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GOING GLOBAL- PERSPECTIVES FROM BRAZIL OF LIFE AFTER QUOTA

Géraldine Kutas
Head of International Affairs

ABOUT UNICA

- The Brazilian Sugarcane Industry Association (UNICA) is the **leading sugarcane industry association** in Brazil. Its more **than 130 member** companies, **voluntarily engaged**, represent over 50% of the ethanol and 60% of the sugar produced in Brazil.
- UNICA has around 30 staff members and its expertise covers key areas including the **environment, energy, technology, international trade, corporate social responsibility, sustainability, regulation, economics and communications**
- It has offices in four locations: São Paulo (headquarters), Brasília, Washington DC and Brussels

Sugarcane production in 2015/16: 635 million tons

30 billion liters

2nd world largest producer: 25% of production and 20% of world exports

15 million MWh

3.3% of Brazilian electricity consumption

35 million tons

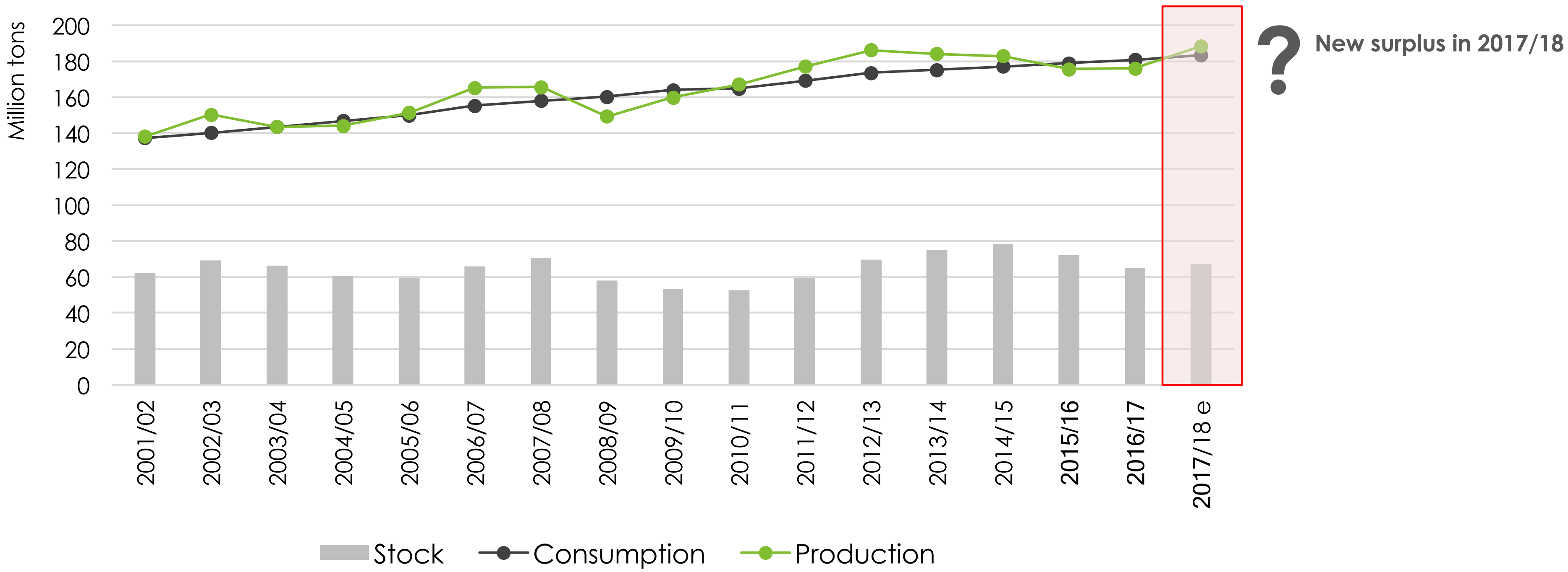
Largest producer and exporter in the world: 20% of global production and more than 40% of exports

International sugar market:

Opportunities and challenges

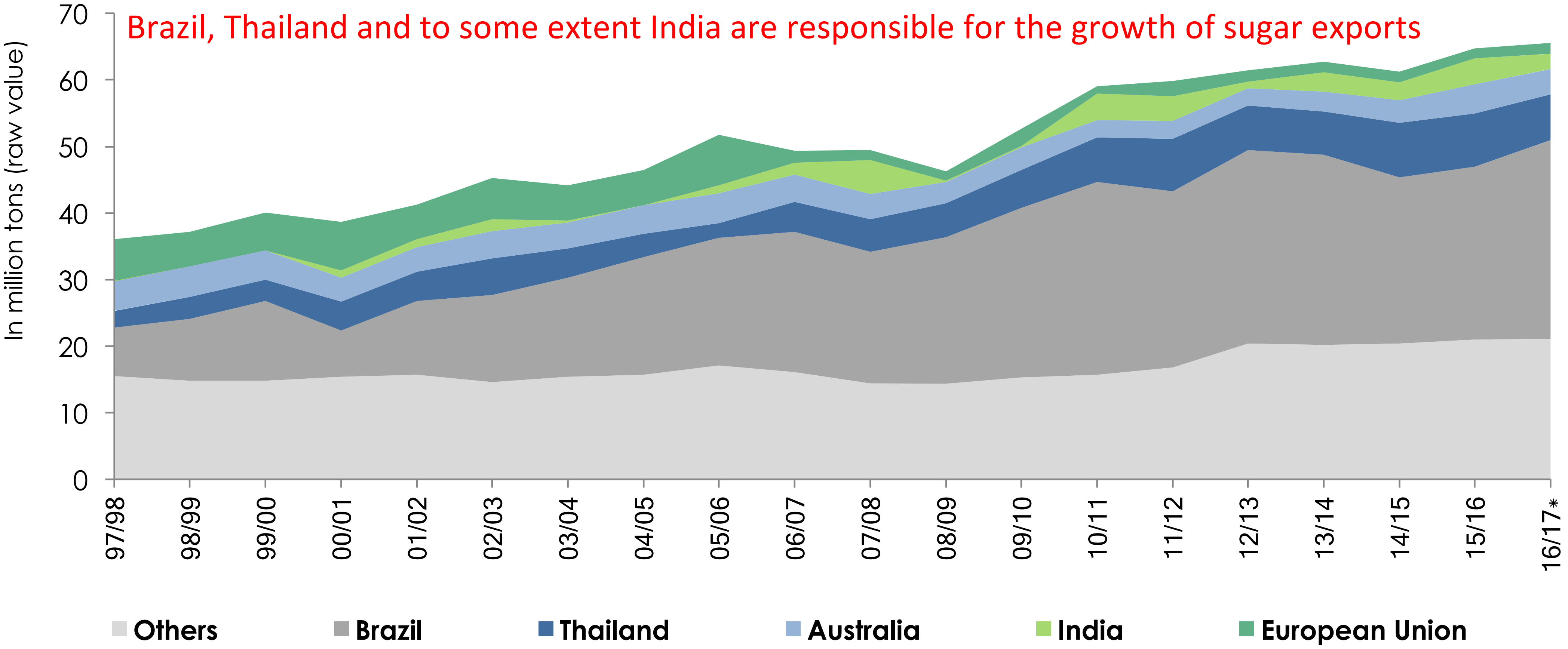
Sugar market: favourable perspectives

- **Deficit in the world market since world cycle 2015/16**
- **Depreciation of the Brazilian real with respect to US Dollar, benefiting sugar exports**



Source: LMC. Note: e - estimativa

Main sugar exporting countries



Source: LMC. Note: * – forecast.

Provisional results for harvesting season 2016/17

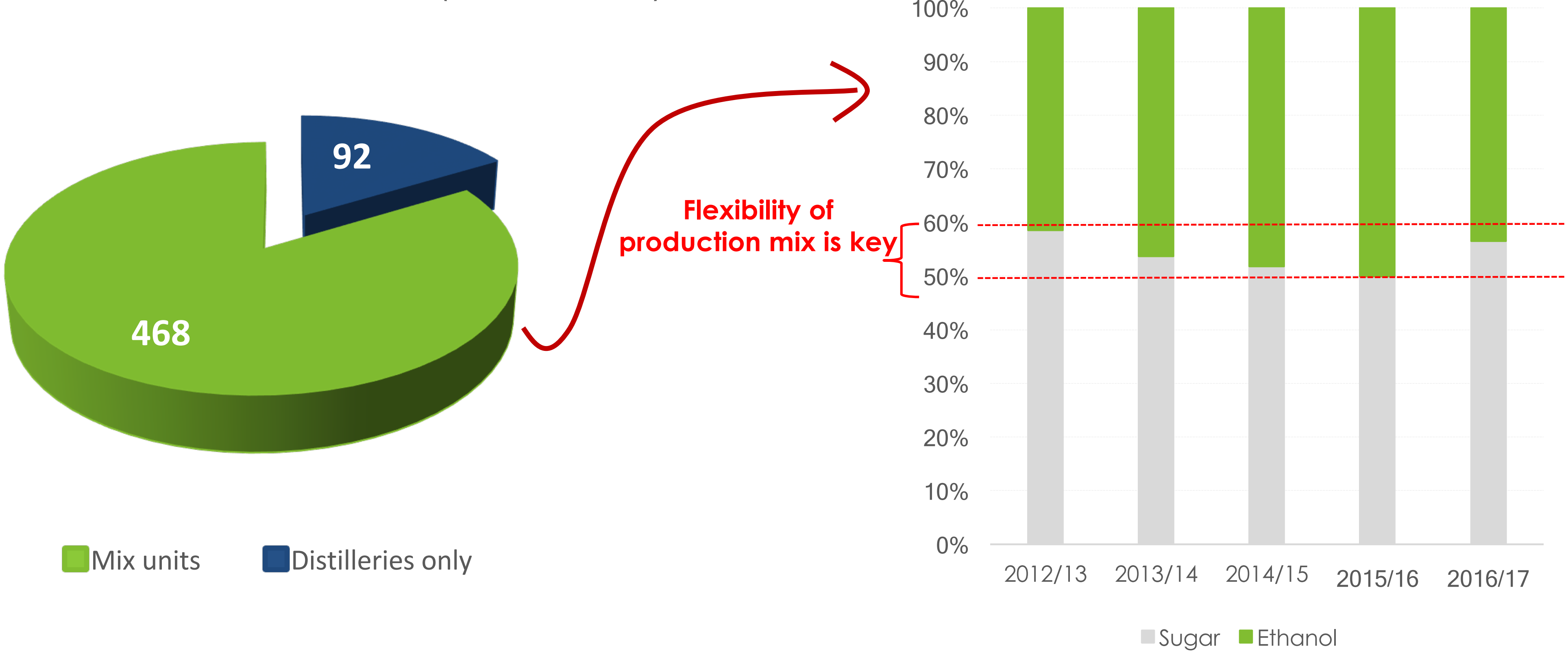
Product		South-Central region		
		2015/2016	2016/2017	Var. (%)
Sugarcane [1]		617,709	607,137	-1.71%
Sugar [1]		31,221	35,628	14.11%
Anhydrous ethanol [2]		10,643	10,656	0.12%
Hydrous ethanol [2]		17,581	14,996	-14.71%
Total ethanol [2]		28,225	25,651	-9.12%
TRS [1]		80,614	80,769	0.19%
TRS/ ton of sugarcane [3]		130.50	133.03	1.94%
Share %	sugar	40.65%	46.29%	
	ethanol	59.35%	53.71%	
Liters of ethanol/ ton of sugarcane		45.46	41.86	-7.92%
Kg of sugar/ ton of sugarcane		50.54	58.68	16.10%

Source: UNICA.

Distribution of crushing volumes

- Volume of processed sugarcane until 1ª half of November – safra 2016/2017 (in million tons)

Production of mix units (%)



Source: UNICA.

Trade defence for sugar

- Brazil will continue its dialogue with the Thais authorities, in the framework of the WTO, until a new Thai sugar regime, compatible with the WTO rules, is approved and put in place.
- Brazil will defend its interest with respect to the safeguard measures promoted by China
- Monitoring and analysis of potentially distortive public policies, by sugar producing countries.
- Brazil is promoting the insertion of sugar in the Mercosur agreement

Life after the quotas:

Good, but.....

Brazilian access to the EU sugar market

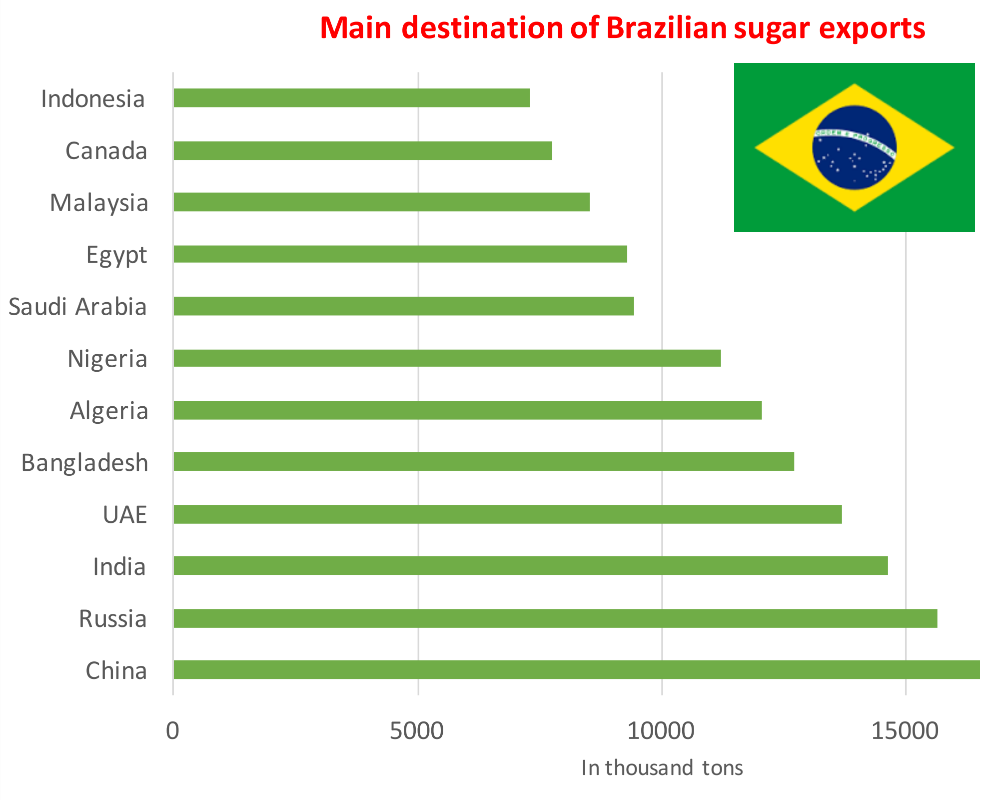
- Any measure that is more market-oriented and that reduces public intervention is welcome
- CXL quotas for Brazil:

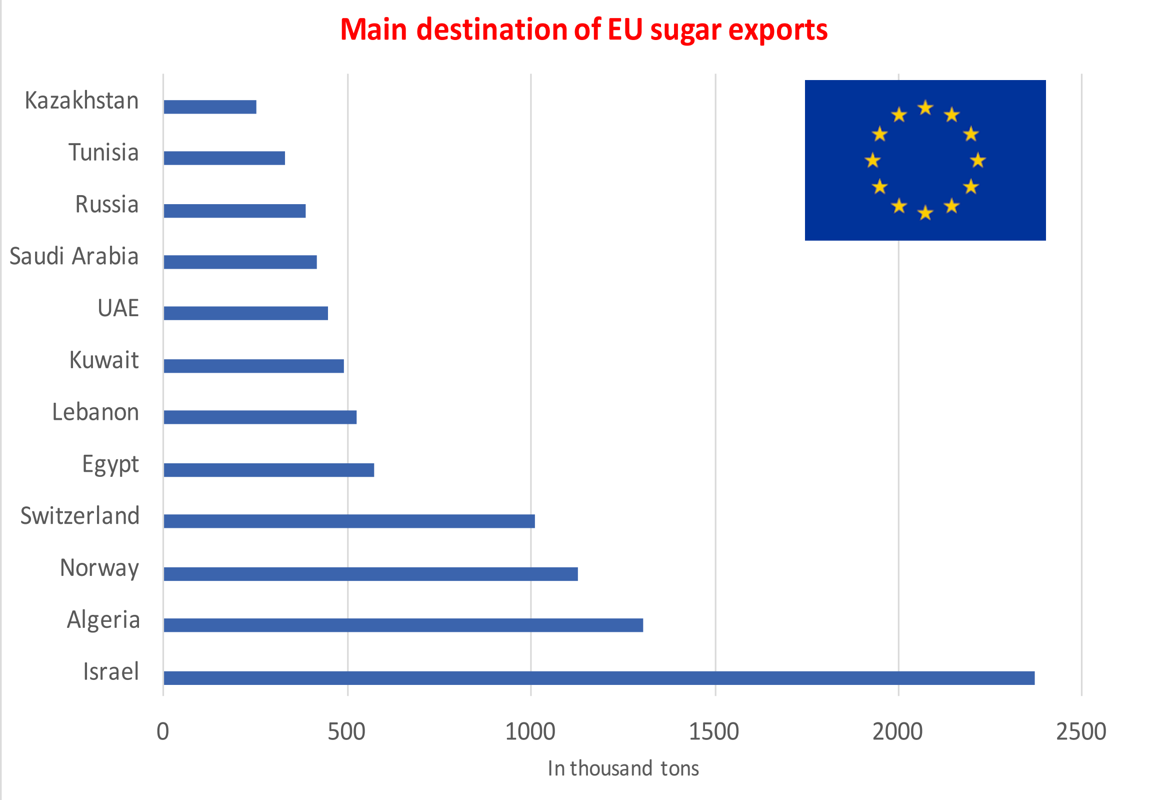
	EU enlargement		
	Finland	Bulgaria/Romania	Croatia
Brazil	34,054 t	300,000 t	78,000 t
In-quota tariff	98 €/t	98 €/t	First 6 years: 11€/t
			7th year: 54 €/t
			8th year on: 98 €/t
Erga Omnes		253,977 t	36,000 t
In-quota tariff		98 €/t	98 €/t

Unfair access to the EU market

- The situation that prevailed in the EU sugar market 20 years ago is very different from the current situation:
  - 2 big reforms of the sugar regime that have changed the EU market, but the import tariff is still the same
- Impacts of the reform on Brazilian quota versus *erga omnes* quota?
- Impact on EU cane refiners?
- Coupled payments given by 10 member states – 174 million euros in 2015
- Next steps: EU-Mercosur trade negotiations and Brexit

Main destinations of sugar exports (average 2008-2016)





Few market overlap, raw versus white sugar. But what about international prices?

Sources: Comext and Comext

UNICA

ApexBrasil
BRAZILIAN TRADE AND INVESTMENT PROMOTION AGENCY

Thank you!

www.sugarcane.org @SugarcaneOrg

geraldine@unica.com.br