The Confounding World Sugar Market

Commodities Surge Higher led by War, Oil

World Sugar Continues to Struggle

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World Sugar Discussion Topics

- Speculators have maintained a substantial short for 84 weeks – December 2024 (21.00)
  - 21.00 cents down to 13.00 cents in period
  - **#11 has averaged 14.75 cents/lb in 2026**
    - Cost of Production: ~15.75-16.30 in Brazil
    - Hydrous Ethanol values remain sub 14.00 cents
- World operating in surplus, potentially shifting
- Massive surge in Energy prices did not force all specs out – Brent Oil
- Freight issues as result of Iran War
- New Brazil harvest has seen massive delays, production lagging
- India's monsoon ~20% below average to date
- Both EU and Thailand have production concerns
- Global sugar demand has flattened for time being
- El Nino concerns could change market dynamics quickly
- The world sugar market has been too complacent

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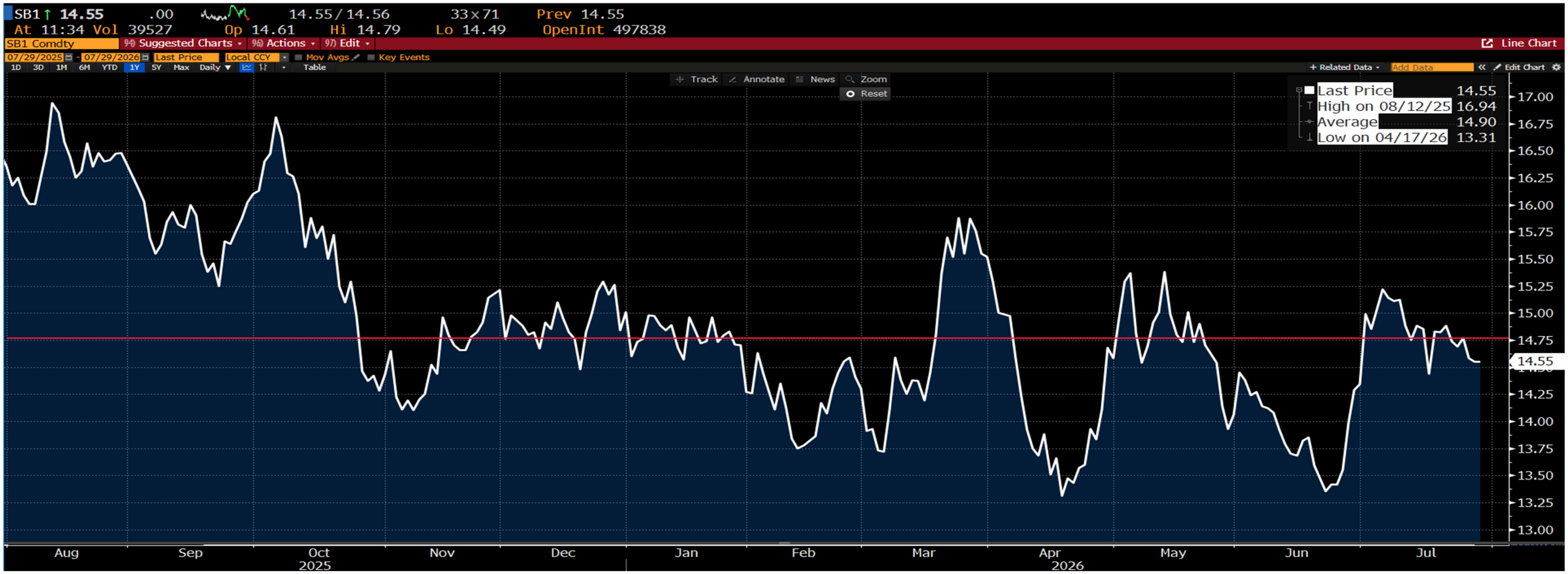
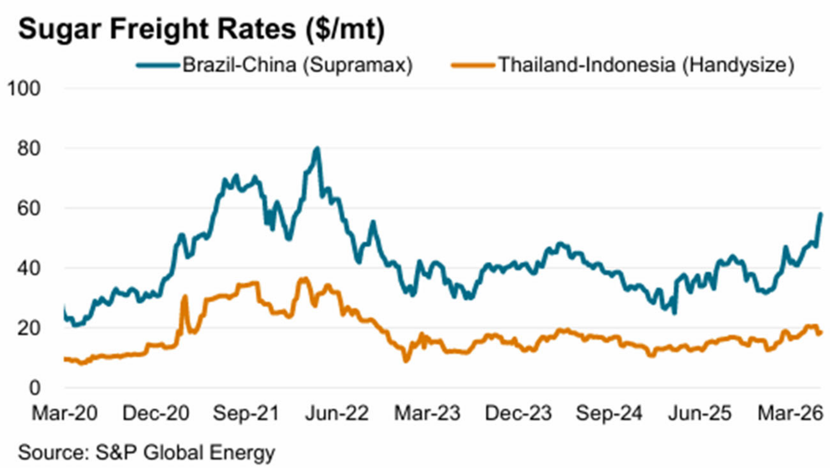
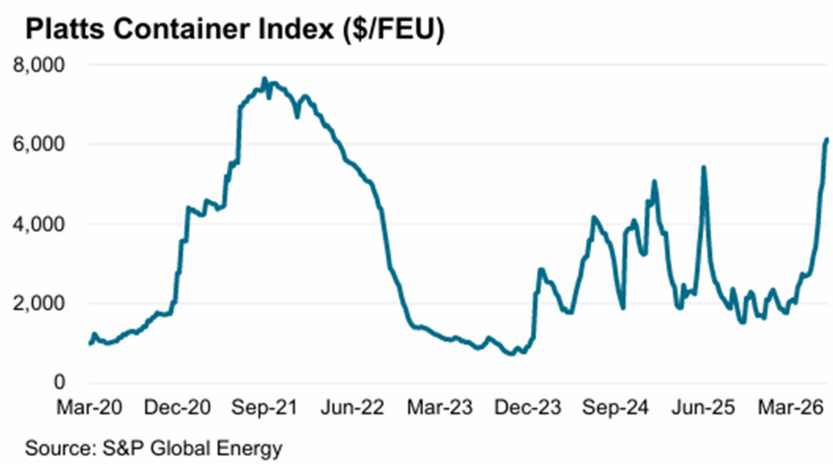


Sugar #11 Remains Range-Bound

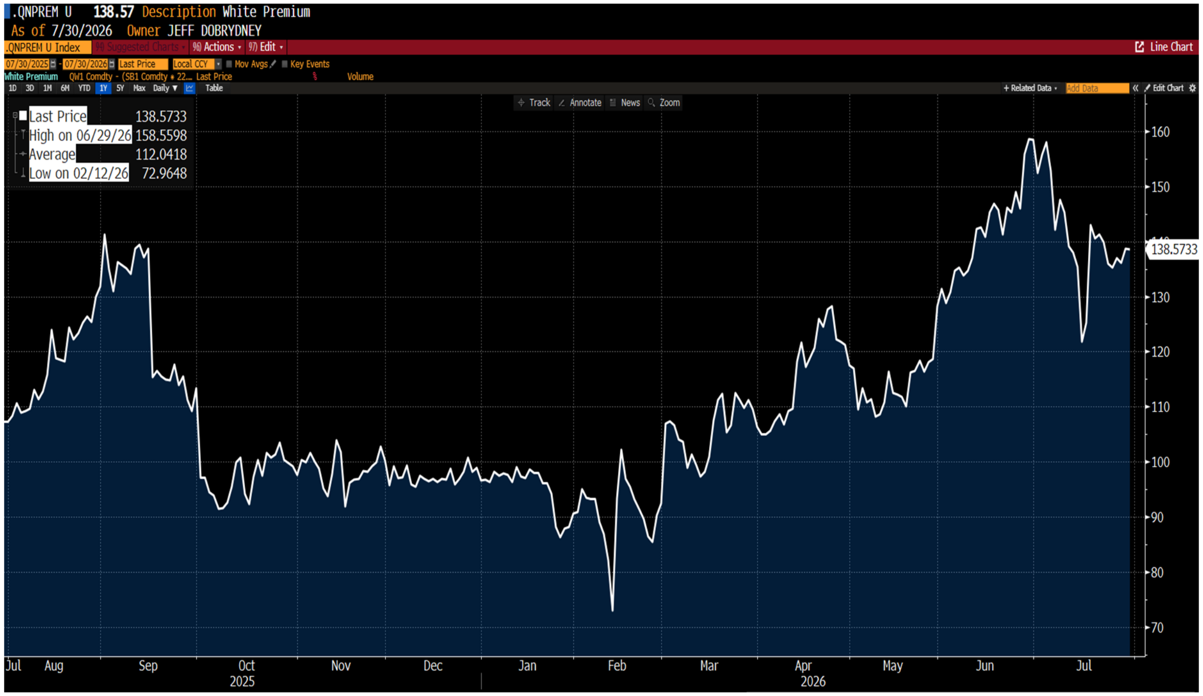
Freight has spiked!

- Sugar freight rates have spiked. Brazil-China rate jumped to a four-year high while the Platts Container Index also reached the highest level since April 2022.





White Premium Maintains Strength



- Export restrictions on toll refiners with spare capacity are constraining near-term supply growth, compounding the impact of significantly lower EU exports in 2026-27.

Commodities Strong

Dollar Weakened to 4-year Low, Commodities Rally

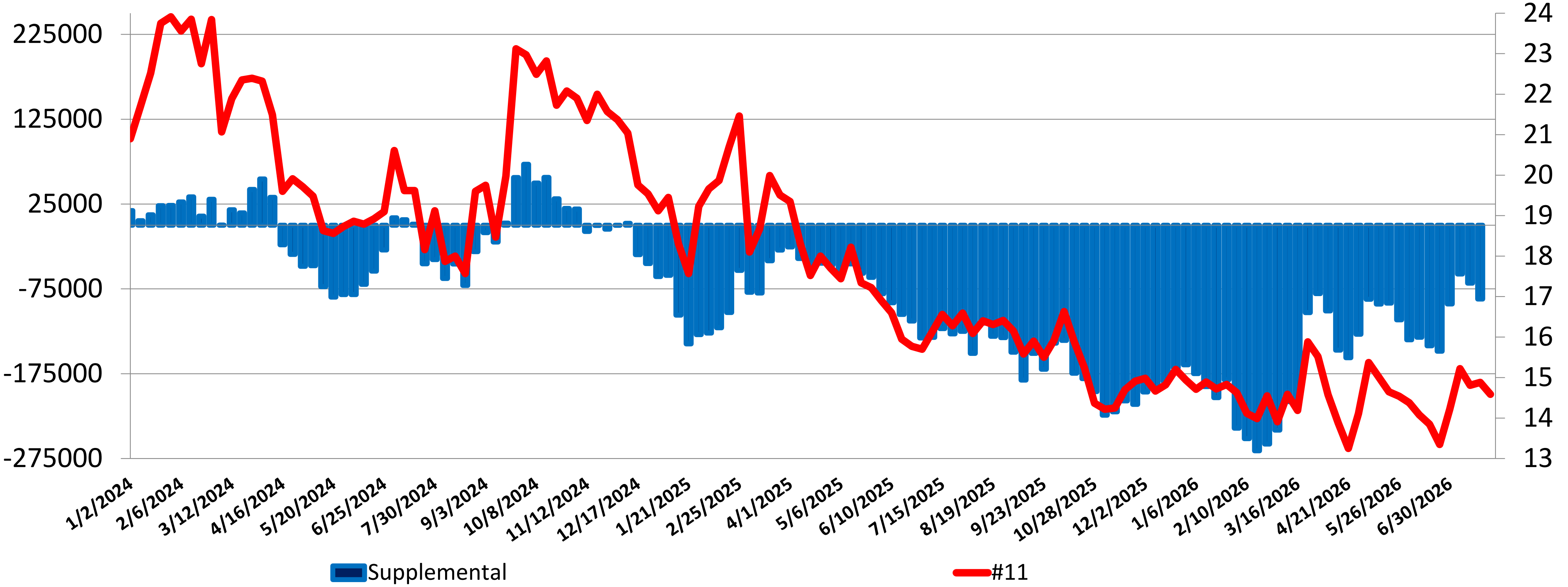
War in Iran, Weak USD Impact on Commodity Prices

- BCOM Index (132.13): 21% higher on the year, high since 2013!
  - Ags: 9.5% higher
  - Softs: 2.1% lower
- Brent Crude Oil: 48% higher ytd, WTI Crude Oil: 47% higher
- Wheat: 31.2% higher
- Soybeans: 14.9% higher
- Cotton: 21.3% higher
- Corn: 5.8% higher
- Cocoa: 15% lower, recent rally
- Coffee: 5.7% lower, recent rally
- Sugar #11: 3.0% lower

Speculators in Sugar Remain Steadfast/Short

#11 Speculator Position 7/28/26 -87,072

Average 2026 position: -153,451 short



Source: CFTC

Breaking Down the Spec Short in #11

- The speculators established a short position in Sugar #11 in December 2024 – prices had fallen from 23.00 cents to 17.50 but recovered back to 21.50 in February 2025. The specs have been short for 84 straight weeks.
- During the above time period, the spec short position increased to 140,000 contracts and retracted back to 30,000 lots short with prices struggling to maintain 20.00 cents
- After modestly reducing their position to close 2025, the specs came back with vengeance to begin 2026 adding 86,892 ($80 million initial margin) lots to make a new record short. Prices averaged 14.60 during this period.
- After covering 165,000 shorts as the War in Iran commenced, almost shockingly, the specs re-engaged and nearby prices fell from 16.10 down to 13.22
- The month of July has seen new longs engage and disengage based on money flowing to energy
- At their current market position it would take the <u>specs going substantially long to move the needle</u>

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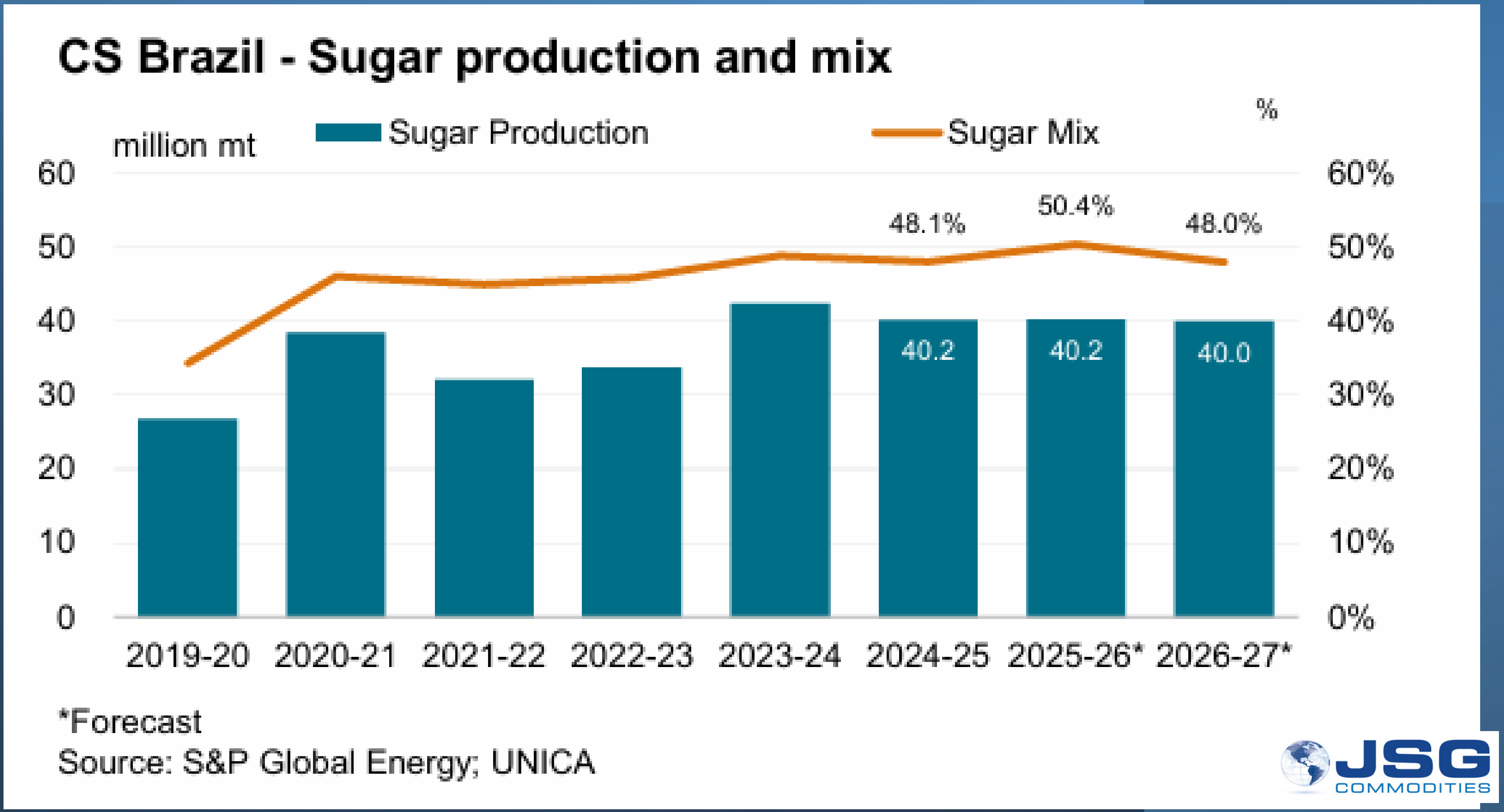
Brazil

What to know about the situation in Brazil's Center-South Region

- Despite global Oil prices going over $100.00, Petrobras has been unwilling to increase fuel prices at the pump (election year)
- President Lula confirmed Anhydrous Ethanol blend in gasoline will be raised to 32% - this could increase to 35%
- For the 2026/27 crop year Cost of Production: 15.77-16.30

  This is up from 15.20 a year ago on: rising fuel costs, fertilizers and logistics
- Domestic Ethanol prices falling as crop continues: 13.75 cents/ raw sugar equivalent (16.68 on March 25th)
- Ave. 26/27 Brazil CS Cane Crush forecast: ~630.0 million tonnes
- Ave. 26/27 Brazil CS Sugar Production Forecast: ~40.2 million tonnes
  - 40.3 mmt last year
- Ave. 26/27 Brazil CS Sugar Mix: ~48.3-48.6%
  - 50.8% last year
  - Greenpool on low end: 46.5% mix, 37.5 mmt production


CS Brazil - Sugar production and mix
million mt
Sugar Production
Sugar Mix
%
60
50
40
30
20
10
0
60%
50%
40%
30%
20%
10%
0%
48.1%
50.4%
48.0%
40.2
40.2
40.0
2019-20
2020-21
2021-22
2022-23
2023-24
2024-25
2025-26*
2026-27*
*Forecast
Source: S&P Global Energy; UNICA
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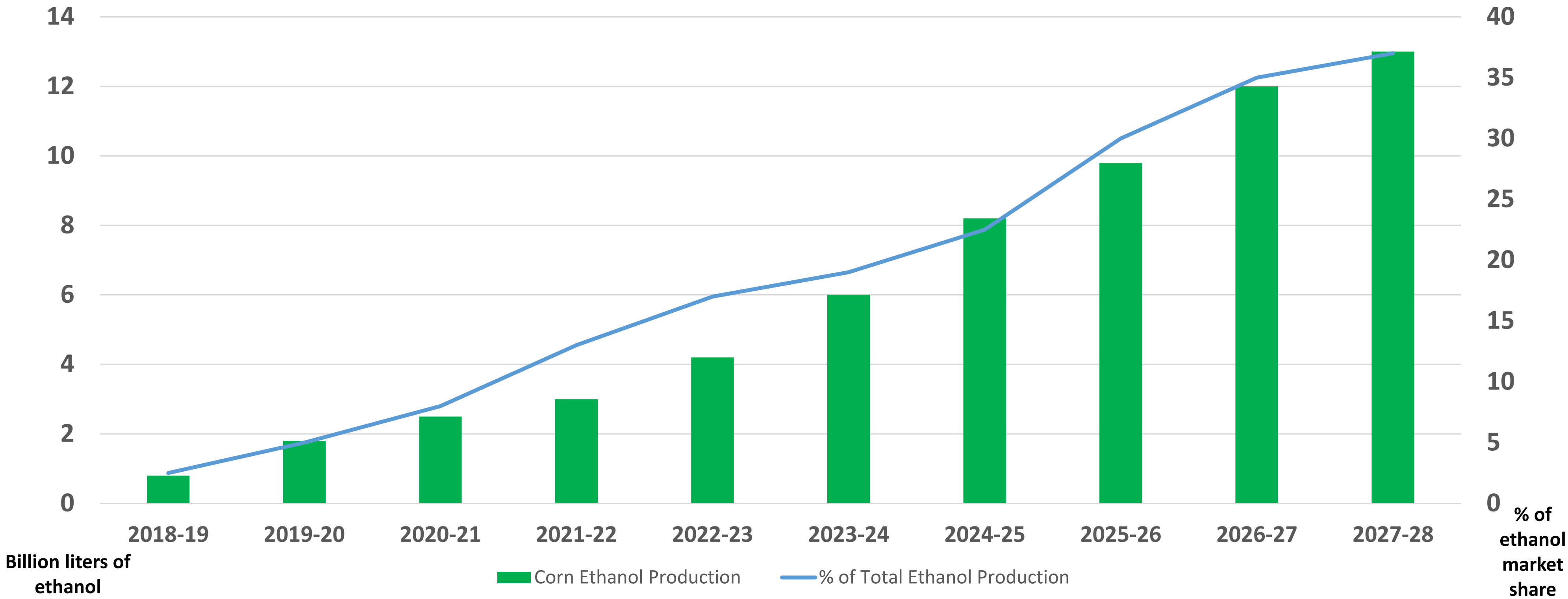
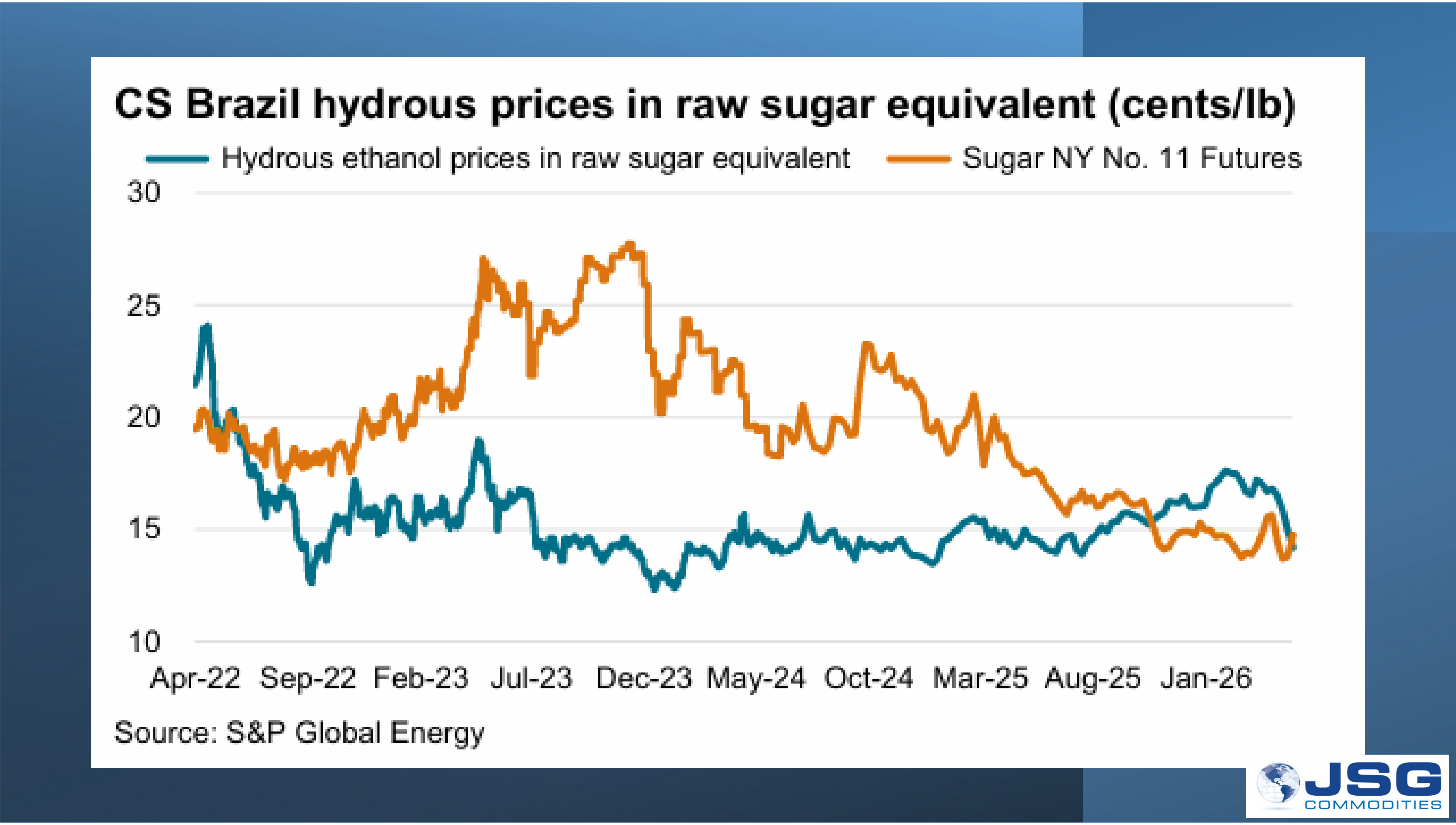
Brazil Corn Ethanol Production vs. % of Total



Source: Platts


CS Brazil hydrous prices in raw sugar equivalent (cents/lb)
Hydrous ethanol prices in raw sugar equivalent
Sugar NY No. 11 Futures
30
25
20
15
10
Apr-22
Sep-22
Feb-23
Jul-23
Dec-23
May-24
Oct-24
Mar-25
Aug-25
Jan-26
Source: S&P Global Energy
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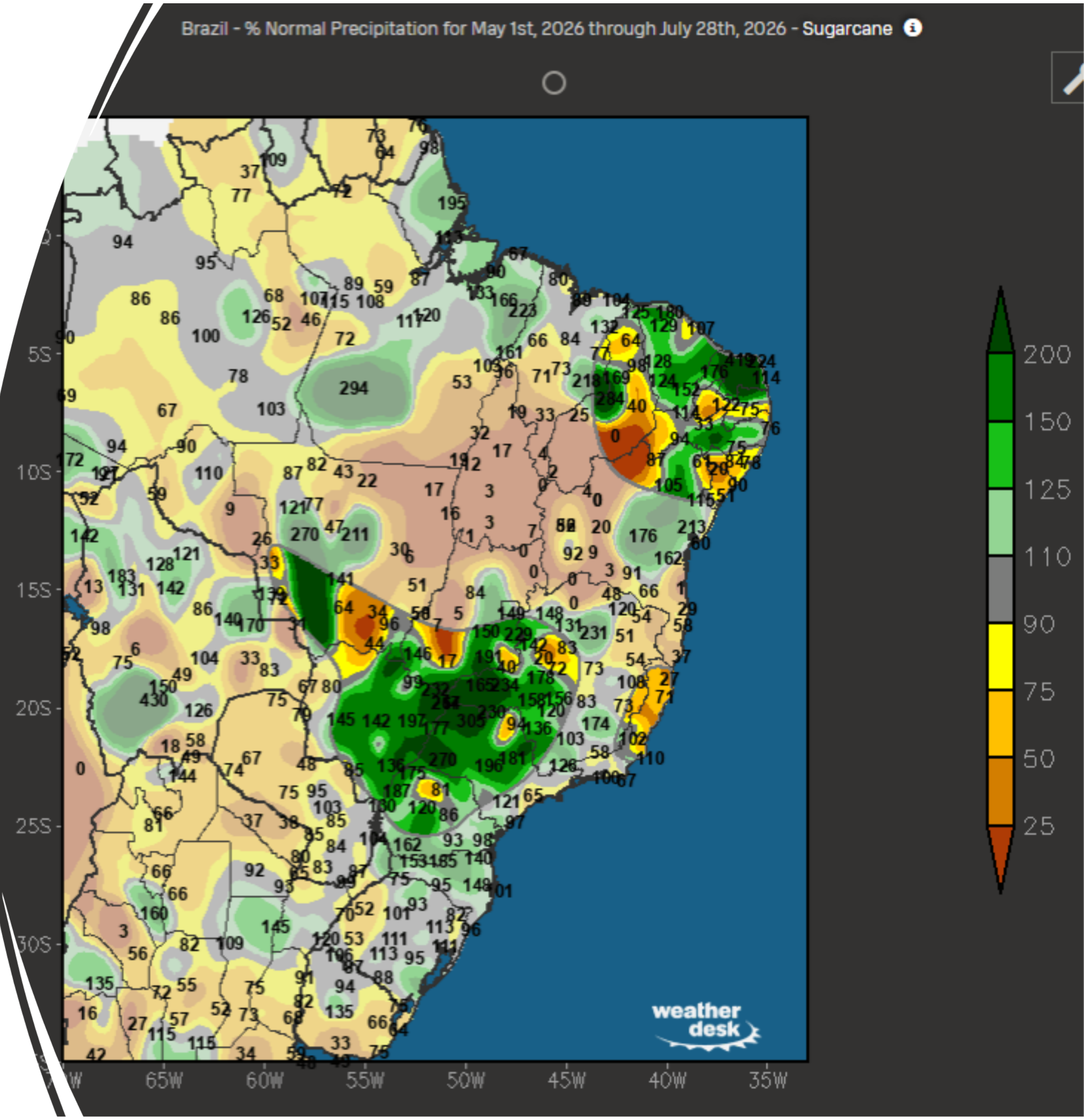
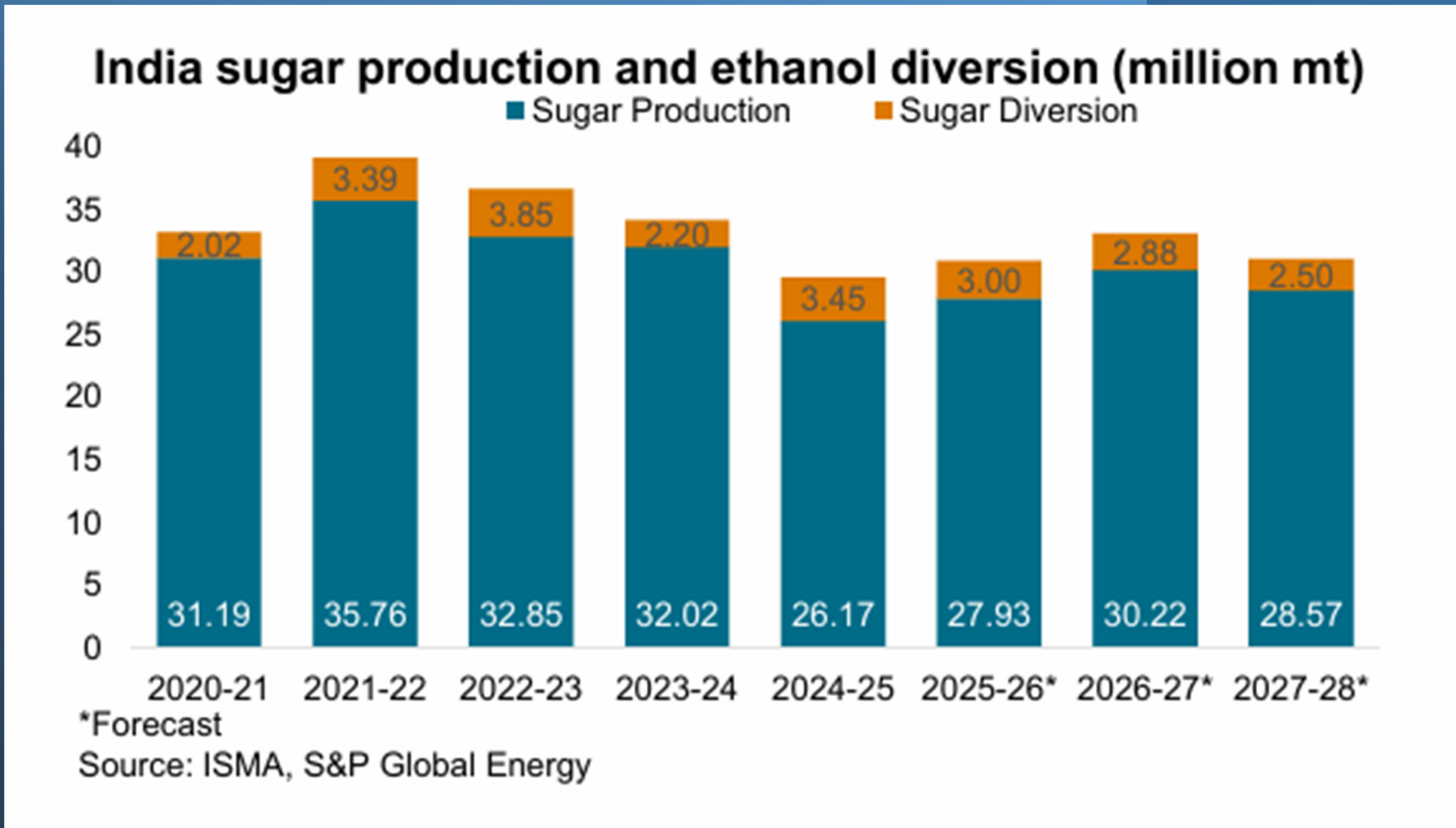
Concerning rain? Center-South in Focus



India


India sugar production and ethanol diversion (million mt)
Sugar Production
Sugar Diversion
40
35
30
25
20
15
10
5
0
2.02
31.19
3.39
35.76
3.85
32.85
2.20
32.02
3.45
26.17
3.00
27.93
2.88
30.22
2.50
28.57
2020-21
2021-22
2022-23
2023-24
2024-25
2025-26*
2026-27*
2027-28*
*Forecast
Source: ISMA, S&P Global Energy

India Checklist

- Exports have been banned, ~800kmt from last crop
- El Nino concerns regarding monsoon, rains 20% behind – potential for imports?
- Govt. imposes stock limits on dealers, domestic prices surging higher
- Annual consumption 27.6 million tonnes, slightly lower on the year
- 25/26 crop production finishes below 28.0 million tonnes, end of year stocks ~5.0mmt, very low
- Early forecasts are for 29.0-30.2 million tonnes next year including 3.0 mmt diverted to ethanol

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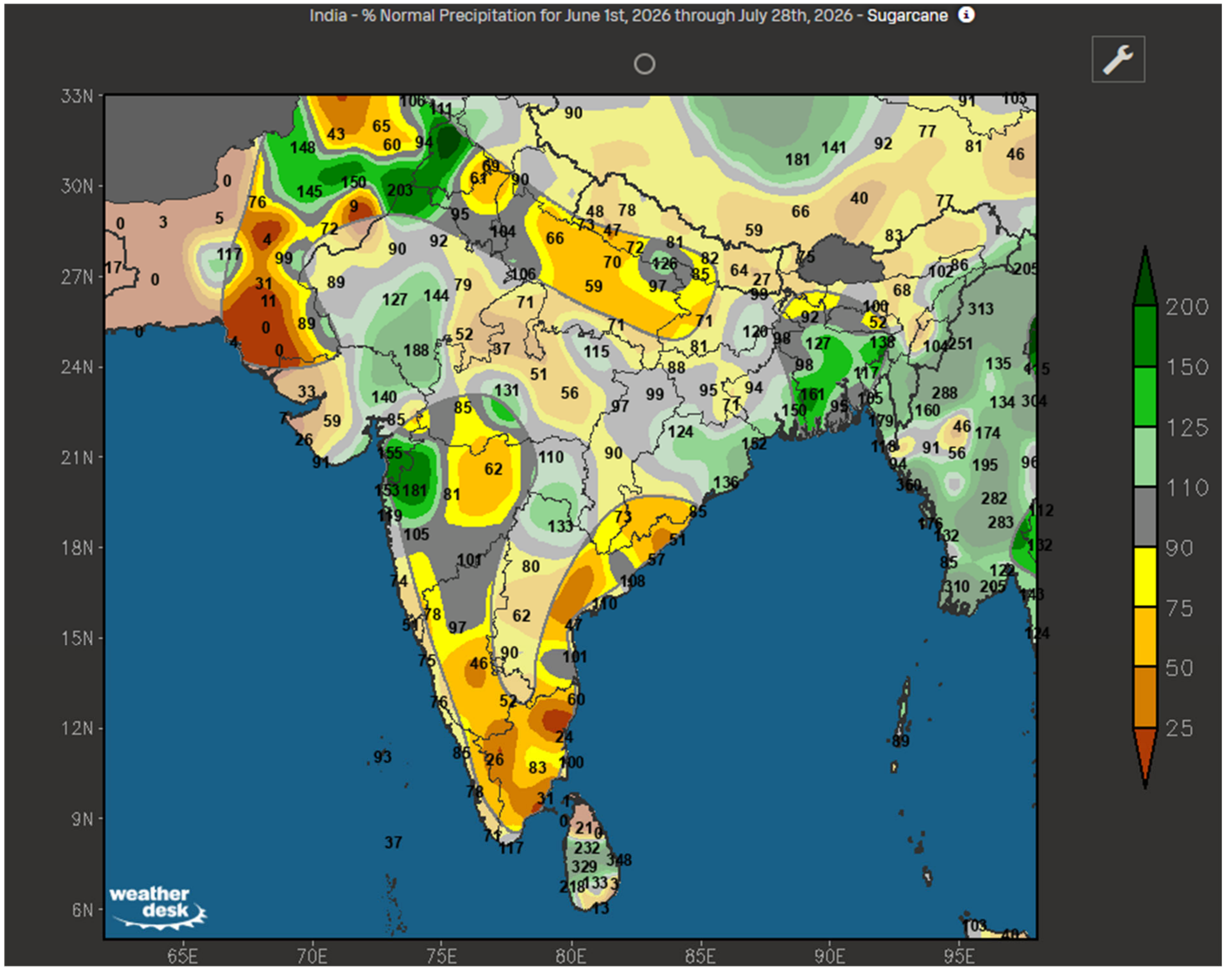
El Nino related India concerns

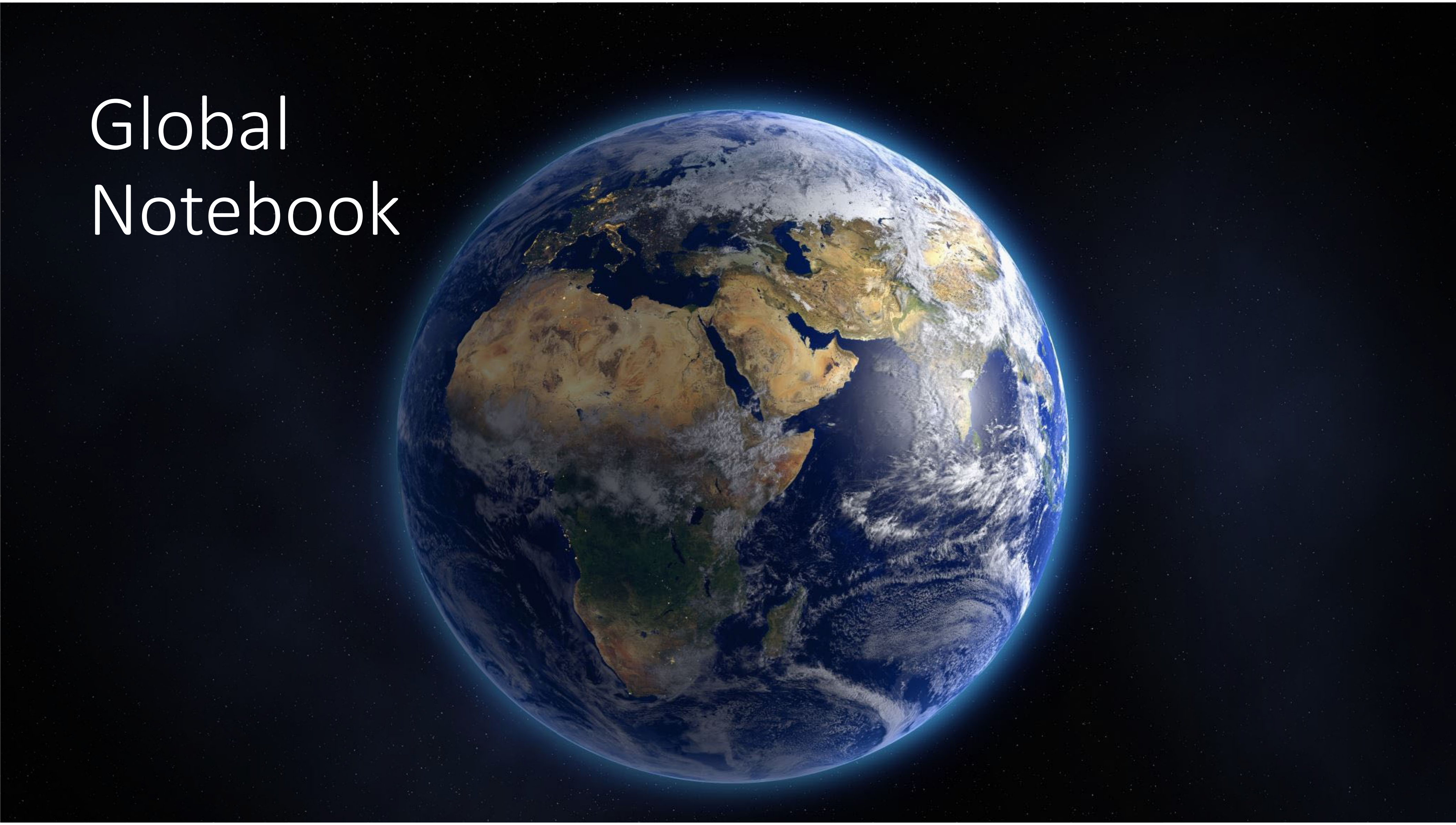


El Nino Risk

EL NINO IMPACT ON SUGAR

- Full El Nino event in effect – sea surface temps 2.5F above normal in Tropical Pacific
- Traditionally, the event brings weaker than normal monsoon conditions in Asia and more than normal rainfall in Brazil
- This El Niño is not just strong — it’s trending toward being the most intense in decades, with peak warmth likely in fall 2026 and major global climate impacts expected through 2027.
- 2023-24 El Nino: Severe drought in India/Thailand, #11 28.00 cts
- 2015-16 El Nino: 7.0mmt reduction in global supply, #11 24.00 cts
- 2009-10 El Nino: #11 to 30-yr highs, India falls by ~15.0mmt

Global impacts of El Niño


Global
Notebook

Production increases kept current S&D in surplus

- **Brazil crop production has the potential to be lowered over the next two years on weaker ATR, lower sugar mix, lower global prices, financial stress at mil level**
- **Indian production forecast already reduced for the current year, low stocks, no exports – could they become a net-importer?**

Table 2: Top 10 Producers and Consumers

National Crop Year *milion mttq*	2024-25	2025-26*	2026-27*	2027-28*
PRODUCTION				
CS BRAZIL	40.17	40.38	40.06	41.04
INDIA	26.11	27.93	30.21	28.56
EU+UK	17.87	17.52	15.10	15.24
CHINA	11.20	12.83	12.37	12.37
THAILAND (Pre Remelt)	10.05	12.00	10.74	10.28
USA	8.52	8.38	8.16	8.16
RUSSIA	6.17	6.24	6.56	6.67
PAKISTAN	5.80	7.58	6.99	6.77
MEXICO	4.77	5.33	5.33	5.36
AUSTRALIA	3.80	3.83	4.07	3.99
CONSUMPTION				
INDIA	28.52	28.03	28.03	28.32
EU+UK	16.22	16.23	16.21	16.16
CHINA	15.81	15.95	16.10	16.24
USA (raw value)	11.29	11.13	10.98	10.92
CS BRAZIL	7.97	8.01	8.05	8.07
INDONESIA	7.56	7.59	7.61	7.53
PAKISTAN	6.06	6.18	6.31	6.43
RUSSIA	5.89	5.77	5.78	5.77
MEXICO	4.22	4.30	4.21	4.19
EGYPT	3.66	3.71	3.78	3.84

* Forecast

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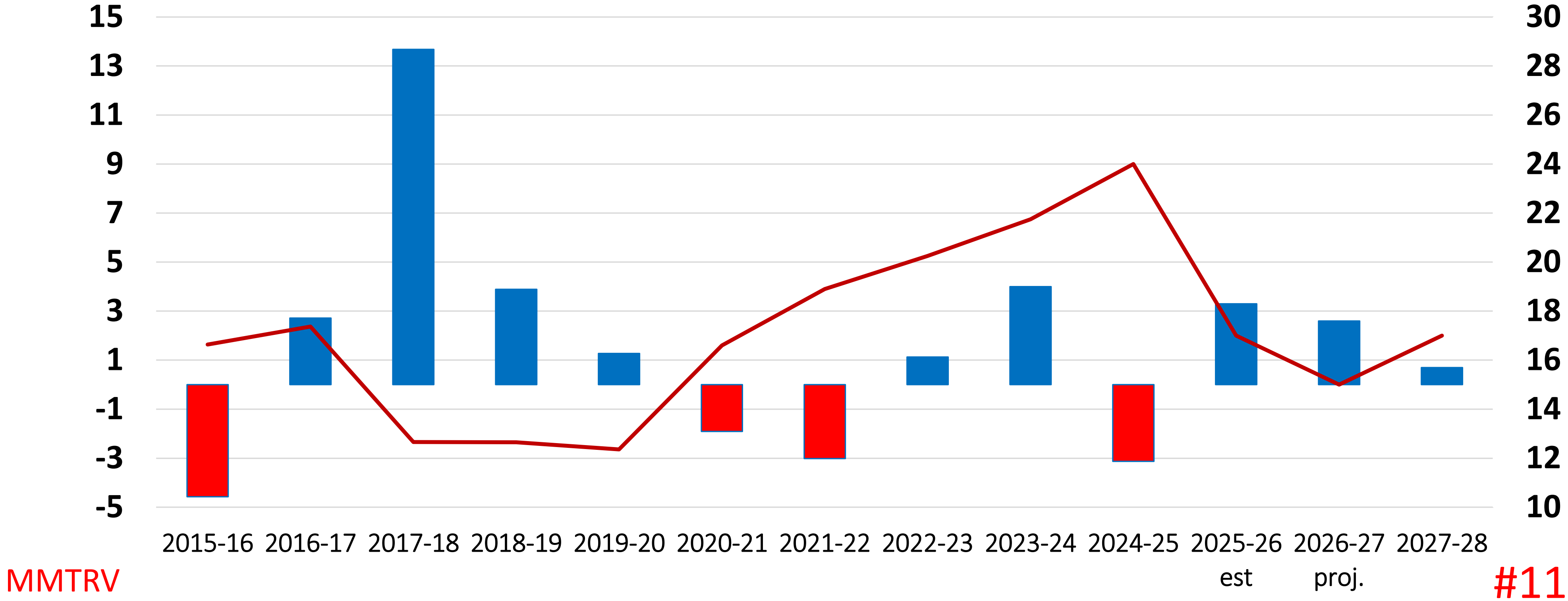
World Sugar Balances vs #11

2015 to present (Oct-Sep basis)



Source: S&P Global

Market Conclusions

- Sugar’s external environment should be dictating more risk to the upside
- Sluggish overall demand combined with a trio of countries better than expected production have kept the market in-range in 2026
- Flow will be critical now that specs are again under -100K short
- El Nino risks could stimulate more aggressive strengthening in prices
- Brazil’s mix on new harvest and any government decision on fuel prices could determine next several cents, election year
- Continued military risk in and around Iran could cause further volatility
- We believe prices have established the lows of 2026, with a range of 14.00-17.00 cents the most likely scenario

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