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Sugar

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Report Highlights: Brazilian sugarcane production for MY 2002/03 is projected at a record 334 million metric tons, up 14 percent from the previous crop. The 2002/03 Center South crush season is expected to be long to accommodate the larger sugarcane supply. Total MY 2002/03 sugar production is projected at 22.95 MMT. This supposes the Brazilian Government will hold the alcohol content in local “gasoline” at 24 percent. Sugar exports for MY 2002/03 are projected at 13.5 MMT. In spite of declining international market prices, approximately half of the MY 2002/03 export contracts have been set, guaranteeing reasonable prices for the coming season.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

São Paulo [BR3], BR

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Executive Summary

The Agricultural Trade Office (ATO) in São Paulo (SP) revised total Brazilian sugarcane for marketing year (MY) 2001/02 (May-April) upward to 293 million metric tons (MMT). Regular rainfall in the Center-South (C-S) region during August-October 2001 increased the yield of "annual" cane varieties, as well as resulted in a higher volume of sugarcane ready for harvest. Brazilian sugarcane production for MY 2002/03 is projected at a record 334 MMT, up 14 percent from the previous crop. The 2002/03 C-S crush season is projected to be long. The harvest season may well extend into January to accommodate the expected increase in sugarcane availability. Total MY 2001/02 Brazilian sugar production was revised upward to 20.35 MMT (raw value), up 3.25 MMT from the previous crop due to higher than initially expected sugarcane production and the ongoing trend towards sugar production, rather than alcohol. Total Brazilian sugar production for MY 2002/03 is projected at 22.95 MMT, up 2.6 MMT relative to MY 2001/02. This assumes the Government of Brazil (GOB) maintains the alcohol content in domestic "gasoline" at 24 percent (set January 10, 2002). ATO projects MY 2002/03 sugar consumption at 9.65 MMT, up 200,000 MT from the previous MY. Brazilian sugar exports for MY 2002/03 are projected at 13.5 MMT, up 2.15 MMT from MY 2001/02. In spite of declining international prices, approximately 50 percent of the export contracts for MY 2002/03 have already been set, guaranteeing reasonable prices for the coming season. Brazil is expected to export approximately 700 million liters of alcohol in MY 2002/03, up 250 million liters from the estimate for MY 2001/02. Major destinations include South Korea, Japan and Jamaica.

PS&D Tables

PSD Table						
Country	Brazil					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	05/2000		05/2001		05/2002	
Area Planted	4,700	4,700	4,800	4,800	0	5,070
Area Harvested	4,650	4,650	4,550	4,550	0	4,810
Production	256,500	256,500	272,000	293,000	0	334,000
TOTAL SUPPLY	256,500	256,500	272,000	293,000	0	334,000
Utilization for Sugar	121,000	121,000	132,000	144,750	0	164,000
Utilizatn for Alcohol	135,500	135,500	140,000	148,250	0	170,000
TOTAL UTILIZATION	256,500	256,500	272,000	293,000	0	334,000

PSD Table						
Country	Brazil					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	05/2000		05/2001		05/2002	
Beginning Stocks	710	710	860	860	410	410
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	17,100	17,100	18,500	20,350	0	22,950
TOTAL Sugar Production	17,100	17,100	18,500	20,350	0	22,950
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	17,810	17,810	19,360	21,210	410	23,360
Raw Exports	6,100	6,100	7,400	8,150	0	10,600
Refined Exp.(Raw Val)	1,600	1,600	2,100	3,200	0	2,900
TOTAL EXPORTS	7,700	7,700	9,500	11,350	0	13,500
Human Dom. Consumption	9,250	9,250	9,450	9,450	0	9,650
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	9,250	9,250	9,450	9,450	0	9,650
Ending Stocks	860	860	410	410	0	210

TOTAL DISTRIBUTION	17,810	17,810	19,360	21,210	0	23,360
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Production

Sugarcane

ATO/São Paulo revised total Brazilian sugarcane for marketing year MY 2001/02 upward to 293 MMT, an 8 percent increase relative to the previous estimate. Regular rainfall in the C-S region during August-October 2001 increased the yield of "annual" cane varieties, as well as resulted in a higher volume of sugarcane ready for harvest. This caused the C-S crush period to extend into January and raised the production estimate for the region to 244 MMT. Some sugar-alcohol mills even sold sugarcane to neighbor mills to accommodate the large sugarcane crop. The North-Northeastern (NNE) region harvest is moving along and is expected to end in April. The region should account for 49 MMT, approximately 7 percent below the initial projection. Dry weather that prevailed during March-May 2001, mainly in the state of Pernambuco, was followed by excessive rainfall December 2001- February 2002, the peak harvest period, which together negatively impacted yields. Note that fall/winter (March-September) rainfall is the common pattern for the region.

The following tables show monthly sugarcane crush data for the state of São Paulo and the C-S region from the 1997/98 to 2001/02 crops (April-March), as reported by the Sugar and Alcohol Millers Association of São Paulo State (UNICA).

Sugarcane crushed in the state of São Paulo (1,000 metric tons).					
Month	1997/98	1998/99	1999/2000	2000/01	2001/02
April	3,500	3,307	8,668	202	449
May	19,578	19,944	27,113	13,284	12,396
June	22,407	30,943	27,242	28,078	27,778
July	30,198	30,121	30,382	27,916	30,602
August	30,450	27,395	29,884	28,145	29,106
September	26,662	27,977	25,804	21,334	28,117
October	24,806	23,928	27,146	21,514	24,232
November	17,143	25,383	14,413	7,151	20,286
December	5,852	9,417	3,541	620	3,422
January	914	899	42	0	186
Cumulative	181,511	199,314	194,235	148,244	176,574
Source: Sugar and Alcohol Millers Association of São Paulo State (UNICA).					

Sugarcane crushed in Center-Southern Brazil (1,000 metric tons).					
Month	1997/98	1998/99	1999/2000	2000/01	2001/02
April	5,324	4,993	11,310	737	2,158
May	27,573	27,407	35,232	18,228	19,319
June	31,873	41,436	36,574	38,219	38,674
July	42,264	41,642	41,871	39,465	43,413
August	42,282	37,770	43,698	38,175	40,808
September	36,485	37,523	36,412	31,398	38,042
October	33,567	32,927	35,739	28,675	32,263
November	21,876	31,806	18,180	10,504	24,836
December	7,530	12,621	4,701	1,668	4,316
January	916	1,399	250	0	390
Cumulative	249,692	269,523	263,970	207,069	244,220
Source: Sugar and Alcohol Millers Association of São Paulo State (UNICA).					

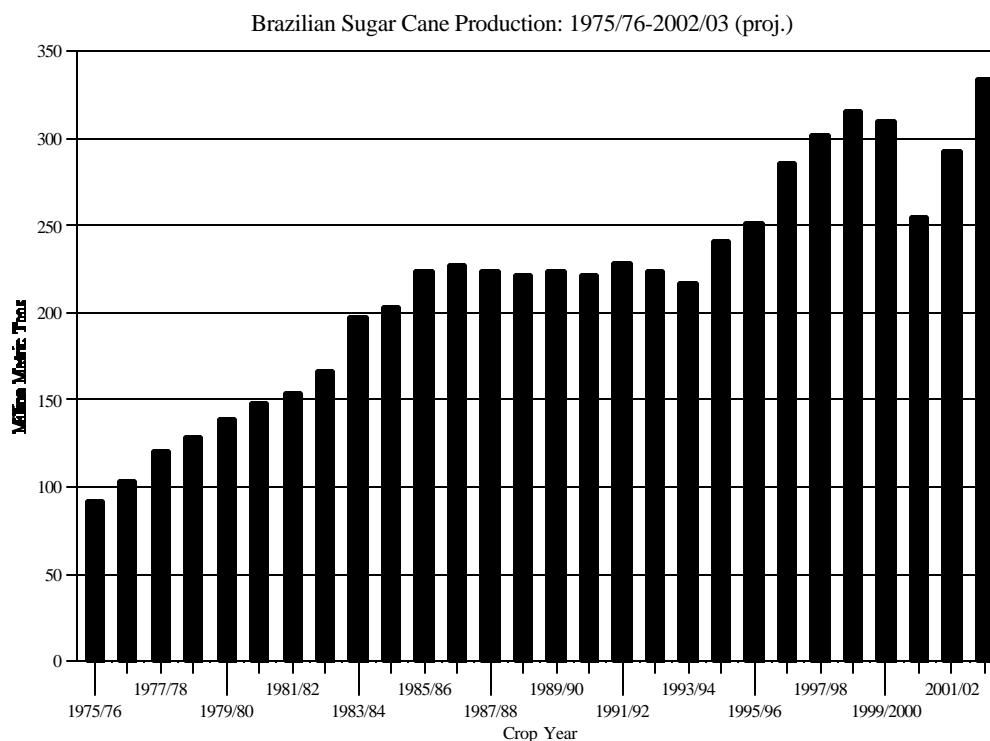
Brazilian sugarcane production for MY 2002/03 (May-April) is projected to reach a record 334 MMT, up 14 percent from the previous crop. Of the total, the C-S should contribute 282 MMT, up 38 MMT from MY 2001/02, and the initial projection for the NNE indicates production at 52 MMT, supposing regular rainfall for the region. Industry contacts' projection figures for MY 2002/03 C-S sugarcane production vary from 272 to 289 MMT.

The likely increase in the C-S production is mainly due to area expansion, higher yields resulting from favorable rainfall during cane development and good crop management, and an augmented number of cuts per sugarcane field for some areas. Traditionally, sugarcane fields are replanted after the fifth cut because yields of further cuts are thought not worth the cost of keeping the field an additional year. Empirical studies conducted by some mills have shown, however, that for some areas the cane output from a sixth cut is similar to the fifth, thus warranting postponement of rootstock renewal and increasing the overall harvest area.

The 2002/03 C-S crush season is projected to again be lengthy. Some sugar-alcohol mills started crushing in March, but most initialized operations in April since many export contracts were set for May delivery. The harvest season should extend the crush to January to accommodate the expected increase in cane. In spite of the higher projected production, the crush volume will depend on regular weather conditions during harvest and the current installed crush capacity. Post contacts indicate that should an El Niño weather phenomenon occur during the last quarter of 2002, the resulting excessive rainfall in the C-S and dry weather in the NNE, sugarcane harvest operations, and, thus, cane yields, could be negatively impacted.

In addition, these past few years C-S sugar-alcohol mills invested in sugarcane renewal, area expansion, crop mechanization (planting and harvest), industrial equipment for sugar and anhydrous alcohol production, maintenance of existing industrial capacity and energy generation. Investments in expanded crush capacity were more sporadic. This factor could restrain total MY 2002/03 output.

The graph below shows a historical series for sugarcane production since MY 1975/96. Note the record production expected for 2002/03.



Source: MAA/DAA; Note: 2001/02 and 2002/03 ATO/Sao Paulo projection

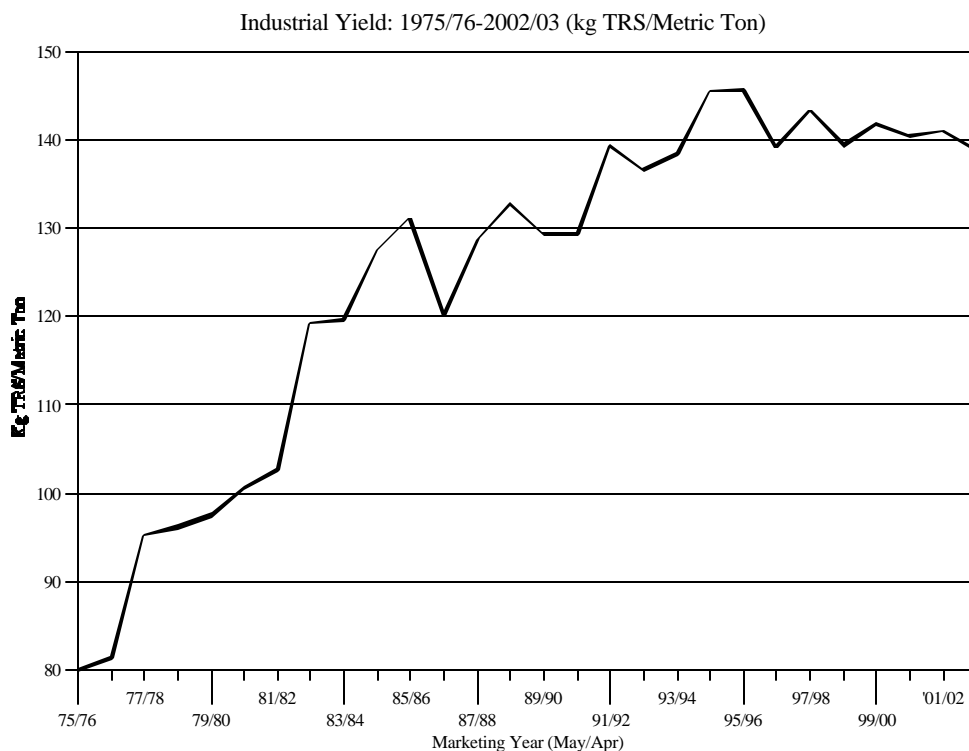
Area

ATO/SP projects total sugarcane area for MY 2002/03 at 5.07 million hectares (MHa), up nearly 6 percent from the previous MY. Total area for harvest is forecast at 4.81 MHa, a 6 percent increase compared to the 2001/02 crop. Area expansion is mostly noted in the following C-S areas: western and northwestern São Paulo, Paraná, Goiás and Mato Grosso.

Yields

The MY 2002/03 average yield for sugarcane production is forecast at 69.5 metric tons per hectare (MT/Ha), up 8 percent from the revised 2001/02 sugarcane yield (64.4 MT/Ha), a consequence of sugarcane renewal, good crop management and favorable weather conditions prevailing during vegetative development, both in the C-S and NNE regions. Many NNE growers have shifted from less efficient traditional irrigation methods – “irrigação de salvação,” to full irrigation systems, improving overall water supply and decreasing yield differentials between C-S and NNE cane fields. In addition, technological improvements and exclusion of marginal producing regions, such as hilly areas, have also contributed to increase NNE yields.

ATO/SP places the MY 2001/02 industrial yield at 140.82 kg TRS (total reducing sugars)/MT. The excessive rainfall during December 2001- February 2002, the peak harvest period, contributed to lower NNE industrial yield. The industrial yield for MY 2002/03 is projected at 138.85 kg TRS/MT, a 1.5 percent decreased compared to the previous crop, a result of lower luminosity in sugarcane areas during the initial months of the year, the early start of the C-S harvest and the projected harvest extension through January. Note that industrial yields follow an inverted “U-shape” curve, with lower industrial yields at both ends of the curve. The occurrence of an El Niño weather pattern could also negatively impact industrial yields for MY 2002/03. The graph below shows historical industrial yields since MY 1975/76, measured in TRS per metric ton of sugarcane.



Source: UNICA, ATO/SP estimates for 2000/01, 2001/02 and 2002/03

Sugar and Alcohol

The MY 2001/02 TRS breakdown for sugar and alcohol production is estimated at 49.4 and 50.6 percent, respectively, compared to 47.2-52.8 percent for MY 2000/01, indicating an on-going trend toward sugar, rather than alcohol production. This trend results from more favorable domestic and international sugar prices, vis-à-vis domestic alcohol prices. ATO/SP revised total MY 2001/02 Brazilian sugar production upward to 20.35 MMT, raw value, up 3.25 MMT from the previous crop, due to higher than initially expected sugarcane production and the trend towards increased sugar production. The C-S region contributed 16.75 MMT, while the remainder should come from the NNE. Information from UNICA reports that 48.05 percent of total TRS was converted to sugar in the C-S region. Post contacts report that NNE mills converted approximately 57.5 percent of the region's TRS to sugar through February 1, 2002 due to favorable export prices. Moreover, alcohol production is less price sensitive, lending to more sugar

production.

Brazilian alcohol production for MY 2001/02 is estimated at 11.5 billion liters – 6.475 billion liters of anhydrous alcohol and 5.03 billion liters of hydrated alcohol. According to the Brazilian Ministry of Agriculture, Livestock and Supply (MAPA), cumulative alcohol production through March 1 is 11.26 billion liters – 6.36 and 4.9 billion liters of anhydrous and hydrated alcohol, respectively.

The following tables show monthly sugar production for the state of São Paulo and the C-S region for the 1997/98 to 2001/02 crops (April-March), as reported by UNICA.

Sugar Production in the State of São Paulo (Metric tons, tel quel, Apr/Mar).					
Month	1997/98	1998/99	1999/2000	2000/01	2001/02
April	99,765	138,645	406,791	5,413	21,120
May	799,583	1,003,522	1,606,628	791,387	696,427
June	910,503	1,658,469	1,766,064	1,740,032	1,802,011
July	1,410,451	1,876,807	2,076,851	1,876,786	2,245,231
August	1,548,913	1,664,943	2,181,023	1,863,854	2,231,847
September	1,517,579	1,875,937	1,883,064	1,408,147	2,087,352
October	1,353,326	1,465,678	1,943,423	1,491,660	1,706,829
November	769,781	1,555,440	999,561	464,352	1,316,443
December	236,659	430,622	187,934	33,329	213,281
January	(17,840)	14,216	(33)	0	7,917
Cumulative	8,628,720	11,684,279	13,051,306	9,674,960	12,328,458
Source: Sugar and Alcohol Millers Association of São Paulo State (UNICA).					

Sugar Production in Center-Southern Brazil (Metric tons, tel quel, Apr/Mar).					
Month	1997/98	1998/99	1999/2000	2000/01	2001/02
April	135,655	192,555	544,942	25,258	58,258
May	1,088,324	1,318,881	2,032,230	1,017,346	1,032,988
June	1,229,731	2,169,685	2,270,956	2,229,577	2,342,597
July	1,884,058	2,481,906	2,732,482	2,521,123	2,946,675
August	2,074,203	2,200,853	2,881,204	2,487,751	2,938,992
September	1,982,392	2,359,148	2,518,834	1,830,899	2,676,100
October	1,708,634	1,884,441	2,461,466	1,856,717	2,155,273
November	912,213	1,859,532	1,176,672	602,246	1,551,962
December	279,590	559,149	227,361	61,513	239,187
January	(16,543)	25,719	5,205	0	7,918
Cumulative	11,278,257	15,051,869	16,851,352	12,632,430	15,949,950

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

The table below shows official MAPA sugarcane crush data, sugar and alcohol (anhydrous and hydrous) production by state for the 2001/02 crop year. Note that the official C-S and NNE crop years are April-March and September-August, respectively. The figure shows cumulative figures through March 1.

Cane, Sugar and Alcohol Production by State and Region: 2001/02 Crop (000 MT and Million Liters)					
State/Region	Cane	Sugar	Alcohol		
			Total	Anhydrous	Hydrous
Alagoas	19,106,243	1,408,139	464,474	265,605	198,869
Amazonas	201,036	14,188	2,666	963	1,703
Bahia	1,941,960	134,823	53,185	31,656	21,529
Ceará	73,637	6,220	1,186	0	1,186
Maranhão	1,094,115	12,406	75,097	65,714	9,383
Pará	283,406	0	24,993	14,048	10,945
Paraíba	3,417,213	72,733	214,642	78,549	136,093
Pernambuco	12,869,724	1,014,868	215,528	110,060	105,468
Piauí	273,691	0	18,676	5,507	13,169
Rio Grande do Norte	1,841,004	116,952	64,381	27,468	36,913
Sergipe	975,095	45,943	35,980	19,548	16,432
NNE	42,077,124	2,826,272	1,170,808	619,118	551,690
Espirito Santo	2,010,903	22,953	131,020	76,299	54,721
Goiás	8,882,275	505,843	379,810	196,348	183,462
Minas Gerais	12,204,819	747,053	524,441	331,438	193,003
Mato Grosso do Sul	7,743,913	327,864	396,521	225,201	171,320
Mato Grosso	10,673,433	448,420	580,127	276,007	304,120
Paraná	22,657,222	1,338,013	934,866	356,757	578,109
Rio de Janeiro	2,816,888	201,775	63,007	23,944	39,063
Rio Grande do Sul	80,262	0	5,306	0	5,306
São Paulo	175,719,979	12,146,378	7,073,432	4,259,058	2,814,374
C-S	242,789,694	15,738,299	10,088,530	5,745,052	4,343,478
TOTAL	284,866,818	18,564,571	11,259,338	6,364,170	4,895,168
Source: MinAg, Sec. de Produção e Comercialização, Dept. do Açúcar e Alcool, 03/01/02					

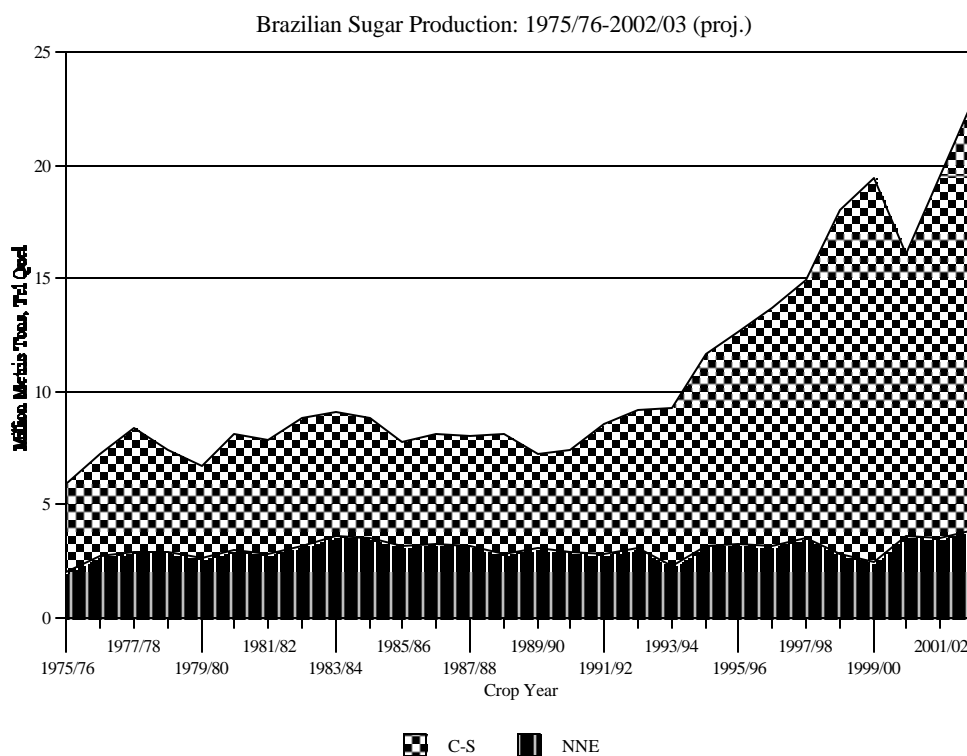
ATO/SP projects total Brazilian sugar production for MY 2002/03 at 22.95 MMT, raw value, up 2.6 MMT relative to MY 2001/02, assuming that the GOB maintains the alcohol content in domestic “gasoline” at 24 percent. The C-S and NNE should account for 19.05 and 3.9 MMT, respectively, of total sugar output. The ATO/SP projection assumes

that 49.2 percent of total TRS is converted to sugar, similar to the previous crushing season.

The MY 2002/03 sugar production will be determined to some extent by factors affecting alcohol production. Total alcohol production is forecast at 13 billion liters – 7.5 billion liters of anhydrous and 5.5 billion liters of hydrated alcohol – up 1.5 billion liters compared to the previous season. The higher projected supply should satisfy the need to increase alcohol stocks, which are currently low, while meeting expanded alcohol demand, a consequence of the increased alcohol content in local gasoline (24 percent as of January 10, 2002), the projected growth in the automobile fleet, and anticipated alcohol exports.

In addition, ATO contacts report that sugar production has roughly reached installed industrial capacity limits. Higher sugar production requires more energy, thus more boilers are needed for steam generation. Conversely, current alcohol production capacity is estimated at 17 billion liters, thus, poses no present limitation to alcohol production.

The graphs below shows a historical series for sugar and alcohol production since MY 1975/76, with the new crop projection.



Source: UNICA, MAA/DAA / Note: ATO/Sao Paulo projection for 2001/02 and 2002/03.



Source: UNICA, MAA/DAA / ATO/Sao Paulo projection for 2001/02 and 2002/03

Sugar and Alcohol Prices in the Domestic Market

In spite of lackluster market prices for sugar and alcohol, sugar-alcohol mills have a stronger financial situation compared to 3-4 years ago, thus partially offsetting the negative consequences of expected lower prices for 2003. Sugar-alcohol mills have become more professionally operated, gaining cost efficiency in production, logistics and commercialization. The cost structure for each individual product – sugar for domestic market, sugar for export market, alcohol for domestic market and alcohol for export – is more defined. Several trade groups were formed, aggregating different sugar-alcohol mills, to market higher volumes of sugar and alcohol, thus increasing producers bargaining power. Millers have, likewise, invested in export facilities in the ports of Santos (São Paulo) and Paranaguá (Paraná) reflecting an increased participation of the production sector in the business chain. In addition, particularly this past year due to the shortage of hydro-generated power, the sale of cogenerated electricity has proven a lucrative source of extra income for millers.

According to the State of São Paulo Sugarcane, Sugar and Alcohol Growers Council (CONSECANA), the average sugarcane price for the state of São Paulo for MY 2001/02 is Reals (R\$)0.2034 (US\$.09 at R\$2.33/US\$) per ton of TRS, or approximately R\$29 (US\$12.45) per ton of sugarcane.

The Crystal Sugar Index released by the College of Agriculture “Luiz de Queiroz” (ESALQ) follows. The index tracks crystal sugar prices in the domestic spot market. The following table shows alcohol prices in the domestic market since 1999. Price equivalence for mid-March 2002 among different sugarcane products are also shown below.

Crystal Sugar Prices in the Domestic Market (Real, 50kg/bag, including tax).											
Period	1998	1999	2000	2001	2002	Period	1998	1999	2000	2001	2002
January	15.74	11.33	19.04	25.01	25.64	July	11.44	9.83	21.43	23.66	--
February	15.86	12.05	19.81	23.28	22.88	August	11.56	10.32	25.42	22.81	--
March	16.35	11.80	18.61	23.36	21.28	September	11.41	14.49	23.60	23.56	--
April	18.32	9.68	18.63	24.81	20.98	October	9.73	16.23	24.16	23.93	--
May	15.46	8.57	16.09	24.06	--	November	10.31	15.70	24.64	23.78	--
June	12.76	8.94	18.86	23.44	--	December	11.12	18.52	23.80	24.43	--
Source: USP/ESALQ/CEPEA.											
Note: April 2002 refers to average price between April 8-12.											

Fuel Alcohol Prices: State of São Paulo (R\$/000 liters).								
	Anhydrous				Hydrated			
Month	1999	2000	2001	2002	1999	2000	2001	2002
January	297.32	458.85	706.17	621.90	413.40	549.72	775.65	729.98
February	292.60	456.63	685.22	614.32	250.29	549.49	724.80	721.13
March	271.70	463.37	634.43	608.22	227.60	547.88	702.94	704.06
April	238.56	472.14	605.27	611.22	176.55	539.22	718.45	522.13
May	200.67	467.03	575.60	--	165.32	525.20	688.92	--
June	262.64	472.84	571.12	--	213.76	525.24	676.63	--
July	308.65	635.34	594.72	--	226.59	702.03	679.02	--
August	297.61	679.71	623.85	--	224.53	756.22	691.50	--
September	324.99	654.71	625.90	--	328.19	744.43	702.60	--
October	374.57	654.50	634.88	--	394.59	734.63	716.01	--
November	428.22	683.81	629.39	--	518.81	767.25	718.82	--
December	452.71	706.94	628.38	--	539.44	789.65	722.49	--
Source: USP/ESALQ/CEPEA								
Note: April 2002 refers to average price between April 8-12.								
Note1: Prices are cash, freight costs not included, taxes PIS and COFINS (3.65%) included.								
Note2: Hydrated prices include 25% internal movement tax (ICMS) as of September 1999.								

Price Equivalence - prices paid for producers, Ribeirao Preto region, state of São Paulo								
Anhydrous alcohol (R\$/m ³ (including PIS, COFINS, not including ICMS)								
392.32	431.55	470.78	510.02	549.25	588.48	627.71	666.94	706.18
Hydrated Alcohol - R\$/m ³ (including PIS, COFINS and ICMS)								
490.54	539.59	588.65	637.7	686.76	735.81	784.86	833.92	882.97
Crystal Sugar for the domestic market - R\$/50 kg bag (including, PIS, COFINS and 7% ICMS)								
14.54	15.87	17.2	18.53	19.87	21.2	22.53	23.87	25.2
VHP Sugar for export market - US\$ cents/lb - FOB price, Port of Santos								
5.29	5.7	6.11	6.52	6.93	7.34	7.75	8.16	8.57
Source: Datagro								
Note: Price equivalence should be read for each column, parameters updated in March 10, 2002.								
Exchange rate = R\$2.33/US\$								

Consumption

The ATO/SP estimate for Brazilian MY 2001/02 consumption remains unchanged at 9.45 MMT, raw value. ATO projects sugar consumption for MY 2002/03 at 9.65 MMT, reflecting Brazilian population growth and the expected increase in industrial activity. According to local contacts, as a result of increasing competitiveness, the C-S has gained access to consumers in northern and northeastern states, such as Amazonas, Pará and Bahia, which traditionally had been supplied by NNE mills.

Trade

Sugar Exports

ATO/SP estimates total MY 2001/02 Brazilian sugar exports at 11.35 MMT, raw value, up 3.65 MMT from the previous season as a result of higher sugar production, relatively favorable international prices and the devaluation of the Brazilian currency, the Real, vis-à-vis the U.S. dollar. Raw sugar exports continue to dominate the export mix and should contribute 8.15 MMT. Refined sugar exports should account for 3.2 MMT, up 100 percent compared to the previous MY. White sugar gained an average premium of US\$70/MT, a result of the decline of the European Union 2001/02 crop which stimulated Brazilian white sugar production and exports. According to trade contacts, Brazilian producers realized a net margin of US\$40/MT, after discounting the tolling costs (US\$30).

Brazilian MY 2002/03 sugar exports are projected at 13.5 MMT, raw value, up 2.15 MMT from MY 2001/02. In spite of declining international prices, approximately 50 percent of the export contracts for 2002/03 have already been set, guaranteeing millers reasonable prices for the coming season. Some sugar mills have already set 60 percent of their expected exports. According to traders, many contracts were set at US\$0.07 cents per pound. The relative stability of the current exchange rate is another factor encouraging sugar exports. Raw and refined sugar exports are forecast at 10.6 and 2.9 MMT, respectively. The #11 contract offers more liquidity than the #5 contract, thus stimulating raw sugar trade. Refined sugar exports should decline compared to MY 2001/02 since, with the recovery of the European

Union crop, no price premium is expected for white sugar.

According to ATO contacts, the average breakeven point for raw export sugar is US\$0.05-0.055 per pound for C-S mills, US\$0.06-0.065 per pound for Alagoas mills, and US\$0.075-0.08 per pound for Pernambuco mills. Note that Alagoas represents approximately 56 percent of total NNE sugar production. The Pernambuco breakeven point is too high for Brazilian standards and less efficient sugar mills will likely face difficulties in the medium-term.

In spite of the higher cane production costs, the NNE region has a logistic competitive advantage compared to the C-S. The average distance between NNE sugar-alcohol mills and an export point is 50 miles, whereas the average distance for São Paulo mills is 190 miles. The “fobization” costs for NNE sugar range between US\$5-8/MT, compared to US\$25-30/MT for C-S mills. NNE loading terminals have also reached higher efficiency levels compared to the Port of Santos, the dominant C-S export point. According to information provided by ATO contacts, the freight cost for bulk sugar exports from the NNE to the U.S. and Russia is approximately US\$20-22/MT. The freight cost for white sugar from the NNE to Africa is US\$22-25/MT.

The following tables show Brazilian sugar exports by destination for MY 2000/01 and 2001/02 (May-February), as reported by the Brazilian Department of Foreign Trade (SECEX).

Brazilian Sugar Exports by Country of Destination. (NCM 1701.11.00, MT, Tel Quel, US\$000 FOB)				
Country	MY 2000/01 1/		MY 2001/02 1/	
	Quantity	Value	Quantity	Value
Russia	1,684,313	327,424	3,031,547	559,074
Iran	217,319	40,835	457,648	83,107
Romania	314,590	53,095	326,127	62,957
Canada	173,000	28,095	307,758	59,753
Egypt	0	0	304,045	56,381
Morocco	277,138	51,295	212,410	39,687
Malaysia	99,302	17,063	191,438	37,044
Saudi Arabia	269,190	42,020	168,250	33,819
U.A.E.	356,597	61,490	163,368	30,379
United States	151,273	53,591	154,378	50,630
Nigeria	126,100	20,238	116,000	22,832
Others	680,782	129,412	776,999	152,540
Total	4,349,603	824,559	6,209,968	1,188,204
Source: Brazilian Secretariat of Foreign Trade (SECEX)				
Note: Numbers may not add due to rounding.				
1/ May-February.				

Brazilian Sugar Exports by Country of Destination. (NCM 1701.99.00, MT, Tel Quel, US\$000 FOB)				
Country	MY 2000/01 1/		MY 2001/02 1/	
	Quantity	Value	Quantity	Value
Nigeria	533,800	114,162	859,650	181,979
U.A.E.	313,313	70,727	521,275	94,635
Egypt	217,272	46,858	432,596	94,867
Yemen	243,400	51,526	280,800	61,315
Morocco	60,000	11,983	189,710	36,940
Somalia	82,800	18,536	164,000	35,412
Tunisia	13,300	3,482	150,595	34,021
Gambia	50,000	11,990	112,800	24,063
Saudi Arabia	42,000	9,270	112,740	21,598
Syria	0	0	109,194	24,153
United States	4,084	1,157	7,790	2,690
Others	434,140	96,462	1,210,254	263,658
Total	1,994,110	436,152	4,151,404	875,331
Source: Brazilian Secretariat of Foreign Trade (SECEX)				
Note: Numbers may not add due to rounding.				
1/ May-February.				

Alcohol Exports

Brazil is expected to export approximately 450 million liters of alcohol during MY 2001/02. Major destinations include South Korea, Japan and Jamaica. Alcohol exports for MY 2002/03 are projected at 700 million liters. The Brazilian alcohol sector has attempted to create a company to export alcohol, including investments in a warehouse in the Caribbean. Such initiative has generated mixed opinions among the sugar-alcohol industry. According to ATO contacts, the decline of U.S. ethanol prices together with the US\$0.54 per gallon import tariff and the 2.5 percent ad valorem tariff make Brazilian alcohol uncompetitive in the U.S. ethanol market. However, the sector believes Brazilian exports to the U.S. are necessary to create the idea of a global market for alcohol. The following tables shows 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\$000 FOB)						
Country	MY 2000/01 1/			MY 2001/02 2/		
	Weight	Volume	Value	Weight	Volume	Value
South Korea	2,757	3,411	443	96,255	119,083	29,794
Japan	31,199	38,599	8,566	64,737	80,090	21,638
Jamaica	0	0	0	58,464	72,330	24,037
Nigeria	8,070	9,985	3,339	28,352	35,076	9,853
Netherlands	11,983	14,825	2,600	27,135	33,570	9,644
Mexico	0	0	0	15,507	19,185	4,900
United States	11,784	14,578	3,131	14,627	18,096	4,601
Costa Rica	0	0	0	14,432	17,855	4,251
Guatemala	0	0	0	8,636	10,685	3,074
South Africa	0	0	0	7,697	9,523	2,694
Venezuela	0	0	0	3,580	4,429	1,136
Others	10,033	12,413	3,297	9,317	11,527	3,253
Total	75,827	93,811	21,376	348,740	431,449	118,874
Source: Brazilian Secretariat of Foreign Trade (SECEX)						
Note: Numbers may not add due to rounding, 1 liter = 0.8083 kg.						
1/ May-April, 2/ May-February.						

Brazilian Alcohol Exports by Country of Destination. (NCM 2207.20.10, MT, 000 liters, US\$000 FOB)						
Country	MY 2000/01 1/			MY 2001/02 2/		
	Weight	Volume	Value	Weight	Volume	Value
Nigeria	0.0	0.0	0.0	899.0	1,112.3	441.1
Argentina	0.0	0.0	0.0	38.6	47.8	27.6
Peru	4.8	6.0	4.6	5.2	6.4	4.7
Angola	0.0	0.0	0.0	0.1	0.1	0.1
Germany	19.5	24.1	26.2	0.0	0.0	0.0
Bolivia	0.0	0.0	0.0	0.0	0.0	0.0
Chile	0.1	0.1	0.2	0.0	0.0	0.0
United States	0.0	0.0	0.0	0.0	0.0	0.0
Paraguay	23.9	29.6	6.5	0.0	0.0	0.0
UK	0.0	0.0	0.0	0.0	0.0	0.0
Total	48.3	59.8	37.5	942.9	1,166.5	473.5
Source: Brazilian Secretariat of Foreign Trade (SECEX)						
Note: Numbers may not add due to rounding, 1 liter = 0.8083 kg.						
1/ May-April, 2/ May-February..						

Stocks

The ATO/SP ending stock estimate for MY 2001/02 remains unchanged at 410,000 MT, raw value. Sugar ending stocks for MY 2002/03 are projected at 210,000 MT, down from the previous season due to higher projected exports.

Policy

The Brazilian Government set the alcohol content in domestic gasoline at 24 percent January 10, 2002. There are no reports that the GOB will change the percentage during 2002.

The Common External tariff (TEC) applied to sugar imports from countries other than MERCOSUL partners (Argentina, Uruguay, Paraguay and Chile) was set at 17.5 percent effective January 1, 2002.

The R\$5.07/MT of sugarcane support given by the GOB to NNE sugarcane producers to equalize the cost of the production cost differential between the C-S and NNE is still pending. NNE producers have not received the support in the past few years as a result of a government finding of misuse of data given to the government to receive the payment.

Exchange Rate

Exchange Rate (R\$/US\$1.00 - official rate, last day of period)					
Month	1998	1999	2000	2001	2002
January	1.12	1.92	1.80	1.97	2.42
February	1.13	2.03	1.77	2.04	2.35
March	1.14	1.77	1.75	2.16	2.32
April	1.14	1.66	1.81	2.22	2.32
May	1.15	1.72	1.82	2.36	--
June	1.16	1.77	1.80	2.30	--
July	1.16	1.79	1.78	2.43	--
August	1.18	1.81	1.82	2.55	--
September	1.19	1.92	1.84	2.67	--
October	1.19	1.95	1.91	2.71	--
November	1.20	1.92	1.98	2.53	--
December	1.21	1.79	1.96	2.32	--
Source: Gazeta Mercantil					
Note: April 2002 rate refers to April 16.					

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