or September. What rain has fallen since has value, but it is repair value for next year's soil moisture.

If we strip the weather out entirely, EU beet production would still be on a downward path. The European Commission's own figures show the direction of travel: EU white sugar production for the 2025/26 campaign was estimated at roughly 16.0 million tonnes — this despite a cultivated beet area that had already contracted sharply, with the Commission's Sugar Market Observatory flagging a decline of over 10% in area against the prior campaign. This year's 26/27 crop is the smallest of the last six years, roughly 5% below that already-depressed 2025/26 base.

Figure 3: SU/UK Sugar production

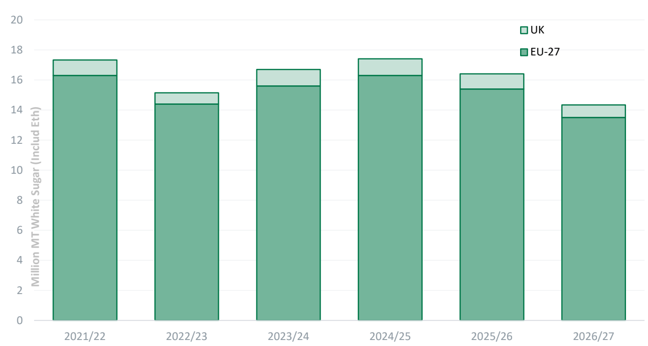


Figure 4: EU 28 weighted average rainfall vs. historical

Source: EDF Man Commodity Research

Every input a grower needs got more expensive this year, on top of a cost base that was already elevated. Fertiliser and fuel prices both increased sharply following the disruption around the Strait of Hormuz earlier this year, with diesel running over 20% higher and fertiliser close to 30% higher than the equivalent point last season.

The number of operating beet sugar factories across the EU has fallen from roughly 190 in the mid-2000s to under 90 today — CEFS's own count puts the 2025/26 campaign total at just 83 operating factories, down from 88 the year before. Close to 20% of the factories still running in 2018, the year after EU production quotas were abolished, have since shut: CEFS and CIBE jointly confirm 20 beet sugar factories have closed since 2017, with five of those closures landing in 2025 alone. Factories close when the economics of the whole supply chain stop working for long enough that keeping a plant open no longer makes sense, and every closure removes local processing capacity that a future

good crop cannot bring back on its own. EU beet area peaked in the two seasons immediately after quota abolition, when growers responded to newly unrestricted planting rights by expanding into a market that briefly looked more open than it has turned out to be. It has fallen in most years since, and the pace of decline has accelerated sharply over the last two seasons: Eurostat recorded roughly 1.6 million hectares of EU beet area in 2024, while the Commission's short-term outlook and CEFS both point to area falling to somewhere between 1.47 and 1.51 million hectares for 2025/26 — a drop of 7–12% year-on-year, the sharpest single-season contraction in the post-quota period.

Whether an acreage increase for 2027 happens comes down to two things. First, whether this year's tightness produces beet prices high enough, and durable enough, to outweigh a cost base still elevated on fertiliser and fuel. Second, whether the capacity to process an expanded crop is still there. A producer can raise its price, but a grower in a region that lost its factory in the last closure round has nowhere nearby to deliver more beet profitably. However, with some producer incentives that were implemented this year to reduce 26/27 area, we will see 27/28 area increase as part of the agreement with beet growers.

The direction this points to could create a structurally shorter Europe. Once the EU is reliably short of its own consumption, buyers have to pay whatever it costs to bring sugar in. Currently, declining consumption, high stocks — industry reporting points to EU sugar stocks pushing above 3 million tonnes — and forgone exports are still absorbing the shortfall.

Prices Tab

New York #11					**London #5**				
(cents/lb)	20-Aug	31-Jul	% change		*($/tonne)*	20-Aug	31-Jul	% change	
Oct (26)	17.52	14.66	19.5%	↑	Oct(26)	552.2	461.6	19.6%	↑
Mar (27)	18.50	15.53	19.1%	↑	Dec (26)	540.3	461.5	17.1%	↑
New York #16					**White Premium**				
(cents/lb)	20-Aug	31-Jul	% change		*($/tonne)*	20-Aug	31-Jul	% change	
Sep (26)	38.40	35.50	8.2%	↑	Oct/Oct	166.0	138.4	19.9%	↑
Nov (26)	39.00	35.50	9.9%	↑	Dec/Oct	154.1	138.3	11.4%	↑
Macro					**Currencies**				
Indicators	20-Aug	31-Jul	% change		*Against US$*	20-Aug	31-Jul	% change	
CRB	403.4	385.1	4.8%	↑	Euro (EU) *	1.168	1.153	1.3%	↑
Gold	4,518	4,041	11.8%	↑	Pound (GB) *	1.363	1.348	1.1%	↑
Brent Oil	93.78	90.12	4%	↑	Real (Brazil)	5.198	5.075	-2.4%	↓
Baltic Dry	2,791	2,743	2%	↑	Rupee (India)	95.70	95.38	-0.3%	↓
Handysize	871	905	-4%	↓	Rouble (Russia)	83.75	79.60	-5.2%	↓
					(* rate is US dollars per FX)				