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Brazil

Sugar

Annual

2007

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Report Highlights:
Sugarcane production for MY 2007/08 is forecast at 472 million metric tons, up more than 10 percent from the previous year, due to steady area expansion. Sugar production is projected to increase to 32.85 mmt, raw value. In addition, sugar exports are expected to reach 21.8 mmt (up 8 percent from previous MY), while ethanol exports for MY 2007/08 are forecast at 3.0 billion liters (down form 3.6 billion). Last March, the presidents of the US and Brazil signed a memorandum of understanding expressing their intention to cooperate on the development and deployment of biofuels.

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

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PS&D Tables

Country	**Brazil**								
Commodity	**Sugar Cane for Centrifugal**						(1000 HA)(1000 MT)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		05/2005	05/2005		05/2006	05/2006		05/2007	05/2007
Area Planted	6250	6250	6250	6550	6550	6550	0	0	7190
Area Harvested	5610	5610	5610	5940	5940	5940	0	0	6470
Production	385000	386500	385000	420000	418000	427500	0	0	478000
Total Supply	385000	386500	385000	420000	418000	427500	0	0	478000
Utilization for Sugar	187265	187530	187265	210500	212511	213300	0	0	227000
Utilizatn for Alcohol	197735	198970	197735	209500	205489	214200	0	0	251000
Total Utilization	385000	386500	385000	420000	418000	427500	0	0	478000

	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		05/2005	05/2005		05/2006	05/2006		05/2007	05/2007
Beginning Stocks	585	585	585	-285	-285	-285	215	215	265
Beet Sugar Production	0	0	0	0	0	0	0	0	0
Cane Sugar Production	26850	26850	26850	30850	30850	31600	0	0	32850
Total Sugar Production	26850	26850	26850	30850	30850	31600	0	0	32850
Raw Imports	0	0	0	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0	0	0	0
Total Supply	27435	27435	27435	30565	30565	31315	215	215	33115
Raw Exports	12690	12690	12690	14750	14750	15200	0	0	16350
Refined Exp.(Raw Val)	4400	4400	4400	4800	4800	5050	0	0	5450
Total Exports	17090	17090	17090	19550	19550	20250	0	0	21800
Human Dom. Consumptic	10630	10630	10630	10800	10800	10800	0	0	11050
Other Disappearance	0	0	0	0	0	0	0	0	0
Total Use	10630	10630	10630	10800	10800	10800	0	0	11050
Ending Stocks	-285	-285	-285	215	215	265	0	0	265
Total Distribution	27435	27435	27435	30565	30565	31315	0	0	33115

Production

Sugarcane Production, Area and Yield

The Agricultural Trade Office (ATO)/Sao Paulo forecasts total MY 2007/08 (May-April) sugarcane production at 478 mmt, a 50.5 mmt increase compared to MY 2006/07, mainly as a consequence of area expansion in the Center-South region (CS). The region should contribute 420 mmt, up 13 percent relative to the previous crop. The North-Northeastern (NNE) region is projected to contribute 58 mmt, up 5 percent from current crop.

The beginning of the harvest in mid-March in Parana and in April in Sao Paulo and other CS states will likely prevent any ethanol deficit for the month of April 2007. Indeed, although the harvest season starts officially in May (as per the Government of Brazil), many sugar-ethanol mills have started crushing in March-April so that an apparent supply deficit does not lead to actual shortages.

Total sugarcane area for MY 2007/08 is projected at 7.19 million hectares (ha), a 10 percent increase vis-à-vis MY 2006/07 (6.55 million ha). Total area for harvest for MY 2007/08 is forecast at 6.47 million ha, up 530,000 ha from MY 2006/07 (5.94 million ha). The table below shows area for sugarcane production, according to the Brazilian Institute of Geography and Statistics (IBGE) and the Agricultural Economics Institute (IEA) of the State of Sao Paulo Secretariat of Agriculture.

Area Planted to Sugarcane (1,000 ha).

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

Sources: IBGE, IEA

According to the National Institute for Space Research (INPE), area planted to sugarcane for the Center-South follows:

Sugarcane Area in the Center-South (MY 2006/2007)

Estado	Sugarcane Area (ha)		
	Harvested	Renewal	Total
Goiás	239.083	11.584	250.666
Minas Gerais	351.284	17.214	368.497
Mato Grosso	194.43	19.914	214.344
Mato Grosso do Sul	167.964	14.096	182.06
Paraná	422.232	16.626	438.858
São Paulo	3.354.490	306.674	3.661.164
Total	4.729.483	386.107	5.115.590

Source: INPE.

Sugarcane area has steadily expanded in Brazil. Post contacts report that 18 new projects started operations in MY 2006/07, whereas 16 and 32 new units are expected to begin crushing in MY 2007/08 and MY 2008/09, respectively. Cumulative production from these new units should result an additional 140 mmt of sugarcane in the next 3-4 years. Expansion has occurred in western Sao Paulo, Parana, Minas Gerais, Mato Grosso, Mato Grosso do Sul and Goias. Land prices in late 2006 for major production and expansion areas follow:

Land Prices for Sugarcane		
State/County	R$/hectare	US$/hectare
Sao Paulo		
Ribeirao Preto	16,000 - 21,000	7,500 - 9,700
Piracicaba	9,700 - 13,800	4,500 - 6,400
Araçatuba	12,000	5,500
Parana		
Maringa	13,500	6,300
Paranavai	11,300	5,200
Minas Gerais		
Uberaba	7,200	3,300
Conceicao de Alagoas	8,400	3,900
Mato Grosso		
Tangari	3,750	1,750
Nova Olimpia	4,100	1,900
Poconé	1,500	700

Source: FNP, Sep/Oct 2006.

The agricultural yield for MY 2007/08 is projected at 73.88 metric tons (mt) per ha, up 3 percent from previous crop (71.97 mt per ha), due to good weather conditions. The industrial yield, however, is projected at 144.71 kg TRS (total reducing sugars)/mt, down 1 percent relative to MY 2006/07 (145.97 kg TRS/mt), since dry weather during the 2006 harvest supported exceptional industrial yields for the previous crop. According to UNICA, the average industrial yield for the 2006/07 crop in the CS is 147.05 kg TRS/mt, up 4.94 kg TRS/me compared to MY 2005/06. The following table shows historical yields measured in TRS per metric ton of sugarcane.

Sugarcane Industrial Yields

	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	MY 07/08
TRS/ton	139.31	141.81	142.08	142.66	146.44	146.40	143.46	142.47	145.97	144.70

Source: Datagro, UNICA, ATO/Sao Paulo for MY 2003/04, 2004/05, 2005/06, 2006/07 and 2007/08 (forecast)

Total Brazilian sugarcane production for marketing year 2006/07 (May-April) has been adjusted to 427.5 million metric tons (mmt), up 2 percent from previous estimate due to recent updated information from post contacts. The Center-South (CS) harvest ended in December 2006 contributing 372.5 mmt. The North-Northeastern (NNE) region's harvest is virtually over and output is estimated at 55 mmt.

Along with the increase in area, the sugarcane crush season has been steadily lengthening for years. While USDA and many other institutions continue to refer to a May-April marketing year for sugar, harvesting actually begins as early as mid-March in the far south and mid-April (weather permitting) in Sao Paulo state. As a result, over the past two years about five percent of the Center-South sugarcane crop has been crushed before May 1, and entered consumption channels *prior to* the beginning of the marketing year. One consequence is the apparent contradiction of negative ending stocks for 2005/06. Due to the fact that part of the 2006/07 crop was harvested and crushed prior to May 1, consumption for 2005/06 exceeded availability from that year's crop. The following tables show monthly sugarcane crush data for the state of São Paulo and the CS region from the 2002/03 to 2006/07 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	02/03	03/04	04/05	05/06	06/07
April	5,002.0	8,802.9	4,649.8	11,100.4	13,761.0
May	25,039.6	27,380.0	20,491.1	30,740.0	35,913.9
June	31,825.9	32,563.2	31,267.0	35,561.1	39,237.0
July	32,242.6	34,488.3	34,579.0	37,355.1	40,843.1
August	31,146.4	33,539.6	37,836.4	38,898.5	39,660.5
September	27,761.5	31,994.8	35,566.1	33,435.7	36,468.5
October	26,931.3	27,318.7	28,856.0	31,235.6	31,047.8
November	10,417.9	11,217.8	26,259.1	20,614.4	22,352.7
December	2,061.9	505.3	10,091.9	3,888.2	5,052.1
January	57.6	0.0	985.6	0.0	0.0
Cumulative	192,486.6	207,810.5	230,582.0	242,828.8	264,336.8

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

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

Month	02/03	03/04	04/05	05/06	06/07
April	8,430.9	13,666.4	8,680.4	15,644.5	19,294.5
May	34,281.5	38,432.9	30,040.4	43,740.7	50,535.4
June	44,240.3	45,983.6	44,554.0	49,717.1	55,869.1
July	45,281.5	48,933.5	48,570.3	53,307.1	58,502.5
August	44,244.4	47,704.9	54,003.9	55,236.0	57,322.7
September	39,441.5	44,886.1	50,275.9	46,546.0	51,049.4
October	36,304.6	38,456.9	41,300.6	42,026.9	42,769.1
November	14,550.1	19,165.6	35,809.9	25,388.8	30,731.2
December	3,393.5	1,542.2	14,000.4	5,087.6	6,677.9
January	238.5	625.2	1,763.0	88.6	0.0
Cumulative	270,406.7	299,397.3	328,998.9	336,783.3	372,751.7

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

Sugar and Ethanol

The MY 2007/08 sugarcane crop is expected to divert more sugarcane toward ethanol production as a consequence of expected higher demand for the product in the domestic market. In addition, sugar prices have not been as attractive as they were a year ago. In fact, the International Sugar Organization does not foresee a rebound in prices during the coming year due to a projected world surplus for MY 2006/07 (7.2 million tons).

The TRS breakdown for sugar and ethanol production is forecast at 47.9 : 52.1 percent, respectively, compared to 49.9 : 50.1 percent for MY 2006/07. Sugar production for MY 2007/08 is forecast at 32.85 mmt , raw value, a 4 percent increase from MY 2006/07 (31.6 mmt). The CS states should account for 28.2 mmt, raw value, up 1.2 mmt from the previous year. The NNE should contribute 4.65 mmt of sugar, raw value, relatively stable compared to MY 2006/07.

Total ethanol production for MY 2007/08 is projected at 20.5 billion liters (8.6 billion liters of anhydrous ethanol and 11.9 billion liters of hydrated ethanol), up 2.93 billion liters from MY 2006/07 (7.875 billion liters of anhydrous ethanol and 9.8 billion liters of hydrated ethanol). The projection assumes that the Brazilian Government will increase the mandated ethanol blended in gasoline from the current 23 percent to 25 percent as of June 1.

Fuels consumption in Brazil, as reported by the Petroleum, Natural Gas and Biofuels National Agency (ANP), follows. The figures takes into account the product sales by distributors and do not include illegal sales, which are common for hydrated ethanol due taxes differentiation between both types of ethanol. Nevertheless, the figures show an increasing trend in consumption in hydrated ethanol.

Brazilian Fuel Consumption Matrix (000 m3)

	2003	2004	2005	2006
Diesel	36,853	39,219	39,052	38,854
Gasoline C**	21,791	23,165	23,542	23,979
Hydrated Ethanol	3,245	4,355	4,654	6,010

Source: ANP

** including 20-25 percent anhydrous ethanol

The domestic demand for ethanol for MY 2007/8 is expected to increase to 17 billion liters, up 3 billion liters from MY 2006/07, due to the expected increase in the mandated ethanol blend in gasoline, steady sales of flex fuel vehicles (FFV) and attractive ethanol prices compared to gasoline. The table below shows the sales of FFV and hydrated ethanol powered cars since 2003. Note that sales of FFV currently represent over 80 percent of total vehicle sales.

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

1999	2000	2001	2002	2003	2004	2005	2006	2007 1/
10,947	10,292	18,335	55,961	84,558	379,329	897,308	1,425,177	240,212

Source: ANFAVEA 1/ January-February.

Note: flex fuel vehicles were introduced in March 2003.

The steady sales of flex-fuel vehicles do not guarantee a higher demand for ethanol since consumers' decisions are driven by the ratio between ethanol and gasoline prices. In practice, a 70 percent ratio between ethanol and gasoline prices is generally accepted as determining if flex car owners will choose to fill up with ethanol (price ratio below 70 percent) or gasoline (price ratio above 70 percent).

The table below shows the average prices for gasoline and ethanol as well as the price ratio for January-February (off-peak) and July-August (peak season) 2005, 2006 and 2007. Note the overall decrease in the price ratio from January-February 2005 and 2006 to 2007, in markets such as Goiania and Fortaleza. These lower alcohol prices encourage drivers to choose ethanol instead of gasoline, thus increasing demand for the product. Ethanol prices are expected to be lower during the coming year, thus supporting higher demand for the product, especially in major states such as Minas Gerais and Rio de Janeiro.

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

		Gasoline			Ethanol			Ratio Ethanol/Gasoline		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
Sao Paulo State	January	2,187	2,376	2,405	1,240	1,759	1,367	57%	74%	57%
	February	2,190	2,373	2,339	1,228	1,546	1,361	56%	65%	58%
	July	2.145	2.424		1.049	1.342		49%	55%	
	August	2.147	2.424		1.066	1.358		50%	56%	
Sao Paulo City	January	2,185	2,371	2,403	1,242	1,496	1,363	57%	63%	57%
	February	2,190	2,370	2,397	1,231	1,545	1,356	56%	65%	57%
	July	2,145	2,421		1,049	1,340		49%	55%	
	August	2,146	2,420		1,064	1,357		50%	56%	
Minas Gerais	January	2,156	2,382	2,392	1,578	1,867	1,749	73%	78%	73%
	February	2,148	2,398	2,360	1,571	1,924	1,744	73%	80%	74%
	July	2.117	2.414		1.443	1.826		68%	76%	
	August	2.134	2.408		1.463	1.809		69%	75%	
Belo Horizonte (MG Capital)	January	2,115	2,336	2,345	1,550	1,853	1,733	73%	79%	74%
	February	2,107	2,352	2,315	1,548	1,915	1,730	73%	81%	75%
	July	2,070	2,379		1,418	1,817		69%	76%	
	August	2,092	2,376		1,444	1,811		69%	76%	
Rio Janeiro State	January	2,268	2,511	2,488	1,598	1,850	1,728	70%	74%	69%
	February	2,264	2,517	2,488	1,586	1,887	1,754	70%	75%	70%
	July	2.226	2.521		1.407	1.767		63%	70%	
	August	2.225	2.519		1.419	1.775		64%	70%	
Rio de Janeiro Capital	January	2,265	2,505	2,481	1,595	1,841	1,717	70%	73%	69%
	February	2,260	2,511	2,483	1,581	1,876	1,737	70%	75%	70%
	July	2,222	2,514		1,401	1,757		63%	70%	
	August	2,221	2,514		1,412	1,770		64%	70%	
Porto Alegre (RS Capital)	January	2,442	2,596	2,600	1,702	2,222	1,848	70%	86%	71%
	February	2,411	2,630	2,463	1,654	2,228	1,829	69%	85%	74%
	July	2,526	2,707		1,726	2,097		68%	77%	
	August	2,549	2,724		1,752	2,056		69%	75%	
Goiania (GO Capital)	January	2,371	2,516	2,329	1,551	1,660	1,425	65%	66%	61%
	February	2,289	2,480	2,499	1,474	1,777	1,487	64%	72%	60%
	July	2,285	2,543		1,230	1,499		54%	59%	
	August	2,280	2,635		1,184	1,457		52%	55%	
Fortaleza (CE Capital)	January	2,344	2,560	2,625	1,656	1,756	1,661	71%	69%	63%
	February	2,214	2,656	2,620	1,641	1,812	1,680	74%	68%	64%
	July	2,389	2,751		1,622	1,951		68%	71%	
	August	2,418	2,741		1,618	1,953		67%	71%	

Source: Petroleum, Natural Gas and Biofuels National Agency (ANP).

According to the Ministry of Agriculture, Livestock and Supply (MAPA), cumulative ethanol production for the 2006/07 crop through January 16, 2007 was reported at 16.9 billion liters – 7.99 billion liters of anhydrous ethanol and 8.91 billion liters of hydrated ethanol. The table below shows sugarcane, sugar and ethanol production by state for MY 2006/07, as reported by MAPA.

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

			Alcohol		
State/Region	Cane	Sugar	Anhydous	Hydrous	Total
Alagoas	18,005,490	1,625,196	210,391	237,104	447,495
Amazonas	224,701	15,712		5,650	5,650
Bahia	2,185,643	115,688	65,324	28,638	93,962
Ceara	27,372	1,471		1,002	1,002
Maranhao	1,409,523	2,718	88,802	17,535	106,337
Para	673,897	34,786	41,266	9,004	50,270
Paraiba	2,844,426	73,125	75,447	106,543	181,990
Pernambuco	11,100,636	996,804	143,214	79,199	222,413
Piaui	706,059		39,202	11,299	50,501
Rio Grande do Norte	1,837,071	128,878	45,696	21,974	67,670
Sergipe	1,011,767	41,245	27,468	21,959	49,427
Tocantins	179,316		9,442	2,125	11,567
NNE	40,205,901	3,035,623	746,252	542,032	1,288,284
Espirito Santo	2,431,949	48,949	98,491	36,006	134,497
Goias	16,302,760	760,870	381,296	437,279	818,575
Minas Gerais	28,002,805	1,862,066	576,628	662,999	1,239,627
Mato Grosso do Sul	11,635,093	574,009	207,153	433,690	640,843
Mato Grosso	13,010,009	540,108	303,305	439,616	742,921
Parana	31,732,281	2,164,534	422,764	828,560	1,251,324
Rio de Janeiro	3,445,153	262,104	29,429	58,026	87,455
Rio Grande do Sul	89,159			5,504	5,504
Sao Paulo	257,040,710	19,687,559	5,227,894	5,467,649	10,695,543
Center South	363,689,919	25,900,199	7,246,960	8,369,329	15,616,289
TOTAL	403,895,820	28,935,822	7,993,212	8,911,361	16,904,573

Source: Ministry of Agriculture, Livestock and Supply, Sugar and Alcohol Dept, 01/16/07

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

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

Month	02/03	03/04	04/05	05/06	06/07
April	299,239.0	277,632.0	237,758.0	573,693.0	667,102.0
May	1,553,742.0	1,661,920.0	1,281,287.6	1,895,471.0	2,393,034.7
June	2,260,884.5	2,223,106.8	2,106,071.3	2,374,535.8	2,982,938.1
July	2,463,142.6	2,592,285.2	2,571,142.1	2,600,509.3	3,283,896.0
August	2,480,964.0	2,716,037.4	3,000,822.0	2,955,857.9	3,321,414.6
September	2,180,166.0	2,642,244.6	2,971,773.0	2,600,070.5	3,004,301.7
October	2,208,774.0	2,188,716.0	2,177,653.0	2,234,867.5	2,239,679.8
November	764,557.0	841,021.0	1,669,759.0	1,368,359.0	1,435,440.2
December	133,300.0	45,924.0	526,481.0	154,204.0	231,896.0
January	3,139.0	1,516.0	-27,380.0	0.0	0.0
Cumulative	14,347,908.0	15,190,403.0	16,515,367.0	16,757,568.0	19,559,703.0

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

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

Month	02/03	03/04	04/05	05/06	06/07
April	459,639.0	474,840.0	416,906.9	776,552.0	868,062.0
May	1,986,943.0	2,209,450.5	1,763,052.7	2,548,993.0	3,180,637.7
June	2,955,211.5	2,963,936.3	2,829,234.8	3,172,440.8	4,002,254.1
July	3,237,530.6	3,460,215.2	3,388,867.4	3,529,777.3	4,407,637.0
August	3,271,417.0	3,620,702.4	4,029,261.0	3,980,456.9	4,483,361.6
September	2,903,730.0	3,471,298.6	3,957,850.1	3,407,693.0	3,918,877.7
October	2,805,862.0	2,866,947.0	2,919,156.0	2,845,850.0	2,865,208.8
November	974,101.0	1,260,480.9	2,130,609.0	1,564,896.0	1,814,436.2
December	175,043.0	98,094.0	680,687.0	183,613.0	300,855.0
January	8,578.0	13,881.1	-8,996.0	4,863.0	0.0
Cumulative	18,778,055.0	20,439,846.0	22,106,629.0	22,015,135.0	25,841,330.0

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

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 (April 2006-February 2007) for the state of Sao Paulo for the 2006/07 crop is Reais (R$) 0.3471 per kg of TRS, or R$ 50.33 per ton of sugarcane. The average price for the 2005/06 crop was reported at R$0.3083 per kg of TRS, or approximately R$44.99 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. Note that ethanol prices did not sharply increase during the off-season (January-March 2007) due to higher supply of the product. Price equivalences for late November 2006 among different sugarcane products are also shown below.

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

Period	2003	2004	2005	2006	2007
January	41.92	19.66	29.40	47.80	36.79
February	45.17	18.18	28.78	51.55	34.96
March	43.89	21.62	33.24	51.72	34.72
April 1/	39.24	28.00	33.63	50.61	34.70
May	30.87	22.42	26.24	48.56	--
June	25.09	26.57	26.13	49.72	--
July	23.93	27.85	29.19	50.25	--
August	29.41	30.00	30.51	44.10	--
September	24.31	28.73	31.80	37.99	--
October	21.14	27.62	33.69	37.32	--
November	20.38	29.90	34.28	36.47	--
December	21.42	31.43	39.15	36.78	--

Source: USP/ESALQ/CEPEA

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

	Anhydrous					Hydrated				
Month	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
January	922.03	633.43	885.13	1,040.59	870.69	803.02	561.13	763.41	1018.24	845.36
February	1024.82	451.61	847.92	1063.94	837.39	876.62	372.62	765.47	1064.2	802.87
March	1005.16	390.48	875.67	1191.42	912.93	857.81	341.15	772.09	1208.53	855.05
April	996.71	462.93	842.91	1185.53	--	840.26	415.9	734.91	1063.46	--
May	883.79	541.86	680.88	966.47	--	745.22	472.73	593.29	848.56	--
June	644.80	628.86	669.81	983.66	--	576.24	536.48	584.96	854.55	--
July	586.23	678.64	773.32	1036.03	--	476.43	580.63	672.77	898.36	--
August	709.35	756.54	759.74	955.43	--	599.60	653.07	657.65	819.57	--
September	669.34	774.52	843.78	878.49	--	576.70	654.32	735.72	756.09	--
October	593.17	905.57	938.00	867.02	--	505.29	766.69	820.25	758.58	--
November	650.31	978.91	928.65	858.93	--	527.76	837.73	817.91	751.59	--
December	708.84	907.16	1053.25	849.55	--	608.18	774.33	947.24	778.07	--

Source: USP/ESALQ/CEPEA.

Price Equivalence should be read vertically

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

Consumption

ATO/Sao Paulo estimates the Brazilian MY 2007/08 consumption at 11.05 mmt, raw value, up 2 percent from 2007/08 (10.8 mmt), reflecting Brazilian population growth and a continued expansion in food processing.

Trade

Sugar Exports

Total MY 2007/08 Brazilian sugar exports are projected at 21.8 mmt, raw value, up 8 percent compared to revised figure for MY 2006/07 (20.25 mmt). In spite of lower expected export prices for 2007, sugar exports remain attractive. Raw sugar should account for 16.35 mmt, raw value, whereas the reminder represents refined exports. Note that approximately a third of total TRS is expected to be diverted to sugar for exports for MY 2007/08.

The following tables show Brazilian sugar exports by destination for MY 2005/06 and MY 2006/07, as reported by the Brazilian Secretariat of Foreign Trade (SECEX).

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

	MY 2005/06		MY 2005/06 1/		MY 2006/07 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Russia	4,326,290	953,016	3,460,818	717,433	3,479,318	1,074,882
Iran	361,343	80,055	359,693	79,711	1,172,577	360,933
Egypt	511,962	115,623	403,982	80,984	902,716	279,947
Malaysia	649,111	151,600	537,092	119,037	793,224	238,700
Canada	841,630	180,940	787,726	166,822	750,487	228,400
Nigeria	891,768	210,752	780,444	172,099	654,371	209,732
Algeria	485,169	113,405	386,709	80,809	630,056	204,268
Morocco	459,620	107,620	373,386	80,527	536,301	159,202
Bangladesh	11,540	2,402	11,540	2,402	479,280	156,909
U.E.A.	398,363	82,641	398,363	82,641	385,967	125,250
Others	2,442,005	579,210	2,290,127	535,871	2,074,354	670,450
Total	11,378,801	2,577,265	9,789,882	2,118,336	11,858,652	3,708,675

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 2005/06		MY 2005/06 1/		MY 2006/07 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
U.E.A.	560,285	143,191	508,895	123,412	781,901	252,224
Yemen	377,227	106,023	305,538	76,653	480,390	188,806
Iraq	202,245	55,819	201,195	55,471	362,503	139,504
Syria	286,819	75,340	281,619	73,260	325,756	130,993
Saudi Arabia	375,569	93,299	328,169	75,085	317,705	108,219
Ghana	443,765	111,492	414,212	103,998	253,556	93,947
South Africa	262,878	69,688	246,711	62,561	248,661	81,768
Iran	16,493	3,183	16,493	3,183	212,870	82,771
Angola	196,470	58,278	143,800	38,458	204,646	80,741
Bangladesh	391,092	98,986	386,092	96,776	177,216	70,580
Others	2,770,312	734,922	2,466,968	625,935	2,452,786	903,700
Total	5,883,154	1,550,222	5,299,690	1,334,793	5,817,989	2,133,253

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

Ethanol Exports

Brazilian alcohol exports for MY 2007/08 are forecast at 3.0 billion liters, a 600 million liter decrease compared to MY 2006/07. Lower demand for Brazilian exports will be due to increased ethanol production capacity in the US and the strength of the Real vis-à-vis US Dollar. In addition, potential demand in Brazil is likely to be more sensitive to moderate price decreases than international demand would be.

Cumulative alcohol exports for MY 2006/07 until February 2007 are estimated at 3.29 billion liters, as reported by the Secretariat of Foreign Trade (SECEX). Approximately 1.92 billion liters were shipped to the U.S. during this period either directly (1.66 Billion liters) or via the U.S. Government's Caribbean Basis Initiative (CBI) agreement (256 million liters). Other major export destinations included Japan, the Netherlands, India and South Korea. 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 2005/06			MY 2005/06 1/			MY 2006/07 1/		
Country	Weight	Volume	Value	Weight	Volume	Value	Weight	Volume	Value
U.S.A.	319,906	395,776	149,102	187,602	232,094	77,486	1,148,287	1,420,620	735,981
Japan	203,000	251,145	82,790	192,445	238,086	76,992	258,422	319,710	152,810
Netherlands	235,112	290,873	92,282	211,545	261,716	81,661	155,956	192,943	91,396
India	136,047	168,313	49,746	136,047	168,313	49,746	148,822	184,117	85,718
South Korea	160,388	198,426	58,888	142,949	176,851	51,810	139,847	173,014	73,685
Sweden	94,458	116,860	37,176	82,899	102,560	32,769	119,475	147,811	65,437
El Salvador	85,304	105,536	34,386	64,048	79,238	25,840	69,636	86,152	36,051
Jamaica	38,575	47,723	16,458	38,575	47,723	16,458	62,391	77,188	48,800
Costa Rica	38,353	47,449	17,223	29,533	36,538	11,458	62,306	77,083	34,904
Mexico	64,420	79,698	24,514	64,420	79,698	24,514	56,205	69,535	30,694
Others	551,604	682,425	204,765	528,015	653,241	194,247	182,442	225,710	99,269
Total	1,927,168	2,384,223	767,329	1,678,078	2,076,058	642,981	2,403,788	2,973,882	1,454,743

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

Note : Numbers may not add due 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 2005/06			MY 2005/06 1/			MY 2006/07 1/		
Country	Weight	Volume	Value	Weight	Volume	Value	Weight	Volume	Value
U.S.A.	22,105	27,348	10,364	14,048	17,380	4,958	193,309	239,155	128,837
Venezuela	533	660	385	459	568	296	20,140	24,916	15,736
Sweden	0	0	0	0	0	0	20,108	24,877	10,216
Jamaica	408	505	137	0	0	0	10,527	13,023	5,205
France	0	0	0	0	0	0	7,028	8,695	3,909
Trinidad Tobago	4,335	5,363	1,380	4,335	5,363	1,380	2,401	2,970	1,238
Netherlands	17,708	21,907	6,345	12,069	14,931	4,408	1,055	1,306	622
Angola	0	0	0	0	0	0	134	166	128
South Korea	0	0	0	0	0	0	106	131	67
India	15,258	18,876	4,734	15,258	18,876	4,734	0	0	0
Others	20,265	25,072	7,148	17,852	22,086	6,382	0	0	0
Total	80,613	99,731	30,492	64,021	79,204	22,158	254,807	315,238	165,958

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

Note : Numbers may not add due to rounding, 1 liter = 0.8083 Kg

Stocks

Estimated ending stocks for sugar for MY 2006/07 were revised upward to 265,000 mt, raw value, based on current industry information.

The crush season for sugar cane has steadily lengthened over the past years, and about five percent of the Center-South sugarcane crop is now crushed before the May 1 start of the marketing year. One consequence of this development is that ending stocks tend to be extremely low (1% of total use or less), to the point that ending stocks for 2005/06 were negative (with 2006/07 production being crushed and consumed prior to May 1).

Policy

On March 9th, the presidents of the US and Brazilian governments signed a memorandum of understanding expressing their intention to cooperate on the development of a global of biofuels industry through a three-pronged approach (bilateral, third counties, and global):

I. Bilateral: The Participants intend to advance the research and development of next generation biofuels technology;

II. Third Countries: The Participants intend to work jointly to bring the benefits of biofuels to select third countries through feasibility studies and technical assistance aimed at stimulating private sector investment in biofuels. The Participants intend to begin work in Central America and the Caribbean to encourage local production and consumption of biofuels, with a view to continue joint work in key regions across the globe.

III. Global: The Participants desire to expand the biofuels marketplace through cooperation on the establishment of uniform standards and codes.

Exchange Rate

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

Month	2003	2004	2005	2006	2007
January	3.53	2.94	2.62	2.22	2.12
February	3.56	2.91	2.60	2.14	2.12
March	3.35	2.91	2.67	2.17	2.05
April	2.89	2.94	2.53	2.09	--
May	2.97	3.13	2.40	2.30	--
June	2.87	3.11	2.35	2.16	--
July	2.97	3.03	2.39	2.18	--
August	2.97	2.93	2.36	2.14	--
September	2.92	2.86	2.22	2.17	--
October	2.86	2.86	2.25	2.14	--
November	2.95	2.73	2.21	2.17	--
December	2.89	2.65	2.26	2.14	--

Source: Gazeta Mercantil and BACEN (as of October 2006).