

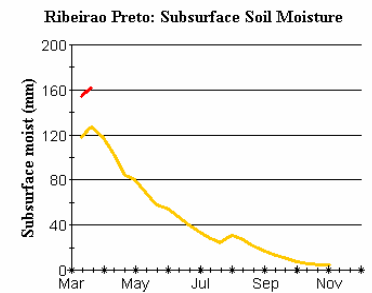
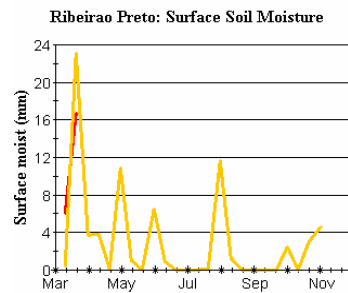
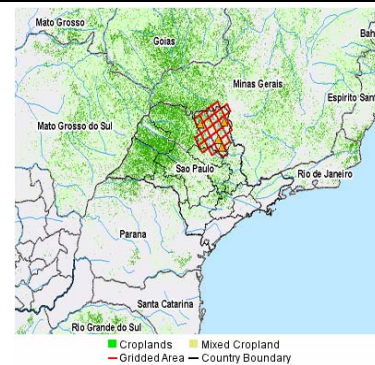
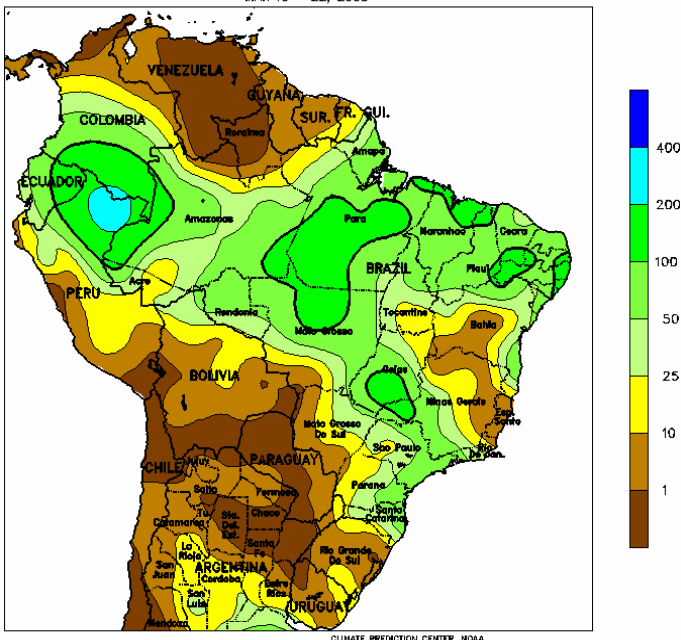
**SUMMARY**

The weather in Brazil's Center-South was positive again for sugarcane with much of central and northern Sao Paulo receiving between 35 and 70 mm of precipitation last week. Fields in western Parana were slightly drier, while the secondary growing regions in Minas Gerais did receive favorable weekly totals. The normal to slightly cool temperatures and weekly rainfall totals that the Centre-South has seen throughout March will help growing conditions for current year and next year's crop. Surface and subsurface soil moisture are currently healthy for this stage in the crop, and analysis of satellite derived vegetation indices over the major growing areas (where cane is the dominant crop) indicate healthy biophysical conditions and leaf moisture within the plant tissue. So at the end of March, the weather has provided both crops with a good foundation for healthy production and yield numbers, as we now turn attention to April. In other origins, India's southern belt improved their soil moisture profile as a result of last week's rains, but the dry pattern persists in the north (Uttar Pradesh), and this comes on the heels of an production decrease out of U.P. (15% down) as recently announced by the Indian Sugar Mills Association.

**OUTLOOK**

The current outlook for April is for a cool start to the month, followed by a warm temperature pattern in Sao Paulo. Rainfall is expected to be below normal for the first two weeks, then increasing to a normal range for the latter half of the month. The change in the pattern to a drier one (vs. March) is beneficial to cane, aiding in the ability to boost sugar content; this is particularly important for the current year crop which is getting ready to harvest in May. Turning to futures, sugar for May delivery (ICE) dropped further from around 12.3 cents to 11.3 cents between Wednesday and Thursday last week, before starting in an upward channel through Tuesday; May traded in a 12.0 – 12.5 cent range on Tuesday. Global surplus estimates for the coming sugar year have been revised downward twice over the last few months; however, it is important to note that there is still a nearly 2 mmt global surplus, which is a lot of sugar available to the world market. As such, we maintain that world sugar in the range of 11.75 to 12.5/12.6 cents is still good value given the global fundamentals. Speculators may have used last week's pull back as an entry point, but the global situation calls for sugar to stay in this range. Given the general commodity volatility, good April weather in Brazil will probably not do much to put downward pressure on prices, but it may stabilize prices in the current range until news from other origins (India/Australia/China) moves the market.

Total Precipitation (mm)  
MAR 16 - 22, 2008



USDA-FAS-OGA