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Brazil

Sugar

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Report Highlights: Brazilian sugarcane production for MY 03/04 has been revised upward to 345 mmt, up 4 percent from previous estimates due to good weather conditions favoring both agricultural and industrial yields. Sugar production is projected at 24.78 mmt, raw value, up 11 percent relative to the last estimate due to the downward adjustment in alcohol production and higher sugarcane availability. MY 2003/04 sugar exports are estimated stable at 14.25 mmt. On August 29, 2003, the WTO accepted the dispute panel requested by Brazil against the European Union (EU) sugar regime.

Includes PSD changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Sao Paulo [BR3], BR

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PS&D Tables

Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		05/2001		05/2002		05/2003
Area Planted	4800	4800	5070	5070	5600	5600
Area Harvested	4550	4550	4810	4810	5050	5050
Production	293000	293000	321000	320000	333000	345000
TOTAL SUPPLY	293000	293000	321000	320000	333000	345000
Utilization for Sugar	144150	144150	162590	162820	155840	172160
Utilizatn for Alcohol	148850	148850	158410	157180	177160	172840
TOTAL UTILIZATION	293000	293000	321000	320000	333000	345000

Commodity	Centrifugal Sugar				(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		05/2001		05/2002		05/2003
Beginning Stocks	860	860	210	210	100	270
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	20400	20400	23760	23810	22400	24780
TOTAL Sugar Production	20400	20400	23760	23810	22400	24780
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	21260	21260	23970	24020	22500	25050
Raw Exports	8400	8400	10100	9990	8695	10150
Refined Exp.(Raw Val)	3200	3200	4130	4010	3725	4100
TOTAL EXPORTS	11600	11600	14230	14000	12420	14250
Human Dom. Consumption	9450	9450	9640	9750	9980	10050
Other Disappearance	0	0	0	0	0	0
Total Disappearance	9450	9450	9640	9750	9980	10050
Ending Stocks	210	210	100	270	100	750
TOTAL DISTRIBUTION	21260	21260	23970	24020	22500	25050

Production

Sugarcane

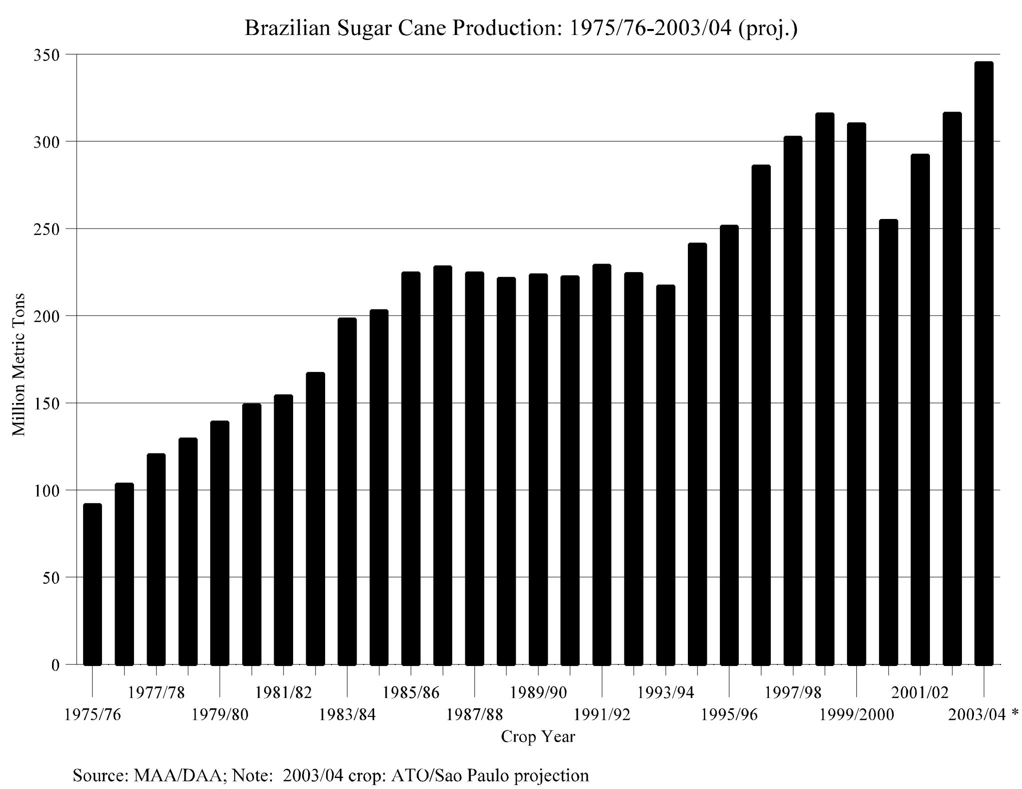
The Agricultural Trade Office (ATO)/Sao Paulo has revised upward the total Brazilian sugarcane production estimate for marketing year (MY) 2003/04 (May-April) to 345 million metric tons (mmt), up 12 mmt from our previous forecast and, an 8 percent increase compared to adjusted output for the MY 2002/03 crop (320 mmt). The Center-South (CS) harvest season is moving along well and the region should contribute 291 mmt, up 9 mmt from previous figure, due to extremely favorable weather conditions in addition to previously reported good crop management and area expansion. The crushing pace is accelerated and the harvest is expected to be over in November. The North-Northeast (NNE) region is expected to yield 54 mmt, up 3.5 mmt compared to the 2002/03 crop, due to favorable weather conditions, including satisfactory levels of rainfall. The crushing started in August and should be prolonged through March 2004.

The tables below show monthly sugarcane crushed for the state of Sao Paulo, approximately 60 percent of total Brazilian production, and the CS region for the 1999/00 to 2003/04 crops (April-March), as reported by the Sugar and Alcohol Millers Association of Sao Paulo State (UNICA). The crushing pace has been exceptionally good due to the dry weather that has prevailed, repeating the same pattern of the previous crop. However, due to the larger availability of sugarcane, cumulative crushing volumes in the CS for this year's crop are 11 percent higher compared to the 2002/03 crop.

Sugarcane crushed in the state of Sao Paulo (1,000 metric tons).					
Month	99/00	00/01	01/02	02/03	03/04
April	8,667.5	202.0	449.3	5,002.0	9,843.2
May	27,113.4	13,283.6	12,396.2	25,039.6	26,286.0
June	27,242.1	28,078.0	27,777.8	31,825.9	32,746.8
July	30,382.0	27,916.2	30,602.1	32,242.6	34,529.2
August	29,884.1	28,144.7	29,105.9	31,146.4	34,046.3
September	25,804.0	21,334.2	28,117.1	27,761.5	--
October	27,145.5	21,513.7	24,232.0	26,931.3	--
November	14,413.3	7,151.1	20,286.2	10,417.9	--
December	3,541.1	620.4	3,421.6	1,285.5	--
January	42.1	0.0	186.0	833.9	--
Cumulative	194,235.0	148,243.8	176,574.2	192,486.6	137,451.5
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).					

Sugarcane crushed in Center-Southern Brazil (1,000 metric tons).					
Month	99/00	00/01	01/02	02/03	03/04
April	11,310.4	737.4	2,158.5	8,430.9	14,899.7
May	35,232.3	18,228.4	19,319.1	34,281.5	37,145.9
June	36,574.3	38,218.9	38,674.0	44,240.3	46,164.3
July	41,871.4	39,465.3	43,413.3	45,281.5	48,977.4
August	43,698.0	38,174.8	40,808.1	44,244.4	48,211.6
September	36,412.3	31,397.8	38,041.6	39,441.5	--
October	35,739.4	28,674.8	32,263.0	36,304.6	--
November	18,180.0	10,503.7	24,835.6	14,550.1	--
December	4,701.2	1,667.7	4,315.8	2,617.1	--
January	250.4	0.0	390.5	1,014.9	--
Cumulative	263,969.6	207,068.8	244,219.5	270,406.7	195,399.0
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).					

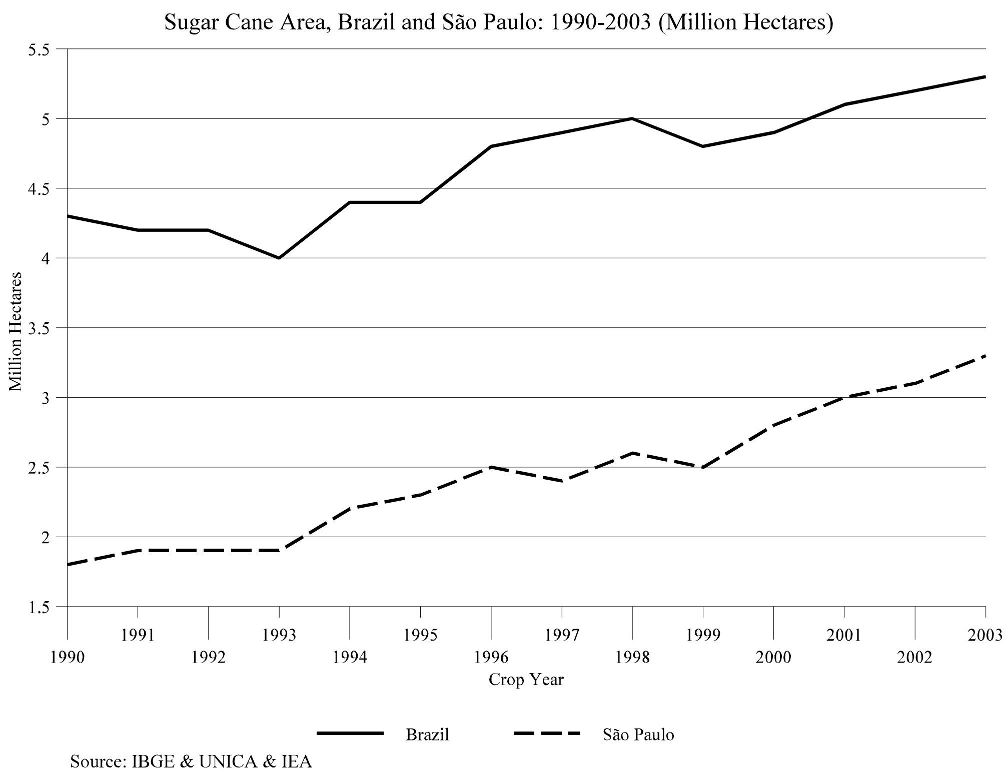
The graph below shows an official historical series for sugarcane production since MY 1975/76, according to the Ministry of Agriculture, Livestock and Supply (MAPA). Note that a new record is expected for the 2003/04 crop.



Area

The estimate for area planted to sugarcane for MY 2003/04 remains unchanged at 5.6 million hectares (ha.). Total area harvested is estimated at 5.05 million ha The graph below shows area for sugarcane production, as reported by the Brazilian Institute of Geography and Statistics (IBGE), UNICA and the Agricultural Economics Institute (IEA) of the Sao Paulo State Secretariat of Agriculture. Note the increasing trend in area expansion since 1999 due to the recovery of sugar and alcohol prices both domestically and internationally. Post contacts report that some CS sugar/alcohol mills that were not operating in previous seasons due to mergers and acquisitions have returned to operation, now managed by NNE millers migrating to the CS. In addition, a half a dozen new plants have started operating this season in response to the larger volume of sugarcane.

Sugarcane has replaced citrus and pasture areas in the State of Sao Paulo, Brazil's leading sugarcane produceing state. According to Agricampus, a research company, the investment to plant 1 ha. of sugarcane (R$ 2,122) is approximately 73 and 36 percent lower than investments required to plant 1 ha. of citrus (R$ 7,892) and pasture (R$ 3,320), respectively. In addition, sugarcane profit margins assessed through historical prices are 7.31 percent compared to 6.01 percent for citrus and 3.27 percent for pasture, thus encouraging sugarcane expansion.

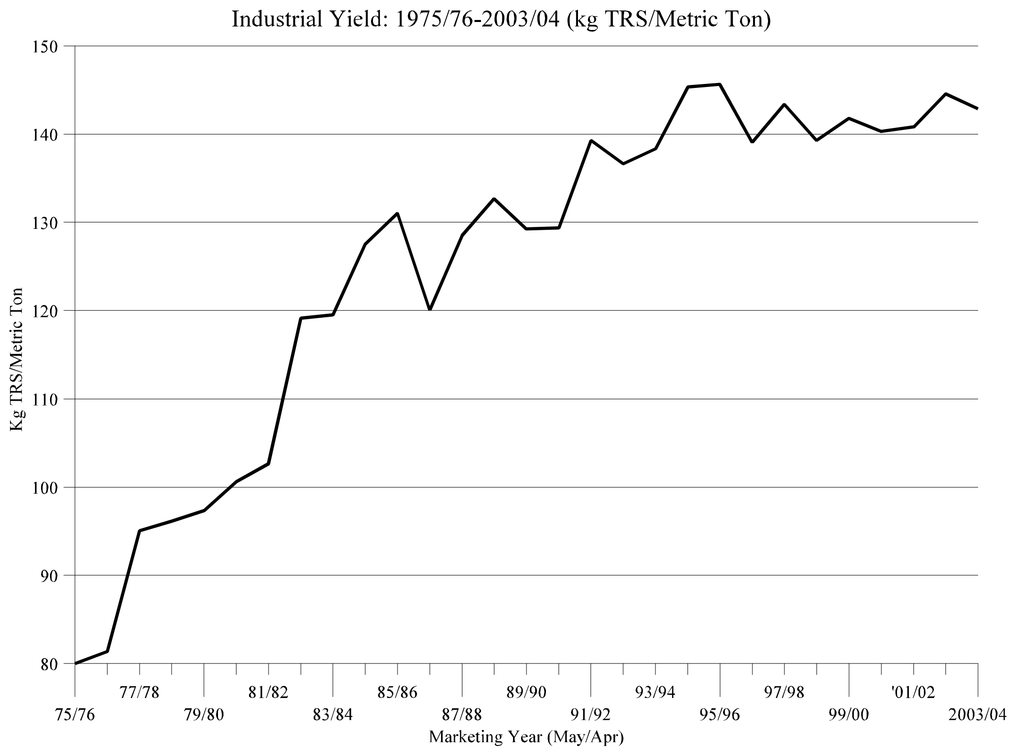


Yields

ATO/Sao Paulo estimates the average yield for Brazil's MY 2003/04 sugarcane production at 68.3 metric tons per hectare (mt/ha.), up 3 percent from last season, mainly due to good weather conditions both in the CS and NNE regions and fairly good crop management, encouraging cane stock development. Post has adjusted slightly upward the industrial yield estimate for MY 2003/04 to 142.9 kg of total reducing sugars (TRS) per metric ton of sugarcane, up 0.6 kg/mt relative to our previous forecast to reflect better expected yields in the CS

(145 kg/mt) due to dry weather that has prevailed throughout the season and the estimated end of the crushing season in November. According to UNICA, cumulative TRS of sugarcane for the CS was 143.76 kg/mt until September 1, down 5.19 kg/mt compared to the same period of last season. The following graph shows historical yields for the Center-South, since MY 1975/76, measured in TRS per metric ton.

Note that in the State of Sao Paulo, 1 metric ton of sugarcane yields, on average, 70 kilograms of sugar and 41 liters of alcohol, considering a 50/50 percent sugar/alcohol TRS breakdown. Molasses production in Brazil is residual since most part of the production is converted to alcohol. On average, 1 metric ton of sugarcane produces approximately 35 kilograms of molasses which in turn are converted to 10.5 liters of residual alcohol.



Source: UNICA, ATO/SP estimates as of 2000/01. 2003/04 crop: forecast

Sugar and Alcohol

ATO/Sao Paulo has revised total sugar and alcohol production for MY 2003/04 based on higher projected volumes of sugarcane for crushing and improved industrial yields, which should lead to a larger volume of TRS for MY 2003/04 estimated at approximately 49.3 mmt, up 3 mmt from MY 2002/03 (46.2 mmt). In addition, the alcohol demand for both the domestic and export markets should play a key factor regarding the sugarcane breakdown for sugar/alcohol. According to post contacts, an expected surge in alcohol demand for 2003/04 did not materialize as a consequence of Brazilian economic problems including a high unemployment rate, diminished consumer purchasing power, higher gasoline prices inhibiting gasoline consumption which contains a 25 percent alcohol blend, and lower projections for 03/04 alcohol exports. The previous projection for the need to produce an extra 1.5 billion liters (see BR3004) is no longer valid and sugar-alcohol mills have adjusted their production mix to deal with the new circumstances. ATO/Sao Paulo projects the 03/04 alcohol production at 13.64 billion liters (7.34 and 6.3 billion liters of anhydrous and hydrated alcohol, respectively), down 280 million liters from previous forecast, but still up 1.1 billion liters from MY 2002/03 (7.011 and 5.529 billion liters of anhydrous and hydrated alcohol, respectively) to supply the need for the product in the last months of MY 2002/03 (March and April 2003) with the anticipation of the 03/04 crushing season, to sustain a marginal increase in consumption and to provide some carry over stocks for MY 2004/05. Brazil's introduction of flex fuel vehicles powered by both gasoline and hydrated alcohol, thus allowing the consumer to choose when filling up, will not have any significant short term impact on alcohol demand, but could be a key factor in the long run. Volkswagen announced that current sales exceeded initial estimates. General Motors, Fiat and Ford should also launch flex fuel models by the end of 2003.

Consequently, the TRS breakdown for sugar and alcohol production was reviewed and current projections indicate a 49.9/50.1 percent of the sugarcane volume for sugar/alcohol, with a clear increment towards sugar production compared to the previous post breakdown (46.8/53.2) for MY 2003/04. Total sugar production is estimated at 24.78 mmt, raw value, up 11 percent from previous estimate and up 4 percent relative to MY 2002/03. The CS should account for 20.6 mmt of sugar, raw value, whereas the remaining 4.18 mmt should be produced in the NNE.

The tables below show monthly sugar production for the state of Sao Paulo and the CS region for the 1999/00 to 2003/04 crops (April-March), as reported by UNICA. Cumulative sugar production in the CS until September 1 for the current crop is quite similar to 2002/03 produced volumes.

Sugar production in the state of Sao Paulo (Metric tons, tel quel, Apr/Mar).					
Month	99/00	00/01	01/02	02/03	03/04
April	406,791	5,413	21,120	299,239	329,419
May	1,606,628	791,387	696,427	1,553,742	1,610,308
June	1,766,064	1,740,032	1,802,011	2,260,884	2,238,920
July	2,076,851	1,876,786	2,245,231	2,463,143	2,603,332
August	2,181,023	1,863,854	2,231,847	3,307,637	2,721,727
September	1,883,064	1,408,147	2,087,352	1,353,493	--
October	1,943,423	1,491,660	1,706,829	2,208,774	--
November	999,561	464,352	1,316,443	764,557	--
December	187,934	33,329	213,281	60,300	--
January	(33)	0	7,917	76,139	--
Cumulative	13,051,306	9,674,960	12,328,458	14,347,908	9,503,706
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).					

Sugar production in Center-Southern Brazil (Metric tons, tel quel, Apr/Mar).					
Month	99/00	00/01	01/02	02/03	03/04
April	544,942	25,258.0	58,258.0	459,639.0	529,912.7
May	2,032,230	1,017,346.0	1,032,988.0	1,986,943.0	2,154,552.7
June	2,270,956	2,229,577.0	2,342,597.0	2,955,211.4	2,979,749.3
July	2,732,482	2,521,123.0	2,946,675.0	3,237,530.6	3,471,262.2
August	2,881,204	2,487,751.0	2,938,992.1	4,098,090.0	3,626,591.4
September	2,518,834	1,830,899.0	2,676,100.2	2,077,057.0	--
October	2,461,466	1,856,717.0	2,155,272.7	2,805,862.0	--
November	1,176,672	602,246.0	1,551,962.0	974,101.0	--
December	227,361	61,513.0	239,187.0	102,043.0	--
January	5,205	0.0	7,918.0	81,578.0	--
Cumulative	16,851,352	12,632,430.0	15,949,950.0	18,778,055.0	12,762,068.4
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).					

The table below shows official MAPA sugarcane crush data and sugar and alcohol (anhydrous and hydrous) production by state for the 2002/03 and 2003/04 crop years. Note that the official CS and NNE crop years are April-March and September-August, respectively. The tables show final figures for the 2002/03 crop and cumulative production through August 1 for the 2003/04 crop. Note that the harvest for the major NNE producing states had not begun yet.

Cane, Sugar and Alcohol Production by State and Region: 2002/03 Crop (MT and 000 Liters)					
			Alcohol		
State/Region	Cane	Sugar	Total	Anhydrous	Hydrous
Alagoas	22,645,220	1,994,142.0	567,802.0	255,820.0	311,982.0
Amazonas	255,852	16,214.0	3,889.0	0.0	3,889.0
Bahia	2,213,955	161,111.0	57,891.0	41,577.0	16,314.0
Ceara	88,954	6,260.0	976.0	0.0	976.0
Maranhao	1,105,114	3,149.0	83,579.0	77,355.0	6,224.0
Para	311,492	0.0	26,426.0	16,677.0	9,749.0
Paraiba	4,335,516	142,865.0	240,368.0	106,602.0	133,766.0
Pernambuco	14,749,133	1,213,024.0	298,356.0	148,129.0	150,227.0
Piaui	284,180	0.0	22,831.0	11,229.0	11,602.0
Rio Grande do Norte	2,681,857	165,815.0	99,015.0	48,679.0	50,336.0
Sergipe	1,429,746	68,651.0	61,318.0	33,024.0	28,294.0
Tocantins	0	0.0	0.0	0.0	0.0
NNE	50,101,019	3,771,231.0	1,462,451.0	739,092.0	723,359.0

Espirito Santo	2,605,565	58,635.0	153,326.0	94,065.0	59,261.0
Goias	9,832,557	577,067.0	448,518.0	253,998.0	194,520.0
Minas Gerais	14,297,603	1,033,403.0	551,048.0	292,073.0	258,975.0
Mato Grosso do Sul	8,275,501	373,715.0	418,157.0	203,411.0	214,746.0
Mato Grosso	12,384,480	546,153.0	660,972.0	326,735.0	334,237.0
Parana	23,537,470	1,452,501.0	963,459.0	397,341.0	566,118.0
Rio de Janeiro	4,337,274	304,420.0	106,113.0	44,499.0	61,614.0
Rio Grande do Sul	102,999	0.0	6,411.0	0.0	6,411.0
Santa Catarina	0.0	0.0	0.0	0.0	0.0
Sao Paulo	190,504,918	14,246,237.0	7,706,281.0	4,651,283.0	3,054,998.0
C-S	265,878,367	18,592,131.0	11,014,285.0	6,263,405.0	4,750,880.0
TOTAL	315,979,386	22,363,362.0	12,476,736.0	7,002,497.0	5,474,239.0
Source: Ministry of Agriculture, Livestock and Supply, Sugar and Alcohol Dept, 08/01/03					

Cane, Sugar and Alcohol Production by State and Region: 2003/04 Crop
(MT and 000 Liters)

			Alcohol		
State/Region	Cane	Sugar	Total	Anhydrous	Hydrous
Amazonas	9,098	301.0	0.0		
Bahia	845,276	55,521.0	32,888.0	16,444.0	9,264.0
Ceara	44,978	4,683.0	0.0		41.0
Maranhao	538,714	4,586.0	61,010.0	30,505.0	3,714.0
Para	77,375		8,170.0	4,085.0	1,377.0
Piaui	143,620		8,958.0	7,207.0	1,751.0
NNE	1,659,061	65,091.0	74,388.0	58,241.0	16,147.0
Espirito Santo	1,217,306	22,627.0	76,139.0	52,246.0	23,893.0
Goias	5,868,721	285,442.0	268,101.0	156,138.0	111,963.0
Minas Gerais	7,062,493	450,287.0	274,186.0	141,408.0	132,778.0
Mato Grosso do Sul	3,918,561	169,343.0	200,126.0	87,322.0	112,804.0
Mato Grosso	7,578,188	307,121.0	391,615.0	224,528.0	167,087.0
Parana	13,762,874	856,137.0	567,102.0	205,179.0	361,923.0
Rio de Janeiro	1,885,848	143,892.0	43,612.0	17,795.0	25,817.0
Rio Grande do Sul	33,493		2,084.0		2,084.0
Sao Paulo	101,526,038	6,665,566.0	4,115,297.0	2,679,134.0	1,436,163.0
C-S	142,853,522	8,900,415.0	5,938,262.0	3,563,750.0	2,374,512.0
TOTAL	144,512,583	8,965,506.0	6,012,650.0	3,621,991.0	2,390,659.0
Source: Ministry of Agriculture, Livestock and Supply, Sugar and Alcohol Dept, 08/01/03					

Sugar and Alcohol Prices in the Domestic Market

As reported by the State of São Paulo Sugarcane, Sugar and Alcohol Growers Council (CONSECANA), the average sugarcane price for the state of São Paulo for the 2002/03 crop is Reals (R$) 0.2364 per kg of TRS, or approximately R$ 34.75 per ton of sugarcane. The average sugarcane price for the 2003/04 crop (May-June period) is R$ 0.2322 per kg of TRS or approximately R$ 33.70 per ton of sugarcane.

The table below shows the Crystal Sugar Index released by the University of Sao Paulo's "Luiz de Queiroz" College of Agriculture (ESALQ). The index tracks crystal sugar prices in the domestic spot market. The table that follows shows alcohol prices in the domestic market since 1999. Note that the downward trend in both sugar and alcohol prices in the domestic market started in August/September due to current high stock levels and decreased prices compared to a couple of months ago in the export markets. Sugar mills, port facilities and warehouses are all currently have high stock levels. According to post contacts, the descending trend should continue in the short term motivated by the aforementioned factors. Price equivalence for mid-August 2003 among different sugarcane products is also shown below.

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

Period	1999	2000	2001	2002	2003
January	11.33	19.04	25.01	25.64	41.92
February	12.05	19.81	23.28	22.88	45.17
March	11.80	18.61	23.36	21.28	43.89
April	9.68	18.63	24.81	20.80	39.24
May	8.57	16.09	24.06	20.69	30.87
June	8.94	18.86	23.44	18.76	25.09
July	9.83	21.43	23.66	19.20	23.93
August	10.32	25.42	22.81	22.95	29.41
September	14.49	23.60	23.56	24.46	24.41
October	16.23	24.16	23.93	34.53	--
November	15.70	24.64	23.78	40.06	--
December	18.52	23.80	24.43	39.82	--

Source: USP/ESALQ/CEPEA
Note: September 2003 refers to September 15 price.

Fuel Alcohol Prices: State of São Paulo (R$/000 liters).										
	Anhydrous					Hydrated				
Month	1999	2000	2001	2002	2003	1999	2000	2001	2002	2003
January	297.32	458.85	706.17	621.90	922.03	413.40	549.72	775.65	729.98	803.02
February	292.60	456.63	685.22	614.32	1,024.82	250.29	549.49	724.80	721.13	876.62
March	271.70	463.37	634.43	608.22	1,005.16	227.60	547.88	702.94	704.06	857.81
April	238.56	472.14	605.27	608.94	996.71	176.55	539.22	718.45	710.84	840.26
May	200.67	467.03	575.60	570.78	883.79	165.32	525.20	688.92	491.07	745.22
June	262.64	472.84	571.12	483.72	644.80	213.76	525.24	676.63	406.99	576.24
July	308.65	635.34	594.72	469.25	586.23	226.59	702.03	679.02	387.05	476.43
August	297.61	679.71	623.85	493.71	709.35	224.53	756.22	691.50	421.57	599.60
Sep.	324.99	654.71	625.90	569.86	669.34	328.19	744.43	702.60	484.96	576.70
October	374.57	654.50	634.88	650.19	--	394.59	734.63	716.01	580.09	--
Nov.	428.22	683.81	629.39	763.92	--	518.81	767.25	718.82	683.66	--
Dec.	452.71	706.94	628.38	780.95	--	539.44	789.65	722.49	689.05	--

Source: USP/ESALQ/CEPEA
Note: Hydrated alcohol prices were set by GOB until January 99.
Note1: Anhydrous alcohol prices are cash, freight costs not included, taxes PIS and COFINS (3.65 %) included up to April 2002..
Note2: Hydrated alcohol prices are cash, freight costs not included, taxes PIS and COFINS (3.65 %) included up to April 2002, ICMS (25%) included from Sep.99 to Apr 02.

Price Equivalence - prices paid for producers, Ribeirao Preto region, state of Sao Paulo										
Anhydrous alcohol (R$/m3 (including PIS, COFINS, not including ICMS)										
560.46	594.08	627.71	661.34	694.97	728.59	762.22	795.85	829.48	863.1	896.73
Hydrated Alcohol - R$/m3 (including PIS, COFINS and ICMS)										
700.77	742.82	784.86	826.91	868.96	911	953.05	995.09	1037.14	1079.19	1121.23
Crystal Sugar for the domestic market - R$/50 kg bag (including, PIS, COFINS and 7% ICMS)										
20.25	21.39	22.53	23.67	24.82	25.96	27.1	28.84	29.39	30.53	31.67
VHP Sugar for export market - US$ cents/lb - FOB price, Port of Santos										
5.81	6.09	6.37	6.66	6.94	7.22	7.50	7.78	8.07	8.35	8.63

Source: Datagro
Note: Price equivalence should be read for each column, parameters updated in August 15, 2003, Exchange rate = R$2.90/1US$

Consumption

Post estimate for Brazilian sugar domestic consumption for MY 2003/04 has been adjusted upward to 10.05 mmt, raw value, up 3 percent from former season. In spite of the macroeconomic problems faced by Brazil, sugar consumption is rather inelastic.

Trade

Sugar Exports

ATO/Sao Paulo has adjusted total sugar exports for MY 2002/03 downward to 14 mmt, raw value, due to updated information from post contacts and the Brazilian Secretariat of Foreign Trade (SECEX). The CS contributed 11.75 mmt and the NNE accounted for 2.25 mmt, raw value, respectively. Total exports for MY 2003/04 have been revised upward to 14.25 mmt, raw value, similar to export volumes for MY 2002/03, but up 15 percent from previous projections. Refined exports should account for approximately 29 percent of total projected exports. The expected higher availability of sugarcane and total reducing sugars (TRS) being directed to sugar than initially planned will increase the exportable surplus. Brazil remains very competitive in international markets, and exports are leveraged by the devalued Real, the local currency, vis-a-vis the U.S. dollar and by low production costs. According to post contacts, the pace of shipping has been slower than in 2002 and the line-ups are short, showing that the international markets are already supplied with product. The following tables show Brazilian sugar exports by country of destination for MY 2002/03 and 2003/04 (May-July), as reported by SECEX.

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

	MY 2002/03		MY 2002/03 1/		MY 2003/04 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Russia	3,879,000	549,724	1,181,902	161,871	1,248,808	201,860
Canada	634,586	90,470	72,502	10,422	93,790	15,165
Egypt	437,737	61,789	57,458	7,414	31,959	5,103
Iran	372,605	49,439	82,500	10,360	0	0
Nigeria	279,388	44,035	0	0	9,870	1,759
Malaysia	276,288	39,401	57,565	8,397	31,500	5,115
U.A.E.	263,470	37,763	35,220	4,818	0	0
Saudi Arabia	248,834	36,508	0	0	0	0
Romania	228,693	32,660	82,555	10,801	92,100	15,392
USA.	145,181	49,835	18,846	7,681	72,785	30,450
Others	1,333,762	198,731	118,898	16,518	186,113	30,637
Total	8,099,544	1,190,356	1,707,445	238,283	1,766,926	305,481

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

Brazilian Sugar Exports by Country of Destination (NCM 1701.99.00, Metric ton, tel quel, US$000 FOB)						
	MY 2002/03		MY 2002/03 1/		MY 2003/04 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Nigeria	1,054,567	186,694	331,025	57,363	128,700	23,054
Morocco	552,155	80,103	112,196	15,012	95,644	14,604
U.A.E.	544,967	81,877	107,659	15,932	293,544	47,369
Egypt	376,490	63,352	178,000	30,421	136,300	25,458
Yemen	373,107	62,691	118,000	18,575	32,050	5,534
Iraq	290,625	49,503	70,250	11,422	0	0
Angola	266,796	47,603	78,021	14,306	78,378	14,189
Syria	254,948	43,150	99,650	16,966	9,900	1,815
Ghana	178,500	32,946	40,000	7,075	62,921	11,346
Algeria	161,574	27,199	75,700	12,496	84,000	15,109
Others	1,307,606	230,931	389,851	69,221	272,006	50,654
Total	5,361,335	906,049	1,600,352	268,788	1,193,443	209,133
Source: Brazilian Secretariat of Foreign Trade (SECEX) Note : Numbers may not add due to rounding. 1/May-July						

Alcohol Exports

Alcohol exports for MY 2003/04 are projected between 600 and 700 million liters. SECEX reports that MY 2002/03 alcohol exports were approximately 621 million kilograms. Major destinations include South Korea, Japan, Jamaica and Sweden. Note that exports to Jamaica are re-exported to the United States under 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. The following tables show Brazilian alcohol exports by country of destination, as reported by SECEX, for MY 2002/03 and MY 2003/04 (May-July).

Brazilian Alcohol Exports by Country of Destination (NCM 2207.10.00, MT 000 Liters, US$000 FOB)									
	MY 2002/03			MY 2002/03 1/			MY 2003/04 1/		
Country	Weight	Volume	Value	Weight	Volume	Value	Weight	Volume	Value
South Korea	107,006	132,384	26,504	16,844	20,839	4,482	0	0	0
Japan	90,417	111,860	22,833	4,034	4,991	1,150	5,640	6,978	1,421
Sweden	64,141	79,353	14,913	9,950	12,310	2,646	10,139	12,544	3,192
Netherlands	53,407	66,074	15,386	5,094	6,302	1,422	3,998	4,946	990
Jamaica	48,844	60,428	15,955	9,980	12,347	2,715	24,353	30,128	4,696
Mexico	40,416	50,001	10,340	8,390	10,380	2,288	6,430	7,955	1,937
Nigeria	34,410	42,571	11,591	10,101	12,496	3,477	11,658	14,423	3,561
USA.	34,262	42,388	9,705	8,801	10,888	2,697	2,957	3,659	819
Costa Rica	17,442	21,578	3,536	0	0	0	0	0	0
Others	94,804	117,288	25,091	13,670	16,912	4,555	9,142	11,310	3,139
Total	585,149	723,926	155,855	86,863	107,464	25,431	74,317	91,942	19,755

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

Brazilian Alcohol Exports by Country of Destination (NCM 2207.20.10,MT,000 Liters , US$000 FOB)									
	MY 2002/03			MY 2002/03 1/			MY 2003/04 1/		
Country	Weight	Volume	Value	Weight	Volume	Value	Weight	Volume	Value
India	12,125	15,001	2,445	0	0	0	0	0	0
Jamaica	12,099	14,968	2,916	0	0	0	0	0	0
Nigeria	7,867	9,732	1,825	0	0	0	0	0	0
Ghana	3,469	4,292	1,009	0	0	0	0	0	0
Argentina	95	117	37	24	29	9	48	59	27
Venezuela	39	48	33	0	0	0	111	138	89
Peru	7	9	7	0	0	0	0	0	0
Paraguay	3	3	2	0	0	0	1	1	1
Portugal	0	0	0	0	0	0	0	0	0
Angola	0	0	0	0	0	0	0	0	0
Chile	0	0	0	0	0	0	0	0	0
Total	35,704	44,172	8,274	24	29	9	160	198	117

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

Stocks

The MY 2003/04 sugar carry-over stocks estimate is projected at 750 thousand mt (tmt), raw value, up 480 tmt from our revised figure for MY 2002/03, due to the expected increase in sugar supply. Alcohol ending stocks for MY 2003/04 are also expected to increase reaching almost 500 million liters in the CS, which roughly represents 15 days of consumption. Last June, the Government of Brazil (GOB) set the rules for the 03/04 Alcohol Storage Program to support producers to hold alcohol stocks which reached critical levels last season, leading to the anticipation of the 03/04 crop in the CS. Approximately US$ 172.5 million (R$ 500 million) will be available for millers at 11.5 percent interest rate. The CS mills are eligible for 60 percent of total funds availability, where the reminder should go for NNE producers.

Policy

The Brazilian Government set the alcohol content in domestic gasoline at 25 % on June 1, 2003, up 5 percent points from previous blending.

NNE sugarcane producers could be eligible for R$5.07/mt of sugarcane funded by GOB to equalize the cost of the production differential between the CS and NNE. According to post contacts, this is the only domestic government support program applied to sugar. However, funds for such program have not been approved for the past couple of years.

No changes have been reported to the Common External Tariff (TEC) applied to sugar imports from countries other than MERCOSUL partners (Argentina, Uruguay, Paraguay and Chile) which has been set at 17.5 percent since January 1, 2002. The import duty applied to alcohol imports is set at 21.5 percent. Both sugar and alcohol imports depend on the issuance of an import license by the GOB. No import quotas apply for such products.

On August 29, 2003, the World Trade Organization (WTO) accepted the dispute panel requested by Brazil against the European Union (EU) sugar regime. The dispute started on September 27, 2002, when Brazil requested formal consultations to discuss EU subsidies applied to sugar exports. No agreement was reached during the Brazil-EU consultations on November 21 and 22, 2002 and, consequently Brazil decided to move forward with the dispute process and request the panel.

Australia and Thailand will join Brazil and only one panel will be set for the three countries. Barbados, Canada, China, Colombia, the United States, Jamaica, Mauritius, New Zealand and Trinidad Tobago reserved their third party rights. The panel is expected to be concluded within 6 months after its creation. According to the GOB, the EU subsidies applied to sugar are the focal point of the complaint because they distort the conditions to compete on an equal basis in the international market, damaging efficient sugar producers such as Brazil and several other developing countries. Two issues are the focus of attention:

- Improper export subsidies. The EU claims that subsidized sugar exports of approximately 1.6 mmt per year are legitimate, since they correspond to the sugar imported from former-colonies in Africa, Caribbean and the Pacific (ACP) under preferential treatment. Brazil, Australia and Thailand claim that the EU has the right to import under preferential treatment, but not export. Note that Brazil does not question the preferential tariff given to ACP countries.

- "C" sugar exports. Brazil claims that the EU has a "C" sugar exportable surplus, because the sunk costs of the product are already covered by the domestic support given to "A" and "B" sugar. Therefore, the "C" sugar could be exported at international prices (much lower than the EU domestic prices), since sugar processors would have to cover only variable costs. The Brazilian Government claims that this is an indirect way to subsidize exports which are already the object of domestic supports to the product, and this is prohibited under WTO rules.

Marketing

Brazil has promoted alcohol consumption worldwide as an alternative source of energy. The GOB and UNICA have visited several foreign countries with the mission to develop new alcohol markets. According to the new legislation already effective in Japan, gasoline cars are allowed to have up to a 3 percent alcohol blend. Although not mandatory, this measure represents a potential demand of 1.8 to 2 billion liters of ethanol. In the long term, the alcohol blending could reach 10 percent, resulting in a 6 billion liter potential demand. Current Brazilian alcohol production is sufficient to guarantee the domestic market demand and marginal exports, thus the decrease of sugar production vis-a-vis alcohol production would be necessary to increment alcohol production. Since sugar represents an important revenue for both producers and the GOB, new investments in area expansion and infra-structure are an alternative. The Minister of Agriculture, Livestock and Supply reported that the Japanese Bank for International Cooperation declared interest in financing a project in Brazil to expand sugarcane area and alcohol production to guarantee the long term supply of the product.

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)						
Month	1998	1999	2000	2001	2002	2003
January	1.12	1.92	1.80	1.97	2.42	3.53
February	1.13	2.03	1.77	2.04	2.35	3.56
March	1.14	1.77	1.75	2.16	2.32	3.35
April	1.14	1.66	1.81	2.22	2.36	2.89
May	1.15	1.72	1.82	2.36	2.52	2.97
June	1.16	1.77	1.80	2.30	2.84	2.87
July	1.16	1.79	1.78	2.43	3.43	2.97
August	1.18	1.81	1.82	2.55	3.02	2.97
September	1.19	1.92	1.84	2.67	3.89	2.92
October	1.19	1.95	1.91	2.71	3.65	--
November	1.20	1.92	1.98	2.53	3.59	--
December	1.21	1.79	1.96	2.32	3.53	--
Source: Gazeta Mercantil						

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