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Brazil

Sugar Annual

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Report Highlights:

The Brazilian MY 2014/15 sugarcane crop is projected at 629 mmt, down 21 mmt from MY 2013/14 (650 mmt), mainly due to weather related problems in the center-southern producing region. Approximately 46.5 percent of the crop should be diverted to sugar, up 1 percentage point compared to the previous season. Total exports for the upcoming MY are forecast at 25.25 mmt, raw value, down 4 percent compared to the previous marketing year.

Post: ATO Sao Paulo

Production

The Agricultural Trade Office (ATO/Sao Paulo) projects the marketing year (MY) 2014/15 Brazilian sugarcane production at 629 million metric tons (mmt), down 3 percent from the previous season (650 mmt). The Center-South (CS) region is expected to harvest 575 mmt of sugarcane, a 3.5 percent decrease relative the previous crop (596 mmt), due to projected lower agricultural yields as a result of irregular weather conditions (drought) and below average replanting of sugarcane. Post projects the North-Northeastern (NNE) production for MY 2014/15 at 54 mmt, similar to MY 2013/14.

In spite of the drought in several growing areas in the Center-South, which has delayed the maturity of the sugarcane, the crushing season has already begun for several units which need to make money to balance their cash flow.

Total sugarcane area for MY 2014/15 is projected at 9.9 million hectares (ha), up 100,000 ha from last year. The table below shows sugarcane harvested area, according to the Ministry of Agriculture, Livestock and Supply's (MAPA) National Supply Company (CONAB), and the Agricultural Economics Institute (IEA) of the State of Sao Paulo Secretariat of Agriculture.

| Area Harvested to Sugarcane (1,000 ha). | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Brazil | 6,016.0 | 7,088.9 | 7,409.6 | 8,033.6 | 8,356.1 | 8,485.0 | 8,810.8 |
| Sao Paulo | 3,907.4 | 4,614.7 | 4,937.9 | 5,135.3 | 5,841.6 | 6,047.9 | 6,190.0 |

Sources: CONAB, IEA.

Post projects the industrial yield for MY 2014/15 at 131.5 kg of TRS (total reducing sugars)/mt, down 2 kg from the previous marketing year, due to weather related problems during the herbicide spray period in 2013 and expected higher mechanized harvest rates. The following table shows historical Brazilian yields measured in TRS per metric ton of sugarcane.

| Sugarcane Industrial Yields (kg TRS/metric ton) | | | | | |
|--|----------|----------|----------|----------|------------|
| | MY 10/11 | MY 11/12 | MY 12/13 | MY 13/14 | MY 14/15 * |
| TRS/ton | 140.07 | 136.59 | 135.29 | 133.5 | 131.5 |

Source: USDA/FAS/ATO/Sao Paulo * MY 2014/15 – forecast

The following tables show monthly sugarcane crush data for the state of São Paulo and the CS region from the 2009/10 to 2013/14 crops (April-March), as reported by the Sugar and Alcohol Millers Association of São Paulo State (UNICA).

| Sugarcane crushed in the state of Sao Paulo (1,000 metric tons). | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Month | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 |

| | | | | | |
|-------------------|-----------|-----------|-----------|-----------|-----------|
| February | 0.00 | 207.21 | 0.00 | 0.00 | 0.00 |
| March | 2,665.32 | 4,120.21 | 708.01 | 104.32 | 0.00 |
| April | 27,545.3 | 35,863.9 | 13,464.1 | 6,649.1 | 26,582.4 |
| May | 46,716.6 | 51,305.9 | 49,442.9 | 34,197.0 | 47,856.9 |
| June | 46,210.3 | 52,523.4 | 48,575.0 | 32,888.1 | 39,393.0 |
| July | 46,934.1 | 52,596.6 | 53,335.4 | 54,517.2 | 52,875.1 |
| August | 45,596.4 | 52,065.6 | 49,139.9 | 56,677.7 | 57,867.5 |
| September | 37,594.3 | 40,116.0 | 46,245.9 | 44,961.6 | 46,718.6 |
| October | 44,334.6 | 36,567.7 | 27,754.5 | 47,015.4 | 43,116.9 |
| November | 36,651.4 | 27,872.0 | 14,814.4 | 37,562.3 | 36,445.3 |
| December | 16,809.7 | 5,606.2 | 702.4 | 14,497.8 | 15,481.9 |
| January | 3,638.0 | 294.6 | 0.0 | 581.9 | 525.1 |
| February | 3,221.3 | 105.9 | 23.9 | 122.5 | 19.3 |
| March | 3,343.3 | 257.5 | 23.4 | 55.9 | 351.1 |
| Cumulative | 361,260.7 | 359,502.7 | 304,229.9 | 329,830.9 | 367,233.1 |

Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).

| Sugarcane crushed in Center-Southern Brazil (1,000 metric tons). | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Month | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 |
| February | 0 | 325 | 0 | 145.52 | 0.00 |
| March | 4,717 | 6,618 | 1,795 | 388.32 | 0.00 |
| April | 39,209 | 51,599 | 22,208 | 13,599.2 | 41,715.6 |
| May | 66,950 | 75,633 | 76,447 | 56,665.0 | 75,966.1 |
| June | 67,169 | 81,550 | 77,244 | 57,579.8 | 65,056.5 |
| July | 70,183 | 82,122 | 82,349 | 88,472.2 | 87,425.2 |
| August | 70,987 | 82,301 | 79,460 | 90,765.4 | 95,281.4 |
| September | 59,736 | 64,732 | 74,081 | 73,736.0 | 77,169.1 |
| October | 65,734 | 56,349 | 46,568 | 74,142.7 | 70,227.1 |
| November | 54,713 | 42,892 | 27,818 | 55,099.5 | 58,356.7 |
| December | 26,254 | 11,267 | 3,660 | 20,717.5 | 23,815.5 |
| January | 6,399 | 843 | 938 | 949.1 | 970.3 |
| February | 5,385 | 441 | 557 | 291.3 | 203.6 |
| March | 4,527 | 270 | 138 | 55.9 | 415.9 |
| Cumulative | 541,962 | 556,945 | 493,264 | 532,607.5 | 596,603.1 |

Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).

Sugar and Ethanol

Total sucrose (total reducing sugar, TRS) content diverted for sugar and ethanol production for MY 2014/15 is predicted at 46.5 and 53.5 percent, respectively. The revised sugar-ethanol mix for MY 2013/14 is 45.5 and 54.5 percent. Sugar-ethanol mills are expected to divert more sugarcane to sugar in the upcoming crop. The industry is expected to comply with the sugar export contracts and guarantee enough anhydrous ethanol production to blend with gasoline. Hydrated ethanol production will be the last option pursued by the millers due to cost restrictions.

ATO/Sao Paulo forecasts the MY 2014/15 sugar production at 36.8 mmt, raw value, down 1 mmt compared to revised figure for MY 2013/14 (37.8 mmt). The CS states should account for 33.55 mmt, raw value, a 3 percent drop compared to the previous MY (34.6 mmt). The NNE output for MY 14/15 is preliminarily forecast at 3.25 mmt of sugar, raw value, similar to MY 2013/14 (3.2 mmt). The MY 2014/15 ethanol production is projected at 25.5 billion liters (12.8 billion liters of anhydrous ethanol and 12.7 billion liters of hydrated ethanol).

According to the Sugar and Alcohol Millers Association of Sao Paulo State (UNICA), 596.3 mmt of sugarcane were crushed in the CS from April 2013 through March 15, 2014, up 12 percent compared to the same period for 2012/2013. UNICA reports that 34.29 million tons of sugar, tel quel, and 25.56 billion liters of ethanol were produced through March 15, representing a 1 and 20 percent increase, respectively, compared to 2012/2013 levels (34.1 million tons of sugar and 21.4 billion liters of ethanol). These numbers also show that more sugarcane has been diverted toward ethanol production (54.77 percent compared to 50.45 percent in 2012/2013).

The table below shows the sales of Flex Fuel Vehicles (FFV) and ethanol powered cars. Sales of FFV currently represent close to 90 percent of total vehicle sales.

| Licensing of Ethanol Powered Vehicles (pure ethanol & flex fuel units) | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|----------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 1/ |
| 2,356,942 | 2,711,267 | 2,876,173 | 2,848,071 | 3,162,824 | 3,169,111 | 481,714 |
| Source: National Association of Vehicle Manufacturers (ANFAVEA) 1/ January-February | | | | | | |

The steady sales of flex-fuel vehicles do not solely guarantee a higher demand for ethanol given that consumers' decisions are driven by the ratio between ethanol and gasoline prices. The 70 percent ratio between ethanol and gasoline prices is the rule of thumb in determining whether flex car owners will choose to fill up with ethanol (price ratio below 70 percent) or gasoline (price ratio above 70 percent).

The table below shows the average price for gasoline and ethanol as well as the price ratio for January-February (off-peak) and June and August (peak season) 2011, 2012, 2013 and 2014. As it occurred in 2013, due to higher ethanol prices during January-February 2014, gasoline consumption was favored in several Brazilian states, except Sao Paulo, as reported in the tables below, thus reducing ethanol demand during this period.

| Gasoline and Ethanol Prices in Selected States (average price, R\$/liter) | | | | | | | | | |
|--|------------|-----------------|-------------|-------------|-------------|----------------|-------------|-------------|-------------|
| | | Gasoline | | | | Ethanol | | | |
| | | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 |
| Sao Paulo | Jan | 2.487 | 2.649 | 2.644 | 2.835 | 1.733 | 1.888 | 1.829 | 1.909 |

| | | | | | | | | | |
|------------------------------------|------------|-------|-------|-------|-------|-------|-------|-------|-------|
| State | Feb | 2.490 | 2.641 | 2.767 | 2.837 | 1.765 | 1.818 | 1.875 | 1.946 |
| | Jun | 2.665 | 2.636 | 2.726 | | 1.704 | 1.805 | 1.787 | |
| | Aug | 2.663 | 2.261 | 2.705 | | 1.814 | 1.747 | 1.741 | |
| Sao Paulo City | Jan | 2.482 | 2.647 | 2.628 | 2.803 | 1.733 | 1.874 | 1.818 | 1.903 |
| | Feb | 2.486 | 2.630 | 2.739 | 2.800 | 1.766 | 1.801 | 1.869 | 1.935 |
| | Jun | 2.680 | 2.630 | 2.699 | | 1.716 | 1.786 | 1.751 | |
| | Aug | 2.673 | 2.605 | 2.674 | | 1.820 | 1.722 | 1.718 | |
| Minas Gerais | Jan | 2.537 | 2.824 | 2.824 | 2.976 | 1.902 | 2.208 | 2.095 | 2.134 |
| | Feb | 2.584 | 2.817 | 2.923 | 2.963 | 1.956 | 2.166 | 2.125 | 2.149 |
| | Jun | 2.823 | 2.806 | 2.903 | | 2.075 | 2.142 | 2.105 | |
| | Aug | 2.817 | 2.801 | 2.875 | | 2.126 | 2.110 | 2.035 | |
| Belo Horizonte (MG Capital) | Jan | 2.499 | 2.761 | 2.740 | 2.859 | 1.886 | 2.172 | 2.083 | 2.098 |
| | Feb | 2.547 | 2.746 | 2.824 | 2.847 | 1.938 | 2.128 | 2.106 | 2.110 |
| | Jun | 2.778 | 2.741 | 2.782 | | 2.087 | 2.127 | 2.065 | |
| | Aug | 2.781 | 2.718 | 2.732 | | 2.113 | 2.094 | 1.947 | |
| Rio Janeiro State | Jan | 2.654 | 2.850 | 2.898 | 3.082 | 2.022 | 2.266 | 2.243 | 2.352 |
| | Feb | 2.663 | 2.846 | 3.002 | 3.085 | 2.053 | 2.257 | 2.268 | 2.378 |
| | Jun | 2.892 | 2.854 | 3.005 | | 2.200 | 2.256 | 2.303 | |
| | Aug | 2.854 | 2.849 | 2.994 | | 2.212 | 2.206 | 2.257 | |
| Rio Janeiro Capital | Jan | 2.651 | 2.818 | 2.866 | 3.052 | 2.025 | 2.257 | 2.231 | 2.340 |
| | Feb | 2.661 | 2.810 | 2.967 | 3.056 | 2.057 | 2.236 | 2.251 | 2.372 |
| | Jun | 2.865 | 2.821 | 2.974 | | 2.165 | 2.253 | 2.280 | |
| | Aug | 2.824 | 2.813 | 2.959 | | 2.191 | 2.185 | 2.231 | |
| Porto Alegre (RS Capital) | Jan | 2.534 | 2.738 | 2.695 | 2.897 | 2.103 | 2.372 | 2.316 | 2.387 |
| | Feb | 2.552 | 2.689 | 2.847 | 2.882 | 2.157 | 2.348 | 2.336 | 2.396 |
| | Jun | 2.722 | 2.657 | 2.751 | | 2.180 | 2.390 | 2.396 | |
| | Aug | 2.632 | 2.663 | 2.760 | | 2.237 | 2.360 | 2.387 | |
| Goiania (GO Capital) | Jan | 2.667 | 2.831 | 2.743 | 3.136 | 1.822 | 1.959 | 1.937 | 2.225 |
| | Feb | 2.697 | 2.782 | 2.836 | 3.111 | 1.891 | 1.899 | 1.951 | 2.175 |
| | Jun | 2.830 | 2.672 | 2.794 | | 1.782 | 1.856 | 1.849 | |
| | Aug | 2.838 | 2.638 | 2.784 | | 1.837 | 1.773 | 1.811 | |
| Fortaleza (CE Capital) | Jan | 2.644 | 2.551 | 2.675 | 2.891 | 1.871 | 2.076 | 2.220 | 2.335 |
| | Feb | 2.647 | 2.660 | 2.850 | 2.879 | 1.944 | 2.077 | 2.280 | 2.342 |
| | Jun | 2.688 | 2.564 | 2.856 | | 2.029 | 2.163 | 2.337 | |
| | Aug | 2.661 | 2.685 | 2.780 | | 2.161 | 2.162 | 2.332 | |

Source: Petroleum, Natural Gas and Biofuels National Agency (ANP).

| Ratio Ethanol/Gasoline Prices | | | | | |
|--------------------------------------|------------|-------------|-------------|-------------|-------------|
| | | 2011 | 2012 | 2013 | 2014 |
| Sao Paulo | Jan | 70% | 71% | 69% | 67% |
| | Feb | 71% | 69% | 68% | 69% |

| | | | | | |
|--|------------|-----|-----|-----|-----|
| | Jun | 64% | 68% | 66% | |
| | Aug | 68% | 77% | 64% | |
| Sao Paulo | Jan | 70% | 71% | 69% | 68% |
| | Feb | 71% | 68% | 68% | 69% |
| | Jun | 64% | 68% | 65% | |
| | Aug | 68% | 66% | 64% | |
| Minas Gerais | Jan | 75% | 78% | 74% | 72% |
| | Feb | 76% | 77% | 73% | 73% |
| | Jun | 74% | 76% | 73% | |
| | Aug | 75% | 75% | 71% | |
| Belo Horizonte | Jan | 75% | 79% | 76% | 73% |
| | Feb | 76% | 77% | 75% | 74% |
| | Jun | 75% | 78% | 74% | |
| | Aug | 76% | 77% | 71% | |
| Rio Janeiro | Jan | 76% | 80% | 77% | 76% |
| | Feb | 77% | 79% | 76% | 77% |
| | Jun | 76% | 79% | 77% | |
| | Aug | 78% | 77% | 75% | |
| Rio de Janeiro | Jan | 76% | 80% | 78% | 77% |
| | Feb | 77% | 80% | 76% | 78% |
| | Jun | 76% | 80% | 77% | |
| | Aug | 78% | 78% | 75% | |
| Porto Alegre | Jan | 83% | 87% | 86% | 82% |
| | Feb | 85% | 87% | 82% | 83% |
| | Jun | 80% | 90% | 87% | |
| | Aug | 85% | 89% | 86% | |
| Goiania | Jan | 68% | 69% | 71% | 71% |
| | Feb | 70% | 68% | 69% | 70% |
| | Jun | 63% | 69% | 66% | |
| | Aug | 65% | 67% | 65% | |
| Fortaleza | Jan | 71% | 81% | 83% | 81% |
| | Feb | 73% | 78% | 80% | 81% |
| | Jun | 75% | 84% | 82% | |
| | Aug | 81% | 81% | 84% | |
| Source: Petroleum, Natural Gas and Biofuels National Agency (ANP). | | | | | |
| Gray Area means gasoline prices more attractive than ethanol | | | | | |

The continued losses in competitiveness for ethanol have resulted in serious financial problems for many mills. According to post contacts, six sugar-ethanol plants have already filed for bankruptcy in 2014. UNICA reports that in the past 5 years, 44 units closed and an additional 12 plants suspended operations.

Fuel consumption in Brazil, as reported by the Petroleum, Natural Gas and Biofuels National Agency (ANP), follows. The table shows the steady increase in gasoline consumption in the past years, therefore the continuous growing demand for anhydrous ethanol. The figures take into account the product sales by distributors and do not include illegal sales, which were common in the past for hydrated ethanol due to tax differentiation between both types of ethanol.

| Brazilian Fuel Consumption Matrix (000 m3) | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|----------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 1/ |
| Diesel * | 44,298 | 49,239 | 52,264 | 55,900 | 58,492 | 9,209 |
| Gasoline C** | 25,409 | 29,844 | 35,491 | 39,698 | 41,365 | 7,023 |
| Hydrated Ethanol | 16,471 | 15,074 | 10,899 | 9,850 | 10,817 | 2,033 |
| Source: ANP. * Diesel includes Bx Biodiesel as of 2008. ** Gasoline C includes 20-25 % of anhydrous ethanol. 1/ 2014 refers to January-February. | | | | | | |

According to the Ministry of Agriculture, Livestock and Supply (MAPA), cumulative sugar production for the 2013/14 through March 15, 2014 was reported at 37.54 mmt. Ethanol production through March 15, 2014 was reported at 28.14 billion liters – 11.75 billion liters of anhydrous ethanol and 16.39 liters of hydrated ethanol. The table below shows sugarcane, sugar and ethanol production by state for MY 2013/14, as reported by MAPA.

| Cane, Sugar & Ethanol Production: 2013/14 Crop (MT and 000 Liters) | | | | | |
|---|-------------|--------------|------------------|----------------|--------------|
| State/Region | Cane | Sugar | Ethanol | | |
| | | | Anhydrous | Hydrous | Total |
| Acre | 88,940 | 0 | 0 | 5,009 | 5,009 |
| Alagoas | 19,383,758 | 1,555,058 | 274,044 | 172,694 | 446,738 |

| | | | | | |
|------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| Amazonas | 268,714 | 14,688 | 0 | 4,874 | 4,874 |
| Bahia | 3,205,897 | 93,958 | 109,355 | 65,125 | 174,480 |
| Ceara | 128,612 | 0 | 0 | 9,000 | 9,000 |
| Maranhao | 2,206,137 | 11,304 | 154,507 | 13,446 | 167,953 |
| Para | 818,572 | 32,159 | 28,697 | 9,491 | 38,188 |
| Paraíba | 4,784,699 | 75,908 | 184,922 | 126,262 | 311,184 |
| Pernambuco | 13,615,650 | 1,077,291 | 177,690 | 101,616 | 279,306 |
| Piauí | 851,479 | 52,102 | 30,849 | 1,074 | 31,923 |
| Rio Gde Norte | 2,136,448 | 120,879 | 33,424 | 22,942 | 56,366 |
| Rondonia | 188,271 | 0 | 0 | 10,759 | 10,759 |
| Sergipe | 2,104,745 | 99,212 | 35,948 | 61,790 | 97,738 |
| Tocantins | 2,334,032 | 0 | 110,829 | 85,286 | 196,115 |
| NNE | 52,115,954 | 3,132,559 | 1,140,265 | 689,368 | 1,829,633 |
| Espirito Santo | 3,769,980 | 121,888 | 105,770 | 76,305 | 182,075 |
| Goias | 61,788,454 | 1,890,649 | 994,006 | 3,204,948 | 4,198,954 |
| Minas Gerais | 60,622,488 | 3,409,833 | 1,172,058 | 1,456,447 | 2,628,505 |
| Mato Grosso Sul | 41,496,039 | 1,366,594 | 586,982 | 1,643,563 | 2,230,545 |
| Mato Grosso | 16,948,513 | 412,506 | 539,777 | 562,479 | 1,102,256 |
| Parana | 42,225,061 | 3,036,810 | 473,649 | 1,017,849 | 1,491,498 |
| Rio de Janeiro | 2,007,605 | 84,496 | 0 | 85,401 | 85,401 |
| Rio Gde Sul | 73,236 | 0 | 0 | 4,510 | 4,510 |
| Sao Paulo | 372,700,815 | 24,086,901 | 6,738,087 | 7,644,174 | 14,382,261 |
| Center South | 601,632,191 | 34,409,677 | 10,610,329 | 15,695,676 | 26,306,005 |
| TOTAL | 653,748,145 | 37,542,236 | 11,750,594 | 16,385,044 | 28,135,638 |

Source: Ministry of Agriculture, Livestock and Supply-Sugar, Alcohol Dept, 03/15/2014

The tables below show monthly sugar production for the state of Sao Paulo and the CS region for the 2009/10 to 2013/14 crops (April-March), as reported by UNICA.

| Sugar production in the state of Sao Paulo (Metric tons, tel quel) | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Month | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 |
| February | 0 | 4,575 | 0 | 0 | 0 |
| March | 68,428 | 154,759 | 23,072 | 3,691 | 0 |
| April | 1,152,563 | 1,745,785 | 467,145 | 287,294 | 1,204,407 |
| May | 2,530,999 | 3,025,435 | 2,734,815 | 1,952,653 | 2,844,117 |

| | | | | | |
|---|------------|------------|------------|------------|------------|
| June | 2,728,867 | 3,427,445 | 3,161,100 | 2,017,509 | 2,305,372 |
| July | 3,020,119 | 3,703,160 | 3,853,337 | 3,800,734 | 3,425,222 |
| August | 3,043,705 | 3,923,784 | 3,840,998 | 4,377,261 | 4,244,576 |
| September | 2,468,929 | 3,125,428 | 3,801,633 | 3,584,137 | 3,653,913 |
| October | 2,838,435 | 2,357,500 | 2,118,061 | 3,681,687 | 3,039,994 |
| November | 2,065,829 | 1,726,851 | 1,023,956 | 2,647,361 | 2,415,600 |
| December | 570,067 | 228,169 | 43,837 | 912,666 | 807,064 |
| January | 77,063 | 4,471 | 0 | 11,736 | 10,242 |
| February | 70,985 | 6,287 | 0 | 6,356 | 0 |
| March | 93,377 | 12,470 | 0 | 1,004 | 14,371 |
| Cumulative | 20,729,364 | 23,446,119 | 21,067,954 | 23,284,089 | 23,964,878 |
| Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA). | | | | | |

| Sugar production in Center-Southern Brazil (Metric tons, tel quel). | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| Month | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 |
| February | 0 | 4,575 | 0 | 4692 | 0 |
| March | 147,030 | 208,240 | 56,496 | 5,052 | 0 |
| April | 1,572,304 | 2,342,614 | 761,078 | 535,505.0 | 1,704,682.0 |
| May | 3,364,577 | 4,094,385 | 3,966,565 | 2,983,558.0 | 3,944,719.0 |
| June | 3,669,831 | 4,854,177 | 4,618,058 | 3,161,408.0 | 3,308,644.0 |
| July | 4,137,318 | 5,284,255 | 5,411,365 | 5,605,984.0 | 4,958,695.0 |
| August | 4,381,252 | 5,704,484 | 5,629,162 | 6,366,406.0 | 6,152,387.0 |
| September | 3,552,156 | 4,619,064 | 5,607,822 | 5,342,707.0 | 5,281,370.0 |
| October | 3,824,806 | 3,425,318 | 3,257,617 | 5,331,840.0 | 4,372,655.0 |
| November | 2,786,747 | 2,496,111 | 1,776,138 | 3,576,444.0 | 3,407,612.0 |
| December | 870,648 | 437,100 | 178,575 | 1,156,251.0 | 1,135,957.0 |
| January | 118,870 | 10,797 | 28,526 | 14,532.0 | 10,513.0 |
| February | 108,770 | 7,031 | 14,408 | 6,356.0 | 1.0 |
| March | 110,527 | 12,574 | 2,332 | 1,004 | 15,640 |
| Cumulative | 28,644,834 | 33,500,725 | 31,308,142 | 34,091,739 | 34,292,875 |
| Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA). | | | | | |

Sugarcane, sugar and ethanol prices in the Domestic Market

The State of Sao Paulo Sugarcane, Sugar and Alcohol Growers Council (CONSECANA) reports that the average sugarcane price (April 2013-January 2014) for the state of Sao Paulo for the 2013/14 crop was Real (R\$) 0.4524 per kg of TRS, or R\$60.34 per ton of sugarcane, down R\$4.62 per ton compared to the 2012/13 crop (R\$0.4791 per kg of TRS, or R\$64.96 per ton of sugarcane), due to lower industrial yield and lower prices paid for sugar and ethanol during the crushing season compared the previous year. Note that CONSECANA's prices are based on both sugar and ethanol prices in domestic and international markets.

The Crystal Sugar and Ethanol Indexes released by the University of Sao Paulo's College of Agriculture "Luiz de Queiroz" (ESALQ) follow. The Indexes track crystal sugar, anhydrous and hydrated prices received by producers in the domestic spot market.

| |
|--|
| Crystal Sugar Prices - Domestic Market (Real, 50kg/bag, including tax). |
|--|

| Period | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------|-------------|-------------|-------------|-------------|-------------|
| January | 70.83 | 76.29 | 62.04 | 48.80 | 50.29 |
| February | 72.49 | 75.17 | 59.10 | 47.97 | 50.38 |
| March | 69.58 | 70.55 | 57.34 | 45.04 | 51.86 |
| April | 63.66 | 66.24 | 56.44 | 44.21 | -- |
| May | 43.76 | 59.73 | 54.58 | 44.55 | -- |
| June | 40.40 | 52.25 | 55.12 | 44.23 | -- |
| July | 40.90 | 64.33 | 56.96 | 44.48 | -- |
| August | 46.42 | 68.49 | 56.08 | 43.55 | -- |
| September | 56.91 | 65.21 | 49.85 | 45.44 | -- |
| October | 71.68 | 62.73 | 50.57 | 50.78 | -- |
| November | 75.24 | 63.91 | 50.20 | 51.94 | -- |
| December | 72.66 | 63.57 | 49.12 | 51.06 | -- |

Source: USP/ESALQ/CEPEA.

| Price for Fuel Anhydrous Ethanol - State of São Paulo (R\$/000 liters). | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| Period | 2010 | 2011 | 2012 | 2013 | 2014 |
| January | 1285.40 | 1233.20 | 1270.30 | 1302.50 | 1456.10 |
| February | 1297.60 | 1293.10 | 1184.60 | 1352.70 | 1520.50 |
| March | 974.60 | 1596.60 | 1278.80 | 1374.50 | 1610.20 |
| April | 908.40 | 2375.00 | 1259.70 | 1394.80 | -- |
| May | 839.20 | 1380.70 | 1294.30 | 1329.10 | -- |
| June | 827.30 | 1244.60 | 1234.00 | 1285.20 | -- |
| July | 924.20 | 1298.90 | 1232.50 | 1271.20 | -- |
| August | 961.90 | 1352.80 | 1198.70 | 1227.30 | -- |
| September | 1040.20 | 1384.20 | 1198.90 | 1277.10 | -- |
| October | 1173.20 | 1378.50 | 1140.00 | 1315.40 | -- |
| November | 1185.20 | 1377.30 | 1234.90 | 1342.80 | -- |
| December | 1201.80 | 1359.20 | 1287.20 | 1440.00 | -- |

Source: USP/ESALQ/CEPEA.

| Price for Fuel Hydrated Ethanol - State of São Paulo (R\$/000 liters). | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| Period | 2010 | 2011 | 2012 | 2013 | 2014 |
| January | 1171.20 | 1109.40 | 1159.00 | 1144.60 | 1284.80 |
| February | 1095.80 | 1176.10 | 1119.80 | 1232.00 | 1368.60 |
| March | 825.20 | 1421.90 | 1204.40 | 1226.40 | 1419.50 |
| April | 799.70 | 1387.50 | 1191.40 | 1244.30 | -- |

| | | | | | |
|--------------------------|---------|---------|---------|---------|----|
| May | 724.30 | 1005.90 | 1140.10 | 1110.20 | -- |
| June | 720.30 | 1113.70 | 1082.80 | 1140.20 | -- |
| July | 797.90 | 1136.80 | 1059.90 | 1114.50 | -- |
| August | 835.70 | 1193.00 | 1041.70 | 1088.60 | -- |
| September | 896.20 | 1204.60 | 1062.40 | 1148.50 | -- |
| October | 977.70 | 1229.70 | 1010.60 | 1164.00 | -- |
| November | 1001.00 | 1277.00 | 1095.90 | 1204.70 | -- |
| December | 1075.10 | 1250.10 | 1132.50 | 1281.10 | -- |
| Source: USP/ESALQ/CEPEA. | | | | | |

Consumption

Brazilian sugar consumption for MY 2014/15 is projected at 11.5 mmt, raw value, up 240,000 mt from MY 2013/14 (11.26 mmt), reflecting the Brazilian population growth and a continued expansion in the food processing sector.

Exports

Sugar Exports

ATO/Sao Paulo forecasts sugar exports for MY 2014/15 at 25.25 mmt, raw value, down 950,000 mt from MY 2013/14 (26.2 mmt) due to lower expected sugar production, therefore lower expected

exportable supply. Raw sugar should account for 20.2 mmt, raw value, whereas the remainder represents exports of refined sugar.

The following tables show Brazilian sugar exports by destination for MY 2012/13, 2013/14 (May-February) and calendar year (CY) 2013, as reported by the Brazilian Secretariat of Foreign Trade (SECEX).

| Brazilian Sugar Exports (NCMs 1701.11, 1701.13 & 1701.14, MT, tel quel, US\$ 000 FOB) | | | | | | |
|--|----------------------|-------------------|----------------------|-------------------|------------------|-------------------|
| | MY 2012/13 1/ | | MY 2013/14 1/ | | CY2013 2/ | |
| Country | Value | Quantity | Value | Quantity | Value | Quantity |
| China | 1,165,892 | 2,332,649 | 1,447,059 | 3,595,693 | 1,419,631 | 3,464,417 |
| Indonesia | 767,255 | 1,586,116 | 453,564 | 1,123,071 | 507,333 | 1,226,493 |
| Algeria | 719,916 | 1,448,002 | 536,321 | 1,268,752 | 687,243 | 1,575,979 |
| Egypt | 645,177 | 1,294,323 | 439,247 | 1,109,556 | 415,828 | 1,005,777 |
| Russia | 634,624 | 1,267,937 | 473,682 | 1,172,861 | 582,818 | 1,369,770 |
| Malaysia | 586,500 | 1,190,082 | 504,049 | 1,224,387 | 554,381 | 1,291,809 |
| India | 527,500 | 1,102,199 | 225,662 | 559,246 | 434,990 | 1,012,877 |
| Bangladesh | 517,220 | 1,048,379 | 651,989 | 1,592,903 | 697,007 | 1,647,929 |
| Iran | 468,804 | 959,463 | 304,259 | 775,946 | 339,692 | 823,796 |
| Canada | 465,352 | 922,558 | 355,510 | 858,451 | 416,252 | 970,961 |
| Others | 3,173,962 | 6,226,069 | 2,392,276 | 5,779,089 | 3,108,527 | 7,132,084 |
| Total | 9,672,203 | 19,377,777 | 7,783,618 | 19,059,954 | 9,163,702 | 21,521,891 |
| Source : Brazilian Foreign Trade Secretariat (SECEX) | | | | | | |
| Note : Numbers may not add due to rounding 1/ May - Feb - 2/Jan - Dec. | | | | | | |

| Brazilian Sugar Exports (NCM 1701.99.00, MT, tel quel, US\$ 000 FOB) | | | | | | |
|---|----------------------|------------------|----------------------|------------------|------------------|------------------|
| | MY 2012/13 1/ | | MY 2013/14 1/ | | CY2013 2/ | |
| Country | Value | Quantit y | Value | Quantit y | Value | Quantit y |
| United Arab Emirates | 408,334 | 854,308 | 252,485 | 666,733 | 409,058 | 995,953 |

| | | | | | | |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Yemen | 201,424 | 370,243 | 175,797 | 383,386 | 208,808 | 438,353 |
| Ghana | 211,013 | 367,855 | 100,727 | 210,381 | 166,612 | 333,598 |
| Saudi Arabia | 175,988 | 361,147 | 152,156 | 381,076 | 186,027 | 428,118 |
| Nigeria | 156,232 | 296,991 | 105,718 | 270,628 | 138,067 | 325,844 |
| Sri Lanka | 132,037 | 245,764 | 37,507 | 81,284 | 78,924 | 163,693 |
| Colombia | 115,095 | 213,417 | 29,432 | 63,423 | 59,848 | 124,338 |
| South Africa | 115,307 | 199,454 | 136,670 | 293,885 | 162,264 | 339,872 |
| Libya | 107,814 | 181,914 | 20,993 | 42,120 | 60,298 | 111,274 |
| Angola | 94,410 | 169,292 | 136,478 | 279,531 | 177,714 | 354,279 |
| Others | 977,817 | 1,664,650 | 816,047 | 1,659,797 | 1,030,594 | 2,016,800 |
| Total | 2,695,471 | 4,925,035 | 1,964,010 | 4,332,243 | 2,678,214 | 5,632,122 |

Source : Brazilian Foreign Trade secretariat (SECEX)

Note : Numbers may not add due to rounding 1/ May - Feb - 2/Jan - Dec.

Ethanol Exports

The tables below show ethanol exports by destination for MY 2012/13 and MY 2013/14 (May-February), as reported by the Brazilian Secretariat of Foreign Trade (SECEX).

| Brazilian Ethanol Exports (NCM 2207.10, 2207.20.11 & 2207.20.19, 000 Liters, MT, US\$ 1,000 FOB) | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|----------------|
| Country | MY 2012/13 1/ | | | MY 2013/14 1/ | | |
| | Value | Quantity (MT) | Volume(000 L) | Value | Quantity (MT) | Volume (000 L) |
| United States | 1,587,717 | 1,768,045 | 2,204,248 | 863,517 | 1,047,353 | 1,325,313 |
| Jamaica | 209,805 | 269,180 | 312,518 | 9,490 | 13,076 | 16,171 |
| South Korea | 117,507 | 149,096 | 184,570 | 257,604 | 346,088 | 428,226 |
| El Salvador | 95,545 | 123,575 | 152,872 | 0 | 0 | 0 |
| Costa Rica | 58,954 | 78,528 | 97,120 | 0 | 0 | 0 |
| Netherlands | 57,713 | 74,449 | 92,158 | 72,223 | 98,911 | 122,740 |
| Japan | 39,356 | 46,450 | 58,184 | 73,417 | 90,648 | 113,878 |
| Nigeria | 34,131 | 45,748 | 56,609 | 46,667 | 63,815 | 78,963 |
| Taiwan | 23,614 | 31,345 | 38,758 | 26,196 | 34,713 | 42,942 |
| Angola | 15,319 | 17,282 | 21,466 | 9,102 | 10,834 | 13,456 |
| Others | 65,271 | 72,323 | 89,606 | 183,561 | 235,394 | 295,465 |
| Total | 2,304,931 | 2,676,020 | 3,308,110 | 1,541,777 | 1,940,833 | 2,437,154 |

Source : Brazilian Foreign Trade Secretariat (SECEX)

Note : Numbers may not add due to rounding 1/ May - February.

Ethanol Imports

The tables below show ethanol imports by origin for MY 2012/13 and MY 2013/14 (May-February), as reported by the Brazilian Secretariat of Foreign Trade (SECEX).

| Brazilian Ethanol Imports (NCM 2207.10, 2207.20.11 & 2207.20.19, 000 Liters, MT, US\$ 1,000 FOB) | | | | | | |
|---|----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|
| Country | MY 2012/13 1/ | | | MY 2013/14 1/ | | |
| | Value | Quantity (MT) | Volume (000 L) | Value | Quantity (MT) | Volume (000 L) |
| United States | 90,957 | 111,805 | 141,675 | 82,725 | 115,100 | 145,870 |
| Jamaica | 1,038 | 261 | 303 | 372 | 120 | 142 |
| Poland | 96 | 56 | 67 | 32 | 20 | 23 |
| Guyana | 95 | 41 | 42 | 0 | 0 | 0 |
| Germany | 441 | 31 | 43 | 219 | 26 | 33 |
| Trinidad and Tobago | 27 | 20 | 24 | 0 | 0 | 0 |
| Barbados | 31 | 20 | 23 | 0 | 0 | 0 |
| Mexico | 53 | 7 | 8 | 128 | 17 | 20 |
| France | 76 | 5 | 4 | 92 | 11 | 12 |
| Italy | 5 | 2 | 2 | 0 | 0 | 0 |
| Others | 8 | 1 | 2 | 14 | 1 | 1 |
| Total | 92,828 | 112,250 | 142,194 | 83,584 | 115,294 | 146,100 |
| Source : Brazilian Foreign Trade Secretariat (SECEX) | | | | | | |
| Note : Numbers may not add due to rounding 1/ May - February. | | | | | | |

Stocks

Total sugar ending stocks during MY 2014/15 are projected at -145,000 mt, up 50,000 mt from revised figure for MY 2014/15 (-195,000 mt). Negative stocks have been balanced by the early start of crushing, March/April as opposed to May.

Policy

The current ethanol content blended to gasoline is set at 25 percent. In March 2014, the Brazilian Government announced the continuity of the Prorenewa for 2014, a credit line of R\$3 billion (approximately US\$ 1.25 billion) available to finance the renewal and/or expansion of sugarcane fields. The interest rate is set at the "long term interest rate" (TJLP) plus 2.7 percent per year.

Exchange Rate

| Exchange Rate (R\$/US\$1.00 - official rate, last day of period) | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Month | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| January | 1.76 | 2.32 | 1.87 | 1.67 | 1.74 | 1.99 | 2.43 |
| February | 1.68 | 2.38 | 1.81 | 1.66 | 1.71 | 1.98 | 2.33 |
| March | 1.75 | 2.25 | 1.78 | 1.62 | 1.82 | 2.01 | 2.26 |
| April | 1.69 | 2.18 | 1.77 | 1.57 | 1.89 | 2.00 | -- |
| May | 1.63 | 1.97 | 1.81 | 1.57 | 2.02 | 2.13 | -- |
| June | 1.64 | 1.95 | 1.80 | 1.57 | 2.02 | 2.22 | -- |
| July | 1.57 | 1.87 | 1.75 | 1.56 | 2.05 | 2.29 | -- |
| August | 1.63 | 1.88 | 1.75 | 1.59 | 2.04 | 2.37 | -- |
| September | 1.92 | 1.78 | 1.69 | 1.85 | 2.03 | 2.23 | -- |
| October | 2.12 | 1.74 | 1.70 | 1.69 | 2.03 | 2.20 | -- |
| November | 2.33 | 1.75 | 1.71 | 1.81 | 2.10 | 2.32 | -- |
| December | 2.34 | 1.74 | 1.66 | 1.88 | 2.04 | 2.34 | -- |

Source : Gazeta Mercantil and BACEN (as of October 2006)

PS&D Statistics

| Sugar Cane for Centrifugal Brazil | 2012/2013 | | 2013/2014 | | 2014/2015 | |
|--|------------------------------------|-----------------|------------------------------------|-----------------|------------------------------------|-----------------|
| | Market Year Begin: May 2012 | | Market Year Begin: May 2013 | | Market Year Begin: May 2014 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 9,750 | 9,750 | 9,800 | 9,800 | | 9,900 |
| Area Harvested | 8,700 | 8,700 | 8,800 | 9,140 | | 9,250 |
| Production | 591,100 | 591,100 | 645,000 | 650,000 | | 629,000 |
| Total Supply | 591,100 | 591,100 | 645,000 | 650,000 | | 629,000 |
| Utilization for Sugar | 295,550 | 295,550 | 303,150 | 295,750 | | 292,485 |
| Utilization for Alcohol | 295,550 | 295,550 | 341,850 | 354,250 | | 336,515 |
| Total Utilization | 591,100 | 591,100 | 645,000 | 650,000 | | 629,000 |
| | | | | | | |

1000 HA, 1000 MT

| Sugar, Centrifugal Brazil | 2012/2013 | | 2013/2014 | | 2014/2015 | |
|-----------------------------------|--------------------------------|-------------|--------------------------------|-------------|--------------------------------|-------------|
| | Market Year Begin: May 2012 | | Market Year Begin: May 2013 | | Market Year Begin: May 2014 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks | -285 | -285 | -535 | -535 | | -195 |
| Beet Sugar Production | 0 | 0 | 0 | 0 | | 0 |
| Cane Sugar Production | 38,600 | 38,600 | 38,750 | 37,800 | | 36,800 |
| Total Sugar Production | 38,600 | 38,600 | 38,750 | 37,800 | | 36,800 |
| Raw Imports | 0 | 0 | 0 | 0 | | 0 |
| Refined Imp.(Raw Val) | 0 | 0 | 0 | 0 | | 0 |
| Total Imports | 0 | 0 | 0 | 0 | | 0 |
| Total Supply | 38,315 | 38,315 | 38,215 | 37,265 | | 36,605 |
| Raw Exports | 21,750 | 21,750 | 22,100 | 21,050 | | 20,200 |
| Refined Exp.(Raw Val) | 5,900 | 5,900 | 5,150 | 5,150 | | 5,050 |
| Total Exports | 27,650 | 27,650 | 27,250 | 26,200 | | 25,250 |
| Human Dom. Consumption | 11,200 | 11,200 | 11,260 | 11,260 | | 11,500 |
| Other Disappearance | 0 | 0 | 0 | 0 | | 0 |
| Total Use | 11,200 | 11,200 | 11,260 | 11,260 | | 11,500 |
| Ending Stocks | -535 | -535 | -295 | -195 | | -145 |
| Total Distribution | 38,315 | 38,315 | 38,215 | 37,265 | | 36,605 |
| | | | | | | |

1000 MT