

Prospect of smaller sugar crop spurs price gain; exports unlikely

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Prospects of a smaller crop in India next season are helping spur gains in sugar futures, as rising domestic prices make exports from the world's second-biggest producer less likely.

Sugar output will probably fall to 24.5 million metric tonnes in the season starting October 1, 2016, down from 26.7

million tonnes in 2015-16, according to Brisbane-based researcher Green Pool Commodity Specialists. The potential for a smaller crop has prompted a rally in domestic prices, making exports less likely.

"The rally in Indian domestic prices and the perception of lower production in 2016-17 has reduced peoples expectations of exports," Tom McNeill, Direc-

tor at Green Pool, said. "Though the industry has convinced the government that 4 million tonnes needed to be exported, which seems unlikely."

Production will probably slide, as delayed and reduced monsoon rains last year meant farmers couldn't plant the cane, that is usually harvested 18 months later, McNeill said. The potential for a smaller harvest has sent domestic prices rallying more than 20 per cent in the past two months.

Maharashtra mills want the Centre to relax its mandatory export target, as dry weather has cut cane harvest and curbed planting of the new crop. A drop in production could deepen the global deficit, already forecast at 5.3 million tonnes, according to researcher Kingsman.

