



International Sugar Organization

MARKET REPORT & PRESS SUMMARY

October 2009



MECAS(09)20



ISSN 1994-4950
Market Report & Press Summary
OCTOBER 2009

OCTOBER MARKET REPORT

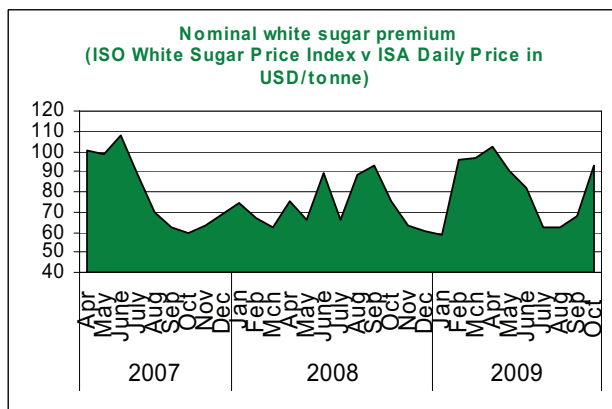
I. WORLD SUGAR MARKET

1. The market in October

In October the roller-coaster ride of both raw and white sugar prices continued. Daily changes of 100 points and more were not rare. Raw sugar prices (the ISA daily price) started the month at 24.08 cents/lb and retreated to 20.82 cents/lb only on 9th October. Then, a new upswing started and 10 days later prices were as high as 23.56 cents/lb but by 28th October they had fallen down again to 21.44 cents/lb, finishing the month at 22.26 cents/lb. The monthly average was 22.64 cents/lb, down 1.8% from the September average in September.

White sugar prices (the ISA White Sugar Price Index) demonstrated a similar instability varying within a wide trading range between USD558.3/tonne (25.32 cents/lb) and USD619.10/tonne (26.87 cents/lb). As a result, the monthly average was USD 592.38/tonne (26.87 cents/lb), 2.7% higher than the previous month's.

In September the faster rise in white sugar prices reversed the falling trend of the white sugar premium which had been observed since April 2009. The premium improved further in October with the differential between the ISO White Sugar Price Index and the ISA daily price for raws increasing from USD68.32/tonne to USD93.25/tonne. Of note, the white sugar premium has been very volatile since the onset of the EU sugar reform in mid-2006. High volatility reflects changes in the composition of world trade flows as well as dynamics in the freight and commodity markets.



What are the factors behind the high price volatility in October? Global fundamentals remain constructive for the 2009/10 crop cycle. However,

the bullish potential seems to be restricted by the price sensitivity of some key importers. Thus, the price retreat at the beginning of the month was attributed by market commentators to selling back of some sugar previously contracted by Indian millers. The continuing instability can be also explained by an emerging dichotomy between the short-term bullish fundamental outlook and the possible global surplus looming for 2010/11 (see *Condition and Prospects* section).

On the physical side, the market has kept its focus on the world's two sugar giants - Brazil and India.

On 15 October, UNICA released the first revision of its production estimates for **Brazil's** Centre-South 2009/10 harvest. Not only did the excessive rains delayed the cane crushing throughout the winter months, and particularly during September, but they also significantly reduced the cane sucrose content. Estimated sucrose per tonne of cane in 2009/10 is put at 133.5kg, compared to 140.9kg last season. UNICA now expects cane supply to increase by only 4.8% in the Centre-South this season, to 529 mln tonnes from 505 mln tonnes in 2008/09. Importantly, UNICA expects the ATR or total available sucrose (to be allocated between sugar or ethanol production) to be lower 0.7% than last year. While sugar output in the region is forecasted to increase by 8% to 28.9 mln tonnes, ethanol production is projected to fall by 5.9%, to 23.6 bln litres. Sugar exports from the Centre-South are put at 20.7 mln tonnes, a 17% rise on last season's, while the region's ethanol exports are expected to fall sharply from 4.25 bln litres in 2008/09 to 2.8 bln litres this season. Meanwhile, no significant expansion in cane areas is projected for 2010/11, although 50 mln tonnes of cane, expected to be left in the fields this year, could be added to next year's crop. Therefore, production growth next season will remain contingent to the weather returning to more normal conditions.

The weather in October seemed to have improved considerably. Less rain made it possible for 35 mln tonnes of cane to be harvested during the first half of the month, up 23% on the crushed volume during the same period last year. The cumulative cane output in Brazil's 2009/10 Centre-South harvest to 16th October stood at 412.7 mln tonnes, 8.9% higher than last season. Sugar production, at 22.8 mln tonnes, was 11% up on the year-ago period while ethanol output at 18 bln litres was 3% lower than in the same period in 2008/09.

In October exports reached 2.25 mln tonnes. This represented a 2% increase in export volume compared to October last year. The ISO suggests that Brazil will maintain a high level of sugar exports in the 2009/10 season on the back of remunerative world sugar prices.

As customary in **India**, the world's largest sugar consumer and second largest producer, projections for this season crop already vary greatly. Thus, the Department of Food and Public Distribution has forecasted that the country's sugar production may rise to 18 mln tonnes, white value, in 2009/10. However, the Ministry of Agriculture pegs output in 2009/10 at 16 mln tonnes, white value. The existence of a large unregulated gur and khandsary industry competing for available cane with the sugar industry makes output projection even more difficult. Last year the differential between the initial projection and actual production was as high as 7.5 mln tonnes. It is practically certain that the huge gap between domestic production and demand will remain in 2009/10. Record high sugar and cane prices are, on the one hand, encouraging growing supply of cane. However, inadequate monsoon rainfall together with a combination of severe competition for cane with the gur and khandsary sector and better returns for alternative crops at the time of cane planting for the 2009/10 harvest, are limiting factors to a greater recovery of sugar output as against last year. It is also certain that India will remain a leading importer of sugar from the world market in 2009/10 but the questions are how much, when and what type of sugar (raw or white) the country will purchase.

In order to avert further pressure on domestic prices, the government took additional steps to help alleviate the domestic shortage in October. The duty-free regime for white sugar import has been reportedly extended until December 2010.

2. Conditions and Prospects

Australia-based **Macquarie** bank expects the world sugar supply balance to return to a surplus in 2010/11. The bank expects world 2010/11 sugar production to rebound to 167.9 mln tonnes, helping push the market into an expected surplus of 3 mln tonnes. The main driver for the rebound in output is India, the world's second largest sugar producer, which is expected to see production grow to 23 mln tonnes in 2010/11 from 15.5 mln tonnes in 2009/10.

Lausanne-based consultancy **Kingsman** expects to see the global sugar deficit end in 2010/11 and supply to be balanced or move into surplus as more

marginal producers boost output due to strong international prices for the sweetener. According to Kingsman, whatever India's increase in production, it will be a surplus for the global market. "The world's running out of sugar in the short term but we're going to have a surplus situation in six to 12 months. So it's difficult to see how prices will react," Kingsman said.

Global prices of raw sugar are expected to witness a correction soon, according to Saudi-based **Savola** Group, one of the world's top buyers of the commodity. The refiner believes the prices will not stay at their current levels, there will be a decrease shortly but they will not return to the lows of 2008.

Sugar prices will remain above historical averages through June 2010 as supply falls short of demand, argues **BlueGold Capital Management LLP**. An increase in supply sparked by this year's rally is only likely to take place around the end of 2010 because sugar cane takes about 18 months to grow. Rising prices have failed to curb use because sugar accounts for a low percentage of costs of food for which it is an ingredient.

The ISO plans to release its first revision for world sugar production and consumption in 2009/10 later this week. For the time being only marginal changes to the forecast released at the beginning of September are envisaged. The world sugar economy is facing a second consecutive year of a significant gap between world consumption and production.

In the table below the estimates for 2009/10 world sugar production and consumption, released to date by leading sugar analysts, are summarized.

**Estimates of World Production and Consumption
2009/10 crop year
(mln mtrv)**

		Production	Consumption	Surplus/ deficit
ABARE(b)	23-June	167.50	165.40	+2.10
Sucden (b)	28-July	161.00	165.00	-4.00
ISO (b)	3-Sep	159.04	167.45	-8.40
C.Czarnikow (c)	8-Sep	158.2	167.1*	-8.90
ABARE (b)	23-Sep	166.0	165.2	+0.80

(b)=balance; (c)=individual crop years aggregated

* including 1 mln tonne allowance for unrecorded disappearance

II. COUNTRY SUMMARIES

BANGLADESH

According to the state-owned Bangladesh Sugar and Food Industries Corporation (BSFIC), the

country will import 1.1 million tonnes of raw sugar in the current fiscal year to June 2010 to meet domestic demand.

BRAZIL

French commodities group Louis Dreyfus took over Brazilian firm Santelisa Vale to create the world's second largest sugar cane processor. The new venture, called LDC-SEV, will control 13 sugar and ethanol plants and have annual cane crushing capacity of 40 mln tonnes, second only to Brazil's Cosan.

CAMEROON

As announced by the Ministry of Trade, Cameroon will import 10 thousand tonnes of refined sugar from the Democratic Republic of Congo this month to make up for local shortages that have spiked local prices. Cameroon reportedly produces about 130 thousand tonnes of sugar annually, less than half of its estimated 300 thousand tonnes of annual consumption. Poor road conditions between the SOSUCAM factory in Mbanjock and the capital Yaounde due to heavy rains have contributed to supply shortages that have boosted local market prices by more than a third.

CHINA

The Ministry of Commerce announced that the sugar import quota will be kept unchanged next year at 1.945 mln tonnes, with 70% allocated to state-owned companies and the remainder to private firms. Sugar imports within the quota are subject to a reduced tariff of 15%, while imports outside the quota are subject to a tariff of 50% of the landed cost of imported sugar.

CUBA

As reported by the Ministry of Sugar, the industry expects to produce about 1.4 mln tonnes of unrefined sugar in the 2010 harvest to start in December, or the same as in 2009.

EGYPT

As reported by the local press, domestic sugar prices continued to rise despite government measures to mitigate the effect of surging global sugar prices, local press reports said. Domestic retail prices reached EGP5 (USD0.91) per kg in some areas, doubling from EGP2.5 at the beginning of the year and leading the government to temporarily suspend sugar import duties.

EUROPEAN UNION

The Sugar Management Committee of the European Union decided at its latest meeting on October 14 to increase the export quota for non-quota sugar for 2009/10 to 1.35 mln tonnes from the previously set volume of 650,000.

FIJI

According to the Fiji Sugar Corporation, as Fiji braces for the full impact of a cumulative 36% reduction in preferential prices paid by the European Union for sugar, the 20% devaluation of the Fiji dollar is going to cushion the fall. Fiji exported a total of 207.6 thousand tonnes of sugar manufactured for the 2008 season to the United Kingdom under the preferential trade arrangement with the EU, compared to 187.9 thousand tonnes in 2007.

INDONESIA

The government has reportedly cut import taxes on white and raw sugar to IDR400 and IDR150 per kilogram respectively from IDR790 and IDR550 in a bid to cool rising domestic prices. The tax cuts will be in place from October to December. Rising global sugar prices have resulted in an increase in domestic sugar prices to IDR11,000/kg from IDR6,000/kg, prompting the government to cut sugar import taxes to make imports cheaper and increase sugar supplies. Meanwhile, domestic sugar production in 2009 is likely to fall by around 10% from last year to about 2.7 mln tonnes because the crushing season is expected to end in mid-November this year, earlier than the normal end of crushing in December.

JAPAN

Japan's sugar imports in the year from October are expected to rise 10% as demand is likely to recover after falling for the first time in three years in 2008/2009. According to the Ministry of Agriculture, sugar imports for the year to September 2010 may grow to 1.355 million tonnes, white sugar value, compared with an estimated 1.227 mln tonnes in the past year.

MAURITIUS

The Chamber of Agriculture has revised its sugar production forecast for 2009 down by 1% to 485 thousand tonnes due to recent poor weather conditions.

MEXICO

According to the National Cane Sugar Growers Union, Mexico's upcoming sugar harvest has not been significantly damaged by heavy rain and flooding in the western cane-growing state of Veracruz. The new 2009/10 sugar harvest is forecasted by the Union to produce 5.168 mln tonnes of semi-refined standard sugar as against output in the 2008/09 harvest of 4.963 mln tonnes.

MOZAMBIQUE

As reported by the government's Centre for the Promotion of Agriculture (CEPAGRI), the country expects to harvest 3.2 mln tonnes of sugarcane and

produce 382 thousand tonnes of sugar, up 52% from 2008.

PAKISTAN

Government and industry officials expect sugar production in 2009/10 to reach up to 3.5 mln tonnes of refined sugar. Despite the upward revision in the crop estimate, Pakistan will still need to import to meet its domestic requirement of 4 mln to 4.2 mln tonnes a year. The government has already decided to import up to 1 million tonnes in the coming months.

RUSSIAN FEDERATION

Russia refined nearly 1.9 mln tonnes of white sugar from beet by 26th October, 2.5% more than a year ago, in spite of a lower volume of processed beet. As noted by the Russian Sugar Producers' Union, upgrades at beet factories, started three years ago have facilitated an increase in daily beet processing volumes and lower sugar losses in the production process. The union forecasts sugar refining from this year's beet crop at 3.05 million tonnes, down from last year's record 3.55 million due to a smaller area and lower yields.

SAUDI ARABIA

According to the press, Saudi-based Savola Group is in talks to buy from Tate and Lyle Plc its stakes in sugar refineries in Egypt and Saudi Arabia. The talks are about Tate & Lyle's 10% stake in a 1.2 mln tonnes per year sugar refinery in Saudi Arabia and a 3% stake in a 0.75 mln tonnes per year sugar refinery in Egypt. Savola is the main shareholder in both refineries.

SOUTH AFRICA

2009/10 sugar output is expected to rise slightly to 2.33 mln tonnes from 2.26 mln in the previous season on the back of higher global sugar prices, the South African Sugar Association said. The country's production of sugarcane is expected to rise to 19.66 mln tonnes this season from 19.3 mln in 2008/09.

THAILAND

According to the industry, sugarcane crushing is expected to start on 20th November, slightly earlier than usual. The Office of Cane and Sugar Board (OCSB) forecasted cane production at 76.4 mln tonnes with sugar output of around 7.6 mln tonnes. The latest crop survey conducted jointly by millers, cane growers and traders suggests, however, that cane production in 2009/10 is likely to be only 71 million tonnes, giving around 7.1 mln tonnes of sugar. During the survey, it has been found that farmers in the north and northeast regions had shifted to growing rubber. Rubber trees need 5-7 years to mature and start producing latex, after

which they can be tapped for almost 25 years, so switching from sugarcane to rubber cannot be easily reversed.

UKRAINE

As reported by the industry, annual production shrank to an estimated 1.5 million metric tonnes this year from about 5 million tonnes in the 1990s. The government expects demand to exceed 1.8 million tonnes. The government has set the import quota for raw sugar for 2010 at 267.8 thousand tonnes, with 157.5 thousand tonnes assigned to Brazil. Raw sugar imports from Cuba in 2010 have been set at 16,679 tonnes, Thailand at 9,000 tonnes, Guatemala at 8,300 tonnes and Colombia at 6,430 tonnes. Meanwhile, according to the press, the Ministry of Economy has agreed with Belarus to import 100 thousand tonnes of sugar from the neighbouring country.

UNITED STATES OF AMERICA

The U.S. Department of Agriculture (USDA) expects the U.S. 2009/10 sugar supply/demand picture to remain tight. USDA's monthly supply/demand report showed the closely watched stocks-to-use ratio in the U.S. sugar market for 2009/10 stood at 7.9% in October, from 8.0% in the September report. Normally, the USDA prefers the stocks ratio at 15% and a figure below that has been used by the government as a reason to order imports, as it did in August 2008.

III. NEW SUGAR PRODUCTION PROJECTS

Brazilian industrial giant Odebrecht will start producing sugar and ethanol in **Angola** next year in a bid to revive the African nation's once-prosperous farming sector, devastated by three decades of civil war. Odebrecht has partnered with Angolan state-owned oil firm Sonangol and private company Damer in a joint venture, Biocom, to invest USD220 mln in the first major investment in sugar and ethanol production in Angola in decades. The joint venture will farm sugarcane on 30 thousand ha of land in the Malange province. A processing plant will produce 260 thousand tonnes of sugar and 30 mln litres of ethanol per year as well as 47 megawatts of electricity.

Egypt's state-owned Food Industries Holding plans include to build near Aswan a factory to produce 125 thousand tonnes of cane sugar a year and reclaiming 40 thousand feddans (16.8 thousand ha) in the area to grow sugarcane. The company is also performing a feasibility study for a project to cultivate between 40 and 50 thousand feddans with sugarcane in the Upper Egyptian region of Kom Ombo.

Kenya Sugar Board has reportedly allowed a private investor to establish a second factory in South Nyanza.

Sri Lanka's government plans to achieve 50% self-sufficiency in sugar by 2015 with the opening of five new sugar mills - one in Kurunegala, two in Anuradhapura, one in Siyambalanduwa and another in Bibile. In order to reach the target, the Ministry of Supplementary Plantation Crops Development has decided to foster public private partnerships and to invite local as well as international investors.

Saudi private group Midroc al-Amoudi plans to start by the end of 2011 production at a planned sugar refinery in **Yemen** which will export some of its output to neighbouring countries in the horn of Africa. It is a USD240 mln investment with sugar refining planned to start by the end of 2011. The initial refining capacity will be 1 mln tonnes of sugar per year, which will increase to 1.5 mln tonnes possibly by 2012.

IV. ETHANOL

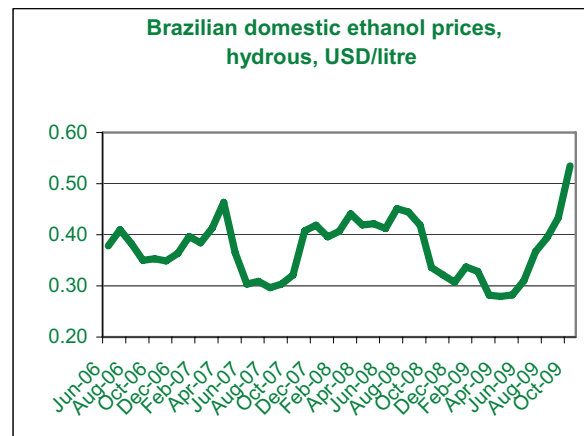
COUNTRY SUMMARIES

BRAZIL

During October, average wholesale domestic ethanol prices in Brazil continued to rise sharply, reflecting the Centre-South harvest's greater cane allocation to sugar. Prices rose from USD 0.43/litre (September average) to USD 0.53/l for hydrous and from USD 0.50/l to USD 0.62/l for anhydrous ethanol. Hydrous ethanol prices expressed in USD are at their highest level since March 2006, when they reached USD 0.57/litre.

Ethanol exports in October amounted to 326.3 mln litres, down from 371 mln litres shipped in September and significantly lower than the 481.2 mln litres exported in October 2008. Cumulative exports in the first ten months of 2009 totalled 2.980 bln litres compared with 4.266 bln litres exported in the same period a year ago (-30.1%).

Strong domestic demand is also a driver of rising ethanol prices. Sales of flex-fuel and alcohol vehicles (FFV) reached 265,899 units in September 2009, the largest volume of sales of flexifuel cars ever recorded, partly boosted by the looming expiry of IPI tax exemption to set in from October 1st. In the year to September, 1,961,758 units of flexfuel cars had been sold, as against 1,832,701 units sold in the same period last year.



UNITED STATES

Fuel alcohol output in August 2009 remained unchanged month-on-month at 22.6 mln barrels which compares with August 2008 production of 20.1 mln barrels. This brought cumulative production so far in 2009 (January/August) to 163.5 mln barrels, up from 140.3 mln barrels in 2008. Net fuel ethanol imports in January/August 2009 were 3.8 mln barrels (8.5 mln barrels).

Fuel ethanol consumption in August 2009 fell to 22.8 mln barrels, compared with 23.2 mln barrels on deteriorating blending economics. This brought cumulative consumption in January/August to 166.5 mln barrels, compared with 144.4 mln barrels in the same period a year ago. Because of lower consumption ending stocks as of August 2009 recovered somewhat to 15 mln barrels, equivalent to 20.4 days of consumption (stocks-to-use-ratio 5.6%). This compares with 19.1 days of consumption at the end of July but remains below the almost 23 days of consumption held at the end of August 2008.

Capacity utilization in the US fuel ethanol sector was 89% in August, unchanged on the month but up from an average 86% last calendar year.

OTHER COUNTRIES

ARGENTINA

The Energy Secretariat issued resolution 733/2009 fixing monthly fuel alcohol production quotas and ensuring that sufficient fuel alcohol supplies are available before January 1, 2010, the start of the ethanol blending obligation. Additionally, the resolution said the gasoline/ethanol blends have to contain between 5 and 10% of alcohol. Some oil suppliers have no access to fuel alcohol. The total fuel alcohol quota for November 2009/December 2010 is 202 mln litres. A nationwide E-5 mandate would have required 282 mln litres of fuel alcohol.

EUROPEAN UNION

Ethyl alcohol imports in July 2009 amounted to 92.1 mln litres, against 100.1 mln litres the prior month and 89.1 mln in July 2008. This brought cumulative imports in Jan/Jul 2009 to 719.7 mln litres compared with 929.7 mln litres in the same period the previous year. Total imports in 2008 (January/December) were 1.472.5 bln litres. The major origin for alcohol in January/July 2009 was Brazil.

COSTA RICA

The Costa Rican oil refining company (Refinadora Costarricense de Petr leo - Recope) postponed ethanol blending from late 2009 to April 2010. According to a biofuels program announced in 2007, an E-8 as well as a B-5 mandate are envisaged requiring 70 mln litres of fuel alcohol and 60 thousand tonnes of biodiesel. However, the company did not announce a decision on biodiesel supplies.

V. MOLASSES

German analyst F.O.Licht forecasts world molasses production to rise relatively modestly in 2009/10. According to their data, total output may reach 53.6 mln tonnes, compared with 51.0 mln in 2008/09. Signs are that the world molasses market will remain in deficit in 2009/10. However, this is unlikely to result in firmer prices. In the wake of the financial crisis and on the back of huge grain crops in the Northern Hemisphere demand for industrial animal feed will be lower in developed countries. As they are responsible for the bulk of import demand the world trade volume will fall sharply in 2009 after a strong performance in 2008.

Demand for fermentation products which use molasses as a feedstock also fell victim to the financial crisis. Ethanol demand in the Southern hemisphere remained below earlier expectations while MSG and lysine consumption developed sluggishly. Given record high sugar prices a production response can be expected for 2010/11. If the rebound in production is sufficiently large it will likely help to boost molasses exports by the end of next year.

VI. ALTERNATIVE SWEETENERS**High Fructose Corn Syrup**

In the United States, HFCS deliveries are expected by the USDA to increase and recapture a higher proportion of the market share it lost in 2008 and 2009. Recent USDA research shows that there was

statistical evidence to suggest that with full implementation of the NAFTA on 1st January 2008, imports of direct consumption sugar from Mexico have been substituting primarily for HFCS and to a lesser extent, for refined sugar to non-industrial end users. HFCS offtake is forecasted to rise by 3% near year, the first growth in HFCS use since 2002, since Mexico is forecasted to have far less sugar available to ship to the US. However, it remains to be seen if consumer preferences can change sufficiently to accept HFCS in products that had made the switch to sugar and/or if firms producing HFCS will aggressively market their products to recapture markets lost to sugar.

Stevia

A significant challenge facing the Stevia market is anticipated constraints in raw-material supply. The commercial production of stevia is primarily concentrated in China, Paraguay, Argentina, Brazil, Chile, Cambodia, Columbia, India, Indonesia, Kenya, Malaysia, Peru and Vietnam. China accounts for close to 75% of the world stevia leaf production.

Due to an anticipated high world demand of stevia sweeteners in the next few years, there is a high probability of short supply of stevia leaves. This predictable situation is likely to increase the price of both stevia leaves and finished stevia-based sweeteners. Stevia extract/sweetener manufacturers have already initiated making efforts in this direction by contracting with farmer populations or by strategically partnering with existing stevia farming associations or firms.

For example, in 2008 Corn Products International (CPI) made a strategic decision to enter into a long term partnership with Morita Kagaku Kogyo Company Ltd (Morita), a big and reputable name in the global stevia sweeteners market. Under the agreement, CPI purchased the exclusive license to Morita's patented stevia, manufacturing technology and stevia production.

Merisant/Whole Earth and Imperio Guarani, meanwhile, partnered to develop a network of small farmers in Paraguay who use simple and sustainable farming techniques to grow stevia plantations.

The leading supplier of stevia extract, Pure Circle currently has a total of about 15 thousand ha contracted in Kenya, Paraguay, Columbia, Indonesia, Vietnam, Thailand and China, for growing stevia plantations. The company which today has 1500 ha in the north of Paraguay, is forging a new investment agreement as a way to diversify growing locations within Paraguay. Under

the agreement, non-profit NGO Paraguay Vende is to receive funding from the US Agency for International Development (USAID). Paraguay Vende will then provide technicians who will work at a grassroots level to train farmers. The funding is valued at around USD150 thousand. The aim is to have 2000 hectares in Itapua producing stevia in the next three years, all of which will be bought by PureCircle, Along with its 1500 hectares of stevia in the north, the investment will more than double its supply from the country.

VII. WTO AND REGIONAL TRADE AGREEMENTS

WTO

Delegates need to move to text-based negotiations if they want to spur progress toward a global trade deal, WTO Director-General Pascal Lamy stressed to a meeting of WTO officials on Friday 23rd October. Lamy briefed delegates on his consultations in all of the major negotiating areas and offered his assessment on prospects for a deal. On agriculture - a primary pillar of the round - Lamy said that it was his sense "that there is a collective endeavour to not lowering the current level of ambition."

However he noted that the current speed with which negotiations are advancing is too slow to arrive at modalities by early next year. These 'modalities' would be the skeleton of a global deal to cut tariffs and subsidies. If they are not agreed in the next few months, WTO officials will almost certainly fail to meet their goal of wrapping up the Doha Round by the end of 2010.

To move forward, Lamy said delegates must begin wrestling with the actual draft legal texts that have been put forward by the heads of each of the negotiating committees. The talks during October largely avoided such a direct approach, focusing instead on less contentious questions related to process and housekeeping. But a direct engagement with the texts, Lamy said, is the only way that negotiators can overcome the remaining gaps.

Indeed, discussions on creating schedules for commitments had kept WTO agriculture delegates busy during the last week of September. Although the discussions were largely technical, a cloud that has recently been hanging over the scheduling talks lifted. Officials have "laid to rest" the idea of 'skipping modalities' in the farm talks, meaning that they will continue to negotiate a broad framework deal instead of jumping straight into the nitty gritty of finalising tariff line schedules and other commitments. Senior capital-based officials will

return to Geneva for meetings from 23-27 November, the final week of work before the organisation's ministerial conference gets going on 30 November.

The Doha talks have proceeded on two planes since a meeting of trade ministers in New Delhi jumpstarted the negotiations at the beginning of September¹. At one level, WTO delegates have been engaging in negotiations in Geneva, following the schedule that was agreed by members and presented by Lamy last month. Those meetings - as frequent as they have been - have not, on the whole, produced much in the way of forward movement, delegates say.

Before the Delhi meeting, Geneva-based negotiators reported that a number of controversial issues would require urgent attention before talks could move forward. In agriculture, these included the special safeguard mechanism (SSM), a measure that would allow developing countries to levy additional duties in the event of a sudden surge in the volume of imports or a price depression; tariff simplification, intended to streamline particularly complex tariffs for the benefit of exporters; and the related issues of whether countries will be allowed to create new quotas for tariff lines that had previously been protected only by tariffs, and the number and treatment of the 'sensitive products' that both developed and developing countries will be able to shield from the full force of tariff cuts in exchange for expanding quotas on the same products. These issues were essentially the same as those identified at a General Council meeting at the end of last year - a sign of the near absence of progress since last autumn.

RTAs

The European Union and South Korea signed a free trade agreement late October that will remove 'virtually all tariffs' on trade between them, the European Trade Commission said in a statement. The deal is the biggest trade pact ever signed by the 27-nation bloc.

Two-way goods trade between Europe and South Korea amounted to EUR65 billion in 2008. The EU is

¹ At the Delhi meeting, over 30 governments agreed to instruct their senior officials to meet in Geneva to draw up 'a process of engagement' for the next two to three months. Ministers also asked the officials to work with the chairs of the various Doha negotiating groups to prepare an 'agenda of action' for the talks - dubbed a 'road-map' by WTO Director-General. A few weeks later in mid-September, leaders from the Group of 20 rich and emerging economies emerged from a two-day summit in Pittsburgh, and repeated calls for the WTO's Doha Round of trade talks to be concluded before the end of 2010, next year to assess progress toward a deal.

South Korea's second-largest trading partner, after China. The services trade is set to get a significant boost from the deal, as Seoul has agreed to significantly liberalise its telecommunications, environmental, legal, financial and shipping sectors. The deal will also remove non-tariff barriers to trade (NTBs) - standards and regulations on goods such as pharmaceuticals, autos, and consumer electronics, among others.

The Commission will present the finalised text to EU member states in early 2010; it expects the deal to enter into force later that year, assuming the pact wins the approval of the European Presidency and the European Parliament. The agreement is the first FTA signed by the EU since the bloc launched its 'Global Europe Strategy' in 2006. When it was announced, the strategy marked a shift from a strictly multilateral policy to a global trade policy that includes a focus on free trade accords, particularly with emerging Asian economies. The strategy has also spurred European negotiations with India and seven Southeast Asian countries; those talks are still in progress.

VIII. MISCELLANEOUS

Deutsche Bank and sugar merchant Czarnikow Group have announced a trading alliance covering sugar and sugar-based ethanol products and services.

As reported by the press, Mozambique could supply electricity to a greater percentage of its own population by producing biomass-fired energy. Converting sugar waste into biofuel could put another 60MW on the grid and could extend electrification into rural areas.

The Agriculture Ministry of Indonesia has launched a program aimed at widespread cultivation of tropical sugar beet as part of the efforts to achieve self-sufficiency in sugar production and augment ethanol supplies.

MARKET AND PRICE DEVELOPMENTS August – October 2009

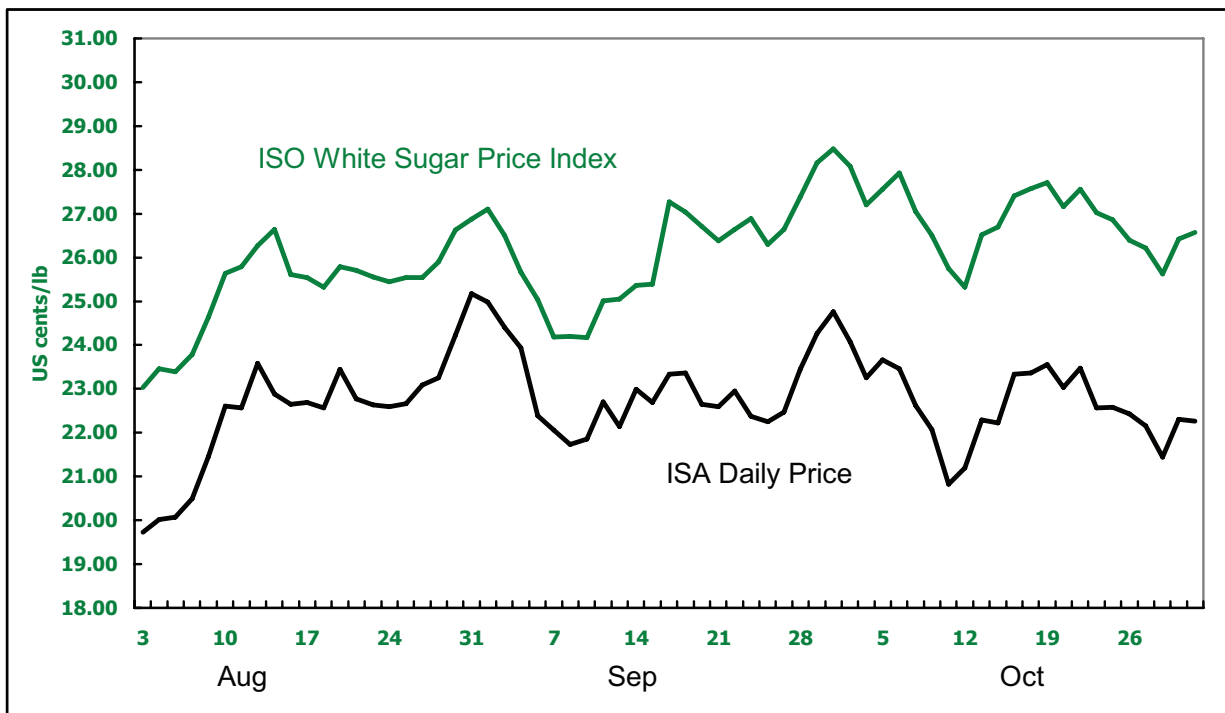
Wet weather reduces sugar contents in Brazil's Centre-South

Late monsoons boost cane production prospects in Uttar Pradesh

Brazil's Centre-South cane belt records the wettest September since 1983, dampening crop prospects

October liquidation of the N.11 ICE sugar contract

Improved weather conditions in Brazil



INTERNATIONAL SUGAR ORGANIZATION

10 November 2009

October Press Summary

PRESS SUMMARY

(Compiled from publications available up to 31 October 2009)

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

		2009	2009	2009	2008	2007	2008	2007	2006
		Aug	Sep	Oct	Oct	Oct	Jan/Dec	Jan/Dec	Jan/Dec
<u>RAWSUGAR</u>									
ISADailyPrice (fcb)**	UScents/lb								
Average		2244	2306	2264	1190	1000	1280	1008	1477
Highest		2518	2497	2408	1408	1019	1521	1142	1925
Lowest		1973	2172	2082	1104	975	1098	887	1053
NewYorkContractNo11(fcb)*	UScents/lb								
Average		2240	2315	2322	1301	1186	1383	1160	1551
Highest		2502	2485	2434	1532	1235	1670	1322	2046
Lowest		1997	2173	2162	1177	1119	1098	1041	1136
<u>WHITESUGAR</u>									
ISOWiteSugarPriceIndex***	UScents/lb								
Average		2526	2616	2687	1529	1273	1607	1396	1897
Highest		2664	2847	2808	1782	1297	1877	1552	2263
Lowest		2303	2417	2532	1378	1249	1364	1192	1513
ISOWiteSugarPriceIndex***	US\$/tonne								
Average		556.93	576.71	592.38	337.08	280.66	354.29	307.68	418.19
Highest		587.25	627.75	619.10	392.95	285.90	413.80	342.10	499.00
Lowest		507.80	532.75	558.30	308.90	275.35	300.75	262.90	333.50

* f.o.b & stored 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 (raw) and in order to keep the consistency of the long term series of the ISADaily price, the ISO calculates the ISADaily 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 Euro and Liffe, UK.

I. WORLD MARKETS – CONDITIONS AND PROSPECTS

ICE raw sugar may have reached peak Sugaronline Ebriefing, 5 October 2009

World sugar futures have neared 28 1/2-year highs on a deficient monsoon season in India and too much rain in Brazil, but prices may have reached their zenith unless additional bullish production news develops or significant outside influences boost the market, according to Dow Jones. Most active March sugar at ICE Futures U.S. topped out at 25.43 cents Wednesday, near the 28 1/2-year high of 26.25 cents a pound. Some analysts go so far as to say the recent bull move in sugar is over. "This latest rally...has run its course," said James Cordier, analyst and founder of OptionSellers.com in Tampa. "I don't think the scarcity of Brazilian sugar is to the point that would justify the market going any higher here." On Thursday and Friday, sugar futures fell as traders took profits and prices slid on weak crude oil futures, a firm US dollar and losses in equities. At last trade Friday, March sugar was down 55 points at 24.09 cents a pound for a 2.2% loss on the day.

Brazil's 2009/10 centre-south sugar cane output is estimated at 529.5 million metric tonnes, down from an April assessment of 550 million, the Sugarcane Industries Association, or UNICA, said last week. James Cassidy, senior vice president, Sugar Group, at Newedge, sides with UNICA, expecting a Brazilian crush near 530 million tonnes, though he has heard estimates as low as 515 million to 505 million tonnes floating around the market. While Brazil is definitely losing sugarcane to the ongoing wet weather, Cassidy considers those low estimates too aggressive. In fact, traders may in short order realize that the losses in Brazil may only cause production to decline to 529 million tonnes, if at all, he said.

Cassidy also believes it may be more difficult to push prices much higher with so many established longs in the market, despite the bullish fundamentals. The latest Commitments of Traders report shows money managers, essentially the funds, hold 160,680 long positions in sugar futures and options, while only holding 7,195 shorts, creating a lop-sided market in terms of a bullish stance. "We still have a pronounced deficit in sugar, which we think will get tighter, but there's a lot of mature long positions in the market as we've had a bull market now for most of this year," said Cassidy.

News of smaller global production combined with the longs creates a tug-of-war in the market, a factor that may limit sugar's upside potential. "We're seeing a lot of choppy, two-sided action, which I think is going to drive more people to the sidelines because we're at very high prices

and with this volatility it's going to shake a lot of people out," said Cassidy. Unless fresh bullish news appears, March sugar has likely topped out, said Cordier. The market recently completed a head-and-shoulders top - a bearish technical signal - suggesting prices will continue to fall, he said. The market's weakness will be confirmed if bearish traders can press prices below 24 cents a pound and close below that level, he said.

Technically, the market's previous bullish effect is wearing thin and the market has approached overbought levels. Bearish traders on Friday filled a downside chart gap that was in place from 24.28 down to 24.20 cents. In addition, the 38.2% Fibonacci retracement drawn from the Sept. 30 high of 25.43 down to the 22.52 low from Sept. 23, crosses at 24.32, an area that bears recently violated, touching off preprogrammed sell stops.

Not everyone is convinced sugar's bullish move is in the rear-view mirror. Researchers at Barclays Capital forecast sugar prices will hover near 25 cents in October, as wet conditions cut into the Brazilian crop and India struggles to recover from back-to-back years of significantly lower output. Continued downgrades to the ongoing Brazilian harvest have contributed to a larger global market deficit than previously expected, it said.

Licht sees rise in sugar output in 2009/10

LONDON, Oct 14 (Reuters) - World sugar output is forecast to increase to 156.9 million tonnes in 2009/10 from 150.0 million in 2008/09, German analyst F.O. Licht said in its first forecast for sugar production in the new crop year. Licht said in a statement high sugar prices could trigger a significant increase in supply for 2010/11. Sugar has been one of the best-performing commodities in 2009 as raw sugar prices doubled by early September since the start of the year, driven higher by India's surging appetite for the sweetener after it shifted to net importer from exporter. "The price rise has come relatively late in the season to trigger plantings that will be ready for harvesting in 2009/10," Licht said in a statement. "As sugarcane needs 12 to 18 months to mature, the cane that has been planted in response to this year's price surge will only be ready for harvesting for the 2010/11 crush."

Poor weather in the world's two largest producers, Brazil and India, will limit the potential rise in 2009/10 output in these countries, Licht said. Furthermore, the global financial crisis has restrained sugar producers' opportunities to expand capacities, the analyst said. "As the market can therefore be expected to remain tight in 2009/10 -- and possibly

extremely tight at times -- importers will need to secure supplies that will carry them over to the 2010/11 season when relief can be expected," Licht said. World cane production in 2009/10 is estimated to reach 123.7 million tonnes, up from 118.0 million last season. The increase is largely due to a 2.2 million tonne rise in Brazil and one of 1.6 million in India, with smaller increases in countries such as Thailand, Pakistan and Mexico adding to the total.

Macquarie sees 2010/11 surplus at 3 million tonnes

Sugaronline Ebriefing, 16 October 2009
The world sugar supply balance is expected to return to a surplus in 2010/11 after two consecutive years of deficit, according to Dow Jones. The bank expects world 2010/11 sugar production to rebound to 167.9 million metric tonnes, helping push the market into an expected surplus of 3 million tonnes. This would be an 8% increase in world production on the year and a 12% increase over the past two years, according to the bank's figures. However, it would represent a similar season to 2007/08, where world production was 167.2 million tonnes. The main driver for the rebound in output is India, the world's second largest sugar producer, which is expected to see production grow to 23 million tonnes in 2010/11 from 15.5 million tonnes in 2009/10, said Macquarie.

Sugar prices seen up, tight Brazil supply- Czarnikow

LONDON, Oct 19 (Reuters) - Brazil's sugar supply outlook is set to tighten after heavy rainfall, suggesting that prices will rise, consultancy Czarnikow said on Monday. "While the 'sugar story' has so far focused on the fall in Indian production, and India's need for imports, the next step up will be all about the fall in the Brazilian production outlook," Czarnikow said in its latest monthly review. Czarnikow has cut its forecast for 2009/10 centre-south Brazil sugar output to 28.2 million tonnes, from a previous prediction of 29.2 million, after output of 26.7 million tonnes in 2008/09, said senior analyst Peter De Klerk. The drop was due to reduced throughput at mills after the heavy rains which harmed yields. Raw sugar prices more than doubled this year after India, the world's biggest consumer, shifted to a net importer from exporter.

Now the focus of the sugar market has shifted to Brazil, the world's top producer and exporter, which has had persistent and excessive rainfall during harvesting. "It is becoming increasingly clear that Brazil is not going to be able to support these levels of demand during the off-crop period, even though the industry has clearly tried to maximise sugar

production," London-based Czarnikow said. "Limits on supply require a forced adjustment of consumption," the consultancy said. "To this end it is clear that prices will need to move higher to ration demand." Czarnikow said the sugar market faced a supply bottleneck. "By mid-August sugar production was running almost 3 million tonnes ahead of the previous year though this has fallen back to just 1.7 million tonnes," it said. "As the centre-south of Brazil has already exported a further 3 million tonnes this season to the end of September, total availability for October onwards is unlikely to exceed 7 million tonnes, allowing for domestic consumption." Czarnikow added, "There simply will not be enough sugar to meet ongoing levels of demand." The consultancy said that with the harvest in the centre-south of Brazil now coming to an end, hedging pressure and export availability was set to tighten sharply.

Global sugar deficit to end in 2010/11-Kingsman

SAO PAULO, Oct 20 (Reuters) - Lausanne-based consultancy Kingsman said on Tuesday it expects to see the global sugar deficit end in 2010/11 and supply to be balanced or move into surplus as more marginal producers boost output due to strong international prices for the sweetener. The consultancy sees an 8.3 million tonne deficit in sugar in the 2009/10 season, its chief executive Jonathan Kingsman said while speaking at the International Sugar and Ethanol Conference in Sao Paulo. He said a 2010/11 (April-March) surplus in sugar will likely be used to rebuild depleted stocks. "Many countries can see a supply increase due to high sugar prices and higher usage of inputs such as fertilizers," Kingsman said. He estimates an additional 5 million tonnes of sugar could be produced in 2010/11 compared with 2009/10 from countries excluding Brazil and India, the top two producers. In Brazil, sugar production is seen rising by at least 4 million tonnes, to around 33 million tonnes next season, if weather conditions are "normal", Kingsman said. "So whatever India increases its production, it will be a surplus (for the global market)," he said. Kingsman said however the Indian government's estimate of a 26-million-tonne output next season, released earlier Tuesday, seems "way to high." "The world's running out of sugar in the short term but we're going to have a surplus situation in six to 12 months. So it's difficult to see how prices will react," Kingsman said on the sidelines of the Datagro conference.

Saudi Savola sees raw sugar prices correcting soon

RIYADH, Oct 25 (Reuters) - Global prices of raw sugar are expected to witness a correction soon, the top executive of Saudi-based Savola Group <2050.SE>, one of the world's top buyers of the commodity, said on Sunday. "I

don't think the prices will stay at their current levels, there will be a decrease shortly but they will not return to the lows of 2008," Savola's Chief Executive Sami Baroum told Reuters. "Prices of raw sugar this time have increased sharply. This does not affect our margins as a refiner," he said. Raw sugar futures prices have almost doubled this year. "Speculation has a lot to do with this increase," said Baroum who expects raw sugar production from India and Brazil to pick up next year.

Savola, which owns a 1.2 million tonnes sugar refinery in Saudi Arabia and another 750,000 tonnes per annum refinery in Egypt says it is the Middle East's largest sugar refiner. For its plant in Saudi Arabia, Savola imports raw sugar at zero custom duty. "Saudi Arabia is the only country in the region that does not impose an import duty on raw sugar". By end-2011, Savola will expand to 1 million tonnes the annual production capacity at its existing plant in Egypt. "We also plan to start within a year and a half a new beet sugar refining plant in Egypt with an annual production capacity of 250,000 tonnes," Baroum said.

BlueGold Capital: Sugar prices to stay high through June 2010

Sugaronline Ebriefing, 28 October 2009

Sugar prices will remain above historical averages through June 2010 as supply falls short of demand, said Olivier Pairault, a portfolio manager at BlueGold Capital Management LLP, according to Bloomberg. An increase in supply sparked by this year's rally is only likely to take place around the end of 2010 because sugar cane takes about 18 months to grow, Pairault said today at the Jeffin Commo & Energy 2009 conference in Geneva. Rising prices have failed to curb use because sugar accounts for a low percentage of costs of food for which it's an ingredient, he said. "Given the magnitude of stock drawdowns, prices will be high relative to historical standards through the first half of 2010," said Pairault, who also has worked for Morgan Stanley and Cargill Inc. Curtailed production in India, the world's second-largest producer of the sweetener, contributed to inventory use, he said. The country this year had its driest June in 83 years, and excess rainfall has hurt output in Brazil, the biggest producer. White, or refined, sugar has added 76% this year in London, and raw sweetener has almost doubled in New York. Investors will start expecting more supply in the middle of 2010, after which prices will decline, Pairault said. London-based BlueGold manages US\$1.5 billion, mostly in energy. Its hedge fund has returned more than 60% this year, according to Pairault. Hedge funds are mostly private pools of capital whose managers participate substantially in the profit from speculation on whether the price of assets will rise or fall.

II. COUNTRY SUMMARIES

ANGOLA

BANGLADESH

Bangladesh to import 1.1 mln tonnes of raw sugar

DHAKA, Oct 27 (Reuters) - Bangladesh will import 1.1 million tonnes of raw sugar in the current fiscal year to June 2010 to meet domestic demand, government officials and traders said on Tuesday. "The country's demand of some 1.2 million tonnes of refined sugar will largely be met by local private refineries," said a senior official of the state-owned Bangladesh Sugar and Food Industries Corporation (BSFIC). Bangladesh refineries solely depend on imported raw sugar. The imports of raw sugar in the country was also around over 1.0 million tonnes in 2008-09 (July-June), a leading raw-sugar importer said. BSFIC manages government crushing mills and monitors demand and supply of sugar in the country which largely depends on imported sugar. There is no private crushing mills in the country and BSFIC has no raw-sugar refinery.

BRAZIL

Rains to cut Brazil's CS sugar exports - Datagro

SAO PAULO, Oct 19 (Reuters) - Sugar exports from Brazil's main sugar cane-producing region this season will be much less than previously forecast due to rains that cut output from the world's largest producer, Datagro analysts said on Monday. This season's sugar exports from the center-south, which accounts for 90 percent of Brazil's cane crop, are expected to come in at 21.6 million tonnes, less than the previous forecast of 23.3 million tonnes but up from shipments of 20.4 million tonnes in 2008/09 the analysts said. Datagro President Plinio Nastari said the added moisture has reduced the levels of sucrose in the cane crop, from which sugar and ethanol is produced. "The weather has been atypical this year. (Rains) didn't allow mills to process what we had been expecting," Nastari said on the first day of Brazil's Sugar Dinner Week. International sugar prices have been just off 28-1/2-year highs. Brazil's center-south 2009/10 sugar output will total 28.6 million to 29 million tonnes, down from 30.5 million tonnes seen in August, Nastari, said. The region is expected to crush 523.5 million to 533.5 million tonnes of cane in the season (April-March), down from 535 million tonnes forecast previously. He said that the region's ethanol output would also fall to 23 billion to 23.5 billion liters, down from the 24.7 billion liters seen two months ago.

2010/11 CROP

Nastari, speaking at Datagro's two-day International Sugar and Ethanol Conference, also gave his first outlook for

the 2010/11 cane crop in which he forecast the next season's crush to reach 565 million to 590 million tonnes. "The final output will depend on rains this year, which will determine cane growth, and rains next year for us to know how much cane it will be possible to crush," Nastari said. He added that sugar and ethanol production in the center-south would reach between 32.3 million and 32.6 million tonnes and 27 billion and 29 billion liters, respectively. Nastari said sugar output from the center-south would not grow much, only by around 3.5 million tonnes at the best year on year, while the world's deficit is forecast at 7.5 million tonnes. "This means market fundamentals are positive due to Brazil, which is struggling to produce more but has limits, and due to India, whose sugar output will be poor again," he told reporters after his conference speech.

Brazil 2010/11 cane crush seen up at 590 mln T-Job

SAO PAULO, Oct 21 (Reuters) - World top sugar producer Brazil should harvest a crop of around 590 million tonnes in the 2010/11 season, analysts Job Economia said on Wednesday, up from an expected 542 million tonnes in the current 2009/10 season.

Sucden revises down its 2009/10 sugar production estimate

Sugaronline Ebriefing, 21 October 2009
Brazil's Centre-South sugarcane growing region is expected to crush 540 million metric tonnes of cane from April 2009 to March 2010, down from the July estimate of 550 million tonnes, due to unseasonably wet weather, according to Dow Jones. The new figure represents a 7% increase on the 2008/09 cane crush. Brazil's Center South 2009/10 sugar production forecast has also been revised lower to 29.7 million tonnes, down from 32 million tonnes forecast in July, as excessive rains caused yields to fall, the report said. "Heavy rainfalls during the peak of the season have had a strong impact on the sucrose content of the sugar cane," Sucden said.

Dreyfus takes over Brazil's Santelisa, plans IPO

SAO PAULO, Oct 27 (Reuters) - The Brazilian unit of French commodities group Louis Dreyfus said on Tuesday it agreed to take over Brazilian firm Santelisa Vale to create the world's second largest sugar cane processor. Local unit Louis Dreyfus Commodities Bioenergia and Santelisa Vale said the new venture, called LDC-SEV, will control 13 sugar and ethanol plants and have annual cane crushing capacity of 40 million tonnes, second only to Brazil's Cosan. Louis Dreyfus and a group of financial partners pledged 800

million reais (\$460.6 million) to the venture, the French group said, adding that it will also assume an undisclosed amount of debt.

Dreyfus will hold a 60 percent stake, Santelisa Vale shareholders will have 18 percent, third party investors 9 percent and the remaining 13 percent will be in the hands of banks Goldman Sachs and Brazil's state-run development bank BNDES, LDC-SEV Chief Executive Bruno Melcher said. He said the estimated value of LDC-SEV is 8 billion reais and combining operations should bring annual savings of 100 million reais. "Brazil has currently 40 percent of the global sugar market and this should increase in the coming years. Also, local demand for ethanol will grow and the potential for (ethanol) exports is huge," Melcher said at a press conference. In order to meet growing sugar and ethanol demand, local cane output in Brazil must be increased by 30 million tonnes per year, he added. "That's why new projects are essential," he said, adding that future investments would initially go to raise mills' capacity of cogeneration of electric energy through burning of cane bagasse and leftovers. Investments to boost sugar and ethanol production capacity would come later. The company doesn't rule out building new mills from scratch, Melcher said, adding that potential areas have already been identified in the country.

IPO PLANS

LDC-SEV may also end its participation in Tropical Bioenergia, a biofuels joint venture it entered in 2008 with British oil major BP Plc and local grain and oilseed producer Maeda, Melcher said. The company plans to take on new financial backers as well, some of which could be development banks from other countries and other investors. The companies said they plan an initial public offering for the venture to fund future expansion, which could be held in three to five years, or sooner, depending on market conditions. "LDC-SEV plan to have an IPO in the near future in a bid to guarantee access to the capital necessary to sustain its ambition to keep a leading role in growth and consolidation in Brazil's sugar and ethanol sector," the companies said in a statement. "LDC-SEV's expansion plan is aggressive."

Brazil's cane sector has been through strong consolidation. It leveraged its expansion in recent years, as local demand for ethanol grew and exports of the biofuel were seen rising, and then was hit hard by the intensification of the global credit crisis. Santelisa Vale was created in 2007 through a merger between two traditional cane groups, Vale do Rosario and Santa Elisa. Melcher said LDC-SEV will keep Santelisa's 73-percent share in

Brazilian sugar and ethanol marketing firm Crystalsev. (\$1=1.737 reais)

CAMEROON

Cameroon to import 10,000 T sugar to ease shortage

YAOUNDE, Oct 7 (Reuters) - Cameroon will import 10,000 tonnes of refined sugar from the Democratic Republic of Congo this month to make up for local shortages that have spiked local prices, the Ministry of Trade announced. "The sugar to be imported from the DRC will come in three instalments through the port of Douala. The first instalment of 2,500 tonnes will arrive on 10 October, the second of 4,000 tonnes on 20 October and the third of 3,500 tonnes at the end of the month," the ministry said in a press release dated Tuesday. "The 10,000 tonnes will add to the 10,000 existing stock of the Cameroon sugar company (SOSUCAM)," it said. Cameroon, the leading economy in the six-nation Central African Economic and Monetary Community (CEMAC), produces about 130,000 tonnes of sugar annually, less than half of its estimated 300,000 tonnes of yearly consumption. Poor road conditions between the SOSUCAM factory in Mbanjock and the capital Yaounde due to heavy rains have contributed to supply shortages that have boosted local market prices by more than a third.

CHINA

Sugar import trq to remain unchanged for 2010

F.O. Licht's International Sugar and Sweetener Report, October 20 2009
The Ministry of Commerce said that China will keep its sugar import quota unchanged next year at 1.945 mln tonnes, with 70% allocated to state-owned companies and the remainder to private firms. Sugar imports within the quota are subject to a reduced tariff of 15%, while imports outside the quota are subject to a tariff of 50%. Qualified companies can submit applications between October 15 and 30, and the quotas will be issued before November 30, the ministry said. The TRQ at the reduced tariff is part of China's WTO commitments.

CUBA

Cuba sees sugar crop steady at 1.4 mln T in 2010

HAVANA, Oct 9 (Reuters) - Cuba expects to produce about 1.4 million tons of unrefined sugar in the 2010 harvest, or the same as in 2009, a Cuban sugar official said on Friday. "The next harvest, which starts in December is going to be around that (1.4 million tons)," Sugar Ministry Vice Minister Nelson Labrada told

reporters in Havana. "What we're looking for is to increase efficiency in the harvest and in the sugar mills." He said Cuba will use 45 to 50 of its 61 sugar refineries to process the sugar cane, which will be harvested from December through May. Cuba's economy was once heavily tied to sugar, but over the years the amount of land planted in sugar cane has fallen due to problems of management and supply. In 2002, 1.2 million hectares (2.96 million acres) were devoted to sugar cane, but that has dropped to 750,000 hectares (1.85 million acres). The communist-led government has been putting new investment into the sugar industry to try to increase yields to take advantage of rising world prices. But Labrada said progress is not happening overnight. "It's very difficult to increase production from one year to the next," he said.

EGYPT

Domestic sugar prices continue to rise
F.O. Licht's International Sugar and Sweetener Report, October 20 2009
Domestic sugar prices continued to rise despite government measures to mitigate the effect of surging global sugar prices, local press reports said. Domestic retail prices reached EGP5 (\$0.91) per kg in some areas, doubling from EGP2.5 at the beginning of the year and leading the government to temporarily suspend sugar import duties.

Wholesalers quickly raised local prices to match global levels, stirring controversy since their reserves were bought when prices were low, according to Mohamed Anwar Mosleh, Deputy Chairman of the grocery stores and food products unit at the Federation of Egyptian Chambers of Commerce. Egypt's sugar imports are controlled by five companies that import almost 900,000 out of the 1.2 mln imported tonnes of sugar, in addition to the around 1.6 mln tonnes produced locally, it was added. A committee on prices formed by the Alexandria Chamber of Commerce recently recommended a fixed retail price of EGP4 per kg for October 2009.

EUROPEAN UNION

Commission increases 2009/10 export quota to 1.35 mln t

F.O. Licht's International Sugar and Sweetener Report, October 20 2009
The Sugar Management Committee of the European Union decided at its latest meeting on October 14 to increase the export quota for non-quota sugar for 2009/10 to 1.35 mln tonnes from the previously set volume of 650,000. EU sugar producers had demanded an increase of the quota as they are facing a massive volume of non-quota sugar production in 2009/10, due to very favourable weather conditions in most member countries.

EUROPEAN UNION COUNTRIES

France

Agmin raises beet crop forecast by 2.8%
F.O. Licht's International Sugar and Sweetener Report, October 20 2009

The French agriculture ministry raised its beet crop forecast for 2009 by 2.8% to 33.168 mln tonnes from 32.256 mln in September. The new forecast is 9.4% above the 30.360 mln tonnes harvested in 2008. The average sugar content was also raised to 19.2% from 18.9% last month and compared with 18.7% in 2008. Beet yields were raised to 89.7 tonnes per ha from 86.8 last month and in 2008. However, the area under beet in 2009 was reduced marginally to 370,000 ha from 371,000 before, which is still up considerably from 349,000 a year ago. The ministry's estimates include beet sown for ethanol production.

FIJI

Currency devaluation to cushion cut in sugar prices

Sugaronline Ebriefing, 5 October 2009

As Fiji braces for the full impact of a cumulative 36% reduction in preferential prices paid by the European Union for sugar, the 20% devaluation of the Fiji dollar is going to cushion the fall, according to Fiji Live. "Following the reform of the EU Sugar Regime the EU sugar price reduced by 14.3% during the year. A further 21.7% reduction will come into force from 1 October 2009, taking total reductions to 36%. This remains one of the main driving forces for the reform of the Fiji Sugar Industry. Fortunately, this will be negated to a large extent, by the 20% devaluation of the Fiji Dollar," said Gautam Ramswarup, chairman of the Fiji Sugar Corporation. Fiji exported a total of 207,575 tonnes of sugar manufactured for the 2008 season to the United Kingdom, under the preferential trade arrangement with the EU, compared to 187,858 tonnes in 2007.

INDIA

Sugar shortage seen continuing through 2011

Sugaronline Ebriefing, 5 October 2009

Sugar exporters around the world and speculators in the futures market closely watching developments in India have more than one reason to smile, according to the Hindu Business Line.

While they are sanguine the world's largest consumer will be forced to import not less than five million tonnes of the sweetener in 2009/10, they are becoming increasingly hopeful that their streak of good fortune will continue well into the 2010/11 season also. For the speculators on the international bourses, the sugar price performance has been exemplary over the

last six months, thanks to India and its utterly reactive manner of facing developments in the marketplace. While short-term measures to tide over tough times are necessary, to mistake symptoms for the disease would be naïve. Repeated use of short-term fix is unlikely to make for healthy development of the sugar sector. With no significant rebound in sugar production envisaged for 2009/10 and nationwide inventory set to decline to alarmingly low levels by the year-end, there is little possibility of global and domestic prices correcting down in a hurry.

As far as 2009/10 is concerned, the numbers are already in place. Acreage is clear; size of cane crop has crystallised; and sugar production can be tentatively estimated (at about 16 million tonnes). Given that consumption is likely to remain stagnant at about 23 million tonnes, the shortfall can only be made through stock drawdowns and imports. Indeed, because the risks associated with completely drawing down the inventory are too heavy to bear, the shortfall will necessarily have to be made up with imports. In the event, import volumes can zoom to six mt and beyond, depending on New Delhi's comfort level as far as prices are concerned. The country has to start planning for 2010/11 season. Will cane regain the one million hectares it lost in 2008/09? Unless area under cane cultivation bounces back to above five million hectares, sugar shortage in the country is unlikely to ease.

India sugar output seen at 15.3 mln T in 2009/10

MUMBAI, Oct 15 (Reuters) - Lower area and drought will see India, the world's top consumer and the biggest producer of sugar after Brazil, fall severely short of domestic consumption for a second straight year in 2009/10, a Reuters poll showed. The poll of 10 respondents, including Indian millers and commodity brokerages, forecast an average estimate of 15.3 million tonnes for the sugar year, a little more than last year's output of 15 million tonnes, and much below 2007/08's 26.3 million tonnes. The country's output stagnated as farmers failed to raise acreage. "Last year cane prices were not attractive. Farmers were not interested in cane. They preferred other crops like wheat," said Ashok Jain, president of the Bombay Sugar Merchants Association.

Cane acreage in 2009/10 eased by 3 percent to 4.250 million hectares, latest data with farm ministry showed. Cane is a perennial crop and is harvested in cycles of 12-14 months. "Now prices are attractive, but this year's plantation will come for harvesting only next year," Jain added. India's cane area contracted for two consecutive years because of low prices and a drought, but Farm Commissioner N.B. Singh said late monsoon rains would ensure a steady cane output. However, the deficit will keep sugar prices firm in domestic market and force imports of sweetener, said

Sanjay Tapiya, director, Simbhaoli Sugars Ltd.

But, output forecasts have often gone wrong in India. For example, in 2008/09, millers had forecast an output of 22 million tonnes, but it fell short by about 7 million tonnes. The same year India imported 5 million tonnes of raws - the amount it exported a year ago. Rains were patchy over growing regions in the first two months of the July-Sept monsoon, but improved in the later half. "Poor monsoon rains remains a concern in Uttar Pradesh, but that loss should be compensated by Tamil Nadu and Karnataka," Prakash Naiknavare, managing director, Maharashtra State Cooperative Sugar Factories Federation Ltd, said. The weakest monsoon in more than three decades hit the crop in Uttar Pradesh, India's second biggest sugar producer.

COARSER SWEETENER

Millers are set to begin crushing only next month to ensure maximum recovery - amount of sugar produced from cane -- but this too can affect sugar output. "We should keep an eye on jaggery makers. If mills delay crushing, it will increase diversion of cane for jaggery and ultimately will hit the sugar output," Mehul Agrawal, an analyst with Sharekhan Commodities, said. Jaggery, or gur, is a coarse sweetener. "Rainfall in the last fortnight was very helpful. Recovery rate should be normal," said Harish Galipelli, head of research with JRG Wealth Management. Indian spot prices have jumped by more than 50 percent in 2009 due to lower output, prompting the government to limit amount of sugar held by traders and bulk buyers.

India sees its sugar output surging in 2010/11

SAO PAULO, Oct 20 (Reuters) - Domestic sugar deficits in India should end in the 2010/11 Oct-Sept crop year and the world's No. 2 producer after Brazil should resume exporting if conditions are right, an Indian government official said on Tuesday. Abinash Verma of India's Department of Food and Public Distribution contended that the country could produce 26 million tonnes in 2010/11, up sharply from 18 million tonnes forecast for the current season. Other analysts at the International Sugar and Ethanol Conference had more modest forecasts for future Indian sugar production.

A host of factors will determine India's sugar harvest a year from now, mainly the weather and government intervention. But a global sugar deficit has helped push world prices up near 28-year highs, spurring growers to plant more cane. India could export 1 million tonnes of refined sugar in 2010/11, Verma said at the second day of the conference in Sao

Paulo, hosted by analysts Datagro during Brazil's biennial Sugar Dinner Week. Verma said his estimate depended on a return to a "normal" level of production of jaggery -- a cheap, unrefined sugar product consumed in India and Brazil, which is produced by evaporating water off the cane sap. Production deficits in India, the world's second most populous nation and largest global sugar consumer, were one of the main reasons for a world shortfall in supplies that set off a rally in sugar futures that saw prices double this year. New York March sugar futures were trading about half a cent lower at 23.65 per lb by 1425 GMT on Tuesday.

India's domestic consumption of sugar in 2009/10 is forecast at 23.5 million tonnes and at 24.5 million tonnes in the following 2010/11 season, Verma said. He added that sugar production in 2008/09 was estimated at 15 million tonnes compared with domestic consumption of 22.5 million tonnes. The government had sought to close that gap with time limits on holding stocks and forcing some beverage makers to rely on imported supplies, he said. Other analysts have been working with much lower figures for future Indian production. Peter Baron, executive director at the International Sugar Organization, said there were too many variables to give an accurate estimate as far ahead as 2010/11 but offered a figure of 20 million to 22 million tonnes. Analyst Jonathan Kingsman said India's estimate was "way too high", adding 20 million tonnes would be a more likely forecast. Baron, who spoke earlier on Tuesday at the event, left the ISO's September forecast for the 2009/10 global sugar supply deficit unchanged at 8.4 million tonnes, down from the 10.4 million tonne deficit seen in 2008/09.

India extends duty-free white sugar imports

NEW DELHI, Oct 21 (Reuters) - India has extended tax-free white sugar imports until December 2010 as the world's biggest consumer of the sweetener faces robust demand and shrinking domestic output, Farm Minister Sharad Pawar said on Wednesday. ICE March raw sugar was up 0.42 percent at 23.73 cents a lb by 0934 GMT, and analysts said India's move would support high prices, but imports are not expected to jump in the short term as mills were about start crushing cane. "The situation is tight in sugar.... Duty-free sugar imports will bridge the supply gap," Pawar told reporters. India's cane output is expected to fall after the worst monsoon in nearly four decades ravaged many cane fields. In April, India permitted duty-free imports of white sugar until Nov. 30, which Pawar said last month could be extended to June 2010. For a timeline of steps India took to meet its sugar shortfall since it allowed duty-free raw sugar imports in

February. Clarity on the import regime up to the end of next year was useful, said Ajit Chowgule, secretary of the Maharashtra Co-operative Sugar Factories Federation Ltd. "The minimum period for the sugar cycle, starting from cane planting to end product is 12 months," he said. "It helps if a policy is announced beforehand. Both farmers and industry get enough time to plan."

OUTPUT

Pawar said the country was likely to produce 16 million tonnes of sugar in the year that began this month, lower than the 18-million-tonne forecast made by farm ministry official Abinash Verma at a sugar conference in Sao Paulo on Tuesday. India's annual sugar consumption is about 23 million tonnes. "It is not simple for me and my ministry to manage the sugar situation," Pawar said. India's sugar season runs from October to September. The country's sugar output in the year that ended on Sep. 30 fell to 15 million tonnes from 26.4 million, forcing it to import 5 million tonnes and lifting raw sugar futures to the highest in nearly three decades. Luke Mathews, commodity strategist at Commonwealth Bank of Australia said India's latest move reflected supply concerns. "It's not an act of desperation. It simply reflects the situation that supplies are insufficient to meet demand," he said. "Whether it causes markets to react today or tonight remains to be seen, but the fact is it's another bullish fundamental story in the sugar complex." Amol Tilak, head of research, at Kotak Commodity Services said the announcement would renew buying interest and lift raw sugar futures.

This month, Kushagra Nayan Bajaj, joint managing director of India's top sugar firm, Bajaj Hindusthan, said India might import 7-9 million tonnes of sugar in 2009/10. Analysts said imports would not surge in the next few months. "Imports are likely to rise, not in the short run, as the crushing season is about to begin, but in the medium-term," said Veeresh Hiremath, analyst with Hyderabad-based brokerage Karvy Comtrade. Low cane prices had hit sowing, and the decision to extend imports was an outcome of government policy, said Sudhir Panwar, head of the Kisan Jagriti Manch, a farmers' body. "The extension reflects poor stocks and is indicative of faulty official policies for sugar sector," he said. "The government has failed to provide the incentive of higher support prices."

India to buy more sugar as local prices rise-trade

NEW DELHI, Oct 29 (Reuters) - Indian buyers are poised to sign deals for imports of up to 2 million tonnes of raw sugar as the fall in global prices and the rise in Indian rates have made purchases viable after nearly two months, trade officials

said. Indian spot sugar prices have risen 17 percent in the past three weeks, while on Wednesday the March raw sugar contract closed at its lowest level since Oct. 12. "There exists price parity for raw imports," Mukesh Kuvadia, secretary of Bombay Sugar Merchants Association, told Reuters.

March raw sugar contract rose 0.25 cent or 1.1 percent at 22.18 cents per lb at 1228 GMT, while Indian spot prices were up 1 percent on Thursday. Kuvadia said importers would look for new deals for delivery in March by when the crushing season gets over. Traders said several potential importers were scouting for deals. "We are getting many calls from Indian buyers," said a trader with an international trading firm in New Delhi.

India, the world's top consumer of the sweetener, bought about 5 million tonnes of sugar, mostly raws, in 2008/09 after exporting a similar quantity in the previous year, as farmers switched to other crops that were more remunerative. This year, the worst monsoon in 37 years has ravaged cane fields, creating a shortage for the second consecutive year. Another trader said there could be 1-2 million tonnes import of raws as the delivered cost would be between \$484-\$500 a tonne at the current prices. In early September, traders and industry officials said Indian importers had stopped signing new contracts because of high local prices. Kushagra Bajaj, joint managing director of Bajaj Hindusthan Ltd <BJHN.BO> said this month that no new import deal had been signed for more than a month and the sugar being shipped in was from contracts signed earlier. Trade analysts said the bias for raw imports against whites would continue as the official import policy on the whites was not very clear.

Last week, Farm Minister Sharad Pawar said the deadline for white sugar imports was extended by a year to December 2010, but the rule had not been formally changed. "Where is the written order on the deadline extension?," said an official of a local company involved with the imports. India has taken a series of steps to ease the domestic sugar shortage after the cane crop squeezed for two consecutive years.

India fixes new prices for cane and rice

NEW DELHI, Oct 29 (Reuters) - India has fixed new state-set prices for cane and rice, aiming for stable sugar supplies and healthy rice stocks after the worst monsoon in decades raised fears of shortages. Home Minister Palaniappan Chidambaram said the government had approved a new "fair and remunerative" price of 129.84 rupees per 100 kg of cane. This week, the government announced a new system of fixing a "fair and remunerative" price which would be applicable throughout the country. The new price is higher than the federally advised price of 107.76 rupees, but lower than the price of 170 rupees fixed by

the Uttar Pradesh state, India's top cane grower. Chidambaram said the government would pay an additional 50 rupees (about \$1) for 100 kg of rice. India's rice output is set to fall sharply after drought and floods this year, and a higher price is expected to encourage farmers to sell more grain to government agencies.

Indian farmers demand higher cane price

NEW DELHI, Oct 29 (Reuters) - Farmers in India's biggest cane producing state have threatened to stop selling their produce to mills unless they are paid a higher price, leaders of farmers' bodies said after a protest rally in Uttar Pradesh. Sugar industry officials said farmers had no choice but to sell most of their cane to mills this year, but they may switch to other crops after the harvest if they are unhappy with the returns on cane. "All farmers are united on the cane price and they are not ready to give their cane to mills for less than 280 rupees per 100 kg," said M.K. Mishra of a cane-growers federation.

Last week, the state government raised the mandatory cane price by about 17-18 percent to 165-170 rupees per 100 kg for different varieties but millers said the rise was too steep, while farmers said they deserved more as sugar prices had doubled in a year. Several farmers' bodies joined a protest meeting on Thursday, in Bareilly, a district in central Uttar Pradesh, demanding a higher price. A sugar mill executive, who did not want to be identified, said millers may help farmers buy more fertilisers, pesticides and seed but they would resist higher cane prices. An official in the state government said the dispute may drive farmers away from cane. "The farmers will certainly go for other, more lucrative crops," the official said. Uttar Pradesh grows about half the total cane of the country.

INDONESIA

Government cuts sugar import taxes Sugaronline Ebriefing, 1 October 2009

Indonesia has cut its import taxes on white and raw sugar to IDR400 and IDR150 per kilogram respectively from IDR790 (US\$0.81) and IDR550 in a bid to cool rising domestic prices, according to Dow Jones. The tax cuts will be in place from October to December, said Yamin Rachman, executive director of the Indonesian Sugar Refiners' Association. Indonesia is the largest consumer of sugar in South-East Asia and imports sugar on a regular basis from countries like Thailand. However, rising global sugar prices have resulted in an increase in domestic sugar prices to IDR11,000/kg from IDR6,000/kg, prompting the government to cut sugar import taxes to make imports cheaper and increase sugar supplies.

2009 sugar production to fall 10% year-on-year

F.O. Licht's International Sugar and Sweetener Report, October 20 2009

Domestic sugar production in 2009 is likely to fall by around 10% from last year to about 2.7 mln tonnes because the crushing season is expected to end early, said Bayu Krisnamurti, Deputy Coordinating Minister for the Economy. Industry officials had previously said Indonesia's sugar production and consumption are likely to be roughly equivalent this year. However, cane crushing will likely end in mid-November this year, earlier than the normal end of crushing in December, Krisnamurti said. The country will also miss about four to five months of the sugar production season at the start of 2010, he said, without elaborating. The government said earlier that El Nino climate conditions are likely to affect agricultural production negatively this year and next. Krisnamurti also did not immediately elaborate on the amount of sugar to be produced next year, or specify the types of sugar to be produced domestically or imported.

JAPAN

Japan 09/10 sugar imports seen up 10 pct -ministry

TOKYO, Oct 1 (Reuters) - Japan's sugar imports in the year from October are expected to rise 10 percent as demand is likely to recover after falling for the first time in three years in 2008/2009, a Ministry of Agriculture report showed on Thursday. Sugar imports for the year to September 2010 are forecast at 1.355 million tonnes on a refined basis, compared with an estimated 1.227 million tonnes in the past year, according to the report, which is the ministry's first estimate for 2009/2010.

The ministry's first estimate for the year ended last month was at 1.398 million tonnes. Major sugar suppliers to Japan are Australia, Thailand and South Africa. Japan protects local sugar cane and sugar beet farmers by imposing levy on imported sugar and HFCS (high fructose corn syrup). In addition, a gradual fall in sugar demand in the fast aging and health-conscious society means Japan's sugar imports are now less than half of those by the United States or India, the world's No.1 and No. 2 sugar importers, respectively. The Japanese sweetener industry uses the ministry's outlook as a guide for deciding levels of production.

MAURITIUS

Mauritius revises '09 sugar output down to 485,000 T

PORT LOUIS, Oct 7 (Reuters) - Mauritius revised its sugar production forecast for 2009 down by 1 percent to 485,000 tonnes on Wednesday and blamed recent poor weather conditions. Sugar, a centuries-old pillar of the Indian

Ocean island's \$9 billion economy, accounts for roughly 3 percent of gross domestic product and is a major employer. The Chamber of Agriculture said it expects extraction rates to still be up on last year's relatively poor harvest. "This slight decrease in the forecast is mainly due to the climate which has not been favourable during the last two months. Sugar cane needs heat during the day and cold at night to reach maximum maturity," Laurent Law, the body's officer in charge of international affairs, told Reuters. To date this year, 258,000 tonnes have been produced compared with an overall 452,062 tonnes in the whole of 2008. The extraction rate has been 10.01 percent compared to 9.84 percent at the same time last year. October saw an end to the EU's sugar protocol, with the price of raw sugar falling a cumulative 36 percent to 336 euros (\$475) per tonne compared with an original guaranteed price of 523.70 euros.

MEXICO

Mexico sugar harvest undamaged by heavy rain

MEXICO CITY, Oct 5 (Reuters) - Mexico's upcoming sugar harvest has not been significantly damaged by heavy rain and flooding in the western cane-growing state of Veracruz, the country's cane growers union said on Monday. Carlos Blackaller, the head of the union, told Reuters the 2009/10 harvest was still set to produce 5.1 million tonnes of sugar, which would be enough to cover national demand. "We don't have reports of major damages or even minor damages," Blackaller said in a phone interview. "Yes it rained ... but the water entered and left the fields without affecting the cane," he said.

Mexico's sugar harvest, which begins in earnest in November, is being watched closely since the 2008/09 season fell well below projections at 4.96 million tonnes, forcing Mexico to import sugar from the international market. The government issued import licenses for 550,000 tonnes of sugar this year, but said it would not be necessary to import an additional 350,000 tonnes allowed under a 2009 import quota. Blackaller said while Mexican demand for the sweetener will be filled in 2009/10, there will not be enough sugar left over to export. The United States, which also faced shortfalls, imported sugar from Mexico in the 2008/09 season under the North American Free Trade Agreement, or NAFTA.

2009/10 sugar production seen at 5.16 million tonnes

Sugaronline Ebriefing, 21 October 2009
Mexico's new 2009/10 sugar harvest is forecast to produce 5,168,188 metric

tonnes of semi-refined standard sugar, according to Dow Jones. The National Cane Sugar Growers Union, releasing the first official forecast for the new crop, for which cutting and milling normally starts during the first half of November, said output in the 2008/09 harvest was 4,962,818 tonnes. Mexico's 2008/09 sugar harvest ended down 10%, a disappointment after initial forecasts for a crop of as much as 5.6 million tonnes, as the country's 54 mills performed below expectations due to a strike by cane growers that limited access to all the cane available in fields.

MOZAMBIQUE

Sugar production to rise by 53% in 2009

F.O. Licht's International Sugar and Sweetener Report, October 20 2009
Mozambique expects to harvest 3.2 mln tonnes of sugarcane and produce 382,000 tonnes of sugar and 99,000 tonnes of molasses in 2009, the government's Centre for the Promotion of Agriculture (CEPAGRI) said. If realised, sugarcane output would be up 52% on the year, sugar output 53% and molasses output 28%. Sugar exports may reach 200,000 tonnes this year, it was added.

PAKISTAN

Pakistan expects 3.5 mln t sugar in 2009/10 crop

ISLAMABAD, Oct 14 (Reuters) - Pakistan is expecting up to 3.5 million tonnes of refined sugar from the 2009/10 crop, government and industry officials said on Wednesday, nearly half a million tonnes up from earlier estimates. But despite the upward revision in the crop estimate, Pakistan will still need to import to meet its domestic requirement of 4 million to 4.2 million tonnes a year. The government has already decided to import 300,000 tonnes of raw sugar but Food Ministry officials say the plan is to import up to 1 million tonnes in coming months. A ministry spokesman said sugarcane production estimates for the 2009/10 crop had been set at 48 million tonnes compared with 50 million tonnes last year. "We estimate getting up to 3.5 million tonnes of refined sugar out of that," said the spokesman, Qadir Bukhsh Baluch. Government and industry officials had earlier estimated the production would be a little over 3 million tonnes.

Pakistan is holding about 800,000 tonnes of refined sugar in stocks. A top official of a farmers' association, Ibrahim Mughal, estimated production of between 3.2 million and 3.4 million tonnes, but said the country would still have to import more than half a million tonnes of sugar. Mughal said he opposed the import of raw sugar which would hurt farmers and said the government should instead import

refined sugar when needed. "Importing raw sugar means exploitation at the hands of millers ... they will then negotiate the price on their own terms which in turn will discourage farmers to grow sugarcane," he said. The government last month approved the import of 100,000 tonnes of refined sugar after domestic prices surged ahead of the Muslim fasting month of Ramadan that ended in the third week of September.

COURT CASE

The state-run Trading Corporation of Pakistan has already contracted to buy 25,000 tonnes of sugar from UAE-based company Al-Khaleej, but it is not known when it will import the rest of the sanctioned amount.

The rising price of sugar and other staples, plus power shortages, have led to anger with the government and intervention by the judiciary. The Supreme Court, hearing a case on sugar prices, ordered the government this month to implement an earlier court decision to ensure a retail price of 40 rupees/kg (48 U.S. cents) compared with the then market price of 46 rupees/kg. Millers say the court order to sell sugar at 40 rupees/kg is encouraging smuggling to neighbouring India and Afghanistan where it is being sold at much higher prices. Also at 40 rupees/kg, millers say they would not be able to buy sugarcane at the government price of 100 rupees per 40 kg in the next crushing season. Crushing is due to start in late October in the southern province of Sindh, and in November in the central Punjab province that produces most sugar.

Supreme Court orders low prices for consumers

Sugaronline Ebriefing, 23 October 2009

The Supreme Court on Thursday ordered the government to devise a mechanism to ensure availability of sugar at PKR40 (US\$0.48) per kg to domestic consumers, according to the Daily Times of Pakistan. "We do not want to see media reports stating that the Supreme Court order is not being implemented," the Chief Justice of Pakistan observed. The Competition Commission of Pakistan (CCP), through a report, submitted that about 70 percent of the sugar produced in Pakistan was consumed for commercial and industrial purposes, adding that domestic consumption formed a smaller part of this pattern. "Our concern is to provide relief to the people of this country. We want to draw a line between the industrial consumers and general public," the CJP said, adding that the Pakistan Sugar Mills Association (PSMA) had agreed to share the burden. Justice Jawwad Khawaja expressed reservations over the CCP report, saying, "The commission went beyond its mandate. We asked for the cost of production, not a lecture on economics." He said, "Time and again, we have said

that fixing of prices is not our domain and we have not taken up this matter by choice. It is the duty of the government but it did not take a single step since emergence of the sugar crisis." Abdul Hafeez Pirzada, appearing as amicus curie (friend of court), said Punjab had 300,000 tonnes of sugar, Sindh 70,000 tonnes, the NWFP 60,000 tonnes whereas 5,000 tonnes of sugar was allocated for Balochistan. He also informed the court the TCP had imported 200,000 tonnes of sugar to overcome the sugar crisis.

RUSSIAN FEDERATION

Russian beet sugar refining up 2.5 pct on year

MOSCOW, Oct 28 (Reuters) - Russia refined nearly 1.9 million tonnes of white sugar from beet by Oct. 26, 2.5 percent more than a year ago, in spite of a lower volume of processed beet, the Russian Sugar Producers' Union said on Wednesday. It said in a statement upgrades at refineries started three years ago had facilitated an increase in daily beet processing volumes and lower sugar losses in the production process. The union forecasts sugar refining from this year's beet crop at 3.05 million tonnes, down from last year's record 3.55 million due to a smaller area and lower yields.

SAUDI ARABIA

Savola to buy Tate & Lyle stakes in Egypt, Saudi

RIYADH, Oct 19 (Reuters) - Saudi-based Savola Group is in talks to buy from British sugar refiner and sweetener group Tate and Lyle Plc its stakes in sugar refineries in Egypt and Saudi Arabia, a Savola executive said on Monday. "We are in talks with Tate & Lyle and we hope to close a deal by mid-January," the executive, who asked not to be named, told Reuters. The talks are about Tate & Lyle's 10 percent stake in a 1.2 million tonnes per year sugar refinery in Saudi Arabia and a 3 percent stake in a 750,000 tonnes per year sugar refinery in Egypt, he added. Savola is the main shareholder in both refineries.

SOUTH AFRICA

2009/10 sugar output to rise to 2.33 mln t F.O. Licht's International Sugar and Sweetener Report, October 20 2009

South Africa's 2009/10 sugar output is expected to rise slightly to 2.33 mln tonnes from 2.26 mln in the previous season on the back of higher global sugar prices, South African Sugar Association Executive Director Trix Trikam said. The country's production of sugarcane is expected to rise to 19.66 mln tonnes this season, from 19.3 mln in 2008/09.

South Africa's sugarcane production fell by 400,000 tonne in 2008/09, while sugar production in the year also fell by 13,000

tonnes compared with the previous year. The fall in output was mainly attributed to high input costs during the growing season, with farmers struggling to buy expensive fertiliser and herbicides.

SRI LANKA

Self-sufficiency to reach 50% by 2015

F.O. Licht's International Sugar and Sweetener Report, October 20 2009 Sri Lanka's government plans to achieve 50% self-sufficiency in sugar by 2015 with the opening of five new sugar mills - one in Kurunegala, two in Anuradhapura, one in Siyambalanduwa and another in Bibile - Supplementary Plantation Crops Development Minister Dharmadasa Banda said. He added that the country consumes about 550,000 tonnes of sugar per annum with domestic output reaching only 50,000 tonnes on average. Last year's output was pegged at only 38,000 tonnes. In order to reach the target, the ministry has decided to foster public private partnerships and to invite local as well as international investors.

THAILAND

09/10 crushing season starts early

Sugaronline Ebriefing, 29 October 2009 Thailand, the world's second biggest sugar exporter, is expected to start 2009/10 sugarcane crushing on November 20, slightly earlier than usual, millers and industry officials said on Thursday, according to Reuters. "The monsoon rains have subsided so there is no rain disrupting harvesting, which means we can start crushing quite early," said an official at the Agriculture Ministry. The crushing season usually starts in early December. It is expected to run through to the end of April 2010. Cane production in 2009/10 is likely to be only 71 million tonnes, giving around 7.1 million tonnes of sugar, according to the latest crop survey conducted jointly by millers, cane growers and traders. The forecast was slightly lower than the most recent forecast of 76.4 million tonnes of cane, or around 7.6 million tonnes of sugar, from the Office of Cane and Sugar Board (OCSB), which oversees the country's sugar sector.

Sugar output in 2008/09 was 7.14 million tonnes. Thai farmers have failed to grow more cane to capitalise on record high sugar prices because planting for the 2009/10 crop began in late 2008 and world prices only started rising in mid-2009. New York futures hit a multi-year high of US\$0.24.85 cents per pound in early September on speculative buying in anticipation of strong demand from India, where a weak monsoon hit production. The March raw sugar contract SBH0 closed at US\$0.21.93 cents per lb on Wednesday. Traders said they expected lower 2009/10 sugar output than the OCSB because farmers had switched to other commodities. "During the survey, we found that farmers in the north and

northeast regions had shifted to growing rubber," said a trader from a leading miller that participated in the survey. Rubber trees need 5-7 years to mature and start producing latex, after which they can be tapped for almost 25 years, so switching from sugarcane to rubber cannot be easily reversed.

Thailand is the world's biggest rubber producer. Responding to surging prices in 2004, the Thai authorities launched a campaign to get farmers to grow more rubber on an additional 160,000 hectares in the north and northeast of the country. After a recent rally in prices, there are even plans to expand rubber output to another 160,000 hectares from 2010. The benchmark export-grade rubber sheet (RSS3) was quoted at US\$2.40 per kg on Thursday, rubber traders said. But farmers are still expected to grow more cane in the next 2010/11 crop in a bid to profit from the surge in sugar prices. The OCSB has forecast that Thailand would produce a record 80 million tonnes of cane, or around 8 million tonnes of sugar.

2009/10 sugar exports seen at 5.64 million tonnes

Sugaronline Ebriefing, 21 October 2009

Thailand expects to raise sugar production and sugar exports in 2009/10, according to Dow Jones. Thailand expects to produce 71.6 million metric tons of sugarcane in the 2009/10 crop year, an increase of approximately 8% compared with 2008/09, said Prasert Tapaneeyangkul, secretary-general of the Office of the Cane & Sugar Board. "Sugarcane prices in Thailand are the highest in history at around THB1,000 (US\$29.9) a tonne," Prasert said on the sidelines of a conference. Thailand expects to export 5.64 million tonnes of sugar in 2009/10 and consume approximately 2 million tonnes domestically in the same time, he said. Thailand's main destination for sugar exports is Indonesia with Japan in the second position as an importer. India started importing sugar recently, Prasert said. He expects India to import 200,000 tonnes of sugar from the 2009/10 crop. Sugarcane production may reach 80 million tonnes in the 2010/11 crop season as farmers use more inputs such as fertilizer and increase yields, Prasert said. Prasert said current yields are low at 62-65 tonnes of sugarcane per hectare. The average cost of production of sugar is between 15 and 16 cents per pound, the official said.

TURKEY

Saudi Savola-led bid for sugar factories

F.O. Licht's International Sugar and Sweetener Report, October 20 2009

Saudi-based Savola Group has teamed up with Turkish and Saudi partners to bid for six sugar factories being sold by the Turkish government, Reuters reported.

Savola's food business unit Savola Foods has set up a joint venture with farmers' union Turkey Tarim Kredi and the local Nesma Holding Company, Savola said. Savola Foods, 90% owned by Savola, and Turkey Tarim Kredi will hold 40% each of the venture while Nesma will hold 20%. Savola Foods and its partners will make their bid on November 19, a senior executive at Savola said.

Turkey is at the heart of Savola's expansion drive and the sugar factories to be purchased can produce 500,000 tonnes per year but right now they produce only 300,000 tonnes, he said.

If successful, the bid would open access for Savola's sugar business to its second-most populous market after Egypt. Savola Foods has a 750,000 tonnes per annum sugar refinery in Egypt and owns a 1.2 mln tonnes per year sugar refinery in the Saudi city of Jeddah on the Red Sea coast. Savola Foods plans to develop the six units and orient some of their output to foreign markets, the executive said.

Savola has a total sugar refining capacity of 2 mln tonnes per year which places it ahead of its closest regional competitor, the UAE-based al-Khaleej Sugar Co. which has a refining capacity of some 1.1 mln tonnes per year, the report said.

UKRAINE

Ukraine seeking self-sufficiency in sugar **Sugaronline Ebriefing, 5 October 2009**

Ukraine, which once produced so much sugar that more than half of it could be exported, must favor greater domestic output over imports in response to a supply shortfall, according to Bloomberg. Annual production shrank to an estimated 1.5 million metric tonnes this year from about 5 million tonnes in the 1990s, according to Ukrtsukor. Consumption may be as much as 1.7 million tonnes, the association estimates. The government expects demand to exceed 1.8 million tonnes. "We have to plant more sugar beet, and then we will be able to meet domestic demand in full and sell the rest," Mykola Yarchuk, head of Ukrtsukor, said in an interview in Kiev. "The government has to back domestic production rather than imports of cheap sugar."

Growing sugar beet in the country was unprofitable in three of the last seven years, according to the USDA's Foreign Agricultural Service. Sugar plants have also closed because of a lack of beet supply. Ukrtsukor expects 60 to operate this year, down from 110 in 2007. Domestic sugar production may drop to 1.4 million tonnes in the marketing year ending September 2010, from 1.7 million tonnes a year earlier, the USDA's FAS estimates. An existing government

subsidy of UAH750 (US\$90) a hectare (2.47 acres) hasn't spurred more planting. Beet farmers sowed 328,000 hectares this year, about a fifth of the 1.56 million hectares they cultivated in 1991, government data show. The government should be targeting plantings of 400,000 to 450,000 hectares by 2010, if the country is to return to self-sufficiency, Yarchuk said Sept. 25.

Ukrtsukor, whose members account for all of the national output, is seeking "state guarantees for investments in the sugar sector," Yarchuk said. "Farms which grow sugarbeet need subsidies so that they can supply more beet." About 17 percent of sugar beet production came from household plots last year, the USDA's FAS estimates. Yields on commercial farms were 22% higher than those supplies. Yields may decline this year as tighter credit encourages farms to use less fertilizer, the USDA's FAS says. The government is considering doubling subsidies to UAH1,500 a hectare for 2010, Yarchuk said. Sugar is considered a staple among the 46 million-strong population and there are presidential elections this month. Still, Ukraine's economy contracted 20% in the first quarter and 18% in the second, limiting the government's ability to increase subsidies to beet growers. Given the right incentives, including cheaper natural-gas supplies to refineries, Ukraine could export sugar again by the end of 2010, Yarchuk said. That may be too soon to reverse the trend, according to Tamara Levchenko, a Kiev-based agricultural analyst with Dragon Capital. "Ukraine has sugar export potential, but the country is not likely to export next year or even in next two to three years," Levchenko said.

Government raises support price for beets

Sugaronline Ebriefing, 20 October 2009

The Cabinet of Ministers raised by 17.2% the floor prices of sugarbeets by UAH31.57 (US\$3.8) to UAH214.9 per tonne, and the price of sugar by UAH458.33 to UAH3,125 per tonne, less value added tax, for the 2009/10 marketing year (September 2009 to August 2010), according to the Kyiv Post.

2010 raw sugar trq set at 267,800 t

F.O. Licht's International Sugar and Sweetener Report, October 20 2009

The Ukrainian government said that the import quota for raw sugar for 2010 will total 267,800 tonnes, with 157,500 tonnes assigned to Brazil. DJ reported. Raw sugar imports from Cuba in 2010 have been set at 16,679 tonnes, Thailand 9,000 tonnes, Guatemala 8,300 tonnes and Colombia 6,430 tonnes. Smaller amounts have been allocated to countries including El

Salvador (5,825 tonnes), Latvia (2,450 tonnes), Nicaragua (1,766 tonnes), Guyana (1,500 tonnes), Peru (2,083 tonnes), South Africa (2,200 tonnes), Switzerland (11.25 tonnes) and the United States (523.9 tonnes). Meanwhile, the Ministry of Economy said it has achieved an agreement with Belarus to import 100,000 tonnes of sugar from the neighbouring country, the Belarus News agency reported. The Ministry of Economy has calculated a deficit of 800,000 tonnes of white sugar in 2009/10.

UNITED STATES OF AMERICA

US 2009/10 sugar supply situation unchanged - USDA

NEW YORK, Oct 9 (Reuters) - The U.S. Agriculture Department said Friday the U.S. 2009/10 sugar supply/demand picture was practically unchanged and remained tight as the cane and beet harvest got under way in the country. USDA's monthly supply/demand report showed the closely watched stocks-to-use ratio in the U.S. sugar market for 2009/10 stood at 7.9 percent, from 8.0 percent in the September report. The tight U.S. sugar market has developed at a time when world sugar prices recently rallied to a 28-1/2-year top. Sugar prices have since pulled back, although values remained well above the psychological level of 20 cents a lb in the New York raw sugar market. The U.S. sugar stocks-to-use ratio is closely monitored by the global sugar industry because it is used by Washington as one of the key indicators to determine if imports are needed. Normally, the USDA prefers the stocks ratio at 15 percent and a figure below that has been used by the government as a reason to order imports, as it did in August 2008. About two months ago, U.S. food, candy and confectionary companies warned that the country would virtually run out of sugar as it argued strongly for the USDA to allow more imports to alleviate the tight supply situation.

The USDA turned down the request, saying there was enough sugar and that new crop supplies would combine with an import program to boost the amount of sugar available in the market. Most sugar industry analysts believe the U.S. will need to import around 800,000 tonnes of sugar before the end of next spring to meet a domestic shortfall. USDA said U.S. sugar production was steady at 8.025 million short tons. Imports were forecast to rise 75,000 tons to 2.162 million short tons. USDA said U.S. beet sugar output was projected unchanged at 4.70 million short tons in 2009/10, while cane sugar production was seen flat at 3.325 million short tons. The USDA kept its estimate of Mexico's 2009/10 sugar exports flat at 450,000 tonnes. USDA forecast Mexico's 2009/10 ending stocks at 765,000 tonnes,

down from 885,000 tonnes in its September report.

III. NEW SUGAR PRODUCTION PROJECTS

Kenya: KSB approves second mill in South Nyanza

Sugaronline Ebriefing, 1 October 2009

Kenya Sugar Board allowed a private investor to establish a second factory in South Nyanza, according to the East African Standard. Board Chairman Okoth Obado said they had allowed Sukari Industries to put up a multi-billion shilling sugar mill in Ndhiva District. The new factory, he said, would ease pressure on the South Nyanza Sugar Company (Sony) Ltd. He said the factory will occupy some 250 acres of Homa Bay County Council land in Kanyikela location, and would help cane farmers who have had to ferry their produce to Sony, which is several kilometres away. But some local leaders opposed the move, saying residents had not been consulted on possible negative impact of the miller.

Those opposed to the factory want construction plans suspended until all interested parties are briefed and those living around the site compensated. Nyanza ODM Co-ordinator Monica Amollo is among those opposed to the move and has accused the Kenya Sugar Board and some local leaders of imposing the project on residents. But Obado, local MP Orwa Ojodeh and some local leaders say the project was a 'god send' and must be implemented. Last weekend, a fight broke out during the burial of Councillor Lawrence Ojwang' after a group of councillors accused Ms Amollo of writing an opposing letter to the investors. When contacted, Amollo accepted writing to Kenya Sugar Board and the investor to stop the construction of the factory. "I want to know why they plan to establish the factory without a feasibility study first," she said.

Saudi firm eyes Africa with Yemen sugar refinery

F.O. Licht's International Sugar and Sweetener Report, October 20 2009

Saudi private group Midroc al-Amoudi plans to start by the end of 2011 production at a planned sugar refinery in Yemen which will export some of its output to neighbouring countries in the horn of Africa, Reuters reported. Ahmed Bamunif, Aden Sugar Refinery project's Executive Director, told Reuters works to build the plant will start in January 2010. It is a \$240 mln investment with sugar production planned to start by the end of 2011. The initial production capacity will be 1 mln tonnes of sugar per year, which will increase to 1.5 mln possibly by 2012, Bamunif said. While also catering for local demand, some of the sugar will be exported to African countries such as Djibouti, Kenya, Eritrea, Somalia and Ethiopia, he added. German firm BMA has

been awarded a contract linked to the construction of the refinery, said Bamunif.

Meanwhile, the Port of Aden is reviewing a survey to build a jetty for the planned sugar refinery with construction and dredging work likely to begin in 2010, said Roy Facey, Port Development Advisor to the Port of Aden. He added that the planned sugar refinery would be able to accommodate ships of up to the Panamax class of ships, which have a capacity of around 60,000 to 80,000 deadweight tonnes. The jetty is expected to be built north of Aden's container terminal, which has the biggest handling capacity of all container terminals in the country. Midroc al-Amoudi is a private investment group owned by Saudi billionaire Mohammed al-Amoudi, who was born in Ethiopia.

Egypt: FIHC to boost sugar investments

Sugaronline Ebriefing, 21 October 2009

Egypt's state-owned Food Industries Holding Company (FIHC) will spend EGP483 million (US\$88 million) on investments in 2009/10, mostly in the sugar sector, according to Reuters. FIHC will allocate part of the money to a EGP1.1 billion sugar project in Upper Egypt, the Al Mal newspaper said, citing statements made by the company's chairman Ahmed el Rakaiby during a general assembly meeting. Plans for the project in Wadi Al-Noqra near Aswan include building a factory to produce 125,000 tonnes of cane sugar a year and reclaiming 40,000 feddans (16,800 hectares) in the area to grow sugarcane. The company is also performing a feasibility study for a EGP1.2 billion project to cultivate between 40,000 and 50,000 feddans with sugarcane in the Upper Egyptian region of Kom Ombo, the paper said. The investments will also be used to boost beet sugar production at several factories, including a new plant for Delta Sugar Company with a capacity of 125,000 tonnes per year and second production lines at Dakahlia Sugar Company and Nubariya Sugar Company each with a capacity of 125,000 tonnes per year.

Angola to start producing sugar, ethanol in 2010

LUANDA, Oct 27 (Reuters) - Brazilian industrial giant Odebrecht will start producing sugar and ethanol in Angola next year in a bid to revive the African nation's once-prosperous farming sector, devastated by three decades of civil war. Odebrecht said it had partnered with Angolan state-owned oil firm Sonangol and private company Damer in a joint venture, Biocom, to invest \$220 million in a project it hopes will help steer Angola away from its oil dependence. The African nation rivals Nigeria as the continent's biggest oil producer and is dependent on oil for almost 90 percent of its income. The project will be the first major investment in sugar and ethanol production in Angola in decades. "We will start production in 2010 and reach

cruise speed by 2013," said Humberto Rangel, director of communications at Odebrecht Angola.

The joint venture will farm sugarcane on 30,000 hectares of land in the Malange province, about 400 kilometres east of the capital Luanda. A processing plant will produce 260,000 tonnes of sugar and 30 million litres of ethanol per year. The fibrous parts of the sugarcane and the heat from the machineries will also be used to produce 47 megawatts of electricity, Rangel added.

Angola was a top coffee, banana and sugarcane exporter before a 27-year civil war after independence from Portugal in 1975 led to a mass exodus of farmers to the cities. The country now relies on imported food to satisfy most of its needs, which has helped bolster inflation to close to 14 percent and also contributes to making Luanda one of the world's most expensive cities for foreigners. Angola is the latest African country that has granted land to companies for non-food crops, a trend that has raised fears in rural communities all the way up to the United Nations. The United Nation's Food and Agricultural Organization warned recently that the private and foreign ownership of African farmland could threaten access to food, water and other resources. Angola has no law for regulating biofuels production. Odebrecht holds a 40 percent stake in the Biocom joint-venture. It is also building highways, hotels and dams in Angola and holds a stake in the country's offshore oil Block 16.

India: Cement company slowly enters sugar

Sugaronline Ebriefing, 29 October 2009

Madras Cements Ltd has decided to go slow on its proposed investment in a sugar mill and is likely to bring in a partner, according to The Hindu Business Line. According to reliable sources, Bannari Amman Sugars has shown interest in the project. Madras Cements has decided to hive off the sugar division with a view to bringing in a partner to invest in the project. However, company officials could not be contacted for confirmation. Madras Cements Ltd has been allocated sugarcane command area in Thirukovilur, where it has acquired over 260 acres for the project. It had announced plans to float a subsidiary, Madras Sugars Ltd, to operate a 5,000-tonne-per-day sugar mill along with cogeneration and distillery units.

The project has been pending since 2007 when shareholders approved the company's proposal to enter the sugar business. Going by industry standards, the project would involve investments of over INR450 crore with the mill supporting a 30-MW cogeneration facility and a 60-kilotre-per-day distillery. Bannari Amman Sugars recently commissioned a 5,000-tonnes-

per-day sugar mill with cogeneration facility at Chengam. It now has total sugarcane crushing capacity of about 15,000 tonnes a day spread across four mills in Tamil Nadu and Karnataka.

IV. ETHANOL

1. The World Market

UN says biofuels policies should be more sophisticated

Sugaronline Ebriefing, 19 October 2009

The UN Environmental Programme says governments should adopt a more sophisticated approach to developing biofuels, and should incorporate them into wider strategies for energy, climate, land-use, water and agricultural if their deployment is to be of maximum benefit to society, according to RedOrbit. The report, entitled "Towards Sustainable Production and Use of Resources: Assessing Biofuels", is the first by UNEP's International Panel for Sustainable Resource Management, and is based on a detailed analysis of published research up to mid-2009 and input from a number of independent experts. The report says some first generation biofuels, such as ethanol from sugarcane, can produce positive results in terms of greenhouse gas emissions. Citing Brazil's biofuel production as an example, the UN body said emissions could be reduced by "70% to well over 100% when biofuels are substituted for petrol."

However, the way in which biofuels are produced matters greatly in determining whether they lead to more or less greenhouse gas emissions. For instance, some biofuels, such as those from oil palms grown in deforested tropical peatlands, can actually increase emissions as much as 2,000% compared with fossil fuels as a result of carbon releases from the soils and land. But a positive contribution to greenhouse gas emissions can occur if the palm oil or soya beans are grown instead on abandoned or degraded land. "Biofuels are neither a panacea nor a pariah but like all technologies they represent both opportunities and challenges," said Achim Steiner, UN Under-Secretary General and UNEP's Executive Director. A more sophisticated debate is urgently needed which is what this first report by the Panel is intended to provide. On one level, it is a debate about which energy crops to grow and where and also about the way different countries and biofuel companies promote and manage the production and conversion of plant materials for energy purposes-some clearly are climate friendly while others are highly questionable," said Steiner.

IEA raises projections for crude oil demand

F.O. Licht's World Ethanol and Biofuels Report, October 22 2009

The International Energy Agency (IEA) revised its estimate for global crude oil demand up by 200,000 barrels per day for 2009 and by 350,000 for 2010 on the back of more optimistic economic assumptions by the International Monetary Fund and stronger-than-expected preliminary data in OECD North America, non-OECD Asia and Latin America.

The IEA said global oil supply rose by 310,000 barrels per day in September to 84.9 mln, driven by non-OPEC growth. September non-OPEC supply rose by 200,000 barrels per day from August in the absence of US hurricane outages. OPEC production rose by 120,000 barrels per day to 28.9 mln in September, with higher output from Nigeria, Angola and Venezuela accounting for the lion's share of the increase. Crude oil production by the 11 members with output targets excluding Iraq rose by 170,000 barrels per day to 26.4 mln. As a result, the group's compliance rate slipped to around 62% compared with 66% in August.

The IEA raised global biofuels supply growth for 2008 up by 2,000 barrels per day to 370,000. The estimate for 2009 was raised by 31,000 barrels per day to 101,000. Global biofuels supply growth in 2010 rose to 194,000 barrels per day from 182,000.

2. Country Summaries

Brazil

Ethanol drivers switching back to gasoline

Sugaronline Ebriefing, 21 October 2009

Some Brazilian motorists who fuel their cars solely on cane-based ethanol are switching back to gasoline as high sugar prices now make the biofuel more costly in some states, according to Reuters.

Brazil is a pioneer in biofuel with its millions of flex-fuel cars that can run solely on ethanol or gasoline, or any mixture of both. Usually cheaper than gasoline, drivers needed no persuasion to switch when flex-fuel arrived in 2003. But as mills use cane to produce more sugar in response to a world deficit that pushed prices to near their highest in three decades, prices for ethanol, made using the same cane, have leapt up to 50% in places in just a few months. "(Drivers) have gone back to gasoline," said Paulo Mizutani, head of the sugar and ethanol division at Cosan, Brazil's top producer of the products. He said demand for ethanol in the center-south region fell to about 1.6 billion litres a month from 2 billion litres earlier this year.

"It could be like this until March when a new (cane) harvest starts," he said, speaking to reporters at Brazil's Sugar Dinner Week, an industry event held every other year in the world's top sugar grower.

Only in states with higher levels of sales tax, has ethanol become comparatively more expensive. Price data from National Petroleum Agency (ANP) showed that ethanol in southern states Minas Gerais and Santa Catarina were at or above the threshold of 70% of gasoline prices above which it is effectively more costly than gasoline. In Sao Paulo, it was around 60% and about 67% in neighboring Rio de Janeiro, meaning it still offered better value for the money. A litre of ethanol in Sao Paulo city costs about BRL1.50, equivalent to US\$3.26 per gallon. "Ecologically sound is a nice idea but no one will pay for it," Mizutani said. He held out little hope that Brazilians, who already pay comparatively high taxes on goods and services, would shell out more for ethanol despite its environmental selling points. "Your car goes quicker. It is clean and renewable energy and it is Brazilian. I think the consumers should not only look at the economic side but at these aspects too."

Government could trim ethanol blend if price continues to rise

F.O. Licht's World Ethanol and Biofuels Report, October 22 2009

The government could cut the mandated amount of ethanol blended into locally sold gasoline, if the price of the biofuel keeps rising, the head of the National Petroleum Agency (ANP), Haroldo Lima, said. He ruled out any change to the blend in the short term, but said the government was monitoring prices and could take measures if they do not stop rising by the end of the month. Gasoline sold at filling stations currently contains 25% ethanol, but the government can set a mandatory blend between 20 and 25% by law. Ethanol prices have been surging in recent weeks mainly due to wetter-than-usual weather in cane producing areas since June, which slowed harvesting. However, ethanol prices have been below production costs for most of the season, which started in April. A reduction of one percentage point in the blend is equivalent to ca. 20 mln litres per month.

Government maintains ethanol blend at 25%

Sugaronline Ebriefing, 23 October 2009

Brazil's government won't alter the mandated blend of anhydrous ethanol in Brazilian gasoline, according to Dow Jones. The government had mulled the idea of trimming the blend of anhydrous ethanol, a gasoline additive, in gasoline at filling stations to 20% from the current 25% level. The government by law can set the

blend between 20% and 25%. The government won't alter the blend, but it will continue to monitor the situation, the press officer said. "We have problems with the weather and this caused an [supply] imbalance in the short term, which lead to a price increase," Estado reported Minister of Agriculture, Reinhold Stephanes, as saying. "The initial idea was to decrease the mixture, but this is a measure that would lead to other negative consequences," Estado reported the minister as saying.

BP to produce cellulosic ethanol

Sugaronline Ebriefing, 27 October 2009

British oil giant BP plans to produce cellulosic ethanol made from biomass in Brazil starting in 2013, BP Biofuels chief Philip New said in an interview published Monday in the local press. The first plant for producing second generation ethanol will be constructed in the US in 2010, with the technology being transferred to BP's plants in Brazil after operations commence at the US facility, New told the Valor Online business daily. Brazilian oil giant Petrobras already has a research facility that is working on ethanol from cellulosic biomass, as well as a pilot plant that is producing the fuel from bagasse. The Science and Technology Ministry, moreover, wants to open a complex in the city of Campinas next year to conduct research on alternative fuels, offering space at the facility to companies interested in producing ethanol in Brazil from different types of vegetable residues. In 2008, Brazil produced a record 26.6 billion litres of ethanol, with output up 15.6% from the previous year. By 2013, when large-scale cellulosic ethanol production is slated to begin, some 15 million automobiles in Brazil will be able to operate with gasoline or ethanol, the National Automobile Manufacturers Association said.

Dominican Republic

50MW power, biofuels plant planned

Sugaronline Ebriefing, 26 October 2009

The RJS Group will build a 50MW power plant and a biofuels plant as part of a US\$500 million agro-industrial complex set for the Dominican Republic, according to newspaper Listín Diario. The project will span areas in the provinces of Monte Cristi, Santiago Rodríguez, Dajabón and Valverde, and will also produce organic fertilizer and cattle feed. The biodiesel plant will use sorghum, sunflower and soybean in order to generate more than 400Ml/y of fuel. The first phase is set to be complete in early 2012, according to the report.

Ethiopia

Ministry authorises second ethanol blend supplier

F.O. Licht's World Ethanol and Biofuels Report, October 22 2009

The Ministry of Mines and Energy agreed with OilLibya to become the second supplier of ethanol blends. Sales of E-5 in Ethiopia started at the beginning of last summer. Nile Petroleum Plc from Sudan was previously the only company who was authorised by the government to sell the blends. However, Nile Petroleum recently stopped blending due to a shortage of ethanol. It had sourced its ethanol from the Fincha Sugar Factory which has an annual fuel alcohol production capacity of 8 mln litres, mainly from molasses, and is presently under maintenance. Other companies presently negotiating with the ministry on the supply of blends are the National Oil Corp. and the Yetebaberut Oil Co.

European Union

Rabobank sees sharp rise in grain usage for ethanol

F.O. Licht's World Ethanol and Biofuels Report, October 08 2009

Improved ethanol economics will result in a sharp rise in grain consumption for ethanol production in 2009/10, Rabobank said. In their view, around 9.06 mln tonnes of grain will be used for biofuel production, up by 61% year-on-year. A combination of rising ethanol prices and falling wheat prices has boosted the outlook for ethanol production in recent months, the bank added.

Jan/Jul 2009 ethanol imports decline by 23% y/y

F.O. Licht's World Ethanol and Biofuels Report, October 22 2009

Ethyl alcohol imports in July 2009 amounted to 92.1 mln litres, against 100.1 mln the prior month and 89.1 mln in July 2008. This brought cumulative imports in Jan/Jul 2009 to 719.7 mln litres compared with 929.7 mln in the same period the previous year. Total imports in 2008 (Jan/Dec) were 1.472.5 bln litres. Major origins for denatured alcohol in Jan/Jul 2009 were Brazil (89.8 mln litres vs. 77.3 mln), Kazakhstan (6.1 mln vs. 423,000) and Pakistan (3.2 mln vs. 14.7 mln). Major origins for undenatured alcohol were Brazil (149.3 mln litres vs. 372.4 mln), Guatemala (63.4 mln vs. 20.4 mln), Pakistan (55.2 mln vs. 67.8 mln) Nicaragua (50.4 mln vs. nil) and Costa Rica (47.1 mln vs. 33.3 mln).

Ethyl alcohol exports in July 2009 amounted to 15.9 mln litres, against 17.8 mln in the prior month and 7.1 mln in July 2008. This brought cumulative exports in Jan/Jul 2009 to 64.6 mln litres compared with 46.9 mln in the same period the previous year. Total exports in Jan/Dec 2008 were 74.3 mln litres. Major destinations for undenatured alcohol in

Jan/Jul 2009 were Switzerland (7.8 mln litres vs. 8.5 mln) and Norway (4.0 mln vs. 2.9 mln).

European Union Countries

France

2009/10 ethanol production from sugar beet to rise

F.O. Licht's World Ethanol and Biofuels Report, October 08 2009

Sugar production in 2009/10 is forecast to reach a total of at least 4.7 mln tonnes, white value, up from 4.1 mln in 2008/09, the French farm office FranceAgriMer said. The numbers include the white sugar equivalent of beets processed into ethanol. FranceAgriMer estimates this quantity to reach around 775,000 tonnes, up from 650,000 in 2008/09. As a result the non-quota export capacity of the country can be estimated at 0.7 mln tonnes, FranceAgriMer said.

Nigeria

Brazil teams with Jigawa on new sugar factory

Sugaronline Ebriefing, 20 October 2009

The Brazilian government has pledged to partner with the Jigawa State government for the establishment of ethanol as an energy source and a sugar factory, describing the state as the most suitable land that has the potentials ready for the projects, according to Nigeria's Vanguard newspaper. The Brazilian Ambassador to Nigeria, Ana Candida Perez, made the observation when she led some businessmen from Brazil and Nigeria to a courtesy call on Governor Sule Lamido at Government House. She said the state was blessed with large hectares of virgin land for the cultivation of sugar cane which is the major raw material for the production of sugar and establishment of ethanol factory which would supply the state with uninterrupted power.

Philippines

Joint-venture ethanol plant to go up

Sugaronline Ebriefing, 29 October 2009

An ethanol plant, projected to cost between PHP3 billion to PHP5 billion, will be built soon in Negros Occidental under a joint venture agreement between Biofuels International Phils. Inc. (BIPI) and a group of foreign investors, according to Inquirer.net. BIPI President Roberto Montelibano said the plant, which would be located in barangay Blumentritt, Murcia town, would be bigger than the recently inaugurated San Carlos Bionergy Inc. plant in San Carlos City. It would be built within a 45-hectare property being developed into an industrial zone, according to Montelibano, also the president of the Metro Bacolod Chamber of Commerce and Industry (MBCCI). The BIPI, composed of a group of sugar farmers, businessmen and professionals,

was in the final stages of concluding the agreement with foreign investors, he said. Montelibano placed the capacity of the new ethanol plant at 200,000 litres of ethanol per day while its co-generation plant could produce 19 megawatts (mw), he added. The San Carlos plant produces 125,000 litres of ethanol per day and 8 mw of electricity. The Murcia plant's annual production was projected at 45 million litres of alcohol and 95,000 mw of exportable electricity, Montelibano said.

Starting the crop year 2011/2012, the plant's initial capacity would meet about 7% of the total alcohol requirement for the 10% alcohol blending with gasoline as mandated in the Biofuels Law, he said. The electricity from the power plant would be supplied to the electric cooperatives in Negros to enable these cooperatives to meet the projected consumption growth of the province, Montelibano added. The Murcia plant to be built on a property owned by the Montelibano family was designed to process sugarcane and sweet sorghum simultaneously and to use agricultural wastes as fuel, Montelibano explained. He said they also invited other landowners in the area to make their property part of the economic zone. He explained that the major partners of this project were the thousands of small farmers and ARBs as "contact growers" of sugarcane and sweet sorghum.

United States of America

US unlikely to reach cellulosic blending goals
Sugaronline Ebriefing, 30 September 2009

The United States will likely not meet its goal of blending 100 million gallons of cellulosic ethanol into the gasoline supply in 2010 unless it raises the proportion of ethanol allowed in fuel, according to Reuters. Retired US General Wesley Clark, co-chairman of the Growth Energy group, said the 100 million gallon level could be reached in time if the cap on the permitted level of ethanol in regular gasoline is increased to 15% from 10%. "There is cellulosic capacity standing by ... but the later than policy decision is (taken), the less likely we are to meet that 2010 mandate of 100 million gallons," he told reporters during a trip to Ottawa. The auto industry says gasoline containing 15% ethanol could damage engines and fuel lines in some older cars, and has urged regulators not to approve the higher blend. "There are a lot of people who see it our way -- namely, that this is good for the environment, it's good for jobs, it's good for national security. It doesn't hurt automobiles," said Clark.

US: Profits for making ethanol rise
Sugaronline Ebriefing, 29 October 2009

Profits for making US ethanol have risen amid a drop in imports of the alternative motor fuel from Brazil, a Credit Suisse report said, according to Reuters. Average cash margins for making ethanol rose to about US\$0.25 per gallon in October, up from about US\$0.15 in September, and about US\$0.05 cents in August, Credit Suisse said. Average distillers were losing money until July. More of Brazil's sugar cane is being processed into sugar as prices for that commodity hit a 28-1/2-year high, leaving less of the crop for ethanol. Credit Suisse said that as of late last month Brazilian ethanol production was down about 3% year-on-year as more of the crop went to make sugar. In addition, only about 11.9 billion gallons per year out of 13.1 billion gallons of US ethanol capacity was online. "US domestic ethanol production volumes have been relatively low in 2009 due to poor margins and an extremely tight credit market," the report said. Credit Suisse said the recovery in margins could falter at some point early next year as more US ethanol plants return to service. The bank expects natural gas prices to increase next year from US\$4.09 million cubic feet in 2009 to US\$5.75 million cubic feet in 2010 which could also dampen ethanol margins because most distilleries burn the fuel.

Zambia

Brazil to help develop ethanol
Sugaronline Ebriefing, 26 October 2009

The Brazilian government has pledged to support Zambia in developing its ethanol industry by reducing dependence on fossil fuels, according to the Times of Zambia. Brazilian Ambassador to Zambia Josal Pellegrino said despite Zambia not being an oil producing country, it could utilise the renewable sources of energy such as using ethanol produced from sugar. Pellegrino said developing the biofuels sector, especially the ethanol industry will further help reduce imports of petroleum products. His country was committed to help Zambia develop its bioethanol industry by using ethanol produced from sugarcane. In an interview in Lusaka, Pellegrino said the introduction of the biofuels to the domestic market would generate significant savings by reducing imports of fossil fuels. "We will provide technology, capacity building, equipment and direct investments into the Zambian industry," he said.

For the past three decades, Brazil had operated the largest renewable energy programme in the world, using ethanol produced from sugar cane. "I hope the process of cooperation between Brazil and Zambia in the area of biofuels and in as far as bilateral cooperation is concerned will

not only provide the technology but as well as direct investment in the Zambian industry in the area of sugar cane production," he said. Pellegrino said it was important that Zambia focused on developing the biofuels sector in general to cushion fuel crisis as well as reduce imports of petroleum products. He said the governments of Zambia and Brazil have organised a seminar in Lusaka Monday to discuss the agro-ecological mapping instruments for planning of public policies on the production of biofuels.

V. MOLASSES

2008/09 molasses exports to the us rise by 50% y/y

F.O. Licht's World Molasses and Feed Ingredients Report, October 15 2009

Molasses exports in August 2009 amounted to 46,410 tonnes against 77,681 in July and nil in August 2008. This brought cumulative exports in 2008/09 (Nov/Aug) to 420,151 tonnes compared with 279,138. Total exports in 2007/08 (Nov/Oct) were 292,438 tonnes, down from 353,985 in 2006/07. The main destination in Nov/Aug 2008/09 was the United States with 256,871 tonnes compared with 172,224.

VII. WTO AND REGIONAL TRADE AGREEMENTS

SAfrica sugar producers hopeful of EU trade deal

DURBAN, South Africa, Oct 15 (Reuters)

South African sugar producers are hopeful the country will conclude an Economic Partnership Agreement with the European Union that would allow them to export sugar into the EU, industry officials said. The EU, South Africa's largest trading partner, unveiled a new trade regime from Oct. 1 that allowed the world's poorest countries quota and tariff-free access into that market. However, South Africa, one of the world's top 10 exporters of the sweetener, fails to qualify as a least developed country and will not benefit from the new regulations. Johann van der Merwe, external affairs director for the South African Sugar Association, said on Thursday the country would try to gain access into the EU sugar market via an Economic Partnership Agreement (EPA). "Negotiations are still ongoing but we are hopeful that an agreement will be reached over the EPAs which would allow sugar producers to benefit," van der Merwe told a briefing. "It would obviously boost earnings for our producers, but at the moment we just have to be patient," he said.

The 27-nation EU has concluded EPAs with several southern African countries, including top diamond producer Botswana, but South Africa, Namibia and Angola

have declined to sign the agreement due to concerns over the text. South Africa has been critical of an EPA process it feels may undermine trade integration in southern Africa, especially if each country in the region has different trade deals with the European bloc. The government in Africa's biggest economy has also accused the EU of being too focused on its own commercial interests, undermining efforts to forge a new, fairer trade pact with South Africa. While talks over the EPA continue, South African sugar producers hope to benefit from the quota and duty-free EU access through their interests in other countries within the region such as Zambia, Mozambique, Swaziland, Malawi and Tanzania. Durban-based Illovo Sugar, Africa's biggest producer, said in August it plans to raise output by 50 percent to nearly 3 million tonnes in the next five years to cash in on the new tariff-free EU access. Illovo, 51 percent owned by Associated British Foods (ABF), announced a rights issue in July to raise up to 3 billion rand (\$413.4 million) to finance growth, which will see it expand operations in Zambia, Mozambique, Swaziland, Malawi and Tanzania.

VIII. MISCELLANEOUS

Deutsche Bank, Czarnikow in sugar, ethanol alliance

LONDON, Oct 5 (Reuters) - Deutsche Bank and sugar merchant Czarnikow Group announced a trading alliance on Monday covering sugar and sugar-based ethanol products and services. "The agreement builds on our growing agricultural platform and gives the bank physical capability across the sugar and ethanol markets of the world," John Redpath, Global Head of Oil and Agriculture Trading at Deutsche Bank said in a statement. Sugar prices have been rising sharply in the last few weeks, boosted by strong demand from top consumer India and reduced crop prospects in leading producer Brazil. White sugar futures in London rose to a record high for the front month of \$621.00 per tonne last week, up around 95 percent since the end of last year. "At a time of record sugar prices and extreme volatility, this alliance brings the financial capacity to best help clients manage risk and extract the opportunity that the market creates," Czarnikow director Peter Thompson said.

Mozambique: Huge potential for co-generation seen

Sugaronline Ebriefing, 5 October 2009
Mozambique could supply electricity to a greater percentage of its own population

by producing biomass-fired energy, according to South Africa's Mail & Guardian newspaper. This year Mozambican sugar mills estimate they will produce 419,000 metric tonnes of sugar -- a 68% increase on 2008. Environmentalists say the waste from this and other resources could see Mozambique become a regional leader in biomass-fired electricity. "A Clean Energy Plan for Mozambique", a report from Mark Hankins, a renewable energy consultant, to be released at the Sandton Solar Energy Conference in October, states that there is significant potential for green biomass, with five large sugar farms that could generate electricity from cane waste.

Converting sugar waste into biofuel could put another 60MW on the grid and could extend electrification into rural areas. But, disappointingly, the country was still hesitant to take up the challenge to power itself with biomass electricity, instead choosing to back a US\$2 billion dam on the Zambezi, 70km from Cahora Bassa at Mphanda Nkuwa. The dam will mostly serve South Africa's energy needs. It has faced significant criticism from environmentalists, who say it will contribute to water shortages Southern Africa is expected to experience in the next few years because of global warming.

Mozambique exports electricity from Cahora Bassa to Eskom and then reimports it for use in southern Mozambique, with high rates of energy loss during the process. Hankins argues that the development at Mphanda Nkuwa sees Mozambique putting "all of its energy eggs into one basket and water shortages due to global warming will have a profound negative impact on the project and Mozambique's economy." Anabela Lemos of Justica Ambiental, a Mozambican environmental organisation, says: "We have 85% of Mozambicans living without electricity. Mozambique is doing 100,000 connections a year but most are in the south. They are not erecting power lines in the north." Hankins suggests Mozambique follow the lead of Tanzania and Uganda in developing off-grid rural electrification. The study details how Mozambique could develop an energy supply system based on clean-energy options that are low-cost, rapidly implementable and suited to the geographical distribution of local demand.

Indonesia: Sugar beet better than cane?

Sugaronline Ebriefing, 29 October 2009
The Agriculture Ministry has launched a program aimed at widespread cultivation of tropical sugar beet as part of efforts to

achieve self-sufficiency in sugar production and augment ethanol supplies, a senior ministry official said, according to The Jakarta Globe. Achmad Mangga Barani, the Agriculture Ministry's director general of plantations, said the government will promote the establishment of large-scale tropical sugar beet farms. "We need another source of sugar other than sugarcane," Mangga said, after a meeting at the ministry to discuss the plan on Monday. "We have a scheme to produce brown sugar from coconuts, and starting in 2010 we plan to develop sugar beet farms." Anang Dwi Susilo, national product manager for PT Syngenta Indonesia, one of the companies working on the project, said tropical sugar beet required only one-third of the water needed to grow sugarcane. "The beet can produce two tons of sugar per hectare per month, while sugarcane can only produce one ton of sugar per hectare per month," he said. It can also produce 1,200 litres to 1,500 litres of ethanol per month, he said, compared with 500 to 600 litres from sugarcane.

In addition to Syngenta Indonesia, a subsidiary of Basel, Switzerland-based Syngenta AG, PT Industri Gula Nusantara is also working on the project. Industri Gula Nusantara is a joint venture sugar producer established in 2004 by state plantation firm PT Perkebunan Nusantara IX and private firm PT Multi Manis Mandiri. Tropical sugar beet was developed by Syngenta over 10 years. First planted in India, it delivers similar yields as sugarcane. It can tolerate higher temperatures and requires substantially less water than sugarcane, making it suitable for relatively dry tropical areas. Standard sugar beet is normally grown in temperate climates. Anang said tropical sugar beet in Colombia yielded US\$2,400 a hectare for farmers, at a cost of only US\$1,219 a hectare. In contrast, Colombian farmers earned only US\$1,964 a hectare from sugarcane, which costs about US\$1,000 a hectare to grow. "The beet can be grown in various soil conditions, including alkaline and saline soils in coastal areas," Anang said, adding that the sugar content of tropical sugar beet could reach up to 22%, compared with only 8% for sugarcane. Mangga said the government and private sector is planning to plant tropical sugar beets in West Nusa Tenggara, East Nusa Tenggara, Central Java and East Java. He said the ministry would plant 50 hectares in West and East Nusa Tenggara, while IGN planned to plant 100 hectares in Central Java.