

PROVIDING WEATHER GUIDANCE FOR  
**COMMODITY TRADING**

## GLOBAL WEATHER AND COMMODITY RESEARCH: **SUGAR/SOFTS**

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### WEATHER RECAP FOR MAJOR ORIGINS

**LAST WEEK:** Last and Recife both week was a good receiving 0-1 mm. rainfall week for most The overall healthy of the Center-South's rainfall pattern that cane regions as the C-S has been in several small fronts the midst of starting brought sufficient in December is moisture to much of carrying through into Sao Paulo, Minas January, and while Gerais and Parana. weekly totals have Sao Paulo received been lower than they 1.75 inches (44 mm), were for the same & Curitiba (Parana) week last year (see received 1.43 inches forecast verification (36mm) last week, chart on p.2), the which is about 130% totals are still at or and 300% of normal above normal levels; precipitation for the these are good levels week, respectively. for the new crop, but North-Northeast not too high so they (NNE) fields were dry would cause any last week, with Natal harvest issues.

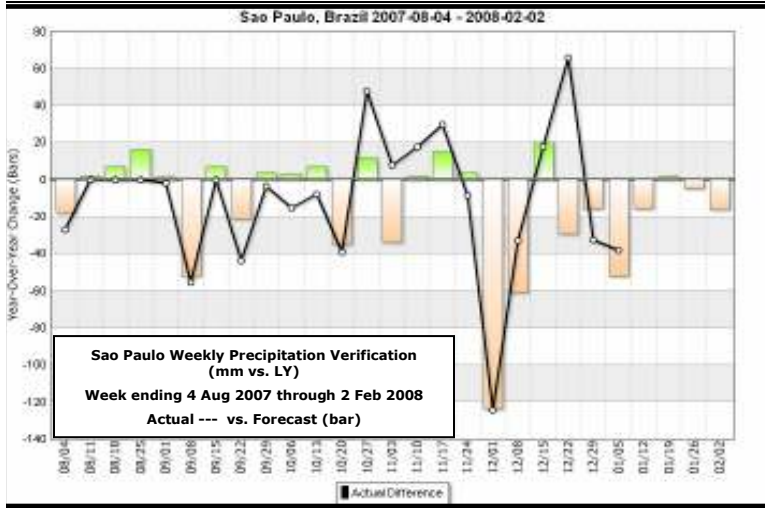
### OUTLOOK FOR NEXT TWO WEEKS

**THIS WEEK:** Scattered from the warmer the remainder of the fronts will bring low but southeastern Pacific month. In other origins, consistent rain to the Ocean to move into while interior Australia is Centre-South most the sugarcane (along still very dry, sugarcane days over the next 1-2 with Argentina's areas in coastal weeks; however, the soybean and wheat) Queensland have been the overall pattern will be slightly wetter next evidence of the benefiting from a healthy week (wee forecast favorable rainfall precipitation pattern that chart for week ending pattern in the healthy has developed as 19 Jan below). vegetation index for offshore convection has Temperatures will be cooler than last year and normal, and daily rainfall will start to pick up as the weak high over the C-S starts to wetter pattern that we have been bringing steady break down and had forecast for moisture to the region's migrate out over the January is now plagued cane fields. Australia's Atlantic; as this high materializing, and we sugar industry has a long way to go before up as the weak high over the C-S starts to wetter pattern that we have recovered from the poor weather that has evapotranspirative moisture to be above normal for over the last three years, but the current pattern is certainly helping.

#### WEEKLY OUTLOOK - WORLD SUGAR ORIGINS

Week Ending January 19, 2008

Location	Country	Normal	Normal	LAST YEAR	LAST YEAR	THIS YEAR	THIS YEAR	Temp Change	Precip Change
		Mean Temp (°F)	Precip (in.)	Mean Temp (°F)	Precip (in.)	Mean Temp (°F)	Precip (in.)	TY - LY (°F)	TY - LY (in.)
Recife	BRAZIL	84.6	0.29	84.2	0.00	79.9	0.94	-4.3	0.94
Cuiaba	BRAZIL	83.9	0.75	87.7	0.53	75.8	2.59	-11.9	2.06
Londrina	BRAZIL	77.6	1.26	77.3	1.44	72.3	2.09	-4.9	0.65
Campinas	BRAZIL	76.7	0.91	74.4	0.71	75.3	0.75	0.9	0.04
Foz Do Iguacu	BRAZIL	80.3	0.67	79.4	0.50	72.0	2.58	-7.4	2.08
Sao Paulo	BRAZIL	76.4	0.97	73.9	0.74	76.0	0.74	2.1	0.00
Cairns	AUSTRALIA	81.3	2.65	82.1	0.83	78.3	5.87	-3.8	5.04
Brisbane	AUSTRALIA	76.3	0.75	77.4	0.23	73.6	2.98	-3.8	2.75
Nanning	CHINA	56.2	0.30	52.3	0.05	50.7	0.53	-1.6	0.48
Guangzhou	CHINA	58.0	0.37	61.5	0.00	55.5	0.06	-6.1	0.06
Gwalior	INDIA	58.2	0.11	59.1	0.00	64.2	0.00	5.1	0.00
Lucknow	INDIA	58.3	0.19	58.3	0.00	65.3	0.00	7.0	0.00
Patna	INDIA	58.8	0.07	58.3	0.00	61.9	0.00	3.6	0.00
Coimbatore	INDIA	77.2	0.04	76.6	0.00	73.0	0.00	-3.5	0.00
Khonkhaen	THAILAND	76.8	0.09	77.5	0.00	75.3	0.00	-2.2	0.00
New Orleans	US	52.1	1.33	55.4	0.77	49.8	0.00	-5.6	-0.77
Lafayette	US	51.5	1.46	52.8	1.15	47.9	0.00	-4.9	-1.15



**DISCUSSION:** World sugar futures didn't waste any time in the new year, extending December's rally and trading firmly above 11 cents (March08 contract in chart above right). Despite the favorable global supply fundamentals, the sugar rally is at the moment being driven by activity in ancillary markets – primarily oil/grains. As oil escalated towards the \$100 mark, everything moved along with it as the psychological barrier was approached. Oil has since come off, trading in the lower to mid \$90 range, but this is still expensive oil. Expensive oil makes ethanol from grains and sugar much more attractive to producers, so prices in these agricultural commodities receive firm support in the context of high oil. Going forward, the warmer outlook for much of January in the eastern US should serve to soften crude prices further, and given the good weather in South America and the global sugar surplus, sugar prices should start to ease as well. In other grains market news, we recently saw soybeans make a run to 34-year highs last week, and we will see these levels tested again this week. The spike was driven by a myriad of factors ranging from dry weather in South American origins, projected supply shortfalls, anticipated biofuel demand, and of course oil prices. Any one of these fundamental drivers are enough to move beans, and this 'Perfect Storm' recently culminated in the high futures prices that we saw last Wednesday through Friday. Analysis of the current Cordoba vegetation health index is indicating a decrease in plant vigor. The dryness in Argentina has some in the market talking, and our anticipation is for grains futures to trade sideways to slightly up this week into next, even after coming off of last week's highs. Following the attention that the global coffee S&D has been receiving, the WTI outlook supports higher coffee futures. Pre-flowering rainfall in Brazil (Minas Gerais), the world's largest coffee producer, was deficient last year, and the poor bloom is translating to reductions in yield expectations for the coming harvest. Some of this lost yield could have been salvaged if conditions were favorable going forward, but the outlook is for drier conditions to dominate in MG state, where the majority of Brazil's coffee originates. In addition to weather induced shortages, global demand is still anticipated to increase more than 2% for the current crop year (Oct/Sep).

The strong run through 10.5 has March sugar currently trading in the mid 11 cent range. We feel that this run upwards is near its end, and a slight retracement back to the 10.75 to 11 cent range will occur soon. The next level of technical support for March is now 11.4; daily closes above this level indicate short term lows have been posted. Daily closes below 11.1 indicate that a top might be in place and bearish trading will follow. For more discussion on global weather and the impacts to sugar and other commodities, visit the Weather Trends International commodity blog at [www.commodityweather.com](http://www.commodityweather.com).

