



PROVIDING WEATHER GUIDANCE FOR
COMMODITY TRADING

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

March 5, 2008 Vol. 2 No. 8

LAST WEEK'S RECAP

The February rainfall anomaly map below shows that the North-Northeast crop remains dry with many fields receiving less than 50% of their normal rainfall for the month. But the Centre-South cane production areas fared much better. The split between favorable and poor precipitation seemed to go right through Sao Paulo as good weekly totals were evident the northern areas of SP state as well as for much of Minas Gerais, Mato Grosso and Mato Grosso Do Sul. Southern Sao Paulo, Parana and Rio Grande Do Sul had a drier month; after the current week which will be slightly on the dry side, the outlook for much of the Centre-South is for a healthy rainfall pattern to emerge for March.

MEDIUM RANGE OUTLOOK

March rains will be beneficial for the current Centre-South crop that will start harvest in May. As mentioned in last week's report, the pattern going forward for March and April is favorable for both crops; this is particularly important for April, as April's rainfall is highly correlated with final yields. Looking at India, soil moisture in the northern belt is very dry, while conditions in the south are in better shape. We are not forecasting any significant rain events over the next 3-4 weeks, so the lack of rainfall across the country will have the markets watching as planting approached. In spite of this dryness, the monsoon pattern looks to be slightly delayed, but favorable overall this year. Further, as the WTI weekly rainfall forecast for Brazil continues to verify, we think that there will be some more downward pressure on No.11 futures. Over the last month, we saw May sugar rise from 12.5 cents up to just above 15 cents, before starting a slight pullback over the last few sessions. While the current global balance is still looking at a strong surplus, volatility will surely be apparent this year, and external fundamentals will continue to provide support for sugar trading in a 13-14 cent range, even though prices at these levels are

overvalued. The May #11 futures price chart is shown below. Technicals (RSI & stochastics) are bearish, but after a brief retracement, expect another upward move within the next one to two weeks. The next upside target is around 14.6.

