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Brazil

BIOFUELS ANNUAL

Ethanol Report

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Report Highlights:

This reports updates BR7003 and BR8013. Total sugarcane production for MY 2009/10 is projected at 605 million metric tons, up 7 percent compared to previous season. Post projec that 57.5 percent of total sugarcane crushed will be diverted to ethanol production which is forecast at 28.45 billion liters. Ethanol exports are expected to decline to 3.7 billion liters du to lower exports to the U.S.

Post:
Sao Paulo ATO

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The Brazilian Energy Matrix

As reported by the Ministry of Mines and Energy (MME), the domestic supply of energy in 2008 was 251.5 million metric tons petroleum equivalent (tpe), a 5.3 percent increase compared to 2007 (238.6 million tpe).

Brazil remains the worldwide leader in the supply of energy from renewable sources. This source of energy increased 4.1 percent in 2008 and represents 45.4 percent (114.2 million tpe) of total Brazilian energy supply, much higher than the global average energy supply from renewable sources (12.9 percent of domestic energy in 2006). The supply of energy from sugarcane in 2008 represented 16.6 percent (41.8 million tpe) of total supply, a 10.5 percent increase compared to 2007. The table below shows the Brazilian energy supply, according to MME.

Brazilian Energy Supply (million TPE)

	2007	2008	2008 (%)	Annual Increase
Non-Renewable Energy	129.103	137.333	54.6%	6.4%
Petroleum and derivatives	89.239	93.711	37.3%	5.0%
Natural Gas	22.199	25.625	10.2%	15.4%
Mineral Coal and derivatives	14.356	14.294	5.7%	-0.4%
Uranium (U_3O_8) and derivatives	3.309	3.703	1.5%	11.9%
Renewable Energy	109.656	114.193	45.4%	4.1%
Hydraulic and Electric Energy	35.505	35.013	13.9%	-1.4%
Log Wood and Vegetal Coal	28.628	28.717	11.4%	0.3%
Sugarcane derivatives	*37.847*	*41.820*	16.6%	10.5%
Other Renewable sources	7.676	8.643	3.4%	12.6%
Total Energy Supply	238.759	251.526	100.0%	5.3%

Source: National Energetic Balance. TPE = Ton Petroleum Equivalent.

MME also reports that the total domestic energy consumption was 225.2 million tpe, a 4.5 percent increase compared to 2007 (215.6 million tpe). This includes 82.3 million tpe (36.5 percent) for industrial use and, 62.7 million tpe (27.8 percent) for transportation and 3.6 million tpe (1.6 percent) for agriculture. Note that the difference between energy supply and consumption is due to losses in the distribution and transformation of energy.

Electric Energy Matrix

Energy from biomass has steadily increased in the past years. Biomass is the third largest source of electric energy representing 4 percent of the total electric energy supply in 2008, after hydroelectric power (73.2 percent) and natural gas (5.9 percent). Total energy supply from biomass was 20.2 TWh in 2008, a 10 percent increase compared to 2007 (18.1 TWh). Sugarcane products generated 70 to 80 percent of the biomass used to generate electricity. The following table shows the electric energy supply matrix, according to MME.

Electric Energy Supply Matrix (GWh)

Source	2007	2008	Annual Increase (%)
Hydroelectric	374,015	365,062	-2.4%
Nuclear	12,350	13,969	13.1%
Natural Gas	15,497	29,596	91.0%
Mineral Coal	6,792	8,179	20.4%
Petroleum Derivatives	13,333	15,577	16.8%
Biomass 1/	18,104	20,022	10.6%
Industrial Gas	4,492	4,376	-2.6%
Imports	38,832	42,060	8.3%
Total	483,415	498,841	3.2%

Source: MME, Balanco Energético Nacional, 2008.
1/ Includes 559 and 557 GWh of eolic energy in 2007 and 2008, respectively.

Brazilian Ethanol Production, Supply and Demand of Ethanol (PS&D Table)

The table below shows the Brazilian Ethanol PS&D since Marketing Year (MY) 2005/06 (million liters). Figures are reported in marketing years (May-April), to be consistent with the Brazilian official sugarcane crop year and other reports already produced by post. Note that trade numbers are reported in both marketing and calendar years.

While the Agricultural Trade Office (ATO)/Sao Paulo continues to refer to a May-April marketing year for sugarcane, harvesting actually begins as early as mid-March in the far south and April in Sao Paulo state. As a result, over the four years approximately five percent of the Center-South sugarcane crop has been crushed and entered consumption channels *prior to* the beginning of the marketing year.

One consequence is the apparent contradiction of negative ending stocks for 2006/07, 2007/08 and 2008/09. Due to the fact that part of the subsequent crop was harvested and crushed prior to May 1, consumption for those years exceeded availability from that year's crop.

	MY 05/06	MY 06/07	MY 07/08	MY 08/09	MY 09/10*
Ethanol Beginning Stocks	685.0	50.0	-135.0	-345.0	-245.0
Ethanol Production	15,800.0	17,860.0	22,390.0	27,200.0	28,450.0
Anhydrous	8,020.0	8,225.0	8,070.0	9,350.0	8,500.0
Hydrated	7,780.0	9,635.0	14,320.0	17,850.0	19,950.0
Ethanol Imports	0.2	3.8	0.5	3.6	3.5

(Ethanol Imports - Calendar Year)	0.2	0.1	4.1	0.5	0.5
Total Ethanol Supply	16,485.2	17,913.8	22,255.5	26,858.6	28,208.5
Ethanol Domestic Demand (all uses)	13,835.2	14,203.8	18,970.5	22,053.6	24,503.5
Ethanol Exports	2,600.0	3,845.0	3,630.0	5,050.0	3,700.0
(Ethanol Exports - Calendar Year)	2,592.3	3,428.9	3,532.0	4,800.0	3,500.0
Ethanol Ending Stocks	50.0	-135.0	-345.0	-245.0	5.0
Total Utilization	16,485.2	17,913.8	22,255.5	26,858.6	28,208.5

Source: USDA/FAS/ATO/Sao Paulo. Note: Marketing Year (MY) starts in May and ends in April following year.

Production

Sugarcane remains the exclusive source of feedstock for ethanol production in Brazil. Total sugarcane production for MY 2009/10 is projected at 605 million metric tons (mmt), a 7 percent increase relative to previous crop (566 mmt) due to area expansion in the Center-South region (CS). The CS is expected to crush 540 mmt of sugarcane. The harvest began in March and is likely to be completed in December. The North-Northeast region (NNE) is expected to yield 65 mmt of sugarcane. The crushing should start in August and September and to be over by February 2010. Note that BR9004 includes a comprehensive overview for Brazilian sugarcane production.

The MY 2009/10 sugarcane crop is expected to break the trend of increased percentage of sugarcane toward ethanol production, as opposed to sugar. Sugarcane for sugar, which dropped from 49.5 percent of the crop in 2006/07 to 40.4 percent in 2008/09, is expected to rebound to 42.5 percent in MY 2009/10, due to expected lower sugar production in important sugar producing countries such as India. Thus, the TRS (total reducing sugars) breakdown for sugar and ethanol production is forecast at 42.5 : 57.5 percent, respectively, compared to 40.4 : 59.6 percent for MY 2008/09. The table below shows sugarcane use for ethanol production for MY 2005/06 through 2009/10.

Quantity of Feedstock Use in Ethanol Production (000 MT)

	MY 05/06	MY 06/07	MY 07/08	MY 08/09	MY 09/10*
Sugarcane Production (000 MT)	386,500	428,000	491,100	566,000	605,000
Supply of Sucrose (000 MT)	55,064	62,408	70,540	79,797	85,520
Sucrose for Ethanol Production (000 MT)	28,347	31,516	38,444	47,559	49,260
Sugarcane converted to Alcohol (%)	51.48	50.50	54.50	59.60	57.60

Source: USDA/FAS/ATO/Sao Paulo. Note: Marketing Year (MY) starts in May and ends in April following year.
* Projection.

Total ethanol production for MY 2009/10 is projected at 28.45 billion liters (8.5 billion liters of anhydrous ethanol and 19.95 billion liters of hydrated ethanol), up 1.25 billion liters from MY 2008/09 (9.35 billion liters of anhydrous ethanol and 17.85 billion liters of hydrated ethanol), pushed by expected higher ethanol consumption.

Sugarcane Area Expansion

Dropping sugar and ethanol prices during 2007 and 2008 and the global financial crisis in September 2008 became a major obstacle to new investments in the sector. The industry estimates that total credit to finance investments should drop from R$ 12 billion in 2008 to R$ 7 billion or less in 2009. However, even at a slower pace, the sugar-ethanol sector has been expanding. Total sugarcane planted area for MY 2009/10 is projected at 8.7 million hectares (ha), up 650,000 hectares compared to 2008/09 (8.05 million ha). Total harvested area for MY 2007/08 is forecast at 8.05 million ha, up 9 percent from MY 2008/09 (7.4 million ha).

The number of sugar-ethanol and ethanol plants in the center-southern Brazil, the major producing region in the country, is reported at 308 units for MY 2009/10, including 22 new units which have not started crushing yet. Expansion has occurred in western Sao Paulo, Minas Gerais, Parana, Mato Grosso do Sul, Mato Grosso and Goias. New plants usually start to crush at one-third of total capacity (estimated at 1.5 – 2 mmt of sugarcane per plant).

New projects normally begin solely with ethanol production to maximize the industrial efficiency.

As a result of likely solid demand for sugar and ethanol in the future, the Sugar and Alcohol Millers Association of São Paulo State (UNICA) projects total sugarcane production for 2015/16 and 2020/21 at 829 and 1,038 mmt, respectively. Total ethanol production is forecast at 46.9 and 65.3 billion liters for the aforementioned periods.

The Ministry of Agriculture, Livestock and Supply (MAPA) and UNICA have not updated land use figures in Brazil for 2008. However, despite continuous expansion, sugarcane still represents approximately 2-3 percent of total agricultural land in the country and the use of agricultural feedstocks in biofuel production is not expected to have a significant impact on food and feed markets.

Production Cost

The table below shows sugarcane production costs, as reported by FNP, an agribusiness consulting company. Note that the production costs do not include land price. According to FNP and average prices received by Sao Paulo state third party suppliers for MY

2008/09, sugarcane growers operated in deficit during the 2008/09. Industry sources estimate the current cost of producing ethanol from sugarcane at US$ 0.39/liter (rate of exchange US$ 1.00 = R$ 2.10).

Sugarcane Production Cost in the State of Sao Paulo, Mechanical Harvest (US$/hectare)							
	Planting	**1st Cut**	**2nd Cut**	**3rd Cut**	**4th Cut**	**5th Cut**	**Agv Cuts**
Land Depreciation	0	619	491	441	387	341	456
Seedling	417	0	0	0	0	0	0
Planting (Manual)	194	0	0	0	0	0	0
Labor (except Planting)	80	28	28	25	21	21	25
Mechanized Operations (except Harvest)	643	171	171	188	170	171	174
Inputs (Total)	739	461	461	503	461	461	470
Fertilizer and Lime	521	379	379	421	379	379	388
Herbicides	73	82	82	82	82	82	82
Pesticides	145	0	0	0	0	0	0
Mechanical Harvest	0	798	634	569	499	439	588
Head Costs	207	260	249	245	240	236	246
Total Costs (US$)	2,279	2,337	2,034	1,971	1,777	1,668	1,957
Average Yield (ton/ha)		122	97	87	77	67	90
Total Cost (US$/ton)	0	19	21	23	23	25	22
Gross Income (US$)	0	2,404	1,912	1,715	1,518	1,320	1,774
Net Income (US$/ha.ano)	0	68	-122	-256	-260	-348	-184
Sugarcane Price (US$/ton) - CONSECANA São Paulo - MY 2008/09							19.71
Source: Agrianual 2009, FNP. Prices were collected in August 2008.							
ROE (R$/US$) = 1.99 (Average ROE for MY 2008/09).							

Sugarcane and Ethanol Producers' Prices

The average sugarcane price in the state of Sao Paulo for MY 2008/09 was R$ 39.22 per mt of sugarcane, up R$ 4.13 per mt relative to MY 2007/08 (R$ 35.09 per ton of sugarcane), as reported by the State of Sao Paulo Sugarcane, Sugar and Alcohol Growers Council (CONSECANA). Note that this price refers to sugarcane purchased by mills from third party suppliers.

The Ethanol Indexes released by the University of Sao Paulo's College of Agriculture "Luiz de Queiroz" (ESALQ) follow. The Indexes track anhydrous and hydrated prices received by producers in the domestic spot market. Ethanol prices have been decreasing since the beginning of the crushing season as a consequence of the higher availability of the product.

Fuel Alcohol Prices: State of São Paulo (R$/000 liters).

	Anhydrous				
Month	2005	2006	2007	2008	2009
January	885.13	1,040.59	870.69	786.22	873.30
February	847.92	1,063.94	837.39	808.08	860.30
March	875.67	1,191.42	912.93	831.50	744.50
April	842.91	1,185.53	1,072.57	789.40	697.00
May	680.88	966.47	883.78	821.50	675.60
June	669.81	983.66	675.07	787.00	691.00
July	773.32	1,036.03	668.53	873.20	--
August	759.74	955.43	665.58	858.50	--
September	843.78	878.49	660.73	891.20	--
October	938.00	867.02	664.44	902.20	--
November	928.65	858.93	792.90	897.00	--
December	1,053.25	849.55	851.07	880.60	--

Source: USP/ESALQ/CEPEA.

Fuel Alcohol Prices: State of São Paulo (R$/000 liters).

	Hydrated				
Month	2005	2006	2007	2008	2009
January	763.41	1018.24	845.36	697.18	781.4
February	765.47	1,064.20	802.87	714.70	777.60
March	772.09	1,208.53	855.05	754.56	656.80
April	734.91	1,063.46	940.51	715.60	621.30
May	593.29	848.56	690.84	697.10	584.00
June	584.96	854.55	587.86	665.30	602.00
July	672.77	898.36	583.99	718.10	--
August	657.65	819.57	581.02	719.30	--
September	735.72	756.09	580.96	749.60	--
October	820.25	758.58	585.48	715.70	--
November	817.91	751.59	716.09	726.40	--
December	947.24	778.07	751.28	737.70	--

Source: USP/ESALQ/CEPEA.

Consumption

Brazil remains an important user of ethanol for fuel consumption. The domestic demand for ethanol for MY 2009/10 is expected to increase to 24.5 billion liters, up 2.45 billion liters from MY 2008/09, due to sales of flex vehicle cars and attractive ethanol prices vis-à-vis gasoline. Note that these figures include approximately 1.2 billion liters of ethanol for uses other than fuel consumption and estimated clandestine fuel ethanol.

Ethanol represented approximately almost 45 percent in gasoline equivalent of total Otto cycle fuels consumption in 2008, a sharp increased relative to 2007 (41 percent) due to attractive ethanol prices at the pump, as shown in the table below. Preliminary figures show that the ethanol share in the total Otto cycle fuels consumption for 2009 (January-April) is around 47 percent.

Brazilian Apparent Consumption of Liquid Fuels

	2005	2006	2007	2008	2009 3/
Ethanol (m3)	12,612,651	12,698,954	16,204,090	19,961,977	7,022,713
Anhydrous	7,512,430	5,512,744	6,136,739	6,232,920	2,026,192
Hydrated	5,100,221	7,186,210	10,067,351	13,729,057	4,996,521
Gasoline "A" (m3) 1/	15,978,000	18,481,000	18,189,000	18,942,000	6,050,000
Natural Gas - light vehicles (million Nm3)	2,043	2,302	2,559	2,428	701
Total Consump Otto Cycle (m3) 2/	29,542,000	32,092,000	35,006,000	38,678,000	12,808,000
Diesel (m3)	39,137,000	36,708,000	41,558,000	44,764,000	13,426,000
Total Consump Otto + Diesel (m3)	68,679,000	68,800,000	76,564,000	83,442,000	26,234,000

Source: Datagro. 1/ Pure gasoline with no ethanol blended. 2/ Consumption estimated in gasoline equivalent. 3/Jan-April.

Fuel consumption in Brazil, as reported by the Petroleum, Natural Gas and Biofuels National Agency (ANP), follows. The figures take into account the product sales by distributors and do not include illegal sales, which are common for hydrated ethanol due to tax differentiation between both types of ethanol. Note that the Brazilian government has taken some measures to avoid tax evasion and according to post contacts ANP figures as of 2007 better reflect total hydrated ethanol consumption.

Brazilian Fuel Consumption Matrix (000 m3)

	2003	2004	2005	2006	2007	2008
Diesel	36,853	39,219	39,052	38,854	41,559	44,764
Gasoline C**	21,791	23,165	23,542	23,979	24,326	25,175
Hydrated Ethanol	3,245	4,355	4,654	6,010	9,367	13,290

Source: ANP ** including 20-25 % anhydrous ethanol.

As reported by the Brazilian Association of Vehicle Manufacturers (ANFAVEA), the size of the Brazilian light vehicle fleet was estimated at 21.9 million units in 2008. Total pure hydrated ethanol and flex fuel powered vehicles were estimated at approximately 6.85 million units in 2006, representing 31 percent of the total fleet. The table below shows the sales of FFV and hydrated ethanol powered cars since 2003. Note that sales of FFV currently represent over 90 percent of total monthly vehicle sales.

Domestic Sales of Alcohol Powered Vehicles (pure alcohol & flex fuel units)

2003	2004	2005	2006	2007	2008	2009 1/
84,558	379,329	897,308	1,425,177	2,032,361	2,356,942	1,009,409

Source: ANFAVEA 1/ January-May.
Note: flex fuel vehicles were introduced in March 2003.

The tables below show the average prices for gasoline and ethanol, as well as the price ratio from January-February (off-peak) and June (peak season) from 2006 through 2009, for selected Brazilian states and metropolitan cities. Note that the 2009 price ratio during the crushing season (June) is favorable to ethanol (below 70 percent), even in cities distant from producing regions.

Gasoline and Ethanol Prices in Selected States (average price, R$/liter)

		Gasoline				Ethanol			
		2006	2007	2008	2009	2006	2007	2008	2009
Sao Paulo State	January	2.376	2.405	2.380	2.393	1.759	1.367	1.290	1.312
	February	2.373	2.339	2.376	2.398	1.546	1.361	1.257	1.331
	June 1/	2.415	2.419	2.385	2.350	1.305	1.314	1.259	1.170
	August	2.424	2.384	2.394		1.358	1.128	1.264	
Sao Paulo City	January	2.371	2.403	2.376	2.391	1.496	1.363	1.291	1.312
	February	2.370	2.397	2.372	2.396	1.545	1.356	1.264	1.327
	June 1/	2.412	2.416	2.383	2.346	1.306	1.316	1.264	1.183
	August	2,420	2.383	2.393		1,357	1.135	1.270	
Minas Gerais	January	2.382	2.392	2.405	2.381	1.867	1.749	1.606	1.611
	February	2.398	2.360	2.389	2.374	1.924	1.744	1.577	1.623
	June 1/	2.396	2.404	2.368	2.324	1.845	1.662	1.568	1.501
	August	2.408	2.372	2.356		1.809	1.526	1.575	
Belo Horizonte (MG Capital)	January	2.336	2.345	2.369	2.331	1.853	1.733	1.589	1.597
	February	2.352	2.315	2.346	2.329	1.915	1.730	1.554	1.612
	June 1/	2.364	2.379	2.322	2.280	1.840	1.643	1.547	1.488
	August	2,376	2.342	2.315		1,811	1.500	1.571	
Rio Janeiro State	January	2.511	2.488	2.505	2.537	1.850	1.728	1.624	1.685
	February	2.517	2.488	2.501	2.535	1.887	1.754	1.614	1.695
	June 1/	2.534	2.511	2.513	2.525	1.807	1.653	1.635	1.591
	August	2.519	2.490	2.576		1.775	1.513	1.658	
Rio de Janeiro Capital	January	2.505	2.481	2.500	2.534	1.841	1.717	1.614	1.680
	February	2.511	2.483	2.496	2.531	1.876	1.737	1.603	1.692
	June 1/	2.526	2.507	2.509	2.522	1.795	1.640	1.627	1.582
	August	2,514	2.486	2.513		1,770	1.500	1.653	
Porto Alegre (RS Capital)	January	2.596	2.600	2.463	2.538	2.222	1.848	1.792	1.746
	February	2.630	2.463	2.326	2.538	2.228	1.829	1.693	1.765
	June 1/	2.689	2.585	2.514	2.418	2.100	1.789	1.731	1.550
	August	2,724	2.481	2.566		2,056	1.512	1.744	
Goiania (GO Capital)	January	2.516	2.329	2.539	2.565	1.660	1.425	1.569	1.581
	February	2.480	2.499	2.502	2.564	1.777	1.487	1.508	1.581
	June 1/	2.426	2.583	2.330	2.562	1.467	1.359	1.368	1.483
	August	2,635	2.233	2.452		1,457	1.093	1.472	
Fortaleza (CE Capital)	January	2.560	2.625	2.667	2.388	1.756	1.661	1.829	1.615
	February	2.656	2.620	2.655	2.533	1.812	1.680	1.814	1.747

June 1/	2.705	2.492	2.439	2.362	1.950	1.719	1.726	1.671
August	2,741	2.638	2.589		1,953	1.676	1.885	

Source: Petroleum, Natural Gas and Biofuels National Agency (ANP). 1/ June 2009 refers to June 1-26.

Gasoline and Ethanol Prices in Selected States (average price, R$/liter)

		Ratio Ethanol/Gasoline			
		2006	2007	2008	2009
Sao Paulo	January	74%	57%	54%	55%
State	February	65%	58%	53%	56%
	June 1/	54%	54%	53%	50%
	August	56%	47%	53%	
Sao Paulo	January	63%	57%	54%	55%
City	February	65%	57%	53%	55%
	June 1/	54%	54%	53%	50%
	August	56%	48%	53%	
Minas Gerais	January	78%	73%	67%	68%
	February	80%	74%	66%	68%
	June 1/	77%	69%	66%	65%
	August	75%	64%	67%	
Belo Horizonte	January	79%	74%	67%	69%
(MG Capital)	February	81%	75%	66%	69%
	June 1/	78%	69%	67%	65%
	August	76%	64%	68%	
Rio Janeiro	January	74%	69%	65%	66%
State	February	75%	70%	65%	67%
	June 1/	71%	66%	65%	63%
	August	70%	61%	64%	
Rio de Janeiro	January	73%	69%	65%	66%
Capital	February	75%	70%	64%	67%
	June 1/	71%	65%	65%	63%
	August	70%	60%	66%	
Porto Alegre	January	86%	71%	73%	69%
(RS Capital)	February	85%	74%	73%	70%
	June 1/	78%	69%	69%	64%
	August	75%	61%	68%	
Goiania	January	66%	61%	62%	62%
(GO Capital)	February	72%	60%	60%	62%
	June 1/	60%	53%	59%	58%
	August	55%	49%	60%	
Fortaleza	January	69%	63%	69%	68%
(CE Capital)	February	68%	64%	68%	69%
	June 1/	72%	69%	71%	71%
	August	71%	64%	73%	

Source: Petroleum, Natural Gas and Biofuels National Agency (ANP). 1/ June 2009 refers to June 1-26.
Light Green Area means ethanol prices more attractive than gasoline
Dark Green Area means gasoline prices more attractive than ethanol

Trade

Exports

Post projects total Brazilian ethanol exports for MY 2009/10 at 3.7 billion liters, down 1.35 billion liters relative to MY 2008/09 (5.05 billion liters), due to strong domestic demand coupled with decreased profitability in U.S. markets. The tables below show fuel ethanol exports by type (hydrated and anhydrous) as elaborated by MAPA.

Brazilian Ethanol Exports (000 liters)

	2003/04	2004/05	2005/06	2006/07	2007 /08	2008/09
Hydrous	1,014,553	1,739,187	1,647,142	1,526,005	1,982,311	2,463,420
Anhydrous	305,787	797,956	689,918	2,517,821	1,476,541	2,201,344
Total	1,320,340	2,537,143	2,337,060	4,043,826	3,458,852	4,664,764

Source; Elaborated by MAPA.

The following tables show Brazilian ethanol exports by destination for calendar years 2007 and 2008 and for MY 2008/09. Over 50 percent of total Brazilian exports have been shipped to the U.S. either directly (encouraged by high ethanol prices in the U.S.) or through the Caribbean Basin Initiative (CBI) countries which are exempted from paying the US$ 0.54 per gallon import tariff.

Brazilian Alcohol Exports by Country of Destination (NCM 2207.10.00, MT, 000 liters, US$ 000 FOB)

	CY 2008 1/			**MY 2008/09 2/**		
Country	Volume	Weight	Value	Volume	Weight	Value
United States	1,532,118	1,213,960	755,843	1,398,898	1,107,669	694,039
Netherlands	1,326,306	1,053,130	617,954	1,096,264	870,463	518,553
Jamaica	404,967	327,347	182,858	326,024	263,554	142,647
El Salvador	352,076	284,705	151,294	271,134	219,246	114,866
Japan	260,541	210,567	112,893	299,729	242,118	132,480
Trinidad & Tobago	221,962	179,429	99,047	214,279	173,213	93,278
Virgin Islands	185,969	150,360	85,691	111,635	90,272	51,448
South Korea	184,710	149,276	81,068	229,671	185,576	104,952
Costa Rica	108,269	87,515	46,785	81,346	65,598	35,701
Nigeria	91,566	74,023	42,288	127,384	102,992	58,299
Others	405,155	324,275	190,604	497,629	399,101	226,312
Total	5,073,638	4,054,588	2,366,327	4,653,994	3,719,801	2,172,577

Source : Brazilian Secretariat of Foreign Trade (SECEX). 1/ Calendar Year : Jan-Dec, 2/ Marketing Year: May-April.

Brazilian Alcohol Exports by Country of Destination (NCM 2207.20.10, MT, 000 liters, US$ 000 FOB)

	CY 2008 1/			**MY 2008/09 2/**		
Country	Volume	Weight	Value	Volume	Weight	Value
Jamaica	26,590	21,507	11,914	16,806	13,590	7,853
Netherlands	15,226	12,009	7,879	15,247	12,026	7,891
Nigeria	5,200	4,209	2,159	0	0	0
United States	2,000	1,580	1,019	2,000	1,580	1,019
Philippines	499	393	238	190	150	123
Finland	306	241	114	0	0	0
Cameroon	240	193	209	120	97	98
Ivory Coast	140	113	128	100	81	88
Argelia	93	75	70	0	0	0
Togo	41	32	39	0	0	0
Others	21	17	13	46	38	35
Total	50,355	40,369	23,783	34,510	27,562	17,108

Source : Brazilian Secretariat of Foreign Trade (SECEX) 1/ Calendar Year : Jan-Dec, 2/ Marketing Year : May-Apr

Imports

The table below shows Brazilian ethanol imports by calendar year, as reported by the Brazilian Secretariat of Foreign Trade (SECEX). Imports are mainly for industrial use.

Brazilian Ethanol Imports (000 liters)

Harmonized Code	2003	2004	2005	2006	2007	2008
2207.10.00	6,111	374	222	90	304	465
2207.20.10	30	1	5		63,803	2
Total	6,141	375	227		964,107	467

Source: ATO/Sao Paulo based on SECEX figures.

Stocks

ATO/Sao Paulo forecasts virtually no ending stocks for MY 2009/10, due to expected strong ethanol demand in the domestic market and increased percentage of sugarcane diverted to sugar production compared to previous season.

The crush season for sugarcane has steadily lengthened over recent years, and approximately five percent of the Center-South sugarcane crop is now crushed before the start of the marketing year. One consequence of this development is that ending stocks tend to be extremely low (around 1 percent of total use or less), to the point that ending stocks for 2006/07, 2007/08 and 2008/09 were negative.

Policy

No significant changes have been made to government policies related to ethanol. Although generally deregulated, market dynamics are influenced by the ethanol use mandate and tax credits.

Current legislation requires an ethanol content between 20 and 25 percent, with the executive branch having the flexibility to adjust within that band. As of June 1, 2007, the percentage of ethanol blended to gasoline is 25 percent.

Federal taxes on automotive fuels include two major components: (1) CIDE (*Contribuicao de Intervencao no Dominio Economico)* to finance infrastructure works and maintenance of the transportation system; (2) PIS/COFINS, a social tax.

The GoB assesses significantly higher levies for gasoline than for ethanol under its CIDEs and PIS/COFINS levies. For gasoline, CIDE is fixed at R$ 0.28/liter and is charged to the manufacturer (Petrobras) upon sale to distributors. For ethanol, the tax is currently fixed at zero. For gasoline, a fixed PIS/COFINS assessment of R$ 0.2616/liter is charged to the manufacturer upon sale to distributor. For ethanol, a fixed PIS/COFINS assessment of R$ 0.048/liter charged to the producer/importer or R$ 0.12/liter charged to the distributor has been in effect since October 2008.

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)

Month	2003	2004	2005	2006	2007	2008	2009
January	3.53	2.94	2.62	2.22	2.12	1.76	2.32
February	3.56	2.91	2.60	2.14	2.12	1.68	2.38
March	3.35	2.91	2.67	2.17	2.05	1.75	2.25
April	2.89	2.94	2.53	2.09	2.03	1.69	2.18
May	2.97	3.13	2.40	2.30	1.93	1.63	1.97
June	2.87	3.11	2.35	2.16	1.93	1.64	1.95
July 1/	2.97	3.03	2.39	2.18	1.88	1.57	1.99
August	2.97	2.93	2.36	2.14	1.96	1.63	--
September	2.92	2.86	2.22	2.17	1.84	1.92	--
October	2.86	2.99	2.25	2.14	1.74	2.12	--
November	2.95	2.73	2.21	2.17	1.78	2.33	--
December	2.89	2.65	2.26	2.14	1.77	2.34	--

Source : Gazeta Mercantil and BACEN (as of October 2006)
1/ July 2009 refers to July 9.