

Sugar market to return to surplus - and stay there



The sugar market is unlikely to return for at least the next two seasons to the kind of deficits which sent prices to multi-decade highs, the International Sugar Organisation said, as it joined a rash of observers on market forecasts.

Sugar production will exceed consumption "more than 3m tonnes" in 2011-12, the influential intergovernmental group said in its first forecast for the season.

And the ISO forecast a further "modest" surplus, of 1m-1.5m tonnes, for 2012-13, despite expecting a slowdown in growth in Brazil, the top producer, where cane yields are suffering "due to a further ageing of the cane [and an] increase in harvest mechanization".

The prospects of continued world surpluses meant that "at present, the possibility of the return of the large scale deficit seen by the world sugar market at the end of the previous decade looks rather remote".

On ISO estimates, which are based strictly on an October-to-September crop year, the world sugar production deficit totalled 15m tonnes over 2008-09 and 2009-10.

Data torrent

The ISO's forecast comes amid a rash of sugar data, with Kingsman, the Swiss-based analysis group, on Thursday near-doubling its forecast for the 2011-12 surplus, pegging it at 10.575m tonnes. Kingsman uses an April-to-March crop year, which avoids cutting through the Brazilian sugar season.

London-based sugar merchant Czarnikow forecast a "return to surplus" without naming a figure.

Also on Friday, the Indian Sugar Mills Association cut its estimate for 2010-11 output in India, the second-ranked producer, by 800,000 tonnes to 24.2m tonnes.



Late on Thursday Brazilian industry association Unica revealed a 69% slump to 795,000 tonnes in Brazil's production so far this season, a decline reflecting a weaker sugar content in cane, besides the lack of crop left uncut from the previous harvest, as there was a year ago.

The ISO estimated world consumption in 2011-12 growing by 3.7m tonnes to 169.8m tonnes, but production rising by 3.4m tonnes in Brazil, and by "not less than" 1.5m tonnes overall in Belarus, Russia and Ukraine.

Agrimony