

Sugar crop faces longest glut in 10 yrs

New Delhi, Nov 8: Indian farmers may reap at least 6% more sugar than forecast by the government and industry, extending the longest global glut in more than a decade and a bear market that began in September.

Output in the world's second-biggest producer will reach 25.53 million metric tons in the season that began October 1, according to a survey of 820 farmers across an area responsible for 93% of national output by Geneva-based SGS SA (SGSN) for Bloomberg.

While that's 2.6% less than a year earlier, the government expects output of 23.5 million tonnes and the Indian Sugar Mills Association predicts 24 million tonnes.

The extra sweetener would expand global supply already forecast by the International Sugar Organization to reach a record this season. Producers from Russia to Thailand raised output after prices averaged the most in three decades in 2011. Futures fell 28% since March on prospects for a third straight annual surplus, helping to contain the surge in global food costs caused by droughts in the US, Europe and Australia.

"If the actual crop is going to be more than expect-

ed it's detrimental for the world market," said Sergey Gudoshnikov, a senior economist at the ISO in London who has studied the commodity for about three decades.

"For the time being the world sugar market is still in surplus."

India's production in the past season was forecast at 24.35 million tonnes by SGS last November.

The Indian Sugar Mills Association's final estimate was 26.2 million tonnes. A year earlier, SGS predicted output of 23.27 million tonnes and the producer group 25.5 million tons. The association lowered its estimate to 24.2 million tonnes later.

A slower-than-average start to the monsoon, which provides about 70% of India's annual rainfall, may have hurt the crop more than indicated by the survey.

Narendra Murkumbi, managing director of Shree Renuka Sugars, the country's top refiner, predicts production will be 23 million tonnes, 9.9 % less than the SGS estimate.

A smaller-than-expected crop may spur imports. While the country didn't buy any sweetener last year, it purchased 2.43 million tonnes in 2009-2010, equal to about 8% of global stockpiles. *Bloomberg*