



Monsoon 'Risk' in India May Drive Up Sugar, Weather Trends Says

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By Debarati Roy

April 27 (Bloomberg) -- The monsoon in India, the main source of irrigation, may face a dry spell in July, limiting sugar cane growth and potentially boosting prices, according to meteorologist Michael Ferrari.

"There may be weather risk in July" which could hurt other crops including cotton, rice and oilseeds, Ferrari, a vice president at Weather Trends International Inc., said yesterday in a telephone interview. July is the wettest month of the June-September monsoon. Ferrari correctly predicted a failure in 2009.

The monsoon accounts for more than 70 percent of annual rainfall in India, the second-biggest producer of cotton, sugar and wheat. A weak season could drive up prices. Cotton reached a record in March and sugar surged to a 30-year high in February. Imports of sugar and lentils reached the highest ever two years ago after drought ravaged crops.

"Rains may not be as well distributed as last year," Ferrari said from Bethlehem, Pennsylvania. "Let's say, we are not as optimistic as the weather department."

The India Meteorological Department last week predicted a "normal" monsoon for a second straight year. The agency defines normal precipitation as 96 percent to 104 percent of a 50-year average.

Prime Minister Manmohan Singh is betting on normal rains to tame food inflation which averaged 18 percent in 2010. The benchmark wholesale-price index accelerated 8.98 percent in March from a year earlier after an 8.31 percent gain in February, the Commerce Ministry said on April 15.

Dry Spell

A dry spell in July could "limit" next year's sugar output, leading to higher prices, Ferrari said.

"We see certain upside from current prices and the market will be constructive in the coming months," he said.

Sugar futures in New York have slumped 36 percent since touching a 30-year high of 36.08 cents a pound on Feb. 2 on speculation that output will rise in India, Thailand and Brazil, the largest producer. Raw sugar for July delivery slid 0.7 percent to 23.24 cents yesterday on ICE Futures U.S. in New York.

Floods and droughts in global producing areas pushed world food prices to a record in February, according to the United Nations. Rising costs for basic commodities are affecting food security for poorer Indians, the UN's Food and Agriculture Organization said. Increases for wheat and rice have trailed general inflation, the FAO said in the report.

Cotton futures reached \$2.197 a pound in New York on March 7, the highest ever, on increased demand, mostly from China. Prices have slumped 28 percent since then as the higher prices muted purchases.

Monsoon Crops

Sowing of monsoon crops begins in June and harvesting starts in September. The monsoon typically begins in the southern Kerala state by the first week of June, before blanketing the entire nation by July 15.

Rainfall from last year's monsoon was 102 percent of the 50-year average, boosting water levels in dams. That helped India, the second-fastest-growing major economy in Asia, expand more than 8 percent in the fourth quarter, according to the government. This year's rains are expected to be about 98 percent of the long-term average, according to the Meteorological Department.

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