Global Sugar Alliance Annual Meeting

Brazil – Prospects for recovery and implications for sugar and ethanol supply.

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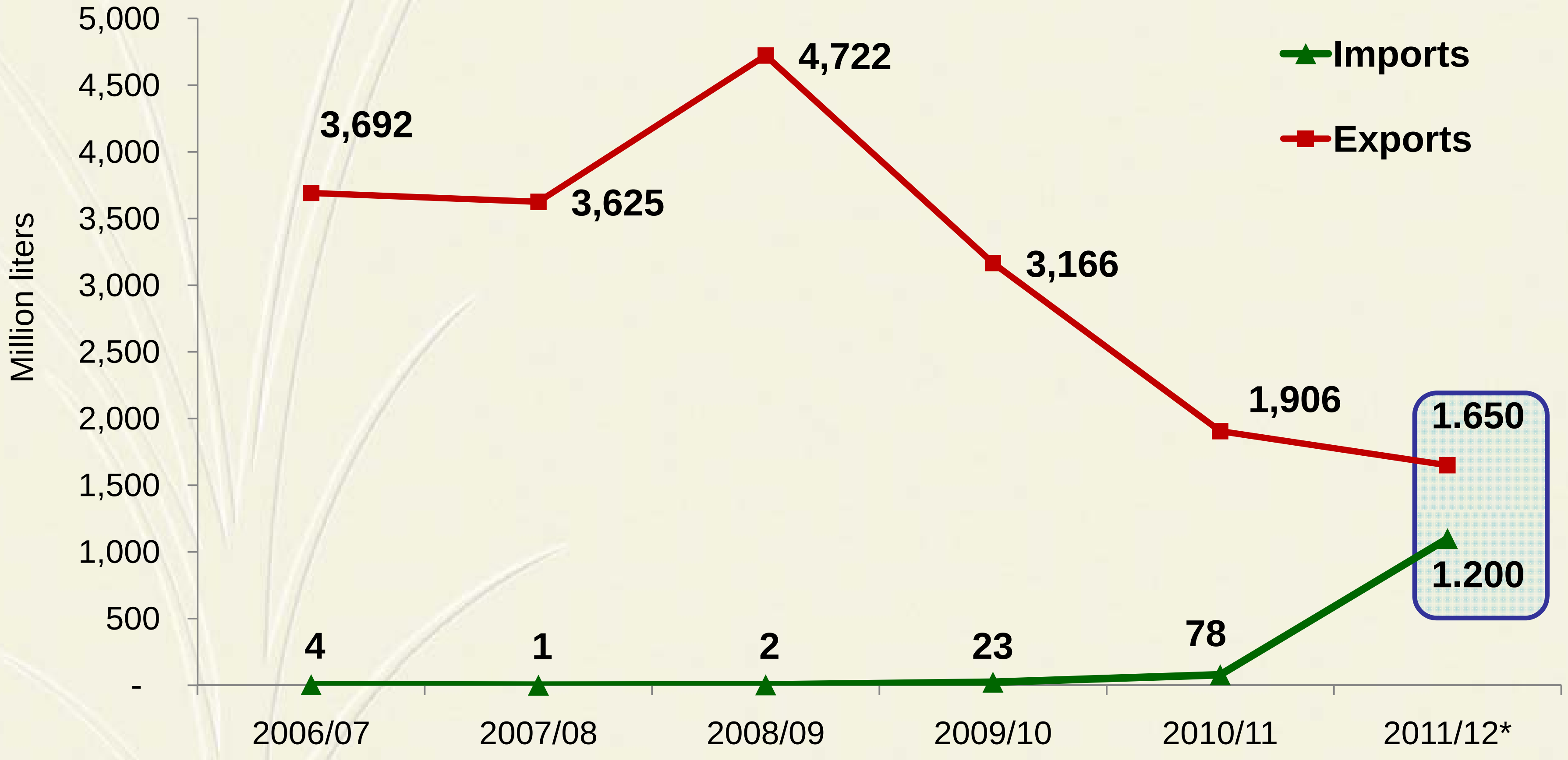
THE 2011/12 HARVEST SEASON: STATE OF PLAY

- Decrease in cane production, caused by:
  - Delays in replanting cane fields (consequence of the 2008/09 financial crisis)
  - Atypical weather conditions in 3 consecutive harvests: excessive rain, drought, frost
  - Reduced agricultural productivity – losses in excess of 15% of the harvest
  - Adjustments to mechanical harvest
  - Expansion of production to the Center-West, adaptation of cane varieties
- As a consequence, sugar and ethanol production declined and the country imports ethanol. This reflects a temporary snag, unlikely to repeat itself in the long run. Without ethanol imports, more gasoline imports would be required
- Production of all fuels is falling short in Brazil, given accelerated economic expansion and subsequent increased energy demands
- Expanded exports to the US are an attractive option, given the bonus on Brazilian ethanol, as evidenced by rising RINs for advanced biofuels

BRAZILIAN ETHANOL IMPORTS AND EXPORTS



Source: SECEX. Elaboration: UNICA. Note: 2011/12* - estimate.

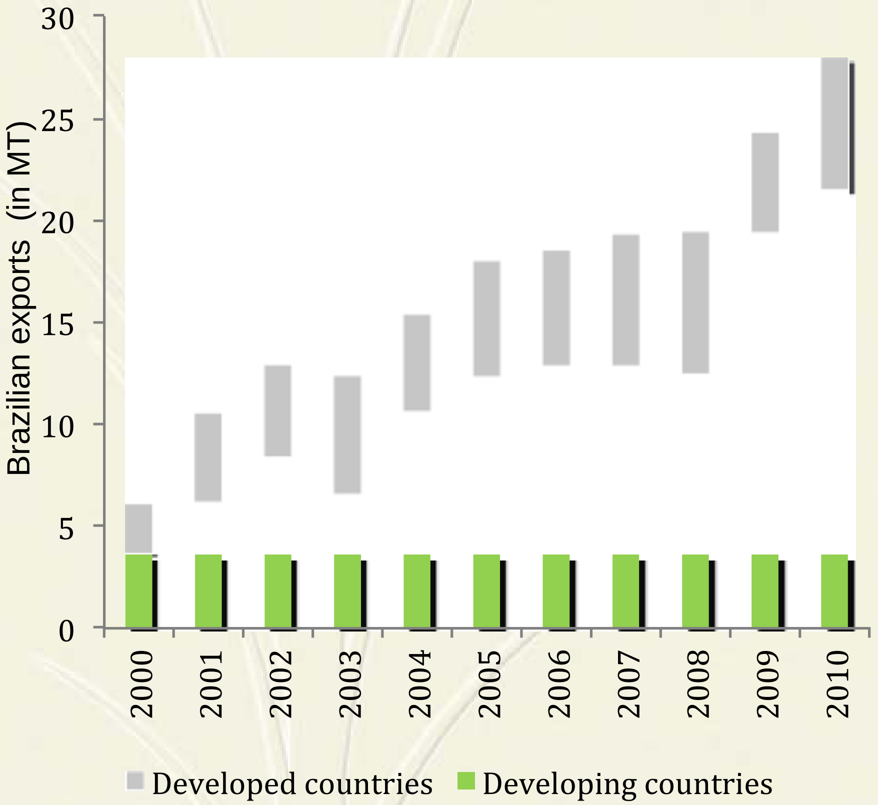
ESTIMATE FOR 2011/2012 SUGARCANE HARVEST BRAZILIAN SOUTH-CENTRAL REGION

Products	A 2010/2011 harvest season	B *1st estimate*	C 2011/2012 harvest season *1st review*	D *2nd review*	E *3rd review*	E/A (%)
UGARCANE CRUSHING						
Total (thousand tons)	556.945	568.500	533.500	510.238	488.500	*-12,29%*
roduction						
Sugar (thousand tons)	33.501	34.580	32.380	31.570	30.800	*-8,06%*
Anhydrous ethanol (million liters)	7.413	8.300	8.550	8.140	7.830	*5,62%*
Hydrous ethanol (million liters)	17.971	17.207	13.995	12.865	12.559	*-30,12%*
Total ethanol (million liters)	25.385	25.507	22.545	21.005	20.389	*-19,68%*
UGARCANE QUALITY						
TRS (thousand tons)	78.249	79.651	72.396	68.934	67.071	*-14,28%*
Kg of TRS / ton of sugarcane	140,50	140,11	135,70	135,10	137,30	*-2,27%*
UGAR & ETHANOL PRODUCTION SHARE						
Share (%) ***sugar¹***	44,93%	45,56%	46,94%	48,06%	48,19%	
Share (%) ***ethanol²***	55,07%	54,44%	53,06%	51,94%	51,81%	
IARKET						
Sugar exports (thousand tons)	24.640	24.900	23.130	22.320	21.200	*-13,96%*
Ethanol exports (million liters)	1.767	1.450	1.350	1.350	1.650	*-6,62%*

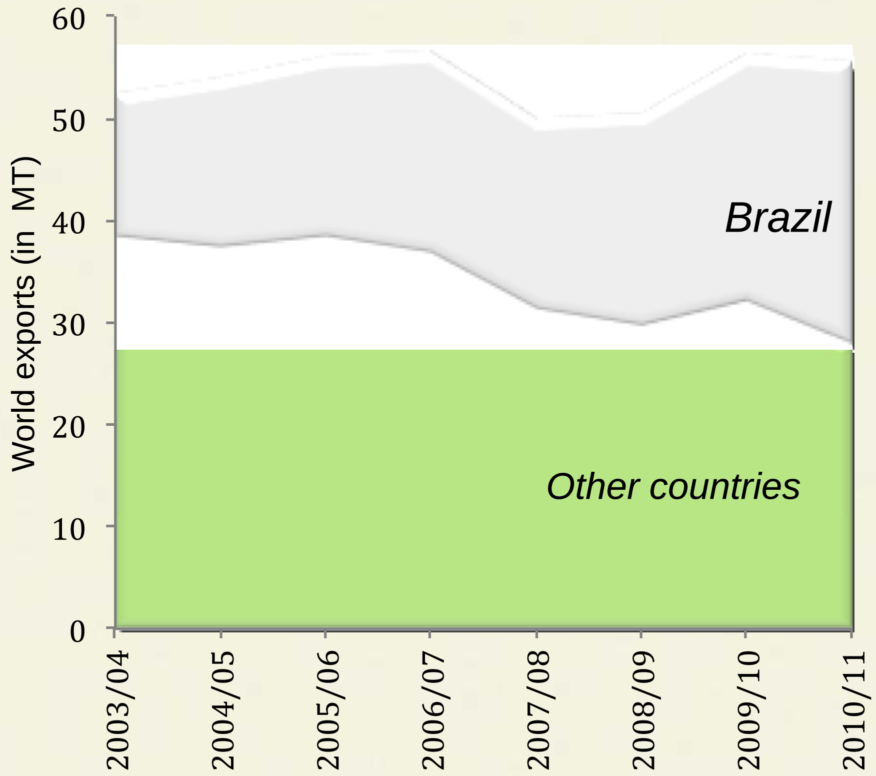
ource: UNICA. Note: TRS ist acronym used to "Total Recoverable Sugars"; ¹sugarcane used to sugar production; ² sugarcane used to ethanol production. Data of 2010/2011 harvest season are final values. The 1st estimate for t
11/2012 sugarcane harvest season was released on March 31, 2011; the 1st review was released on July 13 of that year; the 2nd review was released on August 11; and the 3rd review was released on November 1, 2011.

BRAZILIAN SUGAR EXPORTS

Brazilian exports increase, mainly to developing countries



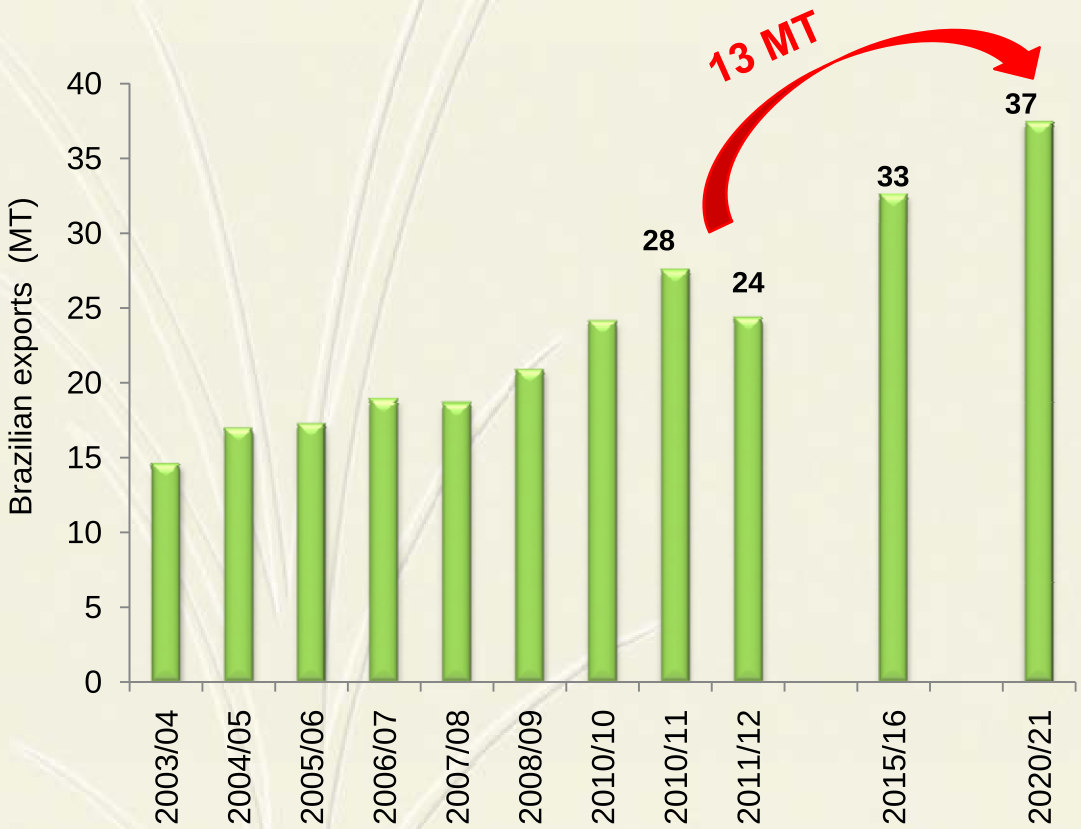
Brazil has increased its share in global trade



Sources: F.O.Licht, LMC, SECEX and UNICA.

FUTURE BRAZILIAN SUGAR EXPORTS

Scenarii for Brazilian sugar exports



- ✓ *If Brazil were to maintain its current share in world sugar trade, exports from Brazil should grow by 13 MT by 2020.*

Sources: F.O.Licht, LMC, SECEX and UNICA's forecasts

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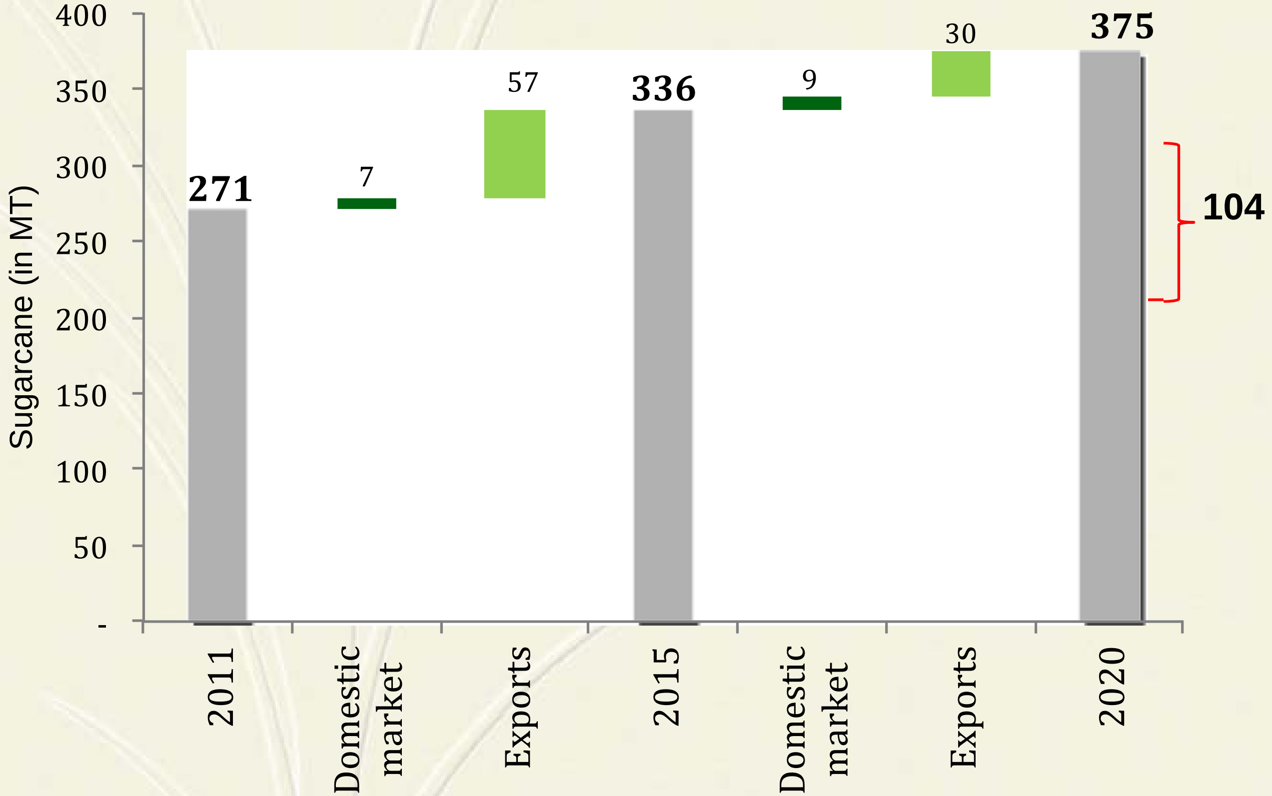
CANE AVAILABILITY REQUIRED TO MEET SUGAR DEMAND IN THIS SCENARIO

Cane availability required to meet sugar demand

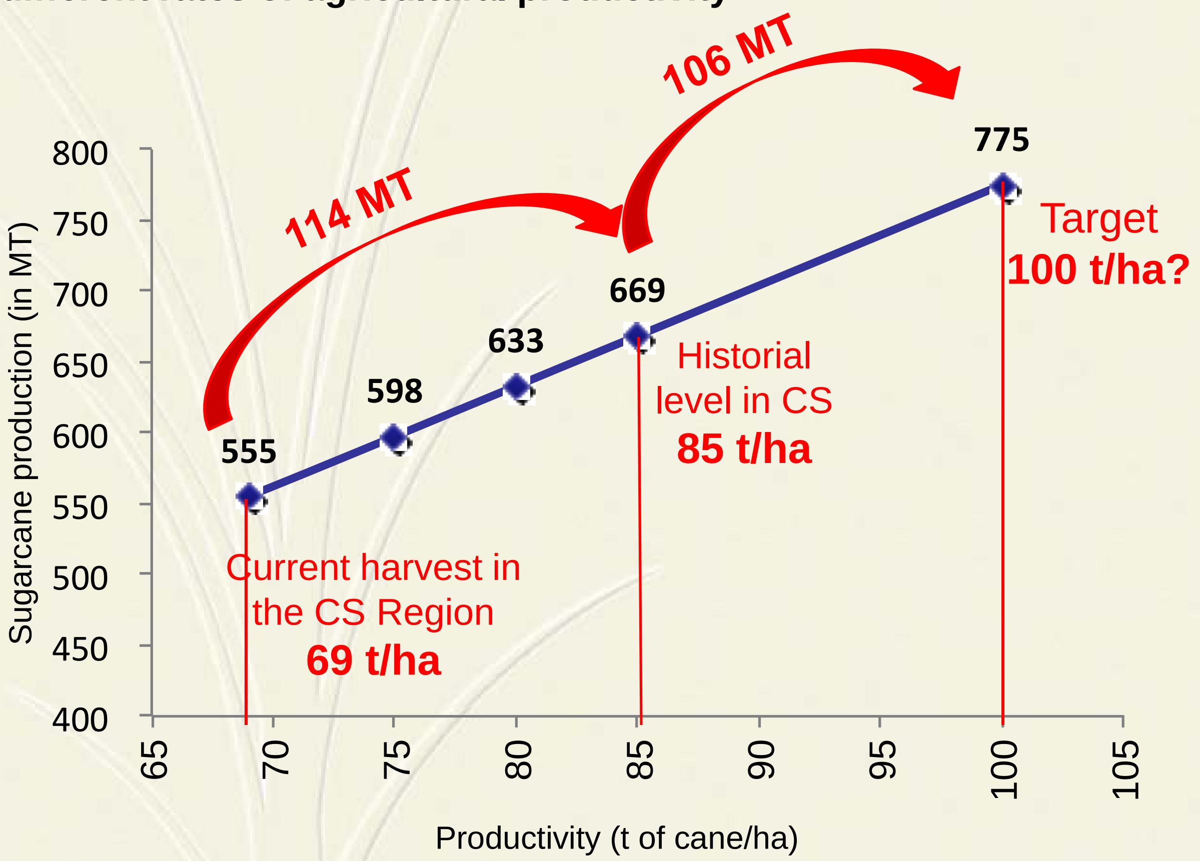


To supply the sugar demand according to this scenario, sugarcane production should increase by <u>more than 100 million tons by 2020</u>.

Fonte: Estimativa UNICA.

PRODUCTION INCREASE AND AGRICULTURAL PRODUCTIVITY IN SUGARCANE FIELDS

Potential production in current sugarcane area according to different rates of agricultural productivity

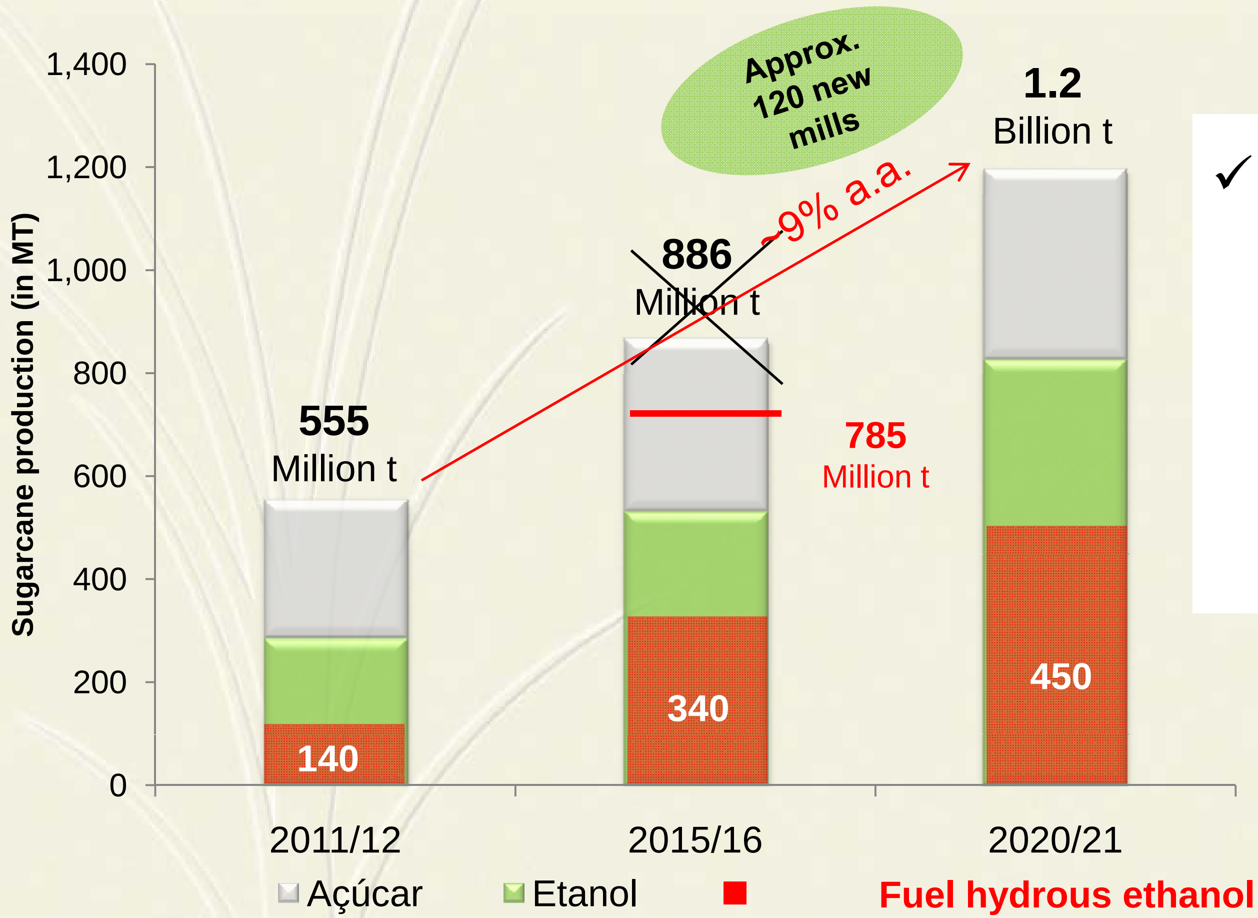


- ✓ *If agricultural productivity equals historical rates, we could produce 670 mn t of sugarcane on the currently harvested area.*

Fonte: Estimativa UNICA.

FUTURE SUGARCANE AVAILABILITY REQUIRED

Scenario: 50% of the fleet uses ethanol (unhydrous and hydrous) and share of Brazil in global sugar exports is kept constant (50%)



✓ *Future production increase depends on the competitiveness of hydrous ethanol in the domestic market.*

Source: UNICA.

Thank you

www.sugarcane.org

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