

SUGAR PRICES DROP TO THE LOWEST IN ALMOST FIVE MONTHS AMID INCREASING GLOBAL SUPPLIES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

Raw-sugar prices dropped to the lowest in almost five months on pressure from increasing global supplies.

The sweetener, which surged last year as freight costs surged and severe drought and frosts cut cane output in top shipper Brazil's Center-South region, is down more than 10% from a multiyear high reached in November.

Rains are boosting yield prospects for the Brazil harvest starting in April, while second-ranked producer India is collecting a bigger crop and the reaping is moving quicker in key exporter Thailand. The premium for March futures over sugar for May delivery has slumped in recent weeks, signaling easing supply worries.

The improving outlook in South America undermines recent estimates that had suggested a "catastrophic" season, said Bruno Lima, head of sugar and ethanol at StoneX Financial in Sao Paulo. The brokerage, which has one of the highest projections for the crop, may revise its estimate next month, he said.

The March contract fell as much as 2.1% to 18.36 cents a pound on ICE Futures U.S., the cheapest for a most-active contract since Aug. 9.

Meantime, traders expect additional pressure on sugar with the annual rebalancing of commodity indexes, taking place during the standard January index roll that starts Friday. Top performers typically see net selling and underperformers buying.

Raw sugar will be among those with net selling of about 3,000 contracts daily during the five-day period, said Michael McDougall, managing director for Paragon Global Markets. Still, with commodities' stellar performance last year, "one would think that investors might show some renewed interest."

Elsewhere, cocoa also dropped, while arabica coffee and cotton, big winners last year, fluctuated between gains and losses.

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