

**V E N T U R A****Kyon ki bhaiya, sabse bada rupaiya.**

World sugar prices – at new highs

2009 proved to be the most spectacular year since the early 1980s in terms of the world sugar market price dynamics. Raw sugar spot prices (ISA daily price) started the year at 12.31 cents/lb and more than doubled by the end of August, when a 28.5-year high at 25.18 cents/lb was reached. Raw sugar prices remained strong for the rest of the year. White sugar prices (the ISO White Sugar Price Index) follow a similar pattern improving from USD 334.44/tonne (15.17 cents/lb) at the beginning of January to USD 699.52/tonne (31.73 cents/lb) at the end of December.

Comparing the current price level with that of the 1979 -1981 price boom it is worth mentioning that, despite a spectacular growth in 2009, so far the current prices for both raws and whites remain considerably lower than the record high daily quotations 29 years ago. The highest ISA daily price was at 43.10 cents/lb fixed on 5th November 1980, while the London Daily Price for whites reached an equivalent of USD 975.32 or 44.24 cents/lb on 6th November 1980.

Indian Sugar pricing

Sugar prices continue to break records in domestic markets as supply scenario remains tight as import cost continues to remain high. Currently the local sugar is quoting around Rs 4250-4350/quintal in the wholesale markets while the retail prices are inching close to Rs 50/kg. Prices were rising throughout the 2009, but December saw a sharp surge on account of further tightening in supply scenario.

Further, low stocks of the commodity will also keep prices on the upside on sugar. The current sugar season that started in October began with a lower inventory of 1.7 million tonnes, down 79% compared to last year. While the decline in the opening stock was largely due to a 56% fall in sugar production, it will be difficult to replenish the stocks given the poor supply scenario for current sugar year and tight global demand-supply equation.

Outlook

Off late, Brazilian producers have been looking to shift more cane to sugar production and less to ethanol. However the shift is not expected to be significant as the ethanol prices have also started to rally since the last quarter 2009. We therefore expect prices to continue remaining firm at least in the first half of 2010.

Additional triggers exist from the ban on processing imported sugar in the state of UP. The ban is likely to be brought down very soon. However, if the UP mills are not able to bring the imported raw within time into the state for processing, it will create a sort of gap that may push prices nationwide. Overall, the situation beyond Jun-Jul this year is somewhat foggy now and will depend on Indian monsoon, Brazilian yield and production in rest of Asia. Overall, we conclude that prices will remain strong in the first half benefiting all the sugar players.

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