

June 2011 - 2011/2012 Could Deliver 10.3m Mtrv Surplus

Sugar New Production Record will see Global Stocks Rise

The 2011/12 season should deliver a sharp rise in global production as producers around the world respond to high sugar prices. This will see the global balance return to surplus following three years of declining stocks. Although the majority of countries are today still only some of the way through the 2010/11 season, the prospect of a sharp swing in the global balance is sufficiently pronounced to have already affected global futures prices. At this early stage, we are estimating a production surplus of 10.3m mtrv (metric tonne raw value), which is markedly bigger than the 2.5m mtrv that we had initially projected for the 10/11 crop cycle at this time last year. The larger size of the surplus and the broad spread of countries in which production is expected to grow significantly strengthens the prospect that depleted global stocks will rise.

- Global production should rise by 14.2m mtrv during the 11/12 season.
- The 2010/11 cycle now points to a small deficit of 0.5m mtrv, down from 3.6m mtrv in February, as a result of stronger Thai sugar production.
- During 2011/12, cane sugar production is expected to rise to a new record of 145.4m mtrv from 135.8m mtrv, while beet sugar production is expected to rise to a five-year high of 36.8m mtrv, up 4.6m mtrv.
- Total global availability is estimated at 182.2m mtrv in 2011/12, is up from 168.0m mtrv in 2010/11, representing a new record.
- Consumption is expected to grow in the 2012 cycle by 2% after 3 years of average annual growth of 1.1%.

Brazil

- The outlook for 11/12 is for modest growth on the 10/11 season, with a predicted 1.7m mtrv increase for the Centre South and North East regions, compared with the 5.4m mtrv rise last time.
- Limited growth in cane is acting as a constraint.
- The rate of investment in new capacity remains low.
- The 10/11 season in North East Brazil delivered a significant improvement on pessimistic initial forecasts with over 60 million tonnes of cane now crushed.



India

- Sugar production in India this season will reach 26.1m mtrv, a figure just 0.4m mtrv below our February estimate.
- We continue to see prospects for an increase in production in India in the 2011/2012 season.

Thailand

- The 2010/11 Thai cane crush is still ongoing, with around 95 million tonnes of cane now processed representing a staggering 35% increase year-on-year and an upward revision of more than 2.3m mtrv to 10.23m mtrv.
- At this stage, we are estimating that 11/12 production will rise to 10.76m mtrv, up just 0.5m mtrv from this year.

Russia

- The 2010/11 increase in beet acreage was comprehensively ruined by a heat wave and drought, stunting beet growth and pushing domestic prices above \$1000/mt from January to May this year.
- High domestic prices have ensured that the acreage sown to beet is the largest in more than a decade at 1.2m ha; a 25% increase over last year's which should see production rebound to 4.3m mtrv.

Toby Cohen, Czarnikow director, said: "Our current estimate of production in the 2011/12 cycle represents the concerted effort of nearly all producing countries to maximise production and to some extent reflects an optimistic bias being based upon a view of the 'official future': the assumption of normal weather and strong performance."

Peter de Klerk, Czarnikow analyst, said: "Although the size of our projected surplus gives confidence that stocks will be rebuilt, with consumption growth now projected to return to around 2% in line with global population growth, the current surplus only represents 3 years of consumption growth before fresh production capacity or significant productivity improvements will need to be realised for the market to return to stability."

Czarnikow