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Report Highlights:

Post expects Brazil to remain the world's largest producer of sugarcane and sugar in marketing year (MY) 2025/26. Total sugarcane production is forecast at 671 million metric tons (MMT), and total sugar production is forecast at 44.7 MMT, raw value. Sugar production should be favored by greater crystallization capacity of the mills, an increase in the volume of raw material, and a favorable sugar mix. As a result, Brazil is likely to increase sugar exports in MY 2025/26, even with uncertainties in commodity markets and international price volatility. Post forecasts Brazilian sugar exports for MY 2025/26 at 35.8 MMT, raw value, a slight increase of 710,000 metric tons, raw value, compared to MY 2024/25. USTR allocated Brazil's tariff-rate-quota on July 26, 2024. Brazil is the second-largest recipient of the U.S. sugar tariff-rate quota and received an allocation of 155,993 MTRV, which is equivalent to approximately 14 percent of the total TRQ.

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Sugarcane Production

Sugarcane for Centrifugal Market Year Begins	2023/2024		2024/2025		2025/2026	
	Apr 2023		Apr 2024		Apr 2025	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Area Planted (1000 HA)	9500	9800	9600	9800	0	9850
Area Harvested (1000 HA)	9300	9650	9400	9650	0	9600
Production (1000 MT)	705200	652000	645000	677800	0	671000
Total Supply (1000 MT)	705200	652000	645000	677800	0	671000
Utilization for Sugar (1000 MT)	345548	319480	316050	332122	0	328790
Utilization for Alcohol (1000 MT)	359652	332520	328950	345678	0	342210
Total Utilization (1000 MT)	705200	652000	645000	677800	0	671000
(1000 HA) ,(1000 MT)						

Post expects Brazil to remain the world's largest producer of sugarcane and sugar, despite the challenging weather conditions faced throughout 2024. The forecast for total sugarcane production in the marketing year (MY) 2025/26 (April to March) is estimated at 671 million metric tons (MMT). The Center-South region (CS) is expected to produce 618 MMT, while the North-Northeast region (NNE) is projected to produce 53 MMT.

Between October 2023 and August 2024, a significant drought affected the main producing regions in the CS. In a few areas, the water deficit reached 1,072 millimeters (mm), which hindered the development of sugarcane fields. Sugarcane quality decreased due to water stress, particularly in São Paulo and Minas Gerais, the largest sugarcane-producing states in Brazil.

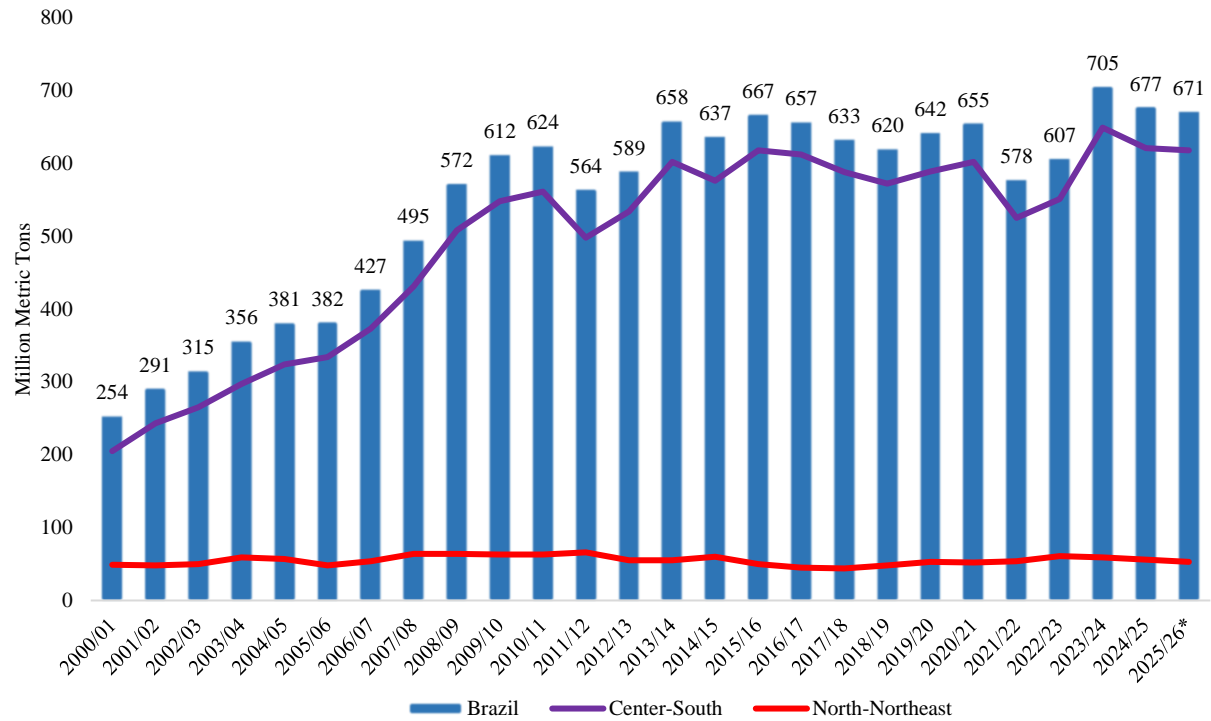
In addition to the drought, wildfires occurred across Brazil between August and October 2024. In sugarcane-producing regions, the fires affected areas that had already been harvested, which required sugarcane replanting and disrupted harvest planning for the 2025/26 crop year. Mills faced difficulties in maintaining the pace of planting year-round sugarcane throughout the dry period of 2024, which may have repercussions in 2025. Please refer to the Climate Updates section at the end of this report for more information on the impact of weather conditions in MY2024/25.

Post revised total sugarcane production in MY 2024/25 to 677.8 MMT, an increase of five percent from the previous forecast of 645 MMT. The Center-South region production is estimated at 621 MMT in MY 2024/25, while the North-Northeast region is estimated at 56 MMT. Sao Paulo is the largest sugarcane-producing state and accounted for 57.5 percent of crushing in the Center-South in MY2024/25.

The beginning of the 2024/25 harvest was characterized by a significant share of *bisada* sugarcane (cane left in the fields to be crushed early the next season), which led to a misleading impression of high productivity.

Figure 01

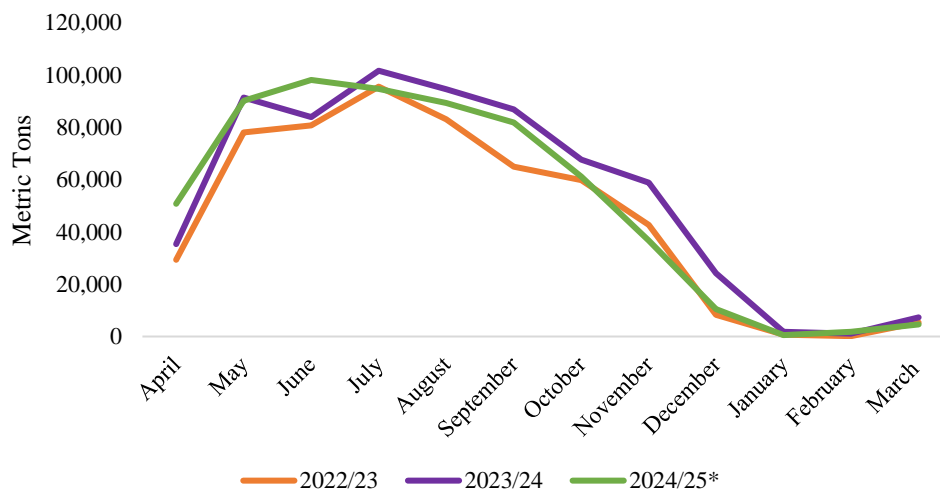
Brazilian Sugarcane Production, MY 2000/01 to MY2025/26 (in million metric tons)



*Source: Ministry of Agriculture; Chart Post Brasilia *Forecast*

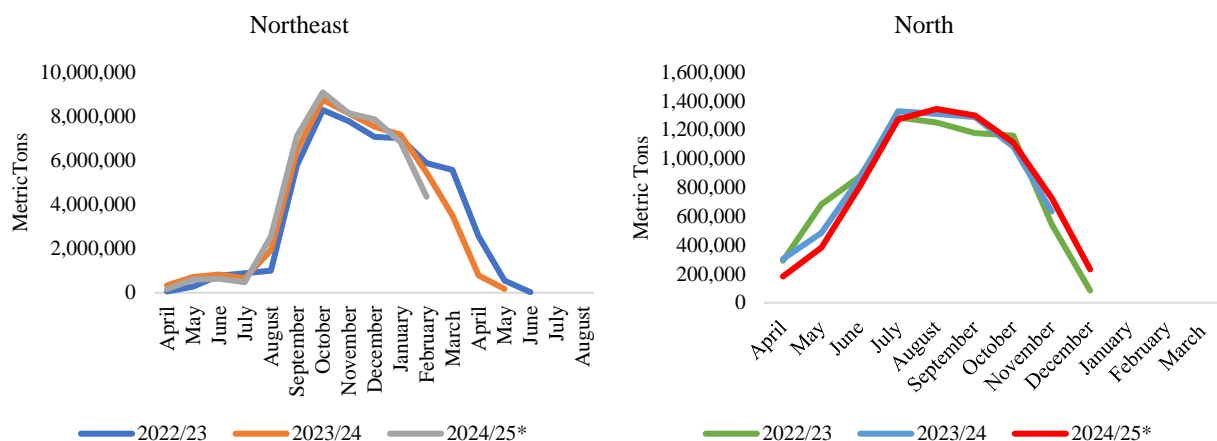
Figure 02

Sugarcane Crushed in the Center-South (metric tons)



*Source: Brazilian Sugarcane and Bioenergy Industry Association; Chart Post Brasília *Estimate*

Figure 03
Sugarcane Crushed in the North-Northeast (metric tons)



Source: Ministry of Agriculture and Livestock; Chart Post Brasília *Estimate

Area Planted with Sugarcane

Post forecasts total area planted with sugarcane in MY 2025/26 at 9.85 million hectares (ha), slightly higher than the 9.8 million/ha planted in the previous crop year. Increasing grain prices continue to encourage migrating marginal sugarcane areas to soybeans and corn. In the Center-South region, the crop season extends from April through March, with the states of São Paulo, Minas Gerais, Goiás, and Mato Grosso do Sul being the main producing regions, accounting for 91 percent of the total sugarcane output in the Center-South. Meanwhile, the North-Northeast states of Alagoas, Pernambuco, and Paraíba account for 69 percent of the total sugarcane volume processed in the region, with crushing occurring during the September-August crop season.

Despite uncertainties about the impacts of the drought on sugarcane areas under development, Post forecast a slight increase in the total sugarcane harvest area to 8.8 million hectares in MY 2025/26. The harvest area in MY 2024/25 totaled 8.67 million hectares, representing a 4.1 percent increase compared to the previous crop year (8.33 million hectares). This growth is attributed to the expansion and renovation of sugarcane areas for regular replanting planning and incentives for sugar production, given the prospects for better remuneration. The table below has been readjusted to reflect the updated data.

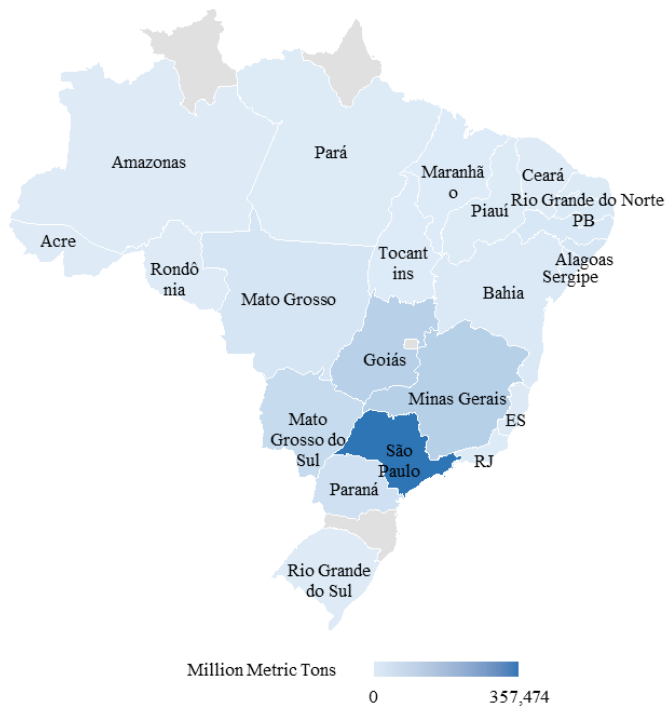
Table 01
Area Harvested to Sugarcane (1,000 ha)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26*
São Paulo	4,588	4,444	4,147	4,091	4,346	4,400
Center-South	7,725	7,425	7,370	7,400	7,726	7,820
North-Northeast	895	892	918	932	969	980
Brazil	8,620	8,317	8,288	8,333	8,695	8,800

Source: National Supply Company; Chart Post Brasília *Forecast

Figure 04

Largest Sugarcane Producing States in MY2024/25 – in million metric tons



Source: Ministry of Agriculture and Livestock; Chart Post Brasília

Agricultural and Industrial Yields

Post forecasts MY 2025/26 Brazilian sugarcane agricultural yield at 79.2 tons per hectare (t/ha), a slight increase compared to the previous crushing season (78.5 t/ha). Agricultural yield refers to the amount of sugarcane harvested per unit of area land. The average yield in the Center-South region is estimated at 79 t/ha, while the average yield in the North-Northeast is projected at 54 t/ha. The difference between both regions is primarily due to the higher use of machinery and technological inputs in the Center-South.

The MY 2025/26 industrial yield is projected at 141 kilograms of total recoverable sugar per metric ton (kg TRS/MT), assuming normal weather conditions prevail throughout the crushing period. Industrial yield refers to the amount of sugar produced per unit of cane harvested.

Table 02

Sugarcane Industrial Yields (kg TRS/metric ton)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26*
Center-South	144.62	142.88	140.78	138.85	141.07	141
North-Northeast	130.97	127.23	125.02	127.09	128.50	128
Brazil	143.53	141.42	139.18	137.90	139.92	139

*Source: Datagro; Chart Post Brasília *Forecast*

The MY 2025/26 harvest in the Center-South officially began on April 1. Despite the favorable dry weather for crushing, a few sugarcane mills started the crushing season later to allow the sugarcane more time to develop in the first crop fields. Throughout the month of March, 61 mills in the CS had commenced crushing operations, compared to 75 units in MY 2024/25.

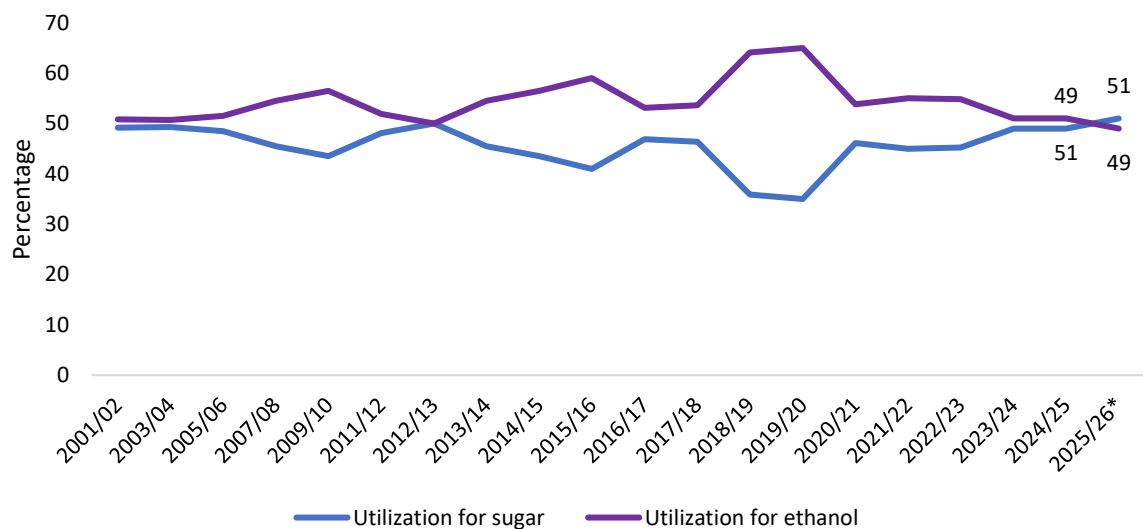
In the second half of March 2025, mills in the Center-South region processed 4.56 million tons of cane, compared to 5.10 million tons in the 2023/24 harvest, representing a 10.63 percent decrease. Sugar production totaled 201,150 tons, an increase of 9.97 percent compared to March of the previous harvest.

Sugar and Ethanol Production Mix

For MY 2025/26, Post forecasts the sugar/ethanol mix at 51 percent for sugar and 49 percent for ethanol, higher than from the MY 2024/25 estimate (49 percent for sugar and 51 for ethanol). In the previous crop, mills faced difficulties in increasing the production mix for sugar due to the low quality of the harvested raw material. However, sugarcane mills continue to prefer sugar production, given the better remuneration for sugar compared to ethanol. Additionally, recent investments to expand crystallization capacity have improved sugar production, especially in the Center-South region.

According to Post contacts, the MY 2025/26 cane harvest is not expected to experience adverse weather effects, which should favor the purity of the juice and lead to greater sugar production. Despite an atypical short-duration drought between February and March 2025 in the Center-South region, producers are likely to continue prioritizing sugar production.

Figure 05
Sugarcane Breakdown: Sugar/Ethanol Production Mix



Source: National Supply Company and Industry Sources; Chart Post Brasília *Forecast

Sugarcane Prices in the Domestic Market

Sugarcane prices received by third-party suppliers in the main producing states are based on a formula that considers prices for sugar and ethanol in both domestic and international markets. The Sugarcane, Sugar, and Ethanol Growers Council of Sao Paulo (CONSECANA) was the first to develop this formula, and it is used in the states of São Paulo, Alagoas/Sergipe, Paraíba, Pernambuco, and Paraná.

CONSECANA reports that the average sugarcane price through February 2025 for the state of São Paulo was BRL 1.1945 per kilogram of total recoverable sugar (kg/TRS), or approximately BRL 168 per metric ton (MT) of sugarcane.

In 2024, Consecana has commissioned a technical study to revise of the model for cane prices, and as of April 14, 2025, the studies were not fully completed. The decision to revise the model and adjust prices formation will be taken jointly by Consecana and the Brazilian Sugarcane and Bioenergy Industry Association (UNICA).

Note: In this report, prices will be maintained in Brazilian Reais to avoid conversion losses. The following table shows the official exchange rate compared to the U.S. dollar.

Table 03

Exchange Rate (BRL/USD 1.00 - official rate, last day of period)

Month	2021	2022	2023	2024	2025
January	5.48	5.36	5.10	4.95	5.83
February	5.53	5.14	5.21	4.98	5.84
March	5.70	4.74	5.08	4.99	5.74
April	5.40	4.92	5.00	5.17	5.84
May	5.23	4.73	5.09	5.24	-
June	5.00	5.24	4.82	5.55	-
July	5.12	5.19	4.74	5.66	-
August	5.14	5.18	4.92	5.65	-
September	5.44	5.41	5.00	5.44	-
October	5.64	5.26	5.05	5.77	-
November	5.62	5.29	4.93	6.05	-
December	5.58	5.78	4.84	6.19	-

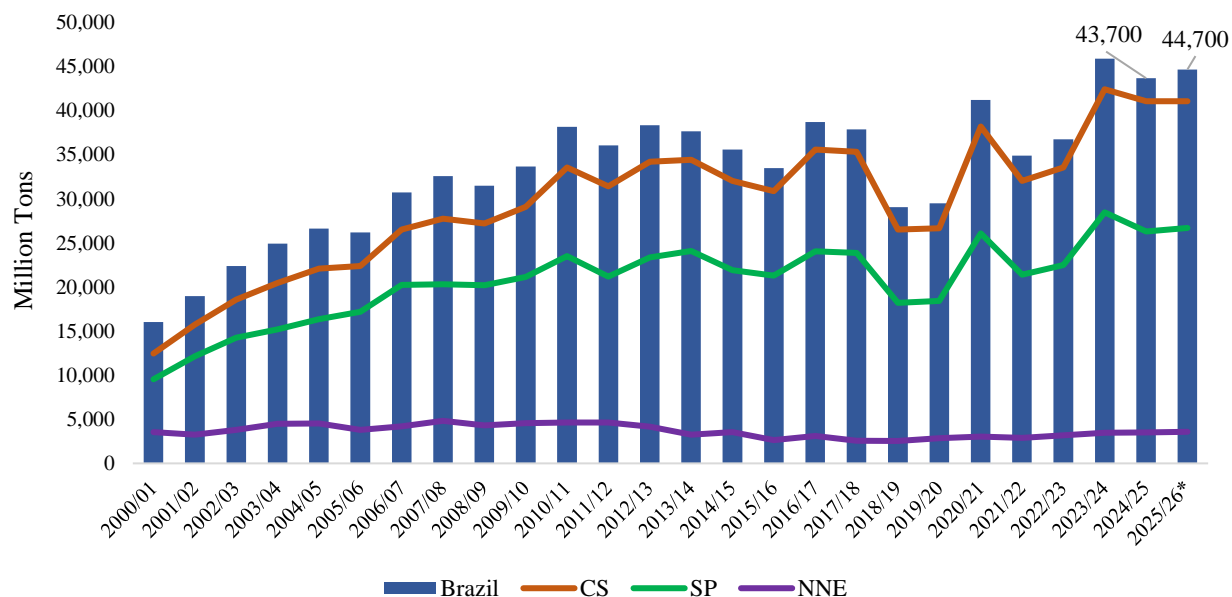
*Source: Brazilian Central Bank *Refers to April 14*

Cane Sugar Production

Sugar, Centrifugal Market Year Begins Brazil	2023/2024		2024/2025		2025/2026	
	Apr 2023		Apr 2024		Apr 2025	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	690	690	760	390	0	200
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	45544	41000	43000	43700	0	44700
Total Sugar Production (1000 MT)	45544	41000	43000	43700	0	44700
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	46234	41690	43760	44090	0	44900
Raw Exports (1000 MT)	30225	27500	29000	30570	0	31200
Refined Exp.(Raw Val) (1000 MT)	5749	5000	5500	4320	0	4600
Total Exports (1000 MT)	35974	32500	34500	34890	0	35800
Human Dom. Consumption (1000 MT)	9500	8800	9000	9000	0	8900
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	9500	8800	9000	9000	0	8900
Ending Stocks (1000 MT)	760	390	260	200	0	200
Total Distribution (1000 MT)	46234	41690	43760	44090	0	44900
(1000 MT)						

Post forecasts total sugar production for MY 2025/26 is at 44.7 MMT, raw value, representing a slight increase compared to the estimate for MY 2024/25 (43.7 MMT). The Center-South region is expected to produce 41.1 million tons, an increase of one million tons compared to the previous year, while the North-Northeast region is expected to produce 3.6 million tons, maintaining stable production compared to the previous year. Sugar production should be favored by the greater crystallization capacity of the mills, an increase in the volume of raw material, and a favorable sugar mix.

Figure 06
Brazilian Sugar Production – in metric tons, raw value



Source: Ministry of Agriculture and Livestock; Chart Port Brasília *Forecast

According to the Ministry of Agriculture and Livestock (MAPA), the total sugar production in the 2024/25 season (April 1, 2024, to March 31, 2025) was 43.7 million tons, raw value. Total ethanol production was 37.4 billion liters, with 12.9 billion liters of anhydrous ethanol and 24.5 billion liters of hydrous ethanol. The Center-South region produced 40 million tons of sugar and 35.1 billion liters of ethanol, while the North-Northeast region produced 3.7 million tons of sugar and 2.2 billion liters of ethanol. São Paulo remains Brazil's largest sugar and ethanol producer, accounting for 52 percent and 36 percent of the total production, respectively.

Table 04
Brazilian Sugar Production per Type, in million metric tons

	VHP		Demerara		Cristallization 0 to 180		Others	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
SP	20,835	19,344	0,034	0,027	7,126	6,147	0,487	0,477
CS	30,394	28,932	0,037	0,030	10,727	9,744	1,290	1,313
NNE	1,598	1,772	0,118	0,133	0,752	0,872	0,967	0,994
Brazil	31,992	30,654	0,155	0,164	11,480	10,616	2,258	2,307

Source: Ministry of Agriculture and Livestock * As of April 1, 2025

NOTE: Others include Amorphous Refined Sugar, granulated refined sugar, High Test Molasses, Crystallization 181 to 300.

Sugar Prices in the Domestic Market

The Crystal Sugar Index, released by the University of São Paulo’s College of Agriculture “Luiz de Queiroz” (USP/CEPEA/ESALQ), tracks crystal sugar prices received by producers in the domestic spot market. From April 2024 to March 2025, the CEPEA/ESALQ Index averaged BRL 152.06 per 50-kilo bag (kg/bag), a reduction of 4.73 percent compared to MY 2023/24, which averaged BRL 159.62 kg/bag, in real terms.

From March 24-28, the weekly average price of the CEPEA/ESALQ Index for white crystal sugar closed at BRL 138.58, while the average of the May 2025 contract at ICE Futures closed at BRL 139.61 per bag. Consequently, exports remunerated 0.75 percent more than sales in the São Paulo spot market. This figure considered weekly averages of USD 59.82 per ton for freight and charges, USD 88.23 per ton for quality premium, and an exchange rate of BRL 5.74 per dollar. From March 31 to April 4, the weekly average price was BRL 140.25/bag.

Table 05

Monthly Average Crystal Sugar Price Index - Domestic Market, Brazilian Real (BRL), 50kg/bag, including tax.

Period	2020	2021	2022	2023	2024	2025
January	74.33	106.31	151.45	133.98	145.04	155.31
February	78.35	107.70	144.78	132.09	145.99	143.74
March	78.45	107.58	137.60	132.00	143.58	139.68
April	77.38	108.34	140.68	141.03	147.14	141.59*
May	74.79	115.08	131.88	148.84	138.97	-
June	76.24	116.36	127.87	144.99	135.73	-
July	77.36	116.40	128.86	137.00	133.12	-
August	81.44	128.43	128.87	135.27	130.73	-
September	86.53	141.73	124.44	151.20	141.12	-
October	93.75	147.27	126.99	156.90	152.81	-
November	106.19	153.67	131.83	156.19	166.45	-
December	108.78	155.06	139.12	152.63	161.63	-

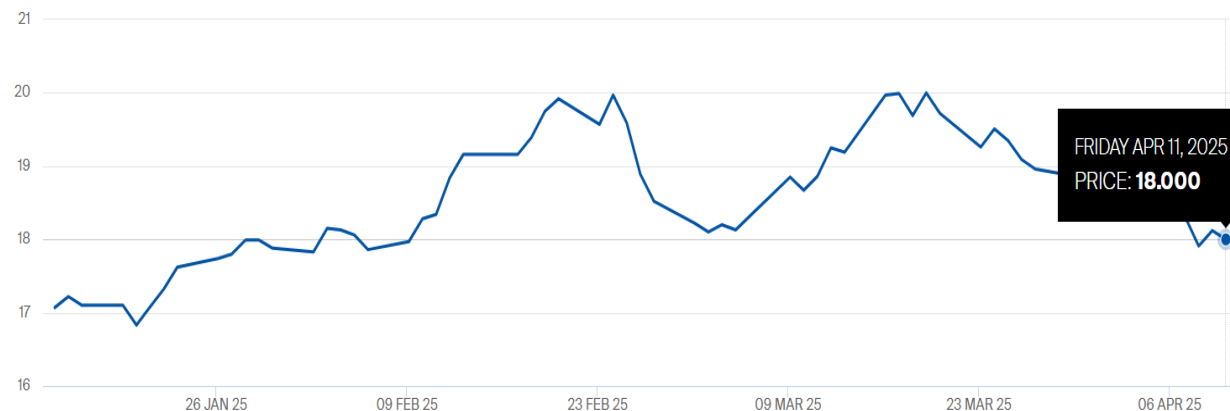
*Source: USP/CEPEA/ESALQ. *Refers to April 7*

NOTE: The index refers to Icumsa from 30 to 180

Sugar Prices in the International Market

International sugar prices are fluctuating due to increased volatility in the global market. For MY 2024/25, Mexico, India, and Thailand are experiencing a bear market, contributing to an increase in the estimated global sugar deficit. Prices for raw sugar futures traded in New York Exchange #11 contracts remained under downward pressure, with May 2025 contracts ending the week of April 11 at USD 18 cents per pound (c/lb), down 84 points week-on-week.

Figure 07
Sugar #11 Prices, USD c/lb., for May 2025 contracts

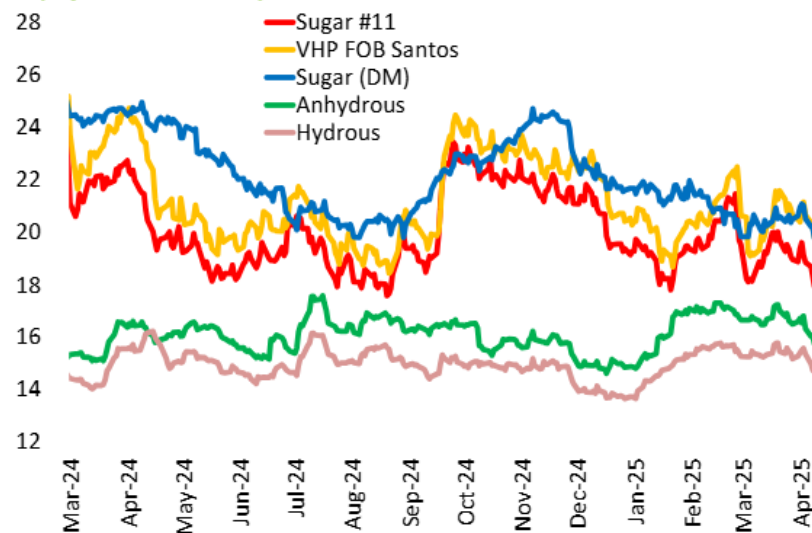


Data and chart source: Intercontinental Exchange (ICE); as of April 11, 2025.

On April 11, the sugar-ethanol price equivalency for the Center-South region, as reported by Datagro, shows that very high polarity (VHP) sugar exported FOB from the Port of Santos was traded at USD19.49 c/lb and the ethanol price equivalency on the domestic market ranges between USD15.96 c/lb (anhydrous) and USD14.80 cents/lb (hydrous).

Figure 08
Price Equivalency for Center-South, with Decarbonization Credits (CBios)

US\$ c/lb FOB Santos, Ribeirão Preto base



Source and Chart: Datagro

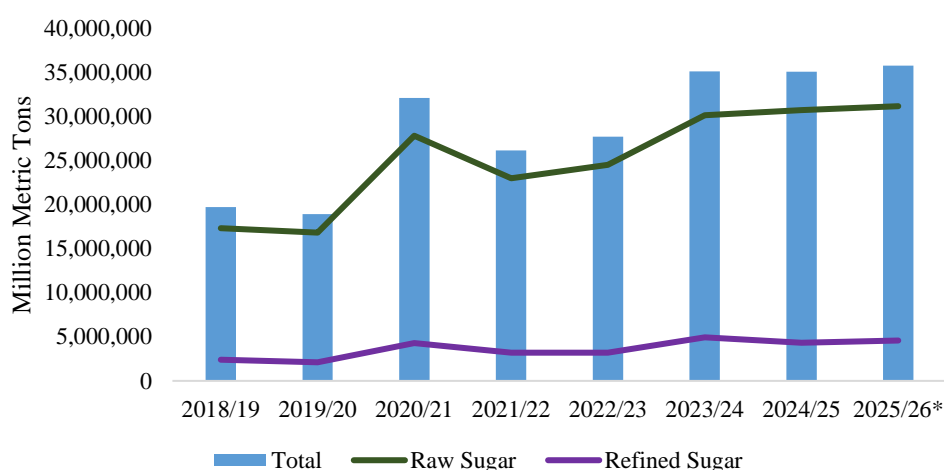
Trade

Post forecasts Brazilian sugar exports for MY 2025/26 at 35.8 MMT, raw value, a slight increase of 710,000 metric tons, raw value, compared to MY 2024/25. Sugar production in Brazil is expected to continue its upward trend, ensuring availability for exports in MY 2025/26, even with uncertainties in commodity markets and international price volatility, following the increase

in trade tariffs in early April 2025. The MY 2025/26 crushing season started a few weeks later for some mills, which may affect the initial pace of exports, which is expected to intensify from the end of May.

Figure 09

Brazilian Sugar Exports – Raw and Refined Sugar, Marketing Years in Million Metric Tons tel quel



Source: Trade Data Monitor, Chart Post Brasília *Forecast

NOTE: HS 170111, 170112, 170113, 170114, 170191, 170199

Table 06

Brazil Sugar Exports by main countries – Marketing Year (April – March); HS 170111, 170112, 170113, 170114, 170191, 170199, MT, tel quel

	2020/21	2021/22	2022/23	2023/24	2024/25
China	5,045,256	4,356,464	4,004,640	3,917,410	3,025,498
Algeria	2,260,842	2,398,145	1,931,685	1,927,341	2,150,350
Morocco	1,452,790	1,230,467	1,739,016	1,721,726	1,603,845
Nigeria	1,623,761	1,945,933	1,655,234	1,609,088	1,476,659
Bangladesh	2,175,904	1,361,057	1,279,179	1,720,802	1,755,385
Canada	1,059,465	1,232,787	1,231,644	1,262,531	1,409,562
Indonesia	2,156,366	606,047	1,219,746	2,466,554	2,947,380
UAE	1,174,635	915,826	1,122,964	1,651,489	2,075,381
India	1,755,821	268,270	581,482	3,325,957	2,697,265
Egypt	987,866	959,947	1,194,741	1,136,639	1,934,599
United States	632,974	407,246	348,379	1,029,510	1,029,073
Others	11,801,493	10,299,172	11,431,135	13,366,272	13,009,424
Total	32,127,173	25,981,361	27,739,845	35,135,319	35,114,421

Source: Trade Data Monitors; Chart Post Brasília

Consumption and Stocks

Post projects sugar ending stocks for MY 2025/26 at 200,000 tons, raw value, unchanged from the MY 2024/25 estimate. There is no official source for carry-over sugar stocks in Brazil, nor is there an official source for domestic sugar consumption. Post forecasts sugar consumption for MY 2025/26 at 8.9 MMT, a slight reduction compared to MY 2024/25 (9 MMT). Post does not anticipate substantial changes to ending stock levels in the upcoming years.

Policy

For the United States, sugar imports are governed by tariff-rate quotas (TRQ), which allow a certain quantity of sugar to enter the country at a low tariff. TRQs apply to imported raw cane sugar, refined sugar, sugar syrups, specialty sugars, and sugar-containing products. The sugar import program meets the U.S. commitments under the Uruguay Round Agreement on Agriculture, which resulted in the creation of the World Trade Organization (WTO).

USDA establishes the annual quota volumes for each federal fiscal year (FY October 1 – September 30), and the U.S. Trade Representative (USTR) allocates the TRQs among countries. Sugar and related products paying a higher, over-quota tariff may enter the country in unlimited quantities. About 40 countries worldwide receive TRQ allocations based on historical trade to the United States. The top three quota-holding countries are the Dominican Republic, Brazil, and the Philippines.

USDA announced on June 14, 2024, the establishment of the FY 2025 (October 1, 2024 – September 30, 2025) TRQ for raw sugar at the WTO minimum amount of 1,117,195 metric tons raw value (MTRV). USTR allocated the TRQ on July 26, 2024. Brazil, the second-largest recipient of the U.S. sugar tariff-rate quota, received an allocation of 155,993 MTRV, which is equivalent to approximately 14 percent of the total TRQ.

Table 07*U.S. Tariff-Rate Quota for Brazilian Raw Sugar (metric tons raw value)*

Fiscal Year	Original TRQ Allocation	Additional TRQ Allocation	Total
2013	155,634	n/a	155,634
2014	152,691	15,251	167,942
2015	152,691	37,978	190,669
2016	152,691	33,865	186,556
2017	152,691	30,000	182,691
2018	152,691	n/a	152,691
2019	152,691	22,464	175,155
2020	152,691	158,203	310,894
2021	152,691	34,577	187,268
2022	152,691	53,502	206,193
2023	155,993	76,580	232,573
2024	155,993	79,755	235,748
2025	155,993	n/a	155,993

Source: USTR; Chart Post Brasilia – As of March 17, 2025.

On April 2, 2025, the President of the United States announced the implementation of a 10 percent tariff on all countries, effective April 5. The announcement includes individualized reciprocal higher tariffs on countries with which the United States has the largest trade deficits, effective April 9. For Brazil, the average tariff is set at 10 percent, which will be applied to both in-quota and over-quota duties. The tariff-rate quotas are based on weight, while the 10 percent ad valorem tariff is based on the CIF (Cost, Insurance, and Freight) value. The final duty is the result of both values combined.

In mid-March, the Brazilian government announced that it would reduce import tariffs to zero for eleven food products, including sugar, whose tariff was zeroed from 14.4 percent. The measure entered into force on March 13 with the objective of reducing domestic prices and curbing inflation.

Historically, Brazil's sugar imports are miniscule compared to the domestic production. However, on average over 70 percent of sugar imports are from the United States. With the tariff exemption, Post contacts believe there might be a slight increase in imports, but with strong domestic production, the increase is expected to be minimal.

Brazil's total sugar imports in March 2025 amounted to 152 tons, raw value, with 94 percent coming from the United States. In March 2024, total imports were 373 tons, and the U.S. share was 65 percent.

Table 08*Brazilian Sugar Imports – in tons*

	MY 2022/23	MY 2023/24	MY 2024/25
Total Imports	1,447	2,769	2,983
Imports from the United States	1,157	1,825	2,091

*Source: Trade Data Monitor, Chart Post Brasília**NOTE: HS 170111, 170112, 170113, 170114, 170191, 170199*

Research and Development in Sugarcane Production

Four major companies promote sugarcane variety improvement in Brazil: the Sugarcane Technology Center (CTC), Nuseed, the Agronomic Institute of Campinas (IAC), and the Interuniversity Network for the Development of the Sugar-Energy Sector (Ridesa). Other companies, such as Monsanto and Copersucar, also develop sugarcane improvements, but on a smaller scale.

According to the Ministry of Agriculture (MAPA), 112 sugarcane cultivars are protected under the Brazilian National Service for the Protection of Plant Varieties (SNPC), which grants intellectual property titles over plant varieties.

Figure 10*Protected Sugarcane Cultivars – As of January 2024*

Entities	Cultivars
Copersucar	12
Cosan	1
CTC	32
IAC	13
Monsanto	12
Uni. Fed. Alagoas	12
Uni. Fed. Santa Maria	5
UFSCAR	10
UFV	3
Uni. Fed. Paraná	3
UFRPE	2
VIGNIS S.A	7
Total	112

Source and Chart: Secretariat of Agricultural Defense/ Ministry of Agriculture

Agronomic Institute of Campinas (IAC)

The Agronomic Institute of Campinas (IAC) is part of the Agriculture and Supply Secretariat of the State of São Paulo. IAC's sugarcane genetic improvement program has existed since the

1930s. For about 40 years, it has specialized in selecting and characterizing regionalized sugarcane species adapted to each region of Brazil. On average, new varieties take eight years to become commercial, and the IAC has made approximately 35 varieties available since 1980.

Select seedlings resistant to water stress are available in 13 regions across the states of São Paulo, Goiás, Minas Gerais, Mato Grosso, Mato Grosso do Sul, and the states of the Northeast. In the regions the IAC serves, 15 percent of the cultivated area is estimated to contain genetically improved sugarcane. According to the IAC, the use of improved sugarcane has strategic value for diversification and biological protection against pests, diseases, and drastic climatic conditions. Currently, the IAC's objective is to expand the use of improved sugarcane to areas that have more challenging growing conditions, due to soil or other factors.

Sugarcane Technology Center (CTC)

The Sugarcane Technology Center (CTC) is the largest private sugarcane improvement company in Brazil. Copersucar, Raízen, and Brazil's National Economic and Social Development Bank (BNDES) are its main shareholders. Approximately 32 percent of sugarcane plantations in Brazil use CTC varieties, and the CTC monitors more than 60 percent of the Center-South area. It invests in traditional breeding by crossing the best varieties and is also advancing in biotechnology to protect sugarcane cultivars from diseases and pests.

Around 150 sugarcane plants in Brazil use CTC's genetically modified BT variety, covering 60,000 hectares. However, CTC noted that the number of plants adopting the BT variety remains small due to certification concerns, markets requiring non-GMO sugar, and sugarcane traceability. CTC is also developing synthetic sugarcane seeds to replace the current planting method of sugarcane cuttings, which is considered inefficient. Synthetic seeds would improve productivity by allowing faster variety changes. One of CTC's objectives is to double sugarcane yields from the current average of 75 MT/ha to 150 MT/ha by 2040. CTC also boasts the largest germplasm bank in the world, with over 5,000 different varieties of sugarcane, located in Bahia.

Nuseed

Nuseed is the seeds division of the Australian group Nufarm, which has been working on conventional sugarcane improvement in Brazil since 2022. Nuseed has developed a special variety recently renamed "rustic-cane" for areas with poorly fertile soils and under water stress. Unlike the average conventional sugarcane cultivar, rustic-cane is more resistant to cane diseases but produces less recoverable sugar. Currently, Nuseed collaborates with 50 plants in the four main producing states, utilizing the rustic-cane variety on approximately 12,000 hectares. The goal is to expand this area to 440,000 hectares over the next 15 years.

Interuniversity Network for the Development of the Sugar-Energy Sector (Ridesa)

RIDESA is a network composed of ten federal universities located in the states of Mato Grosso, Goiás, Paraná, Rio de Janeiro, Sergipe, Alagoas, Pernambuco, Piauí, and in the cities of São Carlos and Viçosa. Each university develops Sugarcane Genetic Improvement Programs in partnership with mills, distilleries, and sugarcane suppliers within their respective states, raising

private resources for these initiatives. RIDESA operates with two crossing stations in the Northeast and more than 100 research bases spread throughout Brazil. Currently, RIDESA maintains two Germplasm Banks in Alagoas and Pernambuco.

RIDESA's varieties are being grown on more than 65 percent of Brazil's sugarcane area. The network conducts research in both conventional breeding and biotechnology.

Climate Updates

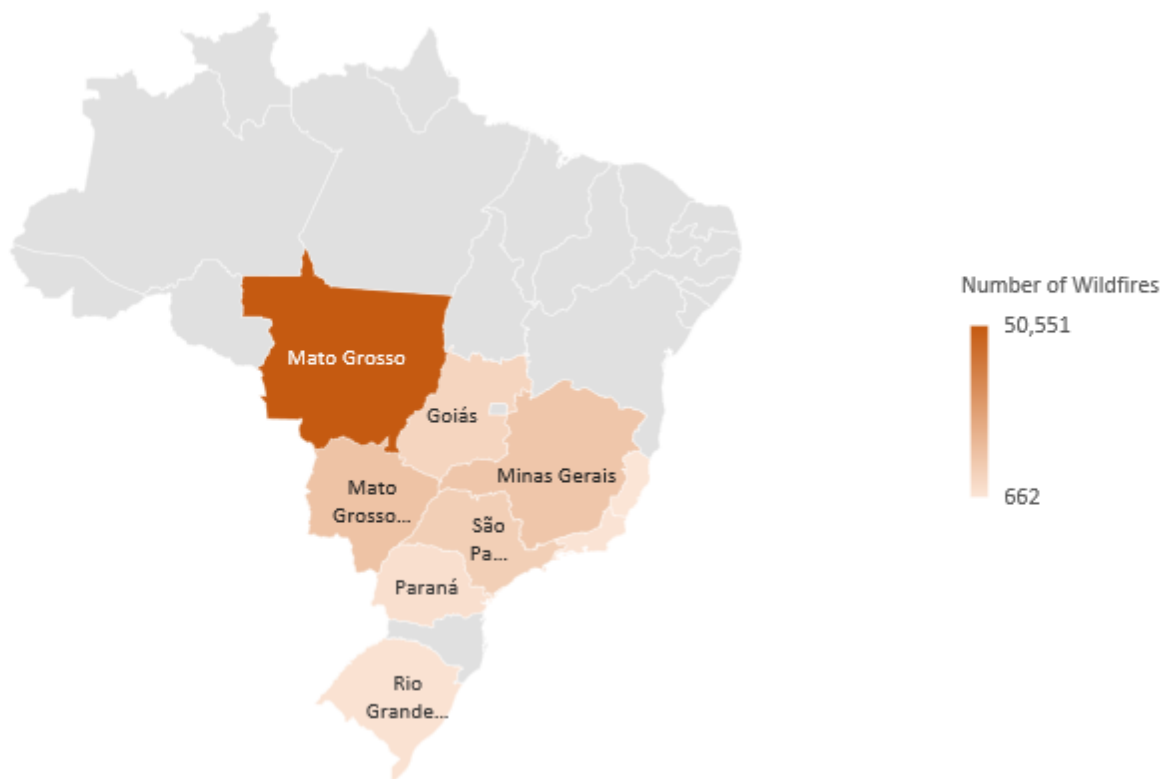
Wildfires and Drought

For Brazil, 2024 was one of the hottest and driest years in recent decades, with severe droughts in the Amazon and heat waves in several other regions. The drought was associated with the El Niño phenomenon, classified as moderate to strong intensity. High temperatures and low humidity led to record-breaking fire outbreaks and wildfires, particularly in July, August, and September. The fires burned large areas of forest, crops, and environmentally protected reserves, releasing large volumes of smoke that spread over thousands of kilometers. Several cities recorded alarming levels of air pollution.

In 2024, Brazil recorded 278,999 fire outbreaks, the most since 2010, which had 319,383 fire outbreaks. Northern states were the most affected, with Pará, Amazonas, Rondônia, and Acre together accounting for 36.2 percent of the total fire outbreaks. In the Center-South region, the state of Mato Grosso was the most affected by the fires, followed by Mato Grosso do Sul and Minas Gerais, together accounting for 27.1 percent of the total.

Figure 11

Wildfire Outbreaks in the Center-South Region, January-December, 2024

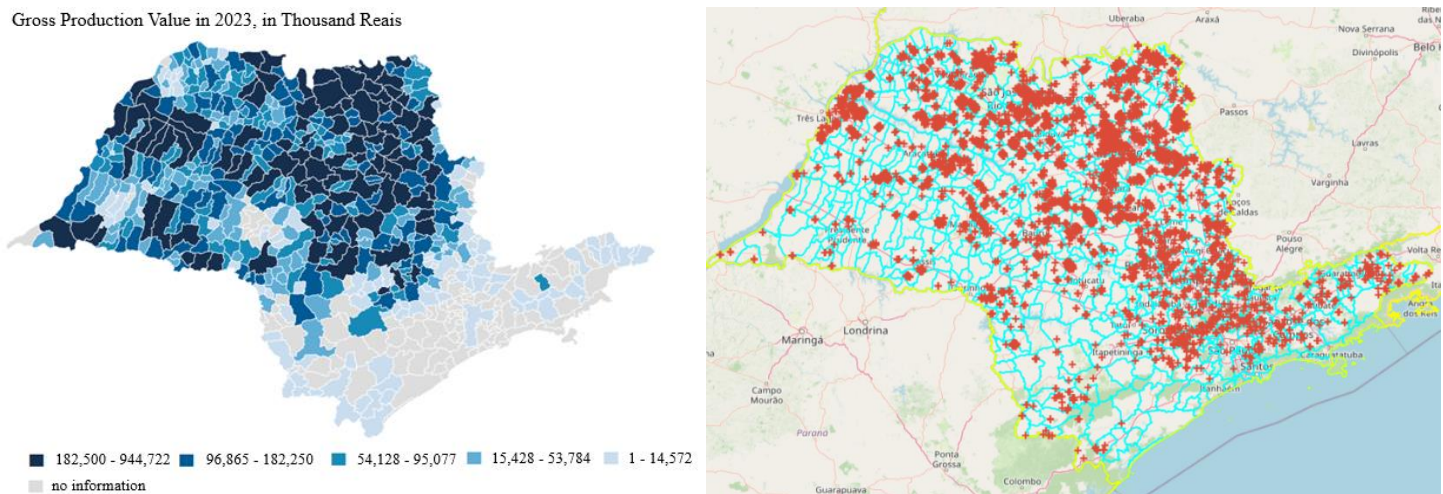


Source: National Institute for Space Research, Queimadas Program, AQUA Tarde Satellite; Chart Post Brasilia. NOTE: An outbreak is detected by INPE's satellites when the temperature in the area rises above 116 °C.

São Paulo, Brazil's top sugarcane-producing state, recorded 8,712 fires in 2024. In August, at the peak of the drought season, the state recorded 3,612 fire outbreaks, the highest number since the beginning of the historical records in 1998. In September, 2,522 fires were recorded, followed by 714 in October, when the first rains began. Among the 42 largest sugarcane-producing municipalities according to the gross value of production (GVP), ten experienced over 90 rainless days in 2024.

Figure 12

Comparison Between the Largest Sugarcane Producing Municipalities in São Paulo and Wildfire Outbreaks – August 1st through September 30, 2024.



Data Source and Charts: Brazilian Institute of Geography and Statistics and National Institute for Space Research, Queimadas Program, AQUA Tarde Satellite.

According to MapBiomass, approximately 31 million hectares of land were burned in Brazil in 2024, an increase of 41 percent compared to the previous year. Of the total burned, 73 percent was native vegetation. Among the areas of agricultural use, pastures accounted for 6.7 million hectares burned throughout the year.

In São Paulo, MapBiomass recorded a total burned area of 616,000 hectares in 2024. At the peak of the drought and fires in August, the state recorded 370,000 hectares of burned areas, of which 238,000 hectares were sugarcane cultivation areas. In September, the burned area totaled 126,000 hectares, of which 75,000 hectares were sugarcane fields. During these two months, the most affected municipalities were Ribeirão Preto, Sertãozinho, and Pitangueiras. There is no official data on the amount of sugarcane to be harvested affected by the fires or on the impacts of fires in ratoon areas.

Direct impacts of the fire outbreaks on sugarcane production were relatively small, and did not significantly affect Brazil's sugar production in the marketing year 2024/25 (MY - April to March). As reported by industry, the sugarcane harvest was already in an advanced stage in most impacted areas. Sugarcane can be processed into sugar even if it is burned, provided it is processed within seven days. If the poor concentration of sugars makes crystallization impossible, the sugarcane can be used directly for ethanol production.

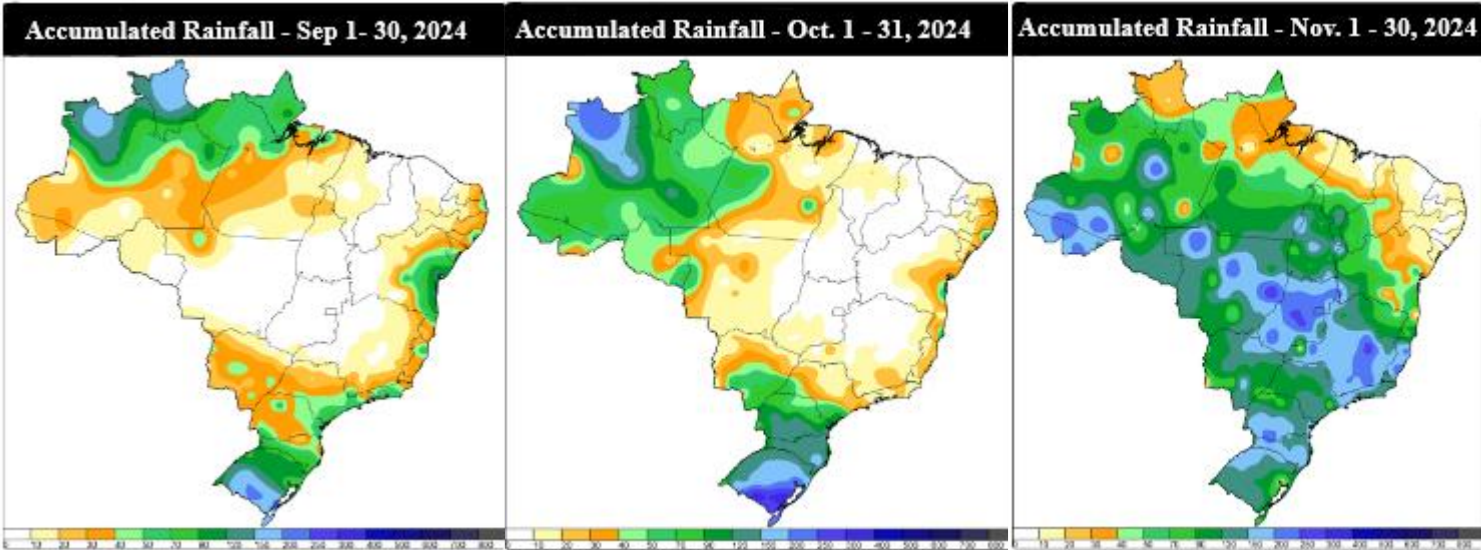
The consequences of the wildfires on sugarcane and sugar production are expected to be more pronounced in MY 2025/26. The damage caused by fires may necessitate new fertilizer supplementation, spraying, and application of herbicides. In addition, there is a risk of non-regrowth and the consequent replanting of part of the crop.

Rainfall and Water Soil Storage

In October 2024, much of Brazil started to receive rain, interrupting months of drought and high temperatures. In the Central-West and Southeast regions, the high volume of rainfall was essential for the recovery of soil water storage. In the Northeast region, the distribution of rainfall was irregular, with favorable conditions in some northern states. Overall, soil moisture levels were higher in October 2024, contributing to the evolution of sowing and the development of first crops.

Between November 2024 and February 2025, weather conditions remained favorable, except for a few areas in the North region. The large accumulation of rain was sufficient to maintain high soil moisture storage throughout the Southeast region, favoring the sowing and development of grain crops. This also benefited permanent crops such as coffee and sugarcane and supported the year-and-a-half sugarcane planting that occurs between January and March.

Figure 13
Accumulated Rainfall in Brazil – September to November, 2024

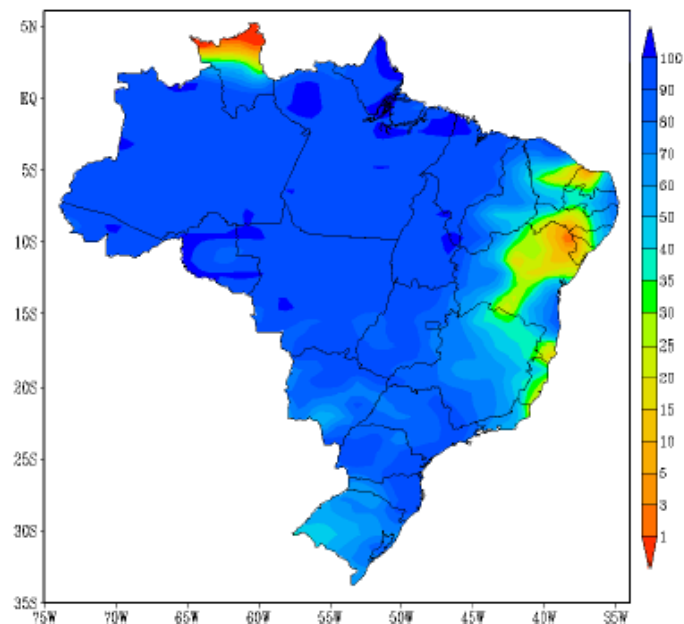


Data Source and Charts: National Institute of Meteorology

In March, April, and May 2025, the climate forecast indicates rainfall ranging from average to above average in most of the North region. In the Northeast, the forecast suggests predominantly below-average rainfall, with greater scarcity over the eastern part of the region. In the Central-West region, rainfall is expected to be close to or below average, especially from April onwards, which corresponds to a transition month between the rainy and dry seasons in this region.

In the Southeast region, the forecast indicates predominantly close to or below-average rainfall throughout the region. However, there may be spurts of intense rainfall due to the passage of frontal systems over the ocean that bring instability to these areas. March experienced satisfactory soil moisture levels, mainly in the center-south of Minas Gerais and São Paulo. However, in the following months, the forecast is for lower soil water storage with the arrival of the dry season.

Figure 14
Soil Water Storage, February 2025



Data Source and Chart: National Institute of Meteorology

In early April 2025, the United States National Oceanic and Atmospheric Administration (NOAA) confirmed that a period of climate neutrality, which means that oceanic and atmospheric conditions are not being influenced by either El Niño or La Niña. During this period, Pacific temperatures are within the historical average, without the extremes that characterize the two phenomena. Climate neutrality tends to result in a more stable climate scenario, without the large deviations in rainfall or temperatures observed during El Niño or La Niña events.

For Brazil, this could mean greater climate predictability, with less uncertainty about rainfall and droughts. The climate neutrality is expected to persist through the fall and winter, with a high likelihood of continuing until the end of the year.

At the beginning of 2026, La Niña is expected to return, reducing rainfall in South region and increasing rain in the North and Northeast. The Southeast and Midwest may experience cold periods, with temperatures falling below the historical average. This pattern was observed the last time there was La Niña, between 2020 and 2023.

Attachments:

No Attachments