



World Sugar

Early Wednesday activity in World sugar futures has May trading slightly below 12 cents; expect prices to increase through the morning. After last week's drop to the mid 11 cent range, May futures jumped to above 12.2 cents in trading on Monday and Tuesday, before falling back again below the 12 cent mark; Tuesday's close was 11.88. There is still a good deal of talk about ethanol, as crude oil prices are still above \$108, but even with an increase in demand for cane ethanol, there is still plenty of physical sugar available to the world market and we do not foresee that positive supply situation to change. Some rain is in the forecast for the Centre-South over the next two weeks (see NOAA precip forecast map below), and the primary cane growing region across could benefit from a slightly drier pattern over the next two weeks; additional rain will lead to growth in mass of the cane (contributing to higher tonnes harvested), but sugar yields are pretty much locked at this stage in the crop, so it will not increase total recoverable sugars before harvest starts next month. The wetter pattern will subside towards the end of April, so the rain in the short term will not have a negative impact on cane to be harvested the following crop year. India had some heavy rain in the northwest and in the east last week, but both the northern and southern sugarcane belts remained dry; while slight improvement has been seen in recent weeks, the relatively low soil moisture will still pose a problem to this year's cane crop. Most of Australia's cane is in mid-crop, and the rainfall pattern looks favorable for much of Queensland as it will pick up slightly over the next two weeks. For the stations that we track, the southern Queensland regions should have between 20 and 30 mm of rain, and next the northern region should receive similar totals. The Weather Trends outlook is still supporting a favorable pattern across most of the primary origins, and this view combined with the other fundamental factors that we have been discussing in recent weeks should keep fair value for World Sugar (May) in the 11.6 to 12.5 cent range.

Other Softs

In other softs, while the 50d moving average is a downward slope as a result of the correction in mid March, May coffee continues the slow uptrend in early April trading. New York (Arabica) crossed 137 this morning (May), and at this writing is currently at 136.95. As Robusta increases, support for higher Arabica futures is likely as a result of an anticipated increase in demand for the bean. If May coffee breaks through 137.5, the next upside target May futures is 140. Given the current uncertainty around growers in Vietnam making more supply available, July futures also look attractive at current levels (138). The cocoa market saw last week's close as a good entry point; May cocoa futures are trading just under 2400. Following rain this week, we are looking at a drier week for next week in both the eastern and western US corn/soy belts. Recent rain means that corn plantings in the east will likely be set back by some planting delays, while there should be ample time before soybean plantings commence for wet soils to dry out sufficiently. Conditions are also favorable for the current US winter wheat crop, as well as plantings for the hard red spring wheat crop (currently in early planting).

Maps

