

Market Report & Press Summary



December 2011

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International Sugar Organization





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Market Report & Press Summary
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DECEMBER MARKET REPORT

I. WORLD SUGAR MARKET

1. The market in December

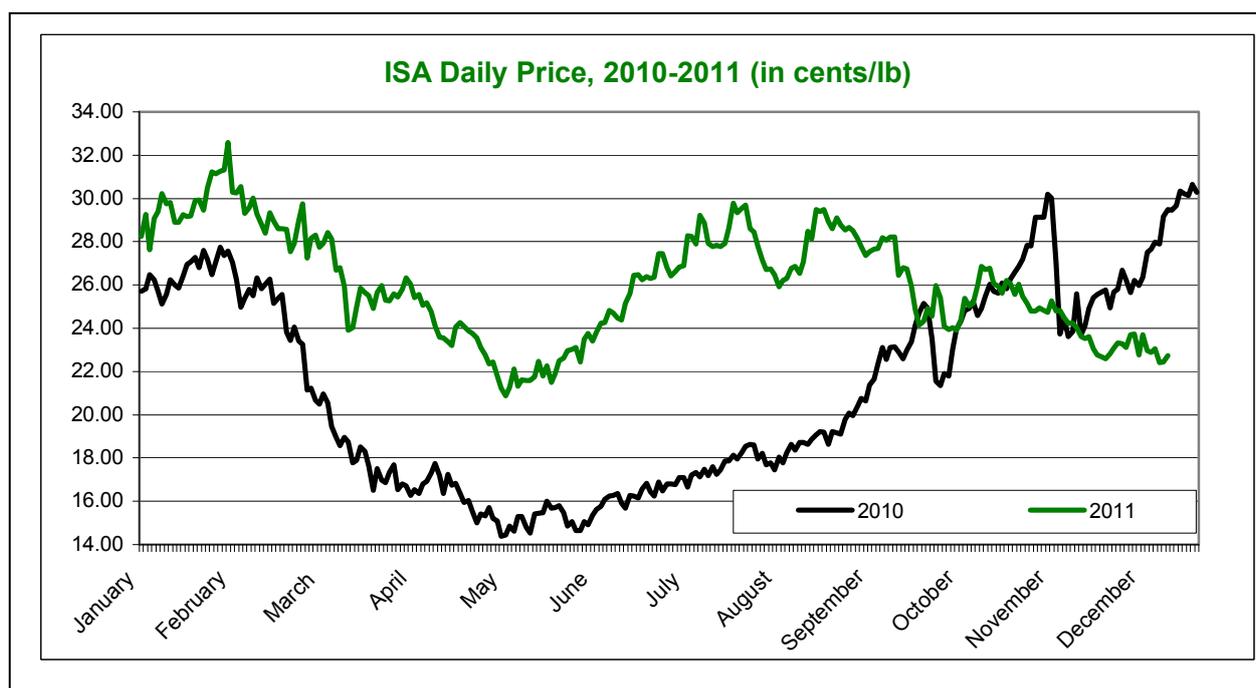
2011 has proved to be a year of hopes and frustrations in terms of world market values for sugar. At the beginning of February, the **ISA daily price** for raw sugar was as high as 32.57 cents/lb, the highest daily quotation for more than 30 years since 28th November 1980. Then a downward drift started, and in May the price touched an 8-month low. During July and August, the second bullish wave brought raw sugar prices back to a level close to 30 cents/lb, but by the end of August the bullish potential had been exhausted. A new price retreat started and world market values have lost all the gains achieved in the third quarter of 2011, as prices below 23 cents/lb witnessed in the second half of December are very close to those at the end of May.

It is interesting to note that although there are certain similarities between the raw sugar price dynamics in 2011 and 2010 (high prices at the beginning of the year followed by a severe drop but a strong recovery in July-August), the last quarter's paths have been quite different. While in the second half of 2010 prices kept rising, December 2011 is the fourth consecutive month of falling prices. In terms of monthly averages the ISA daily

price reduced from 28.22 cents/lb in July to 23.05 cents/lb in December (1-20 December).

White sugar spot prices (**the ISO White Sugar Price Index**) have followed a similar scenario with a significant downward drift in the second half of 2011. In terms of monthly averages, they moved from USD769.41/tonne (34.90 cents/lb) in July to USD605.32/tonne (27.46 cents/lb) in December.

What are the factors behind the gradual retreat in world market values accompanied by high volatility witnessed by the market in the second half of 2011? The market witnessed an intricate interplay between bullish and bearish factors. The relative strength in sugar quotations could be explained by two factors. First, the market witnessed an across-the-board downgrade in Brazil's Centre-South 2011/12 cane crop sugar output throughout the second half of the year. The second has been the growing market expectations of large-scale imports by China. The bullish impact on prices of Brazil's and China's developments has been seemingly capped by a variety of news with a distinctive bearish flavour, including remarkable crop prospects for a number of key producers including India, Thailand, West and East Europe. In its turn, the high level of volatility can be attributed to the low stocks environment, one of the major characteristics of global fundamentals during the



last and current seasons. In our November Market report we already noted that improving supplies from the Northern hemisphere crops overshadowed uncertainties surrounding future levels of supply by the world's dominant producer and exporter, Brazil. Moreover, with the practical end of Brazil's Centre-South cane crushing campaign, no further price support is expected to come from the world's largest exporter.

On 13th December, UNICA, **Brazil's** largest sugar millers association, released the latest set of figures for the 2011/12 cane crushing campaign in the country's Centre-South. During the second half of November, the cane crush reached 9.1 mln tonnes, down 51% on the same period last year. Sugar production in the second half of November reached 499 thousand tonnes, down 52% on the same period last year while total ethanol output amounted to 384 mln litres, or 52% less on last year's. So far in the season, cane production stands at 488 mln tonnes, down 10% on last year's, while sugar production has reached 30.99 mln tonnes, down 6% relative to last season. Ethanol output has reached 20.38 bln litres, compared to 24.76 bln litres produced by 1st December last year. UNICA has also estimated that the cane crushing figures during the month of December will be only residual and that the harvest is all but finished.

Meanwhile, Datagro, Brazil's largest sugar and ethanol consultancy, has already indicated that the Centre-South's 2012/13 crop will be a transition crop with little, if any, recovery in the total volume of crushed cane. There is a large cane replanting programme envisaged for the period between February and April 2012, but this would only be ready for harvest in the following season. The consultancy estimates that the Centre-South cane crush will lie in a range between 460 mln tonnes and 515 mln tonnes next year, compared to the 490 mln tonnes it estimates for 2011/12.

In **Thailand**, the world's second-biggest sugar exporter, the 2011/12 harvest is advancing at a fast pace. By mid-December mills had crushed 9.47 mln tonnes of cane compared to 3.39 mln tonnes at the same time last year. A total of 782.3 thousand tonnes of sugar had been produced as against 237.0 thousand tonnes in 2010/11. As announced by the Office of Cane and Sugar Board (OCSB), the crushing is running smoothly and the yield of sugar (CCS) is better than last year, so the OCSB expects to have up to 10 mln tonnes of sugar in 2011/12.

As reported by the Indian Sugar Mills Association (ISMA), **India** had produced 4.6 mln tonnes of sugar during the first two and a half months of the

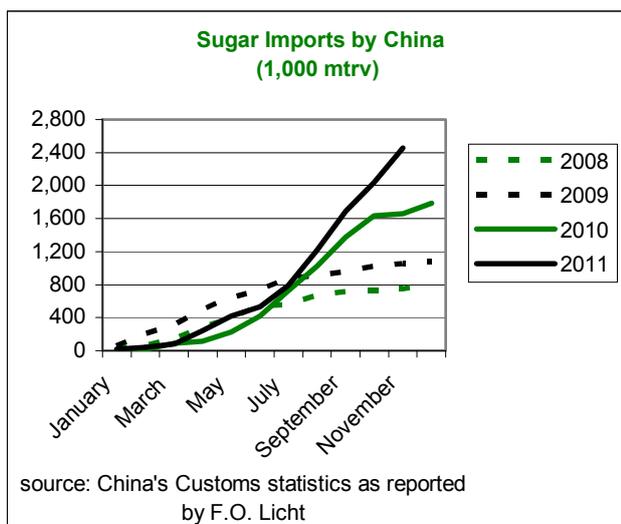
campaign (October/September), up 17.9% from about 3.9 mln in the same year-ago period. The industry believes that higher output could boost the chances of more sugar allowed for exports by the central government. At the beginning of December the latter issued a formal order for 1.0 mln tonnes of sugar exports under the Open General Licence (OGL), after a decision on the matter had been finally taken on 22nd November following nearly two months of deliberation. Mills should register within 45 days of the issue of the notification for the latest round of exports and permission would be granted within three days of application. The Food Ministry will distribute a quota among mills on the basis of their three years' average output, or two years' average production, in case a mill has not been in operation in one of the three years. In 2010/11, India approved 2.6 mln tonnes of sugar for export, including 1.5 mln as unrestricted overseas shipments under OGL. Sales to the world market were initially seen as instrumental for the mills' cash flow this season to allow timely cane payment and prevent arrears from building up. Large arrears could trigger the start of the next downturn in the infamous Indian sugar production cycle in 2012/13. As noted by market commentators, the drop of the Indian rupee has partly compensated for the decline in global sugar prices, however, the situation could deteriorate further if the decline in global values of the sweetener continues.

Meanwhile, the beet harvest has been progressing well in the **EU**. In December the European Commission released a new set of projections for sugar beet output in the EU. Production is expected to reach 18.107 mln tonnes, up from 17.488 mln tonnes estimated in September. The total projected output includes a sugar equivalent of 1.3 mln tonnes of beet based ethanol production. The crop outlook was raised for almost all countries. The largest increase of the crop projection occurred in the case of **France** where output is now seen at 4.96 mln tonnes compared to 4.54 mln tonnes projected in September and 4.23 mln tonnes manufactured in 2010/11. In December the Commission issued licences for exports of 700 thousand tonnes of out-of-quota sugar. The EU approved the sugar exports in April, and considers that the volume is within its annual WTO limit of 1.35 mln tonnes for 2010/11 (October/September). However, Brazilian and Australian producers argue that, as operators have been allowed to deliver shipments until the end of 2011 and licences were only issued in December, these exports have to be counted against the 2011/12 limit. This would bring the export allowance to 2.05 mln tonnes. The Commission also approved the sale of 400 thousand tonnes of "out-of-quota" white sugar on

the EU market at a reduced levy of EUR85/tonne in an effort to meet the current high demand for sugar on the EU consumer market, as well as to provide an additional outlet for an expected surplus from the bumper sugar beet harvest in the EU.

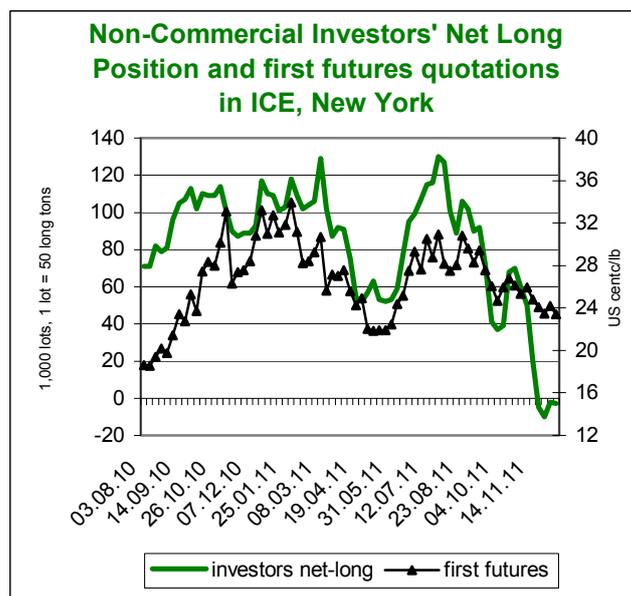
In **Russia**, as of 12th December, 4.192 mln tonnes of beet sugar had been produced, up 47% from the previous year. The slicing campaign has slowed down due to the widespread frost but 74 out of total 77 factories are still in operation. In the week to 12th December 225.4 thousand tonnes of white sugar were produced as against 258.3 thousand tonnes in the previous week. This year growers have harvested 45 mln tonnes of beet, from which 37.4 mln tonnes have been already delivered to sugar factories. If in the coming month the weather allows processing of at least 50% of beet which has been harvested but not yet delivered to the factories, Russia may achieve a production level well in excess of 5 mln tonnes of white sugar.

2011 has witnessed a significant increase in **China's** purchases from the world market. For the first time since China joined the WTO, the agreed import quota has been fully used. The volume and timing of China's sugar imports will most likely be one of the key factors determining global sugar prices in 2011/12. In November the country imported 418 thousand tonnes, tel quel. This brought cumulative imports in the first eleven months of calendar 2011 to 2.42 mln tonnes, up 48% from a year earlier. The level of imports in 2011 has already significantly exceeded the country's low-tariff import quota for 2011 of 1.945 mln tonnes.



In December, hedge funds remained net short in the raw sugar futures in ICE, New York. As already

commented in November, net short positions are normally seen as an indicator of general bearishness with speculators expecting sugar futures to suffer further losses.



2. Conditions and Prospects

In December, Lausanne-based consultancy **Kingsman SA** revised downwards its projection for the world sugar surplus in 2011/12 (national crop years) to 8.2 mln tonnes from an earlier estimate of 9.2 mln tonnes. In terms of October/September season, Kingsman expects the global surplus to reach 9.687 mln tonnes in 2011/12.

According to **Czarnikow**, strong European sugar production will increase the global 2011/12 surplus to 6.1 mln tonnes, raw value, as against 5.33 mln tonnes projected in August.

French commodity trader **SUCRES & DENREES Group** has revised upwards its forecast for the world sugar surplus in 2011/12 (April/March). The group notes that the global surplus appears to be growing both in size and likelihood. The gap between global output and consumption is currently expected to reach 11.1 mln tonnes, raw value.

Australian Bureau of Agricultural and Resource Economics and Science (**ABARES**) expects a substantial surplus in world sugar production in 2011/12 which will increase world closing stocks by 7.2 mln tonnes to 64.3 mln tonnes. If realised, this would increase the stocks-to-use ratio from 35% to 38% in 2011/12.

Macquarie Group expects world sugar prices to receive a support at 20 cents/lb in the first half of 2012 but prices may rise above 25 cents/lb in the second half of the year. Meanwhile **Standard Chartered** believes that May futures in New York have a chance of rallying to 28 cents/lb on "supply slippage" and rising production costs in Brazil.

The **ISO** plans to release its second revision of the 2011/12 (October/September) world sugar balance in mid-February.

In the table on p. iv the estimates of world sugar production and consumption in 2011/12 released to date by leading sugar analysts are summarized.

Estimates of World Production and Consumption (mln mtrv).				
2011/12				
		Production	Consumption	Surplus/ deficit
Czarnikow (c)	1-Jun	182.17	171.41*	+10.26
USDA (b)	18-Jun	168.48	162.00***	-0.45
ISO (b)	31 Aug	172.37	168.16	+4.21
Czarnikow (c)	31 Aug	176.32	170.99*	+5.33
Sucden (b)**	29-Sep	173.10	163.30	+9.80
F.O. Licht (b)	1-Nov	174.12	163.95****	+5.81
FAO (b)	3-Nov	173.00	166.50	+6.50
ISO (b)	14-Nov	172.18	163.99	+4.46
Kingsman (b)#	8-Dec	175.77	166.09	+9.69
Czarnikow (c)	13-Dec	177.06	170.95*	+6.11
ABARES (b)	13-Dec	175.40	168.30	+7.10
Sucden (b)**	20-Dec	176.00	164.90	+11.10
* including 0.5 mln tonne allowance for unrecorded disappearance				
** April/March				
*** excluding 6.927 mln tonne adjustment for unreported trade				
**** excluding unrecorded disappearance				
# October/September				
(b)=balance; (c)=individual crop years aggregated				

II. COUNTRY SUMMARIES

AUSTRALIA

As projected by ABARES, the country's sugar exports will increase by 7% in 2011/12 to 2.8 mln tonnes in line with a rise in production from cane fields recovering from cyclone damage earlier this year.

AZERBAIJAN

Azerbaijan produced more than 235 thousand tonnes of beet in the season to December 1st, while total sugar beet output is expected to reach 345 thousand tonnes, compared to 252 thousand tonnes the year before.

COLOMBIA

The industry expects sugar production this year to reach 2.3 mln tonnes, of which 1.5 mln tonnes are

earmarked for the local market, and the remaining 800 thousand tonnes for exports.

COTE D'IVOIRE

As reported by the press, the country's agro-industry group Sifca will invest EUR56.5 mln in sugar planting and plantations to boost production by nearly a third from 2014 in order to satisfy local demand. The project is aimed at reaching a maximum annual sugar cane production capacity of about 1 mln tonnes, producing 115 thousand tonnes of sugar.

INDONESIA

The Ministry of Trade is concerned about domestic white sugar supplies between March and May next year when current stocks of 740 thousand tonnes run out and the new crushing season has yet to start. Indonesia's 2011 white sugar output is estimated at 2.35 mln tonnes. This year's total lags the government target set earlier this year at 2.7 mln tonnes.

JAPAN

According to the press, an Agriculture Ministry's programme to protect domestic sugar farms from cheaper foreign imports incurred a loss of JPY 500 mln in 2010/11, the 13th consecutive year of such losses. Accumulated losses have reached JPY33.4 bln.

MAURITIUS

Mauritius' Chamber of Agriculture revised its 2011 sugar production forecast upward by 4.9% to 430 thousand tonnes on the back of improved sugar cane productivity.

PAKISTAN

As reported by the press, Pakistani millers are seeking permission from the government to export up to 500 thousand tonnes of refined sugar as they are expecting bumper production. According to the press, the Economic Coordination Committee of the Cabinet has recently rejected the industry's request.

SOUTH KOREA

The government has decided not to reinstate the 35% import duty on sugar and will allow sugar to keep its tariff-free status. The government has applied a tariff quota scheme to sugar since August 2010.

SUDAN

White Nile Sugar Co. plans to open a processing plant before the end of 2011. White Nile will start with initial capacity of 150 thousand tonnes and

grow to 450 thousand tonnes in two years, covering 40% of domestic demand.

UKRAINE

As of 12th December Ukraine produced 2.26 mln tonnes of refined beet sugar, up 48% from the previous year.

III. NEW SUGAR PRODUCTION PROJECTS

Pan Caribbean Sugar plans to build a USD150 mln state-of-the-art sugar mill in **Jamaica**. The Chinese-owned company says the new plant to be open in 2015 will be able to process up to 1 mln tonnes of cane per year.

Algeria's Cevital Group is planning to invest around USD250 mln in **Rwanda** over 2 to 3 years, particularly in the agriculture sector. Plans include the construction of a sugar production plant with an annual production capacity of at least 200 thousand tonnes.

In **Ukraine** an engineering company Wiedemann Polska plans to construct a sugar factory with a daily beet slicing capacity of 12 thousand tonnes. The estimated project cost is around USD350 mln and the plant is expected to become operational in 2015.

IV. ETHANOL

According to a recent assessment by the International Energy Agency (IEA), world production of biofuels will increase at a slower pace than previously forecast in the next five years as Brazil's ethanol output growth slows down and the U.S. market becomes saturated.

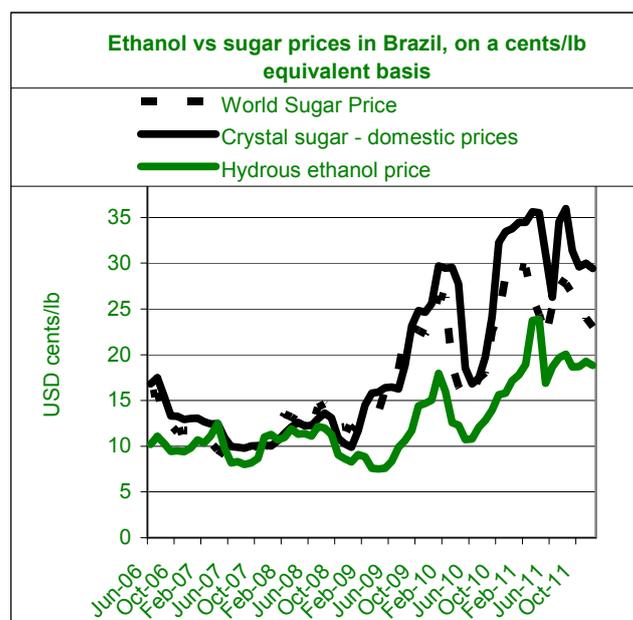
Global growth is estimated at 400,000 barrels (63.6 mln litres) a day from 2010 until 2016, compared with the earlier forecast of 500,000 barrels (79.5 mln litres) a day, said the Paris-based agency. Brazilian ethanol production in 2011 is set to drop by 75,000 barrels (11.9 mln litres) a day to 375,000 barrels (59.6 mln litres) a day on a "poor sugar cane harvest and high sugar prices" but will still rise to reach 530,000 barrels (84.2 mln litres) a day in 2016, according to the IEA. In the U.S., the expiry of a 45 cent-per-gallon blenders' tax credit at year-end is expected to sap distillery investment as the market gets more saturated, the agency said.

COUNTRY SUMMARIES

BRAZIL

Brazilian domestic ex-factory **ethanol prices** (in USD) fell slightly during the first three weeks of December reflecting a stronger Real. After reaching an all time record of USD 0.74/litre in August, hydrous ethanol prices averaged USD 0.71/litre in November, falling further to USD 0.70/litre in December. Anhydrous ethanol prices fell from USD 0.77/ litre in November to an average of USD 0.75/litre in the first three weeks of December. Despite the recent cooling down, ethanol prices in Brazil remain significantly higher than a year ago, when hydrous and anhydrous ethanol were priced at a respective USD 0.64/litre and USD 0.71/litre. According to UNICA, between April and 1st December this year, total sales of ethanol by producers in the Centre-South amounted to 14.61 bln litres, down 18% on the volume of sales recorded during the same period last year.

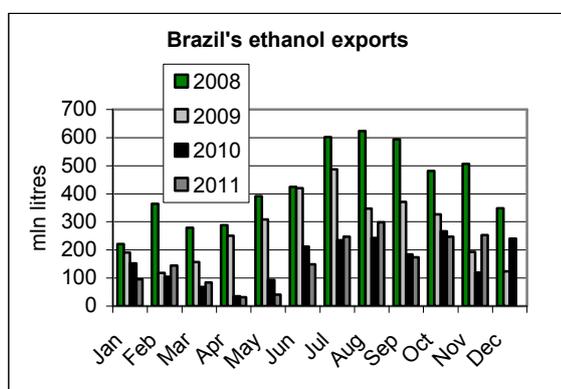
In December the gap between domestic sugar and ethanol prices in Brazil increased further. Of interest, domestic sugar prices in Brazil have remained flat in USD since October, reflecting a weakening BRL. On an equivalent basis, hydrous ethanol was sold at US 18.82 cents/lb ex-mill, compared with ex-mill sugar prices of US 29.41 cents/lb for crystal sugar (ICUMSA 150) – see figure below.



Sindicom (the National Association of Distributors of Fuels and Lubricants) estimates that the total fuel market in Brazil this year reached 110.3 bln litres,

an increase of 2.8% over 2010. Petrol consumption grew 18.3% from 29.8 bln litres last year to 35.3 bln litres in 2011 while hydrous ethanol consumption fell 28.4% to 10.8 bln litres owing to lower supply and higher prices. Sindicom argues that drivers estimated that it would be better to use petrol rather than ethanol in 22 Brazilian states throughout this year and predicts that ethanol demand will only take off again in 2013.

Ethanol exports in November amounted to 252.3 mln litres, up from 247 mln litres exported in October and also up on the 119.8 mln litres exported in November 2010, according to the Trade Ministry. Total ethanol exports in 2011 so far (January to November) have amounted to 1.764 bln litres, the lowest level since 2003.



Meanwhile, Brazil's **ethanol imports** during November reached the second highest monthly volume during 2011 at 150 mln litres. This has brought total imports in 2011 so far to 875 mln litres, compared to 75 mln litres during the whole of 2010.

UNITED STATES

Production rose sharply by 4.6% in the four weeks through Dec 2 and in the first half of December rose by 2.6% to a record high of 954,000 barrels per day. The large volume of production is bound to push inventories higher given the low seasonal demand for fuel. In fact, inventories in the week ended Dec 2 rose by 5.2% to a new 4-month high of 17.934 mln barrels. Inventories are up 9.2% month on month and 9.5% year on year.

The country's ethanol industry seems prepared for the looming end of the Volumetric Ethanol Excise Tax Credit (VEETC), which expires at the end of the year. According to the Renewable Fuels Association, the marketplace is already providing the incentive

and the US is proving to have the lowest cost liquid transportation fuel in the world today. Industry analysts expect ethanol prices to drop 30-40 cents per gallon at the wholesale level after the blenders tax credit expires, which should serve as an incentive to blend as much if not more. January ethanol futures prices (CBOT) closed in the second week of December at a 48.1 cent per gallon discount to gasoline prices, which equates to a 93.1-cent ethanol discount including the 45-cent ethanol tax credit.

Of importance, it is likely that the 54cent per gallon tariff on imports is also not going to be extended for another 3 years because the rationale for the existing tariff is precisely to function alongside the 45-cent per gallon VEETC tax subsidy. As the VEETC goes away, however, fuel retailers are concerned about what that means for the future of E85. As a result, the recently-formed Coalition for E85 is working to have 85% ethanol designated as an alternative fuel under the tax code. The industry would like E85 to be included in the definition of alternative fuels with propane, natural gas and others. Nevertheless, for the time being, sales of E85 are still doing very well. In the first eight months of the year, Minnesota E85 sales have increased by 26%, as retailers sold nearly 3 mln gallons more of the biofuel than during the same period in 2010. Minnesota is not alone - recent reports from Iowa and North Dakota show drivers in those states have also bought significantly more E85 this year than in 2010.

Exports of denatured and undenatured (non-beverage) ethanol totaled 121.4 mln gallons (459.5 mln litres) in October, just shy of the record of 127.4 mln gallons (482.5 mln litres) established in June, according to government data released in December. Brazil was the leading destination for U.S. exports, receiving a total of 50 mln gallons (189.3 mln litres). Canada and the EU continued to be other top export markets. Through the first 10 months of 2011, U.S. exports stood at 867.9 mln gallons (3.285 bln litres), more than double the 2010 export total. The U.S. is on pace to export more than 1 billion gallons (3.785 bln litres) in the calendar year.

Meanwhile, the U.S. **imported** 13.1 mln gallons (49.6 mln litres) of ethanol for fuel use from Brazil in October, presumably for compliance with the Renewable Fuel Standard's (RFS) advanced biofuel requirement and California's Low Carbon Fuel Standard (LCFS). Imports of sugarcane ethanol from Brazil have picked up significantly in recent months whilst, at the same time, U.S. exports of corn ethanol to Brazil have grown significantly.

OTHER COUNTRIES

In the **Philippines**, the Department of Agriculture (DA) is in talks with San Carlos Bioenergy Inc. (SCBI) for the construction of a bioethanol processing plant in Negros Occidental to push the development of sweet sorghum in the province. In a statement, the DA-Bureau of Agricultural Statistics (BAR) said discussions between the government and SCBI are beginning to shape the prospect of a commercial scale sweet sorghum-based ethanol production in line with the implementation of the Biofuels Act of 2006. "With the collaboration with the SCBI, which is the first multi-feedstock bioethanol and co-generation facility in the country, this endeavor may soon be realized in the coming years," BAR said. The agency said it has been exploring with the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) other potential feedstocks that would complement the production of sugarcane for ethanol—with sweet sorghum showing massive development potential.

On 14 December, Petrobras and Acucar Guarani signed a memorandum of intentions in Maputo, **Mozambique**, looking to make ethanol production and trade viable in the country. Petrobras, through its partnership with Guarani, is already a shareholder of a sugar mill in Mozambique, Sena, which is looking to produce fuel ethanol to supply the country's imminent 10% ethanol blend in petrol. The mill's ethanol distillery is to be constructed as an annex to the sugar factory, using molasses as feedstock.

V. COGENERATION

The **Fiji** interim government is giving its support to the operators of the Vatukoula Gold Mine to build a power station powered by sugar cane waste. The project is expected to cost nearly USD90 mln.

Simbhaoli Sugars (SSL), one of **India's** largest sugar refiners, announced that it has entered into a joint venture with Sindicatum Sustainable Resources Group (Sindicatum), a global developer, investor and operator of clean energy projects. The expansion project involves the enhancement of the power generation capacity from the existing 60MW to 115MW. Following the expansion, which is expected to be completed 18 months, the power plants will have the capacity to generate 80MW of surplus power, exportable to third parties. The total cost of the expansion is expected to be INR3.3 bln.

VII. ALTERNATIVE SWEETENERS**Stevia**

Nordzucker, the EU's second largest sugar refiner, may introduce products using the newly approved sweetener stevia in 2012 but the company does not expect stevia to revolutionise the sugar market. Food consultancy Zenith International expects the global market for stevia-derived products to reach USD825 mln by 2014.

VIII. WTO AND REGIONAL TRADE AGREEMENTS

On 30 November, two widely-discussed food security proposals failed to make the cut in WTO draft decisions to be forwarded to trade ministers, despite a general agreement among members on the need for a food security agenda. The food security proposals, one led by the EU and the other by Egypt, varied in scope but aimed to address export restrictions that have been faulted for driving up the price of food. Record food prices this year and in the past have been blamed by some for increasing famine in developing countries.

Building on a series of political decisions by the Group of 20 leading economies - not to be confused by the developing country grouping of the same name at the WTO - the EU formally proposed in the first half of December that WTO members also agree not to restrict access to World Food Programme (WFP) purchases.

Meanwhile, Egypt - working with the African, Arab and Net Food Importing Developing Countries (NFIDC) Groups - had tabled its own proposal for addressing food price volatility in Least Developed Countries and NFIDCs. This latter proposal included limits on export restrictions and increases in trade finance.

Geneva-based trade officials indicated that, while no single member explicitly blocked the inclusion of either proposal in the final document on political guidance, doubts raised by some members made consensus difficult to achieve.

In the absence of ongoing negotiations, delegates at the WTO have been occupied with templates for scheduling commitments and notifications of domestic support, among other routine tasks. The WTO may need to "survive on procedural activities" according to one official.

The frustration regarding the trade talks may lead to issues being taken individually from now on. Press sources suggest that a coalition of the willing

could attempt to negotiate a 'plurilateral' agreement that would restrict agreements and their benefits just to the signatories rather than the usual WTO pattern of extending these to all. This view is shared by the European Centre for International Political Economy, a Brussels-based think tank. Some developing countries however, led by Brazil, express the view that giving up on the single undertaking means giving up on the round's development aspect and particularly agriculture.

All in all, despite the failure in the general nature of negotiations, the WTO structure may have served well to maintain dispute settlement agreements in place and stymie an increase in government driven trade distortion. In fact, despite the world plunging into financial crisis in 2008/09, there is insufficient evidence so far to suggest that government-driven trade distortion has increased recently via the re-enactment of policies such as 'anti-dumping' or 'countervailing duty' measures.

IX. MISCELLANEOUS

In December, U.S. commodity giant Cargill Inc announced that its top sugar trader, Jonathan Drake, had left the company.

ICE Futures, New York, the major international commodity exchange trading sugar futures announced some important changes in working hours. Trading in the raw sugar market will start at 1.30 am EST (06.30 GMT) on 30th January 2012, earlier than the current starting time of 3:30 am.

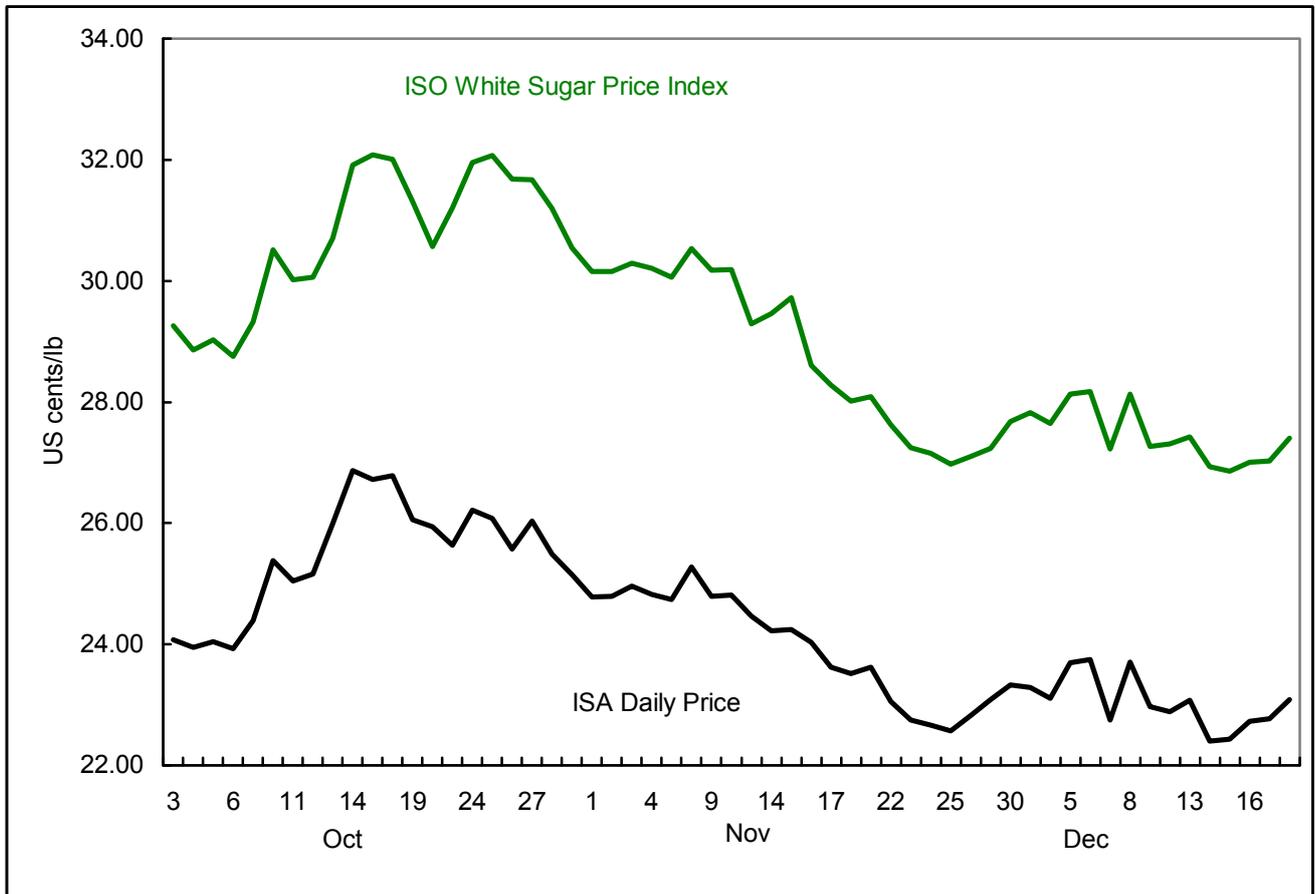
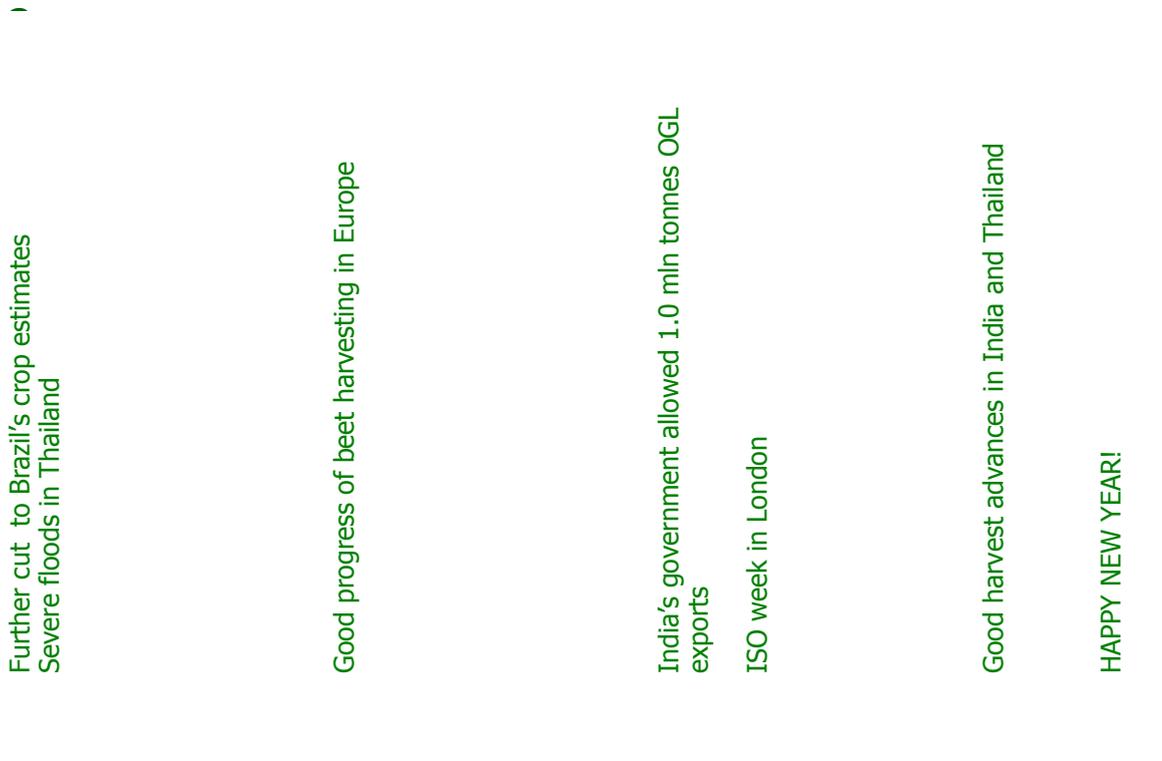
Trading hours in raw sugar will start at 2.30 am EST when daylight savings time starts in early March.

On 6th December, Brazil approved its new Forest Code, which is considered a step forward by the country's sugar industry. The agreement, whilst imposing strict punishment conditions on future deforestation in Brazil, has adopted several suggestions from the sector's current environmental policies, which are among the toughest in Brazil's agriculture.

The Executive Director and staff of the International Sugar Organization would like to take this opportunity to wish all ISO members, subscribers, colleagues and friends a happy and prosperous New Year!



MARKET AND PRICE DEVELOPMENTS October-December 2011



INTERNATIONAL SUGAR ORGANIZATION

22 December 2011

December Press Summary

PRESS SUMMARY

(Compiled from publications available up to 21 December 2011)

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MONTHLY AND ANNUAL AVERAGES, HIGHEST AND LOWEST OF DAILY SPOT SUGAR PRICES

		2011	2011	2011	2010	2009	2010	2009	2008
		Oct	Nov	Dec	Dec	Dec	Jan/Dec	Jan/Dec	Jan/Dec
<u>RAW SUGAR</u>									
ISA Daily Price (fob)**	US cnts/lb								
Average		25.45	24.02	23.04	27.98	23.53	21.29	18.15	12.80
Highest		26.87	25.27	23.75	30.64	25.11	30.64	25.18	15.21
Lowest		23.92	22.57	22.40	25.65	21.46	14.38	11.85	10.98
New York Contract No.11 (fob)*									
Average	US cnts/lb	N/A	N/A	N/A	36.10	25.27	27.06	18.71	13.83
Highest		N/A	N/A	N/A	38.90	27.76	39.65	27.76	16.70
Lowest		N/A	N/A	N/A	33.68	22.52	18.07	12.36	10.98
<u>WHITE SUGAR</u>									
ISO White Sugar Price Index***	US cnts/lb								
Average		30.70	28.83	27.44	33.91	29.32	27.25	22.16	16.07
Highest		32.08	30.54	28.17	36.65	31.73	36.65	31.73	18.77
Lowest		28.76	26.97	26.86	31.82	27.05	19.25	14.88	13.64
ISO White Sugar Price Index***	US\$/tonne								
Average		676.87	635.55	604.92	747.52	646.46	600.72	488.45	354.29
Highest		707.30	673.25	621.05	807.95	699.45	807.95	699.45	413.80
Lowest		634.00	594.55	592.25	701.60	596.35	424.30	328.05	300.75

* f.o.b. & stowed, Far East in bulk

** The London Daily Price (LDP) for both raw and white sugar ceased to be fixed or published from 1 July 2006.

In the absence of the LDP (raws) and in order to keep the consistency of the long-term series of the ISA daily price, the ISO calculates the ISA daily price as a simple average of the close quotes for the first three future positions of the New York Board of Trade Sugar Contract No. 11.

*** White Sugar Price Index is a simple average of the close quotes for the first two future positions of White Sugar Contract in Euronext.liffe, UK

I. WORLD MARKETS – CONDITIONS AND PROSPECTS

Euro crisis crimps Brazilian sugar trade

SAO PAULO, Dec 5 (Reuters) - Commodities trading houses are putting off commitments to buy Brazilian sugar from the 2012/13 harvest season, as Europe's debt crisis pushes banks to cut trade finance lending, industry and banking sources said. That in turn has contributed to reducing the volume of sugar being hedged in futures markets as trading firms fear having to struggle with higher borrowing costs and scarcer capital over the coming months. The effects of tighter bank credit on the sugar industry in Brazil, which is the leading supplier of numerous farm goods, including sugar, appear to exemplify conditions in many commodity markets. "Trading houses are holding back sugar purchases because of possible credit constraints in early 2012," said an executive at one of Brazil's five largest sugar companies.

A default by Greece, Italy or Spain would saddle banks and investors with massive losses. To protect themselves, banks have been cutting lending. Some of the easiest lending to cut is trade finance, which is often for short terms of 30 to 90 days. Many European banks with large sovereign debt holdings are also important trade-finance providers, according to Neil Shearing, economist at Capital Economics a London economic research company. As banks cut lending, the cost of export credit is rising. It now costs about 12.5 percent a year, or 110 percent of the Brazil's benchmark CDI interbank rate compared with about 11.6 percent, or 102 percent of CDI, several months ago, the executive said. "The external credit lines are more expensive, more scarce, there is a move toward shortening liquidity and this evidently affects longer credit taking, hedging operations," said Alexandre Figliolino, a director and commodities specialist at Itau BBA, the investment-banking arm of Brazil's largest non-government bank by assets. Banking sources said all types of financing have become costlier, but the situation is more evident with European banks, which play a key role in financing agricultural and mining trade not only in Brazil but in other emerging markets. "When the European central banks require from these banks to show their capitalization levels, I don't have any doubt that farmers in emerging countries will be the first ones to feel the crunch, not those in Europe," said the trading director of an international bank based in Sao Paulo. "The crisis will severely hurt the availability of credit for coffee, sugar, corn and soy farmers, not only for hedging but for all kinds of financing," he said.

FALLING PRICES, VOLUMES

Since August, when the current round of European sovereign debt problems began, the price of sugar has fallen more than 18 percent, a decline seen in other commodities too. The Reuters/Jefferies CRB index of 19 of the most-traded agricultural, energy and metals commodities has lost 8.4 percent in the

same period. While debt costs have risen, the Brazilian sugar executive said that the amount of loans available for his company has not fallen. He estimates that hedging operations on future Brazilian sugar deliveries have fallen by about half from this time last year, adding that trading firms were less interested in committing for sugar purchases. Falling sugar prices have also contributed to this lower volume of hedging and the expectation that sugar output next season will be limited after a decline in production in 2011/12. Trading houses are dependent on financing to cover minimum futures market "margins", a kind of collateral used to ensure settlement of the contracts. In New York sugar futures, trading volumes in the first sugar contract fell 25 percent in the Aug. 1-Nov. 30 period, according to Thomson Reuters data. Open interest, a measure of the number of contracts set up between hedgers and speculators, fell by nearly 7 percent. Such declines are being seen in other markets too, a grains trader with a leading Sao Paulo commodities brokerage said. "In Chicago the volumes have dropped for nearly all grains," he said. "People are basically looking at settling everything in the physical market right now. This is going to put pressure on growers." Trading volumes in the first soy contract in Chicago fell 17.5 percent and open interest shipped 6.7 percent in the four months ending Nov. 30, compared with a year earlier. Corn volumes fell 11.3 percent and open interest dropped 12.5 percent. Other commodities such as copper also fell, with volume down 2.5 percent and open interest down 8.8 percent in the same period.

The credit crunch and trading declines remind many of the 2008 world financial crisis, which caught many Brazilian sugar companies in the middle of ambitious expansion programs. Rising capital costs and the ensuing international economic slowdown pushed many mills to the brink of insolvency, forcing them into the arms of larger rivals with better access to capital. "The problems in Europe are clearly affecting the financial system and that is passing through to the commodities market, just like in 2008 and 2009," said Lia Valls, head of the Foreign Trade Center at the Getulio Vargas Foundation in Rio de Janeiro, a leading Brazilian economic research institute and graduate school. "There is no way that such things can't have an impact on Brazil and other commodities producers," she said. In the last credit crunch, caused by a U.S. mortgage debt crisis, reduced access to loans and a reduction in futures trading and hedging also led mills to cut investments in the replanting of fields, which has been feeding into the decline in output this season - the first in 11 years.

Brazil's Cosan sees support for sugar price in '12

SAO PAULO, Dec 7 (Reuters) - Brazil's biggest sugar exporter Cosan CSAN3.SA> has reduced its hedging program for 2012/13 as it expects sugar prices to remain buoyant next year, Financial

Director Marcelo Martins said on Wednesday. The company has hedged in futures markets about 25 percent of its expected sugar output for next season (April/March), compared with around 30 percent at this time over the past few years. Martins said the prospects for sugar prices look positive due to limited output from Brazil, which accounts for more than half of the global free sugar trade. "Brazil won't be able to supply the market in the way people are expecting," Martins said in a meeting with investors. "Even with output rising in other countries such as Russia, Thailand, India, we don't see a sugar excess next year.

Brazil's share is so big in the market," he added. Brazilian sugar output fell this season for the first time in more than a decade due to bad weather conditions and a lack of investments in cane replanting. Most leading analysts say a full recovery would take at least two years to occur. The decision to not hedge a larger volume was also due to Cosan's more stable cash flow after the creation of Raizen, its joint venture with Royal Dutch Shell that began operating earlier this year, Martins said. Industry representatives estimate that hedging of future Brazilian sugar deliveries has declined this year as the European debt crisis pushes banks to cut trade finance lending. Trading firms are less interested in committing for sugar purchases as they fear having to struggle with higher borrowing costs and scarcer capital in early 2012, they say. Martins denied that Cosan's lower volume of hedging was tied to the availability of credit, saying the company "has a lot of liquidity", but he confirmed that the European crisis is affecting the hedging of Brazil's sugar industry in general.

SLOWER GROWTH

Martins said a revised version of Raizen's growth plan will be ready by the end of the first quarter of 2012. The company said in November it was postponing production targets that had been set early in 2010 after the decline in output this season. "We expect our investment plan to be revised downwards," he said, adding the decision also depends on Shell, which has a 50 percent stake in Raizen. Last year, Cosan and Shell said investments in Raizen to raise its cane crushing capacity to 100 million tonnes/year would total \$7 billion. The company crushed 53 million tonnes this season, below its current capacity of 65 million tonnes.

Kingsman trims 11/12 sugar surplus f'cast to 8.2 mln T

LONDON, Dec 9 (Reuters) - Lausanne-based consultancy Kingsman SA on Friday trimmed its 2011/12 global sugar surplus forecast by almost one million tonnes to 8.2 million tonnes. Kingsman raised its production forecast by 877,000 tonnes and its consumption forecast by 1.8 million tonnes, of which 1.1 million tonnes is in Asia.

Kingsman cuts 2011/12 surplus estimate by 11%*Sugaronline Ebriefing, 12 December 2011*

Kingsman says the world sugar surplus in 2011/12 will likely fall to 8.2 million metric tonnes from a previous estimate of 9.2 million tonnes as increased production will likely be more than offset by increased global demand, particularly from Asia, according to Dow Jones. In its fourth update for 2011/12, the Switzerland-based consultancy said over the weekend that it expects world production to rise to about 174.1 million tonnes from an earlier estimate of 173.2 million tonnes. "The lower sugar prices have led us to increase our global consumption by 1.819 million tonnes, of which 1.1 million tonnes is in Asia," it said.

The consultancy revised Brazil's centre-south sugar production estimate from 30.6 million tonnes to about 31.05 million tonnes due to better-than-expected yields. But it cut its forecast for sugar production in India, the world's second-largest sugar producer, from 26 million tonnes to 25.5 million tonnes due to a late start in Maharashtra's crushing season, as well as lower yields across the sugar producing regions in the country. At the same time, it increased India's consumption estimate from 22 million tonnes to 22.55 million tonnes for the same period. 2011/12 sugar production in Thailand, the world's second-largest sugar exporter after Brazil, will likely be 10.6 million tonnes, well above industry estimates of about 9.9 million tonnes, Kingsman said, attributing the higher output to expected favourable weather and limited impact by Thailand's severe floods this year.

Kingsman increased China's white sugar output estimate by 500,000 tonnes to 12.5 million tonnes as both cane and beet acreage has increased. However, even if that total is achieved, the county will still be a significant importer in 2012, it said. "We anticipate that China will take advantage of relatively low world prices to rebuild stocks in order to better control food prices," it said.

Czarnikow sees 2011/12 surplus at 6.1 million tonnes*Sugaronline Ebriefing, 16 December 2011*

Strong European sugar production will increase the global 2011/12 surplus to 6.1 million metric tonnes, raw value, Czarnikow said Friday, with total world production setting a new record of 177.1 million tonnes, according to Dow Jones. "This estimate of the 2011/12 balance confirms a surplus, and while the sugar market is de-risking after three consecutive years of deficit, it remains vulnerable to any unforeseen production shocks and export availability concerns,"

said Director Toby Cohen. Czarnikow, one of the U.K.'s oldest sugar tradehouses, said production growth has been encouraged by high prices, and is forecast to increase by 9 million tonnes on the year, predominantly due to higher beet production. Beet output is expected to reach 38.7 million tonnes, a 21% increase on the year, while cane production is forecast to rise to 138.3 million tonnes, from 136 million tonnes a year earlier. "While the growth in production this year has been driven by the beet sector, the challenge for the sugar industry is to facilitate future growth in cane sugar production," said Analyst Peter de Klerk. Consumption is expected to rise to 170.5 million tonnes in 2012, from 167.8 million tonnes in 2011, Czarnikow said, adding that the market should now enter a more positive period for consumption growth despite the poor global economic climate as prices stabilize.

Czarnikow ups 2011/12 sugar surplus view to 6.1 mln t

LONDON, Dec 16 (Reuters) - Merchant Czarnikow on Friday raised its global sugar surplus forecast to 6.1 million tonnes from a forecast of 5.3 million, citing strong European beet output as a key reason. Total global output was expected to reach a new record high of 177.1 million tonnes, Czarnikow said in a statement. Czarnikow said much of the production growth has come from the beet sector. European countries such as Russia, Ukraine and EU origins have had bumper beet crops this year. Year-on-year production growth is forecast to be 9 million tonnes, Czarnikow added. "While the growth in production this year has been driven by the beet sector, the challenge for the sugar industry is to facilitate future growth in cane sugar production," said Czarnikow analyst Peter de Klerk. Czarnikow said EU beet production had been revised up by 0.3 million tonnes to 18.2 million, almost 3 million tonnes higher than last year.

Russian production had been revised up to 5.4 million tonnes, from a previous forecast of 5.0 million tonnes made in August, the merchant said. Czarnikow forecast Brazilian sugar production at 38.5 million tonnes, down 2.5 million tonnes on last year's total. Indian sugar production was forecast to rise to 27.6 million tonnes, up from 26.3 million last year. Thailand's 2011/12 cane crop was predicted to stand at 103 million tonnes, slightly above last year given an earlier start to the crop.

Macquarie sees sugar above 25 cents after 3Q12*Sugaronline Ebriefing, 20 December 2011*

Macquarie Group says sugar prices may rise above 25 cents a pound from the third quarter of next year after bottoming out in the second quarter, according to Bloomberg. Prices will remain under pressure in the first half of 2012 as exports from the European Union, Central America, India and Thailand increase, the bank said in a report. "Prices will receive support at 20 cents a pound, below which Brazilian mills will favor ethanol or become unprofitable," Kona Haque, an analyst at the bank, wrote in the report. "Low prices could also trigger the start of India's cyclical downturn in production." Mills in Brazil can use their raw material to produce either sugar or ethanol. Sugar output in India totaled 30.8 million tonnes in 2006/07, after recovering from a 14.2 million tonnes crop in 2004/05, according to data on the website of the U.S. Department of Agriculture. Production slumped again to 15.95 million tonnes in 2008/09 before rising to an estimated 28.3 million tonnes in the current season, the data show. Top global producer Brazil may not be able to increase sugar output in the 2012/13 season, which starts in April there, due to the low rate of cane replanting and potential dry weather, Haque wrote in the report.

II. COUNTRY SUMMARIES**AUSTRALIA****Australia sees sugar exports up despite trimming output forecast**

SYDNEY, Dec 14 (Reuters) - Australian sugar exports are forecast to increase by 7 percent in 2011-12 to 2.8 million tonnes in line with a rise in production from canefields recovering from cyclone damage earlier this year, the government's commodities forecaster said. The forecast is mostly unchanged from one made by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) in September, despite a downward revision of expectations for the harvest. ABARES cut its forecast for sugar production in 2011/12 to 3.9 million tonnes, against a prediction of 4.2 million tonnes in a September. That forecast is still above the 3.6 million tonnes produced in the last financial year, allowing for the jump in exports.

In a normal year, Australia typically ranks as the world's third largest raw sugar exporter behind Brazil and the European Union. Above-average rainfall hampered harvesting last season in the tropical eastern state of Queensland, home to most of Australia's canefields, while a cyclone damaged crops in the state's north in February. This year's harvest of stood-over cane started nearly a month early, helped by drier than normal weather in some key cane producing areas, according to ABARES. Globally,

ABARES predicts the surplus in sugar production in 2011-12 will inflate world closing stocks by 7.2 million tonnes to 64.3 million tonnes. This would increase the stocks-to-use ratio from 35 per cent to 38 percent in 2011-12, it said.

India is forecast to export around 3.5 million tonnes of sugar in 2011-12, based on current stocks and the forecast of 2011-12 sugar production, after being a large net importer of sugar in 2009-10 and early 2010-11. A bumper harvest in the Russian Federation in 2011-12 implies that Russian sugar imports will decline by 2 million tonnes in the year, to a forecast 0.7 million tonnes, according to ABARES. This would be Russia's lowest sugar imports on record and well below the annual average of 2.4 million tonnes in the five years to 2010-11. Meanwhile, a large harvest in the European Union will enable its sugar exports to non-EU countries in 2011-12 to exceed the maximum of 1.3 million tonnes permitted under its World Trade Organization obligations, it said. On Tuesday, benchmark March sugar futures traded up 0.11 cent or 0.5 percent to 23.40 cents a lb. The contract has regained some ground after dipping to 22.71 cents in late November, the lowest level for the front month since June.

Australia's sugar cane harvest ends at near-record low

SYDNEY, Dec 21 (Reuters) - Australia's sugar cane harvest has ended with a crop of 27.9 million tonnes of cane, one of the worst on record, the Canegrowers trade group said on Wednesday. Next year's crop could show a slight improvement of between 31 million and 32 million tonnes of cane unless severe wet conditions curtailing production persist, it said. The 2011 crop is only a slight improvement on the rain-devastated 2010 yield -- the worst on record -- of 27.5 million tonnes. "While actual planting data will not be known until March next year, indications from sugar cane areas across Australia suggests plantings may be up as much as 20 percent," Canegrowers said. It added that this year's plantings includes replacing cyclone, flood and smut-damaged ratoons.

In a typical year, Australia harvests 31 million-32 million tonnes of sugar cane, yielding between 4.5 million and 5.0 million tonnes of sugar. Australian sugar exports are forecast to increase by 7 percent in 2011-12 to 2.8 million tonnes in line with a rise in production from canefields recovering from cyclone damage earlier this year, according to the Australian government's commodities forecaster. In a normal year, Australia typically ranks as number three or four in sugar exports behind Thailand, Brazil and the European Union.

AZERBAIJAN

Azerbaijan raises beet output

Kingsman News Summary, 19 December 2011

Azerbaijan produced more than 235,000mt of beet in the season to December 1st, while total beet sugar output is expected to reach 345,000 mt, compared with 252,000mt the year before, the Ministry of Agriculture told Turan Information Agency. Beet area fell by 8% to 7,300ha this year, while beet yields are averaging 33.7mt/ha.

BRAZIL

Brazil 11/12 sugar output seen at 36.9 million T-gov't

SAO PAULO, Dec 8 (Reuters) - Estimates for sugar and ethanol output in Brazil's 2011/12 cane season were cut again on Thursday by government supply agency Conab, which cited the effects of bad weather and aging fields on the cane crop.

In its third estimate for the season, Conab put the country's total cane crush at 571.5 million tonnes, down from the 589 million tonnes in its previous forecast in August. Brazil's sugar production was forecast at 36.9 million tonnes, down slightly from the 37.1 million tonnes projected previously. "The drop in output is due to low yields caused by several factors, mainly related to weather," Conab stated, citing dryness in April-October 2010, a lack of rain in May and the occurrence of frost earlier this year in some states. This marked the first decline in cane, sugar and ethanol output in more than a decade in Brazil, the world's largest sugar producer and exporter. Other factors influencing the decline were a lack of investment in replanting aging cane fields, which dragged down yields, and a low usage of fertilizer and agrochemicals, Conab said. In 2010/11, Brazil crushed 623.9 million tonnes of cane, churning out 38.2 million tonnes of sugar. Brazil's total ethanol output in 2011/12 was expected to amount to 22.9 billion liters down from the 23.7 billion liters forecast in August. Mills have practically concluded crushing the crop in the main center-south producing region, but in the country's northeast the season was now getting to its peak.

UNICA sees switch to ethanol if sugar falls below 20 cents

Sugaronline Ebriefing, 13 December 2011

Brazilian sugarcane mills would likely increase ethanol production relative to sugar if prices for raw sugar fell below 20-to-22 U.S. cents per pound, according to Dow Jones. Mills in the current 2011/12 harvest, faced with a shortage of cane, have slashed production of hydrous, or pure, ethanol fuel in order to take advantage of high international sugar prices. They increased production of anhydrous ethanol, which is mixed with

gasoline, to keep up with Brazil's growing fuel demand. But Antonneio de Padua Rodrigues, technical director of Brazilian sugarcane industry association UNICA, said at a press conference that a shift back into hydrous ethanol production would make sense if New York sugar prices fell below 20 cents or 22 cents a pound.

Brazil is the world's top producer and exporter of sugar, and analysts say its production costs set a de facto floor under global prices. Rodrigues added that mills this harvest cycle were already near or at the maximum limit of their sugar production capacity, encouraged by high prices.

CHINA

China buys at least 100,000 T of Thai raw sugar as price dips

SINGAPORE, Dec 6 (Reuters) - China has bought at least 100,000 tonnes of raw sugar from Thailand for nearby shipments, sending signals to a sluggish physical market the country is stocking up again after recent declines in New York futures, dealers said on Tuesday. China is expected to produce 12 million tonnes of sugar in the year that began in October, up 15 percent from a year earlier, but consumption is forecast at 14 million tonnes, leaving a shortfall of 2 million tonnes. "Deals have been done at somewhere around \$550 CIF," said a dealer who declined to be identified, adding that his firm was involved in some of the deals struck last week. Another dealer said China had bought more than 100,000 tonnes of sugar. Early last week, dealers said China was checking on prices but stopped short of striking any deals. China, which accounts for about 9 percent of global production, imported 336,995 tonnes of sugar in October, up 33.33 percent from the previous month. The physical market in Asia was under pressure from rising supply from Thailand after the crushing season started last month and main consumer India decided to sell more sugar to ease excess supply. India has issued a formal order for 1 million tonnes of sugar exports under open general licence, a government statement showed on Monday, nearly a fortnight after the country allowed such sales as output was seen exceeding demand.

New York March sugar futures gained 0.63 cent, or 2.7 percent, to finish at 24.08 cents a lb on Monday due to a weaker dollar, but the contract was still near a five-month low hit in November. "Chinese buyers are actively booking shipments for next year due to attractive global prices," said Zhan Xiao, an analyst with Xinhua Futures, adding that importers could make a profit of 800 yuan a tonne by bringing sugar to the local market for March shipment. (\$1=6.3650 yuan)

Rabobank sees 2011/12 imports at 2.5 million tonnes

Sugaronline Ebriefing, 7 December 2011

Rabobank says China will likely import 2.5 million metric tonnes of sugar in the 2011/12 crop year that began Oct. 1, according to Dow Jones. The world's largest sugar consumer will likely mark a fourth consecutive year of sugar output falling short of domestic demand in the current crop year, it said. China imported 2.1 million tonnes of sugar in the crop year ended Sept. 30, with imports in September alone reaching a monthly record volume of 468,868 tonnes, according to customs data. The projected sugar imports will replenish historically low levels of sugar stocks, which are just slightly more than half the 10-year average at about 1.7 million tonnes, Rabobank data showed. "Late rains in southern China were beneficial for the 2011/12 cane crop, while the 2011/12 harvest area is about 6% higher than the previous season," it said.

Chinese sugar sales edge higher

Kingsman News Summary, 19 December 2011

China's sugar sales have picked up from last month as the New Year holiday and the Spring Festival approach, but are still down on the year, Xinhua's China Economic Information Service reports. Last week, sugar prices in most marketing regions fell below 7,000 yuan per mt, and while the active May sugar contract on the Zhengzhou Commodity Exchange ended higher on Monday, Zhengzhou sugar still lacks strong growth momentum as market confidence has not yet recovered. Analysts are watching crushing in Guangxi for any signs of frost impact on cane.

COLOMBIA

Colombian output higher

Kingsman News Summary, 7 December 2011

Colombia expects sugar production this year to reach 2.3 million mt, of which 1.5 million are earmarked for the local market, and the remaining 800,000 for exports, according to Asocana, la Republica reports. Exports of about 880,000mt are destined to the Caribbean and South America. An inability to increase production of sugar and ethanol in the short term will prevent growth in the industry next year, and no large increases in production of sugar and ethanol are projected.

COTE D'IVOIRE

Ivorian Sifca to invest 56.5 mln euros to boost sugar

ABIDJAN, Dec 7 (Reuters) - Ivory Coast agro-industry group Sifca will invest 56.5 million euros (\$75.6 million) in sugar planting and plantations to boost production by nearly a third from 2014 in order to satisfy local demand, the company's chairman said on Wednesday. The project is aimed at reaching a maximum annual sugar cane production capacity of about 1 million tonnes, producing 115,000 tonnes of sugar, Jean Louis Billon told a news conference in Abidjan. Current production is about 87,000 tonnes. Billon said the firm will also rehabilitate and modernise two sugar processing plants, which suffered during the West African nation's near decade-long political crisis, which only ended after a violent four-month post-election stand-off. "We are going to upgrade factories and plantations to enable Sucreivoire (Sifca's sugar subsidiary) to be more competitive," Billon said. "It is a big sign of the restart of the sugar industry in Ivory Coast -- our target is to exceed 100,000 tonnes," he said. Billon said the group had obtained 24.5 million euros from financial institutions, including 8 million euros from French government agency Proparco, while the rest of the money will come from the firm's own funds and from partners.

Sifca, one of Ivory Coast's biggest companies, which is part-owned by Singapore's Olam International <OLAM.SI> and Wilmar International, posted a jump in net profits to 54.72 billion CFA francs (\$114 million) in 2010, from 17.36 billion CFA in 2009. The company produces palm oil, cotton seed oil, natural rubber, and sugar in Ivory Coast, Liberia, Nigeria and Ghana. Ivory Coast's two sugar companies produced about 187,000 tonnes of sugar in 2010 for an internal demand estimated at about 200,000 tonnes per year. (\$1 = 0.7472 euros)

EUROPEAN UNION

EU issues licences for disputed sugar exports

BRUSSELS, Dec 7 (Reuters) - The European Union issued licences on Wednesday for the export of 700,000 tonnes of out-of-quota sugar, which producers outside the EU have said exceeds a World Trade Organization (WTO) export limit imposed on the bloc. The EU approved the sugar exports in April, and said the volume was within its annual WTO limit of 1.35 million tonnes for the 2010/11 marketing year, which ran until the end of September. But by giving operators until the end of 2011 to deliver shipments and having only just issued the licences, Brazilian and Australian producers said the exports should fall under the EU's 2011/12 quota, taking approved exports for the period to 2.05 million tonnes. Applications by EU operators for the export licences were about double the total volume available, so each applicant will receive licences for

51.7 percent of the volume that they requested, a regulation in the EU's official journal showed. Out-of-quota sugar refers to EU sweetener produced in excess of national production quotas, and is either exported up to the bloc's annual WTO limit, sold for biofuel production and other industrial uses, or converted into "quota" sugar for the following marketing year.

EU committee approves 100,000 T raw sugar imports

BRUSSELS, Dec 8 (Reuters) - A European Union committee accepted bids on Thursday to import 100,000 tonnes of raw sugar for refining at import duties of between 252.50 and 255 euros per tonne, the bloc's executive said in a statement. The imports from all non-EU countries were approved by the committee last month in a bid to help struggling European refiners secure affordable supplies of raw sugar.

EU clears sale of 400,000 T out-of-quota sugar

BRUSSELS, Dec 15 (Reuters) - The European Union approved on Thursday the sale of 400,000 tonnes of "out-of-quota" white sugar on the EU market, at a reduced levy of 85 euros per tonne, the bloc's executive said in a statement. Holders of out-of-quota sugar applied to sell nearly five times the total volume available, meaning that each applicant will be allowed to sell 21.68 percent of the total for which they applied, the statement said. The sales were approved last month in an effort to meet the current high demand for sugar on the EU consumer market, as well as to provide an outlet for an expected 1 million tonne surplus of out-of-quota sweetener following the bloc's recent bumper sugar beet harvest.

Out-of-quota sugar refers to sweetener produced in excess of EU production quotas, and is either exported up to an annual limit agreed under world trade rules, sold for biofuel production and other industrial uses, or converted into "quota" sugar for the following year with a corresponding cut to that year's quota. Sales of out-of-quota sugar for food and other consumer uses on the EU market are usually subject to a "super-levy" of 500 euros per tonne. The EU also approved the import of 36,000 tonnes of raw cane sugar for refining at a minimum duty of 263.50 euros per tonne, compared with the usual duty of 339 euros per tonne, as part of a regular tendering process due to run until July.

EUROPEAN COUNTRIES

France

Sugar beet growers see record 2011 French crop

PARIS, Dec 2 (Reuters) - France should produce its biggest-ever sugar beet crop this year on the back of record yields, growers group CGB said on Friday. "We are at an absolute record at over 37 million

tonnes," Alain Jeanroy, the CGB's managing director, told reporters. The estimated 2011 crop of about 37 million tonnes was just above a previous record of 36.9 million dating back to 1981, he said. The average yield, assuming a sugar content of 16 percent, would also set a record at 96 tonnes per hectare, he said. Last month, the French farm ministry estimated this year's sugar beet crop at 36 million tonnes, which would compare to the 31.8 million tonnes produced in 2010. Actual sugar content would reach 19 percent and the sugar yield would be 14 tonnes per hectare, the CGB said.

This year's crop benefitted from favourable weather and early planting, as well as continued gains in plant performance, Jeanroy said. This year's crop was from a planted area of only 389,000 hectares compared with 644,000 tonnes for the previous record crop in 1981. "This shows the record the efforts made in productivity with rising yields," Jeanroy said. The large crop and early harvesting this year would lead to a record for the production period at French sugar factories, estimated at 110 days, he added. With all the crop cut, processing at sugar plants was expected to run until Jan. 15, he said. The bumper crop would lead to a bigger surplus not covered by European Union sugar quotas or contracts for industrial uses like ethanol fuel, but the CGB expected this volume to be absorbed by extra quota or export licences. The CGB reiterated its opposition to a proposal from the EU's executive to scrap the bloc's sugar quotas in 2015, saying they should be extended until 2020 to allow European producers to prepare to compete on the world market.

Germany

German sugar crop going well, big output seen

HAMBURG, Dec 7 (Reuters) - Germany's sugar beet harvest is progressing very well in favourable weather and the country is likely to achieve the forecasts of a sharp rise in sugar output, the head of German sugar industry association WVZ told Reuters on Wednesday. "Harvest progress is excellent and weather is favourable," said WVZ chief executive Dieter Langendorf. "Confidence is growing that we will achieve our production targets." Germany's 2011/12 refined sugar output will rise sharply to 4.67 million tonnes from 3.44 million tonnes in 2010/11, the association forecast in early November. "We are not raising this estimate but there is increasing expectation that we will reach it," Langendorf said. "Beet sugar content is high and beets are arriving at refineries in good condition for processing. "Harvesting and refining will continue into mid January so we will have to see what the winter weather brings, the harvest is not over yet." Over 70 percent of harvested beets had now been processed. Mild, dry weather in November and most of December has allowed farmers to make rapid harvest progress, he said. An increase in planted area coupled with good

weather has raised sugar content and beet yields per hectare. The eleventh factory test on sugar beet delivered to refineries in Germany this season on Tuesday showed sugar content of 17.90 percent compared to 17.25 percent in the same test last season.

EU MEASURES WELCOMED

German refined sugar output of around 4.6 million tonnes would again mean Germany would exceed its European Union production quota of some 2.8 million tonnes. The EU restricts output of some subsidised crops such as sugar with quotas. Sugar output over the EU quota cannot normally be sold as food or exported but may be marketed for industrial use such as chemical or bioethanol output. Germany had also produced heavily over its EU production quota in previous seasons. Germany's sugar industry welcomed the decision in late November by the EU to allow export of 700,000 tonnes of out-of-quota sugar and also to permit 400,000 tonnes of out-of-quota supplies to be sold for normal food use inside the EU, he said. "We view this as a positive for Germany," Langendorf said. "There is a requirement for sugar inside the EU and there is also sugar available." The German government's decision to raise bioethanol volumes blended in gasoline in 2011 should also provide extra demand for sugar for biofuel output, he said. German bioethanol is largely produced from sugar and grains. "We are confident that all the volumes of sugar produced in Germany this season can be sold in the food, chemical and bioethanol markets," he said.

German 12th factory test sugar content up on year

HAMBURG, Dec 15 (Reuters) - The twelfth factory test on sugar beet delivered to refineries in Germany this season showed sugar content of 17.95 percent compared to 17.27 percent in the same test last season, the association of German sugar producers WVZ said on Thursday. This was also up from the 17.90 percent in this season's eleventh sugar test. The WVZ said on Thursday it expects 28.874 million tonnes of beets to be delivered to German refineries in the current 2011/12 season, up from 22.441 million tonnes delivered last season. Some 76 percent of the German sugar crop has now been delivered to refineries compared to 89 percent this time last year. German refineries have produced 3.536 million tonnes of sugar so far in the current sugar season against 3.189 million tonnes this time last year, the WVZ said.

Germany's sugar beet harvest is progressing very well in favourable weather and the country is likely to achieve the forecasts of a sharp rise in sugar output, the head of WVZ told Reuters on Dec. 7. The WVZ expects a strong increase in Germany's sugar crop this season as favourable weather is likely to raise the beet sugar content while the planted area has also been expanded. Germany's 2011/12 refined sugar output will rise sharply to 4.67 million tonnes from

3.44 million tonnes in 2010/11, the association forecasts. Mild, dry weather in November and most of December has allowed farmers to make rapid harvest progress.

Ireland

Carlow seen as best spot for Irish beet ethanol plant

Kingsman News Summary, (08 December 2011)

Carlow has been earmarked as the best location for a new bio-refinery plant that will produce sugar as well as ethanol, the Leinster Leader reports. If farmer buy-in and investment proves fruitful, and Beet Ireland gets the go-ahead from the European Commission, it is hoped the factory will be up and running by 2015.

INDIA

India issues formal order for 1 mln t sugar exports - Govt statement

NEW DELHI, Dec 5 (Reuters) - India has issued a formal order for exports of 1 million tonnes of sugar under unrestricted exports, a government statement on the website showed on Monday, nearly a fortnight after a ministerial panel allowed such exports as production was seen exceeding demand. "It has been decided to allow exports of 1 million of raws, white and refined sugar under OGL (open general licence)," the statement, dated Dec. 2, showed. India, the world's top sugar producer after Brazil, has asked mills to register within 45 days of the issue of the notification for the latest round of exports, saying permission would be granted within three days of application.

India sugar output up so far; more exports likely

NEW DELHI, Dec 5 (Reuters) - India's sugar output rose 22.2 percent in the first two months of the new season from October despite crushing delays in its top producing state, a leading industry body said on Monday, boosting the chances of more sugar exports by the government. Last month, the world's top consumer of sugar, and the biggest producer after Brazil, allowed mills to export 1 million tonnes, kicking off the overseas sales of the sweetener in the 2011/12 season. Even though stocks are plentiful and forecasts for production remain strong, the government is expected to allow a second tranche of exports only after getting a clearer picture about total output once cane crushing gathers pace this month.

Food inflation, which has been stubbornly high over the past year, softened to about 8 percent in the week ending Nov. 19, the lowest in nearly four months. "The trend that has emerged in the first two months of the season is an indication of a bumper production and this is going to help the government take an early decision on the next tranche of exports," Praseon Mathur, a senior analyst with Delhi-based Religare Commodities. Sugar mills have produced 2.2 million

tonnes of sugar between Oct.1 and Nov. 30, up from 1.8 million tonnes in the year ago period, the Indian Sugar Mills Association, a producers' body, said in a statement. Between October and November, output in Uttar Pradesh, the biggest cane producing state, was at 530,000 tonnes against 183,000 tonnes in the same year-ago period, the statement said. But output in the biggest sugar producing state of Maharashtra, where crushing was delayed due to a price row between cane growers and millers, was 880,000 tonnes, down from 936,000 million tonnes a year earlier.

Expectations of higher supply from India and Thailand has put pressure on global sugar prices, dealers said. Industry expert Jonathan Kingsman also expects a sugar surplus of up to 8 million tonnes in the next 12 months. Trade and government officials believe India's sugar mills will produce 25 to 26 million tonnes of sugar in the current sugar year that began on Oct. 1. Domestic demand hovers around 22 million tonnes. On Monday, the food ministry said in a statement on its website that it was seeking exporters to sell 1 million tonnes of sugar under an open general licence (OGL), nearly two weeks after such sales were allowed. In 2010/11, India exported 2.6 million tonnes of sugar, including unrestricted overseas shipments of 1.5 million tonnes under OGL. (\$1 = 51.20 Indian rupees)

India's sugar stocks up 24 pct on Nov. 1 sources

NEW DELHI, Dec 12 (Reuters) - India's sugar inventory rose 23.7 percent to 4.7 million tonnes on Nov. 1 from a year ago, industry sources told Reuters on Monday.

November stocks are sufficient to meet about two months of domestic demand. Sugar inventory on Oct. 1, when the new season began, was 6.5 million tonnes against 5.0 million tonnes a year ago, they said. Higher stocks could encourage the government to allow a second tranche of exports after a panel of ministers last month permitted one million tonnes of overseas sales, kicking off exports in 2011/12. Sugar mills have produced 2.2 million tonnes of sugar between Oct.1 and Nov. 30, up from 1.8 million tonnes in the year ago period, the Indian Sugar Mills Association, a producers' body, said recently. But output in the top producing state of Maharashtra is likely to miss a target of 9.3 million tonnes due to poor cane yields. Industry and government officials estimate mills to produce 25-26 million tonnes of sugar in 2011/12, and after meeting domestic demand, about 3-4 million tonnes could be available for staggered exports.

India issues first sugar export permits under 1 mln t exports-sources

NEW DELHI, Dec 14 (Reuters) - India has issued the first permits for unrestricted sugar exports in a tranche of one million tonnes for the new season that began from Oct. 1, government sources said on Wednesday. The sources said the

permits were issued for 22,000 tonnes of exports to begin with.

India's Oct. 1-Dec. 15 sugar output up 18 pct-industry

NEW DELHI, Dec 19 (Reuters) - India has produced 4.6 million tonnes of sugar between Oct. 1 and Dec. 15, the Indian Sugar Mills Association, a producers' body said on Monday, up 17.9 percent year-on-year. Sugar mills in India, the world's top consumer and the biggest producer behind Brazil, churned out 3.9 million tonnes during the year-ago period. Higher output could boost the chances of more sugar exports by the government which has already allowed 1 million tonnes of overseas sales in the 2011/12 season. India's sugar season starts from Oct. 1.

INDONESIA

Indonesia frets about sugar stocks as farmers protest imports

JAKARTA, Dec 14 (Reuters) - Indonesia is concerned about domestic white sugar supplies between March and May next year when current stocks of 740,000 tonnes run out and the new crushing season has yet to start, a senior trade ministry official said on Wednesday. Bayu Krisnamurthi, deputy trade minister said this at a meeting with the Indonesia Sugarcane Farmers Association (APTRI), who was demanding the cancellation of a plan to import 500,000 tonnes of sugar next year and other policies they say have made them lose several hundred million dollars. "Currently there is 740,000 tonnes of white sugar in local warehouses," Krisnamurthi said. "With monthly white sugar consumption of 220,000 tonnes, the stock may last for 3.5 months. "What we (are) concerned (about) is the availability of white sugar in March, April and May next year when the stocks are finished and there is no sugarcane milling activity at the time," he added.

Indonesia's 2011 white sugar output is estimated at 2.35 million tonnes, Krisnamurthi said, reiterating the government forecast from last month. This year's total lags the government target set earlier this year at 2.7 million tonnes, which means it will be more difficult to reach its self-sufficiency aim in 2014. Indonesia, Southeast Asia's top sugar consumer, imports more than 2 million tonnes of sugar a year, both raws and whites, to meet household and industrial consumption. The country imports 60 percent of its sugar from Thailand, 20 percent from Brazil, 10 percent from Australia and is seeking to boost purchases from India, officials have said. "We, APTRI come to Jakarta from West Java, Central Java, East Java, Yogyakarta, North Sumatra and Lampung with 5,000 farmers to insist that the government stop its sugar import plan of 500,000 tonnes in 2012," Soemitro Samadikoen, chairman of APTRI earlier told demonstrators at the trade ministry. "We still have much white sugar stocks in our warehouses in East Java and in other

key sugarcane-growing areas all over Indonesia. So, we do not need to import sugar," he added.

2012 IMPORTS NOT YET DECIDED

But Krisnamurthi said the government has not yet decided on its 2012 sugar imports and will calculate its demand by taking into account the shortfall in production this year. Samadikoen said APTRI also wants the trade ministry to stop distribution of refined sugar for industrial use, which has in effect been penetrating the household market and forced down prices and wants the government to pay more attention to farmers to make local white sugar more competitive. "Sugarcane farmers have lost 2.4 trillion rupiahs (\$264.61 million) in 2011 because of imported sugar, illegal sugar and the penetration of refined sugar for industrial use to household market," he added. The losses mainly came from the declining prices of sugar farmers earned to 8,300 rupiahs per kg this year from 9,300 rupiahs in 2010, Samadikoen said.

APTRI's Secretary General Fatchuddin Rosyidi said there is a lot of illegal sugar in the domestic market that entered Indonesia via border areas in West/East Kalimantan and Riau. Refined sugar for industrial use is also commercially traded widely in Sulawesi, Kalimantan, Bali, Nusa Tenggara and eastern Indonesia, Rosyidi added. Krisnamurthi said Indonesia needs 2.5 million tonnes of refined sugar for industrial use annually. Indonesia was the world's second-largest sugar exporter after Cuba in the 1930s, but ageing sugar mills, a vast network of smallholders and an influx of cheaper imported sugar put pressure on local production. (\$1 = 9,070 Indonesian rupiahs)

JAPAN

Japanese sugar subsidy programme in the red

Kingsman News Summary, 12 December 2011

Japan's Agriculture Ministry's programme to protect domestic sugar farms from cheaper foreign imports incurred a loss of 500 million yen in the year ending September –the 13th consecutive year of such losses, informed sources told the Jiji Press. Accumulated losses have reached 33.4 billion yen. The programme is likely to fare even worse if Japan joins the Trans-Pacific Partnership free trade framework, as part of the sugar sales price known as 'adjustment fees' would need to be scrapped, and the Ministry would have to either increase its financial contribution or reduce subsidies to farms, the sources said.

MAURITIUS

Mauritius 2011 sugar estimate lifted to 430,000 T

PORT LOUIS, Dec 13 (Reuters) - Mauritius' Chamber of Agriculture revised its 2011 sugar production forecast upward

by 4.9 percent to 430,000 tonnes on Tuesday on the back of improved sugar cane productivity. Sugar, long a pillar of the Indian Ocean island's nearly \$10 billion economy, accounts for roughly 1.2 percent of gross domestic product. "Against all odds, sugar cane productivity has evolved favourably during the final weeks of the harvest. As opposed to the situation in 2009 and 2010, when sugar cane productivity dropped substantially, this year it rose to 79.7 tonnes per hectare compared with 79 tonnes a year ago," the chamber said in a statement. The chamber said favourable weather conditions had led to the increased productivity. The Indian Ocean island switched to exporting value-added sugars instead of raw sugar when the European Union cut its guaranteed price for African, Caribbean and Pacific (ACP) sugar.

PAKISTAN

Pakistan rumoured to be offering sugar

Kingsman News Summary, 13 December 2011

Reuters reports that there was talk in the Asian sugar market this week that Pakistan has started to offer sugar. "There are some offers, or people asking around whether you want to buy Pakistan sugar. There are no details yet and some say prices will be at 'market level', although I don't know what that really means," a Singapore based trader said. Pakistan's Economic Coordination Committee of the Cabinet shelved making a decision on TCP buying 200,000mt of sugar from mills and has set up a committee to examine the issue, the Express Tribune reports. This will be the third committee to look into the matter. The ECC heard that at its meeting on Monday that the proposed deal could cause a Rs1.8 billion loss to the exchequer. Online adds that mill owners have refused to pay the official price for cane unless the government buys the sugar at Rs 65 per kg.

Pakistani millers want sugar export ban lifted on plentiful output

ISLAMABAD, Dec 16 (Reuters) - Pakistani millers are seeking permission from the government to export up to 500,000 tonnes of refined sugar as they are expecting bumper production, the country's top sugar body said on Friday. Pakistan's annual sugar consumption is about 4.2 million tonnes, and export of the sweetener has been banned for nearly three years due to reduced output. But this year, the country is expecting about 5 million tonnes from the 2011/12 crop, with carryover stocks of up to 600,000 tonnes, Javed Kayani, chairman of the Pakistan Sugar Mills Association (PSMA), told Reuters. "Even after meeting domestic needs and maintaining strategic stocks, Pakistan could still export up to 500,000

tonnes of refined sugar, and there will be no shortage in the country," Kayani said. "This will also help us make payments to growers and meet our financial obligations in time, as the government is delaying a decision to buy sugar from local mills," he added. Government officials were not immediately available to comment.

The state-run Trading Corporation of Pakistan (TCP) on Friday re-issued a tender to buy 200,000 tonnes of white sugar from local mills in a bid to cut cost after domestic prices fell in recent weeks to around 55 rupees (\$0.61) per kg from about 70 rupees in November. The tender was originally issued on Nov. 3. The government buys sugar every year for its strategic reserves and for its subsidy scheme. A growers' body, Agri Forum Pakistan, has asked the government to either buy sugar from local mills or allow them to export so that they can pay outstanding dues to farmers. If exports are allowed, Pakistani sugar would add to plentiful global supplies. ICE raw sugar futures slipped to a 6-1/2-month low on Thursday. March white sugar futures on Liffe lost \$1.40 to finish at \$596.30 per tonne in modest volume of around 3,550 lots. Pakistan had to import about 1.2 million tonnes of sugar last year after production fell to 3.1 million tonnes from the 2009/10 crop, when many farmers switched to more profitable crops. The country, however, produced, 4.1 million tonnes of refined sugar in 2010/11 (July-June) year despite devastating floods in 2010.

Government rejects pleas for exports

Sugaronline Ebriefing, 20 December 2011

The Economic Coordination Committee (ECC) of the Cabinet in its last meeting has rejected Pakistan Sugar Mills Association (PSMA) demand for allowing sugar exports, according to Pakistan's Tribune newspaper. An official source, who attended the ECC meeting, said that the government did not want to repeat the permission of export of commodities likewise it was done in 2006 for the export of wheat and this option for the export of surplus commodity.

The ECC in its last meeting also decided to procure 0.2 million tonnes sugar from local millers at the worked out benchmark price of sugar at PKR53.73 (US\$0.60) per kg not at the offered price of millers but the supply of sugar would be in 5,000-10,000 tonne lots. The ECC further said in its decision that if the target of 0.2 million tonnes of sugar procurement is not achieved, then the Trading Corporation of Pakistan (TCP) would be allowed to increase its over draft limit and also those millers who were previously defaulted in supplying committed quality of sugar would also be allowed to participate in the new tender. The new tender unlike the previous one would not be restricted to

PSMA members only but will include all the members of mills as well.

The powerful sugar cartel is pressing the TCP to procure the sweetener from millers at their offered price - well over the wholesale price of the commodity market - but not at the market price. A representative of the PSMA repeatedly requested the committee for allowing the millers for the export of sugar quoting the estimates of PSMA for having good crop to meet the local demand, the same official said. The ECC was also informed that there would be no shortage of the sweetener next year and all these speculations were being peddled by millers with the nexus of the ministry of industry as the commodity, allocated for USC operation, is being smuggled to neighbouring states, he added. According to TCP officials, the corporation has floated a tender for the procurement of 0.2 million tonnes sugar from the local suppliers whereas the tender document include that the suppliers should quote sugar price ranges between PKR50 to PKR53 per kg. At one side the sugar millers are pressing policy makers at the federal level for selling their produce at their offered price but at the same time, PSMA is purchasing cane from farmers much below the fixed price for the cane set by the provincial governments, a farmer from Multan told this correspondent. "They (millers) are blackmailing the government and buying more and more time to finish crushing season by procuring cane at low prices," the same farmer said. With the devolution of the federal food ministry, another farmer while expressing sorrow at the state of affairs at the federal level, told this scribe by telephone, "the government both federal and provincial have given freehand to miller to fleece farmers."

PHILIPPINES

SRA lowers 2011/12 sugar estimate

Sugaronline Ebriefing, 9 December 2011

Amid persistent reports of drop in sugar production, the Sugar Regulatory Administration (SRA) is considering lowering the initial production estimate of 2.4 million metric tonnes to only 2.2 million metric tonnes, according to the Philippines' Sun.Star newspaper. "The SRA, through its own agriculturist, with the assistance and in coordination with the mill district development councils, is verifying reports of a projected decrease in production this crop year 2011/12," SRA chief Ma. Regina B. Martin said Thursday. Enrique D. Rojas, president of the National Federation of Sugarcane Planters (NFSP), thanked the SRA for heeding NFSP's reports on widespread drop in sugar production. Rojas brought the matter to Martin's attention as early as mid-November during the NFSP national meeting where the SRA chief was the invited guest. "Given the continuous rain and the extensive

flowering of sugarcane, which SRA has noted to be almost 50% more than what was observed last year; the 2.2-million-tonnes production estimate might even be generous. From all indications, production might go below 2.2 million tonnes this crop year," Rojas said.

Production records show an increase in production at the start of the milling season but sugar producers asserted that the tonnage of harvested canes had drastically dropped compared to last year. "Actual weekly production against the previous year indicates a very large increase of 74.58%. But planters are claiming that the harvested canes per hectare is lower by 20%, a little higher than SRA initial report of 18%," Martin said. "Sugar produced per ton cane milled is higher by 14%, or about 0.24 LKg/TC, referring to sweetness of the canes. Given this, the sensitivity analysis revealed that the increase cannot compensate for the decreased cane tonnage," she said. Moreover, despite the additional 6% increase in expanded land area planted to sugarcane in the Visayas, a shorter milling period looms this crop year. "As some farms have already completed harvesting sooner than projected because of stunted canes, the possibility of a shorter milling period is forthcoming," the SRA chief admitted. Martin assured that SRA is also studying the effect on the present allocation if the production will drop to 2.2 million tonnes to ensure that the balance of sugar supply is sufficient in meeting demand until the next crop year. "If sugar prices don't react favorably very soon, producers might be compelled to insist for a reduction in allocation for 'B' (domestic) sugar," Rojas, who called last week for a reduction in 'B' sugar allocation to arrest the slide in millgate prices, said.

Sugar industry stakeholders believed that sugar prices should be around PHP1,350.00 (US\$31) per 50-kilo bag so that producers, especially the thousands of small sugar farmers, can make sugar farming viable. At present, millgate sugar prices are far from that level. The present sugar production allocation is 72% for 'B' sugar, 8% for 'A' (US quota) sugar and 20% for 'D' (world market) sugar. Meanwhile, sugar prices have started to inch higher over the last couple of weeks, primarily due to Christmas sales, Martin said. "With the completion of the shipment to the world market of no less than 232,000 tonnes sugar by end of December, SRA is hopeful that the local price of sugar will continue to appreciate," she said.

Philippines Sept-Nov sugar output up 75 pct y/y - govt

MANILA, Dec 12 (Reuters) - The Philippines' raw sugar output in the first quarter of crop year 2011/2012 rose 75 percent from a year earlier, allowing the country to ramp up exports of the

sweetener to the United States and some Asian buyers, government data showed. Raw sugar output in the current crop year totaled 431,230 tonnes as of Nov. 27, compared to 247,015 tonnes in the same period last year, the Sugar Regulatory Administration (SRA) said in a report. Sugar exports from Sept. 1 to Nov. 28 totaled 225,904 tonnes, excluding 2,000 tonnes of refined sweetener sold to Vietnam. That was more than six times the export volume of 35,801 tonnes for 2010/12 and accounted for a third of planned exports of 672,000 tonnes for the current crop year ending Aug. 31, 2012.

The Philippines' raw sugar output in 2011/12 is forecast to reach 2.4 million tonnes, basically level with 2.39 million tonnes in 2010/11, which was the highest in three years. The country is not a major sugar exporter but its excess supply will add to a 2011/12 global surplus that is forecast to reach 8.2 million tonnes. ICE raw sugar futures tumbled on Friday on expectations of big supplies from northern hemisphere producers such as Russia and Ukraine. The SRA report showed raw sugar shipments to China so far in the current crop year were 22,824 tonnes. The country had also sold 109,413 tonnes of raws to Japan, 46,331 tonnes to Indonesia, 19,780 tonnes to South Korea, and 58,157 tonnes to the United States. The shipments to the U.S. were on top of the Philippines' annual import quota allocation of 144,901 tonnes raw value.

RUSSIAN FEDERATION

Rusagro Q3 profit hit by cane sugar market turmoil

MOSCOW, Dec 1 (Reuters) - Russian sugar and pork producer Rusagro said third quarter profit fell 38 percent, as economic uncertainty limited the profits it could make in the cane sugar market. Rusagro, which raised \$330 million in a London stock market float in April, said net profit for the three months to Sept. 30 was 1.1 billion roubles (\$35.81 million), down from 1.8 billion roubles in the same period a year ago. Macroeconomic uncertainty "seriously affected the dynamics of world commodity prices, while also breaking the correlation between world and domestic prices," Rusagro's CEO Maxim Basov said in a statement. "The result has been that we have not earned the money that was targeted for cane sugar." Bashov said the company had been forced to lower sales volumes during the year. Rusagro produces white cube sugar and white packaged sugar under the Chaikofsky, Russkii Sakhar and Brauni brands. Rusagro's results showed good performance on revenue, but the gross margin was lower than expected, said Natasha Zagvozdina, head of consumer and agricultural research for Russia, the CIS and Turkey at Renaissance Capital. "We think that the company will end the year with a lot of unsold sugar in the inventory," Zagvozdina said. "And it is difficult to predict where prices will go." Zagvozdina added that the current 2011-

2012 growing period will be the first year that Russia will be self sufficient in sugar. Russia's long-term drive for self-sufficiency in sugar was helped by a record sugar beet harvest in 2011.

Sugar prices have been under pressure, with Liffe-traded white sugar futures recently hitting a 6-month low on concerns about the euro zone crisis. However, Rusagro's profits from meat for the quarter, stripping out interest and other items, rose 48 percent to 722 million roubles. The company is expanding its pig-breeding operation, which it says is the fifth largest in Russia. Shares in Rusagro were unchanged at \$6.6 per global depository receipt (GDR), a fall from its listing price of \$15 when shares were floated on the London stockmarket in April. The company recorded a first-half loss in August after revealing that it had awarded chief executive Basov a 360 million rouble (\$11.72 million) share-based payout. (\$1 = 30.7143 Russian roubles)

Otradinsky sugar factory expansion allows higher beet processing

F.O. Licht's International Sugar and Sweetener Report, December 06 2011, Volume: 143 Issue: 36

Razgulay has invested RUB300 mln (\$1=RUB30.94) this year to increase the beet slicing capacity of its Otradinsky sugar factory from 4,800 to 6,000 tonnes per day, the plant's General Director Vyacheslav Chirkov said. The plant is located in Orel region and receives beet also from neighbouring Ryazan and Tula regions. As of November 29, the factory had processed 480,000 tonnes of beet out of the total target for this season of 680,000 tonnes. It produced 60,000 tonnes of beet white sugar so far. Beet processing is targeted to rise up to 1 mln tonnes in 2012.

Lipetsk sugar factories to be modernised within four years

F.O. Licht's International Sugar and Sweetener Report, December 06 2011 Volume: 143 Issue: 36

All six sugar factories in Lipetsk region will undergo modernisation in the next three to four years in order to raise beet processing capacities, local press reports said. The Borinsky sugar factory, which is the oldest in the whole of Russia, will receive entirely new equipment that will raise the plant's daily beet slicing capacity to 6,000 tonnes by 2014/15 from the current 2,300. The region also plans to raise beet cultivation to reach a total harvest volume of 5 mln tonnes per year, its governor Oleg Korolev said, adding that two new sugar factories will be built from scratch.

Russia 2011/12 beet sugar output seen 4.6-5.2 mln T

MOSCOW, Dec 12 (Reuters) - Russia's beet sugar output from this year's crop is still expected to be a record, but the actual output may be in a wide range of 4.6 million to 5.15 million tonnes due to unpredictable weather, a leading sugar market analyst said on Monday. "A significant volume of sugar of 4.60 to 5.15 million tonnes may be achieved if frosts set in and stay from now on to the end of January in the centre and in the south (of Russia), or else there will be losses," Yevgeni Ivanov of the Institute of Agricultural Market Studies (IKAR) told Reuters. Frozen beets can be processed into sugar, but heavy losses can be caused when beets thaw out.

The Russian Hydrometcentre weather forecasting service said on its website meteoinfo.ru on Monday that no hard frosts are expected this week in central and southern Russia. Russia officially expects to refine over 5 million tonnes of white sugar from domestic beets, due to a record sugar beet crop resulting from an increased area sown with beet this year. The main sugar lobby believes output may be 5.2 million tonnes. "From the 36.5 million tonnes of beets stockpiled at refineries by Dec. 5 some 4.69 (tonnes of sugar) may be refined. Besides this, there are around 2 million tonnes of beets stockpiled in the fields," Ivanov said. He said that currently all sugar beet growing regions are urgently taking steps to preserve the beet, most of which is stockpiled in the open air and may be lost if frosts are followed by a thaw.

Russia, which used to be a leading sugar buyer, has drastically cut sugar imports this year, having imported just 700 tonnes of raw cane sugar in September and in October, compared to 90,400 tonnes in August. Russian officials have said that Russia buyer may need no more imports of raw cane sugar this season and a government body has recommended keeping a tariff on raw sugar imports at a high level of no lower than \$140 per tonne at least until May 2013. IKAR believes that Russia may export 250,000-280,000 tonnes of white sugar in the current crop year which ends on July 1, 2012, it said in a monthly report. IKAR also believes that if sugar prices do not rise to 24,000-25,000 roubles (\$760-\$790) per tonne in the benchmark Krasnodar region in March-April from 19,800 roubles last week farmers in many regions will cut sugar beet sowing areas in favour of grains, oilseeds and other crops next year, it said. (\$1 = 31.47 Russian roubles)

Sugar production at 4.19 million tonnes to Dec. 12

Sugaronline Ebriefing, 15 December 2011

Russia produced 4.192 million metric tonnes of sugar from domestically harvested beet to Dec. 12, compared with 2.663 million tonnes on the same date last year, according to Dow Jones. The newly harvested beet is being processed by 74 refineries, compared with nine a year ago, and they received from farmers to date 37.363 million tonnes of beet, compared with 20.657 million tonnes a year ago, and processed 32.059 million tonnes, compared with 19.962 million tonnes a year ago. Remaining beet stocks at sugar refineries on Dec. 12 totaled 4.775 million tonnes compared with 1.042 million tonnes a year ago. Soyuzrossakhar estimates that total sugar from beet output this year will be 5.2 million tonnes.

SOUTH KOREA**South Korea keeps sugar imports duty-free**

Kingsman News Summary, 15 December 2011

South Korea's government has decided not to reinstate 35% import duty on sugar and will allow sugar to keep its tariff-free status, Maeil Business Newspaper reports. The government has applied a tariff quota scheme to sugar since August 2010.

SUDAN**White Nile Sugar to open in next two weeks**

Sugaronline Ebriefing, 15 December 2011

White Nile Sugar Co. plans to open a processing plant in the next two weeks, helping to meet domestic demand for sweeteners, according to Bloomberg. White Nile will start with initial capacity of 150,000 metric tonnes and grow to 450,000 tonnes in two years, covering 40% of domestic demand, the company said in an e-mail. The company is 30% owned by Kenana Sugar Co., Sudan's largest producer of white, or refined, sugar, according to its website. It was established in 2004.

THAILAND**Thai 2011/12 sugar output may hit record 10 mln tonnes**

BANGKOK, Dec 9 (Reuters) - Thailand, the world's second biggest sugar exporter,

could produce up to 10 million tonnes of sugar in the current 2011/12 crop, the highest ever, boosted by better yields, industry officials said on Friday. That was slightly up from a conservative forecast by the Office of Cane and Sugar Board (OCSB), which oversees the country's sugar industry, of 99 million tonnes of cane, which equates to around 9.9 million tonnes of sugar. In the previous 2010/11 crop, Thailand produced 9.6 million tonnes of sugar. The country has set aside 2.4 million tonnes for domestic consumption, or Quota A, and the rest was for export. "The crushing runs smoothly and the yield of sugar (CCS) is better than last year, so we expect to have up to 10 million tonnes of sugar," said an OCSB senior official who monitors sugar production. CCS, or Commercial Cane Sugar, measures sugar content in cane, with a higher CCS indicating better sugar yield.

In the current 2011/12 crop, the sugar had a CCS of around 10.5, up from last crop of around 9.5, the official said. He added the crushing was gradually run since Nov 15 and around 323,000 tonnes of sugar had already been produced so far, of which around 24,516 tonnes was white sugar and the rest raw. Traders said rising supply could weigh on global prices. However, they did not expect to see any discount on prices. "Yes, we have plenty of supply not only in Thailand, but also in Australia and India, but I am still confident that demand from major importers in Asia could still absorb the surplus," said a Bangkok-based trader. Another trader who traded Thai raw sugar added, "We could see a drop in prices or premium, but I don't expect traders to sell at a discount as demand remained strong." The premium on Thai raw sugar was quoted at 100 points over New York raw sugar futures prices, traders said on Friday.

ICE March raw sugar futures rose 1.08 cents or by 4.7 percent to end at 24.13 cents a lb on Thursday. China has already bought at least 100,000 tonnes of raw sugar from Thailand for nearby shipments after recent declines in New York futures. Between January to October, Thailand has exported 6.4 million tonnes of sugar, up 48 percent from the same period of last year. Its major buyers were Japan, Indonesia, South Korea, Iraq, Cambodia, China, Malaysia and Vietnam.

Thai cane crush well ahead

Kingsman News Summary, 19 December 2011

Thai mills have crushed 9.47 million mt in the 2011-2012 harvest to December 15th, compared with only 3.39 million mt at the same time last year, an official at the Office of the Cane and Sugar Board said, Dow Jones reports. However, mills started up this season nearly two weeks earlier than a year ago. The official said that the cane crop was pegged at 99.4 million mt, up 4% on the year, according to preliminary estimates.

Thai raw sugar for January-March delivery was offered at a premium of 95 points over March New York dealers told Reuters on Monday. Premiums have fallen from 110 points at the beginning of December.

TURKEY

Government gets bids of \$922 mln for state sugar factories

F.O. Licht's International Sugar and Sweetener Report, December 06 2011 Volume: 143 Issue: 36

Turkey got winning bids of \$922 mln in an auction of sugar factories in the centre and east of the country, Bloomberg reported. Ak-Can Seker Sanayi & Ticaret AS placed the highest bid of \$656 mln in an auction of six factories in central Turkey (Kastamonu, Kirsehir, Turhal, Yozgat, Çorum and Çarsamba), beating five other bidders. A partnership between Limak Holding AS and Kolin Insaat AS bid \$265.5 mln for four plants in the east (Malatya, Erzincan, Elazig and Elbistan) in the second auction of the day and raised their offer to \$266 mln in final talks with the agency.

Initial instalments are likely to be paid next year, when the government is seeking \$5.7 bln in revenue from asset sales. The price of the central plants was more than \$606 mln Ak-Can offered as the winning bid in a 2009 auction of the same assets that was later cancelled by the courts.

UKRAINE

Ukraine produces 2.3 mln T sugar so far in 2011

KIEV, Dec 20 (Reuters) - Ukrainian sugar refineries produced about 2.3 million tonnes of white sugar from sugar beet as of Dec.19 or 50 percent more than at the same date in 2010, Ukraine's sugar union Ukrtsukor was quoted as saying on Tuesday. Interfax Ukraine news agency quoted Ukrtsukor data as showing that refineries had received about 17.7 million tonnes of sugar beet and processed 17.2 million tonnes. Ukrtsukor has forecast 2011 white sugar output at 2.3 million tonnes, while the Agriculture Ministry forecast white sugar production at 2.1-2.2 million tonnes this year. The former Soviet republic, which consumes up to 1.9 million tonnes of sugar a year, produced 1.55 million tonnes of white sugar from sugar beet in 2009/10.

III. NEWSUGAR PRODUCTION PROJECTS

Ukraine - Giant sugar factory to be constructed in Vinnitsa

F.O. Licht's International Sugar and Sweetener Report, December 06 2011, Volume: 143 Issue: 36

Engineering company Wiedemann Polska plans to construct a sugar factory with a daily beet slicing capacity of 12,000 tonnes, or around 180,000 tonnes of sugar per year, in Shpikov in Vinnitsa region, local press reports said. The estimated project cost is around \$350 mln and the plant is expected to become operational in 2015, it was added. Upon completion the plant will become Ukraine's largest sugar factory.

Jamaica - Pan Caribbean sugar to build \$150 mln sugar mill at Monymusk

F.O. Licht's International Sugar and Sweetener Report, December 06 2011 Volume: 143 Issue: 36

Pan Caribbean Sugar plans to build a JMD13 bln (\$150 mln), state-of-the-art sugar mill at its Monymusk estate in Clarendon to open in 2015, local press reports said. The Chinese-owned company says the new plant will be able to process up to 1 mln tonnes of cane per year, up from 350,000 at present. It will employ only half the 300 staff at the existing facility, but more than 1,000 new jobs will be created elsewhere on the estate, mostly raising cane. The company hopes to more than double its acreage at Monymusk, from 3,000 ha to 8,000 ha. Besides producing raw sugar the company will also venture into bagging sugar and packing sugar, its Chief Executive Hanqi He said. A co-generation plant will turn bagasse into 50 MW of electricity, mostly for on-site use. However, it could also produce ethanol for the wider market if crude oil prices rise above \$150 a barrel, he added.

Pan Caribbean has already invested \$20 mln in new equipment since it took over the government's last three sugar estates - Bernard Lodge in St. Catherine, Frome in Westmoreland and Monymusk - for \$9 mln in August. A fleet of more than 100 new vehicles, including bulldozers, pickup trucks, excavators, and tractors, is currently arriving in Jamaica to replace equipment which in some cases is more than 40 years old. The company is investing another \$25 mln in fertiliser, herbicides and wages. Since it is not allowed to pay its independent farmers more to encourage them to be more efficient, the company is instead offering discounted services and inputs, such as chemicals. The aim of the investment is a reduction in production costs by 30% in

two years. However, the decision to build the new plant puts an end to any hopes that the Bernard Lodge mill might be reopened, the report said. The estate is too close to Kingston, which competes with it for scarce water supplies. Cane from Bernard Lodge is already being shipped to Monymusk to be processed.

Egypt - Delta sugar capacity expansion to continue after elections

F.O. Licht's International Sugar and Sweetener Report, December 06 2011 Volume: 143 Issue: 36

Political uncertainty has stalled the expansion at Delta Sugar, but the company is keen to proceed once bureaucratic hurdles are cleared after Egypt's post-revolution elections, local sources said. The company plans to construct a new beet sugar factory that would raise its output by 150,000 tonnes to 400,000 tonnes of sugar per year. Delta does not grow its own beet but buys its annual requirement from thousands of beet farmers across Egypt.

Algeria - Cevital to invest in Rwanda

Kingsman News Summary, 14 December 2011

Algeria's Cevital Group has recently signed a memorandum of understanding with the Rwandan government, represented by the Rwanda Development Board and the National Agriculture Export Board, Rwanda Focus reports. The company is planning to invest around US\$ 250 million in Rwanda over 2 to 3 years, particularly in the agriculture sector, focusing on agro-processing. Plans include the construction of a sugar production plant with production capacity of at least 200,000 mt per year.

IV. ETHANOL

1. World Market - Conditions and Prospects

World-Growth of biofuels to be slower than forecast

Kingsman News Summary, 13 December, 2011

World production of biofuels will increase at a slower pace than previously forecast over the next five years as Brazil's ethanol output falls and the US market becomes saturated, the International Energy Agency said, Bloomberg reports. The IEA reduced its growth forecast from 500,000 barrels per day to 400,000 bpd from 2010 to 2016. It said Brazilian ethanol production would decline by 75,000 bpd this year to 375,000 bpd and would reach 530,000 bpd in 2016.

2. Country Summary

Brazil

Brazil to regulate ethanol stocks in 2013 report

SAO PAULO, Dec 9 (Reuters) - Aiming to curb fuel price swings, Brazil's National Petroleum Agency (ANP) will start requiring distributors to carry 15-day stocks of anhydrous ethanol, a gasoline additive, but only in 2013, a local paper said on Friday. The board of the ANP approved a new regulatory measure governing the ethanol market that will only take effect in April, 2013, when the start of the 2013/14 cane crushing season gets under way, the Folha de S.Paulo newspaper said citing the ANP. Ethanol mills are already required to stock 40 days, or 8.3 percent of the annual production, ANP Director Allan Kardec told the Folha. The ANP was not immediately available to confirm the newspaper report. The new regulations will be published in the government's Official Gazette on Monday, Kardec said. "With this, we will avoid running out of anhydrous ethanol and creating a spike in the price of the fuel, as we had earlier this year," Kardec said. The first drop in cane output in Brazil in 11 years has caused ethanol supplies to plummet, prices to surge, motorists to switch to gasoline and the state-run oil company Petrobras to import 45,000 barrels of gasoline a day in 2011. But the new ANP rules governing distributors' stocks, which will not take effect until over a year from now, will do nothing to curb ethanol prices from spiking again in the coming months.

Brazil-ANP approves regulations for anhydrous ethanol

Kingsman News Summary, 12 December 2011

ANP, Brazil's National Petroleum Agency, has approved the regulation of anhydrous ethanol used in petrol blends, after nearly a year of discussions, Veja reports. From 1st April, 2013, all distributors will be required to maintain a sufficient inventory to last at least 15 days while producers will need to keep stocks for about 40 days. The ANP will also require both producers and distributors to submit their contracts for anhydrous ethanol. The regulation will be published in the Official Gazette on Monday. Reuters adds that ethanol mills are already required to stock 40 days, or 8.3% of annual production, according to the ANP director.

The market estimates that more than 500 million litres of anhydrous ethanol will be 'wet' and turned into hydrous ethanol throughout the Centre South during the off-season to March, Valor Economico reports. Production and imports of anhydrous have been substantial this year, while demand was suppressed because of the reduction in the blend with petrol from 25% to 20%.

Copersucar estimates that 500-600 million litres of anhydrous will be wet, limiting the chance of high hydrous ethanol prices in the off season. It says a further 250 million litres of anhydrous ethanol will be imported by March, adding to the over 600 million litres already imported this season. [...]

Canada

Government to back beet-based ethanol plant

Sugaronline Ebriefing, 5 December 2011

A company set up to develop a commercially viable way of using Prince Edward Island beets as an ethanol feedstock has been backed to build a demonstration-scale processing plant, according to Alberta Farmer magazine. Atlantec BioEnergy Corp., which for years has spearheaded a beet ethanol plan, on Friday was confirmed as receiving C\$340,512 from the federal Atlantic Canada Opportunities Agency (ACOA) for the project. The province's Innovation PEI agency will put up \$1.8 million in "loans, grants and labour rebates." The company recently bought a facility at Cornwall, just west of Charlottetown, and is now renovating that building for its demonstration-scale equipment. The facility is expected to be complete in January, the company said in a provincial release. "This new facility will be active in the production of ethanol from sugar beets and will serve as a working model to demonstrate the ethanol-making process to future customers interested in Atlantec BioEnergy Corp.'s ability to deliver industrial-scale facilities," provincial Innovation and Advanced Learning Minister Allen Roach said in the same release. "Our support for this facility will add to the export potential for Atlantec BioEnergy Corp. but also for the many Island suppliers who play a role in this project."

Atlantec had proposed a beet ethanol plant for the province as far back as 2008, going so far as to contract P.E.I. farmers to grow its beets. Its plans were put on hold that spring after a provincial committee warned that beets, as an energy crop, would need up to 40,000 acres a year to support a commercial-scale fuel plant. But beets weren't likely to integrate well in P.E.I.'s potato rotation and might thus displace crops grown on the province's remaining 157,000 acres of cropland, the environmental and renewable industries committee said in 2008. The company said at the time it would possibly have to take its full-scale proposal to some other jurisdiction.

India

Development of Alternative Fuel Energy

Kingsman News Summary, 19 December 2011

The Indian Ministry of New and Renewable Energy is supporting research, development and demonstration projects for various alternative fuels such as biofuels and hydrogen at universities, Indian institutes of technology, engineering colleges, and public sector undertakings, the Press Information Bureau reports. Grants of up to 100% of project cost to educational and research institutions and up to 50% for industries is being provided for undertaking research, development and demonstration projects.

While a target of 20% blending of biofuels in diesel and petrol by the year 2017 was indicated in the National Policy on Biofuels announced in December 2009, a mandatory target of 5% blending of ethanol with petrol and a recommendatory target of 5% blending of biodiesel with diesel has been in force since October 2009. The use of hydrogen as alternative fuel or as blend with other fossil fuels is still under R&D and no time frame has so far been set for this purpose.

Separately, the minister of new and renewable energy informed Parliament that R&D work has been undertaken for the development of second generation technologies for production of bio-ethanol from agricultural and forest residues/wastes, Steel Guru/ADP News report. In the past 3 years, India had granted Rs362 million to various alternative fuel projects and in 2011 alone, it had invested Rs42 million in research, development and demonstration projects for biofuels, hydrogen and other alternative fuels.

Mauritius

Omnicanne to start ethanol production in 2013

F.O. Licht's World Ethanol and Biofuels Report, December 02 2011 Volume: 10 Issue: 07

Omnicanne plans to start operations at a 22.5 mln litre ethanol production line at its La Baraque sugar factory and refinery in January 2013. The ethanol unit will be Alcodis, former Rose Belle plant, which is to be closed in the course of 2012. The anhydrous ethanol will be produced from cane molasses. 45,000 tonnes of the annual 90,000 tonne requirement will come from La Baraque's sugar production. Alcodis is a unit of Belgium-based ethanol

producer Alco Group, which is also a shareholder in the project.

Nigeria

Funding for biofuel projects

Kingsman News Summary, 19 December 2011

Nigeria's Export-Import Bank or Nexim said it has provided US\$695 million in loans to five investors willing to put up renewable energy projects in the country, the Daily Trust reports. The five are: Intol JPI; Confluence Sugar Limited; Biofuel Energy Limited; Highland Limited; and Global Biofuel Ltd.

One of the projects involves a farming solution for the cultivation of sorghum feedstock, a 90 million litres per day fuel grade ethanol facility, a 100,000 litres/day biodiesel refinery and a 7.5 MW power plant based on farm waste. This project has been approved by the Nigerian National Petroleum Corporation under the new National Biofuel Policy and has been endorsed by the country's Clean Development Mechanism, enabling it to earn Certified Emission Reductions.

Paraguay

Paraguay-Looking at potential ethanol feedstock

Kingsman News Summary, 19 December 2011

Paraguay's Ministry of Industry and Commerce is looking at potential feedstock for ethanol production and has singled out cane and cassava, La Nacion reports. The country produces around 2.4 million mt of cassava per season and using it to produce fuel would provide an additional market for small scale farmers.

Many environmentalists support the partial reorientation of cane for ethanol production. In 2010-2011, Paraguay produced 5.3 million mt of cane from an area of 104,055 ha.

Thailand

Mitr Phol ups ethanol output

Kingsman News Summary, 5 December 2011

Mitr Phol Sugar Corp is gearing up its plan to double ethanol production at a cost of 2.1 billion baht in response to the government's decision to phase out regular petrol next year, the Bangkok Post reports. "We are ready to double the existing capacity once the government

decides to phase out regular petrol," the managing director of Mitr Phol's Energy Business Group said.

V. COGENERATION

Sugar fuelled power station in Fiji

Kingsman News Summary, 5 December 2011

The Fiji interim government is giving its support to the operators of the Vatukoula Gold Mine to build a power station powered by sugar cane waste, Radio New Zealand reports. Vatukoula will partner with the Fiji Sugar Corporation, reducing electricity costs and providing a use for cane crushing waste. The project is expected to cost nearly \$90 million.

India: Simbhaoli Sugars creates JV for cogeneration

Sugaronline Ebriefing, 8 December 2011

Simbhaoli Sugars (SSL), one of the country's largest sugar refiners, announced that it has entered into a joint venture with Sindicatum Sustainable Resources Group (Sindicatum) a global developer, investor and operator of clean energy projects. SSL will transfer the existing power assets of the cogeneration plants located within its Simbhaoli, Chilwaria and Brijnathpur complexes to Simbhaoli Power (SPL), the joint venture company, in consideration of cash, shares, and other securities. The existing power assets are to be transferred at a value of INR1.96 billion.

Sindicatum through its subsidiary, Sindicatum Captive Energy Singapore Pte Ltd, will acquire 49% of the share capital in SPL. Following the acquisition, SSL and Sindicatum will, via SPL, jointly carry out the power generation business, the sale to the utility companies and the upgrading of the power assets. SSL established SPL to transfer its power undertakings on a going concern basis. The power plants shall operate in a complete synergy with the sugar operations and power generation based on bagasse and other biomass. The arrangement will be subject to approval of SSL banks as a part of its ongoing business restructuring exercise. The expansion project involves the enhancement of the power generation capacity from the existing 60MW to 115MW. Following the expansion, which is expected to be completed 18 months from financial closure, the power plants will have the capacity to generate 80MW of surplus power, exportable to third parties. The total cost of the expansion is expected to be INR3.3 billion which is being provided by the banking institutions via debt funding. The occurrence of the transaction is subject to achieving the complete financial closing.

VI. MOLASSES

El Salvador - Molasses exports decline on weaker shipments to the US

F.O. Licht's World Molasses and Feed Ingredients Report, 13 December 2011

Molasses exports in El Salvador in October 2011 amounted to 13,040 tonnes against nil in September and 25,477 in October 2010. Total exports in 2010/11 (Nov/Oct) were 142,320 tonnes, down from 196,127 in 2009/10.

Major destinations in Nov/Oct 2010/11 were the United States (58,380 tonnes vs. 89,000) and Spain (35,000 tonnes vs. nil). 13,000 tonnes went to US Virgin Islands in 2010/11, down 2,000 tonnes on the preceding season. Shipments to Taiwan rose to 35,900 tonnes from nil. Other declines were reported for shipments to the UK (nil vs. 23,001 tonnes) and Jamaica (nil vs. 10,000).

VII. ALTERNATIVE SWEETENERS

New diabetes-friendly sugar

Kingsman News Summary, 1 December 2011

Diabetes Health reports the launch of a new diabetes-friendly sugar, called 'Sugir', proven to help reduce sugar absorption. Sugir is real sugar that contains an all-natural, tasteless additive called Emulin. Emulin, a patented formulation of compounds found in fruits, prevents the body from absorbing about a third of ingested sugar.

Barry Callebaut announced the launch of a new type of chocolate sweetened entirely by natural fruit sugars, derived from fruits, the company's website reports. It functions as an alternative sweetening solution, thus replacing the refined sugar in chocolate, company officials said.

Germany: Nordzucker may introduce stevia-based products

Sugaronline Ebriefing, 5 December 2011

Nordzucker, the EU's second largest sugar refiner by production quota, may introduce products using the newly approved sweetener stevia in 2012 but the company does not expect stevia to revolutionise the sugar market, a company executive said on Friday, according to Agra-net. Food consultancy Zenith International expects the global market for stevia-derived products to reach US\$825 million by 2014. "We are currently developing products with stevia which will be aimed at industrial uses such as milk products and refreshment drinks," said senior vice president Christian Kionka of Germany-based Nordzucker. "But we are also not ruling out use of stevia in consumer products."

IX. MISCELLANEOUS**Cargill's top sugar trader leaves**

MOSCOW/NEW YORK, Dec 7 (Reuters) - U.S. commodity giant Cargill Inc said on Wednesday its top sugar trader, Jonathan Drake, has left the company. The departure comes one week after the firm announced it would lay off 2,000 of its global employees amid heightened volatility and turmoil in commodity markets. Drake joined Cargill in 1985 and will be replaced by Ivo Sarjanovic, who was the previous head of the firm's grain and oilseed business in the Middle East and Africa, a company spokesman said. Cargill's headquarters in Minnesota referred any further comments to the European spokesperson. "We can confirm that Jonathan Drake is no longer with Cargill," the spokesperson said, adding Sarjanovic had taken over the sugar business effective Dec. 6. Cargill's sugar business is based in Geneva, Switzerland.

Cargill Sugar is at least one of the largest sugar traders in the world, with some in the trade saying it is the biggest player in both the raw and white sugar markets. It employs a total of 200 people in 16 countries. The division is involved in the origination, financing, freighting, and marketing of raw and refined sugar, and the biofuel ethanol. The firm is involved in domestic sugar markets in the former Soviet Union, the Middle East, South America and Asia. It operates bulk and bag sugar loading facilities in Guaruja, where it is currently the largest shipper of raw sugar from top sugar producer and exporter Brazil. Trade sources said the departure of Drake, who built up the business after joining Cargill Sugar in 1991, will not lead to Cargill reducing its exposure in the sugar business. "They still have the largest physical sugar book in the world," a senior analyst at a rival brokerage said. "I don't think the departure of Drake will change what they're doing in sugar." Drake left Cargill because of a likely divergence over strategic vision, a source familiar with the situation said. "Cargill wanted to go one way, and he wanted to go another," the source told Reuters in London. "The markets have been very difficult. Traders are paid to take risks. No one is fired for taking trading risks. Drake had made a lot of money for Cargill over the years." Drake's parting with Cargill came very suddenly, the source said. When Drake took part in the Brazilian Sugar Week in late November, and the International Sugar Organization (ISO) seminar in London last week, it was business as usual for him. The size of Cargill Sugar can also be seen from the fact that it manages toll refining and/or storage/distribution programs in over 10 countries that distributes sugar in those countries or ships them to re-export destinations, dealers said.

Cargill has until recently been the main receiver of raw sugar when it is delivered at the ICE Futures U.S. exchange. For the first time in five years, it did not take delivery when the October raw sugar

contract expired in September. Analysts said the news on Drake was partially responsible for the sell-off in New York and London sugar futures, with one New York trader wondering if this would herald a change in trading strategy by Cargill. Most traders said Drake did not trigger the selling spree and blamed the turmoil induced by the sour macro economic outlook for the drubbing sugar endured on Wednesday. Drake graduated with a degree in Economics from the University of California, Los Angeles. Johan Steyn, Cargill's country representative in South Africa, replaces Sarjanovic as head of the grains and oilseed business in the Middle East and Africa. He will remain based in Johannesburg. "Both Ivo and Johan have been with Cargill for many years and have significant expertise in agricultural commodity markets. We are confident they will bring great strengths to our sugar and Middle East and Africa grain and oilseed businesses, respectively," the Cargill spokesperson said.

Newedge eye opportunities in China sugar, grains

LONDON, Dec 15 (Reuters) - China's expanding trade in sugar and grains and rising options volumes provide growth opportunities for brokerage Newedge, Global Head of Agricultural Business Michael Dann said. "We're really looking very closely at what is happening in China, for sugar and for grains," he said in an interview, noting the success of the London Metal Exchange (LME) in attracting arbitrage business with the Chinese market. The World Sugar Committee has recommended to ICE Futures U.S. that it open the electronic trading platform for No. 11 raw sugar futures earlier, a move that would expose the market to Chinese trading hours. Dann said the change may take effect as early as in the first quarter of 2012. China, which ranks second among sugar consuming countries, trailing only India, has a very active domestic market in the commodity.

ARBITRAGE OPPORTUNITIES

"They (China) have a big sugar market so that is why the exchange is looking to increase the market hours. There are arbitrage opportunities for those who can play it," he said. "We are looking into how best to handle that," Dann added, noting Newedge had recently hired two additional people in Singapore and also has a 24-hour desk in Chicago. Dann was appointed to his current role last month. He had previously been head of cocoa, coffee and sugar. Some other key commodity markets have already extended hours to capture the potential for Chinese trade including LME metals and Chicago Board of Trade grains and soybeans. Newedge also boosted its team to include two additional options specialists in March, one in London and the other in New York. "This was a gap we had to fill in our service," Dann said. NYSE Liffe figures show there has been a rapid expansion in options trading in several commodity markets. Robusta coffee options, for example, look set for a

record annual volume of approaching one million contracts in 2011, around double the prior year's total and up from less than 200,000 in 2009. Newedge is a 50/50 joint venture between Société Générale and Crédit Agricole CIB.

ICE extends trading hours in raw sugar futures

Dec 19 (Reuters) - ICE FUTURES U.S. said on Monday it is extending trading hours in the raw sugar market, its most heavily traded agricultural market, by two hours to improve access to the market for vital Asian participants. ICE said in a statement that trading in the raw sugar market will start at 1:30 AM EST (0630 GMT) from Jan. 30, 2012, two hours earlier than the current starting time of 3:30 a.m. The World Sugar Committee had recommended to ICE that the trading day be lengthened so that it could overlap with the end of sugar trading in the Zhengzhou Commodity Exchange in China by 30 minutes. Traders said that opens a window for arbitrage opportunities between the two markets.

The earlier opening would also allow sugar producers in countries such as No. 2 producer India, No. 2 exporter Thailand and major producer Australia to hedge their positions in the New York raw sugar market at a convenient time for them, trading sources said. ICE said trading hours in raw sugar will start at 2:30 AM when daylight savings time starts in early March. Under standard time, New York currently is 5 hours behind GMT. When EDT begins, the difference becomes 4 hours. The raw sugar market is the most heavily traded of ICE's soft commodity markets. Open interest in raw sugar stands at over 530,000 lots. The next market in terms of open interest, usually taken as an indicator of investor exposure, is the cocoa market at 167,000 lots, exchange data showed.