FLASH NEWS - COMMODITIES

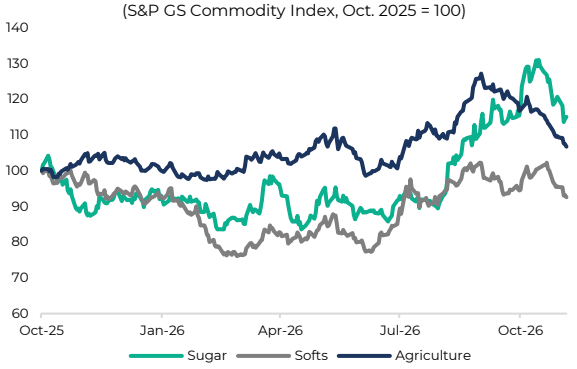
Sugar market under pressure: El Niño and biofuels further tighten global supply

Japan, November 13th, 2026 – Sugar prices have soared by nearly 25 % since the start of the year. The rally reflects tighter global supply conditions driven by El Niño, rising ethanol production and export restrictions.

Global supply under strain, prices on a sustained upward trend

Whilst most agricultural commodity markets have been treading water since the start of the new marketing year, sugar prices have continued to rise. Although the S&P GSCI Agriculture Index[1] has fallen by 16% since the start of September, the sugar-specific index has nevertheless risen by 1% over the same period (Figure 1). Since the start of the year, the benchmark price[2] for raw sugar has surged by around 25%, exceeding US$450 per ton in mid-October – its highest level in almost two years.

Fig. 1 - Agricultural Commodity Prices
(S&P GS Commodity Index, Oct. 2025 = 100)



Note: Softs include coffee, sugar, cocoa and cotton
Source: S&P GSCI, Coface

Against a backdrop of stable demand, price movements are now largely determined by supply conditions. Three factors are fuelling this upward pressure on prices: adverse weather conditions linked to El Niño, the boom in biofuels driven by rising oil prices, and export restrictions.

The International Sugar Organisation[3] now forecasts a global deficit of 0.2 million tonnes (Mt) for the 2026/2027 marketing year (October–September), having recorded a surplus of 1.1 Mt in the previous marketing year. This outlook reflects the anticipated decline in production in most of the major producing regions, which account for more

[1] Composite benchmark index of global agricultural commodity prices.
[2] ICE Sugar No. 11 Future.
[3] Quarterly Market Outlook – August 2026.

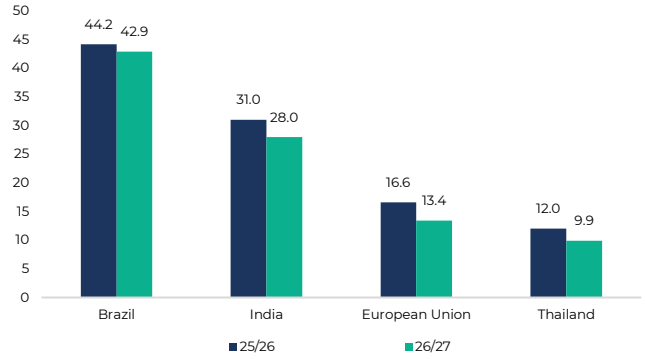
than half of global production (Figure 2). However, several factors suggest that this deficit could be larger than anticipated, maintaining upward pressure on prices in the coming months.

El Niño is taking its toll on the main sugarcane producers

In **Brazil**, the world's leading producer (accounting for 23.5% of global production), the heavy rains recorded in September and early October in the Centre-South region (which accounts for over 90% of domestic production) are disrupting the final stages of the harvest and sugarcane crushing operations. The exceptional rainfall has delayed access to the plantations and saturated the cane with water, reducing its sugar content. Consequently, from the start of the season in March through to the end of September, the volume of cane crushed fell by 2.9% year-on-year to 510 Mt.

In **India**, the world's second-largest producer (16%), the south-west monsoon – which is essential for sugarcane growth between June and September – ended with a 12.6% shortfall in rainfall nationwide, hampering crop growth and expected yields.

Fig. 2 - Sugar production forecast in major producing countries
(in million tonnes)



Note: Seasons run from October to September, except for Brazil (April-March)
Source: CONAB, ISMA, DG AGRI, OCSB, USDA, Coface

The same trend is evident in **Thailand**, the world's fifth-largest producer (6%) but the second-largest exporter behind Brazil, which is also expected to see a 17% fall in sugar production in 2026/2027, to less than 10 Mt. These developments are directly linked to the exceptional intensity of the current El Niño event, which is expected to continue to weigh on production at least until the first quarter of 2027. Furthermore, in the European Union, the world's third-largest producer (8%), this summer's record-breaking heatwaves have severely affected sugar beet harvests, independently of El Niño, with sugar production expected to fall by 20% for the 2026/27 marketing year, to 13.5 Mt.

The rise of ethanol is structurally reducing the global supply of sugar

In order to reduce their dependence on diesel and petrol imports, Brazil and India have repeatedly raised their mandatory ethanol blending rates in fuels over the last few

years. In July, Brazil raised its mandate from 30% to 32% until January 2027, whilst India has achieved its 20% target – set in 2018 for 2030 – ahead of schedule, by 2025. Each increase in the blending rate leads to a greater reallocation of sugarcane towards ethanol production. The rise in oil prices since the start of the war in Iran, combined with sluggish sugar prices in the first half of the year, has further encouraged cane diversion to ethanol production. In South-Central Brazil, the proportion of sugarcane allocated to sugar production fell below 47% over the first five months of the 2026/2027 season (April–March), compared with nearly 53% a year earlier. Despite the recent rise in sugar prices, which has improved the relative attractiveness of sugar production (Figure 3), the adjustments made by Brazilian producers are unlikely to be sufficient to fully make up for the accumulated shortfall. By mid-October, on a like-for-like basis, sugar production was down 14.6% compared with the previous season, whilst ethanol production rose by 4.3%.

Fig. 3 - Sugar and Ethanol Prices
(Index, Jan. 2023 = 100)



Note: ICE Sugar No. 11 Futures & CEPEA/ESALQ Hydrous Ethanol Index (Fuel) Source: ICE, Investing, CEPEA, Coface

The closure of the Indian market is exacerbating tensions on the global market

India, the world's second-largest exporter until 2023, has since gradually reduced its sugar exports before banning them almost entirely in May 2026 in order to protect its domestic market. At the same time, the country has opened a tariff quota allowing the import of 1 Mt of raw sugar until 31 October. The authorities have even gone so far as to ban the use of sugarcane to produce ethanol from 1 November. This should help maintain the projected sugar supply for consumption at 28 Mt in 2026/2027, at the same level as the previous marketing year, since, of the 31 Mt of sugar produced, 3 Mt were intended for ethanol production. India's policy thus increases the global market's dependence on Brazil, which already accounts for 55% of exports, and consequently its vulnerability to a localized production shock.

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