

SUGARCANE

2020/2021 OUTLOOK SUMMARY

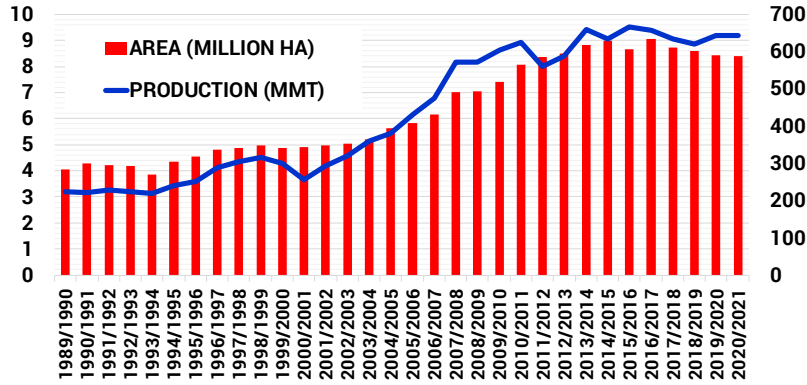


OCTOBER/2020

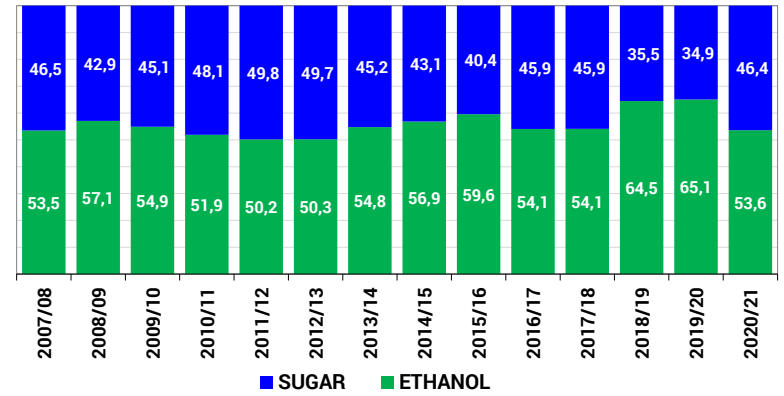


- In the 2020/2021 season, between April and September 2020, sugarcane crushing in the Center-South of Brazil reached 499.7 MMT, an increase of 5.3% over the same period of the previous year.
- In this period, sugar production reached 31.950 MMT, an 46.2% increase compared to the same period of the previous season.
- Ethanol production, in the same period, reached 23.446 billion liters, a decrease of 7.5% in comparison to the same period of the previous year. From this total, 7.148 billion liters were anhydrous (6.2% decrease) and 16.298 billion liters of hydrous (decrease of 7.9%).
- The sucrose content, measured by the amount of Total Recoverable Sugar per processed tonne (ATR / t), rose 4.4% in the current harvest, to 142.87 Kg.
- After months of dry weather, rains returned in the Center-South of Brazil, but the volume may be insufficient for the development of the new sugarcane crop, which begins to be harvested in April next year.
- October rains in the Center-South are below the historical and last year's averages.
- Based on the current weather scenario, the projection is that there may be a slight drop in sugarcane crushing in the 2021/2022 harvest in the Center-South of Brazil.

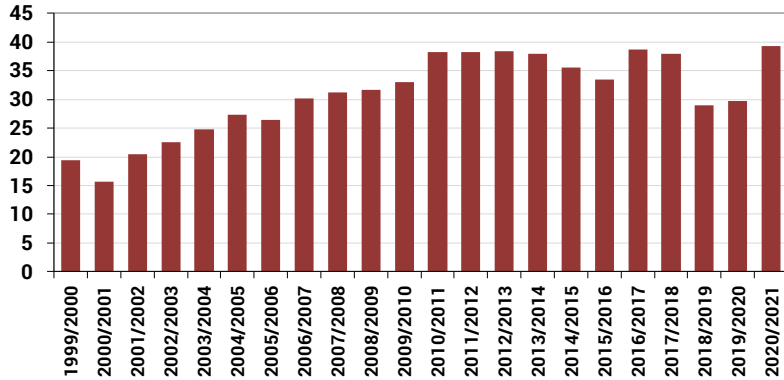
SUGARCANE: BRAZIL AREA AND PRODUCTION



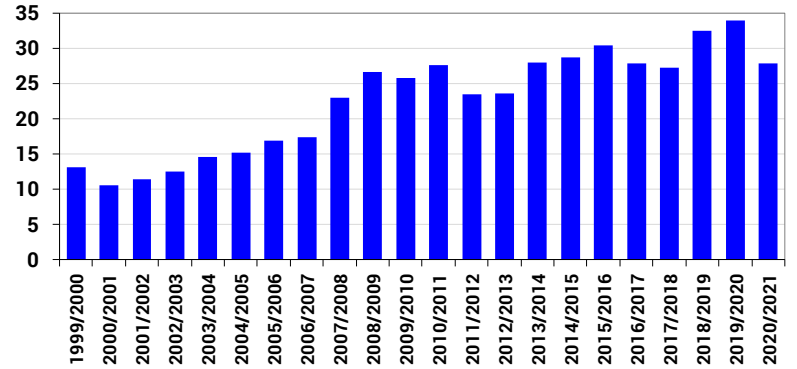
SUGARCANE: BRAZIL MIX EVOLUTION(%)



SUGAR: BRAZIL PRODUCTION - MMT



ETHANOL: BRAZIL PRODUCTION - BILLION L

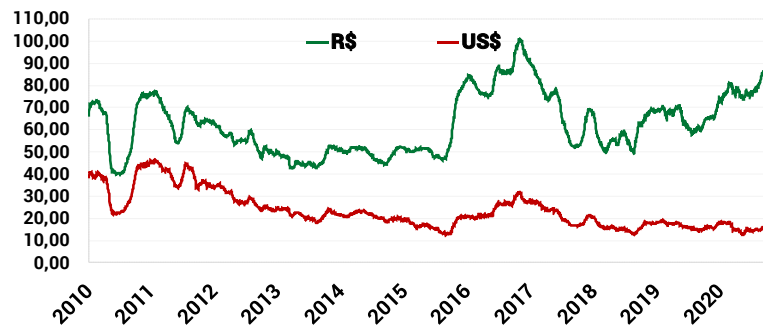


- The CEPEA / ESALQ crystal sugar indicator (ICUMSA color from 130 to 180) is quoted at R\$ 94.52 per 50 kg, accumulating a 9.8% increase in the last 30 days and 43.7% in the last 12 months.
- The tendency is for rising sugar prices in the domestic market, with prices marked by firmer international prices, a rise in the dollar in Brazil and strong exports growth in 2020.
- On the New York Stock Exchange, the future prices for raw sugar remain firm, at around 14.50 ¢ per pound, accumulating an increase of 8.8% in the last 30 days. There's a possibility of supply reduction from important exporters.
- Brazilian sugar exports grew 111.8% in September compared to the same month of the previous year, with an increase of 68.2% between January and September 2020, compared to the same period last year.
- In São Paulo, domestic sales pay almost the same as exports, with the CEPEA / ESALQ Crystal Sugar Indicator at R\$ 94.52 per 50 kg, against the R\$ 94.34 price for the product placed on Port of Santos / SP, considering a R\$ 5.60 dollar exchange rate.
- In Brazil, there may be less sugar available in the first quarter of 2021, the off-season, with drought in Thailand - the second largest exporter in the world - and the incidence of the yellow virus in Europe.

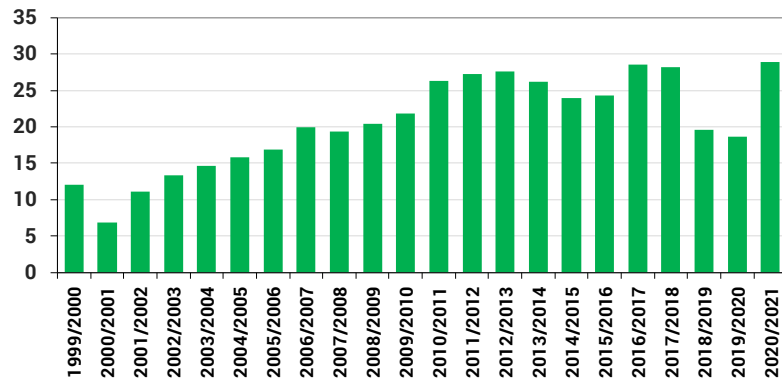
RAW SUGAR: FUTURES AT ICE US (NEW YORK) ¢ PER POUND



GRANULATED SUGAR: SÃO PAULO WHOLESALE PRICES - R\$/50 KG



SUGAR: BRAZIL EXPORTS - MMT

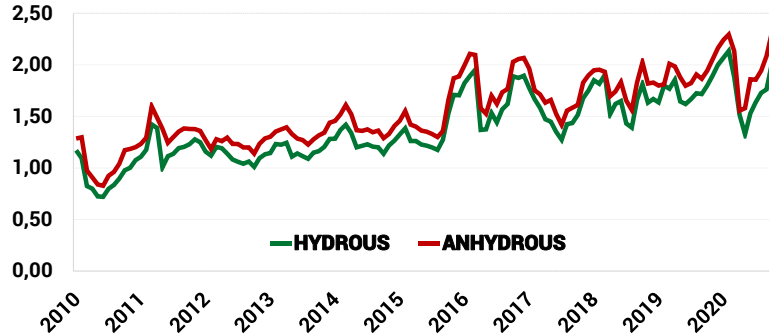


GRANULATED SUGAR: SÃO PAULO WHOLESALE x FAS PORT OF SANTOS - R\$/50 KG

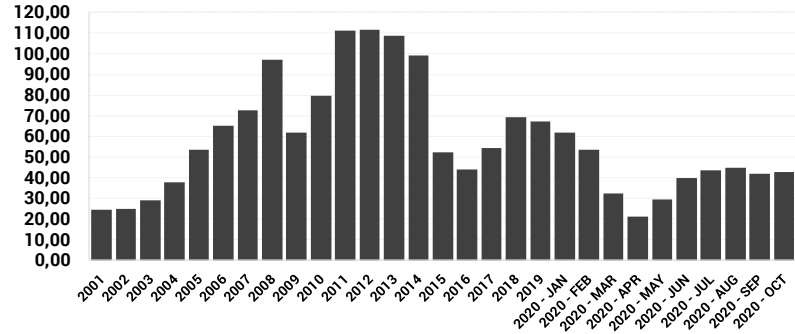


- The trend is for an increase in ethanol prices, given the recovery in oil prices and the gradual recovery in domestic demand.
- The price of hydrous ethanol is quoted at R\$ 2.01/l on average, FOB São Paulo plants (without ICMS neither PIS / Cofins), an increase of 14.4% in the last 30 days, but still with a slight drop of 2.6% in 2020.
- Anhydrous ethanol, FOB plants in São Paulo, is quoted at R\$ 2.31/l (without PIS / Cofins), registering increases of 11.0% in the last 30 days and 3.3% year to date.
- The volume of hydrous ethanol sold in the last seven days more than doubled compared to the previous period, given the bigger demand, the easing of the restrictions imposed to contain the spread of Covid-19 and the gradual heating of the economy.
- The trend is for higher average prices for hydrous ethanol in 2021, based on the current oil price and the current exchange rate and assuming a 70% parity between gasoline and biofuel at the pump.
- Due to low supply of sugar and high prices on the New York Stock Exchange, the mills set high volumes of sugar for the 2021/2022 harvest, which begins in April, which makes it difficult to change the mix towards ethanol.

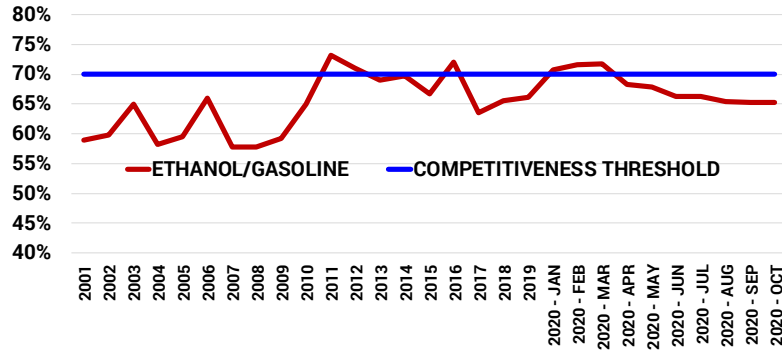
ETHANOL: HYDROUS AND ANHYDROUS PRICES FOB SÃO PAULO PLANT - R\$/L



BRENT OIL: AVERAGE PRICE - US\$/BARREL



HYDROUS ETHANOL COMPETITIVENESS IN RELATION TO GASOLINE - BRAZIL AVERAGE



ETHANOL AVERAGE PRICES - FOB SÃO PAULO PLANTS

HARVEST	ANHYDROUS ETHANOL		HYDROUS ETHANOL	
	R\$/L	US\$/L	R\$/L	US\$/L
2014/2015	1,40	0,57	1,25	0,51
2015/2016	1,73	0,48	1,57	0,44
2016/2017	1,79	0,54	1,63	0,50
2017/2018	1,71	0,53	1,58	0,49
2018/2019	1,80	0,48	1,63	0,43
2019/2020	2,01	0,49	1,83	0,44
2020/2021	1,89	0,35	1,65	0,30
30 DAYS CHANGE	11,0%	4,5%	14,4%	7,7%
12 MO CHANGE	19,1%	-13,2%	12,0%	-17,5%

- The Decarbonization Credits (CBios), the first carbon market in Brazil and a key instrument of the federal policy to stimulate biofuels (RenovaBio), gained traction after the confirmation of new emissions targets for 2020, revised because of the pandemic, already having handled more than R\$ 300 million at B3.
- These resources come from fuel distributors, which must meet RenovaBio's goals, entering as resources for biofuel producers. Until 10/15, commercialization reached R\$ 200 million, two thirds of the total amount negotiated since the beginning of transactions in June.
- This growth is driven by the increase in purchases by distributors and the surge in price of CBios, which doubled in value in the last 30 days, to an average of R\$ 49.96.
- If the assets stop appreciating and stabilize at R\$ 50.00, the CBios market will move R\$ 500 million this year and, with that, the credits issued would add up to R\$ 800 million this year.
- The distributors are bound to buy a quantity of CBios established according to their participation in the fossil fuel market of the previous year. This year, they will not be able to postpone up to 15% of the fulfillment of the target for 2021.

- Each CBio means 1 tonne of carbon equivalent avoided emissions with the replacement of fossil fuels with renewable ones.
- Every CBio is backed by the sale of a certain volume of biofuel, proven with invoices sent to the ANP and according to the producer's "carbon footprint".
- The surge in CBios prices is the result of demand from distributors, who felt safer to buy the certificates after the National Energy Policies Council (CNPE) revised the 2020 target from 28.7 million to 14.53 million CBios.
- Although producers of other biofuels also take part in the market, ethanol accounts for 66% of CBios issued in 2020.
- Despite the increases, the price of CBio is still far from interfering in the correlation between ethanol and sugar prices in the mills' decision on the production mix.
- At R\$ 50.00, CBio represents 3% of the current price of hydrous ethanol. In a comfortable sugar arbitration scenario, CBio would have to be 10% of the value of ethanol to interfere in the plant's decision, that is, the paper would have to reach R\$ 180.00. In this scenario of tighter arbitrage, CBio would make a difference in the mix decision, representing 5% of the price of ethanol.



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