



World Sugar

May world sugar futures continue to trade in a range that we have been describing as fair value, given the current activity in global commodities. Over the last two months, ICE sugar has scaled down from a high of over 15 cents to a reasonable trading range between 12 and 12.6. On the supply side, much of the Centre-South received healthy rains last week ranging from 14-30 mm; rain has tapered off this week, and look to pick up again a bit next week before settling into a drier pattern for May. Looking forward, the outlook for global stocks is still positive, so raw material supply should not be an issue in the short term. Despite the anticipated record cane harvest in Brazil according to Unica, new records in crude (crossing \$120/barrel) will exert some upward pressure on sugar and grains prices as the value of ethanol increases. With Brazil diverting an even higher percentage of cane to ethanol, this might not spur a rally in futures (May/Jul), but it should prevent prices from moving down much further. Supporting the view of prices maintaining their current levels, the maps below show the WTI forecast for the onset of the Indian Monsoon season in June; the map on the left depicts the monthly precipitation forecast vs. June of last year and the map on the right is the forecast vs. normal June rainfall. For sugarcane growing areas in the south (Tamil Nadu, Karnataka), the start of the rainy season will be slightly behind the conditions from last year, but the totals for the month are still looking to be above normal. Normal onset to the rainy season in this region is the first 1-2 weeks in June. As for the northern cane belt in Uttar Pradesh into eastern Bihar, no significant delays are expected, and the seasonal totals through September look favorable for cane; please contact WTI if you wish to receive the weekly rainfall forecast for the entire monsoon season. Currently, the Weather Trends short term outlook places fair value for nearby World sugar futures between 11.6 and 12.1 cents/lb, and 12.4 to 13.1 cents for futures for July delivery.

Other Softs

While the cocoa market has been buzzing with reports of hot and dry weather in Ivory Coast, the WTI view paints a different picture. There is a current wet pattern that looks fairly persistent for much of west Africa, and this should bring weekly rainfall totals in excess of 20-25 mm per week for the next few weeks to cocoa growing regions. While these weekly totals are slightly below normal, they are not at levels to trigger speculation on rainfall deficiency induced crop problems. Further, temperatures have been generally in a normal range for the last 60 days. May cocoa futures extended the April rally, closing Tuesday at 2852, well above the 50 day moving average of about 2480. Recent volatility in coffee was triggered by reports of frost damage to the crop in Brazil. Our analysis does not agree with these reports, and potential frost damage should not be figured into ICE coffee (Arabica) futures for May/Jul. Brazil, the world's largest coffee producer, is still expected to have a large crop and weather looks favorable for the next 30-60 days. Harvest for most of the Brazil crop starts in June.

Maps

