AGRICULTURE ANALYST

Super El Niño Poses Risk to Concentrated Sugar Market: What to Watch

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A Super El Niño could tighten sugar markets, given that ~70% of global sugar exports come from Brazil, India, and Thailand — regions that are particularly exposed to El Niño-related drought and flood risks. El Niño could reduce exportable sugar in 4 ways:

1. **Drought** during the sugarcane *growing* season can **reduce the cane yields**, lowering the amount of sugarcane produced per hectare.
2. **Floods** during the *harvest* can disrupt harvesting operations and **reduce the sugar content** of cane, cutting sugar output even if cane volumes are strong.
3. Because corn is an important feedstock for ethanol production alongside sugarcane, a weaker corn crop due to El Niño-related droughts may divert **more sugarcane into ethanol** production, leaving less sugar available for export.
4. Concerns about El Niño-related production losses may trigger **precautionary export restrictions**, which is likely a larger risk for global supply than the potential crop losses themselves.

What to watch through this El Niño running from June 2026 to May 2027:

- Through Oct 2026, the main near-term downside risk to sugar prices is a recovery in sugar content in Brazil's ongoing harvest. Heavy rainfall through June reduced sugar content despite strong sugarcane volumes, but rainfall has since moderated. If upcoming (delayed) UNICA reports were to confirm sugar content recovering, sugar production could exceed current expectations and trigger a pullback in speculative positioning and pose near-term downside risk to raw sugar prices (no. 11).
- Through Oct 2026, continued drought in India and Thailand during the growing season could reduce sugarcane volumes harvested in Nov 2026-April 2027. As the Asian growing season progresses and the harvest season kicks off, policy risks may become as important as weather risks. India has already banned sugar exports through September 2026 and removed import duties on sugar, raising the risk that it shifts from a major exporter (~6% of global sugar exports) toward a net importer.
- From Oct 2026-Apr 2027, we shift our attention to Brazil's 2027 sugarcane growing season, where drought could reduce sugarcane volumes harvested in Apr-Oct 2027.

Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html.

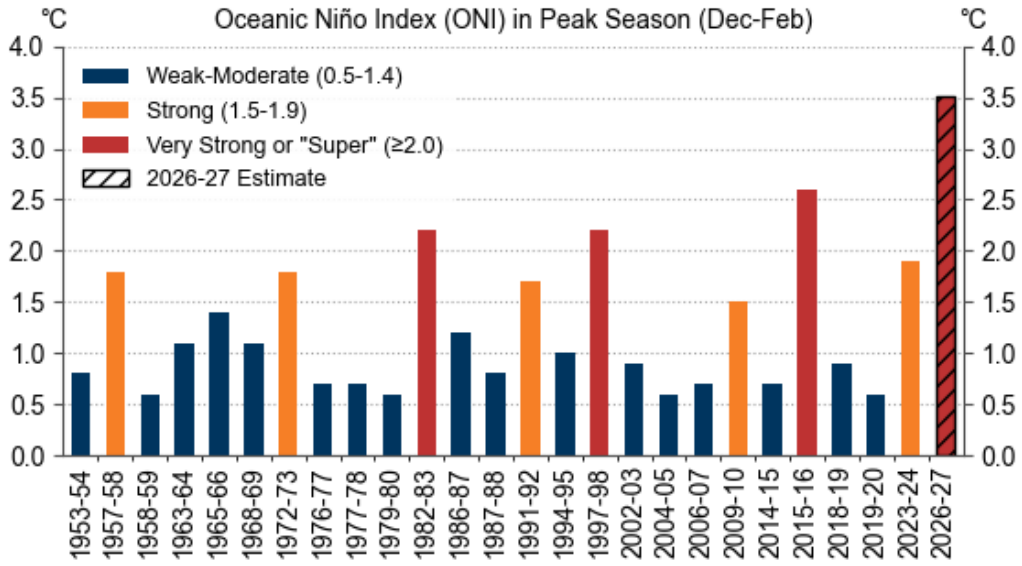
- From Jan-Apr 2027, drought during Brazil's corn growing season could weaken the corn crop harvested in Apr-Sep 2027, increasing sugar-based ethanol demand and leaving less sugar available for export.

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Super El Niño Poses Risk to Concentrated Sugar Market: What to Watch

The National Oceanic and Atmospheric Administration (NOAA) assessed that El Niño conditions are present with a greater than 90% probability of developing into a very strong ("super") El Niño into the 2026-2027 winter. While El Niños typically occur every 2 to 7 years, super El Niños are more unusual — occurring just three times over the past 75 years. The current El Niño is forecast to be the strongest on record (Exhibit 1).

Exhibit 1: The Current El Niño Is Forecast to Be the Strongest on Record

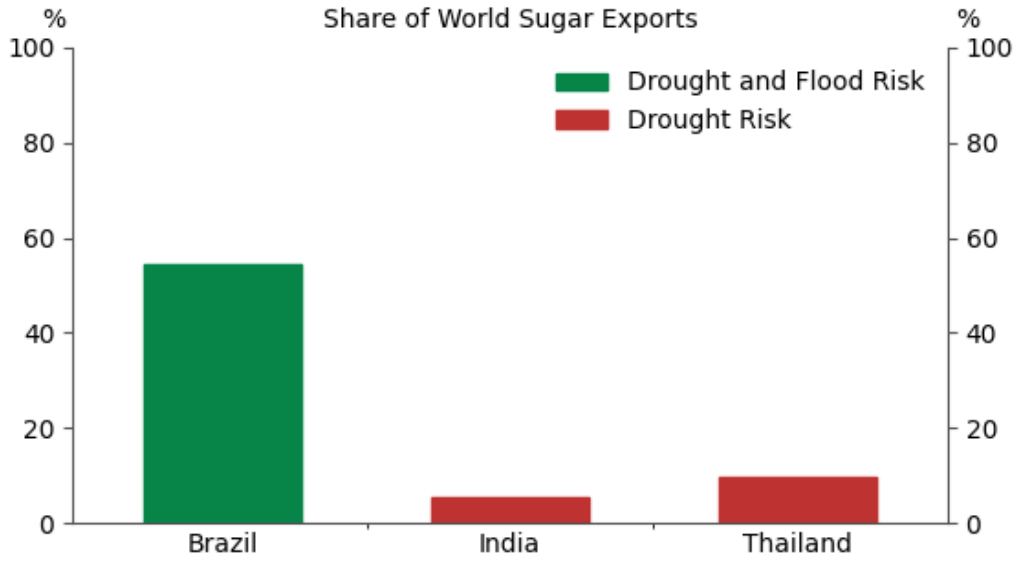


The Oceanic Niño Index (ONI) measures the three-month running average of sea surface temperature anomalies in the Niño 3.4 region of the equatorial Pacific (5°N–5°S, 170°W–120°W). An El Niño event is defined when the ONI exceeds +0.5°C for five consecutive overlapping three-month periods. The strength of the event is determined by the magnitude of the anomaly: +0.5°C is considered weak, +1.0°C moderate, +1.5°C strong, and +2.0°C very strong. Climatically, stronger El Niño events tend to produce more pronounced global impacts, with peak effects typically observed in Northern Hemisphere winter (December–February). The 2026-27 estimate is the multi-model median forecast from The Climate Brink.

Source: National Oceanic and Atmospheric Administration, Goldman Sachs Global Investment Research

A Super El Niño could tighten sugar markets, given that ~70% of global sugar exports come from Center-South Brazil, India, and Thailand — regions that are particularly exposed to El Niño-related drought and flood risks (Exhibit 2).

Exhibit 2: ~70% of Global Sugar Exports Come From Three Countries That Are Particularly Exposed to El Niño-Related Drought and Flood Risks



Data of the 2025/2026 sugar marketing year which runs from October 1st 2025 until September 30th 2026 for India, from December 1st 2025 until November 30th 2026 for Thailand and from April 1st 2025 until March 31st 2026 in Brazil.

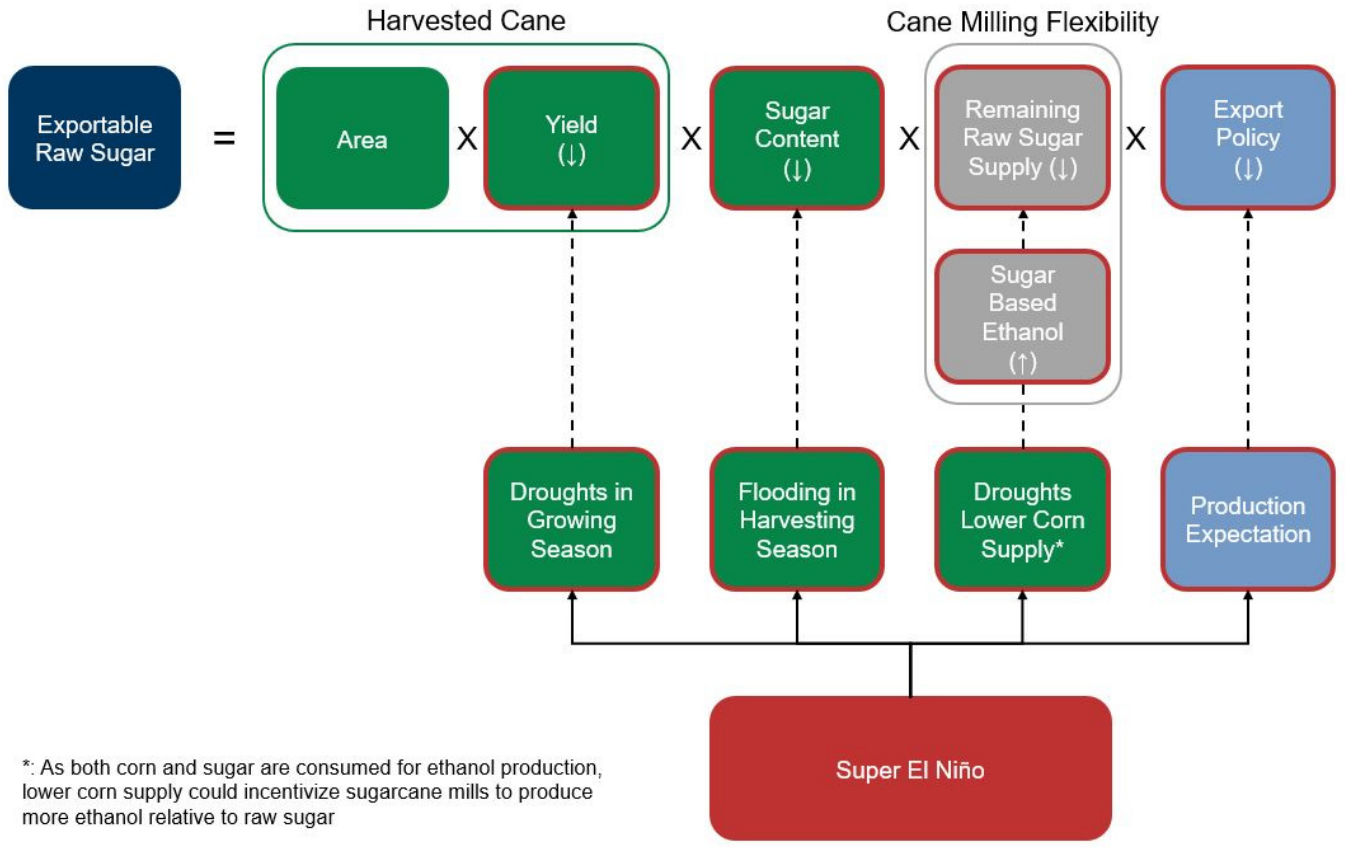
Source: USDA, Goldman Sachs Global Investment Research

El Niño Could Tighten the Global Sugar Market In Four Ways

El Niño could reduce exportable sugar in 4 ways (Exhibit 3):

1. **Drought** during the sugarcane *growing* season can **reduce the cane yields**, lowering the amount of sugarcane produced per hectare.
2. **Floods** during the *harvest* can disrupt harvesting operations and **reduce the sugar content** of cane, cutting sugar output even if cane volumes are strong.
3. Because corn is an important feedstock for ethanol production alongside sugarcane, a weaker corn crop due to El Niño-related droughts may divert **more sugarcane into ethanol** production, leaving less sugar available for export.
4. Concerns about El Niño-related production losses may trigger **precautionary export restrictions**, which is likely a larger risk for global supply than the potential crop losses themselves.

Exhibit 3: We See Four Ways Through Which El Niño Could Reduce Exportable Sugar

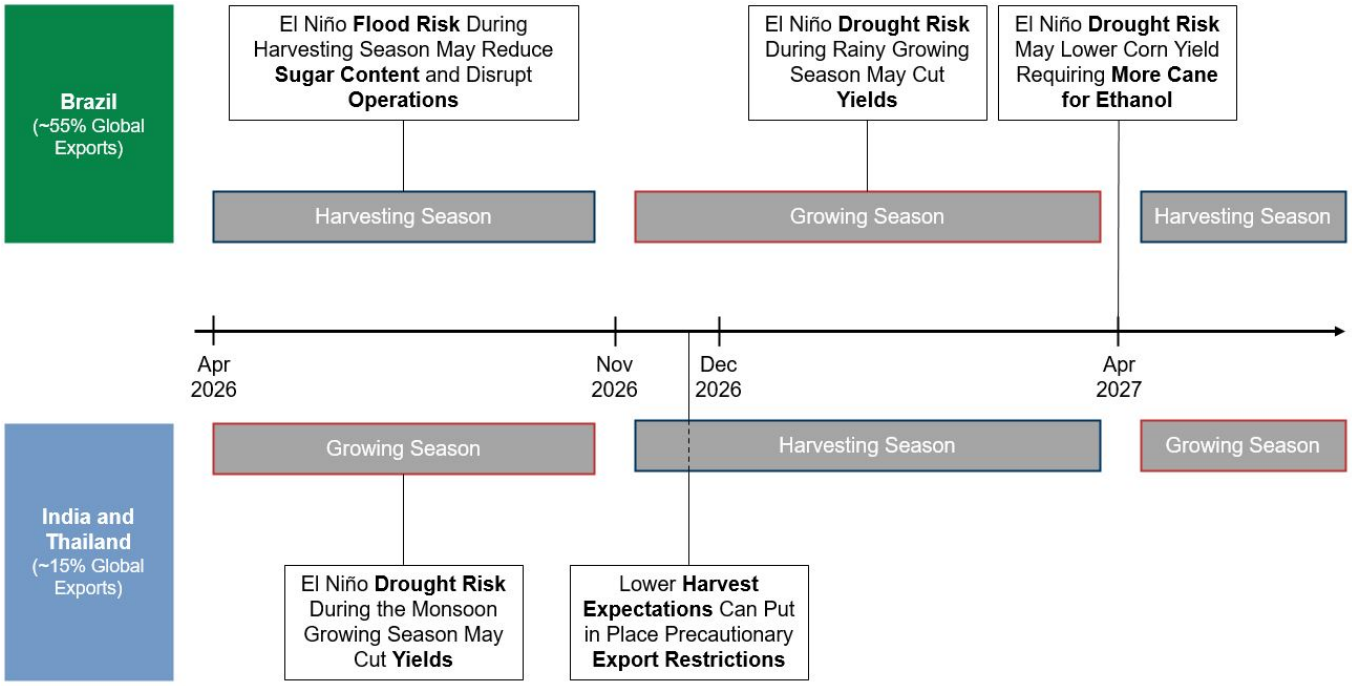


Source: Goldman Sachs Global Investment Research

What to Watch in the Sugar Market

We outline what to watch in the sugar market throughout this El Niño event that runs from June 2026 to May 2027 (Exhibit 4).

Exhibit 4: The Risks From El Niño Run Through the Different Stages of the Sugar Season



Source: Goldman Sachs Global Investment Research

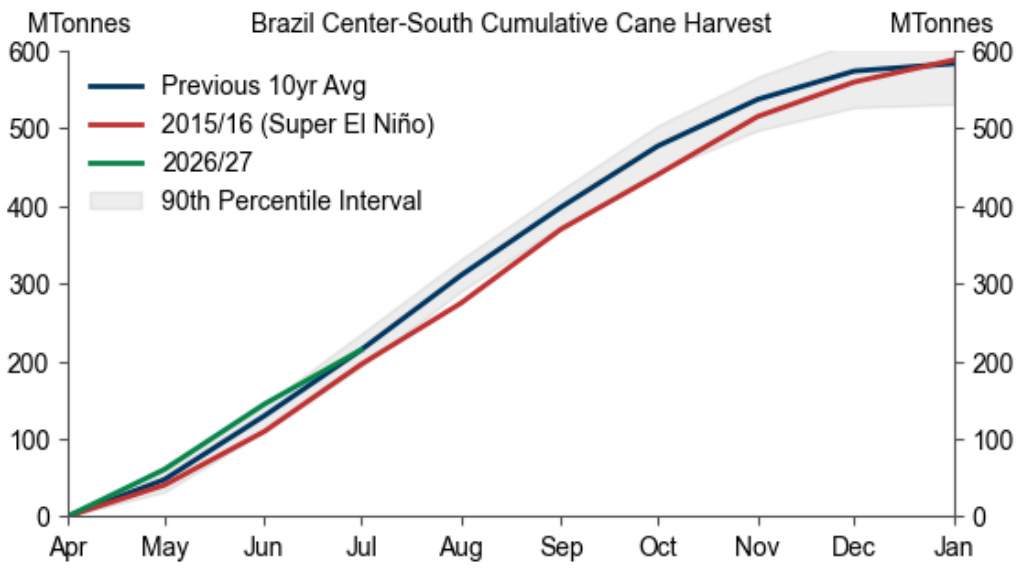
Through Oct 2026: Watch rainfall and UNICA-reported sugar content in Brazil's harvest for signs that earlier flood-related disruptions are easing

The main near-term downside risk to sugar prices is a recovery in sugar content in Brazil's ongoing harvest. Unusually heavy rainfall in the Centro Sul region (which accounts for ~90% of Brazil production) through June pushed sugar content per cane below the 10th percentile of historical observations in early July, helping lift raw sugar prices by 18%[1] despite strong sugarcane volumes (Exhibit 5). Rainfall has since then moderated, raising the prospect of a recovery in sugar content (Exhibit 6). If upcoming (delayed[2]) UNICA reports confirm sugar content recovering, sugar production could exceed current expectations and trigger a pullback in speculative positioning and pose near-term downside risk to raw sugar prices (no. 11) (Exhibit 7).

[1] Raw sugar prices have risen 18% since August 6, when the latest UNICA release reported sugar content per cane below the 10th percentile of historical observations in data covering the period through July 1.

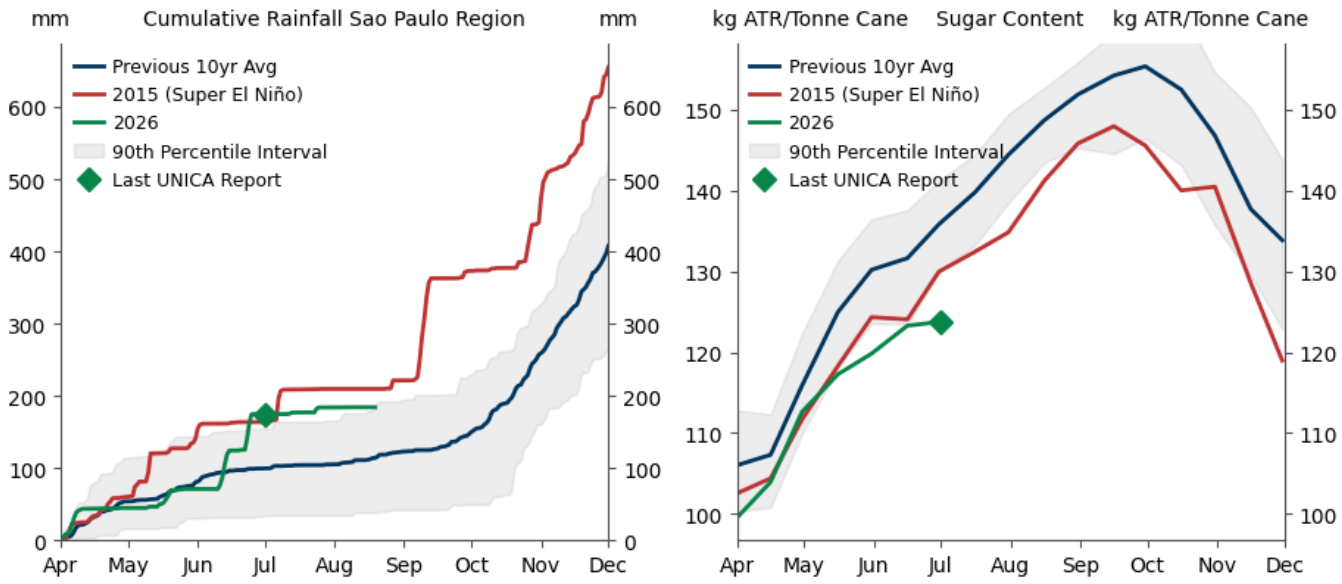
[2] UNICA typically releases reports every two weeks; however, its latest report dates from 6 August 2026.

Exhibit 5: Brazil's 2026 Harvest Started With Strong Sugarcane Volumes



Source: UNICA, Goldman Sachs Global Investment Research

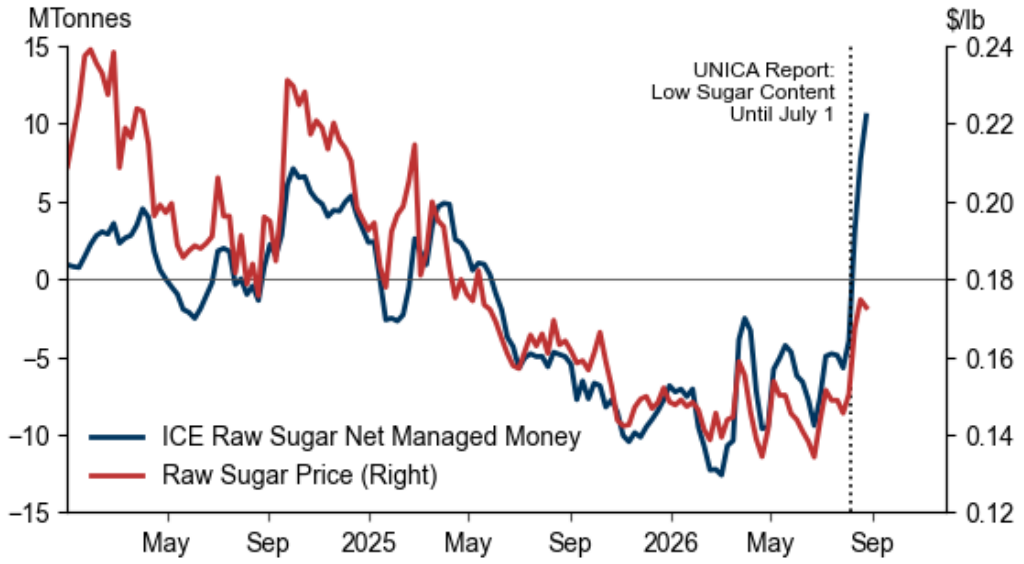
Exhibit 6: Earlier Flood-Related Losses to Brazilian Sugar Content May Be Starting to Reverse as Rainfall Moderates



São Paulo produces roughly 60% of Brazil's sugar and sits in the Center-South (Centro-Sul) region, which accounts for roughly 90% of the country's sugar production. Rainfall is sampled on three producing hubs of the cane belt: Ribeirão Preto at 21.17 S, 47.81 W; São José do Rio Preto at 20.81 S, 49.37 W; and Barretos at 20.55 S, 48.56 W. For each hub, total precipitation (tp, hourly accumulation in meters) from the ECMWF Reanalysis v5 (ERA5) is taken at the nearest 0.25 degree grid cell, and averaged across the three hubs equally. Data: ERA5 reanalysis (Copernicus / ECMWF, ARCO Zarr), 1990 to present. Cumulative curves run from April 1, the start of the Center-South crush, through December 1.

Source: Copernicus, UNICA, Goldman Sachs Global Investment Research

Exhibit 7: A Recovery in Brazilian Sugar Content Could Trigger a Pullback in Speculative Positioning and Pose Near-Term Downside Risk to Sugar Prices



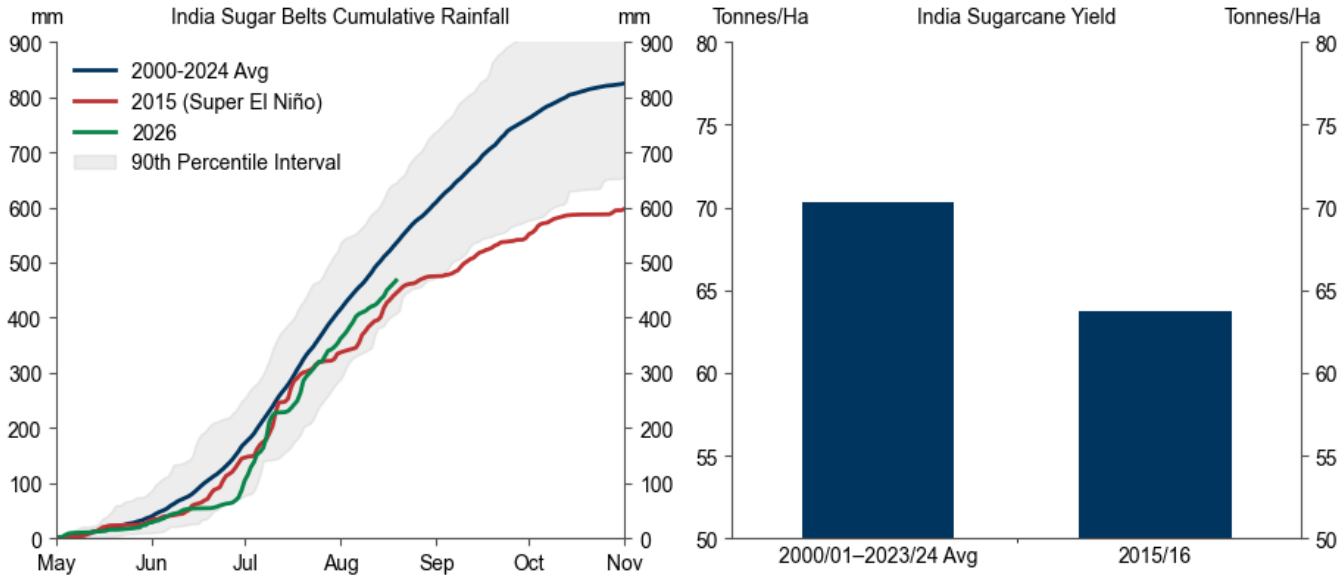
ICE raw sugar no. 11.

Source: Bloomberg, Goldman Sachs Global Investment Research

Through Oct 2026: Watch rainfall deficits in India for signs of weaker sugarcane yield in the Asian growing season

Rainfall in India has tracked below the 10th percentile and is following a pattern similar to the 2015/16 Super El Niño, when sugarcane yield was ~9% weaker than average (Exhibit 8). Continued drought during the growing season could reduce harvested sugarcane volumes during the Nov 2026-April 2027 harvest.

Exhibit 8: Rainfall in India During the Growing Season Has so Far Followed a Similar Pattern to 2015/16 Super El Niño, When Sugarcane Yield Was ~9% Weaker Than Average



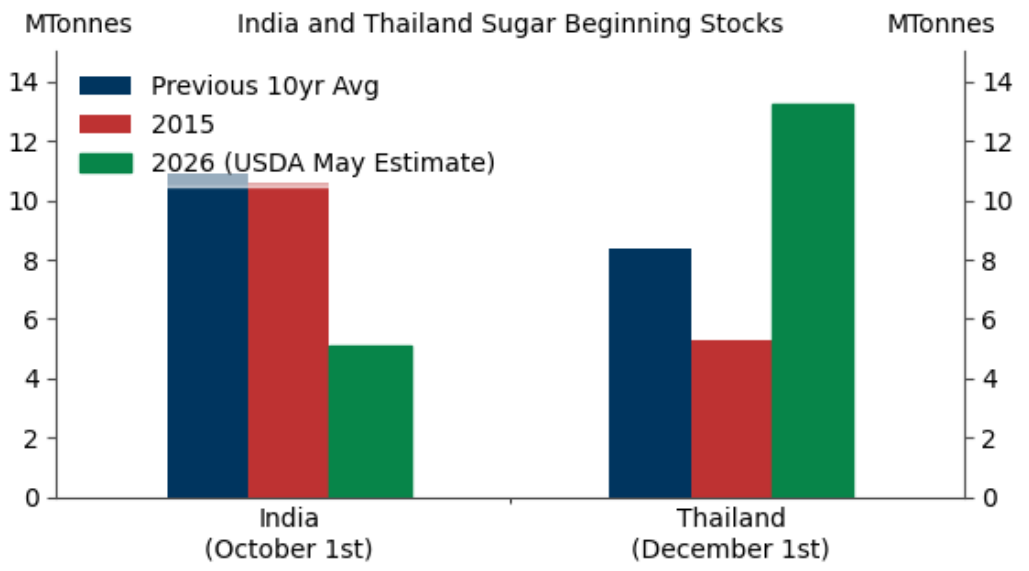
India's sugarcane is concentrated in two belts: the southern cluster in Maharashtra and Karnataka, and the northern cluster in Uttar Pradesh (India's largest cane state by area). Rainfall is sampled on seven producing hubs across both belts: South Maharashtra at 17.22 N, 74.60 E (Sangli / Kolhapur); North Karnataka at 15.65 N, 75.32 E (Belgaum / Bagalkot); Central Karnataka at 14.12 N, 76.65 E; Western Uttar Pradesh at 29.31 N, 77.59 E (Muzaffarnagar / Saharanpur); Central Uttar Pradesh at 27.99 N, 79.81 E (Bareilly) and 26.57 N, 80.52 E (Kanpur); and Eastern Uttar Pradesh at 26.33 N, 82.74 E (Gorakhpur). For each hub, total precipitation (tp, hourly accumulation in meters) from the ECMWF Reanalysis v5 (ERA5) is taken at the nearest 0.25 degree grid cell, and averaged across the seven hubs equally. Data: ERA5 reanalysis (Copernicus / ECMWF, ARCO Zarr), 1990 to present. Cumulative curves run over the Southwest monsoon window, from May 1 through November 1.

Source: Copernicus, ISMA, Goldman Sachs Global Investment Research

Through Dec 2026: Watch Indian rainfall deficits, sugar stocks, and production expectations for signs of restrictive trade policies in Asia

As the Asian growing season progresses and the harvest season kicks off, policy risks may become as important as weather risks. Amid weaker production expectations and low sugar inventories, India has already banned sugar exports through September 2026 and removed import duties on sugar (Exhibit 9). We therefore closely monitor rainfall deficits, sugar stocks, and production expectations for signs of extended export restrictions and a potential shift by India, which typically accounts for roughly 6% of global sugar exports, from a major exporter toward a net importer.

Exhibit 9: Indian Stocks Are Already Low



Source: USDA, Goldman Sachs Global Investment Research

Oct 2026 - Apr 2027: Watch for rainfall deficits for potential losses in estimated sugarcane volumes during Brazil's 2027 growing season

Drought during Brazil's sugarcane growing season could reduce sugarcane volumes harvested in Apr-Oct 2027.

Jan 2027 - Apr 2027: Watch rainfall deficits shorten Brazil's safrinha corn growing window, risking weaker corn production and greater diversion of sugarcane into ethanol during the Apr-Sep 2027 corn harvest as reported by UNICA

Drought during Brazil's Jan-Apr 2027 corn growing season could depress corn yields. Because corn is an important feedstock for ethanol production alongside sugarcane, a weaker corn crop harvested in Apr-Sep 2027 could increase demand for sugarcane-based ethanol and leave less sugar available for export.

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*Samuel is an off-cycle intern in our commodities research team.