ED&F MAN EST. 1783 Research

Monthly Sugar Note

28 March 2025

Markets

As the Northern Hemisphere crop season draws to a close, production figures have become clearer, confirming that the tail end of the season for the two main Asian producers is worse than anticipated. Adding further supply-side concern has been the dry weather in Centre-South Brazil, which has prompted analysts to revise down projections for the upcoming cane crop. This suggests that Brazilian supply may be lower than expected by year-end.

India has undoubtedly been the key driver of market prices over the past couple of months. A month ago, the country announced an unexpected export quota of 1 million metric tons (mmt), causing market prices to drop to around 17 c/lb. However, in recent weeks, several sources in India have reported lower production estimates. AISTA was the first to revise its crop outlook, reducing sugar production to 25.8 mmt. Subsequently, ISMA announced that sugar output would not exceed 26.4 mmt, while the federation of producers later reported an estimate of 25.9 mmt.

Figure 1: Thailand - Decadal sugar output

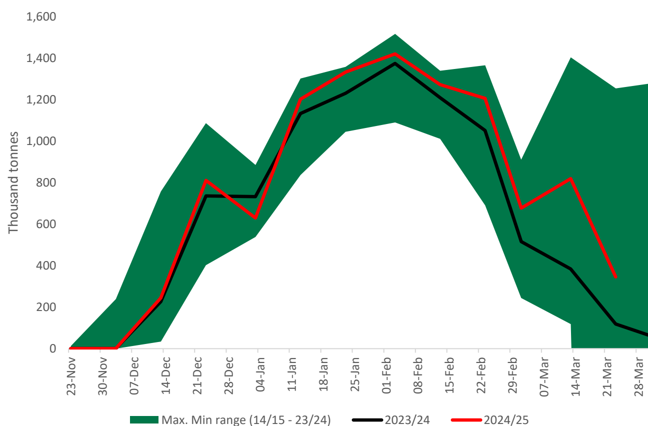
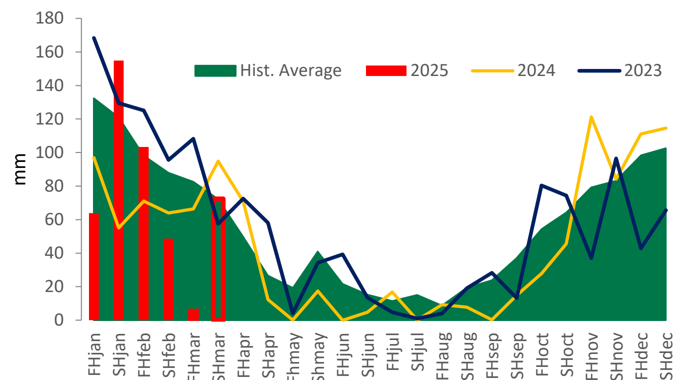


Figure 2: Centre South rainfall - Fortnightly



Source: Reuters and ED&F Man Commodity Research

Overall, India is projected to face a net deficit of 3 mmt, representing a year-on-year production decline of nearly 7 mmt. This reinforces the view that India is unable to sustain sugar exports to the global market. Domestic prices have steadily risen, with increases observed almost weekly, reaching levels that have fuelled discussions of a possible government export ban in coming weeks. Indeed, rumours of such a ban have been a key driver of NY11 market activity in recent days. Thailand's crop season is also ending with disappointing results. As of March 18th, 41% of mills had concluded their operations, with a total cane crush reaching approximately 91 mmt. This suggests the country is unlikely to exceed 94 mmt of

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crushed cane. While this crop has fared better than the previous one, it remains below initial expectations, which projected cane figures closer to 100 mmt.

Since January, rainfall in Brazil has continued to disappoint cane growers. In the Centre-South cane fields, January rainfall was 15% below the historical average. February saw a similar shortfall, and March is forecasted to end with just 70mm of rain—less than half the historical average for the month. As a result, some groups are already estimating cane crush numbers to fall below 600 mmt (compared to 623 mmt in the 2024/25 season).

White premiums have also found support due to lower crop output in India and Thailand. This has turned margins positive for stand-alone refineries in recent days, which is likely to drive additional demand from Brazil. Additionally, China may require more raw sugar in the coming months if an EPZ (Export Processing Zone) solution for Thailand is not found.

In summary, the market appears supported in the short term, with prices expected to trade within the 17-20 cents per pound range. With the Indian and Thai crop figures now revealed, the market's attention will shift to the first production figures from Centre-South Brazil, where crushing is set to begin in the coming weeks. If these figures turn out worse than expected, with low ATR (Total Recoverable Sugar) and subpar agricultural yields, the market may find reasons to push prices to the higher end of the range.

Looking further ahead, the next Indian and Thai crops are projected to increase significantly, potentially reducing the need for Brazilian sugar in Q1 2026. However, reports of challenges in Thai cane planting and pest issues in northern India could alter this outlook. If these problems are confirmed, Brazil's crop will need to surpass 41 mmt; otherwise, the much-anticipated surplus for the 2025/26 season may not materialize.

Fundamentals

- **Brazil C/S**: The 2024/25 crop is finishing its intercrop phase, with mills expected to commence crushing and determine final production figures around mid-March. At this stage, we anticipate the crop's start to align with the average; some units report an early start, others a late start, but most remain consistent with historical trends. These varying patterns among units are likely to persist throughout the season in terms of production, as cities were differently affected by last season's dryness and fires, as well as the uneven rainfall—or lack thereof—during February and March. Considering the recent weeks of reduced rainfall and poor forecasts, the market sees the 2025/26 crop below 600 mmt, which would result in sugar output below 41 mmt. However, with below-average rainfall expected, concerns remain regarding cane availability. The following weeks' rains will be critical for the cane development.

- **Asia:** As of March 23rd , Thailand's cane crushing has reached 91 mmt, marking a 12% increase for the same period compared to the 23/24 season. However, 36 mills have closed, leaving only 22 operational, with a noticeable slowdown in the crushing pace to approximately 300kmt/day as we approach the tail of the crop. The crop should conclude at around 93-94mmt given these developments, which is slightly below market

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projections in the start of the season. This shortfall is primarily attributed to lighter cane weights observed by farmers, despite the tall sugarcane heights, which has resulted in a lower sugar yield to 10.78%. On the demand side, we have noted a notable increase in CS lineups to Indonesia in mid-March, likely for the March 2025 delivery. Australian demand has also softened, with only a 27kmt shipment to Japan in Feb and a 26kmt shipment in March till date. Additionally, the Philippines USA quota program remains firm, with an expected 66kmt to be exported by the end of the month. China has suspended the imports of Vietnamese syrup and premix products from 14th March 2025 on the pretext of initiating a safety and quality review over the production process. Vietnam accounts for 7% of China imports of such products, now following Thailand to halt related activities until further notice.

- **US:** The March WASDE confirmed a heavy sugar supply & demand scenario. A slight increase in production, minor growth in TR2 imports, and a cut in domestic demand contributed to oversupplied sugar stocks. Typically, the USDA would reduce the surplus from the Mexican quota, but the current need for Mexican sugar is below the guaranteed volume. As a result, ending stocks are projected at 1.7 mln MTRV, with a 15.1% stocks-to-use (STU) ratio, indicating a surplus of approximately 210k MTRV. Under the Suspension Agreement, the final quota is determined by the greater of two values: either the volume required to reach a 13.5% STU level at the March report, or any volume previously guaranteed in the season (50% of July's report, 70% of September's, or 80% of December's). Since 80% of December's volume exceeded current needs and was already guaranteed, this became the quota—451k MTRV (425 kt TQ).

- **Mexico:** Mexican production continues to show strong agricultural and industrial yields, up 4% and 3% year-on-year (YoY), respectively, although delays in harvested acreage persist. As of March 8th, cumulative cane crush reached 26.5 mmt, compared to 27.9 mmt last season, with sugar production at 2.65 mmt versus 2.71 mmt. Despite this reduction, exports remain unaffected, as the adjustment was offset by weak domestic sales, with cumulative total sales down 8.9% (October–January). Following the March WASDE report, the US export quota is set at 425 kt. However, a key concern remains - low pol raws exports account for at least 298 kt of this quota, and the slow production pace could jeopardize its fulfilment. Meanwhile, the discussion over the 25% tariff imposed by the U.S. on Mexican goods has been postponed to early April. Despite this uncertainty, we believe that even with the tariff, exporting to the U.S. remains a viable option for Mexican farmers.

- **Centrals:** Guatemala's production up to March 8th has finally surpassed last year's production. Despite the delay at the start of the season, both agricultural and industrial yields have been stronger than the year before. On the other hand, El Salvador's production is seeing a different profile, as despite acreage being 0.6% higher YoY up to March 9th, sugar production is 4.4% lower; a result of poor industrial and agricultural yields. Centrals exports continue to pick up with several new nominations, especially for Guatemala, which currently faces heavy lineups.

- **EU/UK:** With the 2024/25 season complete, preparations for the 2025/26 sowing campaign are underway. The new season faces challenges, including low beet prices and reduced acreage, with a 7–8% decline in sugar beet planting expected across the EU and UK. The largest reductions are likely in smaller producers like Italy, Romania, and Croatia, while uncertainty remains in major producing regions such as France, Germany, and Poland. Favourable weather conditions have supported planting in most areas, with adequate soil moisture, though drier conditions in eastern Europe may pose challenges. Planting has started in the Netherlands and is expected to progress across other regions by the end of March. In Spain, the Castilla y León government announced that farmers will not face penalties for not planting sugar beet, potentially reducing planted areas further. Total production for 2025/26 should decrease about 800kt YoY. In trade, the EU exported approximately 250 kt in January—the highest in years. While exports are expected to continue in 2025/26, the region is set to transition from surplus to deficit, requiring imports.

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- **CIS:** Russia and Ukraine have successfully completed their 2024/25 sugar beet processing campaigns, with total production close to 6.3 mmt and 1.8 mmt, respectively. As preparations for the 2025/26 season begin, planting decisions are being shaped by weather conditions, economic challenges, and global market dynamics. Ukraine's sugar beet regions are experiencing notable dryness, which could reduce planted area. The Ukrainian Sugar Growers' Association estimates a 40,000 kha decline, bringing total acreage to approximately 210 kha. The impact of dry conditions on yields remains uncertain. In Russia, sugar beet planting is expected to either remain flat or decline, though the extent is unclear. Kazakhstan, however, is projected to significantly reduce acreage, dropping from 25,000 hectares in 2024/25 to approximately 1,700 hectares in 2025/26. As the 2025/26 planting season begins, the CIS sugar beet sector faces multiple challenges, including reduced acreage, unfavourable weather in Ukraine, and financial pressures on producers.

Focus – India

India's 2024/25 sugar production is seeing a significant decline, with output at 23.8 mmt as of March 15th—a 16.2% drop from the prior year's 28.46 mmt—and projected to fall by 19% by March's end. The decline stems from key states: Maharashtra (-22%) with 180 of 198 mills closed, Karnataka (-21%) with 75 of 79 mills closed, and Uttar Pradesh (-9%) with 47 of 120 mills shut. While the southern states are seeing low yields, the northern region is facing problems with pests and diseases (red root).

Crop results led several entities to decrease their production estimate. Indian Sugar Mills Association (ISMA) is working with 26.4mmt, the government projects 26.2 mmt, the Federation sees 25.9 mmt, while the All India Sugar Trade Association (AISTA) is close to 25.8 mmt. Despite the reduction, each source has been working with a different consumption figure, leading to different views on ending stocks. The Indian government estimates closing stocks at 5.1 mmt, while ISMA estimates 5.4 mmt, and AISTA projects a lower 3.7 mmt. With the government authorizing 1 mmt of exports on January 2025, the prospect of these depleting stocks has led to market rumours of a potential mid-campaign ban on current exports. Following this rumour, ISMA acted fast, claiming that the projected ending stocks are sufficient to supply the market, a view that AISTA numbers probably does not share.

Figure 3: India crop evolution

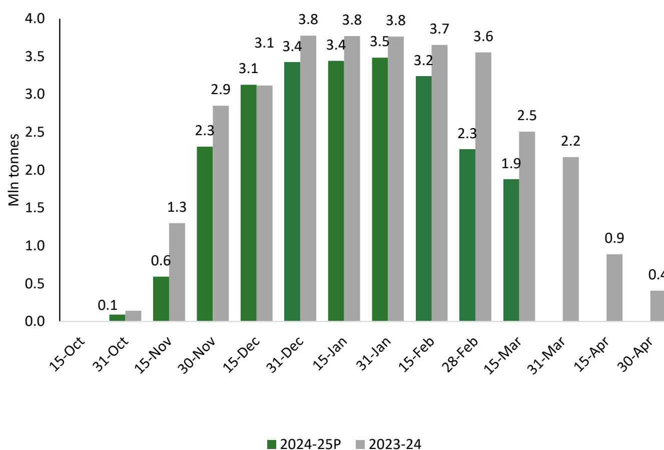
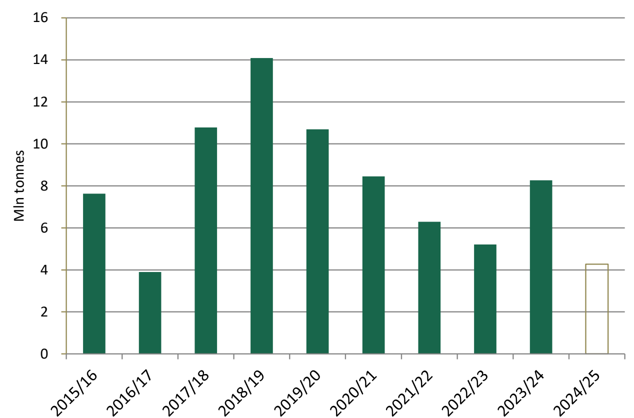


Figure 4: India ending stocks



Source: ED&F Man Commodity Research

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For the time being, out of the export quota of 1 mmt, it is estimated that 600kt have already being traded, meaning that 400kt could not reach the World Market in the case a ban is presented in the next days. This would be supportive for the White Premium which has appreciated considerably since the Indian story gained importance.

A 1 mmt export allowance and lower production estimates have driven domestic prices up by INR 1,500–2,000 per Mt since January/February. With continued low production expected in the next two fortnights, further price increases are likely. Domestic sugar prices currently vary regionally, ranging from INR 37,500–38,500 per Mt in Central West India, to INR 40,500–41,500 per Mt in North India.

For the next season, the strong 2024-25 monsoon season has significantly improved water availability, leading to an estimated increase in sugarcane acreage, particularly in Maharashtra and Karnataka, within Central West India. Note, however that in the North region, cane disease (red root) demands attention. For the moment, the market estimates for the crop 25/26 are in a range of 31-35 mmt (net sugar) which may allow exports in 2026. If that's the case, any exports to the World Market should come only in Q1 2026 or later due to domestic supply concerns.

Macro

The global market sentiment is turning increasingly risk-averse as the uncertainty over tariffs reaches dizzying heights. The month of March has been a sea of red in markets, as the so-called "Trump Trade" (whereby investors went long the dollar and long US equities in anticipation of the new US administration's inflationary policies of low tax, low regulation and low immigration) has been unwound. The US dollar is down sharply in the past month as significant US policy uncertainty has shifted from being a source of USD strength, to one of fatigue and, more recently, a negative driver. At the start of the year, expectations that US tariffs would be implemented quickly supported the USD higher. However, growing concerns over the US growth outlook is now weighing on it, even though tariff risks have not gone away, and nor have the downside risks to other economies from rising trade tensions. US consumer sentiment is weakening, with the latest data plunging to a nearly 2-1/2-year low in March, while inflation expectations have soared again.

Figure 5: Stock markets are volatile

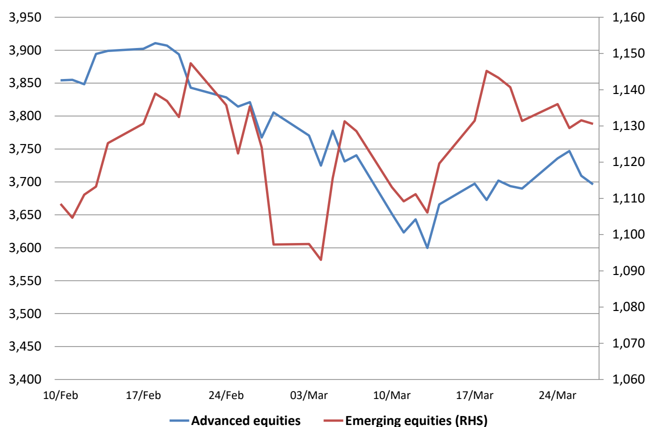

Figure 6: BRL vs Commodity index

Source: Reuters, ED&F Man Commodity Research

The way stocks, commodities and bonds are selling off, it appears investors are braced for a sharp downturn in economic growth as the US-led trade war commences. Fears of a slowdown have fuelled a stock market sell-off that wiped more than $5 trillion from the S&P 500's peak last month, when markets were cheering much of Trump's agenda. Against the complex international backdrop and soaring trade policy uncertainty, the Federal Reserve kept US

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benchmark interest rates on hold this month. With inflation risks growing, cuts are not an option. Yet, negative impact on growth stemming from trade war uncertainty means they cannot afford to raise rates either. A sit and watch position is the default outcome. By contrast, the Brazilian central bank increased the Selic base rate to 14.25% from 13.25% last week and hinted at one more hike ahead, to be announced May 7. This was the fifth consecutive rate hike, and is at its highest since 2016, when Brazil was in political and economic turmoil amid the impeachment of then-president Dilma Rousseff. Despite ongoing fiscal concerns, it was enough to strengthen to 5.65.

The negative macro environment has had a mixed impact on commodities so far. Gold has been the exceptional outperformer, benefitting from safe haven buying amidst the uncertainty. Grains have suffered in anticipation of retaliatory tariffs on US agricultural exports which risk losing demand from the biggest export market, China. Energy prices were initially under pressure amidst the negative economic growth outlook. However, in the past three weeks, we have seen crude oil prices recover, with Brent up 7% since hitting multi-month lows in early March. The main driver of the price rally has been the shifting landscape of global oil sanctions, with Trump announcing as new 25% tariffs on potential buyers of Venezuelan crude, days after US sanctions targeting China's imports from Iran. However, lingering worries over whether Washington's tariff war could curb demand still weigh on markets.

Prices Tab

New York #11					**London #5**				
(cents/lb)	25-Mar	28-Feb	% change		*($/tonne)*	25-Mar	28-Feb	% change	
May (25)	19.51	18.52	5.3%	↑	May (25)	544.7	532.6	2.3%	↑
Jul (25)	19.19	18.12	5.9%	↑	Aug (25)	533.8	514.4	3.8%	↑
New York #16					**White Premium**				
(cents/lb)	25-Mar	28-Feb	% change		*($/tonne)*	25-Mar	28-Feb	% change	
May (25)	38.00	36.99	2.7%	↑	May/May	114.6	124.3	-7.8%	↓
Jul (25)	38.38	37.29	2.9%	↑	Aug/May	103.7	106.1	-2.3%	↓
Macro					**Currencies**				
Indicators	25-Mar	28-Feb	% change		*Against US$*	25-Mar	28-Feb	% change	
CRB	306.5	301.8	1.6%	↑	Euro (EU) *	1.079	1.038	4.0%	↑
Gold	3,020	2,859	5.6%	↑	Pound (GB) *	1.294	1.258	2.9%	↑
Brent Oil	73.02	73.18	0%	↓	Real (Brazil)	5.699	5.885	3.2%	↑
Baltic Dry	1,642	1,229	34%	↑	Rupee (India)	85.58	87.47	2.2%	↑
Handysize	601	547	10%	↑	Rouble (Russia)	84.62	89.37	5.3%	↑

(* rate is US dollars per FX)

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