

Sugar output declines from Mexico to India

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Sugar output is poised to drop for the first time since 2009 as farmers from Mexico to India cut plantings after the biggest two-year price slump since 1999.

"Global output will decline to 165 million tonnes in the 2013-14 marketing year that will start in October in most countries," according to DZ Bank AG, Germany's largest cooperative lender. The crop will be a record 172.3 mt in 2012-13 after three consecutive expansions, the US Department of Agriculture estimates. Raw sugar in New York will rise by 9.9 per cent to average 20.5 cents in the fourth quarter, the mean of 9-bank estimates compiled by Bloomberg shows.

Farmers are cutting production after futures tumbled 39 per cent in the past two years and dry weather in India, the world's second-biggest producer, en-

couraged growers to choose crops that don't need as much water. Global output this year will climb less than 1 per cent after rising more than 5 per cent a year in the past three years, USDA data show. Demand will rise 2.1 per cent while stockpiles at the end of 2012-13 will be 38.3 mt, the most in five years, the data show.

ANOTHER SURPLUS

Sugar fell 16 per cent last year on ICE Futures US, on forecasts that global production would exceed demand by 6.2 mt in 2012-13, a third consecutive surplus, based on a November estimate by the International Sugar Organization in London. Sugar was the third-biggest decliner in the S&P's GSCI gauge of 24 commodities last year. Prices are down another 4.4 per cent this year to 18.65 cents a pound.

The analyst estimates were collected before the Kingsman Sugar Conference

in Dubai starting February 2. The annual event attracts 600 people from 45 countries in the city that is home to Al Khaleej Sugar Co, the world's biggest sugar refinery.

"Sugar production in India, the largest consumer, will fall next season from 24.3 mt in 2012-13," according to the Indian Sugar Mills Association in New Delhi. "Drought in the States of Maharashtra and Karnataka, which together account for 45 per cent of output, will encourage farmers to cut plantings," said ISMAS president M. Srinivaasan. Production in Maharashtra will drop to 4 mt in 2013-14 from 6 mt this season, according to the Sugar Commissionerate of Maharashtra.

MEXICAN FARMERS

"Indian millers' inability to pay farmers because of high cane prices may mean plantings could also be down in the state of Uttar Pradesh, the nation's

largest sugar cane growing State," according to Jonathan Kingsman, founder of Kingsman, who has traded sugar for more than 30 years.

"US farmers will probably reduce plantings in 2013-14 and Mexican growers may not spend too much on husbandry," according to Pointier of Kingsman. Inventories in the US will gain to 2 mt by August, the most since 2000, the USDA forecasts. Mexico sends most of its sugar exports to the US under the North American Free Trade Agreement (NAFTA).

The global sugar surplus may shrink to 3.5 mt in 2013-14 from 4.86 mt a year earlier, Kona Haque, a London-based analyst at Macquarie Group Ltd estimated in a report on January 18. "Prices will fall to an average 17.5 cents a pound in the second quarter on ICE, and rebound later this year as ethanol output in Brazil takes some surplus away," she said. — Bloomberg

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