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BRAZIL: Government considers stimulus for ethanol producers

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Brazil's government is considering a stimulus package for ethanol producers whose profit margins have dwindled in recent years amid rising costs and a limited ability to raise retail prices, according to Dow Jones.

Possible measures include the reduction or elimination of taxes that either increase ethanol production costs or are passed on to consumers, ultimately giving owners of flex-fuel cars an incentive to purchase gasoline instead of the sugarcane-based biofuel at local pumps.

The government could partially or totally exempt ethanol producers from paying the PIS and Cofins social welfare taxes, which together amount to about BRL0.12 (US\$0.06) per litre of ethanol, on average, Sao Paulo daily Valor Economico reported.

The IPI tax on manufactured products might also be reduced to encourage investments in equipment to build or expand sugarcane mills.

A pair of weak cane harvests in centre-south Brazil, combined with relatively high international prices for sugar, have led mills to scale back ethanol production to the point that prices for the biofuel are no longer attractive next to gasoline.

INDIA: Al Khaleej has bought 300,000 tonnes in 2012 so far

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The Dubai Al Khaleej refinery bought at least 300,000 tonnes of Indian sugars so far in calendar 2012, displacing traditional origin Brazil due to India's cost advantages, according to Reuters.

The Al Khaleej refinery was not immediately available for comment.

India has an exportable surplus this year, and a big freight advantage over Brazil for the Dubai refinery, which can potentially process up to around 2 million tonnes of raw sugar a year.

The Dubai refinery has in the past sourced its raw sugar primarily from Brazil. However India's current sizeable exportable surplus combined with its freight advantage over Brazil, have led the refinery to source from India.

A weak rupee has bolstered incentives for Indian exporters.

India can swing from being a net exporter to importer from year to year, depending on world prices and local weather. 'The refinery is in 'India-mode', one senior European trader said.

'The refinery would prefer to take Indian sugars.'

Another European trader said: 'The Indian sugars that we sold recently resulted in the displacement of Brazilian raws.'

This shift to supplies from India is all about Dubai optimising its book and its geographical advantage.'

The trader added: 'This trading refinery has to remain nimble to optimise its performance.'

European traders quoted prompt centre/south Brazil raw sugar at 15 points over ICE July, compared with 135 points over July for Indian sugars and around 170-180 points over July for Thai sugars. But India's lower freight rates to Dubai outweigh Brazil's cheaper sugar prices. Traders quoted freight from India to Dubai at around US\$30 per tonne, compared to around US\$50 per tonne for sugars from centre-south Brazil to Dubai.

European traders said they had not seen evidence of Brazilian cargoes moving to the Dubai refinery in recent months.

The Dubai refinery, one of the biggest in the world, can refine low quality Indian whites as well as raws, traders said. They said that they expected the Dubai refinery, which had recently operated a stop and start strategy, to ramp up throughput soon due to an increasingly favourable whites-over-raws premium, a measure of refining profitability.

The benchmark whites premium now comfortably exceeded US\$120 per tonne, traders said. The ample

availability of Indian sugars this year, has enabled Indian white exports to undercut the Dubai refinery in some of the refinery's traditional regional markets such as Sudan, European traders said.

BRAZIL: Strike at Santos port could delay sugar shipments

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A strike by stevedores at Brazil's biggest port, Santos, could mean delays to shipments of coffee, sugar and other commodities and manufactured goods, according to Port Technology International.

The strike, which began on Wednesday, has affected container ships the most, while the loading of liquid cargoes is continuing as normal, a port spokesman claimed. The reason for the strike has currently not been revealed.

The duration of the current strike is also unknown. In the past, the stevedores' association at Santos has tended to stage 24 hour warning strikes and threatened to participate in unlimited stoppages unless talks were held to address their grievances.

The Port of Santos is a significant export point for the country's most valuable farm commodities, such as sugar and coffee.

ICE sugar falls to 21-month low in early trading

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Raw sugar futures on ICE slid to a 21-month low early, weighed by abundant global supplies and weakness in other commodity markets, according to Reuters.

Raw sugar futures slid to a 21-month low in early trade. ICE July sugar futures were off 0.11 cent or 0.6% at 19.31 cents a lb at 0805 GMT after touching 19.25 cents, the lowest level for the front month since August 2010.

"The fundamental outlook for sugar remains extremely bearish," analyst Shawn Hackett of Hackett Financial Advisors said in a market note.

"With the Brazilian Real and Indian Rupee having already crashed, local sugar prices remain very attractive and that should keep selling pressure high and keep the incentive to promote strong future production," he added.

New York July sugar will fall to 19.20 cents per lb as the rebound from the May 23 low of 19.36 cents has

ended and a preceding downtrend has resumed, according to Reuters analyst Wang Tao.

London August white sugar was off US\$1.80 or 0.3% at US\$556.80 per tonne.

Thai sugar exports in the first quarter of this year jumped 70% from the same period of last year due to strong demand from Asia and Europe, data from Office of Cane and Sugar Board (OCSB) showed on Friday.

IRAQ: New sugar refinery being commissioned near Babylon

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A new standalone sugar refinery is commissioned in Iraq, according to Agra-Net.

Work on the Etihad Sugar Refinery is scheduled to commence soon.

The standalone refinery will be situated in the city of Babylon, around 60 km to the main city of Karbala. A plot of land of 375,000 m² has been allocated for this project.

CHINA: Thai sugar exports seen at 600,000 tonnes during H12012

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A delay in harvesting the sugarcane crop in Brazil will see the world's largest producer lose market share in China, set to be one of the season's biggest importers, as Thailand increases its shipments to the Asian nation, according to Bloomberg.

Thailand is forecast to ship 600,000 tonnes of raw sugar to China in the first half of the year, according to Thai Sugar Trading Corp., the country's largest exporter. That would be the most since at least 2005 and almost a fifth of all the sugar China will need to buy this year. Last year, its shipments to China totalled 277,572 tonnes of sweeteners, according to Thailand's Office of the Cane and Sugar Board (OCSB).
