

Global sugar surplus may dip 51% in 2013-14

Feb 1: The global sugar surplus will be 51% smaller in the 2013-14 season compared with a year earlier as lower prices result in a drop in production, according to researcher Kingsman SA, owned by McGraw-Hill Cos.

Sugar supplies will be 5.6 million metric tonne higher than demand in the 12 months starting October 1, the researcher, based in Lausanne, Switzerland, said in a report emailed on Friday.

That compares with 11.5 million tonne in 2012-13. Production will slide 1.8% to 178.5 million tonne in the period from a year earlier, according to the report.

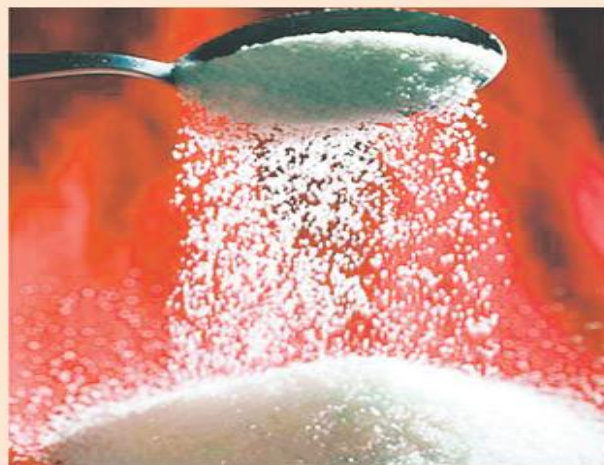
While production in Brazil's center south, the main growing region of the world's biggest producer, will climb to a record in the 2013-14 season that starts there in April, output is set to fall in other countries including India, the second-biggest grower and largest consumer, Kingsman said. Russia, Ukraine, the US and Mexico will also see declines, it said.

enough to prevent another surplus".

Global sugar consumption will gain 1.6% to 172.9 million tonne in the 12 months starting October 1, according to Kingsman's estimates. Demand in 2012-13 will be 170.2 million tonne, down from a previous forecast of 170.9 million tonne, because of "disappointing demand growth" in the EU and switching to non-sugar sweeteners in other countries, it said.

Sugar production in India will drop to 22.25 million tonne in 2013-14, down from 24.24 million tonne in the current season, according to the report. Output will decline partly due to dry weather in the states of Maharashtra and Karnataka, which together account for 45% of output.

"Districts in Maharashtra and North Karnataka are still suffering from a severe shortage of water and plantings are reported to be sharply lower as farmers shift to less water-intensive cane," Kingsman said. "Uttar Pradesh is still an open book, but despite the possibili-



Sugar production in India will drop to 22.25 million tonne in 2013-14, according to researcher Kingsman SA.

"Given low world and domestic prices, we expect production to decline in a number of other countries as farmers search for better returns elsewhere," Kingsman said, adding that output is forecast to decline in "some of the more expensive producers".

On a national crop year basis, which starts when harvesting begins in each of the countries, the surplus will be 39% smaller in 2013-14 at 6.28 million tonne, the researcher estimated. The excess supplies represent 3.64% of consumption, down from 6.07% in 2012-13, it said.

Sugar fell 39% in the last two years and is down another 3.5% in 2013. A third year of price declines would be the longest slump since 1992, data on Bloomberg showed.

"Although that sounds a move in the right direction, surpluses don't disappear: stocks accumulate and the can just gets kicked down the road a little," Kingsman said. Production declines were "not

ty of rising cane payment arrears, cane still pays better than other crops."

In Russia, once the world's biggest raw sugar importer, output will slide to 5 million tonne from 5.2 million tonne in 2012-13, Kingsman estimates.

Millers in Thailand, the world's second-biggest exporter, will make 10.4 million tonne of sugar in 2013-14, according to Kingsman.

In China, last season's biggest buyer, production will be similar to the 15 million tonne forecast for this year as sugar cane is still a profitable crop for farmers, Kingsman said. EU output will gain to 17.5 million tonne in 2013-14, a 761,000 tonne increase from the 2012-13 forecast, it said.

"The world doesn't need an additional 5 million tonne of sugar in the warehouse," Kingsman said. "The sugar market has been remarkably inefficient recently in sending the correct price signals, but that situation will not last forever."

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