



# Atualize

Agribusiness Newsletter **MBF**



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## Future of ethanol endangered by an impasse

O Estado de São Paulo, Dec 19th, 2011

The confrontation between the shock of the ethanol supply and the policy of making gasoline prices steady, became a big problem to the government. The strategy for fighting against inflation enlarged the problems of the sector, raising the level of uncertainty about the future of the sugar and ethanol production.

Government and the sector have been into a battle for a pack of measures to stimulate ethanol. The pinnacle of the dispute was the reduction of a tax over gasoline, in order to help Petrobras - because of the high of oil - to do not readjust the prices for consumers.

The sector wants a tributary incentive for the cane production and for ethanol at the pumps. The entrepreneurs complain about the delay of the government on solving the problem of the competition between ethanol and gasoline. The sector believes

that without a solution, Brazil will have to discuss the energetic matrix and the participation of both fuels on it.

The government says the producers and owners of mills have structural problem, but that they had not been healed because the sector has no goodwill.

For the technical director of Unica, Antonio de Pádua Rodrigues, the government is taking a long time to act, and this can make problems deepen until 2020. "We do not have enough ethanol, neither gasoline, to supply the need of the country for fuel", he said. According to Rodrigues, the moment is a "turning point" for the sector.

The director said there is no sign of a reduction in the taxes for consumers, but only for the cane producers; however, this is not enough to increase the competitiveness at the pumps. He evaluates there is no political will to understand how important the sector is.

## Lack of herbicide in Ribeirão Preto

Atualize MBF, Dec 23rd, 2011

There is a lack of herbicides at the main cooperatives and stores in the region of Ribeirão Preto (SP), says the agronomic engineer of MBF Agribusiness, Mirian Carla de Paula. Mirian says the volume sold was huge and there are no stocks available to supply clients.

The good prices of the sugarcane made producers apply the best possible cares to the farming; this means the production can be surprising at the 2012/2013 crop.

However, if the market is not supplied in a short period, there will not be enough time to apply the product, because rain, at this time of the year, makes cane grow fast, preventing machines to enter the farming.

## Port of Santos stays under 100 million tons

Valor Econômico, Dec 22nd, 2011

The Port of Santos will movement 97 million tons until the end of the year; such result is almost the same of 2010 (96 million tons) and it is frustrated by the drop of the sugar shipment – main commodity exported by that Port. Originally, the forecast was to finish the year with a movement of 100 million tons.

## EUA can liberate ethanol

O Globo Dec 21st, 2011

Brazilian ethanol producers wait, with great expectation, for the end of the subsidy for the fuel in the United States that lasted 31 years, which is programmed to expire on the last day of December. The House of Representatives will have to vote - before the break for the Holidays - the renewal of the importation tax for Brazilian ethanol of US\$ 0.54 per gallon, and also, about the tributary credit of US\$ 0.45 per gallon for the ethanol mixed to gasoline. In June, the American Senate approved the end of the subsidy extension.

Last week, a group composed by members of the two parties, with 73 senators (43 Republican and 30 Democrats) sent a letter to the leaders of the House of Representatives, requesting they resist the temptation of approving the extension of the subsidies for American ethanol, which cost around US\$ 6 billion a year to the government.

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## Market less heated than expected in early December

Cepea, Dec 16th, 2011

Distributors consider December a heated month for sales; however, the month started with relative weakened ethanol quotes. The nearness of the end-of-the-year seems to have had a little impact to crank up fuel sales. However, some Brazilian distributors surveyed by Cepea do not look very optimistic regarding the ethanol consumption this year.

In early December, despite the situational increase of the demand for hydrous, quotes of both ethanol types downed slightly. These drops are attributed to the increase of the volume offered by some mills. The pace of trades was slow in the period, especially for the anhydrous ethanol, due to a higher production this season and expectations for the supply of the imported product.

Between Dec. 5-9, the weekly CEPEA/ESALQ Index for hydrous (São Paulo state) remained almost stable (-0.07%), closing at 1.2728 real or 0.7074 dollar per liter. The CEPEA/ESALQ Index for anhydrous (São Paulo state) averaged 1.3572 real or 0.7544 dollar per liter, downing 0.71% in relation to the previous week. Price quotes do not include taxes.

The ESALQ/BM&FBovespa daily Index of hydrous (delivered at Paulínia city – SP state) moved down 1.4% in the first fortnight of December, closing at 1,307.50 reais (702.58 dollars) per cubic meter on Dec. 15 (no taxes included). This Index is the basis for the hydrous ethanol contracts at BM&FBovespa.

Regarding exports, according to Secex (Foreign Trade Secretariat – Brazil), 252.34 million liters of anhydrous and hydrous ethanol were shipped in November. The revenue obtained was 207.2 million dollars. The volume exported increased 2.15% compared to October and 110.6% in relation to November 2010.

## USA approves ethanol from two units from Grupo Farias

Assessoria de Imprensa, Dec 21st, 2011

Grupo Farias had two of its units, Vale Verde Baía Formosa (in the State of Rio Grande do Norte) and Usina São José (in the State of São Paulo) approved for exporting ethanol to the USA. The approval was given by the Environment Protection Agency of the USA.

In order to receive such approval, the company must fulfill some requirements like, confirming the sustainability of the production and of the raw material, reducing the emission of the gases that cause the greenhouse effect.

### IMPORTANT NOTE

Due to the Holidays and vacation, the weekly summary of Atualize MBF in English, will only be published on January 20th, 2012. Thanks for understanding.

## Sugar demand remains low in the spot market

Cepea, Dec 16th, 2011

Trades of crystal sugar in the Brazilian market continued stable in the first fortnight of December. The food industry, in general terms, claimed that sales, in both wholesale and retail markets, have not heated up. In this scenario, trades in the spot market were closed only when purchasers were in real need of the product.

The most recent projection of the USDA regarding the Brazilian sugar consumption indicates 11.5 million tons in the 2011/12 crop, 4% lower than the previous season (12 million).

In early December, some mills have already wrapped up sales for the year and plan to resume operating only in January 2012, in an attempt to sell ending stocks. Other mills, on the other hand, indicated that they will not have batches to sell in early 2012.

On balance, few trades were closed in the first fortnight of December. The CEPEA/ESALQ Index of crystal sugar (São Paulo state) dropped 0.81% between Nov. 30 and Dec. 15, closing at 63.83 reais or 34.30 dollars (50-kilo bag) on Dec. 15.

According to data from Conab (National Company for Food Supply), the area planted with sugarcane in the 2011/12 crop was 8.37 million hectares, 3.9% more than the forecast for the 2010/11 season (8.056 million hectares). In the Central-Southern region, the area reached 7.213 million hectares, 4.2% above the previous crop (6.923 million hectares).

Conab expects the total sugarcane production to amount 571.47 million tons, 8.4% lower than in the previous crop (623.905 million tons).

Considering the second week of December, data from Cepea indicate that sales in the domestic market have remunerated 4% more than exports, on average. While the CEPEA/ESALQ Index of crystal sugar averaged 63.93 reais or 35.54 dollars per 50-kilo bag, price quotes March 2012 delivery at ICE Futures would be equivalent to the average price of 61.48 reais or 34.17 dollars per bag. It was considered 81.71 dollars per ton FOB costs and 130 dollars per ton of quality premium.

*Success...  
Achievement... Peace... Goals...  
Happyness... Dreams... Health...*

*Our team believes that words become reality when the Human Being puts them into practice. We wish that in 2012, words are the beginning of the way for achieving our goals and for making the dreams of success, happiness, health and peace, come true.*

**Happy 2012**



**MBF Agribusiness**

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