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Sweeteners Colloquium

Brazilian Sugar Production: Where we are and what lays ahead

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The importance of the Sugarcane Sector– **2018/2019 Harvest**

Largest producer of sugarcane, sugar, and 2nd largest producer of ethanol in the world.

620 MM ton. of cane

92% crushing in Center-South

8.5 Billin G of ethanol

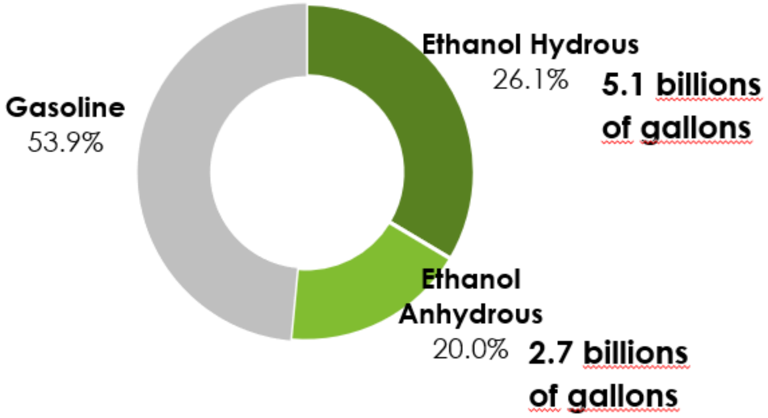
94% of production in Center-South

28 MM ton.

94% of production CS

- **≈21** MM ton. exported
- ≈ US$ **6** billions
- **4th** largest export portfolio of Brazil

Fuel Consumption - 2018



Historical record of hydrous ethanol consumption

Source: MAPA, SECEX e ANP.

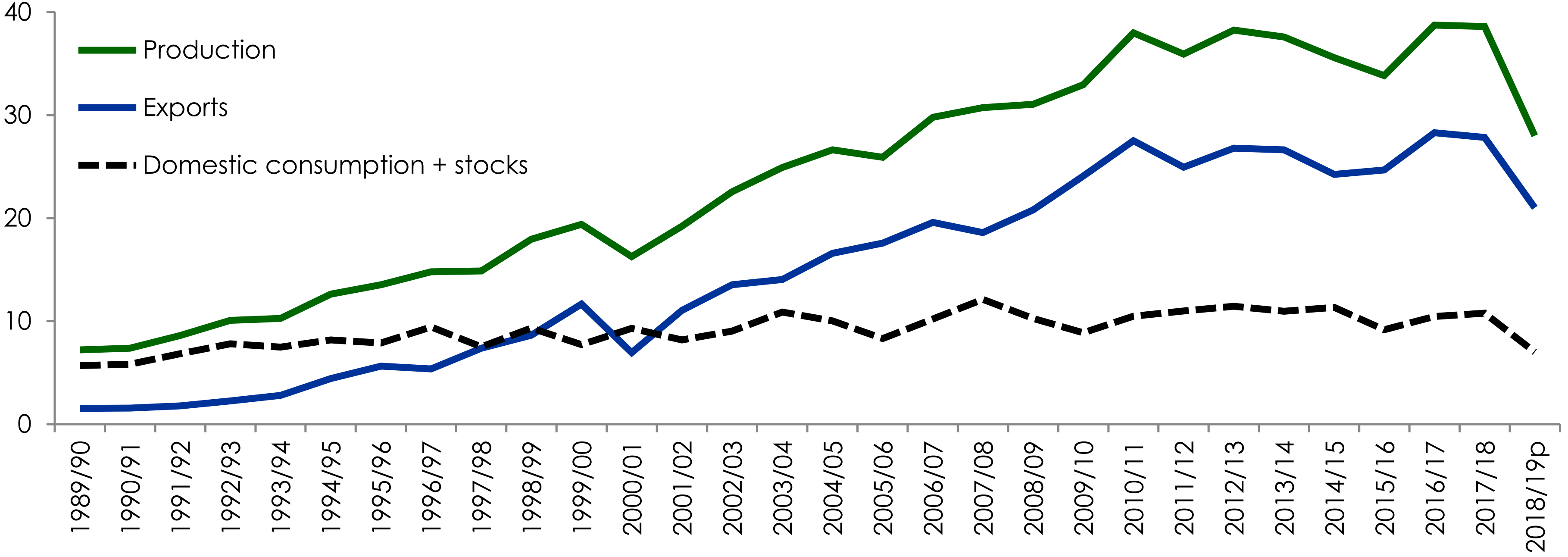
2018/19 Harvest update of South-Central region – Position until 02/01/2019

Produtos		2017/2018	2018/2019	Variação
Sugarcane [1]		583,827	563,298	-3.52%
Sugar [1]		35,836	26,360	-26.44%
Anhydrous ethanol [2]		10,609	9,186	-13.41%
Hydrous ethanol [2]		14,724	21,103	43.33%
Total ethanol [2]		25,333	30,290	19.57%
TRS [1]		80,183	78,060	-2.65%
TRS/ ton of sugarcane [3]		137.34	138.58	0.90%
Share (%)	sugar	46.90%	35.44%	
	ethanol	53.10%	64.56%	
Liters of ethanol/ ton of sugarcane		42.72	52.68	23.32%
Kg of sugar/ ton of sugarcane		61.38	46.80	-23.76%

Source: UNICA. Note: [1]- thousand tons; [2]- million liters; [3]- kg of TRS/ ton of sugarcane. Total Recoverable Sugar (TRS) index was calculated excluding corn ethanol production.

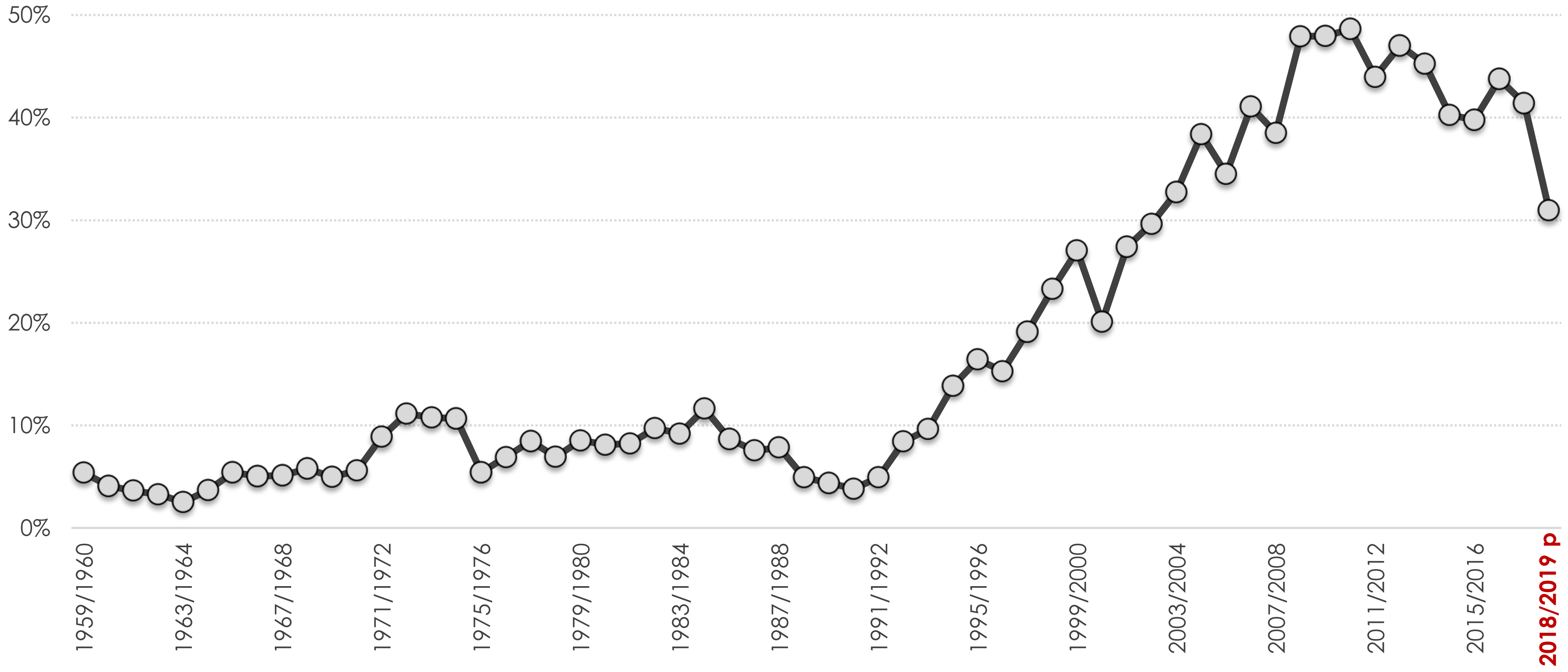
Evolution of the Brazilian sugar market

Production, exports and consumption (million tonnes)



Source: UNICA, MAPA and Brazilian Foreign Trade secretariat (SECEX). Note: * geometric growth rate

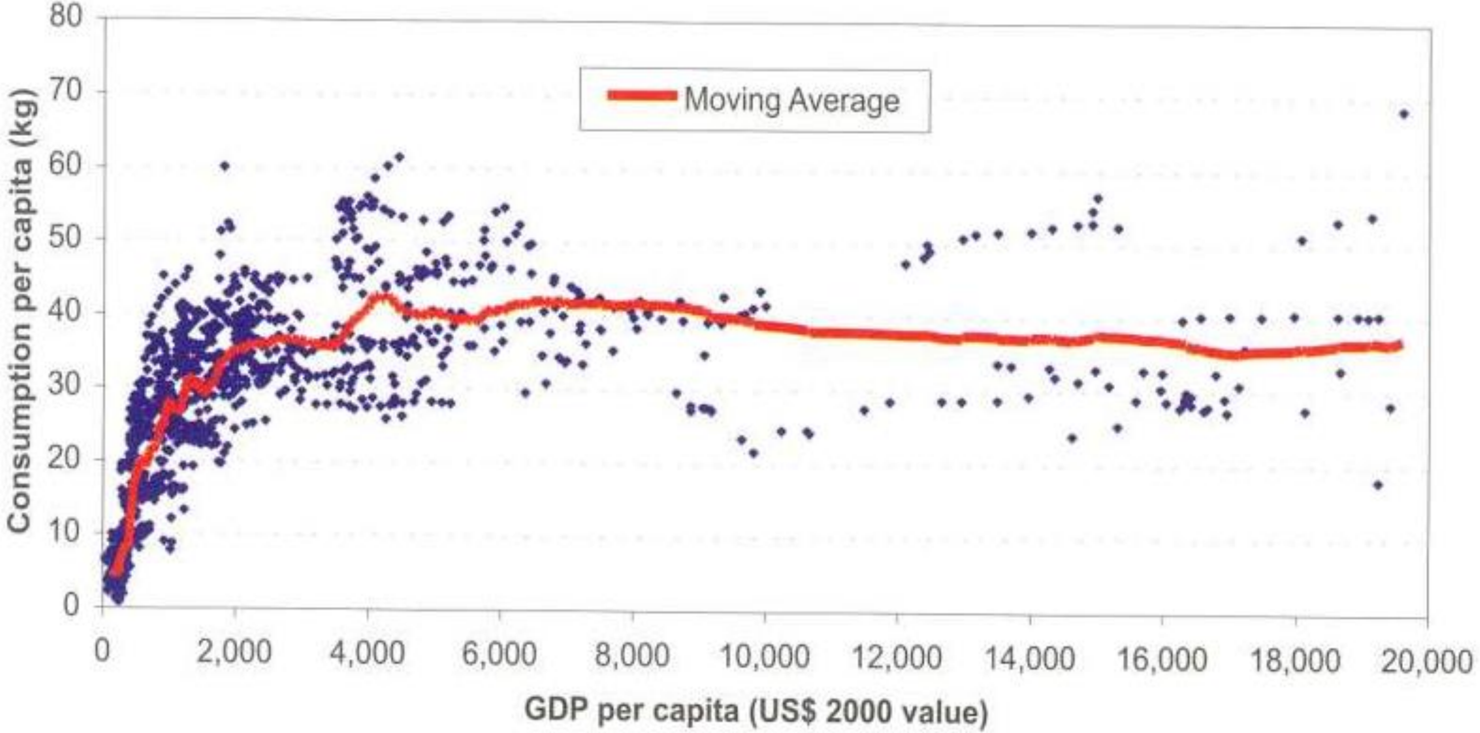
Brazilian market-share in the world market



Source: LMC. Note: 2018/2019 p – preliminar.

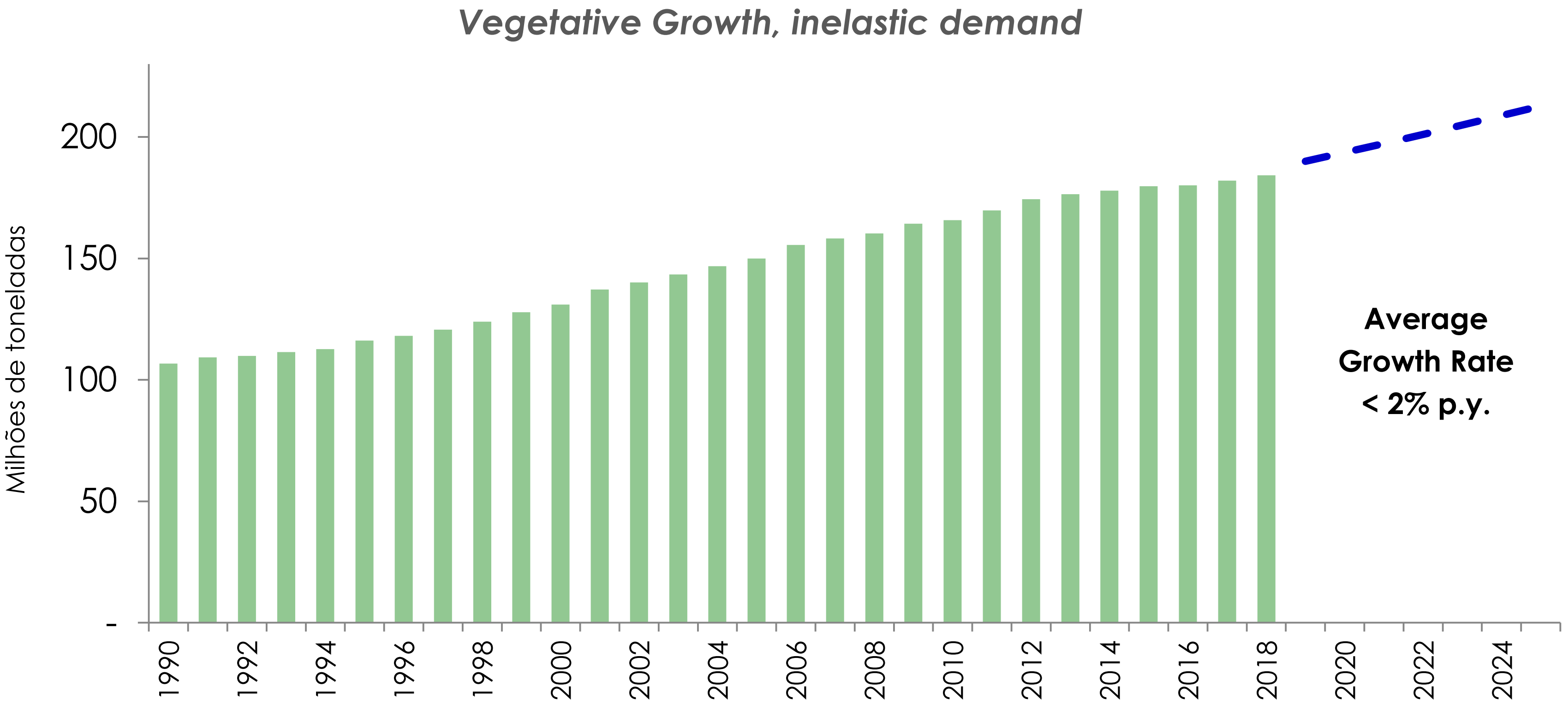
Sugar Consumption x Income

Sugar consumption per capita (kg) vs. GDP per capita in different countries



Fonte: Czarnikow

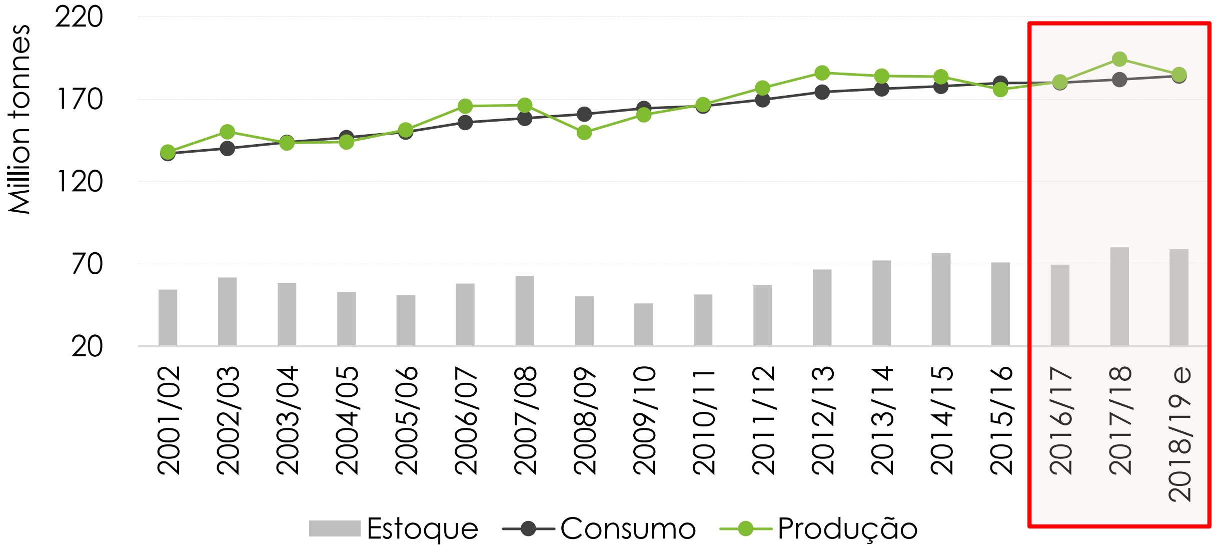
World Sugar Demand



Source: LMC.

World Sugar Market

Production, consumption e ratio betwenn GLOBAL stocks and consumption



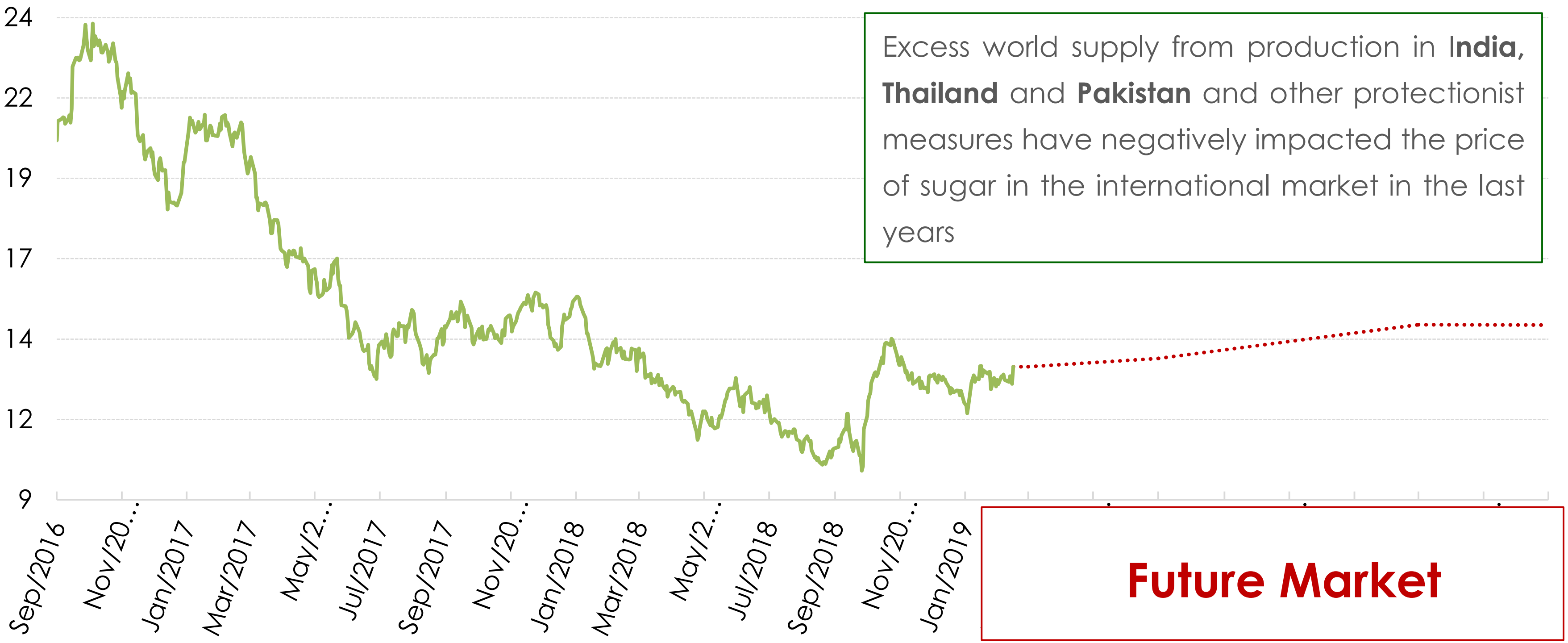
- **High Exchange Rates**
  - 2019: 3,70 R$/US$
  - 2020: 3,75 R$/US$

- **Are we going back to a deficit sugar production scenario in the short term?**
  - Public and trade policies adopted by large sugar producing countries that influence the global sugar market with subsidized sugar like Thailand, China and India (30% of the global supply) will be the crucial on the impact on the commodity price.

Source: LMC. Note: e – estimate. *Boletim FOCUS (15/02/2019)

Sugar n°11- Future Price Projection

Sugar n°11 Price in the International Market– (c US$/ lbs)



Excess world supply from production in **India**, **Thailand** and **Pakistan** and other protectionist measures have negatively impacted the price of sugar in the international market in the last years

Source: Nybot.

What lays ahead – In (trade) defense of Sugar

- Brazil will continue to discuss with Thailand **to ensure the country implements its new sugar regime** and that it is in compliance with World Trade Organization (WTO) rules
- Defend sector's interest in the safeguard procedures promoted by China through WTO mechanisms – currently in consultation phase
- Currently preparing a panel case against India, which is adopting distorcive public policies, together with other Global Sugar Alliance countries

What lays ahead – In (trade) defense of Sugar

- Collaborate with large sugar-based ethanol producers to encourage countries to adopt policies that direct sugarcane production surplus to ethanol production.
- Work on the implementation of Renovabio in Brazil – although focus is only on ethanol, the program will bring innovation and growth for the industry as a whole, as well as more predictability to the Brazilian and world sugar market.
- Continue to work with fellow producing countries to fight the witch hunt against sugar consumption around the world.

Thank you!

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