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Brazil

Sugar

Semi Annual

2006

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Report Highlights:
Brazilian sugarcane production for MY 06/07 is estimated at 418 mmt, down 2 mmt from the initial forecast, but up 8 percent from MY 2005/06 due to area expansion and improved weather conditions. Sugar production for MY 2006/07 is projected at 30.85 mmt, raw value, up 15 percent relative to previous season, while exports are estimated at 19.55 mmt. Total ethanol production is projected at 16.61 billion liters. Ethanol domestic consumption for MY 2006/07 has been revised downward to 13.25 billion liters due to the decrease in the ethanol blend in gasoline and reduced demand due to higher prices. Ethanol exports are projected to increase to 3.1 billion liters, up 500 million liters from 200/06, due to unexpectedly strong exports to the US in mid-2006.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Sao Paulo [BR3]
[BR]

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PS&D Tables

PSD Table

Country **Brazil**

Commodity **Sugar Cane for Centrifugal** (1000 HA)(1000 MT)

	2005	Revised	New	2006	Estimate	New	2007	Forecast	New
	USDA Official [	Estimate[N	Estimate[DA	Official [	Estimate[I	Estimate[DA	Official [	Estimate[N	Estimate[N
Market Year Begin		05/2004	05/2004		05/2005	05/2005		05/2006	05/2006
Area Planted	6050	6050	6050	6250	6250	6250	6550	6550	6550
Area Harvested	5350	5350	5350	5610	5610	5610	5940	5940	5940
Production	385800	385800	385800	385000	385000	386500	420000	420000	418000
Total Supply	385800	385800	385800	385000	385000	386500	420000	420000	418000
Utilization for Sugar	193285	193285	193285	187265	187265	187530	210500	210500	212511
Utilizatn for Alcohol	192515	192515	192515	197735	197735	198970	209500	209500	205489
Total Utilization	385800	385800	385800	385000	385000	386500	420000	420000	418000

PSD Table

Country **Brazil**

Commodity **Sugar, Centrifugal** (1000 MT)

	2005	Revised	New	2006	Estimate	New	2007	Forecast	New
	USDA Official [	Estimate[N	Estimate[DA	Official [	Estimate[I	Estimate[DA	Official [	Estimate[N	Estimate[N
Market Year Begin		05/2004	05/2004		05/2005	05/2005		05/2006	05/2006
Beginning Stocks	1030	1030	1030	585	585	585	-90	-90	-285
Beet Sugar Production	0	0	0	0	0	0	0	0	0
Cane Sugar Production	28175	28175	28175	27080	27080	26850	30340	30340	30850
Total Sugar Production	28175	28175	28175	27080	27080	26850	30340	30340	30850
Raw Imports	0	0	0	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0	0	0	0
Total Supply	29205	29205	29205	27665	27665	27435	30250	30250	30565
Raw Exports	13570	13570	13570	12565	12565	12690	14400	14400	14750
Refined Exp.(Raw Val)	4450	4450	4450	4400	4400	4400	4750	4750	4800
Total Exports	18020	18020	18020	16965	16965	17090	19150	19150	19550
Human Dom. Consumptic	10600	10600	10600	10790	10790	10630	10950	10950	10800
Other Disappearance	0	0	0	0	0	0	0	0	0
Total Disappear	10600	10600	10600	10790	10790	10630	10950	10950	10800
Ending Stocks	585	585	585	-90	-90	-285	150	150	215
Total Distribution	29205	29205	29205	27665	27665	27435	30250	30250	30565

Production

Sugarcane

The Agricultural Trade Office (ATO)/Sao Paulo has revised its estimate of total Brazilian sugarcane production for marketing year (MY) 2005/06 (May-April) to 386.5 million metric tons (mmt) due to better than expected yields in the north-northeast (NNE) region. The center-south (CS) production estimate remains unchanged at 337 mmt, while the NNE produced 49.5 mmt of sugarcane.

Sugarcane production for MY 2006/07 is estimated at 418 mmt, down 2 mmt from previous forecast. The pace of the harvest in the CS is accelerated and sugarcane crush should end in November. The CS should contribute 365 mmt, down 5 mmt relative to previous projections due to dry weather since the beginning of the harvest. According to the Sao Paulo Sugarcane Agroindustry Union (UNICA), 239.6 mmt of sugarcane were crushed from March thru August. This figure represents 66 percent of the ATO's estimated volume for the current MY. UNICA reports that 16.8 million tons of sugar, tel quell, and 9.98 billion liters of ethanol were produced from cumulative crush.

The NNE is projected to crush 53 mmt of sugarcane, up 7 percent from previous crop due to optimum weather conditions. The crush has just started for major producers in Alagoas and Pernambuco, and should run through March.

The following tables show monthly sugarcane crush data for the state of Sao Paulo and the CS region for the 2002/03 to 2006/07 crops (Apr-Mar), as reported by UNICA. Sao Paulo represents approximately 70 percent of the CS production. Cumulative sugarcane crushed in the CS states for current crop up to September 1 (239.6 mmt) is 10 percent higher the same period last season.

Sugarcane crushed in the state of Sao Paulo (1,000 metric tons).

Month	02/03	03/04	04/05	05/06	06/07
April	5,002.0	8,802.9	4,649.8	11,100.4	13,761.0
May	25,039.6	27,380.0	20,491.1	30,740.0	35,595.7
June	31,825.9	32,563.2	31,267.0	35,561.1	38,943.2
July	32,242.6	34,488.3	34,579.0	37,355.1	40,353.6
August	31,146.4	33,539.6	37,836.4	38,898.5	--
September	27,761.5	31,994.8	35,566.1	33,435.7	--
October	26,931.3	27,318.7	28,856.0	31,235.6	--
November	10,417.9	11,217.8	26,259.1	20,614.4	--
December	2,061.9	505.3	10,091.9	3,888.2	--
January	57.6	0.0	985.6	0.0	--
Cumulative	192,486.6	207,810.5	230,582.0	242,828.8	128,653.6

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

Sugarcane crushed in Center-Southern Brazil (1,000 metric tons).

Month	02/03	03/04	04/05	05/06	06/07
April	8,430.9	13,666.4	8,680.4	15,644.5	19,291.2
May	34,281.5	38,432.9	30,040.4	43,740.7	50,208.6
June	44,240.3	45,983.6	44,554.0	49,717.1	55,566.6
July	45,281.5	48,933.5	48,570.3	53,307.1	57,978.9
August	44,244.4	47,704.9	54,003.9	55,966.2	56,554.7
September	39,441.5	44,886.1	50,275.9	45,815.9	--
October	36,304.6	38,456.9	41,300.6	42,026.9	--
November	14,550.1	19,165.6	35,809.9	25,388.8	--
December	3,393.5	1,542.2	14,000.4	5,249.8	--
January	238.5	625.2	1,763.0	3.9	--
Cumulative	270,406.7	299,397.3	328,998.9	336,860.9	239,600.0

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

Area and Yields

Sugarcane area for MY 2006/07 is estimated at 6.55 million hectares (ha), unchanged from the previous estimate. Sugarcane area for harvesting is projected t 5.94 million ha, approximately 90 percent of the total area. The dry weather has contributed to the efficiency of harvesting and no significant volumes should be left unharvested in the field.

The area planted for sugarcane production, according to the Brazilian Institute of Geography and Statistics (IBGE) and the Agricultural Economics Institute (IEA) of the State of Sao Paulo Secretariat of Agriculture, follows. UNICA reports that area harvested area in the CS will total 4.527 million ha, up 11 percent compared to previous season (4.071 million ha).

Area Planted to Sugarcane (1,000 ha).

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Brazil	4,881.6	5,050.0	4,975.2	4,879.8	5,022.2	5,206.7	5,377.2	6,252.0	6,491.2	6,983.5
Sao Paulo	2,446.3	2,565.0	2,500.0	2,822.1	3,008.7	3,117.6	3,312.8	3,415.9	3,637.4	4,064.3

Sources: IBGE, IEA

Post estimates agricultural yield for MY 2006/07 at 70.37 metric tons (mt)/hectare (ha), down slightly from the previous estimate due to prevailing dry weather in the CS. In addition, some regions showed above average blossoming, which contribute to lower yields. Note that the agricultural yield should be partially offset by the good development conditions for the sugarcane in the NNE. However, dry weather in the CS should have a positive impact on the industrial yields which are estimated at 144.68 kg of TRS (total reducing sugars)/mt of sugarcane, up 2.21 kg/mt from MY 2005/06.

Sugarcane Industrial Yields

	MY 97/98	MY 98/99	MY 99/00	MY 00/01	MY 01/02	MY 02/03	MY 03/04	MY 04/05	MY 05/06	MY 06/07
TRS/ton	143.3921	139.3141	141.8108	142.0818	142.6599	146.4414	146.4	143.46	142.47	144.68

Source: Datagro, UNICA, ATO/Sao Paulo for MY 2003/04, 2004/05, 2005/06, 2006/07

Sugar and Ethanol

The MY 2006/07 estimate for TRS breakdown for sugar and ethanol production is 50.84/49.16 percent, respectively, compared to 48.52/51.48 percent for MY 2005/06, confirming the trend toward increased sugar production. Sugar prices have been attractive, supported by increased world demand. Sugar production for MY 2006/07 is estimated at 30.85 million metric ton (mmt), raw value, up 15 percent compared to MY 2005/06 (26.85 mmt, raw value). The CS states should account for 26.4 mmt, raw value, up 3.3 mmt from previous season. The NNE should contribute 4.45 mmt of sugar, raw value, a 19 percent increase vis-à-vis 2005/06.

The tables below show monthly sugar production for the state of Sao Paulo and the CS region for the 2002/03 to 2006/07 crops (April-Mach), as reported by UNICA.

Sugar production in the state of Sao Paulo (Metric tons, tel quel, Apr/Mar).

Month	02/03	03/04	04/05	05/06	06/07
April	299,239	277,632	237,758	573,693	667,102
May	1,553,742	1,661,920	1,281,288	1,895,471	2,372,176
June	2,260,884	2,223,107	2,106,071	2,374,536	2,963,270
July	2,463,143	2,592,285	2,571,142	2,600,509	3,251,627
August	2,480,964	2,716,037	3,000,822	2,955,858	--
September	2,180,166	2,642,245	2,971,773	2,600,071	--
October	2,208,774	2,188,716	2,177,653	2,234,868	--
November	764,557	841,021	1,669,759	1,368,359	--
December	133,300	45,924	526,481	154,204	--
January	3,139	1,516	-27,380	0	--
Cumulative	14,347,908	15,190,403	16,515,367	16,757,568	9,254,175

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

Sugar production in Center-Southern Brazil (Metric tons, tel quel, Apr/Mar).

Month	02/03	03/04	04/05	05/06	06/07
April	459,639	474,840	416,907	776,552	865,942
May	1,986,943	2,209,450	1,763,053	2,548,993	3,159,779
June	2,955,211	2,963,936	2,829,235	3,172,441	3,982,586
July	3,237,531	3,460,215	3,388,867	3,529,777	4,376,371
August	3,271,417	3,620,702	4,029,261	3,980,457	4,415,322
September	2,903,730	3,471,299	3,957,850	3,407,693	--
October	2,805,862	2,866,947	2,919,156	2,845,850	--
November	974,101	1,260,481	2,130,609	1,564,896	--
December	175,043	98,094	680,687	186,945	--
January	8,578	13,881	-8,996	0	--
Cumulative	18,778,055	20,439,846	22,106,629	22,013,604	16,800,000

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

The industry expects total domestic demand for ethanol of 13.25 billion liters, a decline of almost 600 million liters relative to MY 2005/06. Most of this decrease is due to the 5 percentage point decrease in the mandated ethanol blend in gasoline (reduced from 25 to 20 percent on March 1).

The sales of flex-fuel vehicles, which reached 2 million units through August 2006, continue strong (see table below). However, the flex fuel fleet still represents a small share (estimated to be less than 10 percent) of the total fleet.

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

1999	2000	2001	2002	2003	2004	2005	2006 1/
10,947	10,292	18,335	55,961	84,558	379,329	897,308	886,573

Source: ANFAVEA 1/ January-August.

The steady sales of flex-fuel vehicles do not guarantee a higher demand for ethanol since consumers' decisions are driven by ethanol and gasoline prices. In practice, the 70 percent ratio between ethanol and gasoline prices determines if consumers will choose ethanol (price ratio below 70 percent) or gasoline (price ration above 70 percent).

The table below shows the average price for gasoline and ethanol as well as the price ratio for the May-September 2005 and 2006 for selected states. Note not only the overall increase in the price ratio from 2005 to 2006, but also that the ratio has exceeded 70 percent in the populous states of Minas Gerais and Rio de Janeiro, thus decreasing demand for the product.

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

		Gasoline		Ethanol		Ratio Ethanol/Gasoline	
		2005	2006	2005	2006	2005	2006
Sao Paulo	May	2.171	2.438	1.104	1.446	51%	59%
	June	2.147	2.415	0.99	1.305	46%	54%
	July	2.145	2.424	1.049	1.342	49%	55%
	August	2.147	2.424	1.066	1.358	50%	56%
	September	2.278	2.421	1.123	1.297	49%	54%
Minas Gerai	May	2.131	2.439	1.502	2.011	70%	82%
	June	2.085	2.396	1.404	1.845	67%	77%
	July	2.117	2.414	1.443	1.826	68%	76%
	August	2.134	2.408	1.463	1.809	69%	75%
	September	2.254	2.415	1.475	1.778	65%	74%
Rio Janeiro	May	2.249	2.558	1.52	1.968	68%	77%
	June	2.234	2.534	1.419	1.807	64%	71%
	July	2.226	2.521	1.407	1.767	63%	70%
	August	2.225	2.519	1.419	1.775	64%	70%
	September	2.34	2.514	1.446	1.743	62%	69%
Parana	May	2.236	2.527	1.352	1.688	60%	67%
	June	2.069	2.432	1.117	1.495	54%	61%
	July	2.199	2.502	1.241	1.542	56%	62%
	August	2.234	2.402	1.26	1.531	56%	64%
	September	2.356	2.389	1.311	1.448	56%	61%

Source: Petroleum, Natural Gas and Biofuels National Agency (ANP). September 2006 refers to Sep 1-21.

Total ethanol production for MY 2006/07 is estimated at 16.6 billion liters, up about five percent compared to MY 2005/06 (15.8 billion liters). Anhydrous production should account for 7.26 billion liters, whereas hydrated ethanol should contribute 9.35 billion liters). The table below shows the Brazilian automotive fuel production matrix since 2001, as reported by the Petroleum, Natural Gas and Biofuels National Agency (ANP). The share of hydrated ethanol has increased steadily as a consequence of the introduction of flex-fuel vehicles in the market.

Brazilian Fuel Production Matrix (000 m3)

	2001	2002	2003	2004	2005
Diesel	33,078	32,991	34,153	38,252	38,396
Gasoline A	19,930	19,407	18,537	18,583	19,978
Anhydrous	6,481	7,040	8,832	7,859	8,208
Hydrated	4,985	5,549	5,638	6,788	7,832

Source: ANP

Estimates released by the Brazilian Ministry of Agriculture, Livestock and Supply (MAPA), place cumulative alcohol production for the 2005/06 crop through August 1, 2006 was reported at 15.8 billion liters – 7.7 billion liters of anhydrous alcohol and 8.1 billion liters of hydrated alcohol. The tables below show sugarcane, sugar and ethanol production by state for the 2005/06 and 2006/07 crops, as reported by MAPA.

Cane, Sugar and Alcohol Production by State and Region: 2005/06 Crop (MT and 000 Liters)

			Alcohol		
State/Region	Cane	Sugar	Anhydous	Hydrous	Total
Alagoas	22,254,195	2,079,812	212,334	334,112	546,446
Amazonas	252,672	14,151	0	6,009	6,009
Bahia	2,391,415	117,485	84,147	19,128	103,275
Ceara	40,709	2,076	0	1,022	1,022
Maranhao	844,456	11,618	42,335	13,808	56,143
Para	502,316	0	33,982	8,193	42,175
Paraiba	4,208,743	115,573	111,571	156,077	267,648
Pernambuco	13,797,850	1,226,763	206,257	119,316	325,573
Piaui	492,369	7	26,597	8,486	35,083
Rio Grande do Norte	2,356,268	175,340	50,811	22,959	73,770
Sergipe	1,109,052	65,060	19,329	28,640	47,969
Tocantins	95,314	0	4,108	110	4,218
NNE	48,345,359	3,807,885	791,471	717,860	1,509,331
Espirito Santo	3,336,546	48,260	159,962	41,071	201,033
Goias	14,568,007	749,839	369,279	360,779	730,058
Minas Gerais	24,324,538	1,732,946	397,135	549,707	946,842
Mato Grosso do Sul	9,037,916	400,857	184,340	311,251	495,591
Mato Grosso	12,342,929	515,087	295,718	475,321	771,039
Parana	24,522,773	1,483,136	346,610	674,169	1,020,779
Rio de Janeiro	4,723,384	287,733	44,948	83,276	128,224
Rio Grande do Sul	57,976	0	0	3,338	3,338
Sao Paulo	241,222,574	17,188,644	5,073,929	4,928,012	10,001,941
Center South	334,136,643	22,406,502	6,871,921	7,426,924	14,298,845
TOTAL	382,482,002	26,214,387	7,663,392	8,144,784	15,808,176

Source: Ministry of Agriculture, Livestock and Supply, Sugar and Alcohol Dept, 08/01/06

Cane, Sugar and Alcohol Production by State and Region: 2006/07 Crop (MT and 000 Liters)

			Alcohol		
State/Region	Cane	Sugar	Anhydous	Hydrous	Total
Bahia	549,124	30,470	13,321	5,914	19,235
Maranhao	247,218	0	14,054	1,953	16,007
Piaui	43,169	0	1,906	721	2,627
Tocantins	73,795	0	3,752	506	4,258
NNE	913,306	30,470	33,033	9,094	42,127
Espirito Santo	657,758	15,827	25,574	10,050	35,624
Goias	4,505,634	213,851	98,311	106,671	204,982
Minas Gerais	7,526,448	473,721	112,877	176,786	289,663
Mato Grosso do Sul	3,397,091	189,357	69,277	79,164	148,441
Mato Grosso	4,345,697	165,969	95,647	138,897	234,544
Parana	10,210,961	610,649	120,164	294,668	414,832
Rio de Janeiro	1,441,172	104,989	10,278	22,830	33,108
Sao Paulo	80,819,713	5,451,538	1,429,117	1,613,099	3,042,216
Center South	112,904,474	7,225,901	1,961,245	2,442,165	4,403,410
TOTAL	113,817,780	7,256,371	1,994,278	2,451,259	4,445,537

Source: Ministry of Agriculture, Livestock and Supply, Sugar and Alcohol Dept, 07/01/06

Sugarcane, Sugar and Ethanol Prices in the Domestic Market

According to the Sugarcane Growers Organization for Center-Southern Brazil (ORPLANA), the MY 2005/06 average sugarcane price paid to third party suppliers in the state of Sao Paulo was R$ 0.3084 per kg of TRS or R$ 44.95 per ton of sugarcane. These figures represent 26 and 28 percent increases compared to MY 2004/05 (R$ 0.2442 per kg of TRS or R$ 35.09 per ton of sugarcane). The average price paid to sugarcane suppliers for MY 2006/07 is R$ 55 per ton of sugarcane (May-mid September), up 22 percent from previous season. Current prices paid to suppliers are above the average producing costs estimated at R$ 43 per ton. Note that the aforementioned figures represent prices actually paid to third party suppliers.

The Crystal Sugar Index released by the University of Sao Paulo’s College of Agriculture "Luiz de Queiroz" (ESALQ) follows. The Index tracks crystal sugar prices in the domestic spot market. In spite of the higher supply of both sugar and ethanol due to the harvest period, prices remain very strong in the domestic market due to the strong demand domestically and abroad. Note that domestic prices are more dependent on international prices since Brazil exports about one third of the TRS. Price equivalences for mid-June among different sugarcane products are also shown below.

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

Period	2002	2003	2004	2005	2006
January	25.64	41.92	19.66	29.40	47.80
February	22.88	45.17	18.18	28.78	51.55
March	21.28	43.89	21.62	33.24	51.72
April 1/	20.8	39.24	28.00	33.63	50.61
May	20.69	30.87	22.42	26.24	48.56
June	18.76	25.09	26.57	26.13	49.72
July	19.2	23.93	27.85	29.19	50.25
August	22.95	29.41	30.00	30.51	44.10
September	24.46	24.31	28.73	31.80	38.06
October	34.53	21.14	27.62	33.69	--
November	40.06	20.38	29.90	34.28	--
December	39.82	21.42	31.43	39.15	--

Source: USP/ESALQ/CEPEA 1/ September 2006 price refers to September 1-15.

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

	Anhydrous					Hydrated				
Month	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
January	621.90	922.03	633.43	885.13	1,040.59	729.98	803.02	561.13	763.41	1018.24
February	614.32	1024.82	451.61	847.92	1063.94	721.13	876.62	372.62	765.47	1064.2
March	608.22	1005.16	390.48	875.67	1191.42	704.06	857.81	341.15	772.09	1208.53
April	608.94	996.71	462.93	842.91	1185.53	710.84	840.26	415.9	734.91	1063.46
May	570.78	883.79	541.86	680.88	966.47	491.07	745.22	472.73	593.29	848.56
June	483.72	644.80	628.86	669.81	983.66	406.99	576.24	536.48	584.96	854.55
July	469.25	586.23	678.64	773.32	1036.03	387.05	476.43	580.63	672.77	898.36
August	493.71	709.35	756.54	759.74	955.43	421.57	599.60	653.07	657.65	819.57
September 1/	569.86	669.34	774.52	843.78	868.52	484.96	576.70	654.32	735.72	747.64
October	650.19	593.17	905.57	938.00	--	580.09	505.29	766.69	820.25	--
November	763.92	650.31	978.91	928.65	--	683.66	527.76	837.73	817.91	--
December	780.95	708.84	907.16	1053.25	--	689.05	608.18	774.33	947.24	--

Source: USP/ESALQ/CEPEA 1/ September 2006 prices refer to September 18-22.

Price Equivalence should be read vertically

Price Equivalence - prices paid for producers, Ribeirao Preto region, state of Sao Paulo										
Anhydrous alcohol (R$/m3 (including PIS, COFINS, not including ICMS)										
896.73	963.99	1,031.24	1,098.50	1,165.75	1,233.00	1,300.26	1,367.51	1,434.77	1,502.02	1,569.28
Hydrated Alcohol - R$/m3 (including PIS, COFINS and 25 % ICMS)										
948.43	1,019.56	1,090.69	1,161.83	1,232.96	1,304.09	1,375.22	1,446.35	1,517.49	1,588.62	1,659.75
Crystal Sugar for the domestic market - R$/50 kg bag (including, PIS, COFINS and 7% ICMS)										
32.32	34.60	36.89	39.17	41.45	43.74	46.02	48.31	50.59	52.88	55.16
VHP Sugar for export market - US$ cents/lb - FOB price, Port of Santos										
11.15	11.87	12.60	13.32	14.04	14.76	15.48	16.21	16.93	17.65	18.37
Sources: Datagro, NYCSCE, LIFE, BM&F.										
Note: Price equivalence should be read for each column, parameters updated in June 10, 2006. Exchange rate = R$2.20/1US$										

Consumption

The ATO/Sao Paulo estimate for Brazilian MY 2006/07 consumption has been adjusted downward to 10.80 mmt, raw value, up 170,000 mt from revised figure for MY 2005/06 (10.63 mmt), to reflect updated information on actual consumption. The domestic sugar consumption follows closely Brazilian population growth and the expansion in the food processing sector.

Trade

Sugar Exports

ATO/Sao Paulo estimates Brazilian sugar exports for MY 2006/07 at 19.55 mmt, raw value, up 2 percent relative to previous estimate, due to strong demand and high sugar prices. Raw sugar exports should contribute 14.75 mmt or 75 percent of total exports. Refined exports should account 4.8 mmt, raw value.

Sugar exports for MY 2005/06 were adjusted to 17.09 mmt, raw value, reflecting up to date information from the industry. World sugar demand has been increasing 2-3 percent annually and Brazil has been investing in new plants to supply a significant part of this increase. The following tables show Brazilian sugar exports by destination for MY 2005/06 and MY 2006/07, as reported by the Brazilian Secretariat of Foreign Trade (SECEX).

Brazilian Sugar Exports by Country of Destination
(NCM 1701.11.00, MT, tel quel, US$ 000 FOB)

	MY 2005/06		MY 2005/06 1/		MY 2006/07 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Russia	4,326,290	953,016	2,219,548	434,323	1,488,935	475,992
Iran	361,343	80,055	119,659	23,928	542,402	180,858
Egypt	511,962	115,623	254,126	48,846	490,250	151,899
Algeria	485,169	113,405	161,099	32,052	282,600	95,992
Morocco	459,620	107,620	136,353	27,379	271,097	85,549
Nigeria	891,768	210,752	256,638	52,978	230,439	76,685
Canada	841,630	180,940	160,905	31,551	210,600	68,074
Malaysia	649,111	151,600	119,600	24,141	188,479	70,262
U.A.E.	398,363	82,641	215,801	43,497	179,020	61,409
Venezuela	508	135	0	0	119,539	43,436
Others	2,453,037	581,478	926,386	196,965	641,856	220,342
Total	11,378,801	2,577,265	4,570,115	915,661	4,645,218	1,530,498

Source : Brazilian Foreign Trade Secretariat (SECEX)
Note : Numbers may not add due to rounding . 1/ May-August.

Brazilian Sugar Exports by Country of Destination
(NCM 1701.99.00, Metric ton, tel, quel, US$ 000 (FOB)

	MY 2005/06		MY 2005/06 1/		MY 2006/07 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
U.A.E.	560,285	143,191	207,945	44,492	259,474	96,297
Yemen	377,227	106,023	168,408	39,616	216,083	93,927
Saudi Arabia	375,569	93,299	113,892	22,617	174,490	65,519
Ghana	443,765	111,492	212,437	49,794	128,968	50,248
Bangladesh	391,092	98,986	232,982	52,264	127,119	52,481
Sri Lanka	113,710	28,573	60,507	14,043	98,984	41,411
Angola	196,470	58,278	29,400	7,013	89,104	38,475
South Africa	262,878	69,688	117,238	24,593	82,155	27,468
Nigeria	402,361	107,537	176,608	42,010	80,852	25,431
Pakistan	200,900	51,267	141,278	33,793	75,535	30,823
Others	2,558,898	681,888	1,308,238	302,587	681,300	285,487
Total	5,883,154	1,550,222	2,768,933	632,822	2,014,062	807,566

Source : Brazilian Secretariat of Foreign Trade (SECEX)
Note : Numbers may not add due to rounding. 1/ May-August.

Ethanol Exports

Ethanol exports for MY 2005/06 are estimated at 2.48 billion liters, as reported by SECEX, whereas exports for MY 2006/07 are projected at 3.1 billion liters. The sharp increase is due to strong exports to the U.S. during May-August 2006 (870 million liters, as opposed to 53 million liters for the same period in 2005). The following tables show Brazilian alcohol exports by country of destination, as reported by SECEX.

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

	MY 2005/06			MY 2005/06 1/			MY 2006/07 1/		
Country	Weight	Volume	Value	Weight	Volume	Value	Weight	Volume	Value
U.S.A.	319,906	395,776	149,102	34,646	42,862	12,167	551,447	682,230	358,157
Netherlands	203,000	251,145	82,790	70,008	86,612	25,549	65,994	81,646	38,592
Sweden	160,388	198,426	58,888	67,754	83,823	23,980	58,999	72,991	26,781
El Salvador	136,047	168,313	49,746	18,244	22,571	6,548	46,685	57,758	28,920
Costa Rica	85,304	105,536	34,386	13,802	17,075	4,697	35,355	43,740	16,271
South Korea	176,756	218,677	66,683	61,953	76,645	22,998	26,224	32,444	13,184
Japan	235,112	290,873	92,282	77,037	95,307	27,617	19,196	23,748	10,323
Jamaica	94,458	116,860	37,176	41,365	51,175	12,953	17,836	22,066	9,759
Mexico	74,414	92,062	26,723	15,393	19,044	4,632	10,771	13,325	3,939
India	212,380	262,748	72,304	201,245	248,974	68,712	7,954	9,840	4,986
Others	229,402	283,808	97,249	85,999	106,394	32,744	30,456	37,679	19,889
Total	1,927,168	2,384,223	767,329	687,445	850,482	242,597	870,917	1,077,468	530,801

Source : Brazilian Foreign Trade (SECEX)
Note : Numbers may not add due to rounding, 1 liter = 0.8083 Kg 1/ May-August

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

	MY 2005/06			MY 2005/06 1/			MY 2006/07 1/		
Country	Weight	Volume	Value	Weight	Volume	Value	Weight	Volume	Value
U.S.A.	22,105	27,348	10,364	7,960	9,848	2,393	151,492	187,421	102,101
Venezuela	533	660	385	186	230	104	16,112	19,933	13,408
Sweden	0	0	0	0	0	0	1,427	1,765	918
Netherlands	17,708	21,907	6,345	7,273	8,998	2,488	1,055	1,306	622
Angola	0	0	0	0	0	0	6	7	10
India	15,258	18,876	4,734	15,258	18,876	4,734	0	0	0
Japan	7,729	9,562	2,544	1,503	1,859	500	0	0	0
Mexico	6,458	7,989	2,214	1,151	1,424	386	0	0	0
Trinidad Tobago	4,335	5,363	1,380	0	0	0	0	0	0
Costa Rica	2,259	2,795	821	0	0	0	0	0	0
Others	4,227	5,230	1,706	219	271	112	0	0	0
Total	80,613	99,731	30,492	33,549	41,506	10,716	170,092	210,432	117,060

Source : Brazilian Foreign Trade Secretariat (SECEX)

Note : Numbers may not add due to rounding, 1 liter = 0.8083 Kg 1/ may-August.

Stocks

Projected sugar and ethanol ending stocks should remain low for MY 2006/07 (215,000 metric tons, raw value, for sugar and 110 million liters) as a consequence of strong demand for both products.

Policy

No changes have been reported with regard to import duties, quotas, etc. The percentage of ethanol blended to gasoline was reduced from 25 to 20 percent on March 1. The industry has requested that the Government of Brazil increase the blend back to 25 percent, claiming there will not be shortages of ethanol in March-April 2007 prior to the new crop.

Exchange Rate

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

Month	2002	2003	2004	2005	2006
January	2.42	3.53	2.94	2.62	2.22
February	2.35	3.56	2.91	2.60	2.14
March	2.32	3.35	2.91	2.67	2.17
April	2.36	2.89	2.94	2.53	2.09
May	2.52	2.97	3.13	2.40	2.30
June 1/	2.84	2.87	3.11	2.35	2.16
July	3.43	2.97	3.03	2.39	2.18
August	3.02	2.97	2.93	2.36	2.14
September	3.89	2.92	2.86	2.22	2.22
October	3.65	2.86	2.86	2.25	--
November	3.59	2.95	2.73	2.21	--
December	3.53	2.89	2.65	2.26	--

Source: Gazeta Mercantil. Note: September 2006 ROE refers to Sep. 22.