



PROVIDING WEATHER GUIDANCE FOR
COMMODITY TRADING



GLOBAL WEATHER AND COMMODITY RESEARCH: **WORLD SUGAR**

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ENERGY MARKET STILL DICTATING SUGAR TRADING, BRAZIL SOIL MOISTURE IMPROVING

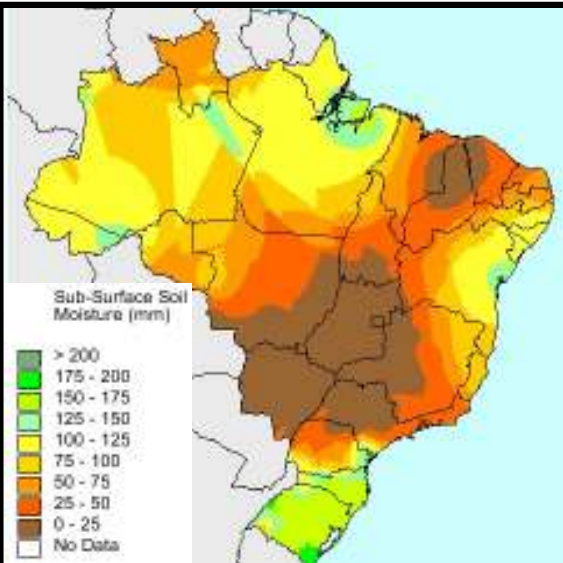
WEATHER RECAP FOR MAJOR ORIGINS

LAST WEEK: Sao Paulo cane regions received 1.93 inches (49 mm) total rainfall picture, as several systems were accompanied by healthy precipitation in areas that needed it most. This is the return to a wetter pattern that we have been forecasting, and the rain will continue for the better part of this week. Stations in

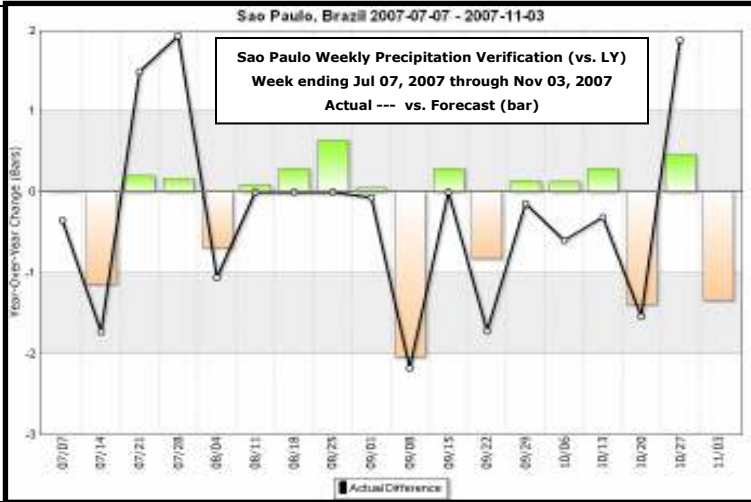
WEEK: Sao Paulo cane regions received 1.93 inches (49 mm) total precipitation for the week. The soil moisture profile is improving as a result of the rains, as indicated in the USDA FAS map below for the second dekad (10d) in October. Notable improvements across eastern Brazil can be seen vs. 1st dekad.

OUTLOOK FOR NEXT TWO WEEKS

THIS WEEK: Another favorable rainfall week is expected for much of the Centre-South this week, and this will extend into the first half of the following week. Sao Paulo's cane regions should receive between 1.5 and 2.25 inches for the week (38 to 57 mm); this is more than 200% of the totals received for the same week last year (current week) and about 150% more for next week. Stations in Parana will start the week off a little drier, but the pattern will change by mid week and cane regions should receive between 2 and 3 inches (between 50 and 75 mm) for the week. The pattern in the North-Northeast will remain cool and relatively dry for the next two weeks as the ridge diverts most of the moisture to regions to the south of the cane production belt. After receiving only scant precipitation totals last week, no rainfall is expected this week and very little is anticipated for next week over Australia's cane areas in Queensland. As a result, there will be no expected improvement in the surface/subsurface soil moisture profile throughout eastern Australia.



WEEKLY OUTLOOK		Week Ending November 10, 2007							
Location	Country	Normal Mean Temp (°F)	Normal Precip (in.)	LAST YEAR Mean Temp (°F)	LAST YEAR Precip (in.)	THIS YEAR Mean Temp (°F)	THIS YEAR Precip (in.)	Temp Change TY - LY (°F)	Precip Change TY - LY (in.)
Recife	BRAZIL	83.6	0.19	83.6	0.00	78.4	0.11	-5.1	0.11
Cuiaba	BRAZIL	84.5	0.91	85.8	0.98	77.3	0.72	-8.5	-0.26
Londrina	BRAZIL	75.0	0.68	74.4	0.00	67.7	1.57	-6.7	1.57
Campinas	BRAZIL	74.0	0.47	71.0	0.18	67.7	2.98	-3.3	2.80
Foz Do Iguacu	BRAZIL	75.8	0.85	72.9	2.79	68.3	1.90	-4.6	-0.89
Sao Paulo	BRAZIL	71.1	0.39	67.4	0.27	67.8	3.05	0.4	2.78
Cairns	AUSTRALIA	79.4	0.76	79.0	0.38	78.3	0.00	-0.7	-0.38
Brisbane	AUSTRALIA	70.5	0.64	69.3	1.82	73.2	1.99	3.9	0.17
Nanning	CHINA	69.7	0.42	71.3	0.00	63.7	0.00	-7.6	0.00
Guangzhou	CHINA	72.0	0.43	74.8	0.00	68.4	0.00	-6.4	0.00
Gwalior	INDIA	73.2	0.26	75.4	0.00	74.4	0.00	-1.0	0.00
Lucknow	INDIA	73.9	0.06	73.4	0.00	73.4	0.00	-0.1	0.00
Patna	INDIA	74.9	0.13	75.9	0.02	66.4	0.00	-9.4	-0.02
Coimbatore	INDIA	78.6	1.65	77.2	4.96	75.5	3.37	-1.7	-1.59
Khonkhaen	THAILAND	79.5	0.17	79.1	0.04	71.1	0.10	-8.0	0.06
New Orleans	US	63.6	1.09	65.3	0.76	65.9	1.40	0.6	0.64
Lafayette	US	62.9	1.02	66.4	0.62	62.7	0.76	-3.6	0.14



DISCUSSION: So in spite of the favorable weather in sugarcane areas throughout much of Brazil, India, China and the US, all of the good supply side news in the major origins is being temporarily overshadowed by market activity on oil. Last week, No.11 sugar trading finished roughly where the week started, with March08 sugar closing at 10.13. Last Friday's trading session saw March sugar go as high as 10.5 before returning back to the low 10 cent range, where it spent most of the week. In a 'normal' sugar year, the present fundamentals would be exerting some pretty strong downside pressure on sugar futures. The current global stocks situation, rain in Brazil, the lack of an Atlantic hurricane season and a tapering off in sugar demand *should* all be factors contributing to keep world sugar below 10 cents/lb. But we are now seeing that this is anything but a normal year, and this point is being underscored by two global economic drivers: the price of oil and the (still) weak US dollar.

New market information and the resultant market psychology move at lightning speed. Trading last week was no exception. In last week's letter, we discussed the reality of \$90 crude prices. After Friday's trading, crude oil prices above \$90 are not really considered news anymore. Last week, December crude traded in a range between 86 and 92, and in overnight trading crude reached \$93.20. New highs in oil are fueling commodity volatility across many of the energy and softs markets, and world sugar is no exception. As high oil prices is keeping ethanol demand firm, the potential for diversion of more sugarcane to energy (vs. sugar) remains strong. This is in spite of the favorable global sugar S-D balance; in the October USDA attache report estimated Brazil's sugar production to be just above 32 million tons for 2007/08, which is up 2% over 2006/07 production. But the report also estimates 07/08 ethanol production to reach 20.75 billion litres, which is 16% higher than last year. While these figures are often revised, and can deviate significantly in future reports, the initial estimates are what traders are utilizing. To add to this uncertainty in sugar futures, the US dollar index has recently sunk to new lows. This keeps more of Brazil's production moving towards domestic sourcing, and the potential for a decrease in availability of exportable sugar on trader's minds.

So we should be watching activity in the oil and grains markets pretty closely this week, as volatility will likely spill over into sugar. The next anticipated level of technical support for March08 sugar (chart shown above) will still be right around or slightly above the 10 cent mark; a cross through 9.9 cents would indicate that lower lows are likely. Daily closes for Mar08 sugar above 10.15 to 10.2 indicate a short term low has been crossed, and upward price activity is anticipated. For more discussion on global weather and the impacts to sugar and other commodities, visit our blog at www.commodityweather.com.

