



Sugar Industry Update

31st August, 2009

El Nino to dampen crop in Brazil

Parts of Brazil have had four times more than normal rain due to the El Nino effect, adversely affecting sugarcane crop. Due to this, Brazil's sugar production is expected to fall short of the estimated 32 – 33 mt to 30.3 million tons in 2009-10.

Competitive buying pressures from countries apart from India to further accentuate the shortage

Besides India, the largest consumer, with contracted imports of 4 million tons of sugar, neighboring Pakistan and Bangladesh also plan to import the sweetener to cater to their domestic demand. 'Pakistan must import as much as 1 million tons of sugar by December', as per the spokesman for the Pakistan Sugar Mills Association. Indonesia, Southeast Asia's largest sugar buyer, India, may also step up imports to stem the domestic prices.

International raw sugar prices are expected to reach 30 cents / pound

October raw-sugar contract, which is trading at 23.45 cents a pound on ICE Futures U.S., is expected to go up to 30 cents a pound in 2010's first quarter on constructive fundamentals and support from speculators. Reports of hoarding, confiscation of stocks and rationing in various parts of the world are indicative that there is more upside in near future.

World outlook

Worldwide demand for sugar will exceed output by 9.35 million tons in the year ending Sept. 30, more than the 7.8 million tons projected in May, according to London-based International Sugar Organization.

Indian sugar balance

	in mn tns		
	2007/08	2008/09e	2009/10e
Opening stock on 1st Oct	9.20	8.00	1.70
Production	26.33	14.70	16.00
Imports	-	2.50	7.00
Total availability	35.53	25.20	24.70
Consumption	22.50	22.50	23.00
Exports	4.96	1.00	-
Closing stock on 30th Sept	8.00	1.70	1.70
Stocks / Consumption ratio in%	35.55	7.55	7.39

We have revised downwards our next year's production estimates to 16.00 mn tonnes from earlier 18.5 million tonnes.

Stocks to focus

Bajaj Hindusthan, Shree Renuka Sugars, Simbhaoli Sugars and Ponni Sugars Erode

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