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Brazil

Sugar

Annual

2006

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Report Highlights:
At 420 million metric tons, the MY 2006/07 sugarcane crop should rebound from the previous year. In spite of highly attractive sugar prices, sugar production will be restrained by strong ethanol demand both in the domestic and international markets. ATO/Sao Paulo projects sugar production at 30.34 mmt, raw value, while exports are forecast at 19.15 mmt. Ethanol exports should remain stable at 2.6 billion liters.

Includes PSD Changes: Yes
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PS&D Tables

Country	Brazil						
Commodity	Sugar Cane for Centrifugal			(1000 HA)(1000 MT)			
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official	Estimate[New]	USDA Official	Estimate[New]	USDA Official	Estimate[New]	
Market Year Begin		05/2004		05/2005		05/2006	MM/YYYY
Area Planted	6050	6050	6250	6250	0	6550	(1000 HA)
Area Harvested	5350	5350	5650	5610	0	5940	(1000 HA)
Production	385800	385800	406000	385000	0	420000	(1000 MT)
TOTAL SUPPLY	385800	385800	406000	385000	0	420000	(1000 MT)
Utilization for Sugar	193285	193285	198530	187265	0	210500	(1000 MT)
Utilizatn for Alcohol	192515	192515	207470	197735	0	209500	(1000 MT)
TOTAL UTILIZATION	385800	385800	406000	385000	0	420000	(1000 MT)

Commodity	Sugar, Centrifugal			(1000 MT)			
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official	Estimate[New]	USDA Official	Estimate[New]	USDA Official	Estimate[New]	
Market Year Begin		05/2004		05/2005		05/2006	MM/YYYY
Beginning Stocks	1030	1030	585	585	235	-90	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	28175	28175	28700	27080	0	30340	(1000 MT)
TOTAL Sugar Productior	28175	28175	28700	27080	0	30340	(1000 MT)
Raw Imports	0	0	0	0	0	0	(1000 MT)
Refined Imp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	29205	29205	29285	27665	235	30250	(1000 MT)
Raw Exports	13570	13570	13500	12565	0	14400	(1000 MT)
Refined Exp.(Raw Val)	4450	4450	4750	4400	0	4750	(1000 MT)
TOTAL EXPORTS	18020	18020	18250	16965	0	19150	(1000 MT)
Human Dom. Consumpti	10600	10600	10800	10790	0	10950	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	10600	10600	10800	10790	0	10950	(1000 MT)
Ending Stocks	585	585	235	-90	0	150	(1000 MT)
TOTAL DISTRIBUTION	29205	29205	29285	27665	0	30250	(1000 MT)

Production

Sugarcane

The estimate of Brazilian sugarcane production for marketing year (MY) 2005/06 (May-April) was revised downward to 385 million metric tons (mmt), a 5 percent decrease relative to the previous (Fall 2005) estimate.

The North-Northeastern (NNE) region's harvest is virtually over and should account for 48 mmt (MY 2005/06), down 9 mmt from previous MY due to weather problems. The Center-South (CS) crushed 337 mmt, a notable decrease compared to industry estimates during the harvest season (345 – 355 mmt). The dry weather during the development of the stalks (November 2004 – March 2005) affected the agricultural yields, thus decreasing total production.

The CS crushing season ended in November for the majority of sugar-ethanol plants. Low rainfall levels not only reduced agricultural yields, but allowed for uninterrupted harvest operations. As such, cane was cut and crushed at an accelerated pace, leading to an earlier-than-usal end to the 2005 harvest.

The Agricultural Trade Office (ATO)/Sao Paulo forecasts total Brazilian sugarcane production for MY 2006/07 (May-April) at 420 mmt, up 35 mmt from MY 2005/06 as a consequence of better yields both in the CS and NNE regions and area expansion in the CS. Most of the increase should come from the CS where a total of 370 mmt of sugarcane are expected to be crushed.

The CS harvest season started in mid-March for sugar-alcohol mills located in the state of Parana and in April for mills in the state of Sao Paulo, where the majority of the sugarcane fields are located. Despite the fact that the official crushing season starts in May, it has become quite usual to commence operations in March-April. Indeed, the industry has been working with a longer crushing season during recent years. This is particularly true for 2006 when both the sugar and ethanol markets show clear signs of shortages in supply.

The sugar-ethanol industry is strongly committed to producing about 800 million liters of ethanol by the end of April, in order to avoid any lack of product at the pump. The plants in the CS should run through December. The NNE harvest season is not expected to begin before August.

The following tables show monthly sugarcane crush data for the state of São Paulo and the CS region from the 2000/01 to 2005/06 crops (April-March), as reported by the Sugar and Alcohol Millers Association of São Paulo State (UNICA).

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

Month	01/02	02/03	03/04	04/05	05/06
April	449.3	5,002.0	8,802.9	4,649.8	11,100.4
May	12,396.2	25,039.6	27,380.0	20,491.1	30,740.0
June	27,777.8	31,825.9	32,563.2	31,267.0	35,561.1
July	30,602.1	32,242.6	34,488.3	34,579.0	37,355.1
August	29,105.9	31,146.4	33,539.6	37,836.4	38,898.5
September	28,117.1	27,761.5	31,994.8	35,566.1	33,435.7
October	24,232.0	26,931.3	27,318.7	28,856.0	31,235.6
November	20,286.2	10,417.9	11,217.8	26,259.1	20,614.4
December	3,421.6	2,061.9	505.3	10,091.9	3,888.2
January	186.0	57.6	0.0	985.6	0.0
Cumulative	176,574.2	192,486.6	207,810.5	230,582.0	242,828.8

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

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

Month	01/02	02/03	03/04	04/05	05/06
April	2,158.5	8,430.9	13,666.4	8,680.4	15,644.5
May	19,319.1	34,281.5	38,432.9	30,040.4	43,740.7
June	38,674.0	44,240.3	45,983.6	44,554.0	49,717.1
July	43,413.3	45,281.5	48,933.5	48,570.3	53,307.1
August	40,808.1	44,244.4	47,704.9	54,003.9	55,966.2
September	38,041.6	39,441.5	44,886.1	50,275.9	45,815.9
October	32,263.0	36,304.6	38,456.9	41,300.6	42,026.9
November	24,835.6	14,550.1	19,165.6	35,809.9	25,388.8
December	4,315.8	3,393.5	1,542.2	14,000.4	5,249.8
January	390.5	238.5	625.2	1,763.0	3.9
Cumulative	244,219.5	270,406.7	299,397.3	328,998.9	336,860.9

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

Area

Total sugarcane area for MY 2006/07 is forecast at 6.55 million hectares (ha), up 5 percent from MY 2005/06 (6.25 million ha.). Total area for harvest for MY 2006/07 is projected at 5.94 million ha, an additional 333,000 ha. vis-à-vis the previous season.

The table below shows area for sugarcane production, according to the Brazilian Institute of Geography and Statistics (IBGE), UNICA and the Agricultural Economics Institute (IEA) of the State of Sao Paulo Secretariat of Agriculture.

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	6,568.4	6,521.5
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	n/a

Sources: IBGE, IEA

As noted in previous reports, most area expansion has taken place in the CS region, driven by steady sugar and ethanol prices in both the domestic and international markets. Sugar and ethanol prices remain very attractive relative to other commodities, supporting conversion from cattle, grain and permanent crops such as oranges and coffee to sugarcane.

Conservative forecasts estimate that 570 mmt of sugarcane will be needed to meet projected demand by 2010/11, an increase of 150 mmt from 2006/07. Updated figures from the industry reports that approximately 20 and 25 new plants will start operations in 2006 and 2007, respectively. These plants usually start to crush at one third of total capacity (estimated at 1.5 mmt of sugarcane per plant). New projects normally begin solely with ethanol production to maximize the industrial efficiency.

According to UNICA and Datagro, a major consulting firm, a likely scenario for the 2012/13 crop includes 92 new projects, milling up to 630 mmt of sugarcane, with over 80 percent of those in the CS. Total investments required amounts to US$ 10 billion. The Brazilian press has regularly announced the interest of European and U.S. holdings in building sugar-ethanol plants in Brazil.

Yields

The agricultural yield for sugarcane for 2005/06 is estimated at 68.3 metric tons per hectare (mt/ha), down 3.2 mt/ha. from initial estimates. The dry weather during the development of the sugarcane both in the CS and the NE contributed to reduce the overall yield. The agricultural yield for MY 2006/07 is expected to recover and current post projection is 70.7 mt/ha.

The MY 2005/06 industrial yield is estimated at 144.08 kg TRS (total reducing sugars)/mt. The dry weather that prevailed along the harvest season supported the higher sugar content relative to MY 2004/05 (143.46 kg TRS/mt). ATO/Sao Paulo forecasts the industrial yield for MY 2006/07 at 144.29 kg TRS/mt.

According to UNICA, the average industrial yield for the 2005/06 crop in the CS is 144.22 kg TRS/mt, practically unchanged from MY 2004/05 (144.18 kg TRS/mt). The following table shows historical industrial yields since MY 1997/98, measured in TRS per metric ton of sugarcane.

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	143.39205	139.31414	141.81079	142.0818	142.65995	146.44142	146.4	143.46	144.08	144.29

* forecast

Sugar and Ethanol – MY 2005/06

The 2005/06 production was driven by the prominent increase in the ethanol demand, reversing the trend towards increased sugar production that had prevailed in previous years. Indeed, the TRS breakdown for sugar and alcohol production is estimated at 48.6 and 51.4 percent, respectively, compared to 50.1-49.9 percent for MY 2004/05.

Strong domestic demand for ethanol led to production of an additional 750 million liters vis-à-vis the previous crop season. Brazilian consumption of ethanol is estimated by the industry at 14.2 billion liters. The enormous success of the flex-fuel vehicles (FFV) sales (see table below) pushed up the consumption of hydrated ethanol. Current figures shows that over 80 percent of passenger car monthly sales are FFV.

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	187,116

Source: ANFAVEA 1/ January-February
Note: flex fuel vehicles were introduced in March 2003.

The National Association of Vehicle Manufacturers (ANFAVEA) estimates that in 2005 FFV represented 5.8 percent of the total Brazilian light vehicles fleet, whereas exclusively ethanol-powered cars represented 18.1 percent. The share of FFV vehicles in the market is still small, but should increase steadily as automobile manufacturers move towards this new technology. There are currently 7 manufactures in Brazil selling 89 different models of FFV.

Sustained ethanol exports during the 2005/06 cycle also supported the higher demand for ethanol. In combination with the drop in the sugarcane crop, these factors led to restrained sugar production for MY 2005/06, which is estimated at 27.08 million metric tons (mmt), raw value, down about 1.1 mmt, raw value, compared to MY 2004/05.

Brazilian alcohol production for MY 2005/06 is estimated at 15.85 billion liters (8 and 7.85 billion liters of anhydrous and hydrated alcohol, respectively). According to the Brazilian Ministry of Agriculture, Livestock and Supply (MAPA), cumulative alcohol production for the 2005/06 crop though December 1, 2005 was reported at 14.19 billion liters – 7.37 billion liters of anhydrous ethanol and 6.82 billion liters of hydrated ethanol. As reported by MAPA, final numbers for alcohol production for the 2004/05 crop through March 1, 2005 was 15.2 billion liters – 8.2 billion liters of anhydrous alcohol and 7 billion liters of hydrated alcohol. For additional info on the ethanol sector, see BR6001.

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

State/Region	Cane	Sugar	Alcohol Anhydous	Alcohol Hydrous	Alcohol Total
Alagoas	9,914,324	880,616	91,415	143,120	234,535
Amazonas	252,672	14,151	0	6,009	6,009
Bahia	2,157,111	102,742	80,379	15,682	96,061
Ceara	32,159	2,076	0	427	427
Maranhao	748,154	10,884	37,840	11,080	48,920
Para	363,399	0	25,858	5,882	31,740
Paraiba	2,341,656	37,825	62,092	92,966	155,058
Pernambuco	6,045,137	509,707	83,461	40,775	124,236
Piaui	291,916	0	14,096	5,832	19,928
Rio Grande do Norte	1,439,147	72,267	20,174	12,357	32,531
Sergipe	551,174	29,699	9,308	14,180	23,488
Tocantins	95,314	0	4,108	110	4,218
NNE	24,232,163	1,659,967	428,731	348,420	777,151
Espirito Santo	2,740,871	47,185	138,523	26,170	164,693
Goias	12,783,262	625,503	326,379	335,177	661,556
Minas Gerais	23,562,465	1,715,045	388,594	508,078	896,672
Mato Grosso do Sul	8,818,450	389,785	182,778	302,789	485,567
Mato Grosso	11,301,003	491,376	273,105	429,056	702,161
Parana	23,486,074	1,466,911	318,016	637,043	955,059
Rio de Janeiro	4,501,590	278,607	42,735	79,271	122,006
Rio Grande do Sul	57,976	0	0	3,338	3,338
Sao Paulo	225,407,425	16,077,208	5,269,582	4,153,925	9,423,507
Center South	312,659,116	21,091,620	6,939,712	6,474,847	13,414,559
TOTAL	336,891,279	22,751,587	7,368,443	6,823,267	14,191,710

Source: Ministry of Agriculture, Livestock and Supply, Sugar and Alcohol Dept, 12/01/05

The tables below show monthly sugar production for the state of Sao Paulo and the CS region for the 2001/02 to 2005/06 crops (April-Mach), as reported by UNICA.

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

Month	01/02	02/03	03/04	04/05	05/06
April	21,120	299,239	277,632	237,758	573,693
May	696,427	1,553,742	1,661,920	1,281,288	1,895,471
June	1,802,011	2,260,884	2,223,107	2,106,071	2,374,536
July	2,245,231	2,463,143	2,592,285	2,571,142	2,600,509
August	2,231,847	2,480,964	2,716,037	3,000,822	2,955,858
September	2,087,352	2,180,166	2,642,245	2,971,773	2,600,071
October	1,706,829	2,208,774	2,188,716	2,177,653	2,234,868
November	1,316,443	764,557	841,021	1,669,759	1,368,359
December	213,281	133,300	45,924	526,481	159,025
January	7,917	3,139	1,516	-27,380	0
Cumulative	12,328,458	14,347,908	15,190,403	16,515,367	16,762,389

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

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

Month	01/02	02/03	03/04	04/05	05/06
April	58,258	459,639	474,840	416,907	776,552
May	1,032,988	1,986,943	2,209,450	1,763,053	2,548,993
June	2,342,597	2,955,211	2,963,936	2,829,235	3,172,441
July	2,946,675	3,237,531	3,460,215	3,388,867	3,529,777
August	2,938,992	3,271,417	3,620,702	4,029,261	3,980,457
September	2,676,100	2,903,730	3,471,299	3,957,850	3,407,693
October	2,155,273	2,805,862	2,866,947	2,919,156	2,845,850
November	1,551,962	974,101	1,260,481	2,130,609	1,564,896
December	239,187	175,043	98,094	680,687	186,945
January	7,918	8,578	13,881	-8,996	0
Cumulative	15,949,950	18,778,055	20,439,846	22,106,629	22,013,604

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

Sugar and Ethanol – MY 2006/07

For the sugar industry the scenario for MY 2006/07 could not be better, as attractive prices for both sugar and alcohol in the domestic and international markets remain, as a consequence of the strong demand for both products.

From a strictly economic standpoint, sugar-ethanol plants should divert sugarcane crush towards sugar production for 2006/07, since the international prices are highly attractive. Price equivalences among competing sugarcane products are shown below. Sugar export prices should remain highly attractive sustained by the steady increase in world demand (3.4 mmt per year). In addition, the commitment of the European Union to comply with the World Trade Organization (WTO) decision regarding its sugar regime should create at least an extra 5 mmt market, in coming years.

Price Equivalence - prices paid for producers, Ribeirao Preto region, state of Sao Paulo

Anhydrous alcohol (R$/m3 (including PIS, COFINS, not including ICMS)										
896.73	941.57	986.40	1,031.24	1,076.08	1,120.91	1,165.75	1,210.59	1,255.42	1,300.26	1,345.10
Hydrated Alcohol - R$/m3 (including PIS, COFINS and 25 % ICMS)										
948.43	995.85	1,043.27	1,090.69	1,138.11	1,185.54	1,232.96	1,280.38	1,327.80	1,375.22	1,422.64
Crystal Sugar for the domestic market - R$/50 kg bag (including, PIS, COFINS and 7% ICMS)										
31.67	33.19	34.72	36.24	37.76	39.29	40.81	42.33	43.85	45.38	46.90
VHP Sugar for export market - US$ cents/lb - FOB price, Port of Santos										
11.00	11.47	11.95	12.42	12.89	13.37	13.84	14.31	14.79	15.26	15.74

Source: Datagro

Note: Price equivalence should be read for each column, parameters updated in January 25, 2006. Exchange rate = R$2.30/1US$

Sugar-ethanol mills cannot divert crush exclusively toward sugar production. Each unit is built with a certain capacity for sugar and ethanol production. There is some flexibility towards one product or the other but plants are restricted with regard this flexibility. Northeastern mills follow a configuration that prioritizes sugar production. Indeed, historically, NNE mills divert over 60 percent of total TRS to sugar. The CS plants are usually set for a 50/50 sugar/ethanol production mix. Industry sources report that this elasticity could reach 55 to 60 percent both ways. Moreover, there are some units (distilleries) which produce exclusively ethanol and new projects commonly start operations with solely ethanol production in order to maximize the efficiency of the plant.

From a supply standpoint, the rebirth of ethanol market is a reality and the industry cannot afford to lose their credibility with and confidence from the Brazilian consumer. This was a big issue in the late eighties when a generalized shortage undermined the confidence of the consumer in the alcohol program (Proalcool). The current ethanol situation bears slight resemblances to that period- ethanol prices have systematically increased at the pump, and the Brazilian government (GOB) and consumers have criticized those increases in prices- but there is no underlying supply crisis.

Furthermore, there is a concern that local ethanol shortages might occur in the second part of April. Existing ethanol stocks are virtually zero and the 06/07 crushing season began in March/April in order to supply an extra 800 million liters estimated to meet the demand.

The industry has also been promoting development of a world ethanol market and the exports have increased in the past couple of years. If Brazil wants to position itself as a global supplier, the country must show consistency in regular ethanol production.

The GOB also plays an important role. The government has constantly monitored the ethanol market seeking ways to guarantee the domestic supply of sugar and ethanol. On March 1, the GOB decreased the percentage of ethanol blended in the gasoline from 25 back to 20 percent for the foreseeable future. This measure is an attempt to reduce the demand for ethanol by 1 billion liters per year.

ATO/Sao Paulo projects the 2006/07 TRS breakdown for sugar and alcohol production at 50.12 and 49.88 percent, respectively, showing a slight trend towards sugar production. Total Brazilian sugar production for MY 2006/07 is forecast at 30.34 million metric ton (mmt), raw value, a 12 percent increase compared MY 2005/06 (27.08 mmt). The CS states should account for 26.17 mmt, raw value, up 3.07 mmt from MY previous season. The NNE should contribute 4.17 mmt of sugar, raw value, up 190,000 metric tons from MY 2005/06.

Total alcohol production for MY 2006/07 is projected at 16.8 billion liters – 7.3 billion liters of anhydrous alcohol and 9.5 billion liters of hydrated alcohol.

Sugarcane, Sugar and Ethanol Prices in the Domestic Market

The State of Sao Paulo Sugarcane, Sugar and Alcohol Growers Council (CONSECANA) reports that the average sugarcane price (May-October 2005) for the state of Sao Paulo for the 2005/06 crop is Reais (R$) 0.2350 per kg of TRS, or R$ 34.03 per ton of sugarcane. The average price for the 2004/05 crop was reported at R$0.2424 per kg of TRS, or approximately R$34,96 per ton of sugarcane.

The Crystal Sugar and Ethanol Indexes released by the University of Sao Paulo's College of Agriculture "Luiz de Queiroz" (ESALQ) follow. The Indexes track crystal sugar, anhydrous and hydrated prices received by producers in the domestic spot market. Prices are expected to drop with the beginning of the harvest season, however, they should remain fairly high as a consequence of strong demand.

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

Period	2001	2002	2003	2004	2005	2006
January	25.01	25.64	41.92	19.66	29.40	47.80
February	23.28	22.88	45.17	18.18	28.78	51.55
March	23.36	21.28	43.89	21.62	33.24	51.72
April 1/	24.81	20.8	39.24	28.00	33.63	50.85
May	24.06	20.69	30.87	22.42	26.24	--
June	23.44	18.76	25.09	26.57	26.13	--
July	23.66	19.2	23.93	27.85	29.19	--
August	22.81	22.95	29.41	30.00	30.51	--
September	23.56	24.46	24.31	28.73	31.80	--
October	23.93	34.53	21.14	27.62	33.69	--
November	23.78	40.06	20.38	29.90	34.28	--
December	24.43	39.82	21.42	31.43	39.15	--

Source: USP/ESALQ/CEPEA 1/ April 2006 price refers to April 10.

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	1040.59	729.98	803.02	561.13	763.41	1,018.24
February	614.32	1024.82	451.61	847.92	1063.94	721.13	876.62	372.62	765.47	1,064.20
March	608.22	1005.16	390.48	875.67	1191.42	704.06	857.81	341.15	772.09	1,208.53
April	608.94	996.71	462.93	842.91	1215.88	710.84	840.26	415.9	734.91	1158.66
May	570.78	883.79	541.86	680.88	--	491.07	745.22	472.73	593.29	--
June	483.72	644.80	628.86	669.81	--	406.99	576.24	536.48	584.96	--
July	469.25	586.23	678.64	773.32	--	387.05	476.43	580.63	672.77	--
August	493.71	709.35	756.54	759.74	--	421.57	599.60	653.07	657.65	--
Septembe	569.86	669.34	774.52	843.78	--	484.96	576.70	654.32	735.72	--
October	650.19	593.17	905.57	938.00	--	580.09	505.29	766.69	820.25	--
Novembe	763.92	650.31	978.91	928.65	--	683.66	527.76	837.73	817.91	--
Decembe	780.95	708.84	907.16	1053.25	--	689.05	608.18	774.33	947.24	--

Source: USP/ESALQ/CEPEA 1/ April 2006 price refers to April 03-07.

Consumption

ATO/Sao Paulo estimates the Brazilian MY 2005/06 consumption at 10.79 mmt, raw value. Post forecasts sugar consumption for MY 2006/07 at 10.95 mmt, raw value, up 1.5 percent from 2005/06, reflecting Brazilian population growth and a continued expansion in food processing.

Trade

Sugar Exports

Total Brazilian sugar exports for MY 2005/06 are estimated at 16.97 mmt, raw value, a decrease of more than 1 mmt from MY 2004/05 due to reduced supply and increased demand for ethanol production. Raw sugar should account for 12.57 mmt, raw value, whereas the remaining 4.4 mmt represents refined exports.

Sugar exports for MY 2006/07 are projected at 19.15 mmt, raw value, up 2.2 million mmt relative to the previous MY. Sugar export prices should remain extremely attractive. Raw sugar exports are forecast at 14.4 mmt, while refined exports should contribute 4.75 mmt, raw value. Note that approximately 30 percent of total TRS is expected to be diverted to sugar for exports for MY 2006/07.

The following tables show Brazilian sugar exports by destination for MY 2004/05 and MY 2005/06, as reported by the Brazilian Secretariat of Foreign Trade (SECEX).

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

	MY 2004/05		MY 2004/05 1/		MY 2005/06 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Russia	3,288,973	553,450	2,858,289	469,016	3,460,818	717,433
Canada	615,416	97,774	582,140	91,115	787,726	166,822
Nigeria	624,651	102,046	486,606	74,259	780,444	172,099
Malaysia	227,906	36,931	206,887	33,179	537,092	119,037
India	1,586,747	266,177	1,370,087	224,546	523,520	105,966
Egypt	885,027	140,880	846,760	133,120	403,982	80,984
U.E.A.	499,863	78,292	499,863	78,292	398,363	82,641
Saudi Arabia	462,011	73,851	437,171	69,261	396,715	88,509
Algeria	656,364	108,326	527,922	84,680	386,709	80,809
Morocco	574,992	93,339	514,833	81,790	373,386	80,527
Others	1,254,567	257,591	931,108	186,250	1,741,125	423,510
Total	10,676,517	1,808,656	9,261,666	1,525,506	9,789,882	2,118,336

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

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

	MY 2004/05		MY 2004/05 1/		MY 2005/06 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
U.E.A.	753,932	131,627	570,682	95,210	508,895	123,412
Ghana	428,334	85,792	364,626	70,720	414,212	103,998
Bangladesh	673,406	135,872	521,428	101,197	386,092	96,776
Saudi Arabia	312,228	55,212	228,178	38,225	328,169	75,085
Yemen	395,432	80,796	338,867	68,547	305,538	76,653
Nigeria	725,286	143,323	669,606	131,231	291,508	74,530
Syria	315,551	62,462	309,551	61,191	281,619	73,260
Morocco	274,870	53,131	153,109	27,674	251,117	60,890
South Africa	69,284	15,023	50,571	10,495	246,711	62,561
Georgia	251,065	48,388	242,065	46,226	244,129	60,626
Others	2,064,474	420,673	1,808,427	362,929	2,041,702	527,001
Total	6,263,862	1,232,299	5,257,110	1,013,645	5,299,690	1,334,793

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

Ethanol Exports

Total Brazilian alcohol exports for MY 2006/07 are projected at 2.6 billion liters, similar to ethanol exports for MY 2005/06. Cumulative alcohol exports for MY 2005/06 until February 2006 are estimated at 2.16 billion liters, as reported by SECEX. Approximately 250 million liters were shipped to the U.S. during this period. Other major alcohol exports included India, Japan and the Netherlands, and the Caribbean.

The U.S. Government's Caribbean Basis Initiative (CBI) agreement, which exempts U.S. alcohol imports from the Caribbean from payment of the US$0.54 per gallon import tariff, encouraged Brazilian alcohol exports to that region. 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$ 000 FOB)

	MY 2004/05			MY 2004/05 1/			MY 2005/06 1/		
Country	Weight	Volume	Value	Weight	Volume	Value	Weight	Volume	Value
India	439,096	543,234	120,223	335,382	414,922	82,086	212,380	262,748	72,304
Japan	166,053	205,435	49,961	104,441	129,211	25,917	211,545	261,716	81,661
Netherlands	116,057	143,582	35,082	89,314	110,496	26,495	192,445	238,086	76,992
U.S.A.	354,771	438,910	88,026	340,513	421,271	82,855	187,602	232,094	77,486
South Korea	180,088	222,798	48,317	156,556	193,686	40,021	157,066	194,316	58,565
Sweden	167,195	206,848	52,727	131,004	162,073	39,506	142,949	176,851	51,810
El Salvador	21,300	26,352	6,447	21,300	26,352	6,447	136,047	168,313	49,746
Jamaica	110,321	136,485	30,136	90,072	111,434	23,858	82,899	102,560	32,769
Mexico	55,904	69,162	15,480	52,378	64,800	13,984	70,985	87,820	24,709
Nigeria	60,701	75,098	20,052	52,142	64,508	16,333	64,420	79,698	24,514
Others	251,923	311,670	81,452	177,199	219,224	53,891	219,741	271,855	92,425
Total	1,923,409	2,379,573	547,904	1,550,300	1,917,976	411,392	1,678,078	2,076,058	642,981

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

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

	MY 2004/05			MY 2004/05 1/			MY 2005/06 1/		
Country	Weight	Volume	Value	Weight	Volume	Value	Weight	Volume	Value
India	30,033	37,156	7,252	30,033	37,156	7,252	15,258	18,876	4,734
U.S.A.	15,712	19,439	3,960	6,042	7,475	1,560	14,048	17,380	4,958
Netherlands	24,715	30,577	6,317	24,715	30,577	6,317	12,069	14,931	4,408
Mexico	3,208	3,969	796	3,208	3,969	796	6,458	7,989	2,214
Japan	22,678	28,056	5,405	22,678	28,056	5,405	5,316	6,577	1,778
Trinidad Tobago	0	0	0	0	0	0	4,335	5,363	1,380
Costa Rica	0	0	0	0	0	0	2,259	2,795	821
Nigeria	18,417	22,785	4,428	17,084	21,135	4,097	2,013	2,490	675
Turkey	9,728	12,035	2,776	9,728	12,035	2,776	1,497	1,853	700
Venezuela	211	262	119	193	239	104	459	568	296
Others	18,369	22,726	5,529	18,326	22,672	5,489	309	382	194
Total	143,072	177,004	36,583	132,007	163,314	33,797	64,021	79,204	22,158

Source : Brazilian Foreign Trade Secretariat (SECEX) 1 / May-February

Note : Numbers may not add to rounding, 1 liter = 0.8083 kg.

Stocks

Domestic MY 2005/06 carry over stocks were adjusted downward to –90,000 mt, raw value, based on industry information. Negative stocks have been balanced by the early start of the sugarcane harvest in the CS region. Sugar ending stocks for MY 2006/07 are projected at 150,000 mt, raw value.

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 1/	2.36	2.89	2.94	2.53	2.15
May	2.52	2.97	3.13	2.40	--
June	2.84	2.87	3.11	2.35	--
July	3.43	2.97	3.03	2.39	--
August	3.02	2.97	2.93	2.36	--
September	3.89	2.92	2.86	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: April 2006 ROE refers to April 10.