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Raw Sugar May Slump on Global Supply, F.O. Licht Says (Update1)  
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(Updates to add comment from Tilak in fourth paragraph.)

By Supunnabul Suwannakij

July 13 (Bloomberg) -- Raw-sugar prices may tumble in the fourth quarter as bigger harvests from India and Brazil, the two largest producers, swell supplies and the global market shifts to a surplus, according to researcher F.O. Licht.

Futures in New York may decline to between 13 cents and 15 cents a pound between October and December, Stefan Uhlenbrock, an analyst at the Ratzeburg, Germany-based researcher, said in an interview. That compares with yesterday's close of 17.1 cents.

F.O. Licht estimated in March that a global deficit of 7.9 million metric tons in the year to Sept. 30 will swing to a surplus of about 5 million tons the next season. Fortis Bank Nederland and VM Group also forecast last month that there would be a worldwide surplus from October as growers ramp up output.

Cheaper sugar may benefit consumers and curb millers' profits.

There's "a situation next year where global production is going to be better and export demand is on the wane," Amol Tilak, an analyst at Kotak Commodity Services Ltd., said from Mumbai. "I don't think sugar will have a major upshot."

Raw-sugar futures on ICE Futures in New York have surged 32 percent since touching 13 cents on May 7, the lowest level this year, on speculation that demand will increase in China, the world's second-biggest consumer, and Indonesia. The October delivery contract climbed 3 percent yesterday.

#### Indian Exports

"Indian crop prospect is quite good," Uhlenbrock said late yesterday by phone. "Output may be as much as 26 million tons of white-sugar value," he said, referring to the refined product. "If production comes in at this level, it could be a case for India to export next year as much as 1 million tons."

India may have enough sugar supplies to ship at least 1 million tons in the year from Oct. 1 as the nation enters the export market for the first time in two years, Narendra Murkumbi, managing director of Shree Renuka Sugars Ltd., said on July 9.

Brazil may produce a record cane and sugar crop next year, Uhlenbrock said in the interview. The U.S. Department of Agriculture forecast in a report in May that the nation's output may surge to 40.7 million tons in the 2010-2011 season from 36.4 million tons in the current crop year.

The "price is likely to stay firm, in a range of 15 to 18 cents a pound, for the remainder" of the 2009-2010 season to Sept. 30, Uhlenbrock said, citing tight supplies and demand from Bangladesh, Pakistan and Thailand. "The deficit is underpinning the price at the moment," he said.

Demand for sugar from nations in Southeast Asia including Indonesia was "particularly strong," Queensland Sugar Ltd., Australia's largest exporter, said on July 6. Demand in Asia exceeds annual supply by 30 percent in key markets, Wilmar International Ltd. said the same week after agreeing to buy CSR Ltd.'s Sucrogen unit, Australia's top miller.

"Global stocks have run down to the lowest level in two decades and this is a major cause for firm sugar price," said Uhlenbrock. Worldwide stockpiles are expected to be 32.7 percent of consumption, equivalent to 119 days, in the year to Sept. 30, compared with 139 days last year and 170 days the year before, according to Uhlenbrock.

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