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Quarterly Market Outlook
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QUARTERLY MARKET OUTLOOK NOVEMBER 2009

Sugar

The first revision of the world sugar balance in 2009/10 (October/September) shows a decrease in the world statistical deficit to 7.2 mln tonnes
World production to the rise by 6.9 mln tonnes from the previous year
World consumption to grow by 2.8 mln tonnes or 1.7%
The stock/consumption ratio at 32% only
World market prices are high but volatile
Emerging dichotomy between short-term bullish fundamentals and looming global surplus in 2010/11
Exporters' currencies continue to strengthen against US Dollar
Domestic prices sharply higher this year in Brazil, Russia and India, firm in China and the US

Special focus

Dry bulk vessel oversupply underpinning bearish freight market
Lower sugar freight rates boosting competitiveness of long haul sugar shipping
Brazil's sugar exports to Asia at a historic record

Commodity Prices

Sugar, cocoa and orange prices rising strongly
Grain prices falling

World Fuel Ethanol

Global production forecasted to rise by 12% to reach 84 bln litres in 2010
New and expanding inclusion mandates in the US, the EU, Central and South America
Continuing growth in Brazil's consumption
Trade to show little growth

Alternative Sweeteners

US HFCS consumption to rise in 2010 – the first increase since 2001
Sustainable supply and quality assurance crucial for stevia sweeteners

Molasses

Only a limited recovery in molasses production in key exporters
World prices forecasted to remain firm
Minimal inclusion in the livestock feed sector in major importers

WTO Update

WTO DG urges delegates to spur progress to a world trade deal by end-2010

RTAs

EU signed a free trade agreement with the Republic of Korea
An interim EPA sign between the EU and three SADC member countries

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Quarterly Market Outlook

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EXECUTIVE BRIEF

12 November 2009

World Sugar Market

In this issue we make our first revision of the world sugar balance in the 2009/10 crop cycle. The world sugar economy is facing a second consecutive year of a significant gap between world consumption and production. The first revision of the world sugar balance for October 2009 to September 2010 puts **world production** at 159.887 mln tonnes, raw value, up by 6.911 mln tonnes or 4.5% from the last season. A forecasted limited growth in sugar output in Brazil, a modest production recovery in India after last season's unprecedented shortfall, and a higher sugar crop in the EU have become the three major supply features of 2009/10.

World consumption is expected to grow at a rate significantly lower than the long-term 10 year average (1.71% and 2.66%, respectively). The lower growth is attributed to impacts of the 2008/09 global recession on sugar consumption growth rates in developing countries as well as soaring world market prices. The ISO does not anticipate that the projected renewed global economic growth will significantly stimulate sugar consumption in the course of 2009/10, particularly taking into account high world market prices. Even so, global use of sugar is expected to reach 167.134 mln tonnes. Therefore, the growth in global production is far too small to cover sugar consumption and the **world statistical deficit** is expected to reach 7.247 mln tonnes as against 8.404 mln tonnes projected in September.

The distinctive deficit phase characterized by a significant excess of global consumption over production, as well as a further reduction in stocks and tightness in the world trade balance is expected to continue for at least 10 more months. Crucially, although the statistical deficit projected for this season is significantly lower than in the previous crop year (11.340 mln tonnes), the supply tightness is likely to increase as an estimated 70% of the sugar stocks accumulated after the previous two surplus seasons (2006/07 and 2007/08) were already used during the first deficit season. A continuing decrease in the level of stocks is expected to further support world market prices. According to our forecast, global stocks will reduce in the course of 2009/10 by 7.254 mln tonnes following a massive (11.261 mln tonnes) de-stocking last season. The stocks/consumption ratio has not been as low as the current 32% for twenty years since 1989/90.

Despite a constructive fundamental background world market prices have shown a remarkable instability. Since our previous *Quarterly Market Outlook* at the beginning of September raw sugar prices oscillated within a wide trading range between 20.82 cents/lb and 24.97 cents/lb. On 11th November the ISA daily price was 22.11 cents/lb. White sugar spot prices followed a similar roller-coaster ride. What are the factors behind the high price volatility? Recent developments show how price sensitive some key importers are. Not every importer is ready to cover domestic shortfalls at any price quoted in the international trade. Another family of uncertainties is imposed by prospects for a less constructive fundamental picture in the next crop cycle. According to our tentative projection, the gap between world consumption and production is likely to disappear in 2010/11 and even a small global surplus (about 0.5 mln tonne) comes into view. Therefore, in the short term there is a supply tightness but a global surplus is looming in a matter of 9 to 12 months. With such a contradiction between short-term and medium-term fundamentals the instability of world prices comes as no surprise.

A summary of the revised world sugar balance in 2009/10 is provided in the table below.

World Sugar Balance
(mln tonnes, raw value)

	2009/10	2008/09	Change	
			in mln t	in %
Production	159.887	152.976	6.911	4.52
Consumption	167.134	164.316	2.818	1.71
Surplus/Deficit	-7.247	-11.340		
Import demand	52.072	48.180	3.892	8.08
Export availability	52.079	48.250	3.829	7.94
End Stocks	53.471	60.725	-7.254	-11.95
Stocks/Consumption ratio in%	31.99	36.96		

Currency Movements

Most of the major sugar exporters have seen a strengthening of their currencies against the US dollar over the past six months. This has, to a large extent, cushioned the magnitude of world sugar price rises when expressed in national currencies. While Brazil, Australia and Colombia have experienced currency appreciation in excess of 14% over the past 6 months, the Guatemalan Quetzal has depreciated, giving the country a further degree of export competitiveness relative to other major exporters. Currency movements among importers have been mild.

Domestic Prices

Since May, domestic sugar prices have risen by around 30% in India and by 28% in Brazil. In Russia and in China prices have increased by a respective 13% and 10%. Over the short term, domestic prices expressed in national currencies show a relative disconnection from the line of world prices expressed in US Dollars, which reflect different national fundamentals as well as exchange rate movements and border protection. Since November 2008, domestic prices have been rising sharply in Brazil, Russia and India, by a respective 86%, 74% and 66%.

Special Focus: Freight Rates and Sugar

The last few years have seen a high level of volatility in ocean freight rates, mainly due to changes in demand and supply of new bulk vessels, developments in the world commodity trade and crude oil price volatility. The outlook for the global ocean freight has become significantly bearish due to a record number of new vessels which have started to reach the global market this year. Moreover, estimated demand for new vessels should run well below supply over the coming 5 years. As sugar trade is a price taker in the world freight market, sugar freight rates are highly connected to the dynamics of the global dry bulk freight market. The recent sharp fall in ocean freight rates has certainly been of further benefit to long haul sugar trade routes from the Western Hemisphere, particularly Brazilian sugar destined to Asia. The fall in freight rates since late 2008 has contributed to slash as much as USD 80/tonne off the c.i.f price of Brazilian raw sugar going to Asia. While the volume of Brazil's sugar exports to Asian markets decreased significantly during 2008 largely due to the high freight combined with strong competition with Indian sugar, during the first nine months of 2009 alone, export volumes to Asian markets have hit historic records following the collapse in freight rates.

Commodity Prices

Commodity prices, particularly softs, have experienced some price resurgence in 2009, partly recovering from the losses in the second half of 2008. Crude oil has seen a 76% price

increase from December 2008 to October 2009, reaching a 12 month high in October. Sugar prices in October 2009 were 160% higher than January 2005. Cocoa prices were 118% higher than January 2005, having risen by 20% over the past three months to USD 3,372.5 per metric tonne. Both commodities have hit historic highs; sugar prices are the highest for 28 years, while cocoa prices have not been matched since before 1980. Wheat prices, by contrast, have failed to rise over the past few months. Wheat prices have dropped 23% from May 2009 to October 2009 to USD 198.8 per metric tonne. This price fall has made the grain a more competitive feedstock for ethanol production.

Fuel Ethanol

Global fuel ethanol production and consumption is forecasted to grow by 12% to reach around 84 bln litres in 2010. This compares to growth of 14% last year but far higher average growth of 28% over the prior 3 years. Profitability returned to the US industry only recently with lower corn prices and firm ethanol prices. Whilst the sector remains highly leveraged and idle plants will unlikely come back on stream quickly, capacity should be sufficient to meet the mandated rise in ethanol consumption in 2010. In Brazil ethanol output is forecasted to rise again after having stagnated in the current campaign. Elsewhere, output and consumption is growing strongly in the EU on the back of greater inclusion mandates. Thailand's fuel ethanol market is expected to grow markedly as capacity expands and government incentives act to boost E-20 and E-85 offtake. In contrast, India's continuing limited availability of the chief feedstock (molasses) and strong competition from the industrial alcohol sector for available supplies is forecasted to result in a modest fall in fuel ethanol output in the coming year.

Alternative Sweeteners

In the United States **HFCS** consumption is forecast to rise in 2010 after shrinking every year since 2002. Food and beverage manufacturers have switched away from HFCS to sugar over the past few years with sugar deliveries having moved ahead of HFCS deliveries by a growing margin since 2007. However, next year HFCS deliveries are expected to increase and recapture a significant proportion of the market share it lost in 2008 and 2009 to imports of sugar from Mexico. Since Mexico is forecasted to have far less sugar available to ship to the US next year, HFCS consumption is set to recover. 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.

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

Molasses

Molasses values over the past year have risen to unprecedented levels at both origin and destination. The US blackstrap cane molasses price is approximately double its long-run trend level. Supply side fundamentals including sharply reduced production in India and in Pakistan explain the surge in prices. At the same time the expanding use of molasses in fuel ethanol programs is boosting global molasses demand. Crucially, 2009/10 molasses production in Pakistan and Thailand together is forecasted to rise only slightly. Furthermore, with only a limited recovery in molasses output foreseen in 2009/10, India is not likely to return to playing a major role as a molasses exporter.

WTO

Delegates need to move to text-based negotiations if they want to spur progress toward a global trade deal, according to WTO Director-General Pascal Lamy. 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 within 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.

Regional Trade Agreements

The European Union and South Korea signed a free trade agreement late October that will remove 'virtually all tariffs' on trade between the two economies. The deal is the biggest trade pact ever signed by the 27-nation bloc.

The United Nations Framework Convention on Climate Change (UNFCCC) convenes its 15th Conference of the Parties, in December in Copenhagen. Current negotiations under UNFCCC are working towards a new agreement that will serve to enhance the implementation of the Convention. The Convention, together with its Kyoto Protocol, include commitments that address climate mitigation and adaptation globally.

WORLD SUGAR BALANCE

WORLD BALANCE

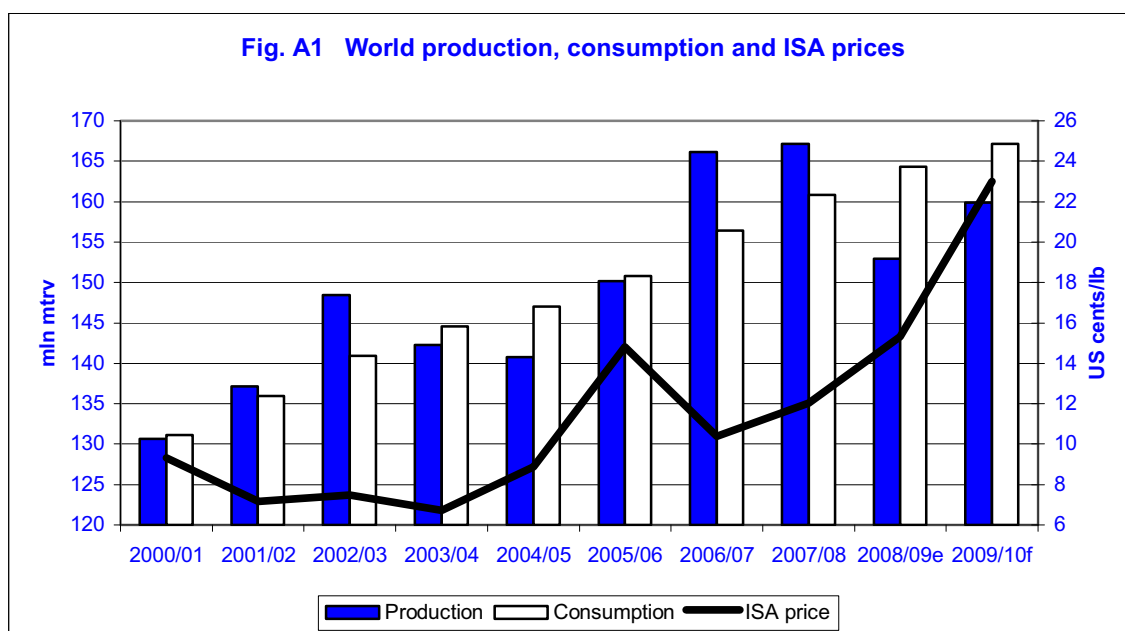
- **World sugar economy faces a second season of statistical deficit**
- **World production to increase by 6.9 mln tonnes, but still lower than global use of sugar**
- **World consumption to grow by 2.8 mln tonnes**
- **Ending stocks to decrease further**
- **Tight trade balance**

Having analysed the world market fundamentals, in September the ISO suggested that after a season of a large statistical deficit, the world sugar economy would be facing a second consecutive year of a significant gap between world consumption and production. The first revision of the world sugar balance forecast for the period from October 2009 to September 2010 has not changed our initial view of the global supply/demand situation. Although the projected statistical deficit has been revised downwards, world production is still expected to be 7.247 mln tonnes lower than world consumption (see Fig A1). Consequently, the statistical outlook for the market till the end of the season in September 2010 remains constructive and supportive to world market values.

The distinctive deficit phase characterized

by a significant excess of global consumption over production, as well as a significant reduction in stocks and tightness in the world trade balance is expected to continue for at least 10 more months. Crucially, although the statistical deficit projected for this season is significantly lower than in the previous crop year (11.340 mln tonnes), the supply tightness is likely to increase as an estimated 70% of the sugar stocks accumulated after the previous two surplus seasons (2006/07 and 2007/08) were already used during the first deficit season.

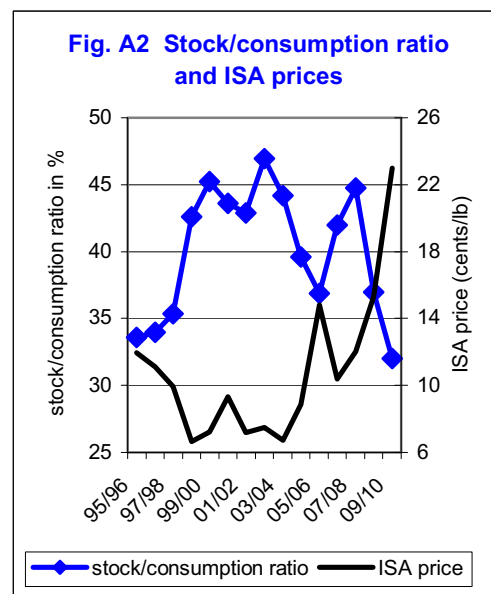
A forecasted limited growth in sugar output in Brazil, a modest production recovery in India after last season's unprecedented shortfall, and a higher sugar crop in the EU have become the three major supply features of 2009/10. Also of importance, in a number of producing countries better crops are expected on the back of improved weather conditions and increased use of agricultural inputs (the only producing country where sugar output is expected to show a significant decrease is Russia). The net result is growth in world production of 6.911 mln tonnes as against the previous crop year, to 159.887 mln tonnes. Meanwhile, world consumption is expected to grow at a rate significantly lower than the long-term 10 year average (1.71% and 2.66%, respectively). Lower growth is attributed to the impacts of the 2008/09 global recession on sugar consumption growth rates in developing countries as



well as soaring world market prices. The ISO does not anticipate that the projected renewed global economic growth will significantly stimulate sugar consumption in the course of 2009/10, particularly taking into account strong world market prices. Even so, global use of sugar is expected to reach 167.134 mln tonnes. Therefore, the growth in global production is far too small to cover sugar consumption.

Although the first revision of the world sugar balance for 2009/10 shows that export availability in general terms covers import demand (52.072 mln tonnes vs 52.079 mln tonnes), a critical assumption is that exporters will use about 1.756 mln tonnes of sugar from stocks, while stocks held by importers will decrease by 5.548 mln tonnes. It is worth recalling that in 2008/09 the level of global stocks already shrank by 11.261 mln tonnes.

A continuing decrease in the level of stocks is expected to provide further support for world market prices. Stocks accumulated during the surplus seasons of 2006/07 and 2007/08 (15.841 mln tonnes cumulatively) are likely to be completely used during 2008/09 and 2009/10. By October 2010 stocks, as forecasted, will be about 2.70 mln tonnes lower than at the beginning of the surplus phase in 2006/07. The stocks/consumption ratio has not been as low as the current 32% for twenty years since 1989/90. Fig.A2 suggests that there is a strong negative correlation between changes in the global stocks/consumption ratio and world prices (-0.71).



SUPPLY

Because the current season started only a month ago, expectations for the world supply continue to be subject to unexpected changes caused by uncertainties as to how weather, political and currency factors might affect supply and demand prospects. On the supply side, the beet harvest has reached its peak in the Northern hemisphere. The outlook for producers in the equatorial area and, in particular, in the Southern hemisphere (where the new season starts in April-June 2010 but is partly incorporated into our strict October/September balance), may undergo presently unforeseen alterations.

Currently, we expect world production to grow by more than 7 mln tonnes from last season. The projected higher production, in particular in exporting countries, is expected to lead to increasing export availability in 2009/10.

Table A1 Main production falls and rises in 2009/10 (October/September)

Falls	Changes from 2008/09 in mln tonnes, raw value	Rises	Changes from 2008/09 in mln tonnes, raw value
Russia	-0.450	Brazil	+1.420
		India	+1.200
		EU	+0.940
		Thailand	+0.522
		China	+0.490

WORLD PRODUCTION IN 2009/10 – 159.887 mln tonnes, raw value
WORLD PRODUCTION IN 2008/09 – 152.976 mln tonnes, raw value

Brief (09)03**MID-TERM REVIEW
2010/11 - the end of deficit phase?**

Last May, having analyzed the mid-term prospects for the global fundamentals the ISO suggested that in 2010/11 the gap between world production and consumption might disappear and the deficit phase was likely to end if only India managed to return to its record output level (see *Brief (09)01* in the *May Market Outlook MECAS(09)09*). How have the developments monitored since then modified our view? At this stage, a precise forecast for the forthcoming crop cycle remains hardly possible. However, there are further indications that in 2010/11 the deficit phase of the world sugar economy could under certain conditions come to an end.

First, let us start with the demand side. The global recession is ending but economic growth rate in 2010/11 is still not expected to match the rates witnessed before the recession. Population growth has been generally declining over time. It could be assumed, therefore, that the annual growth rate of global consumption is likely to accelerate from the current level (forecasted at 1.71%), but still to remain lower than the long-term average of 2.7%. Our current working assumption is that world sugar consumption in 2010/11 may grow by about 2.0% to reach 170.8 mln tonnes, a growth of 3.3 mln tonnes from this season. This compares to this season's expected output at 159.9 mln tonnes, raw value. Therefore, if world production remains stable at the estimated level for this season, the world sugar economy will face a considerable deficit of about 11 mln tonnes.

How plausible is this neutral assumption for world production next season? Will higher world prices trigger a supply response in 2010/11? November is early days to forecast production from beet, which will be sown in six months, or from the cane campaign in the Southern Hemisphere, which will only start in a year and a half. However, there is a number of key producing countries where expansion in production can be realistically expected in the next season, in particular, bearing in mind the current high level of world prices.

The first obvious candidate is India. The notorious production cycle would likely enter the upswing phase this season, but as discussed later in the *Outlook*, due to inadequate monsoon rainfall India's output is expected to rebound only modestly in 2009/10. With the return of normal weather conditions, next season could be different: domestic prices for both cane and sugar are high while cane areas have been growing. Critically, the Indian sector does not require significant investment in order to produce, say, 10 mln tonnes more than last year - the processing capacities are already installed, all what is needed are good weather and increased cane supply. A production recovery of about 50% to 24 mln tonnes, white value (still short from the 26 to 28 mln tonnes manufactured in 2006/07-2007/08) would bring an additional 8.7 mln tonnes to global supply. Normal weather conditions will also likely improve production in neighbouring Pakistan.

A return of normal weather conditions in Brazil together with a remunerative level of world market prices for sugar is likely to increase further the supply potential of the world's major sugar producer and exporter. Even using a very conservative assumption of cane availability growth in the coming two seasons of about 38 mln tonnes only or 6-7% per season as against the long term average of 12%, Brazil's sugar production in 2010/11 (October/September) may exceed 39 mln tonnes. This would increase global sugar supply by a further 1 mln tonnes.

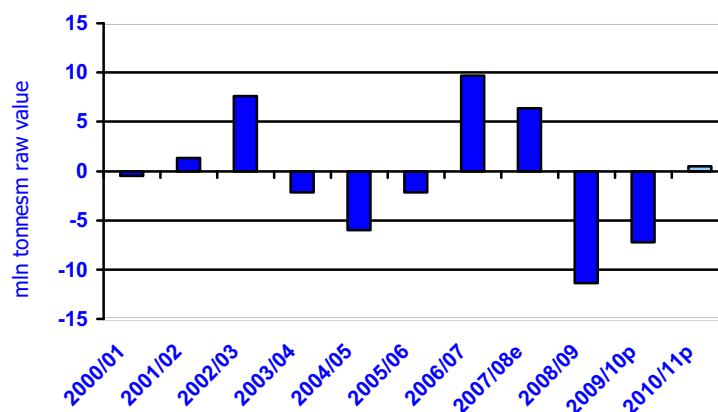
There is also a number of African producers with preferential access to the EU market who have undertaken ambitious projects aimed at increasing both efficiency and output of their sugar industries in order to take full advantage of a better market access to the post-reform sugar market of the EU. Sudan, where the industry is planning to triple output within three years, is of particular importance.

Brief (09)03 (cont.)

MID-TERM REVIEW 2010/11 - the end of deficit phase?

Putting together likely increases in sugar production during the next crop cycle in India and Brazil, some LDC exporters, and a possible supply response to strong world market prices in key exporting countries as Australia and Thailand the gap between world consumption and production disappears, and even a small (about 0.5 mln tonne) global surplus comes into view. Despite the projected neatly balanced production and consumption, the trade balance is likely to remain tight until sufficient stocks are accumulated in order to absorb future weather induced supply shocks.

World surplus/deficit, 2000/01-2010/11



Can ethanol developments change the outlook for sugar fundamentals? The world fuel ethanol economy will continue to grow over the next few years, albeit the rate of growth has been pared back. Brazil's industry would likely be constrained by the consequence of the financial meltdown for several years to come and the debt-laden US ethanol industry is only slowly recovering from the crisis. The impact of global production and trade of fuel ethanol on the world sugar market will continue to be driven by Brazil and the country's cane to sugar or ethanol allocation. Cane expansion in Brazil will remain linked to its domestic fuel market (driven by the expanding fleet of flex-fuel vehicles). This year since ethanol prices in Brazil have become disconnected from sugar prices, Brazil's millers have maximised sugar production. However this could change in 2010/11, especially should demand for Brazil's fuel ethanol strengthen in the US. Elsewhere, in Thailand and Pakistan, for example, most additional fuel ethanol production from sugar crops will come from molasses, therefore resulting in little change in the volume of sugar output. In Colombia and in other countries in Latin America, greater cane allocation to ethanol at the expense of sugar could take place, but not to any significant degree before 2012.

PRODUCTION

- **World production to reach 159.9 mln tonnes, up 6.9 mln tonnes from 2008/09**
- **Higher sugar crop in the EU**
- **Decrease in Russia's sugar output**
- **Sugar output in Brazil to grow by 1.4 mln tonnes**
- **India's production to recover partly to 17.3 mln tonnes, raw value**

The projection for world sugar production in 2009/10 has been revised upwards by

0.945 mln tonnes as against our initial assessment in September. Now world production is put at 159.887 mln tonnes, raw value, up by 6.911 mln tonnes or 4.5% from the last season. However, the output forecast for the new season remains 7.190 mln tonnes lower than the record production of 167.077 mln tonnes in 2007/08.

What are the main revisions introduced in the current issue of the world sugar balance for 2009/10 compared to our assessment in September? The world total reflects the net-effect of both upward and downward revisions in individual country production forecasts. On the credit side,

the ISO has upgraded the initial production forecasts for the EU (+764 thousand tonnes), Australia (+200 thousand), and Colombia (+125 thousand tonnes). The only main downward adjustment has been introduced for the US (-0.21 mln tonnes).

A forecasted growth in sugar output in Brazil, a modest production recovery in India after last season's unprecedented shortfall, and a higher sugar crop in the EU have become the three major supply features of 2009/10 (see table A1). Domestic production is also expected to increase with a return of normal weather conditions, in some cases, as well as increases in areas and higher inputs due to comparatively better returns, in other cases, in a number of key producers including Thailand (+0.522 mln tonnes), China (+0.49 mln tonnes), and the US (+0.430 mln tonnes). So far, the only producing country where sugar output is forecasted to show a significant decrease is Russia (-0.45 mln tonnes).

In 2009/10, world **beet** sugar production is expected to increase by 1.2 mln tonnes (reflecting the recovery in beet sugar production in the EU and the US but smaller output in Russia), while world **cane** sugar output is projected to recover by as much as 5.9 mln tonnes. The share of cane sugar in the world total is expected to remain practically unchanged as against last season (78.9% as against 78.7%, respectively). Table A2 shows that a displacement of beet, which is now responsible for just over 20% of world production compared to 43.5% in the 1960s, has slowed down in the second half of the current decade.

Importing countries are expected to produce 80.493 mln tonnes, 3.535 mln tonnes up from 76.958 mln tonnes in the previous season. In 2009/10 the

forecasted production expansion in **exporting countries** is nearly the same as in importing countries. The total output increase is currently projected at 3.376 mln tonnes, to 79.394 mln tonnes.

Western and Central Europe

After the first revision, sugar production in Western and Central Europe is estimated at 16.680 mln tonnes, raw value, a 764 thousand tonnes increase from our initial forecast issued in September, and a significant 0.940 mln tonne fall from the estimated production in 2008/09.

In the **EU** the beet harvest - the fourth campaign under the new sugar regime - has reached its peak. Generally favourable weather conditions across Western Europe have considerably increased beet and sugar yields. Thus, in **France** (the EU's largest sugar producer) the average sugar content has risen to 19.2% from 18.7% in 2008/09. In **Germany** (the EU's second largest sugar producer) the last beet test at the beginning of November showed sugar contents as high as 18.31% compared to 17.81% in the previous season. Overall, EU sugar production is expected to rise considerably in 2009/10 with the total seen at around 16.4 mln tonnes, raw value (including French DOM and Azores cane sugar production), up from 15.65 mln tonnes projected in September and an estimated 15.47 mln produced last year (see Fig. A3). It has to be stressed that our production estimate for the EU is considerably smaller than that recently released by the European Commission (17.0 mln tonnes, white value). The difference is explained by the fact that the Commission's balance sheet includes beet-based ethanol production (1.4 mln tonnes in white sugar equivalent). According to our approach based on the ISA Statistical rules, our

Table A2 World Cane and Beet Sugar Production (mln mtrv)

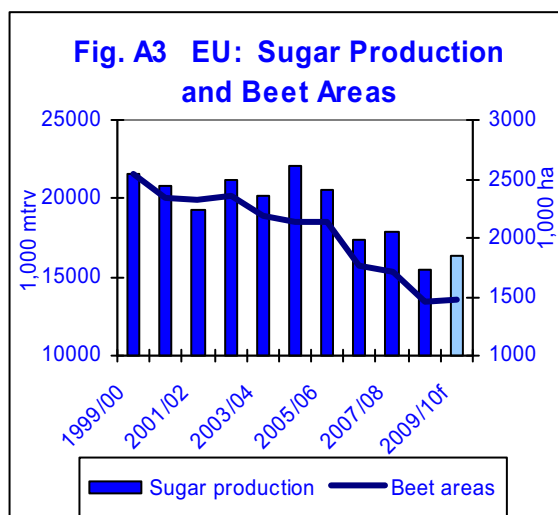
	1960s	1970s	1980s	1990s	2006/07	2007/08	2008/09	2009/10
	<i>a v e r a g e</i>							
World production	61.6	81.9	101.8	118.4	167.2	167.1	153.0	159.9
From beet	26.8	32.6	37.9	37.4	36.7	35.0	32.6	33.8
From cane	34.8	49.3	63.9	81.0	130.5	132.1	120.4	126.1
<i>Cane sugar as % of world total</i>	56.5	60.2	62.8	68.4	78.1	79.1	78.7	78.9

production figures relate to centrifugal sugar actually produced and do not include the sugar equivalent of beet used for ethanol production, as ethanol is usually produced directly from beet or beet molasses rather than crystallized sugar. As we already argued in the previous issues of the *Quarterly Market Outlook*, if such beets and their sugar equivalent were included in sugar production data, sugar consumption (for both EU and the world total) would need to be adjusted upwards in order to account for their use. Therefore, the ISO believes that (similar to Brazil) sugar and ethanol balances have to be separated. In any case, the ISO projection also indicates that this year production will be significantly higher than the established sugar production quotas (16.4 mln tonnes, raw value, and 14.5 mln tonnes, correspondingly, see table A3).

Table A3 EU sugar production quotas (tonnes, white value)

	Original Quotas (2005/06)	Quota for 2009/10
Austria	387,330	351,027
Belgium	819,810	676,235
Bulgaria	4,752	0
Czech Rep	454,860	372,459
Denmark	420,750	372,383
Finland	146,090	80,999
France (including DOM)	3,768,990	3,437,032
Germany	3,416,900	2,898,256
Greece	317,500	158,702
Hungary	401,680	105,420
Ireland	199,260	0
Italy	1,557,440	508,379
Latvia	66,505	0
Lithuania	103,010	90,252
Netherlands	864,560	804,888
Poland	1,671,930	1,405,608
Portugal (including Azores)	79,670	9,953
Romania	109,160	104,689
Slovakia	207,430	112,320
Slovenia	52,973	0
Spain	996,960	498,480
Sweden	368,260	293,186
UK	1,138,630	1,056,474
Total	17,554,450	13,336,741

Source: FO Licht's International Sugar and Sweeteners Report, No 17, 1st June 2009

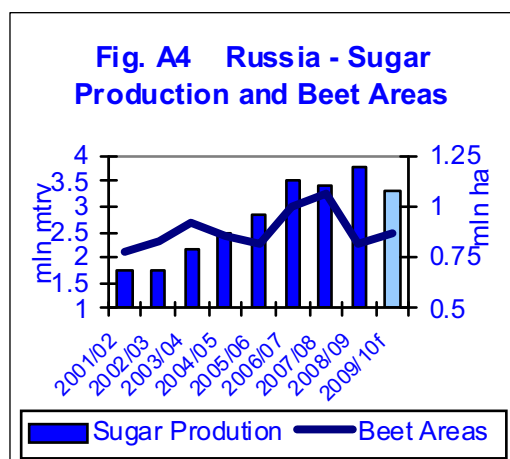


Eastern Europe and FSU

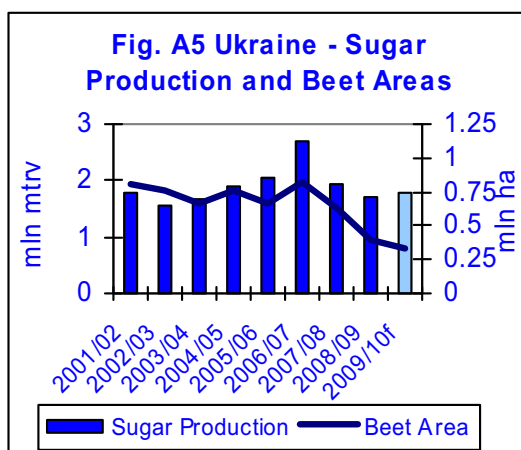
In contrast to Western and Central Europe, sugar beet production in *Eastern Europe* and *FSU* is expected to decrease from the previous season. Our second assessment for 2009/10 shows a 260 thousand tonne decrease in domestic production in the region.

In **Russia**, the regional leading producer, no further production expansion is anticipated in 2009/10 (see Fig. A4) Despite a small (2%) increase in beet areas, lower use of fertilizers and challenging weather conditions are expected to bring down beet yields. Of importance, a smaller beet crop and a delayed start of the campaign seem to

have been compensated by increased slicing capacity and better extraction rates achieved by the industry. By 2nd November, although the factories had processed 14.6 mln tonnes of beet as against 15.1 mln tonnes a year ago, they manufactured a greater amount of sugar (2.146 mln tonnes, white value) than in the last season (2.095 mln tonnes). Taking into account the latest campaign report, the ISO has revised Russia's sugar output up by 50 thousand tonnes to 3.35 mln tonnes, raw value, but still a significant 450 thousand tonne decrease from the previous season.



In neighbouring **Ukraine** the current season's harvest is expected to yield a sugar crop similar to last year despite a further reduction in beet area, due to higher sugar content and better extraction rates. According to the Ministry of Agriculture, farmers reduced the area sown to sugar beet in 2009 to 327 thousand ha from about 400 thousand in 2008. By 22nd October, beet white sugar production had reached 0.6 mln tonnes, up 18.8% on the year. For the time being the ISO maintains the original projection and expects Ukraine to produce 1.75 mln tonnes, raw sugar, as against 1.7 mln tonnes in 2008/09 (see Fig. A5).



As reported by the industry, in **Belarus** higher beet yields and better sugar content is expected to allow a further growth in sugar production to 0.55 mln tonnes, raw value, about 3% up from the previous season.

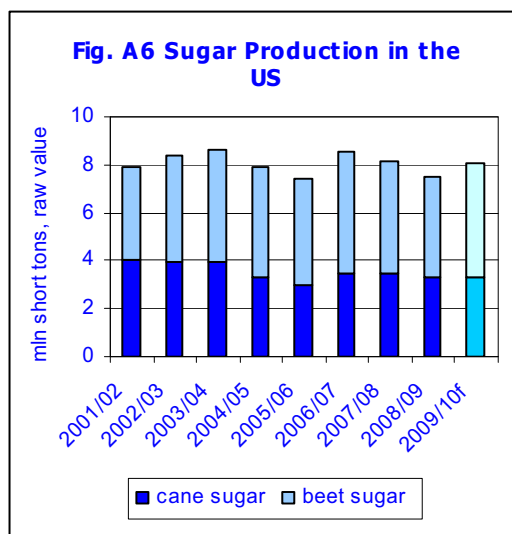
Moldova's beet white sugar production is expected to fall to 105 thousand tonnes in 2009/10 from 132 thousand tonnes in 2008/09, the Ministry of Agriculture said. The area under sugar beets fell by 2

thousand ha this year to only 21 thousand ha. Farmers expect to harvest around 760 thousand tonnes of beet by the beginning of November, significantly less than the 965 thousand tonnes harvested in the previous season.

North and Central America

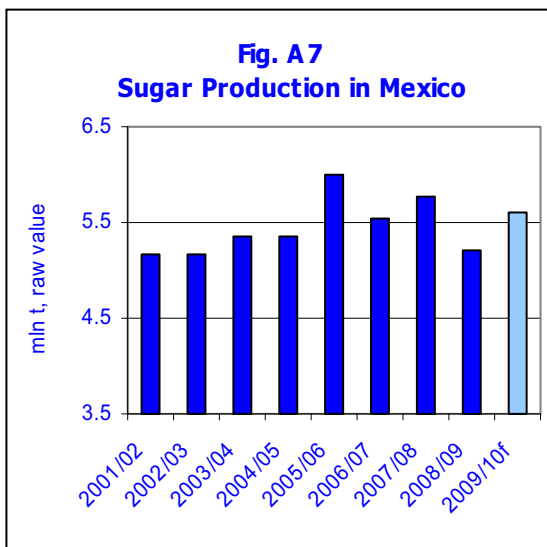
Overall for 2009/10, sugar production in *North and Central America* is projected to increase by about 1 mln tonnes from the previous season, mainly reflecting considerable improvements by around 400 thousand tonnes each in the two leading producers of the region (US and Mexico).

In the November World Agricultural Supply/Demand Estimates (WASDE) report the USDA forecasts **US** sugar production at 7.713 mln short tons in 2009/10 as against 7.484 mln short tons in the previous year. All of the increase is attributed to the beet sugar sector while cane sugar production is expected to remain similar to that in 2008/09 (see Fig. A6).

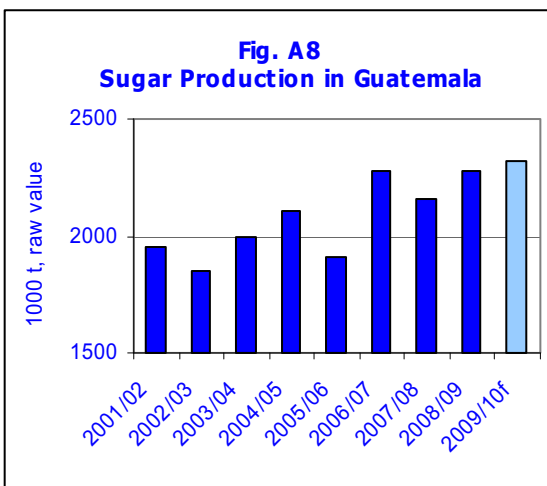


In **Mexico**, the second largest sugar producer in the region, the National Sugar Cane Growers Union is expecting sugar production to grow by 4% as against the previous season. Better crop prospects have been attributed to favourable weather conditions and increased rainfall in the main producing states, in particular. The 2008/09 sugar harvest ended down 10%, as the country's 54 mills performed below expectations due to a strike by cane growers that limited access to the cane available in fields. For the time being, the ISO maintains its original projection for

2009/10 of 5.6 mln tonnes, raw value, up about 8% from the previous year (see Fig. A7).

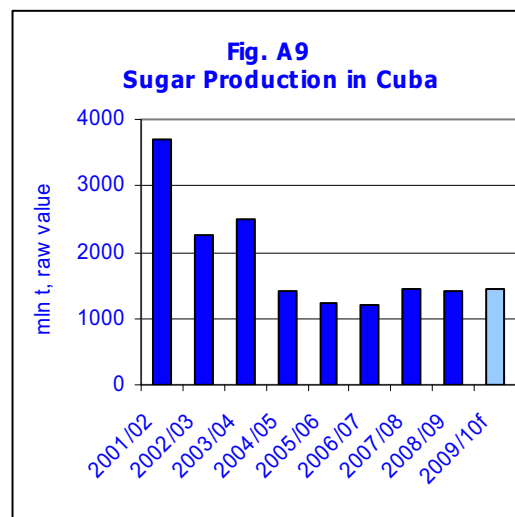


In **Guatemala**, the largest sugar exporter in the region, in 2008/09 sugar production is estimated to have risen by 5%, to 2.275 mln tonnes (see Fig. A8). The rise is attributed to an increased planted cane area. The industry projects a further 2% expansion in cane areas in 2009/10. A similar rise in sugar output in the coming harvest will result in a new production record of 2.320 mln tonnes, raw value.



In mid-2009 **Cuba's** Sugar Ministry reported that cane planting rose 15% from January through June from a year earlier, ensuring more raw material for the industry. Some recent reports suggest, however, that of the 754 thousand ha earmarked for sugarcane in the country, around 122 thousand ha have not been planted. Moreover, the coming crop may have suffered from a lack of inputs.

Reportedly, fertiliser supplies were well below plan, herbicides arrived late if at all, and fuel was cut limiting movement in the plantations. In October the Sugar Ministry reported that 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. In line with the official projections, the ISO has revised the new zafrá output to 1.45 mln tonnes, raw value, little changed from the previous season (see fig. A9).



South America

As emphasized in the previous issues of the *Quarterly Market Outlook*, in order to forecast the October/September production for South America, not only must the current crop be estimated but also next season's production. The bulk of the new harvest is still six months away; hence, there are many uncertainties imposed by unpredictable weather patterns, developments in the world sugar and crude oil markets, currency movements, etc. Of utmost importance, it remains to be seen whether the current and still challenging financial environment will allow regional producers and Brazil, in particular, to finance industry expansion in response to the positive price signals of the world market.

The supply situation in the region as well as the world is dominated by **Brazil**. What have been the major developments there since our last issue of the *Quarterly Market Outlook* at the beginning of September? Not only did the excessive rains delay the cane crushing throughout the winter months, and particularly during September, but they also significantly

reduced the cane sucrose content. UNICA has recently released its latest figures on the progress of the 2009/10 (May/April) Centre-South cane harvest to 31st October. The amount of cane crushed in the second half of October totalled 30.2 mln tonnes. That brought the total volume of cane crushed in 2009/10 by end-October to 442.6 mln tonnes, up 7% from 312.8 mln over the same period in 2008/09. The amount of sucrose (ATR) per tonne of cane in the harvest so far stands at 132.61 kg, down 6.4% from last year's 141.67 kg. Sugar output in the 2009/10 season has totalled 24.651 mln tonnes, *tel quel*, up 9.1% from 22.60 mln by this time last year. Ethanol output in the Centre/South has reached 19.19 bln litres, down 5.2% from 20.25 bln a year ago. The share of the cane crop used for sugar production increased a little further over the last two weeks to reach 44.07% for the season so far, up from 40.57% during last year's crop.

For the time being, we are inclined to maintain our initial working assumption on the cane crop for the 2009/10 (May/April) season. We still expect the nationwide cane supply to grow to 601 mln tonnes. However, we have again revised sugar yields downwards bearing in mind unstable weather conditions and lower agricultural inputs reported at the end of 2008 and the first half of this year. The net result of a projected 6.3% increase in cane supply combined with about a 4% reduction in ATR yields for the Centre-South, and a lower proportion of cane used for ethanol production is a 1.3 mln tonne downward revision of Brazil's production in 2009/10 (May/April). Of importance, this still represents a 5.7% increase in sugar production from the previous season – see Fig A10.

In the meantime, what can be said about the 2010/11 campaign, which has to be partly incorporated into our

October/September balance? Taking into consideration the gradual recovery in the financial sector and remunerative world market sugar prices, we assume that the phase of slower growth in the cane processing sector is over and next year the growth in cane supply will be at least similar to that in 2009/10. In other words, we expect the nationwide cane supply to grow to 637 mln tonnes. At the same time, we expect that with a return of normal weather conditions ATR yields could improve to a long-term average of 142 kg/tonne of cane. With a generous allowance for cane use for ethanol in order to meet a further 10% growth in ethanol consumption and rebounding ethanol exports (for more details see *Fuel Ethanol* part), there may be enough cane to increase sugar production by about 10.5% as against 2009/10.

In terms of the October/September season, in 2009/10 Brazil's sugar production is expected to grow to 38.025 mln tonnes, raw value, practically no change from our initial forecast in September, but a 1.42 mln tonne increase from the previous October/September cycle (see Table A4).

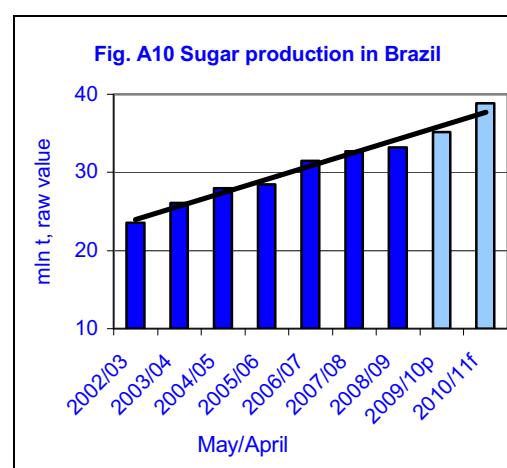
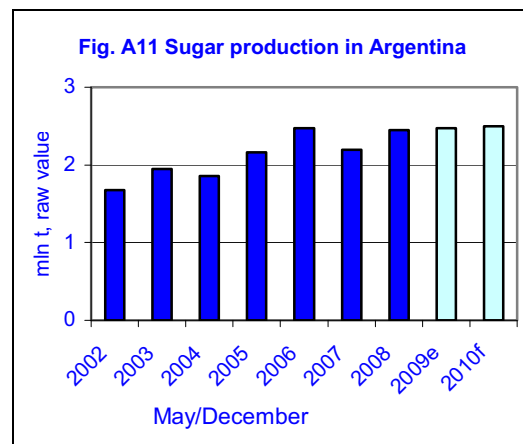


Table A4 Sugar production in Brazil (in 1,000 tonnes, raw value)

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Oct-April	11,434	10,960	12,071	14,636	13,191	13,996
May-Sep	20,525	20,687	18,619	21,969	24,839	
Total (Oct/Sep)	31,959	31,647	30,690	36,605	38,030	
Total national year	28,438	31,485	32,758	33,255	35,160	38,835
Changes in %	1.6	10.7	4.0	1.5	5.7	10.5

In 2008 **Argentina**'s sugar industry achieved the second largest production level on record which totalled 2.448 mln raw value, up 11% on the year. As commented in the previous issue of the *Quarterly Market Outlook*, the growth is attributed to higher yields due to investment in technology and equipment. For the time being, no significant growth in production is anticipated for 2009 and 2010 (see Fig. A11).



In **Colombia** total sugar production for the first eight months of 2009 was up 17% from the same period in 2008, at 1.698 mln tonnes, as reported by the national sugarcane industry association ASOCANA. Strong world market prices are likely to boost cane planting. According to the Ministry of Agriculture, several mills have announced plans to increase the area planted with cane totalling 240 thousand ha, of which 200 thousand ha is directed to sugar production and the rest to ethanol production. Bearing in mind the industry's strong performance in 2009 and likely further increases in cane supply in 2010, we have revised our 2009/10 (October/September) production forecast for Colombia upwards to 2.525 mln tonnes, raw value.

For the rest of *South America*, at this stage of the season we do not anticipate any significant changes in production levels as against the previous October/September crop cycle.

Middle East and Northern Africa

No revisions have been introduced for the region's production forecast. The overall

level of output in *the Middle East and North Africa* during 2009/10 is still expected to grow by 750 thousand tonnes or 12.5% as against the previous season. Nevertheless, the region remains greatly dependent on sugar imports. In 2009/10, domestic production is not anticipated to cover more than 41% of demand.

In **Turkey**, currently the world's fifth largest beet sugar producer after France, Germany, US and Russia, sugar beet production has been limited by annual quotas (2.342 mln tonnes, tel quel). As already discussed in the previous issue of the *Quarterly Market Outlook*, since the production quota implementation in 2003, sugar output has shown little year-on-year growth, remaining at a level of about 2 mln tonnes, raw value. However, the quota was raised for the first time in 2008/09 to 2.4 mln tonnes, white value. We expect another slight area increase in 2009 due to relatively favourable economic conditions for sugar beet.

In **Egypt**, the second largest sugar producer in the Middle East and Northern Africa, both beet and cane sugar are produced. Although the government is encouraging the cultivation of sugar beet in the north of the country which requires less water than cane, no increase in sugar output is expected in 2009/10, as a sharp increase in wheat prices earlier in the season has halted further expansion of areas under beet. The government is embarking on a broad strategy to boost local sugar production to satisfy future demand, limit import costs and support employment in rural areas. The Farm Minister expects the country's sugar deficit to be 'covered easily in a few years' by expanding beet cultivation and improving sugar cane productivity. For the time being, however, we do not project any domestic production growth for 2009/10.

Sudan plans to triple its output within three years. This crop year ending in April 2010, Kenana, the country's largest sugar producer, is expected to lift its output by about 40%, to more than 600 thousand tonnes, white value. Besides Kenana, the country has four state-owned mills which reportedly produced 356 thousand tonnes in 2008/09. The ISO expects sugar production to grow to 1.1 mln tonnes from the previous season's level estimated at 885 thousand tonnes.

Similar to Egypt, **Iran** also produces sugar from both beet and cane. As already discussed in the previous issue of the *Quarterly Market Outlook*, in the 2008/09 season, sugar production is estimated to have collapsed by no less than 50% due to the bankruptcy and closure of a significant number of the country's sugar factories as a result of adverse weather and unregulated imports. So far, weather conditions have been more favourable in 2009 and some production recovery is anticipated. At this still early stage of the season, the ISO puts Iran's production at 0.85 mln tonnes, raw value, as against 0.60 mln tonnes only estimated for the previous season.

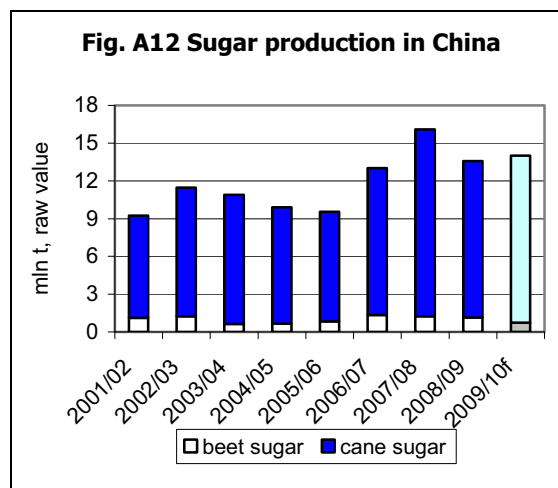
In the September issue of the *Quarterly Market Outlook* we noted an ambitious 5-year program of Cosumar, **Morocco's** main sugar producer, to expand domestic cane and beet growing and boost the industry competitiveness. The five-year program aims to improve sugar yields to take domestic production to as much as 700 thousand tonnes from 550 thousand tonnes per year currently, as well as upgrading its refinery capacities. At present beet provides three quarters of the sugar produced in Morocco. Better irrigation, farming techniques and refining technology should allow Morocco to produce 55% of sugar needed to cover consumption in the coming years from 45% currently.

Far East and Oceania

After a significant 3.509 mln tonnes decrease in sugar output in the *Far East and Oceania* in 2008/09, sugar production is expected to demonstrate a partial recovery in the new season. After the first revision of the sugar balance for 2009/10, the ISO expects output in the region to grow by as much as 1.8 mln tonnes, raw value.

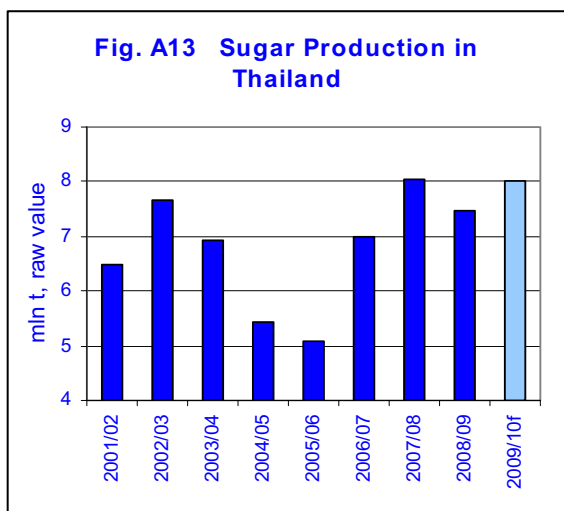
In **China** last year's frost in major cane growing areas severely affected cane yields and sugar content. As a result, sugar production fell to an estimated 13.575 mln tonnes, raw value, in 2008/09, 16% down from 16.130 mln tonnes the year before. In 2009/10, with a return of normal weather, output may rebound. According to the latest official projection, sugar output is expected to rise by about

3% to 13 mln tonnes, white value. Marginal decreases in area are expected to be compensated by better sugar yields. For the time being, before more detailed information on the progress of the 2009/10 campaign is available, we maintain our initial forecast at 14 mln tonnes, raw value, up 3.6% from the previous season (see Fig. A12).

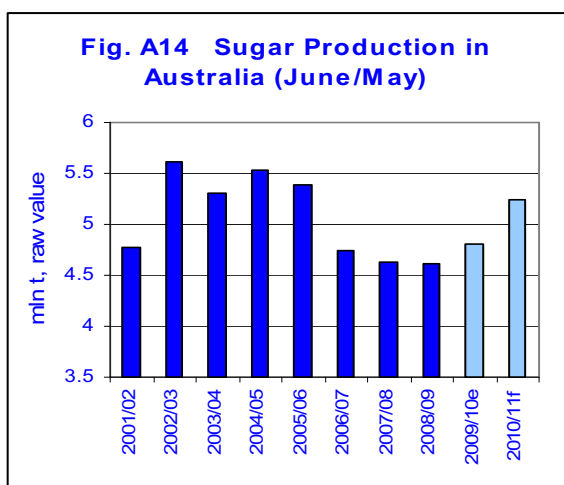


Last season's production in **Thailand**, the second largest sugar producer in the region and the world's second largest exporter, reduced by about 0.6 mln tonnes or more than 7% as against 2007/08 due to lower than average yields, reflecting decreased fertilizer use as well as unusual dryness and cold weather before the harvest. Sugar production is expected to increase in 2009/10. The Office of the Cane and Sugar Board has projected output to grow by 6.4% due to growth in the area under sugarcane as the recent surge in sugar prices increased the incentive for growers to plant cane (this season cane farmers will be paid the record price of more than THB1,000/tonne of cane compared to THB830/tonne in 2008/09). The latest crop survey conducted jointly by millers, cane growers and traders shows, however, that cane production may be smaller than originally expected. According to the survey, farmers have failed to grow more cane to capitalize on record strong world market prices because planting for the 2009/10 crop began in late 2008 and world prices only started rising in mid-2009. During the survey, it was 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. Before a new official production forecast is released the ISO is inclined to keep its initial projection (8.0 mln tonnes, raw value, as against 7.478 mln tonnes produced in 2008/09) (see Fig. A13).



In **Australia** the sugar industry is having another tough year. The 2009 sugar production, a part of which will fall into the 2009/10 October/September crop year, commenced on time in June but cane production was affected by flooding earlier in the year in Queensland, where most of the country's sugarcane is grown.



Then, an uncharacteristically dry finish to the season has reduced the tonnage of cane to be cut in the current sugarcane harvest, but it increased sugar content in the cane. With the harvest expected to finish in October, about four weeks earlier than usual, next season's cane will have extra time to ripen, which has the potential to boost the 2010 crop by around 10%. Moreover, current high world

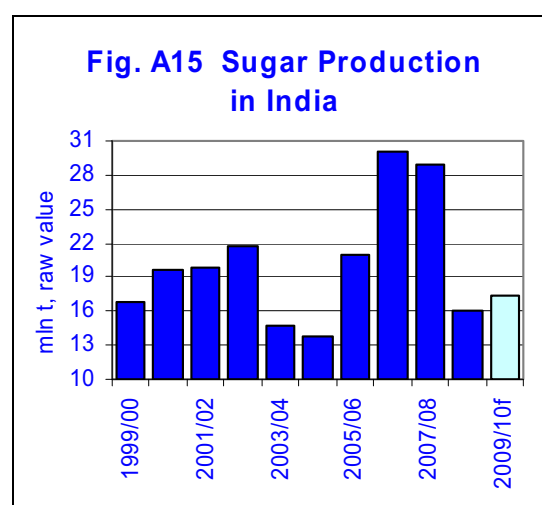
market prices for sugar will likely spur some increased plantings of cane. In terms of the 2009/10 October/September season, at this stage of the season assuming the return of normal weather conditions in the coming 11 months, the ISO puts Australia's production at 4.9 mln tonnes, raw value, as against 4.7 mln tonnes forecasted in August (see Fig. A14).

In **Indonesia**, the fourth largest sugar producer in the region, the government expects output in 2010 output to rise by 4% from a year earlier to 2.97 mln tonnes. The rise tracks a 2% increase in acreage, to 451 thousand hectares in 2010 from 442 thousand hectares this year.

According to the **Philippines** Sugar Regulatory Administration (SRA), production is expected to rise 5% in the coming crop year to 2.16 mln tonnes due to favourable weather patterns and softer input costs.

Indian Subcontinent

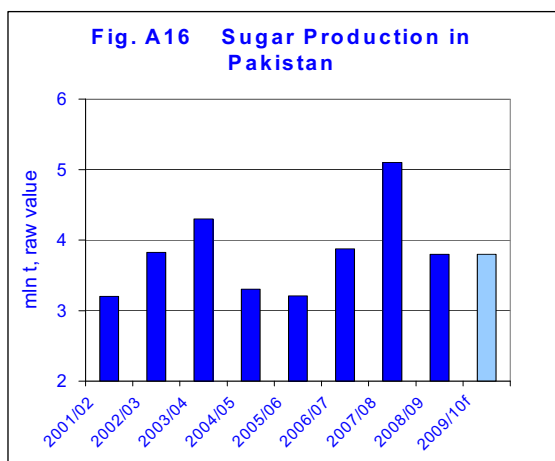
Last season sugar production in the *Indian Subcontinent* collapsed by an estimated 14.076 mln tonnes or 41%. In the coming 12 months the chances of a significant output recovery are not high. After the first revision of the world sugar balance for 2009/10, the ISO anticipates a modest production recovery in the region of 1.200 mln tonnes only.



Last season **India's** sugar output fell relative to 2007/08 by an unprecedented 42% to less than 15 mln tonnes, white value. As we already argued in the September issue of the *Quarterly Market*

Outlook, it is practically certain that the huge gap between domestic production and demand will remain in the new season. Inadequate monsoon rainfall together with a combination of severe competition for cane with the gur and khandarsary 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. At this early stage of the season, the ISO keeps its original production projection for India unchanged at about 16 mln tonnes, white value (see Fig. A15).

Obviously, India's crop projections made at the beginning of the campaign are likely to be subject to considerable revisions later. During 2008/09 the differential between the initial projection and actual production was as high as 7.5 mln tonnes.



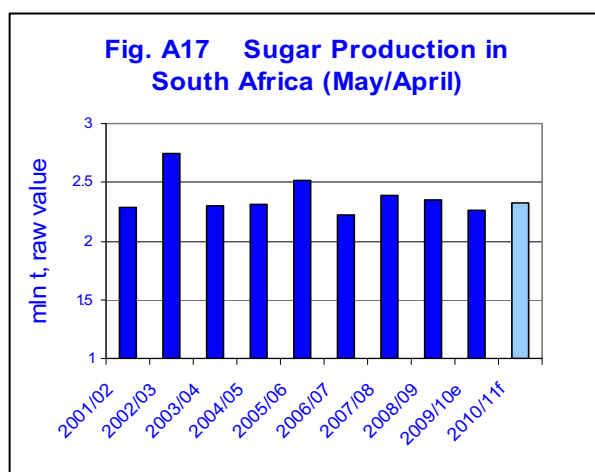
In neighbouring **Pakistan**, according to a recent forecast released by the Food Ministry, sugar production may reach 3.5 mln tonnes, white value (see Fig. A16). The forecast is higher than earlier projections, but the country would still need large scale imports to meet its domestic requirements at about 4.3 mln tonnes, white value.

Equatorial and Southern Africa

The first revision of production projections for 2009/10 sees the region's total practically unchanged from the level forecasted in September. The ISO expects the countries in Sub-Saharan Africa to produce 7.301 mln tonnes in 2009/10 (October/September), up 287 thousand tonnes or 4.1% from the previous season.

Of importance, the region houses a number of sugar producing nations but only South Africa produces more than 1 mln tonnes a year. Nevertheless, there is a number of African producers who have undertaken ambitious projects aimed to increase both efficiency and output of their sugar industries in order to take full advantage of a better market access to the post-reform sugar market of the EU. Thus, Illovo Sugar, the leading sugar manufacturer in Africa (51% owned by Associated British Foods - ABF) with sugar mills in Malawi, Mali, Mozambique, South Africa, Swaziland, Tanzania and Zambia, plans to raise sugar output by 50% to nearly 3 mln tonnes in the next five years from 1.98 mln expected for 2009/10.

In **South Africa**, by far the biggest sugar producing country in Africa, sugar output in the 2009/10 (May/April) will rise, as expected by South Africa Sugar Association, to 2.33 mln tonnes from 2.26 mln tonnes in the previous season. Sugar cane production is expected to grow to 19.66 mln tonnes from 19.3 mln tonnes harvested in 2008/09. Better cane and sugar production is attributed by the industry to higher use of agricultural inputs on the back of stronger world market values (see Fig. A17).



In **Swaziland**, currently the second largest sugar producer in Sub-Saharan Africa, a 5% increase in sugar production is projected for 2009/10. As already noted in the September issue of the *Quarterly Market Outlook*, the expansion of the Ubombo sugar mill run by Illovo, to increase annual sugar production to more than 300 thousand tonnes, is under way.

According to the **Kenya** Sugar Board, the third largest producing country in the region manufactured 293 thousand tonnes of white sugar, in the first six months of 2009, up 8.9% from 269 thousand tonnes produced in the same period in 2008 on the back of better availability of cane. Earlier in the season the Board projected sugar production in 2009 to reach 553 thousand tonnes, tel quel, compared to last year's 544 thousand tonnes. Further expansion is anticipated in the near future if mills are fully utilized. Currently, however, the utilization of the milling capacity reportedly does not exceed 60%.

Mauritius' industry expects good weather to lift its sugar output by 6% to 480 thousand tonnes this year compared to 452.1 thousand tonnes in 2008. So far a storm-free cyclone season combined with high rainfall looks set to ensure an improved harvest. The ISO estimates production in Mauritius in 2009/10 at 500 thousand tonnes, raw value.

In **Mozambique** in the new season (May/April) the industry plans to harvest 3.2 mln tonnes of cane and produce 382 thousand tonnes of sugar, up 53% from last season. In the longer run, the sector is planning to almost double its annual sugar production to 500 thousand tonnes by 2012. The country now has four of its five sugar mills producing at full capacity, even though they are undergoing expansion.

In **Tanzania** the industry expects sugar production to rise by 4% in the 2009/10 crop season compared with last year as a result of the expanding output by major factories in the country.

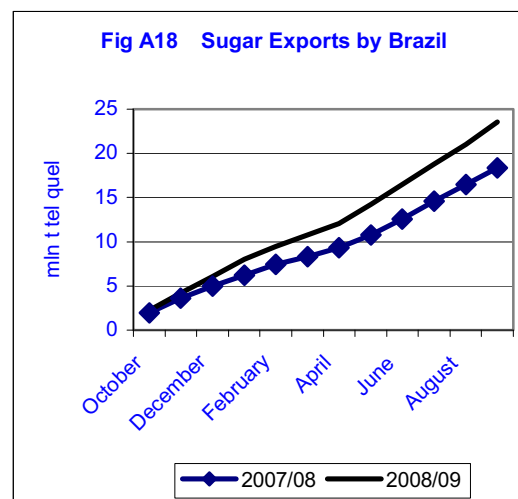
EXPORT AVAILABILITY

- **Export availability to rise to a new record in 2009/10...**
- **... but further use of stocks needed**

In September the ISO expected that in order to meet growing import demand world export availability had to increase by about 1.9 mln tonnes from the level achieved in the previous crop. At that time we also suggested that exporters would have to use sugar from stocks as domestic

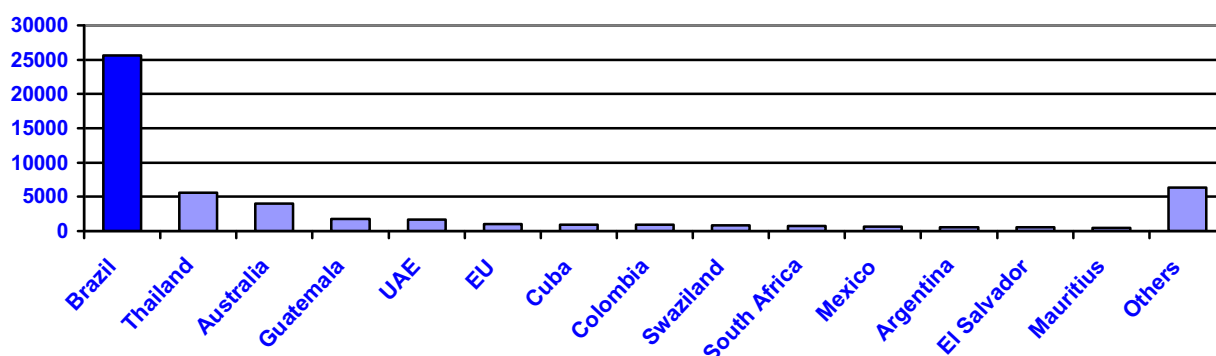
production gains alone would not be enough to cover such an increase in exports. The first revision has not changed this view and only a modest upward correction for export availability has been introduced. A new total of 52.079 mln tonnes is projected compared to 51.964 mln tonnes expected in September. This represents a new record and about a 3.8 mln tonne increase from the previous season.

The main change on the export map in 2009/10, as currently anticipated, is further growth in export availability of Brazil (1.920 mln tonnes up from the previous season). Since the beginning of the decade, the export volumes of the world's leading sugar supplier have grown from 9.972 mln tonnes or 25.2% of the global sugar turnover in 2000/01 to 25.920 mln tonnes or 49.75% of the global exports projected for 2009/10.



Despite disappointing crop figures, **Brazilian** sugar exports during September reached a fresh record of 2.5 mln tonnes, tel quel, up from 1.8 mln tonnes shipped in September last year and also up on the 2.1 mln tonnes shipped during August. As illustrated by Fig. A18, between October 2008 and September 2009, Brazilian sugar exports reached 23.54 mln tonnes (tel quel), a new record, and up 28% on the 18.36 mln tonnes exported over the same period in 2007/08. 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.

Fig. A19 Sugar export availability in 2009/10 (1000 mtrv)



Export availability of **Thailand**, the world's second largest sugar exporter, in 2009/10 is also forecasted to reach a new record at 5.640 mln tonnes, raw value, up 345 thousand tonnes from the previous season.

No increases in export availability are projected for **Australia**, the world's third largest sugar exporter.

consumption (including 4.555 mln tonnes adjustment for unknown trade) is put at 167.134 mln tonnes, raw value, up 2.818 mln tonnes from the previous season. Thus, consumption is expected to grow by 1.71% as against the 10-year average of 2.66% (see Table A5). As already argued in September, lower growth is attributed to the impacts of the 2008/09 global recession on sugar consumption growth rates in developing countries as well as soaring world market prices.

DEMAND

In 2009/10, the ISO anticipates global use of sugar to grow by 1.71% only, a considerable decrease from the long-term (10-year) average of 2.66%. The projected higher consumption is expected to lead to increasing imports in 2009/10. World total import demand is forecasted to grow by 3.892 mln tonnes or 8.1% from the level of the previous crop cycle.

CONSUMPTION

- **World use of sugar to grow by 1.71%**
- **Will the economic recovery stimulate higher use of sugar?**
- **Lower growth rate because of soaring world market prices**

Since September, when the previous *Quarterly Market Outlook* was published, very little information capable of affecting our consumption figures has been released. As a result, we have revised our consumption projection for 3 countries only. After the first revision of the world sugar balance for 2009/10, world

According to the IMF (World Economic Outlook, October 2009), after a deep global recession, economic growth has turned positive, as wide-ranging public intervention has supported demand and lowered uncertainty and systemic risk in financial markets. The Fund warns, however, that the recovery is expected to be slow and activity remains far below pre-crisis level, as the financial system remains impaired and support from public policies will gradually have to be withdrawn. Global activity is estimated to contract by 1.1% in 2009. Growth is projected to re-emerge in 2010, but at 3.1% it would be sluggish relative to past recoveries. The ISO does not anticipate that the projected renewed global economic growth will significantly stimulate sugar consumption in the course of 2009/10, particularly taking into account strong world market prices (discussed later under *World Market Developments and Prices*).

The highest growth rate of consumption (although significantly lower than the 10-year average – 3.47% and 4.24%, respectively) is projected for **Equatorial and Southern Africa**. Sugar use in the region is forecasted to grow by 0.300 mln tonnes and reach 8.947 mln tonnes. The region, however, is not the power house for global sugar use as its share in the world total does not exceed 5.3%.

Consumption growth considerably higher than the world average is also expected for **South America**. Sugar use in the region, where about 12% of global total is consumed, is expected to grow by 2.38% this season to 20.119 mln tonnes, raw value. Of importance, sugar use in the region, where half of the countries belongs to the exporters' camp, is expected to grow at an even faster rate than the 10-year average.

Consumption growth higher than the world average but lower than their respective long term averages is projected in two more regions: **Middle East - North Africa** and **Far East and Oceania**. These two regions are currently responsible for 9.9% and 20.5% of the

world consumption, respectively.

A significant deceleration of sugar use growth is projected for the income and price sensitive consumers in the **Indian Subcontinent**, mainly on the back of significant rises in domestic prices (for more details see section *Domestic Markets and Prices*). Sugar consumption is expected to grow by 2.07% only as against the long-term average of 3.98%. This region is currently responsible for 17.9% of the world consumption.

Consumption in the generally mature and saturated markets of the remaining regions (**Western and Central Europe, Eastern Europe and FSU, and North and Central America**) is characterized by per capita consumption significantly higher than the world average (see fig. A.20) and is expected to grow at very low rates. In the case of the **US**, sugar use is expected to remain practically flat. No growth projected for 2009/10 has to be seen, however, in the context of unusually high growth monitored in the previous two seasons. It is interesting that the US sugar consumption data show a surprising volatility (as illustrated by Table A6), which can be explained more by how

Table A5 Geographical Distribution of World Sugar Consumption

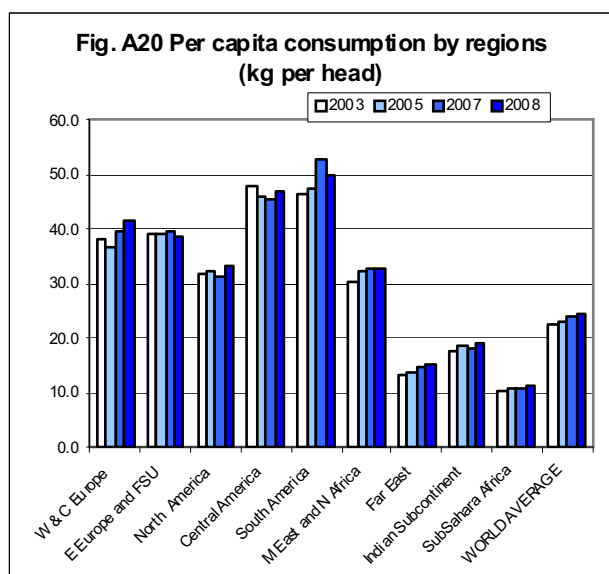
	2009/10	2008/09	2007/08	2006/07	2005/06	
Total consumption (in 1,000 mtrv)						
Western and Central Europe	20,683	20,472	20,294	20,367	19,239	
Eastern Europe and FSU	11,594	11,584	11,657	11,904	11,912	
North America	11,335	11,320	11,066	10,476	10,796	
Central America	8,763	8,667	8,210	8,042	8,466	
South America	20,119	19,651	19,156	19,483	19,558	
Middle East and North Africa	16,634	16,269	15,891	15,519	15,349	
Far East and Oceania	34,483	33,740	32,987	31,320	29,203	
Indian Subcontinent	30,021	29,411	28,486	27,216	25,788	
Equatorial and Southern Africa	8,947	8,647	8,295	7,849	7,569	
WORLD	167,134	164,316	160,694	156,442	152,317	
Annual growth rate in %						<i>10-year average</i>
Western and Central Europe	1.03	0.88	-0.36	5.86	4.32	0.93
Eastern Europe and FSU	0.09	-0.63	-2.07	-0.07	-0.21	1.40
North America	0.13	2.30	5.63	-2.96	1.11	0.73
Central America	1.11	5.57	2.09	-5.01	2.58	1.64
South America	2.38	2.58	-1.68	-0.38	10.92	2.12
Middle East and North Africa	2.24	2.38	2.40	1.11	5.32	3.26
Far East and Oceania	2.20	2.28	5.32	7.25	0.86	4.11
Indian Subcontinent	2.07	3.25	4.67	5.54	-0.39	3.98
Equatorial and Southern Africa	3.47	4.24	5.68	3.70	3.54	4.24
WORLD	1.71	2.25	2.72	2.71	3.75	2.66

disappearance is recorded and forecasted by the USDA rather than changes in sugar use. The long-term average annual growth rate of 0.73% only reveals how stagnant sugar consumption in North America is.

**Table A6. Sugar Deliveries for domestic use in the US
(mln short tonnes, raw value)**

2005/07	2006/07	2007/08	2008/09	2009/10
10.34	10.14	10.77	10.91	10.38

Source: USDA Sugar and Sweetener outlook, October 2009



IMPORTS

- **World import demand to increase**
- **How large will India's purchases be?**
- **Russia to import more**
- **Lower imports by the US**

In September the ISO expected world total import demand to grow in 2009/10 by 0.968 mln tonnes, raw value, compared to the previous year. The first revision of the world balance for 2009/10 has slightly modified the picture. Although this season import projections have been revised upwards only slightly (to 52.072 mln tonnes from 51.930 mln tonnes in September), the estimates for last season's imports have been revised downwards by 2.782 mln tonnes. As a result the projected growth in global import demand as against 2008/09 is put now at 3.892 mln tonnes.

As in the exporting countries, the ISO anticipates a significant use of stocks in importing countries (5.5 mln tonnes). Large scale de-stocking can be considered an obvious step during times of economic slowdown and high world prices. The problem is that importers are estimated to have already used a considerable amount of stocks last season (9.689 mln tonnes). Nevertheless, according to our second assessment, during 2009/10 importing countries are expected to reduce stocks further by 5.548 mln tonnes.

The main change from the previous year is a significant growth of import demand by **India**, as a result of the earlier discussed production prospects following insufficient summer monsoons. Moreover, in contrast to the previous season, when a significant part of the production shortfall could be compensated by sugar from stocks, this season the country needs to rely more on imports rather than stocks.

In 2008/09 India's traders reportedly contracted about 4 mln tonnes of raw sugar and 700 thousand tonnes of white sugar, although not all contracted sugar had reached the country by the beginning of the new season in October. Before official import statistics for the third quarter of 2009 are available, the ISO maintains the previous estimate for India's imports in 2008/09 at 2.325 mln tonnes of mainly raw sugar. Of importance, in September when the world market price reached 28.5-year highs, Indian millers were reportedly selling back some of the previously contracted sugar. This is a clear indication of a high price sensitivity of India's imports and proves the high level of dependency of the pace of buying on the profitability of imports as determined by the relative levels of domestic and world market prices. It is absolutely certain that India will remain a leading importer of sugar from the world market in 2009/10 but the question is how much the country will purchase. Projections vary from 1.5-2 mln tonnes (presentation of the India's Ministry of Consumer Affairs, Food and Public Distribution to the DATAGRO conference in Sao Paulo, 20th October) to 7-9 mln tonnes (Bajaj Hindusthan Ltd., as reported by Reuters on 13th October). According to the ISO forecast, the gap between domestic production and consumption is as high as

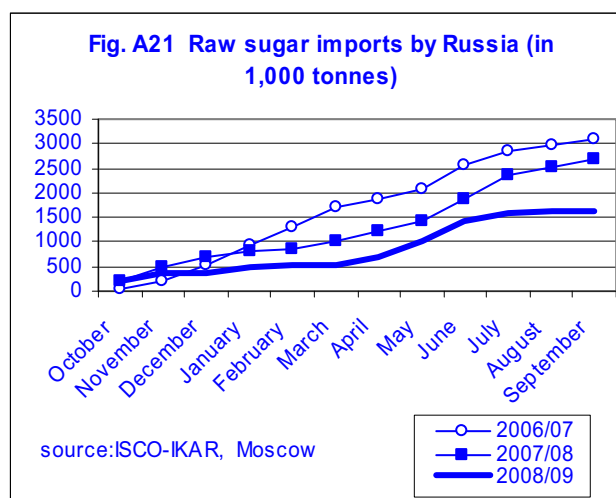
5.7 mln tonnes. We suggest, however, that sugar stocks can be further squeezed, in particular, with expectations of a considerable production rebound in 2010/2011. Assuming further releases from stocks of about 1.8 mln tonnes, import demand for 2009/10 is forecasted by the ISO at 3.95 mln tonnes, raw value, which makes India the world's leading importer of sugar in 2009/10.

In 2009/10 neighboring **Pakistan** is also expected to buy more sugar in the world market than in the previous season. Reportedly, the government has decided to import 0.50 mln tonnes of raw sugar and 0.50 mln tonnes of white sugar to meet a shortfall in domestic output in 2009/10 (November/October). Last season the country imported estimated 330 thousand tonnes only.

In the **EU**, the world's second largest sugar importer, the level of purchases is expected to reach 3.8 mln tonnes, raw value. New sugar import rules came into effect on 1st October, with the potential to bring about a substantial reorganization of sugar trade flows into the EU. The revised import requirements replace the former Sugar Protocol with ACP countries and will likely bring a host of new potential sugar exporters into the fold by extending preferential EU market access. All Least Developed Countries (LDCs) benefiting from the Everything But Arms (EBA) initiative will now have duty-free and quota-free access for sugar exports to the EU. Non-LDC developing countries taking part in Economic Partnership Agreements (EPAs) with the EU will also receive these preferential terms but national or regional safeguard volumes will be applied between 2009/10 and 2014/15. Meanwhile, quantitative restrictions may be re-imposed as a safeguard measure if the combined total volume of EPA and EBA imports in any year exceeds 3.5 mln tonnes, white value. ACP countries still outside the EPA framework will not share the same access privileges under the new regime, but will be able to export sugar to the EU on the terms of the Generalized System of Preferences (GSP).

In the case of **Russia**, at present the world's third largest sugar importer and the second largest net-importer from the free market, a significant increase in

imports is expected in 2009/10. Russia's sugar stocks are depleted. Last season, due a sharp increase in the cost of import financing, purchases from the world market fell dramatically. Indeed, Fig. A21 illustrates that during 2008/09 (October/September), raw sugar imports reportedly decreased from 2.678 mln tonnes in 2007/08 to 1.645 mln tonnes only. The volume of imports was not high enough to cover the gap between domestic production and consumption estimated at 2.375 mln tonnes. As a result, about 0.8 mln tonnes of sugar from stocks had to be used, reducing the stocks/consumption level to below 15%. In the new season, consumption is expected to exceed domestic output by 2.825 mln tonnes and stocks are low. So most of the gap has to be covered by imports. At present, the ISO forecasts the new season's overall import demand (including imports of about 200 thousand tonnes of white sugar from neighbouring FSU countries) at 2.650 mln tonnes, raw value, compared to 1.785 mln tonnes estimated for 2008/09 (see Fig. A21).



The **US** is expected to import less sugar because of a 0.430 mln tonne increase in domestic output. The USDA initially set the financial year 2010 (starting October 2009) raw sugar TRQ at 1.231 mln short tons, less than the US minimum access commitment under the WTO rules and less than TRQ imports in 2008/09 (1.431 mln short tons). The problem is that a stocks-to-use ratio is projected to reach 9.6% only while, historically, the USDA has preferred a stocks-to-use ratio of 15%. Thus, the Department has already signalled that additional TRQ imports will

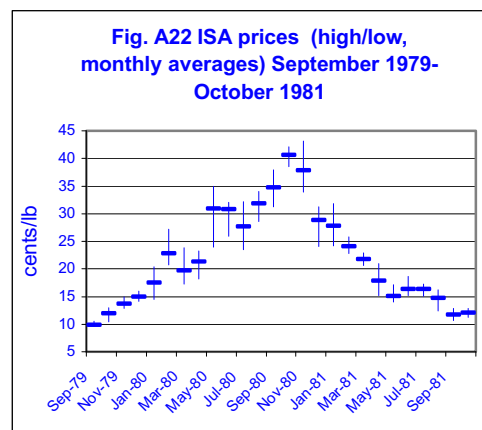
be needed during fiscal 2010. The USDA also expects imports by Mexico under quota-free duty-free NAFTA arrangements to reach 694 thousand tons in 2009/10 down from 1.395 mln tons delivered last season. For the time being, a negative export parity (higher domestic prices in Mexico as against the market values across the border) makes export to the US an unattractive option for Mexico's millers. However, with the progress of the domestic harvest one can expect domestic prices in Mexico to ease while the continuing tight sugar balance in the US is likely to put a bullish pressure on prices thereby potentially restoring positive export parity for Mexico' sugar exporters.

WORLD MARKET EVENTS AND PRICES

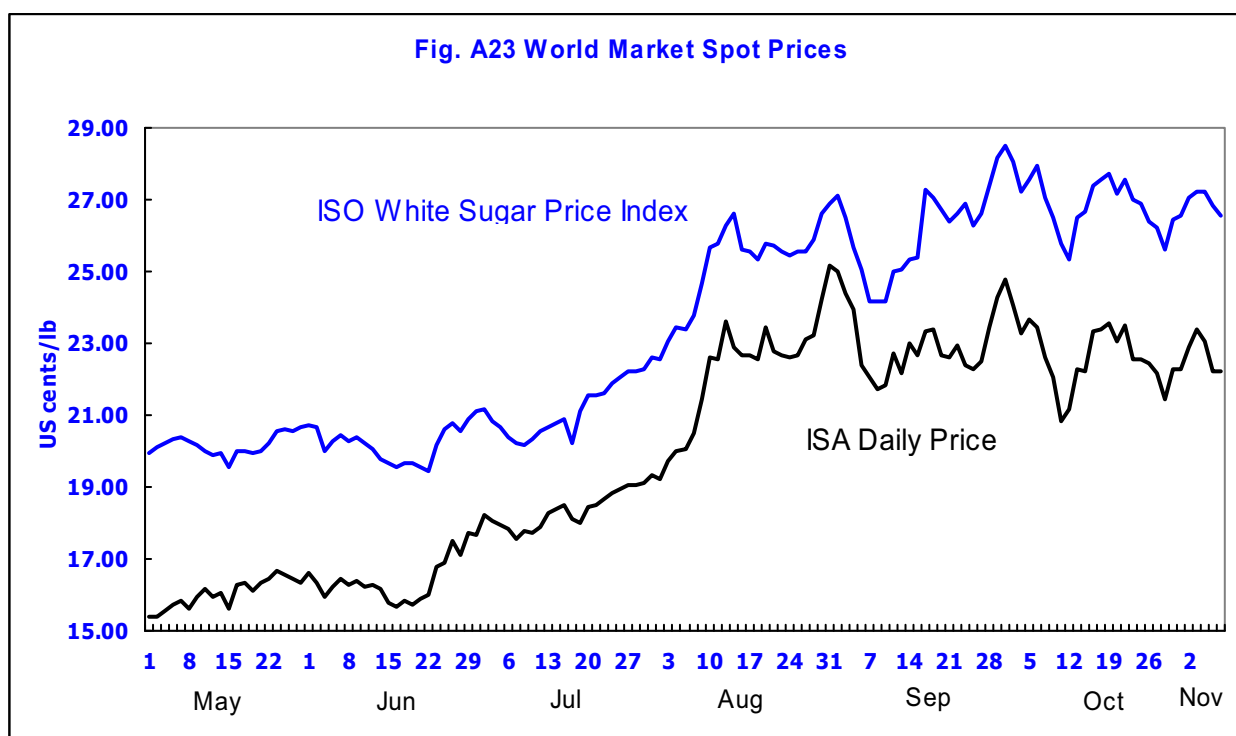
- **World prices remain high but volatile**
- **White sugar prices kept increasing in October to reach a 28.5 year high**
- **Constructive fundamentals support world prices...**
- **... but price sensitivity of importers limits bullish potential**
- **Emerging dichotomy between short-term supply tightness and the looming end of deficit phase in 2010**

Since our previous *Quarterly Market Outlook* in September, world market prices have shown a remarkable instability. As we commented in the last issue of the Outlook, on 31st August the raw sugar spot price (the ISA daily price) reached 25.18 cents/lb, a level not seen since February 1981. Of interest, the highest daily quotation during the 1979-1981 price boom was 43.10 cents/lb fixed on 5th November 1980 (see Fig A22). In September, October and the first half of November, raw sugar values (ISA daily price) oscillated within a wide trading range between 20.82 cents/lb and 24.97 cents/lb. On 9th November the ISA daily price was 21.84 cents/lb. In terms of monthly averages, the ISA price increased

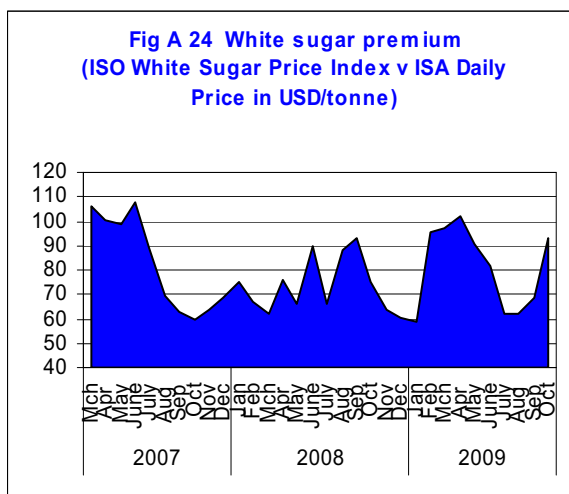
from 22.44 cents/lb in August to 23.06 cents/lb in September but retreated to 22.64 cents/lb in October.



White sugar spot prices (the ISO White Sugar Price Index) followed a slightly different path. Prices kept rising in September and the 28.5 year high was reached at the end of the month. On 30th September the ISO White Sugar Index was fixed at USD627.75/tonne (28.47 cents/lb), the highest recorded value since February 1981. In October white sugar values continued the roller-coaster ride varying from USD558.30/tonne (25.32 cents/lb) to USD619.10/tonne (28.08 cents/lb). Prices remained volatile during the first half of November. On 9th November the ISO White Sugar Price Index was USD585.30/tonne (26.55 cents/lb) (see Fig. A23).



The raw/white sugar price dynamics in September and October have reversed the falling trend of the white sugar premium which had been observed since April 2009 (see Fig. A24). In September the differential between the ISO White Sugar Price Index and the ISA daily price for raws increased from USD 62.17/tonne to USD 68.32/tonne, in October it expanded further to USD93.25/tonne. Of note, the white sugar premium has been very volatile since 2006, after the supply shock caused by a structural decrease in white sugar availability triggered by the reform of the EU sugar regime in mid 2006 and reflecting 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 since August? The current season's fundamentals remain constructive for the market values. As argued in September, from the point of view of fundamentals, the statistical picture for 2009/10 contains all the elements of a major deficit market. The first revision of the world supply/demand situation has not changed our view. Despite a forecasted 6.9 mln tonne increase in global output, the growth is far too small to cover sugar consumption. The world sugar economy is facing the second consecutive year of a global deficit, currently put at 7.2 mln tonnes. The export availability is extremely tight and any currently unforeseen sizeable reduction in supply will lead to a possible trade deficit. Moreover, world stocks are anticipated to decrease and the stocks/consumption ratio has not been as low as the current 32% for twenty years since 1989/90. Thus, the global stock

balance is no longer in a position to withstand supply shocks.

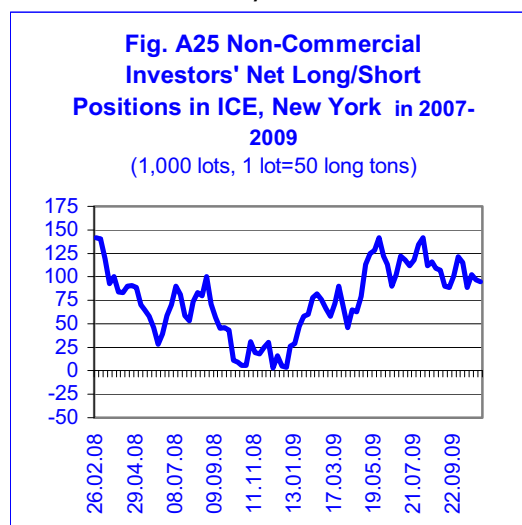
On the other hand, recent developments show how price sensitive some key importers are. Not every importer is ready to cover domestic shortfalls at any price quoted in the international trade. Thus, the retreat of world market prices in September after the world market reached 28.5-year highs has been attributed to the selling back of some previously contracted sugar by Indian millers. In short, although India, as anticipated, has still to contract about 4 mln tonnes for 2009/10, Indian traders left the market when world prices went beyond 22 cents/lb. Similarly, Russia is not in the market either. It is unlikely, however, that world values will ease considerably before India's and Russia's import demand is contracted.

Another family of uncertainties is imposed by prospects for a less constructive fundamental picture in the next crop cycle. In October a number of market commentators suggested that the world sugar balance might return to a surplus in 2010/11. Australian based Macquarie expects a 3 mln tonne surplus. Switzerland based consultancy Kingsman suggests that whatever India's increases in production is in 2010/11, it will result in a surplus for the global market. According to our tentative projection (see *Mid-Term Review in Box(09)03*), the gap between world consumption and production is likely to disappear in 2010/11 and even a small (about 0.5 mln tonne) global surplus comes into view. Therefore, in the short term there is a supply tightness but the global surplus is looming in a matter of 9 to 12 months.

With such a contradiction between short-term and medium-term fundamentals the instability of world prices comes as no surprise.

Finally, for the time being the positive fundamental picture remains supported by the interest of funds in sugar futures. During the period under review, non-commercial investors (hedge funds) consolidated the level of their net-long positions in the New York ICE Sugar Futures Contract, which may be interpreted as funds' holding a bullish view on sugar futures. As of 3rd November, they held 95 thousand lots compared to 4

thousand lots only on 30 December 2008 (see Fig. A25). In the meantime, index funds have also consolidated their net-long positions at a level of about 200 thousand lots as against 160 thousand lots at the end of February.



In table A7 the estimates of world sugar production and consumption in 2008/09 and 2009/10 released to date by leading sugar analysts are summarized. Sugar spot prices and price differentials are given in tables A8, A9 and A10 (Pages 27 and 28).

**Table A7 Estimates of World Production and Consumption
2008/09 crop year**

		Production	Consumption	Surplus/ deficit
Czarnikow(c)	15-Aug	164.15	167.49*	-3.34
ISO (b)	28-Aug	161.65	165.55	-3.90
ED&F Man (b)	09-Sep	150.05***	150.75**	-0.70
ABARE (b)	22-Sep	161.40	163.70	-2.30
F.O.Licht (b)	29-Oct	161.25	161.72***	-2.15
ISO (b)	5-Nov	162.26	165.88	-3.63
USDA (c)	20-Nov	158.78	162.08**	-4.05
Czarnikow(c)	3-Dec	161.34	167.13*	-5.79
ABARE(b)	15-Dec	162.60	165.60	-3.00
ISO (b)	24-Feb	161.53	165.80	-4.27
Czarnikow(c)	24-Feb	155.31	165.75*	-10.44
F.O.Licht (b)	17-Mch	157.35	160.93***	-4.36
Sucden (b)	30-Apr	154.00	163.00	-9.00
ISO (b)	12-May	156.63	164.41	-7.79
Czarnikow(c)	20-May	150.57	166.14*	-15.57
USDA (b)	21-May	148.73	157.23***	-9.09
ABARE(b)	23-June	159.70	163.30	-3.60
F.O.Licht (b)	24-July	154.93	159.54***	-6.35
Sucden (b)	28-July	153.00	161.00	-8.00
ISO (b)	2-Sep	154.23	164.59	-10.37
CCzarnikow(c)	8-Sep	150.01	165.72*	-15.71
ABARE (b)	23-Sep	155.00	162.90	-7.90
ISO (b)	12-Sep	152.98	164.32	-11.34
2009/10 crop year				
ABARE(b)	23-June	167.50	165.40	+2.10
Sucden (b)	28-July	161.00	165.00	-4.00
ISO (b)	2-Sep	159.04	167.45	-8.40
Czarnikow (c)	8-Sep	158.20	167.14*	-8.98
ABARE (b)	23-Sep	158.16	165.20	+0.80
ISO (b)	12-Sep	159.89	164.32	-7.25

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

* including 1 mln tonne allowance for unrecorded disappearance

** white value

*** excluding unreported consumption

CURRENCY MOVEMENTS

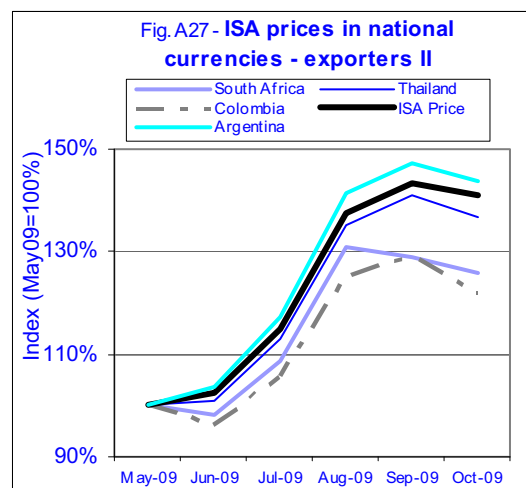
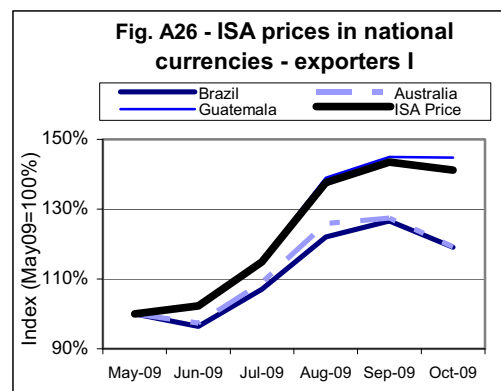
- **Exporters currencies continue to strengthen against US Dollar**
- **Guatemala gaining exchange rate competitiveness**
- **Smaller currency movements among importers**

ISA Prices

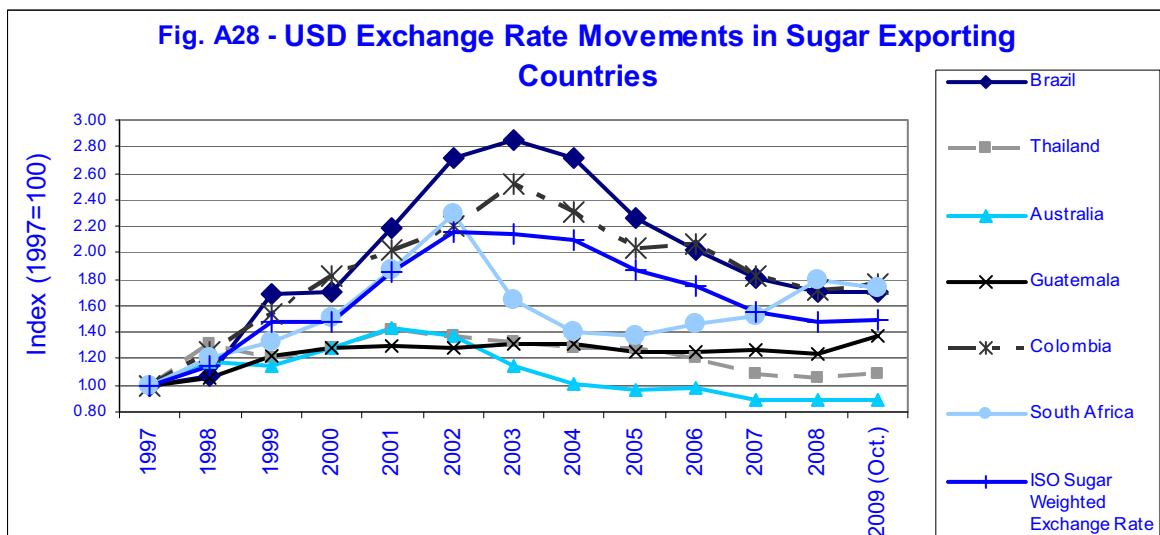
In May 2009 ISA prices averaged 16.04 cents/lb. Since then, world sugar prices expressed in USD have risen significantly, reaching 22.64 cents/lb on average in October 2009, a 41% increase. Most of the major sugar exporting countries have seen a strengthening of their currencies against the USD over the past six months. This has, to a large extent, mitigated the magnitude of world sugar price rises when expressed in local currencies.

Exporters

Several exporting countries have seen currency appreciation in relation to the USD over the past 6 months. The largest currency movements between May 2009 and October 2009 have been the Brazilian Real (BRL), which has strengthened by 15.7%, the Australian Dollar (AUD) at 15.5% and the Colombian Peso (COP) at 13.5%. The South African Rand (ZAR) and the Thai Baht (THB) have also strengthened, but less significantly at 10.7% and 3.0% respectively. The Guatemalan Quetzal (GTQ) has depreciated against the USD by 2.5% over the period, and by 8.5% during the last 12 months. The Argentinean Peso (ARS) also depreciated against the USD between May 2009 and October 2009 by 1.9%, and by 13.2% over the past year. Since 2005, Argentina has emerged as a major exporter of both raws and whites (*for more details see MECAS (09)19 The International Physical Trade of Sugar: a Survey*). The general weakness of the USD relative to the currencies of major exporters has masked the magnitude of world sugar market price rises when expressed in national currencies (see figs. A26 and A27).



Currency movements in exporting countries can considerably impact the degree of export competitiveness in the world sugar trade. The ISO sugar trade weighted exchange rate index (see fig. A28) comprises of a weighted average of some of the world's main exporters' currency movements between 1997 to October 2009. The weights refer to their annual share in the sugar trade within the group of exporters. Compared to 2008, Guatemala has in the year so far year gained some exchange rate competitiveness relative to the ISO exchange rate index. By contrast, due to the year-on-year AUD and the ZAR appreciation, there has been an indicative loss of export competitiveness for Australia and South Africa sugar. In terms of annual averages, the BRL, THB and the COP generally have remained relatively flat against the dynamics of the ISO sugar weighted exchange rate line.



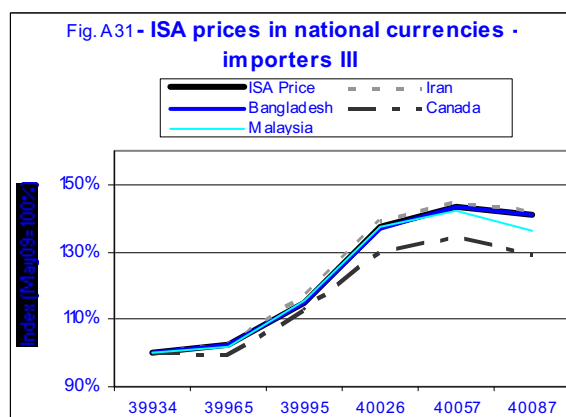
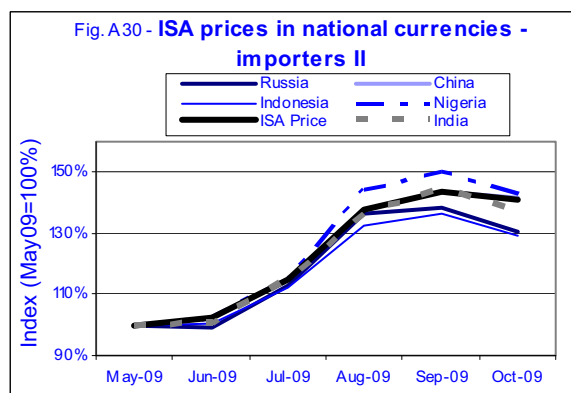
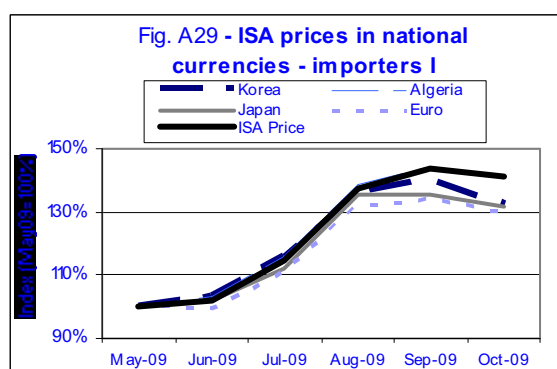
Importers

Currency movements have been milder among importing countries. Thus, world sugar prices expressed in domestic currencies of importers have more closely mirrored the rise in world sugar market prices expressed in USD.

Most importing countries have mildly appreciated against the USD. Since May 2009, the Indonesian Rupiah (IDR), the Euro (EUR) and the Russian Rouble (RUB) have strengthened by 8.5%, 8% and 7.6% respectively. The Canadian Dollar (CAD) has appreciated 8.6% over this period, and 13.7% from November 2008 to October 2009. Other importing countries which have seen their currency appreciate, but to a lesser extent, include the Japanese Yen (JPY), the Korean Won (KRW), and the Malaysian Ringgit (MYR).

The Bangladeshi Taka (BDT) and the Iranian Rial (IRR) have remained relatively flat against the US Dollar from May to October 2009, and over the past 12 months.

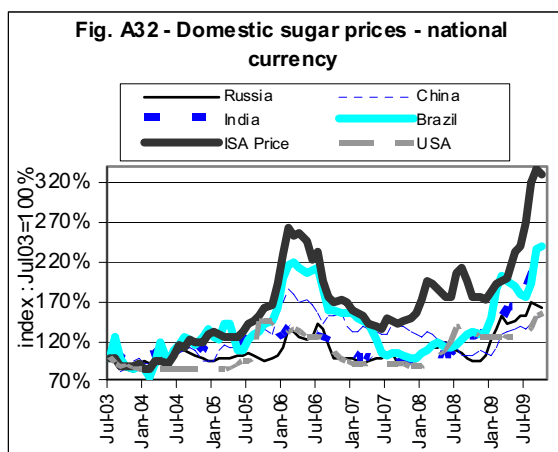
While the Algerian Dinar (DZD) also appreciated slightly against the Dollar between May 2009 and October 2009, over the twelve month period from November 2008 to October 2009 the Dinar has depreciated by 6.2%. The Nigerian Naira (NGN) continued its long-term depreciation against the USD, although this appears to be slowing. Between November 2008 and October 2009 the NGN depreciated 26.8%, but over the last six months it lost a mere 1.2% of its nominal value against the USD - see figs. A29, A30 and A31.



DOMESTIC MARKETS AND PRICES

- **Domestic prices rising sharply in India and Russia, firm in China, Brazil and the US**

Since May, domestic sugar prices have risen by around 30% in India and 28% in Brazil. In Russia and in China prices have increased by a respective 13% and 10%. Domestic prices expressed in national currencies show a relative disconnection in the short-term from the line of world prices expressed in US Dollars, which reflect different national fundamentals as well as exchange rate movements and border protection. Of note, since November 2008, domestic prices have been rising sharply in Brazil, Russia and India, by a respective 86%, 74% and 66% – see fig. A32.



In **India**, the price for sugar M grade Kolhapur rose from INR 17995/tonne in November 2008 to INR 29889/tonne in October 2009. Prices in INR are at historical highs, on the back of a much reduced 2008/09 crop and fading prospects for a significant recovery during 2009/10. Despite the late monsoons, which reversed part of the rainfall deficit recorded during most of the summer months, sources in the industry (Shree Renuka Sugar) puts the next season's output at 17 mln tonnes, white value, well short of consumption estimated at 22 mln tonnes. Minimum cane prices were raised by over 30% in June, to a record of INR 1077.6/tonne up from INR 811.8/tonne, although the rise is perceived to have come too late to boost cane supplies.

China's domestic prices have risen by 37% since November 2008 to reach CYN 4130/tonne in October 2009, although this is still significantly lower than the highs of over CYN 5000/tonne seen during 2006. Similarly to India, domestic prices in China have increased on the back of limited production growth prospects for 2009/10 and a second season of a production shortfall (compared to consumption) by 1.5 mln tonnes. Production in China during 2009/10 is projected by the ISO at 14 mln tonnes, raw value, slightly above the 13.510 mln tonnes produced in 2008/09 but well below the record output of 16 mln tonnes in 2007/08. The lower supply for the crop year may prompt the government to sell stock reserves accumulated during the previous bumper crop years.

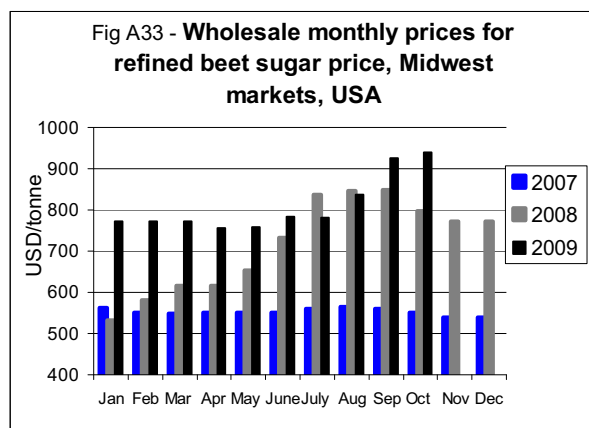
Domestic prices in **Russia** have receded slightly from the record of RUB 25,321/tonne of August, but at RUB 24,600/tonne in October remained significantly above the RUB 15,000/tonne level of a year ago. Sugar production in Russia is set to fall in 2009/10 to an estimated 3.350 mln tonnes from 3.8 mln tonnes, raw value, in 2008/09. A generally weaker Rouble relative to 2008 has also allowed domestic prices to rise this year as the import tariff fixed in USD increases when expressed in national currency. Sugar imports by Russia however are set to recover next season on the back of lower domestic production and lower stocks.

Brazilian sugar prices have risen sharply over the past year although over the past 6 month period they have risen by 28%. Compared to last November, sugar prices expressed in BRL are now 86% higher and 142% higher when expressed in USD. The rapid rise in Brazilian domestic prices have put the country's ex-factory crystal sugar at a premium of over USD 150/tonne in relation to the ISA raw sugar price, the highest in several years.

Over the coming months, price developments in the country's domestic market will remain correlated to the world sugar price as well as to exchange rate movements, which have been particularly volatile recently.

Domestic prices have risen sharply in the **US** over the past few months. After hovering around a level of USD 770-780/tonne (see fig. A33) for most of the past year, prices started rising in August to reach a peak of

USD 939/tonne in October. The ISO has revised the US 2009/10 sugar production down to 7.3 mln tonnes, raw value, from 7.5 mln tonnes as estimated in September. Although this still represents a growth of 400 thousand tonnes from 2008/09, the country is still expected to need to import as much as 2.6 mln tonnes this season.



Domestic sugar prices in the **European Union** have been falling steadily since the onset of the EU Sugar Regime Reform in 2006. Between July 2006 and September 2008, domestic sugar prices averaged EUR 618/tonne. This compares to the European Commission reference price of EUR 631.9/tonne for the period. Between October 2008 and March 2009, domestic sugar prices in the bloc averaged EUR 568/tonne. This compares to the reference price of EUR 541.5/tonne for the period. From 1st October 2009, the reference price for white sugar in the EU has been cut to EUR 404.4/tonne.

Table A8 ISA DAILY PRICE OF SUGAR

Monthly averages: 1991-2009

	1991- 2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
January	9.89	10.30	7.78	8.19	5.81	8.72	15.75	10.95	11.94	12.59
February	9.66	9.87	6.52	9.01	5.84	9.10	17.95	10.60	13.51	13.27
March	9.93	9.27	6.70	8.23	6.46	8.88	17.24	10.44	13.20	13.40
April	9.83	8.74	6.89	7.75	6.58	8.59	17.49	9.72	12.56	13.65
May	9.45	9.58	6.07	7.17	6.34	8.60	16.82	9.43	12.10	16.04
June	10.21	9.04	5.75	6.73	6.93	9.05	15.40	9.29	12.13	16.43
July	10.33	8.79	6.39	6.86	7.91	9.64	16.08	10.18	14.23	18.43
August	10.24	8.11	6.28	6.83	7.58	9.93	13.45	9.81	14.61	22.44
September	9.96	7.64	6.96	5.98	7.69	10.31	12.08	9.75	13.53	23.06
October	10.02	6.79	7.51	5.96	8.45	11.12	11.64	10.00	11.90	22.64
November	10.05	7.69	7.83	6.08	8.16	11.38	11.78	10.09	12.11	
December	10.18	7.83	7.95	6.28	8.25	13.31	11.57	10.71	11.75	
Annual average	9.98	8.64	6.89	7.09	7.17	9.89	14.97	10.08	12.80	
Daily quotations										
Highest	15.45	10.72	8.31	9.37	8.87	14.24	19.25	11.42	15.21	25.18*
Lowest	4.70	6.27	5.28	5.67	5.48	8.20	10.53	8.87	10.98	11.85*

Table A9 FREE MARKET DAILY SPOT PRICES IN 2005-2009

	(Monthly averages, US cents/lb)									
	ISA daily price					LDP (whites)/ ISO White Sugar Price Index				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
January	8.72	15.75	10.95	11.94	12.59	11.63	17.14	14.95	15.33	15.77
February	9.10	15.75	10.60	13.51	13.27	12.10	19.98	14.90	16.56	17.62
March	8.88	17.95	10.44	13.20	13.40	12.03	20.45	15.24	16.03	17.79
April	8.59	17.24	9.72	12.56	13.65	11.73	21.36	14.28	15.99	18.29
May	8.60	16.82	9.43	12.10	16.04	11.75	21.82	14.64	15.11	20.15
June	9.05	15.40	9.29	12.13	16.43	12.60	20.93	14.17	16.19	20.12
July	9.64	16.08	10.18	14.23	18.43	14.70	20.89	14.20	17.23	21.25
August	9.93	13.45	9.81	14.61	22.44	14.80	18.15	12.97	18.02	25.26
September	10.31	12.08	9.75	13.53	23.06	14.67	17.20	12.59	17.58	26.16
October	11.12	11.64	10.00	11.90	22.64	14.14	17.06	12.70	15.29	26.87
November	11.38	11.78	10.09	12.11		13.08	16.84	12.97	15.00	
December	13.31	11.57	10.71	11.75		14.97	15.79	13.83	14.50	
Annual averages	9.89	14.97	10.08	12.80		13.18	18.97	13.96	15.77	
Daily quotations										
Highest	14.24	19.25	11.42	15.21	25.18*	15.56	22.63	15.52	18.77	28.47*
Lowest	5.48	8.20	8.87	10.98	11.85*	11.36	15.13	11.92	13.64	14.88*

* January-October

Table A10 DAILY SPOT PRICES AND SELECTED ECONOMIC INDICATORS

		Raw Sugar Spot		ISO White	White sugar Differential		Indicators	
		NY No 11	ISA DP	Sugar Price Index	ISO WSPI-ISA PD		UN index (1)	SDR/USD
		US cents/lb			%			
2006		15.51	14.77	18.97	4.13	28	123	0.6798
2007		11.60	10.08	13.96	3.88	38	133	0.6535
2008		13.83	12.8	16.07	3.27	25	139	0.6598
2006	Jun	16.18	15.4	20.93	5.53	36		0.6766
	July	16.61	16.08	20.89	4.81	30		0.6767
	Aug	13.58	13.45	18.15	4.70	35		0.6725
	Sep	12.46	12.08	17.2	5.12	42		0.6749
	Oct	12.09	11.64	17.06	5.42	47		0.6787
	Nov	12.38	11.78	16.84	5.06	43		0.6713
	Dec	12.47	11.57	15.79	4.22	36		0.6632
2007	Jan	11.85	10.95	14.96	4.01	37		0.6690
	Feb	11.63	10.6	14.9	4.30	41		0.6679
	Mar	11.44	10.44	15.24	4.80	46		0.6633
	Apr	10.85	9.72	14.28	4.56	47		0.6580
	May	10.78	9.43	14.64	4.48	48		0.6590
	Jun	11.05	9.29	14.17	4.88	53		0.6617
	July	12.18	10.18	14.2	4.02	40		0.6540
	Aug	11.66	9.81	12.97	3.16	32		0.6538
	Sep	11.61	9.75	12.59	2.84	29		0.6478
	Oct	11.86	10.00	12.70	2.70	27		0.6417
	Nov	11.82	10.09	12.96	2.87	28		0.6304
	Dec	12.49	10.71	13.83	3.12	29		0.6351
2008	Jan	13.75	11.94	15.33	3.39	28		0.6312
	Feb	15.16	13.51	16.56	3.05	23		0.6307
	Mar	14.60	13.2	16.03	2.83	21		0.6127
	Apr	13.68	12.56	15.99	3.43	27		0.6108
	May	12.23	12.10	15.11	3.01	25		0.6159
	Jun	13.29	12.13	16.19	4.06	33		0.6176
	July	14.87	14.23	17.23	3.00	21		0.6132
	Aug	15.61	14.61	18.02	3.00	21		0.6310
	Sep	14.74	13.53	17.58	4.05	30		0.6429
	Oct	13.01	11.9	15.29	2.28	19		0.6796
	Nov	12.88	12.11	15.00	2.89	24		0.6743
	Dec	12.18	11.75	14.5	2.75	23		0.6576
2009	Jan	13.11	12.59	15.77	3.11	25		0.6624
	Feb	13.90	13.27	17.62	4.35	33		0.6731
	Mar	13.91	13.40	17.79	4.39	33		0.6743
	Apr	14.27	13.65	18.29	4.64	34		0.6702
	May	16.78	16.04	20.15	3.75	23		0.6576
	June	16.98	16.43	20.12	3.69	22		0.6473
	July	18.58	18.43	21.25	2.82	15		0.6437
	Aug	22.40	22.44	25.26	2.82	13		0.6411
	Sep	23.15	23.06	26.16	3.10	13		0.6338
	Oct	23.22	22.64	26.87	4.23	16		0.6291

(1) US dollars unit values of manufactured goods exported by developed countries

Brief (09)04 - Policy Developments – May 2009-October 2009**Bangladesh**

Sugar refiners agreed to fix the price of refined sugar to 39 Taka (USD 0.57) per kg. The agreement came just two days after the government had withdrawn an import duty on raw sugar to keep prices stable during the fasting month Ramadan. (August)

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. (October)

Ethiopia

The Sugar Development Agency capped profit margins for wholesalers who buy sugar from the state-run companies, in an attempt to control sugar prices. Wholesalers were told their margins would be limited to ETB 25 (USD 1.99) per 100 kg. (September)

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. (October)

Countries of the LDC/EBA group have been since October 1st entitled to ship quota-free duty free sugar to the European Union, following the completion of the EU Sugar Reform. (October)

India

India's Commodities Market Regulator banned the launch of new sugar futures contracts until the end of 2009 to check speculation and raise prices. (May)

The central government extended the sugar stocks supply limit until 8th January 2010 to ensure adequate supplies for the domestic market. (June)

The central government raised the minimum price that mills must pay farmers for sugarcane by a third to a record high of INR 107.76 per 100 kg to encourage farmers to plant more. (June)

The scheme to allow duty free raw sugar imports was extended until March 2010. The white sugar imports scheme has been extended till November 2009. (July)

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. (October)

Indonesia

The Indonesian Industry Ministry has pledged IDR 50 bln (USD 5 mln) to state-owned sugar producers in a bid to boost sugar productivity and achieve self-sufficiency by 2014. The subsidy will be dispersed to nine state sugar companies as a 10% credit for every purchase of new machinery. Conditions include that plant machinery should comprise of 40% local content, and must be assembled in Indonesia. (June)

Brief (09)04 (continued)**Indonesia**

Indonesia is preparing to rule on new investments in sugar production. The Investment Coordinating board is reviewing a December 2007 Presidential Decree ruling on investments, known as the 'negative investments list'. The new investment rule may include changes to maximum state ownerships in various sectors, and a provision that companies whose shares are traded on the exchange are excluded from the Presidential regulation. Expansion by existing producers will still be allowed. (July)

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. (October)

Malaysia

The Consumerism and Cooperative Ministry announced that sugar will no longer be allowed to be exported by land across borders in an effort to curb shortages of the commodity. (August)

Mexico

The government opened a quota to import 900 thousand tonnes of sugar to fill deficits this year. So far 550 thousand tonnes of sugar imports have already been assigned, with Nicaragua having duty-free access to 10% of the quota due to a bilateral trade agreement. The sugar imports under the quota from countries other than Nicaragua are tendered at a low import duty of USD 36/tonne, instead of the normal USD 360/tonne duty. The government said it would not be necessary for the country to import the additional 350 thousand tonnes of the original 2009 import quota. (September)

Pakistan

The government has cut the general sales tax on sugar by 50%. (August)

Philippines

The Government has raised its sugar quota for domestic use in 2009/10 (Sep/Aug) to 1.944 mln tonnes, or 90% of the expected production of 2.16 mln tonnes, ensuring enough supply to cover local consumption. (September)

Sri Lanka

The Government lifted the price control on sugar. Price controls had been temporary measures during the festive season. (May)

Ukraine

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. (October)

United States

By a one vote margin, the Appropriations Committee decided not to intervene in federal regulations that could have held US ethanol makers responsible for greenhouse gas emissions that result from 'indirect land use changes'. (June)

The US Department for Agriculture (USDA) said it was unlikely to subsidise the sales of excess sugar to ethanol producers in fiscal 2010 (October/September) due to tight supplies. The USDA said current sugar market forecasts indicate there will not be any surplus sugar in the domestic market in fiscal 2010. (September)

SPECIAL FOCUS

Freight Rates and Sugar

- **Dry bulk vessel oversupply underpinning bearish freight market**
- **Lower sugar freight rates boosting competitiveness of long-haul sugar shipping**
- **Brazil's sugar exports to Asia at a historic record**

The last few years have seen a high level of volatility in ocean freight rates mainly due to changes in demand and supply of new bulk vessels, developments in the world commodity trade and crude oil price volatility. As sugar trade is a price taker in the world freight market, sugar freight rates are highly connected to the dynamics of the global dry bulk freight market. This section analyses how changes in the sugar freight market have impacted world trade, particularly on the export of sugar over long-haul routes.

Ocean freight rates peaked last year. As commodity prices reached a historic peak in July 2008 (for more details, see *Commodity Prices* section) concerns that vessel availability would need to continue to be boosted exponentially fuelled an excessive rise in the dry bulk vessel order book. The retreat in both commodity and oil prices from their peaks, coupled with the world financial crisis throughout the final part of 2008 and 2009 have taken their toll on ocean freight rates.

Indeed, the outlook for the global ocean freight has become significantly bearish, due to a record number of new vessels which have started to reach the global shipping market this year. According to Drewry, a shipping industry consultancy firm, 2008 saw the peak in the dry bulk vessel orderbook, at an estimated 300 mln deadweight tonnes of shipping capacity. This contrasts to vessel deliveries of only around 20 mln deadweight tonnes that year, the lowest since 2005.

After reaching a peak last year, freight rates have collapsed over the past 12

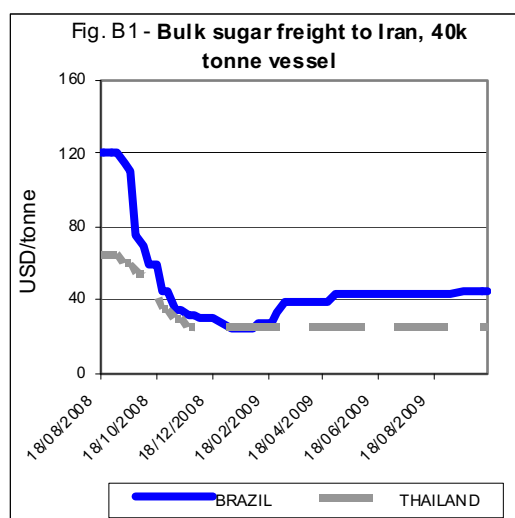
months on the back of fresh vessel deliveries. Vessel deliveries this year have almost doubled relative to 2008 to up to 40 mln deadweight tonnes, and could reach 60 mln deadweight tonnes in 2010 and as much as 100 mln tonnes in 2011 (although it is possible that as much as a quarter of the orders are cancelled as a result of lack of credit and contractual breaches). Moreover, the forecasted deliveries for 2012 are estimated to remain higher than 50 mln tonnes, further contributing to a depressed outlook for the world freight over the coming few years. Only from 2013 are deliveries estimated to come down to the average of 20-30 mln tonnes a year seen prior to 2009. Meanwhile, estimated demand for new vessels should run well below supply over the coming 5 years. Drewry consultants estimate, for example, that the future fleet requirements for both Handymax and Panamax vessels, both also used for the shipping of sugar, could exceed demand by a respective 15 and 20 mln deadweight tonnes.

Ocean freight rates, represented by the Baltic Exchange Dry Bulk Freight Index, reached a record of 10,581 points in November 2007, significantly up from the average level of 3,000–3,500 points during 2005 and 2006 and around 1,000 points earlier in the decade.¹ The Baltic Exchange Dry Bulk Freight remained high during the first half of 2008 (when it averaged over 8,000 points), but collapsed in the final two months of the year to a level of 711 points only, the lowest level for well over a decade – see table B-1. Although ocean freight rates have recovered to between 2,500 and 3,000 points, they remain over 70% lower than the average of the first half of 2008.

¹ The Baltic Dry Index is an index covering dry bulk shipping rates and managed by the Baltic Exchange in London. According to Baltic Exchange, the index provides an assessment of the price of moving the major raw materials by sea. Taking in 40 shipping routes measured on a time charter and voyage basis, the index covers supramax, panamax and capesize dry bulk carriers carrying a range of commodities including coal, iron ore and grain.

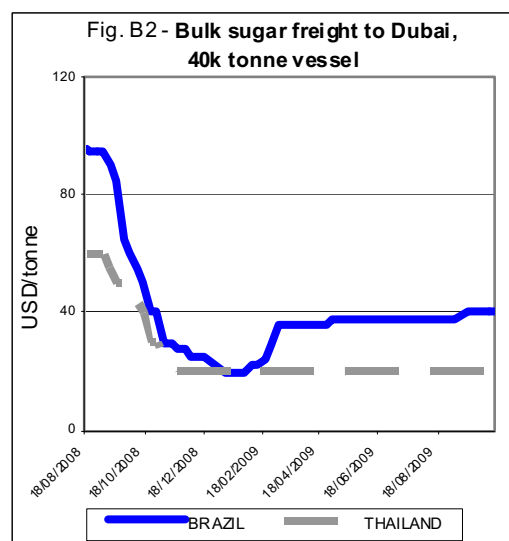
Table B1 – The Baltic Exchange Dry Bulk Freight Index

Month	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
January	1,396	1,592	929	1,758	5,256	4,726	2,341	4,640	7,949	889
February	1,293	1,461	911	1,577	5,545	4,175	2,328	4,323	6,353	1,974
March	1,618	1,520	1,044	1,748	5,300	4,745	2,666	4,963	8,536	2,298
April	1,679	1,423	1,082	1,977	4,675	4,649	2,515	5,532	7,690	1,466
May	1,615	1,453	1,020	2,145	3,958	3,815	2,440	6,276	9,439	2,065
June	1,570	1,366	984	2,141	2,849	2,705	2,631	5,302	9,646	4,291
July	1,604	1,286	1,007	2,231	4,025	2,345	2,870	6,656	9,230	3,520
August	1,642	1,001	972	2,298	4,100	1,907	3,617	6,936	7,201	2,752
September	1,676	903	1,050	2,320	4,014	2,418	3,875	8,270	5,874	2,450
October	1,726	917	1,365	3,529	4,130	2,981	3,956	9,513	2,990	2,696
November	1,759	854	1,446	4,558	4,928	3,081	4,180	10,581	838	N/A
December	1,587	873	1,651	4,442	5,747	2,582	4,270	9,949	711	N/A



USD 40/tonne in March 2009. At the same time, sugar bulk freight rates ex-Thailand to the same destination have decreased from USD 65/tonne to USD 25/tonne – see fig. B1. Although freight rates ex-Santos for this route have recovered somewhat to around USD 45/tonne since then, the current freight premium of only USD 20/tonne enjoyed by Thai raw sugar exporters today has not been enough to make their sugar the most competitive option for Iranian refiners. Moreover, the Thai raw sugar freight premium over Brazilian sugar for other destinations in the Middle East, including Saudi Arabia and the United Arab Emirates, has been at USD 20/tonne or less since March – see fig. B2.

The recent sharp fall in ocean freight rates has certainly been of further benefit to long haul sugar trade routes from the Western Hemisphere, particularly Brazilian sugar destined to Asia. The impact of lower sugar freight rates on the c.i.f price of Brazil's sugar exports has been significant, giving the country a further degree of competitiveness vis a vis the region's largest exporter, Thailand. Indeed, the fall in freight rates since late 2008 has contributed to slash as much as USD 80/tonne off the c.i.f price of Brazilian raw sugar going to certain countries in Asia. According to freight information published by Sugaronline², an online sugar magazine, sugar bulk freight rates ex-Santos (Brazil) discharged in Iran fell from USD 120/tonne in August 2008 to around



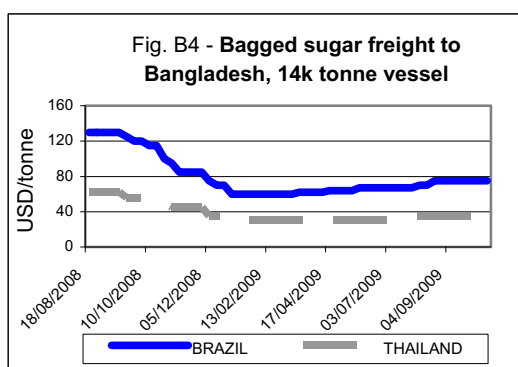
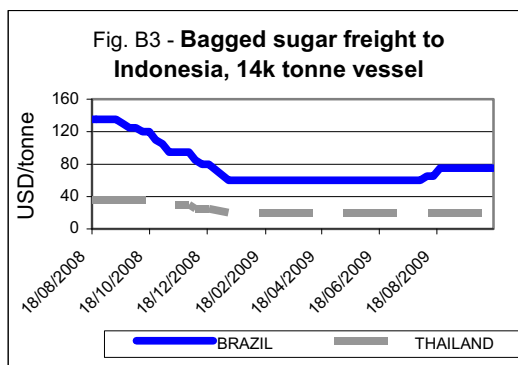
² Sugaronline weekly freight matrices on <http://www.sugaronline.com>.

The recent dynamics of freight rates for white sugar has followed a similar path. Up to July 2009 freight rates for small Handysize 14k (thousand) tonne vessels to be loaded with sugar in Santos (Brazil) and discharged in Indonesia were as low as USD 60/tonne, compared to USD 135/tonne at the same time in 2008. By comparison, freight rates for Handysize 14k tonne vessels shipping Thai sugar to Indonesia fell from USD 35/tonne to USD 20/tonne during the period (August 2008 to July 2009). The result was an erosion of the Far East white sugar freight premium by USD 60/tonne over a period of a year – see fig B3. Brazil has also gained freight competitiveness for shipping sugar into the Indian Subcontinent, as freight rates ex-Santos for bagged sugar to be discharged in Bangladesh collapsed from USD 130/tonne in August last year to USD 75/tonne in October, while Thai freight rates declined by only USD 27/tonne – see fig. B4.

mln tonnes of sugar to Malaysia, Indonesia, the UAE and Bangladesh, exports to these destinations declined to 1.838 mln tonnes last year, despite higher overall Brazilian exports. By contrast, during the first nine months of 2009 alone, export volumes to those destinations skyrocketed to 3.096 mln tonnes following the collapse in freight rates. The lower freight rates this year have also allowed Brazil to make further significant inroads into the Asian market. According to data from the Brazilian Foreign Trade Secretariat, India has now become the first destination for Brazilian sugar exports, with a reported import quantity of 2.96 mln tonnes during the first nine months of 2009, or 17.1% of total Brazilian sugar exports, and ahead of Eastern Europe, with imports of 2.194 mln tonnes.

There has also been a steady growth in the quantities of white sugar exported in containers. There is no comprehensive container freight information which would allow a comparison between the costs of transportation of white sugar shipped by vessels and containers. Anecdotal evidence, however, suggests that sugar container rates inside major container trade flows are cheaper than conventional freight rates, even for those on relatively underdeveloped routes, due to lower financing costs involved.

According to Datagro data, only 191 thousand tonnes of sugar left Brazil in containers in 2002, while last year a reported 2.111 mln tonnes of sugar were shipped this way. The main reason for this growing containerisation of the white sugar trade is the increasing relative shortage of Handysize vessels, as world commodity trade flows adjust to a changing environment of world vessel demand vs supply. Data for the first six months of 2009 suggest some slowdown in this trend, with sugar exports by containers reaching 821.9 thousand tonnes, compared to 926 thousand tonnes for the same period of 2008.³



Indeed, the volume of Brazil’s sugar exports to Asian markets decreased significantly during 2008 largely due to the high freight combined with higher competition with Indian sugar. While in 2007 Brazil exported a combined 2.715

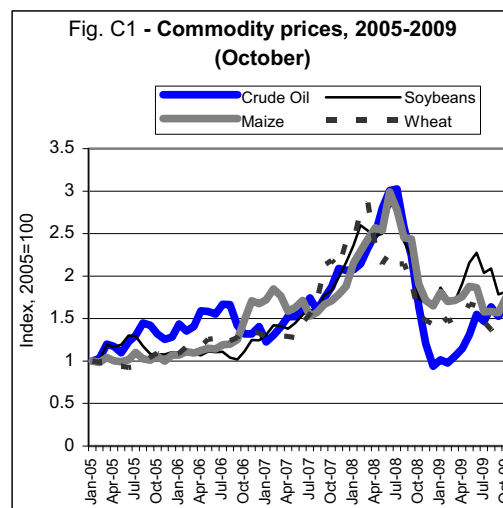
³ For more information, see www.datagro.com

COMMODITY PRICES

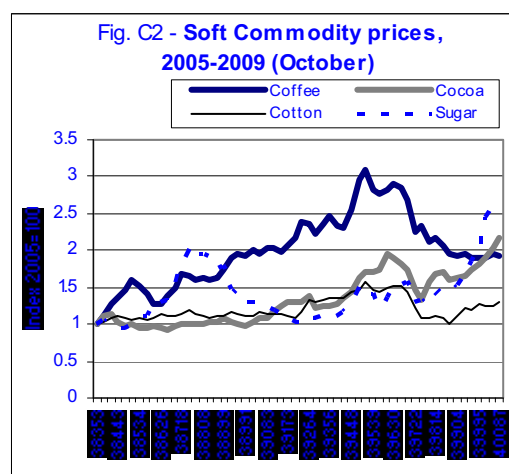
- **Prices for sugar, cocoa and oranges rising sharply, reaching historic highs**
- **Grain prices falling**

Most commodities have experienced some price resurgence in 2009, recovering from the losses in the second half of 2008. The price of Brent crude oil, which collapsed from USD 134/barrel in July 2008 to just USD 42/barrel in December 2008, a 66% drop, has been climbing back to reach an average of USD 73/barrel in October 2009. Food commodity prices (comprising of cereals, vegetable oils, protein meals, meats, seafood, sugar, bananas and oranges) rose by 14.6% between a low in December 2008 and July 2009. However, from July to October 2009, food commodity prices fell by 3.5% and prices in October 2009 remained 26% below their peak of June 2008. Some commodities have seen prices falls over the past few months. Maize and soybeans prices have fallen by a respective 7% and 16% since May 2009, while wheat prices have dropped 23% from May to USD 198.8 per tonne (see fig. C1). This fall in price has made grains a more competitive feedstock for ethanol production vis-à-vis sugar crops (for more details see fuel ethanol section).

Commodity prices still remain significantly higher than five years ago, which marked the beginning of the *commodity boom*. Soybeans and maize prices in October 2009 were 81% and 74% higher than in January 2005 respectively. Crude oil prices were in October 2009 65% higher than in January 2005. Wheat prices, the worst agricultural commodity performer over the past 5 years, are still 29% higher today than they were in January 2005.



Soft commodity prices, which generally grew more slowly during the peak of the boom years in 2007/2008 compared to grain commodities, are also considerably higher today than five years ago, see fig. C2. The largest increase by far has been in price of sugar. The October 2009 price was 160% higher than January 2005. Cocoa prices were in October 118% higher than January 2005, having risen by 20% over the past three months to USD 3,372.5 per tonne. Both commodities have hit historic high prices; sugar prices are the highest for over 28 years, while cocoa prices have not been matched since before 1980. Coffee prices are 93% higher than the January 2005 price level. Cotton remains the worst performing commodity among the softs over the past 5 year period, with October 2009 prices only 30% higher than January 2005 prices. Nevertheless, while coffee prices have been falling over the past year, cotton prices are looking up, seeing a 16% increase from January 2009 to October 2009.



Relative to the past 30 years, crude oil, sugar, oranges and cocoa are the best performing commodities, with prices in October a respective 135%, 123%, 112% and 99% higher than the long term averages. Other agricultural commodities, including soybean, wheat and maize were

in October respectively 46%, 24% and 43% higher than the 30 year average. The only two agricultural commodities with lower October 2009 prices compared to the 30 year average of the commodities price were cotton (-3%) and coffee (-8%) see fig. C3.

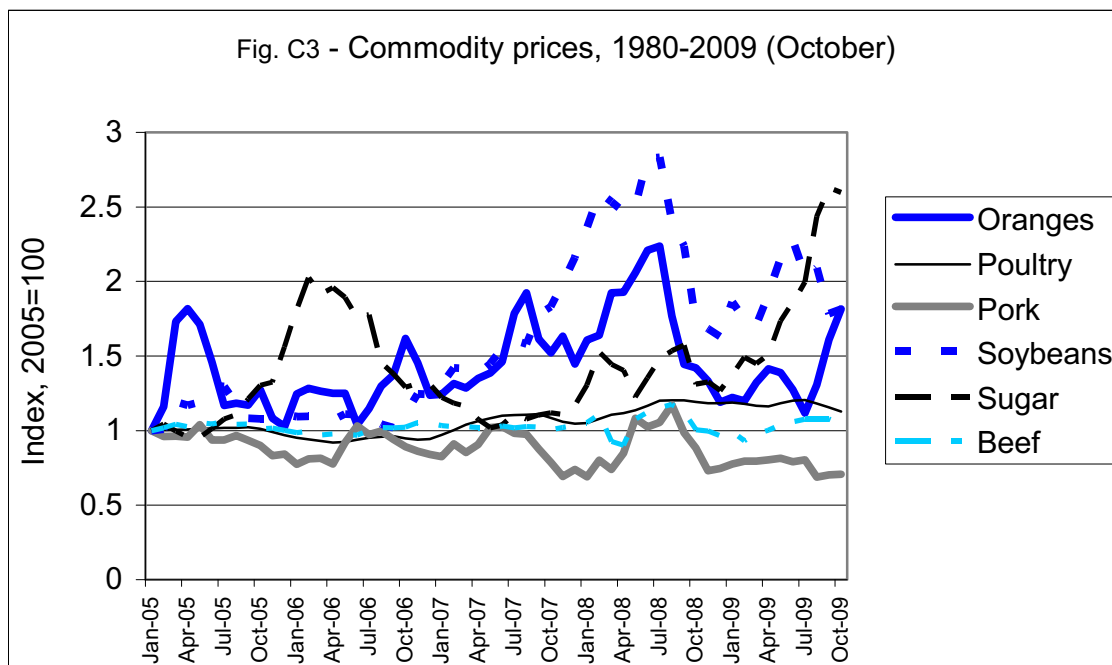


Table C1 - Selected Commodity Prices – January 2007-October 2009

	ISA Price	Cocoa	Wheat	Soybeans	Coffee	Maize	Crude Oil
	(US cents per pound)	(London and NY, USD per tonne)	(FOB Gulf of Mexico, USD per tonne)	(Oilseed prices, USD per tonne)	(Robusta - US and EU, US cents per pound)	(No. 2 yellow, Gulf Ports, USD per tonne)	(Europe Brent Spot price FOB, USD per barrel)
Jan-07	11.0	1,701.9	196.1	255.9	80.6	165.1	54.3
Feb-07	10.6	1,811.2	200.0	278.0	81.0	177.3	57.8
Mar-07	10.4	1,924.2	199.1	277.0	78.9	169.5	62.1
Apr-07	9.7	2,034.3	198.3	270.4	81.6	152.6	67.4
May-07	9.4	2,011.1	195.7	283.2	86.3	156.4	67.5
Jun-07	9.3	2,013.0	223.0	302.8	94.8	164.5	71.3
Jul-07	10.2	2,151.7	238.4	313.5	93.5	147.1	77.2
Aug-07	9.9	1,902.1	259.7	309.0	88.4	151.0	70.8
Sep-07	9.8	1,944.0	326.5	347.6	93.6	160.1	77.1
Oct-07	10.0	1,916.7	335.1	358.4	97.5	164.1	83.0
Nov-07	10.1	1,967.3	321.8	389.0	92.2	171.1	92.5
Dec-07	10.7	2,119.9	368.6	423.1	91.4	180.3	91.5
Jan-08	11.9	2,216.4	369.6	461.7	100.7	206.5	91.9
Feb-08	13.5	2,522.8	425.0	508.2	117.2	220.0	94.8
Mar-08	13.2	2,647.6	439.7	495.7	122.4	233.9	103.3
Apr-08	12.8	2,631.2	362.2	482.8	111.9	246.7	110.4
May-08	12.1	2,693.4	328.8	489.1	109.8	243.5	123.9
Jun-08	12.1	3,021.8	348.6	552.5	112.0	287.1	133.0
Jul-08	14.2	2,953.7	328.2	554.1	115.0	266.9	133.9
Aug-08	14.6	2,796.8	329.3	471.1	113.4	235.2	113.8
Sep-08	13.5	2,672.1	295.6	437.8	106.7	233.9	99.1
Oct-08	12.0	2,251.2	237.4	338.8	88.9	183.0	72.8
Nov-08	12.1	2,046.1	226.8	329.1	92.9	164.3	53.2
Dec-08	11.8	2,420.0	220.1	318.8	83.8	158.2	41.6
Jan-09	12.6	2,608.9	239.4	364.7	85.8	173.2	44.9
Feb-09	13.3	2,660.5	224.7	341.3	81.5	163.1	43.2
Mar-09	13.4	2,494.0	231.0	333.7	77.5	164.5	46.8
Apr-09	13.7	2,541.7	233.5	374.5	76.5	168.7	50.8
May-09	16.0	2,554.6	256.7	422.3	77.0	180.3	57.9
Jun-09	16.4	2,699.6	253.4	445.2	75.7	178.8	68.6
Jul-09	18.4	2,805.5	225.0	398.2	74.8	151.8	64.9
Aug-09	22.1	2,956.7	210.4	409.0	75.0	152.0	72.5
Sep-09	23.0	3,149.5	191.1	349.1	77.3	150.6	67.7
Oct-09	22.6	3,372.5	198.8	354.9	76.7	167.2	73.2

WORLD FUEL ETHANOL

OVERVIEW

Global fuel ethanol production and consumption is forecasted to grow by 12% to reach around 84 bln litres in 2010. This compares to growth of 14% last year but far higher average growth of 28% over the prior 3 years. New and expanding consumption mandates in the US, other Americas, and the EU, along with forecasted continuing structural growth in Brazil's domestic ethanol consumption drive the expanding world ethanol market.

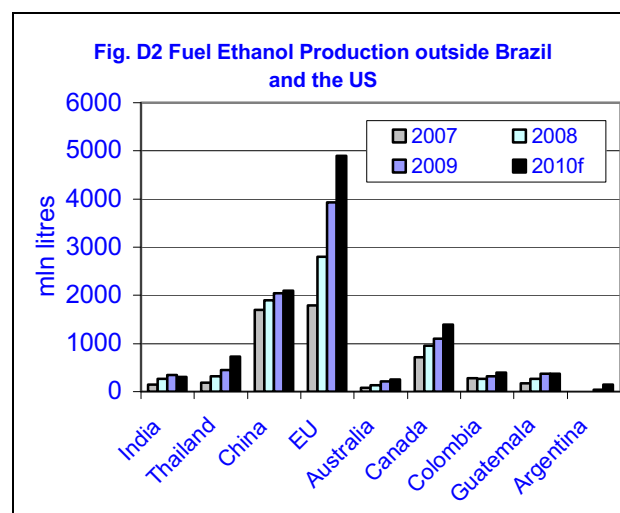
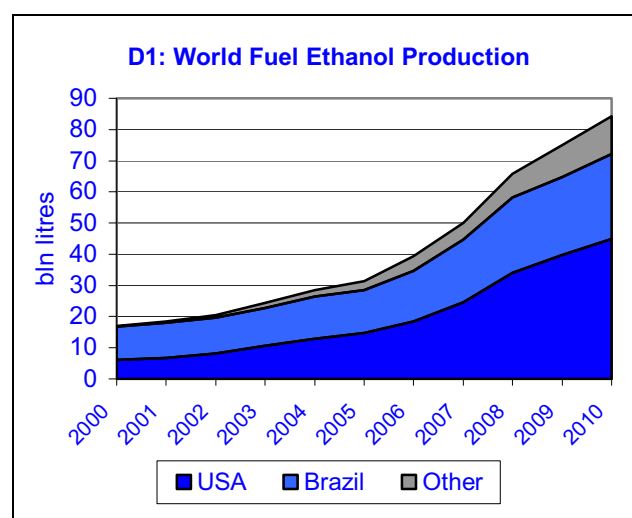
Profitability returned to the US industry only recently with lower corn prices and firm ethanol prices. Whilst the sector remains highly leveraged and idle plants will unlikely come back on stream quickly, capacity should be sufficient to meet the mandated rise in ethanol consumption in 2010. In Brazil ethanol output is forecasted to rise again after having stagnated in the current campaign. An assumed return to more normal weather conditions, an expanding cane supply, and likely increased attractiveness of domestic ethanol prices as against export sugar prices underlie the expectation. Elsewhere, output and consumption is growing strongly in the EU on the back of greater inclusion mandates. Thailand's fuel ethanol market is expected to grow markedly as capacity expands and government incentives act to boost E20 and E85 offtake. In contrast, India's continuing limited availability of the chief feedstock (molasses) and strong competition from the industrial alcohol sector for available supplies is forecasted to result in a modest fall in fuel ethanol output in the coming year.

PRODUCTION

- **Ethanol profitability improves in US**
- **Brazil's output gains muted by surge in sugar values and wet harvest.**
- **Big production gain in the EU again in prospect for 2010**
- **Molasses shortage in India to constrain ethanol again**

- **Production capacity up markedly in Thailand**

Global fuel ethanol production is forecasted to rise by 12 % to 84.3 bln litres in 2010 (see fig. D1 and fig. D2). Economic challenges to ethanol producers in the US have eased with far lower corn prices and resurgence in crude oil values. Brazil's cane ethanol output could increase again in 2010 assuming sufficient growth in cane area and a return to more normal seasonal conditions.



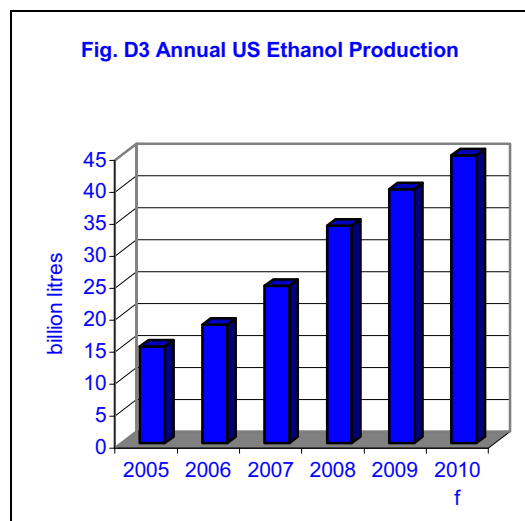
United States

Prospects for the US fuel ethanol industry are brighter in 2010 on the back of continuing lower corn prices, a recent recovery in the gasoline market, and higher mandated inclusion under the Renewable Fuel Standard (RFS) (see *Consumption* section). The viability of the entire industry was in question early this year because of the level of debt

accumulated over the previous year when lower gasoline consumption, falling gasoline prices, and relatively high corn prices, had intensified pressures on ethanol distillers struggling to cope with over-capacity. There were plant closures, bankruptcies and cancellations of new investment. Furthermore, the sector was suffering negative manufacturing margins. With a return to profitability, ethanol production is forecasted to rise in line with the RFS mandate to reach 44 bln litres in 2010 (see Fig. D3).

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).

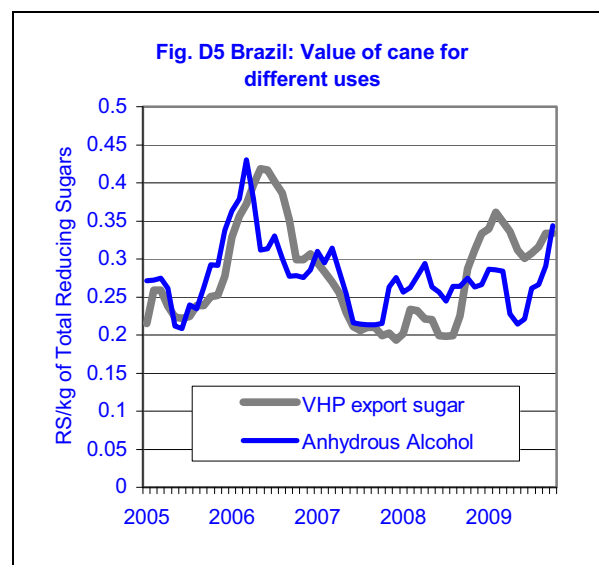
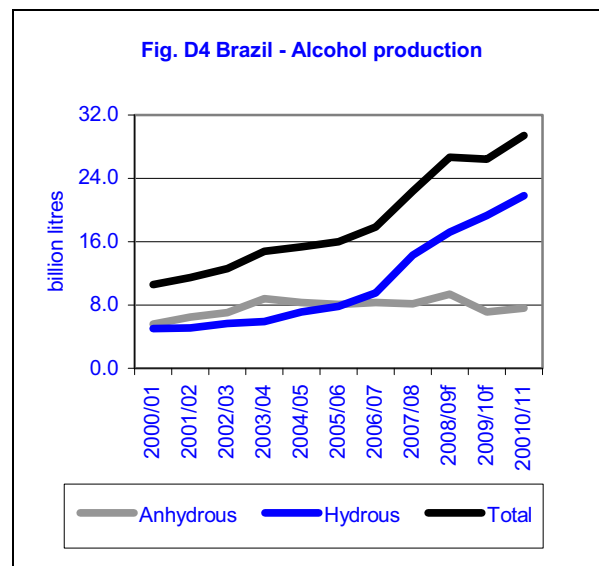
Capacity utilisation in the US fuel ethanol sector was 89% in August, unchanged on the month but up from an average 86% last calendar year.



Brazil

Brazil’s ethanol expansion stopped in 2009. Not only were the challenging financing conditions of the credit crunch responsible, but also the surge in world sugar values which created a significant differential between sugar and ethanol margins - see fig. D5 - which led millers to focus more on sugar production. Also, wet weather conditions have slowed harvesting and reduced sugar contents. Contrary to initial

expectations Brazil’s ethanol production in the 2009/10 campaign (May/April) is now forecasted by the ISO to fall slightly, reaching 26.45 bln litres (fig. D4). Brazil’s alcohol balance has consequently tightened, leading to a recovery in prices.



For the 2009/10 harvest, 56.6% of the nation-wide total reducing sugars (ATR) volume is expected to be directed to ethanol, down from over 58% in the 2008/09 campaign.

Looking forward to the 2010/11 campaign, initial projections point to a possible 3 bln litre growth in ethanol production on the back of an expected jump in cane output, together with the assumption of more normal weather conditions and consequent higher average ATR in cane.

Other Americas

In **Argentina** the Energy Secretariat has issued resolution 733/2009 fixing monthly fuel alcohol production quotas to ensure that sufficient fuel alcohol supplies are available before January 1, 2010, the start of the ethanol blending obligation.

Additionally, the resolution says the gasoline/ethanol blends have to contain between 5 and 10% of 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 during the same period.

Ethanol production in 2008 was around 200 mln litres, but none of it was used as fuel ethanol. The main producers are the 15 sugar mills which use molasses as the feedstock. Several sugar mills have indicated that they will fulfil the mandated volume of fuel ethanol.

In **Canada** fuel ethanol production (cereals based) is anticipated to have reached 1.1 bln litres in 2009 (equivalent to 3.6% of the gasoline pool). Production is expected to reach 1.4 bln litres for the next year. Should projects under construction be realised then capacity will reach 1.9 bln litres by the end of 2010.

In **Colombia** fuel alcohol production is forecasted to rise further to 0.4 bln litres in 2010, up from an estimated 0.3 bln litres this year, in order to fulfil the country-wide E10 mandate by the end of 2010 (see Consumption section). Presently, daily fuel alcohol output is roughly 1 mln litres per day, equivalent to the current production capacity of the 5 sugar mills (out of 13) which produce fuel ethanol. An additional facility that would add 300 thousand litres/day at the Riopaila sugar mill has been temporarily suspended, due mainly to the modification of the formula made by the government that calculates the price paid to ethanol producers.

In **Guatemala** ethanol production continues to expand as a result of the sugar sector's increasing productivity and competitiveness. By the end of 2008 Guatemala was producing enough ethanol to theoretically supply the local market and

to export. Fuel ethanol production in 2009 is put at 376 mln litres. However no further growth is forecast for 2010. All dehydrated ethanol (fuel quality) is exported as no domestic blending in gasoline is presently taking place due to lack of legislation.

In **Peru** domestic fuel alcohol use is to start next year. However, Repsol-YPF and Petroperú have not decided from which distiller to source their fuel alcohol requirement estimated at 83 mln litres per year (E-7.8). The Piura distillery has a daily production capacity of 300 thousand litres and might thus cover the daily demand of 250 thousand litres.

Paraguay's ethanol production capacity (mainly molasses based) is over 200 mln litres annually. Producers are investing in expanding capacity and improving efficiency. Whilst production is mainly for the domestic fuel market (the government has set the ethanol blending rate at 24%), the industry also notes that exports to the EU could reach 10 mln litres this year, rising to 40 mln litres in 2010, taking advantage of duty-free exports through the EU's GSP Plus program.

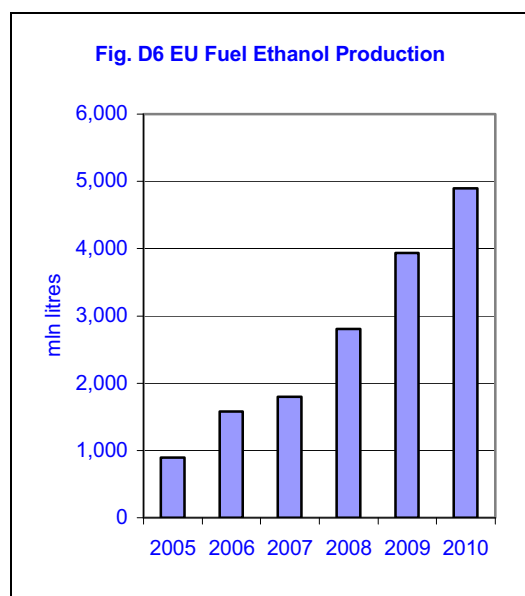
Uruguay commenced fuel ethanol production this year. ANCAP - the state owned petroleum products company - (which produces ethanol for industrial and beverage use) inaugurated August this year a new alcohol distillery at the Bella Union sugar mill which it took over in 2006. The capacity is set to expand to 120 thousand litres/day, but production in 2009 is estimated at 6 mln litres only. Production is forecasted to reach full capacity of 44 mln litres in 2010. ANCAP is building blending and distribution infrastructure to market the ethanol at its fuel stations.

European Union

EU fuel ethanol production is expected to grow substantially again in 2010, rising to 4.9 bln litres, up by 26% over the estimated 2009 level – see Fig. D6. On the one hand, the supply of both grains and sugar beet will remain ample and upside price pressure for these feedstocks is unlikely to emerge before summer 2010, when the harvest numbers for next year

are known. The 2009 grain and sugar beet harvest was excellent and this pushed down grain prices to intervention levels. Moreover, 3 industrial-scale fuel ethanol plants will come on-line over the next 12 months. Abengoa will start a 480 mln litre distillery in the Netherlands, while Ensus and Viverno will commence operations in the UK (each with a distillery capacity of 400 mln litres). In total, this will mean almost 1.3 bln litres of additional capacity to the current 6.2 bln litres of operational capacity. Two-thirds process grains while the share of distilleries using sugar-related feedstocks, i.e. sugar beet and molasses, is 20%. The dominance of cereal-processing facilities in the EU's fuel alcohol industry is therefore set to continue over the next few years.

With expanded capacity and lower cost supplies of grains, fuel ethanol supplies will be ample and the EU market is likely to be once again well supplied with domestic product. Therefore, due to the fact that imported cane alcohol will be less competitive in the current year and possibly in 2010 as well, imports are forecast to drop sharply. Prices can be expected to be determined by the cost of production in Europe.



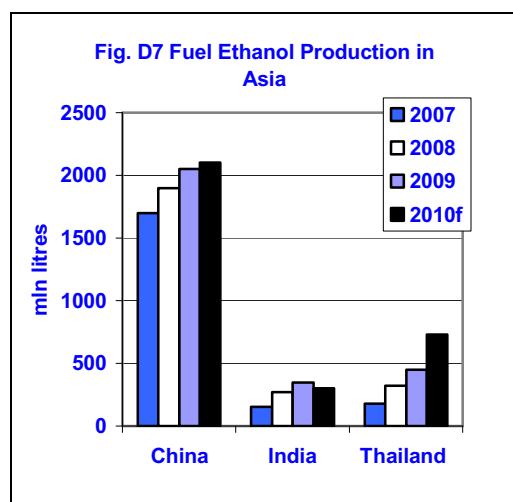
Last year production grew particularly strongly in France (up 460 thousand litres) and Germany (up 174 thousand litres) whilst output gains in Austria, Czech Republic, Hungary, Slovakia and the UK cumulatively added another 400 thousand litres.

Asia

China is forecasted to remain the leading fuel ethanol producer in Asia (see fig. D7) and also the globe's 4th largest producer in 2010. The government's ban on new ethanol plants using corn as a feedstock remains. Output from the country's 5 licensed fuel ethanol plants (4 grain based and one cassava based facility), is forecasted to rise slightly to 2.1 bln litres. The fuel ethanol price is linked to set government fuel prices and then marketed by state designated retailers. Due to relatively high prices on cereal feedstocks, the 5 fuel ethanol producers still receive government subsidies to cover losses under the current pricing regime.

Fuel ethanol production in **India** this year was constrained by the sharp contraction in molasses output and consequent high prices for the key feedstock. Given the regulated procurement price for fuel ethanol of about INR24 per litre there was little incentive for sugar mills to produce fuel ethanol and instead their interest concentrated on the non-fuel market where alcohol fetched higher prices. Output in 2009 is put at 350 mln litres.

F.O. Licht reports that India has about 300 molasses distilleries, with a production capacity of about 3.6 bln litres of alcohol per year. Of the 300 plants about 125 are attached to sugar mills and the remainder are stand-alone facilities. More than 115 distilleries modified their distillation facilities to produce fuel-grade ethanol with total production capacity currently standing at 1.5 bln litres per year. However, despite the forecasted improvement in sugarcane and molasses production in 2009/10, fuel ethanol production is not expected to increase because of ongoing strong demand from the chemical and potable alcohol industry, unless petroleum companies agree to a major increase in the procurement price. Output could fall to around 300 mln litres only.



The Ethanol Producers Association of the **Philippines** (EPAP) said domestic ethanol production capacity would rise in 2010. Roxol Bioenergy, a subsidiary of sugar company Roxas Holdings Inc., plans to start production at its cane molasses-based 33 mln litre distillery in La Carlota, Negros Occidental. Output in 2010 may reach 27 mln litres, which has to be added to the existing facilities operated by San Carlos Bioenergy (30 mln litres) and Leyte Agricultural Corporation. (9 mln litres). Present legislation requires 220 mln litres of fuel alcohol under a E-5 mandate. E-10 blending is to be introduced in 2010.

Thailand's fuel ethanol production is forecasted to rise further in 2010, reaching 730 mln litres, up from an estimated 450 mln tonnes this year. 11 plants (10 using molasses as feedstock and only one using cassava) have been operating with production capacity of 1.6 mln litres/day. The plants mid-year were producing below capacity at 1.3 mln litres per day. By September production had fallen further to around 0.9 mln litres/day, due to a molasses shortage. Ethanol demand at the same time was standing at 1.2 mln litres per day. Domestic ethanol prices are at THB24 (USD1=THB34.247) per litre, sharply above the reference price of THB20 set by the government which effectively puts a floor for the ethanol market.

However, by the end of this year another 5 plants, all using cassava as a feedstock are scheduled to be added to production. This is in large part due to the government's decision to adopt a cost-plus

approach to benchmark prices to reflect domestic production costs, instead of an import parity approach based on Brazilian ethanol prices.

CONSUMPTION

- **Mandated consumption rises again in the US**
- **Firm flex fuel vehicle sales increase Brazil's ethanol offtake further**
- **Mandates boost EU consumption in 2010**

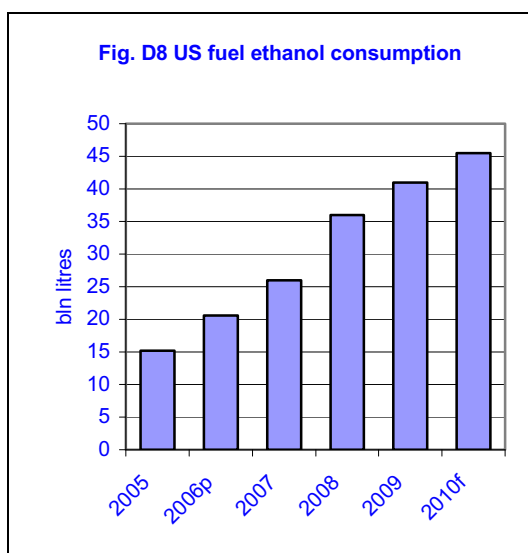
Global fuel ethanol consumption is forecasted to show a 12% increase (to reach 82.5 bln litres) in 2010, mainly as a direct consequence of growing inclusion obligations in the United States and the European Union, as well as further consumption gains in Brazil.

United States

The **United States** will remain the globe's main fuel alcohol consumer, and consumption is forecasted to reach 45.5 bln litres in 2010, up from an estimated 41 bln litres for 2009 (Fig. D8). This is the floor for fuel ethanol demand in 2010 set under the legislative framework of the Energy Independence and Security Act (EISA). The EISA consumption obligations for next year also comprise 0.95 bln litres of other biofuels.

Some surplus ethanol credits that were created in this year can be used in 2010 to meet the mandate but the expected volume is only small. For each gallon of renewable fuel used blenders obtain so-called Renewable Identification Numbers (RINs)⁴, a tradable certificate.

⁴ Each refiner has to blend a required amount of ethanol into its gasoline. To track how the oil companies are doing, the government assigns each gallon of biofuel a code known as the RIN. Each year refiners prove they have met their obligation by turning in the RIN to the Environmental Protection Agency (EPA).



Fuel ethanol consumption in August 2009 fell to 22.8 mln barrels, compared with 23.2 mln on deteriorating blending economics (that is because of falling gasoline prices, there was no incentive to use ethanol as a gasoline extender). 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%).

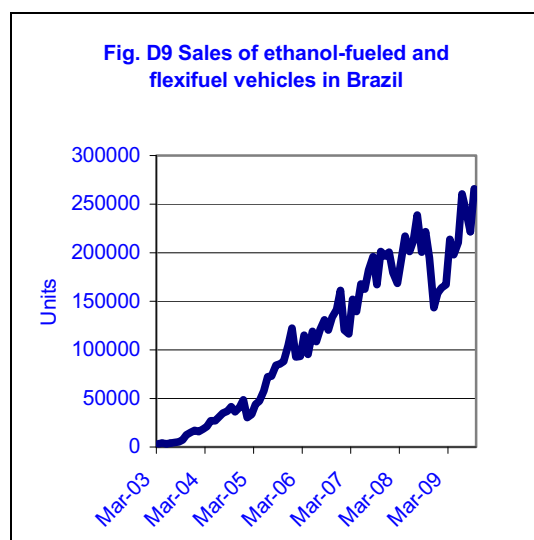
Important policy developments are in prospect in 2010 which potentially will have a significant impact on the corn ethanol sector. The Environmental Protection Agency (EPA) has a January 1 2010 target to apply a final version of rules that require advanced biofuels to have greenhouse gas emissions that are 40% lower than gasoline measured on a full lifecycle basis. Current calculations used by EPA show that US biofuel producers can meet that requirement only if "indirect" land use changes (ILUCS) are not considered. However, existing US ethanol plants have been granted grandfathering rights, which means these particular producers would not have to meet the stringent GHG emission reduction criteria envisaged possible under the RFS2 legislation. The RFA has commissioned numerous studies and analysis of the international ILUC issue as well as the entirety of EPA's proposal.

Brazil

Fuel ethanol consumption is anticipated to rise to 21.5 bln litres in 2009/10 (May-April), up by 6% on the level of the previous season. Further ahead to 2010/11 consumption is forecasted to rise by another 10% to 23.7 bln litres. Fuel ethanol demand in Brazil, the second-largest fuel alcohol consumer worldwide, continues to be boosted by the growing flexfuel vehicle (FFV) fleet. Local car producers association Anfavea reports that FFV sales in September 2009 reached 265,889 units, the largest number ever, against 221,469 in the prior month and 221,424 last year. This brought cumulative FFV sales in the first three quarters of calendar year 2009 to 1.962 mln units which compares with 2.329 mln in the whole of 2008. Government incentives to boost car sales ended in September but are thought to have prompted additional sales. The market share of FFVs in new car sales in September was 89.6%, up from a January/September average of 88.7% and a calendar year 2008 average of 87.2%.

The second pillar of the Brazilian ethanol sector, the anhydrous segment for blending, is declining slightly as demand for gasoline in 2009 may come in below the prior year. The government is considering the idea of trimming the blend of anhydrous ethanol in gasoline at filling stations to 20% from the current 25% level if the price of the biofuel kept rising,. The government by law can set the blend between 20% and 25%. Domestic ethanol prices have risen strongly since August as the wet weather slowed the sugarcane harvest in the main Centre/South region, while mills also ramped up sugar production to take advantage of the markedly higher world sugar prices, which means less ethanol was produced.

The ISO estimates hydrous ethanol consumption to reach 15.3 bln litres in the 2009/10 campaign, up 9%. On the other hand, consumption of anhydrous ethanol is forecasted to fall slightly to 6.2 bln litres from the 2008/09 level.



Other Americas

The Canadian Renewable Fuels Association (CRFA) said **Canada** will need to import ethanol in order to meet the E-5 mandate due to start on September 1, 2010. The E-5 mandate requires 2 bln litres of ethanol per year but the CRFA sees alcohol production in Canada presently at around 1.7 bln litres. The CRFA also said the federal government has made CAD1.5 bln (USD1=CAD1.06) in funding available for distillers to add capacity to existing ethanol facilities. The process of passing the final regulatory process on the E-5 mandate is underway. Public comment on the final regulatory provisions of the renewable fuels mandate is expected to be out in December this year, with a completion date of June 2010.

In **Argentina** the government has had in place a regulatory framework to promote the production and use of biofuels since 2007. The law mandates the use of biofuels by January 1st 2010 with an obligatory mix of 5% ethanol in gasoline. However, this blending obligation is likely to be reduced to 1-2% by volume and E-5 may become compulsory from 2011. The main reason is the lack of domestic production capacity – see the production section. The E-5 blend would require 275-300 mln litres annually.

In **Colombia** the government's gasohol mandate was expanded to cover additional regions during 2009. This has increased the market share of gasohol to 85% of the country's E-10 needs. According to the government, E-10 blends will be sold

nationwide by the end of 2010, which would require 500 mln litres of ethanol per year. On March 31 this year the government issued a decree establishing that by 2012, all new vehicles smaller than 2000 cubic centimetre engine, that are assembled, imported, produced or commercialised in Colombia should bear the E85 flex fuel technology system. The law aims to draw a broader demand for ethanol in order to encourage new projects and investments in the fuel ethanol sector.

The **Costa Rican** oil refining company (Refinadora Costarricense de Petróleo - Recope) postponed ethanol blending from late 2009 to April 2010, after the national election scheduled for February 7, 2010. According to a biofuels program announced in 2007, an E-8 mandate is envisaged requiring 70 mln litres of fuel alcohol in the first year.

European Union

Fuel alcohol consumption in the **EU-27** is seen reaching 5.1 bln litres in 2010, an increase of 21%, much the same level of growth as in the previous year. Increasing use is spurred by biofuel inclusion mandates. In contrast to 2009 when around 20% of the EU's fuel alcohol demand was expected to be met by imports, in 2010 this is likely to fall to only 5%. EU ethanol production is expanding rapidly and production remains very competitive with imports given ample supplies of lower cost grains. While the use of biofuels is increasing, it is not expected that the EU will achieve its target of 5.75% of road transport fuels by 2010, as envisaged under the European Union Directive 2003/30 which did not prescribe inclusion mandates.

Member States have until December 2010 to implement the 2009 renewable energy package into national law, which includes the Renewable Energy Directive (RED). As noted in previous editions of the *Quarterly Market Outlook*, this includes the goal of 20% renewable energy in the EU energy mix, and part of this is a minimum 10% share for renewable energy consumed in transport to be achieved by all member states by 2020. However, fuels need to meet certain criteria to be taken into

account against the 10% goal, most importantly certain sustainability criteria.

Asia

China's consumption is forecasted to match production and rise slightly to around 2.1 bln litres in 2009. Presently 10 provinces participate in the country's E-10 fuel ethanol programme. Six of these use E10 within their entire province, while four provinces have only partly adopted the product.

India's fuel ethanol consumption is forecast to fall to 300 mln litres in 2010, as against almost 350 mln litres estimated for this year. India's fuel ethanol use is considerably lower than that foreseen under the government's original targets for a nationwide E-5 blend to be implemented in 2005 (equivalent to 780 mln litres of fuel ethanol in 2009/10), increasing to E-10 from October 2008.

The implementation of the E-5 program in many states has been delayed as petroleum companies and ethanol suppliers negotiated with state governments over high state taxes, excise duties, and levies, which made the ethanol supply for blending commercially unviable for several states. More generally, the financial crisis and the low availability of molasses in 2007/08 and 2008/09 has resulted in a sharp fall in all types of alcohol production. Furthermore high molasses prices made the supply of fuel ethanol at negotiated prices economically unviable and there are suggestions that the supply of ethanol for the ethanol blending programme have slowed in most states over the past year.

Looking ahead, with another year of tight molasses availability and high prices in prospect, fuel ethanol will likely remain the least attractive of all markets for alcohol manufacturers over the coming season. Importantly the government does not allow the use of imported ethanol for inclusion in gasoline, as the focus is on developing domestic production capacities.

The government of **Pakistan** has started commercial sales of E-10 blends. The introduction of E-10 has to be seen in the context of the export tax on molasses implemented earlier this year. This move

was aimed at securing a sufficient feedstock base for the domestic ethanol industry by reducing molasses exports. Nation wide use of an E10 blend in Pakistan would require around 160 mln litres in 2010.

In **Thailand** consumption of fuel ethanol is forecasted to rise sharply to 730 mln litres in 2010 – up by 70%. The government successful campaign in promoting the sale of ethanol-blended gasoline at the pump with an advantageous pricing regime continues to boost consumption. Sales of gasohol will continue to grow in 2010 due to the government's price incentive programme, particularly for E-20 and E-85. E-10 gasohol prices should remain 10-15% below regular gasoline prices due to excise tax exemption for ethanol. In addition the government provides a price subsidy for E-20 and E-85 gasohol derived from the State Oil Fund, which mean E-20 and E-85 are cheaper than regular gasoline by 20% and 50% respectively.

TRADE

- **No recovery in prospect for 2010 global fuel ethanol trade**

The volume of fuel ethanol trade in 2010 is not expected to recover from the 2009 level, which is forecasted to be down by at least 0.6 bln litres from the 2008 level of 5.2 bln litres. Shrinking trade this year was first due to the fact that low ethanol prices prevailing in the US for the first half of the year were not sufficient to draw full duty paid exports from Brazil. Then, more recently, fuel ethanol export availability from Brazil became tight due to lower than anticipated production and a strongly expanding domestic market. Furthermore, imports by the EU contracted markedly because domestic production is expanding and is more competitive.

In 2008 the global volume of traded fuel ethanol is estimated to have increased by 16% to as much as 5.2 bln litres. The gain was driven primarily by a surge in imports of Brazilian ethanol by the United States, via both direct trade and preferential trade

through the CBI countries⁵. Greater imports by the European Union also helped. For more details see the Special Focus on Import demand for fuel ethanol and implications for sugar in the May edition of the *Quarterly Market Outlook*.

Exports

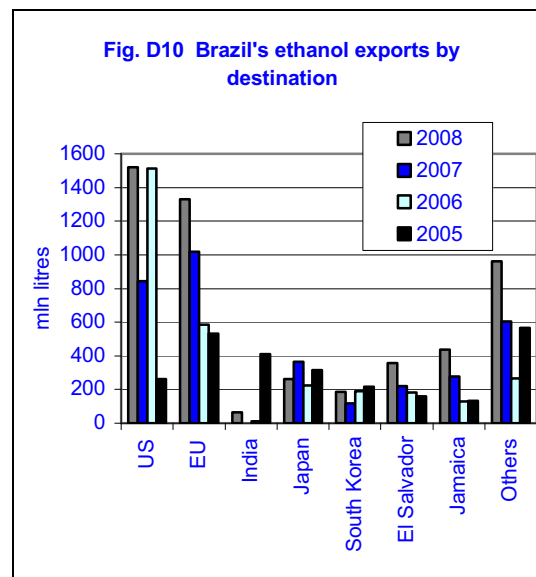
Brazil's ethanol exports in October amounted to 326.3 mln litres, down from 371 mln litres shipped in September and significantly lower than the 481.2 mln litres exported in October 2008. Cumulative exports in the first ten months of 2009 totalled 2.980 bln litres compared with 4.266 bln litres exported in the same period a year ago, down a marked 30%. In Table D1 exports of undenatured ethanol are provided by main country of destination for the period April-September.

In terms of Brazil's crop year, the ISO forecasts a fall to as low as 3.7 bln litres during 2009/10 (May/April).

Table D1 Brazil's exports of ethanol April-September 2009

	2008	2009
EU	618.3	576.0
Costa Rica	92.3	74.1
El Salvador	372.5	218.7
Jamaica	111.0	217.6
Trinidad	140.4	127.3
USA	1,167.7	110.8
India	23.3	297.2
Japan	104.8	169.0
South Korea	55.4	136.9
Total	2,685.7	1,927.6
Denatured	239.1	257.7
Total Ethanol	2924.8	2185.3

⁵ Brazilian ethanol dehydrated in CBI countries such as Jamaica, El Salvador, Costa Rica and Trinidad and Tobago. CBI countries enjoy duty-free shippings of ethanol to the US comprising up to 7% of the United States estimated consumption.



Imports

Ethanol imports by **the United States** have declined substantially so far in 2009. 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 January/July 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. Major origins in January/July 2009 were (in descending order) Brazil, Guatemala, Pakistan, Nicaragua and Costa Rica.

Imports may grow under the CBI initiative as the ITC has fixed the 2009 duty-free import quota for fuel ethanol shipments from the CBI beneficiary countries at 2.35 bln litres, up from 1.713 bln litres in 2008. On the other hand, there has been little significant direct trade from Brazil, due to an insufficiently large differential in ethanol prices as between the US and Brazil. Prospects for 2010 also remain muted with the US unlikely to import any significant quantities from Brazil, although the CBI trade could rise in light of another increase in the duty-free quota volume.

In the **EU**, fuel ethanol imports have contracted significantly this year and are not expected to exceed 0.5 bln litres. This comes after a significant rise in 2008 to 1.1 bln litres. For 2010 EU imports are not expected to rise significantly.

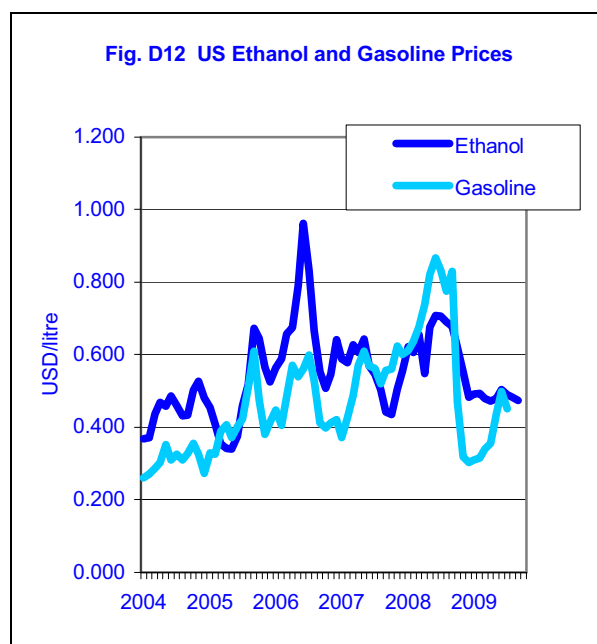
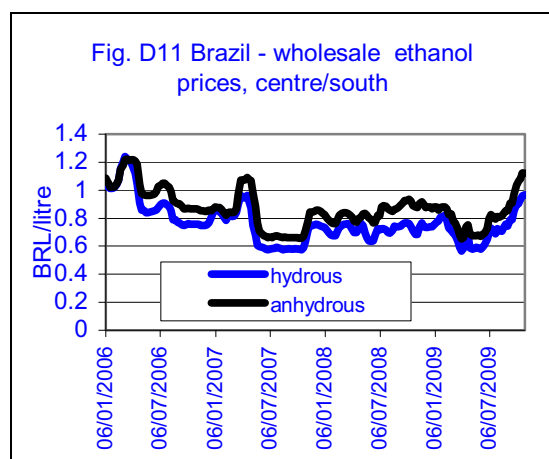
Cumulative ethanol imports (not just fuel ethanol) in January/July 2009 fell to 719.7 mln litres compared with 929.7 mln in the same period the previous year. Total imports in 2008 (January/December) were 1.47 bln litres. Major origins for alcohol in January/July 2009 were Brazil, Guatemala, Pakistan, Nicaragua and Costa Rica.

PRICES

- **Brazil's ethanol prices rise strongly**
- **US ethanol prices little changed**

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 – see fig. D11. Prices are expected to continue to rise in both BRL and USD terms, with a likely further tightening of the local ethanol market. Adding the USD0.14/litre tariff plus the 2.5% ad valorem tariff applied to imports by the USA, an indicative import price of USD0.72/litre (excluding ocean freight) is already well above the export parity price for US corn ethanol of USD0.48/litre. Clearly the direct duty paid route will remain unviable for Brazilian product in the short term.



United States

Ethanol prices in the US (spot basis) have remained relatively flat during the first 9 months of 2009, after slumping dramatically during the second half of 2008. As can be seen in fig. D12, ethanol prices were at a peak of USD0.71/litre in July last year, but by December had fallen to only USD0.48/litre. Prices have averaged USD 0.49/litre over the first 9 months of 2009. Prices may recover during the remaining months of 2009 if crude oil prices continue to strengthen.

ALTERNATIVE SWEETENERS

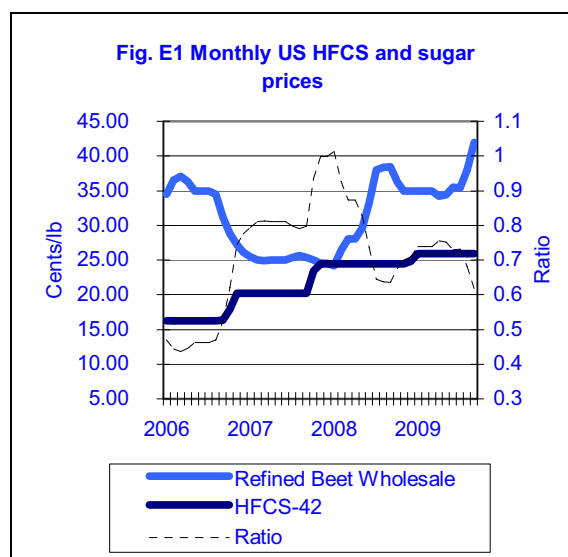
HIGH FRUCTOSE CORN SYRUP

United States

- **HFCS offtake contracts again in 2009....**
- **....But is forecasted to rise in 2010**
- **Corn costs lower with improved crop outlook**

Prices

Spot market prices for HFCS have held steady during 2009, after having risen in December last year (similar to previous years) - see fig. E1. No real negotiations have commenced as yet for annual 2010 HFCS supply contracts between corn millers and large users, such as beverage manufacturers. Cargill announced they will not be publishing a price announcement until the end of November. Analysts expect that the wet milling industry in general is starting to compete for market-share which will squeeze margins and at best lead to flat (roll-over) pricing in 2010.



Source: USDA

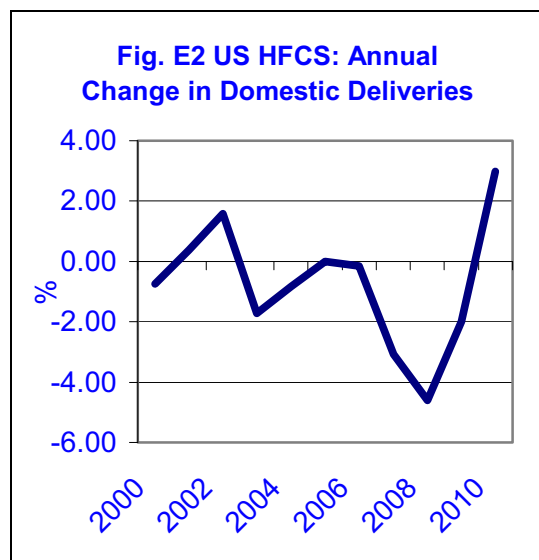
Demand

HFCS offtake is forecasted to rise in 2010 after shrinking again this year by around 2% – see fig. E2 - based on data available for the first 6 months of the year. Offtake fell by 4.3% in 2008 according to the USDA. Reduced price competitiveness of

HFCS as against sugar, together with a lacklustre carbonated softdrinks (CSD) market both contributed to the poor demand fundamentals.

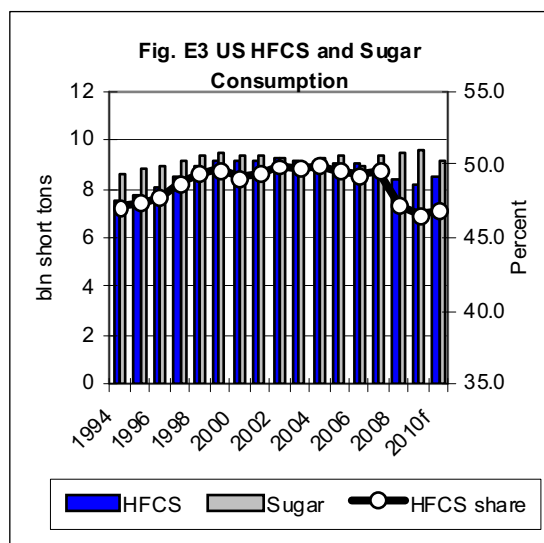
Food and beverage manufacturers have switched away from HFCS to sugar over the past few years. The USDA reports that sugar deliveries have moved ahead of HFCS deliveries by a growing margin since 2007. HFCS was typically sold at 40% below wholesale refined sugar prices, but HFCS brought a premium to sugar in early 2008 – a time when corn prices were very high - and HFCS prices have mostly remained within a 30% discount of sugar prices since that time. The narrowed price differential and other non-price factors contributed to substitution of sugar for HFCS over the past 18 months. Just recently however, HFCS has improved its competitiveness with a further rise in wholesale sugar prices on the US market.

Importantly, next year HFCS deliveries are expected to increase and recapture a large 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. Since Mexico is forecasted to have far less sugar available to ship to the US, HFCS offtake is consequently forecasted to rise by 3% near year, the first growth in HFCS use since 2002. 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.



Source: USDA and ISO

As can be seen in fig. E3 the contraction in HFCS offtake resulted in the share of HFCS in total sugar and HFCS consumption falling to around 46.54% in 2008, after peaking at almost 49% a decade earlier. However a small recovery to 46.9% is forecasted for 2010.

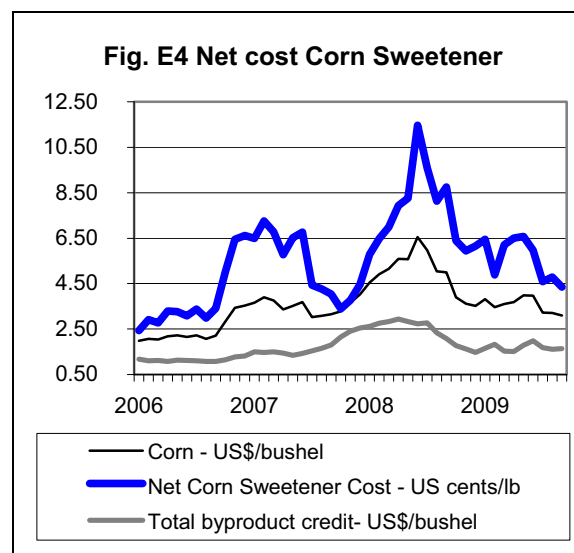


Source: USDA

Feedstock costs

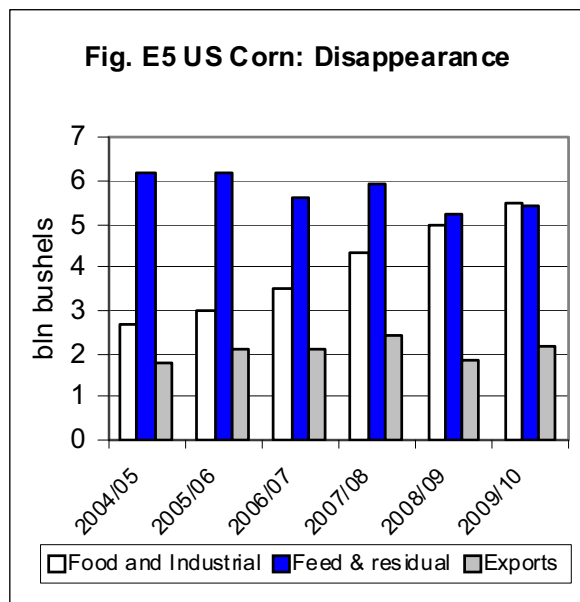
HFCS manufacturers have seen their net corn sweetener costs decline steadily this year. So far this year (January-September inclusive), corn prices have fallen from USD3.81 /bushel to USD3.08/bushel, after peaking in May at USD3.97/bushel. Net corn sweetener costs have followed suit, and in September fell to USD4.36/bushel as against USD 6.58 in May and USD6.45/bushel in January - see fig. E4.

Total by product credits (from corn gluten feed, corn gluten meal and corn oil) continue to provide an important offset against the cost of corn. So far this year the total credit has averaging lower as against the comparable period of last year: USD1.70/bushel versus USD2.65/bushel.



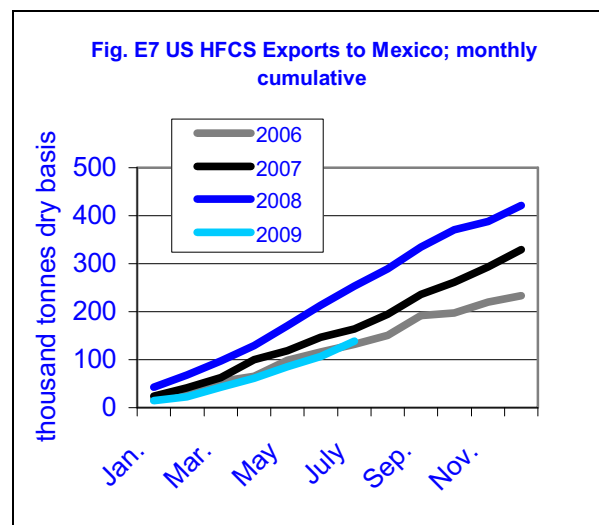
Source: USDA

Corn prices fell again in October to average USD3.08/bushel in September, on prospects for a larger than initially expected corn crop in the 2009/10 year. The USDA forecasted in October a significant rise in corn yield to more than compensate for downward revisions in corn planted and harvested area. Corn production is now forecasted at 13,018 mln bushels, and up from 12,101 mln bushels in 2008/09. Ending stocks are now expected to remain stable, rather than contract further as previously forecasted. Corn for export, ethanol and feed demand are all marked higher for 2009/10 - see fig E5 and fig E6. The USDA anticipates prices at the farm level to average lower in the 2009/10 year, between USD3.05 -3.65, as against USD4.06 the previous year.

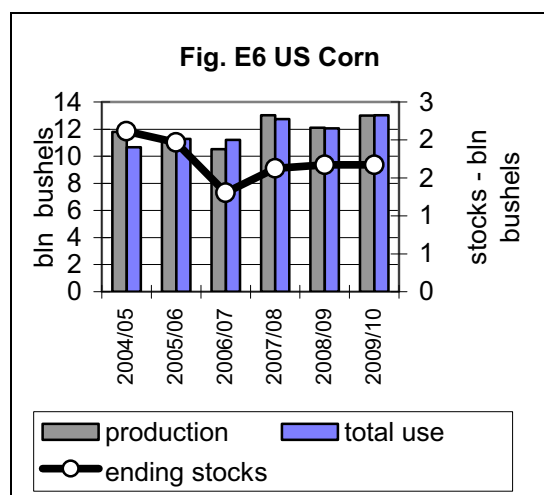


Source: USDA

completely different to the situation in 2008/09 when sugar prices were low and Mexico's softdrink manufacturers used less HFCS.



Source: USDA



Source: USDA

Exports

HFCS exports to Mexico have fallen sharply this year. Data to July show a cumulative total of 138.5 thousand tonnes (dry weight), down 45% from the year-ago level of 254 thousand tonnes. The commencement of unrestricted sweeteners trade between the US and Mexico under NAFTA in 2008 boosted exports from the US to Mexico by 28% last year— see Fig.E7 – reaching 420 thousand tonnes.

The USDA projects Mexico's HFCS consumption at 610 thousand tonnes in 2008/09, rising to 900 thousand tonnes in the 2009/10 marketing year. This is on the expectation that forecasted higher sugar prices in Mexico will improve the competitiveness of HFCS. This is

Table E1: United States: Supply/disappearance of corn. (mln bushels)

Marketing year	Production	Food Seed Industrial	Feed & Residual	Exports	Total Use	Closing Stocks
2003/04	10,089	2,537	5,795	1,950	10,232	958
2004/05	11,807	2,686	6,158	1,818	10,662	2,114
2005/06	11,114	2,981	6,155	2,134	11,270	1,967
2006/07	10,531	3,490	5,591	2,125	11,207	1,304
2007/08	13,038	4,362	5,938	2,436	12,737	1,624
2008/09	12,101	4,976	5,231	1,858	12,065	1,674
2009/10	13,018	5,480	5,400	2,150	13,030	1,672

- as at 9 October 2009. Source: WASDE-475.

Table E2: United States: Corn - Food and industrial uses. (mln bushels)

Marketing year	HFCS	Glucose & dextrose	Starch	Fuel Alcohol	Beverage & MFG	Cereals & other products	Total
2003/04	530.2	227.9	271.5	1,167.5	132.0	187.4	2,516.6
2004/05	520.7	221.9	277.5	1,323.1	132.8	189.0	2,664.9
2005/06	528.6	229.3	275.4	1,602.8	135.0	190.2	2,961.3
2006/07	510.1	239.0	271.7	2,119.5	135.8	190.4	3,331.5
2007/08	490.3	235.6	261.8	3,049.2	135.4	192.4	4,364.7.6
2008/09	465.0	230.1	231.6	3,700.0	134.0	192.1	4,953.9
2009/10	470.0	230.0	230.0	4,200.0	134.0	193.3	5,457.3

Source: USDA, Feed Outlook tables, FDS—09j, 14 October, 2009.

INTENSIVE SWEETENERS

- **Stevia sweeteners have bright future but sustainable supply chain, quality assurance and alliances with flavour companies are crucial.**

Stevia

Stevia-based sweeteners were approved for food use in the US in December last year. France gave the go-ahead for temporary approval in September, but the European Food Safety Authority (EFSA) is expected to give its safety opinion, which would pave the way for pan-EU approval, by the middle of 2010.

Aspartame and sugar are likely to be the main substitution targets for emerging stevia sweeteners, and beverages the initial main application according to a recent market study⁶. Stevia is competing against other natural and artificial high intensity sweeteners (HIS) available in the market. But since stevia-based high purity sweeteners are natural and are still in the developmental stage of product-life cycle, they are undoubtedly relatively expensive compared to the artificial HIS.

In the US, multinational beverage manufacturers have introduced new product lines sweetened with stevia sweeteners. As these lines become more popular, there is a strong possibility that stevia sweeteners could replace aspartame in some diet products. In addition, stevia is expected to be used as a part substitute for sugar and also used in combination with other artificial sweeteners.

Analysts suggest that within two to three years of post-European regulatory approval, beverages are expected to be the main application for stevia sweeteners use. Others will follow, including traditional foods (such as dairy, bakery, confectionery and others); and table-top sweeteners, amongst others.

But there are a number of issues that production and marketing companies must

tackle in order to be in the best competitive position. A sustainable supply chain, adherence to quality standards and alliances with flavour companies are all keys to success in the increasingly competitive stevia sweeteners market. In addition, providing superior technical assistance during the course of product formulation to food and beverage manufacturers is going to be another extremely important competitive factor.

With many incidences of Chinese suppliers exporting stevioside with inappropriately labelled purity content, the Frost & Sullivan report suggests adherence to quality standard becomes extremely significant for market success. Any quick fix techniques adopted by manufacturers during this emerging phase for stevia sweeteners would risk denting market image.

Taste has been an issue with stevia-based sweeteners. Even with high purity Reb-A the bitter-taste problem exists. Taste-improvisation is already taken up as part of value-creation for customers by a few stevia-based manufacturers and is most likely to be the near-future trend. These initiatives of Reb-A manufacturers are strongly supported by prudent strategic alliances with renowned flavour companies.

The third significant challenge facing the market is anticipated constraint in raw-material supply. The commercial production of stevia is primarily concentrated in Argentina, Brazil, Cambodia, Chile, China, Colombia, Kenya, India, Indonesia, Malaysia, Paraguay, Peru, and Vietnam. China accounts for close to 75 percent 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 to ensure sufficient supplies by contracting with farmer populations or by strategically partnering with existing stevia farming associations or firms.

⁶ A study by Frost & Sullivan quoted by Food Navigator.com on 29 September 2009.

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 – in addition to the global marketing and distribution rights of the Enliten brand intensive sweetener.

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 hectares contracted in Kenya, Paraguay, Columbia, Indonesia, Vietnam, Thailand and China, for growing stevia plantations. The company which today has 1.5 thousand hectares 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 2 thousand hectares in Itapua producing stevia in the next three years, all of which will be bought by PureCircle. Along with its 1.5thousand hectares of stevia in the north, the investment will more than double its supply from the country.

Furthermore, cost issues remain for stevia-derived sweetener Reb A according to a report on the US stevia market from Rabobank. As Reb A is still in a nascent stage, production, extraction and refining capacity is still being established and lacks critical mass, according to the report. As a result, the price of Reb A is high compared to other caloric and noncaloric sweeteners. It adds that few suppliers of Reb A reveal exact pricing information, but estimates that the sweetener is selling for about USD300 a kilogram. As it is around 200 times sweeter than sugar, that is about

USD1.50/kg on a sugar-equivalent basis. The report says that soft drink companies buy sugar at about USD 0.75/kg and that sugar is about 10% more expensive than high fructose corn syrup (HFCS), the most widely used sweetener in the US beverage industry.

MOLASSES

- **Prices to remain firm**
- **Export availability to decline in 2009**

Outlook and prices

Molasses values over the past year have risen to unprecedented levels at both origin and destination— see table F1 and F2. The US blackstrap cane molasses price has remained at extremely high levels, averaging around USD 175/tonne, approximately double its long-run trend level.

Supply side fundamentals including sharply reduced production in India and in Pakistan – a key exporting country – explain the surge in prices. At the same time the expanding use of molasses in fuel ethanol programs – see *Fuel Ethanol* part – is boosting global molasses demand.

Table F1: Fob Molasses prices, Pakistan

Month	USD/tonne
January'06	90
April'06	100
July'06	100
October'06	90
January'07	75
April'07	55
July'07	40
October'07	40
January'08	75
April '08	85
July'08	100
October'08	110
January'09	90
April '09	110
July '09	130
October'09	130

Exports

Reduced molasses production in Pakistan (down 44%) and India (down 40 %), together with increased offtake by the ethanol sector in Thailand resulted in a major fall in export availability of molasses from these key Asian exporters this calendar year. Export availability from Asia is estimated to be down by a massive 60% to only to 1.9 mln tonnes in total for the 4 countries (see Fig. F1) in 2009.

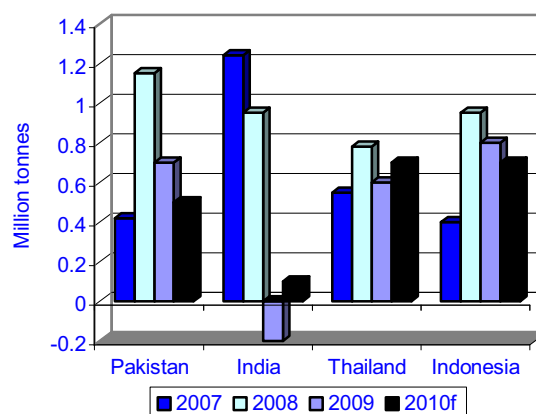
Crucially, 2009/10 molasses production in Pakistan and Thailand together is forecasted to rise only slightly.

Furthermore, with only a limited recovery in molasses output foreseen in 2009/10, India is not likely to return to playing a major role as a molasses exporter.

Table F2: US Blackstrap Molasses Prices (Kansas City)

Year	Month	USD/tonne
2008	January	137.80
	February	146.00
	March	154.30
	April	154.30
	May	159.80
	June	178.60
	July	198.40
	August	198.40
	September	194.00
	October	188.80
	November	187.40
	December	177.50
2009	January	176.35
	February	176.35
	March	176.35
	April	176.35
	May	183.80
	June	196.65
	July	203.90
	August	203.90

Fig. F1 Asia's Cane Molasses Exports



In **Pakistan**, cane molasses output from the upcoming 2009/10 season is expected to recovery slightly to 1.65 mln tonnes after having retracted sharply to 1.5 mln tonnes the previous campaign. However, higher output is not likely to boost export availability as the government moved to commence commercial sales of E-10

blends in July. It also imposed an export tax on molasses aimed at securing a sufficient feedstock base for the domestic ethanol industry by reducing molasses exports. On the assumption that the ethanol programme is a success and that the export tax is maintained, exports are forecasted to be no more than 0.5 mln tonnes, down from an estimated 0.7 mln tonnes this year, and less than half of the 1.2 mln tonnes recorded in 2008.

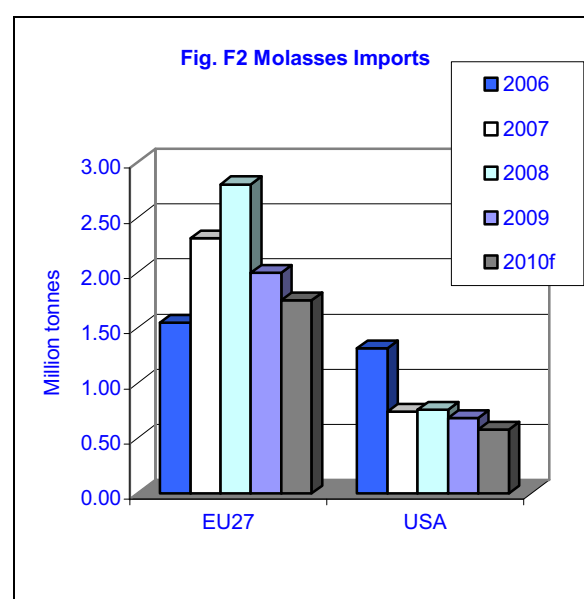
In **Thailand** molasses exports are forecast to recover only modestly in 2010. This is on the back of higher production anticipated from the upcoming 2009/10 sugarcane harvest. Production is put at 3 mln tonnes, up almost 8 % from 2008/09, but still some 250 thousand tonnes lower than the 2007/08 level. Offtake by the fuel ethanol sector is unlikely to absorb much more molasses than in 2009. This is due to the fact that high molasses prices together with a fall in cassava prices mean cassava seems to be the lowest cost substrate. Additionally, new distilleries coming on stream are using cassava as their only feedstock. For 2010, molasses exports forecasted to reach 0.7 mln tonnes, up from the estimated 2009 level of 0.6 mln tonnes.

A sharp down-swing in **India's** molasses output in 2008/09 to below 6.7 mln tonnes from 11.3 mln tonnes meant that the country stopped exporting after exports almost halved in 2008 to reach 650 thousand tonnes. Instead, the country stopped exporting this year. Whilst molasses output is forecasted to rise by almost 10% in the 2009/10 crop (reaching 7.4 mln tonnes), the molasses deficit will likely continue. Whilst India's government is unlikely to be able to implement its nation-wide E10 policy use of molasses for fuel ethanol production will continue, and therefore a return to India playing a major role as a molasses exporters does not look likely in the coming year.

Imports

It is almost certain that **European Union** sugar and molasses production will rise in 2009/10 as the area sown to beet has recovered and good to excellent weather conditions have prevailed, ensuring yields are up on last season. Domestic output is forecasted to rise by 8.5% to 3.4 mln

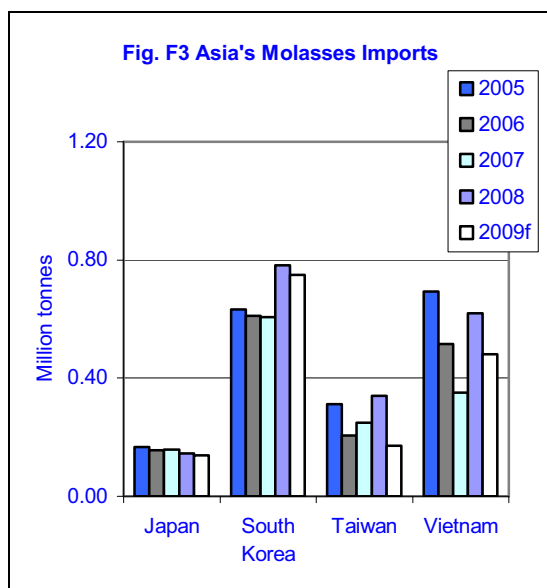
tonnes, after having fallen in the 2008/09 year by 14%. Higher availability with weakening demand for molasses in the livestock feed sector suggests net imports by the EU-27 are set to decline further in 2010, to as little as 1.75 mln tonnes. With molasses continuing to trade at recent high levels, molasses has become an increasingly costly component of animal feed. Users are switching away from molasses to grains, where prices have retreated substantially over the course of the past year. In the fermentation sector, the future role of molasses as a feedstock is coming into question at recent high prices.



In the **United States**, molasses prices are anticipated to remain uncompetitive against corn, limiting offtake in the livestock feed sector which typically accounts for around half of all US molasses offtake. Corn prices are likely to stay relatively low as compared to the 2009 average level – see the *HFCS section* Contracting molasses demand together with forecasted higher molasses output in 2009/10 (up 200 thousand tonnes) means that a further fall in net US molasses import volumes is likely in the new calendar year to as low as 0.6 mln tonnes, down from an estimated 0.7 mln tonnes this year.

In Asia, imports by the key four buyers - **Japan, South Korea, Taiwan and Vietnam** are unlikely to have risen in aggregate this year due to the high molasses prices and the sharply reduced

export availability in surplus countries (see Fig. F3). More ample grain supplies on the world market and consequent lower prices mean molasses will be relatively uncompetitive in both the livestock feed and fermentation sectors. Imports by the big four buyers are anticipated to reach no more than 1.6 mln tonnes this calendar year, after having risen the previous year to 1.9 mln tonnes. The outlook for relatively lower world grain prices but continuing high molasses prices suggest little potential for any significant rise in Asia's molasses imports driven by the livestock feed sector. In the fermentation sector, molasses has consistently been a more attractive priced feedstock than sugar in Asia. This will help to minimise any further contraction in the region's molasses imports in 2010.



WTO UPDATE

- **High level promises for forging a Doha outcome continue...**
- **...whilst WTO DG urges delegates to spur progress to an end-2010 world trade deal.**

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 that have taken place in October have largely avoided such a direct approach. 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 agricultural 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 on 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 September⁷. At one level, WTO delegates have been engaging in negotiations in Geneva, following the schedule that was agreed by members and presented by Lamy in September. Those meetings - as frequent as they have been - have not, on the whole, produced much in the way of forward movement, delegates say.

Meanwhile, high-level officials from a handful of key countries have been holding their own closed-door meetings in an attempt to overcome some of the most pernicious stalemates in the talks. The US has reportedly held bilateral consultations with Brazil and India to address differences over contentious issues. The European Union has also been holding its own bilateral consultations. And the EU convened a meeting of the so-called G14 group of countries, which represent the major players as well as the coordinators of the primary developing country negotiating blocs, in an attempt to give the round a 'confidence boost'.

⁷ 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.

REGIONAL TRADE AGREEMENTS

- **EPAs advance**

Economic Partnership Agreements

The European Union has signed an interim Economic Partnership Agreement (EPA) with countries from the Eastern and Southern Africa regional grouping (ESA). These countries are Mauritius, Seychelles, Zimbabwe, and Madagascar. Zambia and Comoros have indicated they will sign at a later date. The deal offers the ESA countries that signed the agreement immediate and full access to EU markets (with transition periods for rice and sugar), together with improved rules of origin.

All imports from the countries that signed the interim EPA have benefited from duty and quota free access to the EU since 1st January 2008 (with short transition periods for rice and sugar). These countries will now liberalise their markets to EU imports over the next 15 years, gradually removing tariffs on between 80% and 98% of imports from the EU depending on the country. Among the products excluded from liberalisation are sensitive agricultural and manufactured products such as milk, meat, vegetables, textiles, footwear and clothing.

Other regional countries like Djibouti, Ethiopia, Eritrea, Malawi and Sudan are involved in ongoing negotiations for the more comprehensive regional agreement and may join the agreement later. As Least Developed Countries they have duty free access to EU markets under the EU Everything But Arms trade arrangement and do not need to submit a market access offer to sign the agreement and benefit from its development cooperation and fisheries provisions while negotiations towards the more comprehensive deal continue.

To date, only one full-fledged EPA has been negotiated - between the EU and the CARIFORUM coalition of Caribbean countries. However, several bilateral

agreements, like that between the EU and Papua New Guinea, have been struck. But even as that 'interim' EPA takes effect, Brussels is continuing its push to negotiate a full-fledged, region-to-region EPA with PNG, Fiji, and 12 other developing countries in the Pacific region.

EU, South Korea Sign Free Trade Accord

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.

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

Copenhagen Countdown: Agriculture and Climate Change

The United Nations Framework Convention on Climate Change (UNFCCC) convenes its 15th Conference of the Parties, in December in Copenhagen. Current negotiations under UNFCCC are working

towards a new agreement that will serve to enhance the implementation of the Convention. The Convention, together with its Kyoto Protocol, include commitments that address climate mitigation and adaptation globally, but implementation has historically been weak, according to its detractors. Recent scientific evidence and public pressure are pushing countries to ratchet up their efforts in order to avoid the disastrous consequences that, according to the International Panel on Climate Change (IPCC) and other sources, will ensue if atmospheric concentrations of greenhouse gases exceed amounts that would trigger a temperature rise above 2 °C.

The new agreement intends to more meaningfully include the US - which is a signatory to the UNFCCC and the Kyoto Protocol (but never ratified the latter) - and developing countries - which have no fixed mitigation commitments under the Convention or its Protocol. One area under negotiation in the context of discussions on mitigation is that of "cooperative sectoral approaches and sector-specific actions." Agriculture has received pointed attention in these talks.

Agriculture accounts for 14 % of global GHG emissions. The economic, social, and environmental impacts of climate change on the agriculture sector will be significant, varied, and complex. In a few cases, these impacts could be positive but in most - as a result of increased floods, droughts, and even the expansion of biofuel production - global food security may be threatened, according to some analysts.

Countries are currently working on a draft text that is broken down into sections, which are being negotiated by sub-groups on the topics signalled within the Bali Action Plan - a decision that initiated the new negotiations and outlined the areas that the new agreement would include. The cooperative sectoral approaches sub-group text, which is currently riddled with brackets and alternative paragraphs, contains a specific section on the agricultural sector.

In the negotiations, the issue unifies interests across developed and developing

country lines, but also heightens sensitivities about potential trade impacts. A short paragraph in the draft text stresses the importance of development priorities but also emphasises the need to ensure activities in the sector do not "result in barriers to or distortion of the international trade system of goods and products of the agricultural sector" - a clear reference to potential sectoral targets, carbon labelling, carbon 'footprinting', border tax measures, or other national approaches that could impact global trade competitiveness.

The text poses two alternatives. The first option instructs Parties to make efforts to enhance mitigation in the agriculture sector. The second instructs them to promote and cooperate in the research, development, application, and diffusion of technologies, practices and processes, as a means to enhance sector-specific mitigation.

WORLD SUGAR BALANCE

2009/10

(thousand tonnes, raw value - October/September Year)

	Begin. stock	Production	Consumption	Change stock	Ending stock	Imports	Exports	Total net imports	exports
WESTERN EUROPE									
EC +	5218	16410*	19937	-727	4491	3800	1000	2800	-
<i>Austria</i>		460	350						
<i>Belgium-Luxemburg</i>		835	640						
<i>Bulgaria</i>			300						
<i>Cyprus</i>			38						
<i>Czech Republic</i>		400	530						
<i>Estonia</i>			86						
<i>Denmark</i>		425	275						
<i>Finland</i>		75	215						
<i>France</i>		4450	2675						
<i>Germany</i>		3900	3625						
<i>Greece</i>		175	340						
<i>Hungary</i>		150	355						
<i>Ireland</i>			175						
<i>Italy</i>		540	1905						
<i>Latvia</i>			75						
<i>Lithuania</i>		100	100						
<i>Malta</i>			28						
<i>Netherlands</i>		915	755						
<i>Poland</i>		1555	1865						
<i>Portugal</i>			310						
<i>Romania</i>		105	655						
<i>Slovakia</i>		135	265						
<i>Slovenia</i>			110						
<i>Spain</i>		600	1415						
<i>Sweden</i>		350	420						
<i>UK</i>		1240	2430						
French Territories	22		18	0	22	18	0	18	-
Gibraltar	1		1	0	1	1	0	1	-
Iceland	0		12	0	0	12	0	12	-
Norway	42		165	0	42	165	0	165	-
Switzerland	137	270	550	0	137	282	2	280	-
Total	5420	16680	20683	-727	4693	4278	1002	3276	0
+ Including 200 thousand tonnes of cane raw sugar produced in DOM									
EASTERN EUROPE and FSU									
Albania	56	4	90	-1	55	85		85	-
Armenia	42	4	90	-1	41	85		85	-
Azerbaijan	46	25	175	0	46	250	100	150	-
Belarus	213	550	425	0	213	25	150	-	125
Bosnia	28		145	0	28	145		145	-
Croatia	276	225	205	0	276	200	220	-	20
Georgia	75		135	0	75	165	30	135	-
Kazakhstan	196	30	475	-100	96	400	55	345	-
Kyrgyzstan	70	15	135	0	70	130	10	120	-
Macedonia	52	35	77	0	52	50	8	42	-
Moldova	39	150	100	0	39	5	55	-	50
Russia	910	3350*	6175	-235	675	2650	60	2590	-
Serbia & Montenegro	92	490	330	-20	72	15	195	-	180
Tajikistan	60	0	120	0	60	120	0	120	-
Turkmenistan	10	4	92	0	10	88	0	88	-
Ukraine	972	1750	2305	-275	697	285	5	280	-
Uzbekistan	111	0	520	0	111	520	0	520	-
Total	3248	6632	11594	-632	2616	5218	888	4705	375
NORTH AND CENTRAL AMERICA									
Canada	187	105	1475	0	187	1465	95	1370	-
USA	881	7300*	9860	-60	821	2625	125	2500	-
Bahamas	2		15	0	2	15		15	-
Barbados	10	34	15	0	10	16	35	-	19
Belize	13	100	15	0	13	13	98	-	85
Bermuda	2		2	0	2	2		2	-
Costa Rica	64	400	235	0	64		165	-	165
Cuba	208	1450	705	0	208	25	770	-	745
Dominican Republic	513	510	360	-100	413	25	275	-	250
El Salvador	480	590	250	-250	230		590	-	590
Guatemala	754	2320	745	-225	529		1800	-	1800
Haiti	117	0	205	0	117	205		205	-
Honduras	178	415	275	0	178		140	-	140

WORLD SUGAR BALANCE (cont.)

2009/10

(thousand tonnes, raw value - October/September Year)

	Begin. stock	Production	Consumption	Change stock	Ending stock	Imports	Exports	Total imports	net exports
Jamaica	164	160	116	-1	163	105	150	-	45
Mexico	975	5600	5325	0	975	350	625	-	275
Netherlands Antilles	17		17	0	17	22	5	17	-
Nicaragua	437	545	235	-100	337		410	-	410
Panama	124	175	125	0	124		50	-	50
St Christopher	6		3	0	6	3		3	-
Trinidad & Tobago	39		75	0	39	75		75	-
Other Central America	2		45	0	2	80	35	45	-
Total	5173	19704	20098	-736	4437	5026	5368	4232	4574
SOUTH AMERICA			0						
Argentina	1902	2470	1880	-30	1872	5	625	-	620
Bolivia	84	360	350	0	84	25	35	-	10
Brazil	2886	38025*	12400	-295	2591		25920	-	25920
Chile	621	370	745	0	621	375		375	-
Colombia	1643	2525*	1630*	0	1643		895	-	895
Ecuador	133	505	520	0	133	55	40	15	-
Guyana	134	240	28	0	134	10	222	-	212
Paraguay	30	160*	130	0	30	30	60	-	30
Peru	376	1000	1169	0	376	194	25	169	-
Suriname	3	7	22	0	3	15		15	-
Uruguay	60	6	130	0	60	134	10	124	-
Venezuela	245	695	1115	0	245	420		420	-
Total	8117	46363	20119	-325	7792	1263	27832	1118	27687
MIDDLE EAST and NORTHERN AFRICA									
Algeria	609		1325	0	609	1325		1325	-
Djibouti	27		18	0	27	18		18	-
Egypt, Arab Republic	1588	1700	2756	0	1588	1071	15	1056	-
Iran	926	850	2375	0	926	1525		1525	-
Iraq	310		745	0	310	745		745	-
Israel	196		495	0	196	605	110	495	-
Jordan	123		300	0	123	305	5	300	-
Kuwait	59		102	0	59	102		102	-
Lebanon	45	5	153	0	45	148		148	-
Libyan Arab Jamahiriya	34		290	0	34	290		290	-
Mauritania	40		185	0	40	185		185	-
Morocco	899	550	1215	0	899	665		665	-
Persian Gulf	40		140	0	40	140		140	-
Saudi Arabia	621		900	0	621	1095	195	900	-
Somalia	168	20	250	0	168	280	50	230	-
Sudan	83	1100	1200	0	83	300	200	100	-
Syrian Arab Republic	545	150	855	0	545	940	235	705	-
Tunisia	210		375	0	210	375		375	-
Turkey	916	2400	2210	25	941	10	175	-	165
UAE	626		175	0	626	1880	1705	175	-
Yemen	155		570	0	155	570		570	-
Total	8220	6775	16634	25	8245	12574	2690	10049	165
FAR EAST and OCEANIA									
Australia	1300	4900*	1135	-200	1100	10	3975	-	3965
Brunei	4		12	0	4	12	0	12	-
China	2779	14000	15500	-925	1854	1050	475	575	-
China (Taiwan)	43	65	635	0	43	585	15	570	-
Hong Kong	99		189	0	99	230	41	189	-
Fiji	11	310	69	0	11	10	251	-	241
Indonesia	3365	3150	4900	-585	2780	1165		1165	-
Japan	423	850	2275	0	423	1430	5	1425	-
Kampuchea	200		220	-130	70	100	10	90	-
Korea, DPR	75		95	0	75	95		95	-
Korea, Republic of	1467		1205	-100	1367	1360	255	1105	-
Laos, DPR	10	50	55	0	10	55	50	5	-
Macao	2		6	1	3	7		7	-
Malaysia	398	35	1325	0	398	1390	100	1290	-
Mongolia	12		27	0	12	27		27	-
Myanmar	47	200	195	0	47	20	25	-	5
New Zealand	40		225	0	40	230	5	225	-
Papua New Guinea	25	35	38	0	25	12	9	3	-
Philippines	425	2250	2175	-20	405	70	165	-	95
Singapore	54	0	320	0	54	370	50	320	-
Thailand	2067	8000	2425*	-50	2017	15	5640	-	5625

WORLD SUGAR BALANCE (cont.)

2009/10

(thousand tonnes, raw value - October/September Year)

	Begin. stock	Production	Consumption	Change stock	Ending stock	Imports	Exports	Total net	
								imports	exports
Vietnam SR	184	1200	1425	0	184	250	25	-	-
Western Samoa	1	2	5	0	1	3		3	-
Other Oceania	1	0	27	0	1	27		27	-
Total	13032	35047	34483	-2009	11023	8523	11096	7133	9931
INDIAN SUBCONTINENT									
Afghanistan	124		215	-70	54	145		145	-
Bangladesh	530	170	1225	-105	425	950		950	-
India	9705	17300	23000	-1800	7905	3950	50	3900	-
Maldives	2		6	0	2	6		6	-
Nepal	21	140	150	0	21	15	5	10	-
Pakistan	1790	3700	4700	-25	1765	1000	25	975	-
Sri Lanka	57	75	725	0	57	660	10	650	-
Total	12229	21385	30021	-2000	10229	6726	90	6636	0
EQUATORIAL and SOUTHERN AFRICA									
Angola	74		300	0	74	315	15	300	-
Benin	22	10	42	-2	20	30		30	-
Botswana	7		52	0	7	52		52	-
Burkina Faso	17	40	95	0	17	60	5	55	-
Burundi	3	24	32	0	3	8		8	-
Cameroon UR	68	100	150	0	68	75	25	50	-
Cape Verde	1		18	0	1	18		18	-
Central African Republic	3		11	0	3	11		11	-
Chad	10	35	95	0	10	60		60	-
Comoros	1		10	0	1	10		10	-
Congo	40	65	85	0	40	40	20	20	-
Cote d'Ivoire	19	145	250	0	19	115	10	105	-
Ethiopia	333	360	420	-75	258	20	35	-	15
Gabon	12	25	23	2	14			-	-
Gambia	51		78	0	51	83	5	78	-
Ghana	141		240	-50	91	190		190	-
Guinea	27	20	150	0	27	130		130	-
Guinea Bissau	13		15	0	13	15		15	-
Kenya	63	595	820	0	63	245	20	225	-
Liberia	7		17	0	7	17		17	-
Madagascar	58	16	149	0	58	148	15	133	-
Malawi	293	310	185	-55	238		180	-	180
Mali	30	40	125	0	30	85		85	-
Mauritius	209	500	42*	0	209	42	500	-	458
Mozambique	19	405*	180	0	19		225	-	225
Niger	16	10	85	0	16	75		75	-
Nigeria	666	55	1700	-245	421	1400		1400	-
Rwanda	8	15	21	0	8	6		6	-
Senegal	132	100	215	-25	107	90		90	-
Sierra Leone	32	6	30	0	32	24		24	-
South Africa	1623	2400	1990	-150	1473	260	820	-	560
Swaziland	410	685	57	-200	210		828	-	828
Tanzania, United Rep.	464	360	340	0	464	20	40	-	20
Togo	24		75	0	24	75		75	-
Uganda	45	290	285	0	45	10	15	-	5
Zaire	73	70	135	0	73	65		65	-
Zambia	44	320	125	0	44		195	-	195
Zimbabwe	226	300	190	-50	176		160	-	160
Other Africa	2		115	0	2	115		115	-
Total	5286	7301	8947	-850	4436	3909	3113	3442	2646
WORLD TOTAL	60725	159887	167134&	-7254	53471	52072&	52079	45146	45378

& Including adjustment for unknown net trade of 4,555,000 t

WORLD SUGAR BALANCE

2008/09

(thousand tonnes, raw value - October/September Year)

	Begin. stock	Production	Consumption	Change stock	Ending stock	Imports	Exports	Total net imports	exports
WESTERN EUROPE									
EC +	6520	15470	19742	-1302	5218	3675	705	2970	-
<i>Austria</i>		445	345						
<i>Belgium-Luxemburg</i>		750	635						
<i>Bulgaria</i>			295						
<i>Cyprus</i>			38						
<i>Czech Republic</i>		395	520						
<i>Estonia</i>			85						
<i>Denmark</i>		430	275						
<i>Finland</i>		75	215						
<i>France</i>		3830	2645						
<i>Germany</i>		3825	3595						
<i>Greece</i>		170	335						
<i>Hungary</i>		60	350						
<i>Ireland</i>			175						
<i>Italy</i>		540	1880						
<i>Latvia</i>			75						
<i>Lithuania</i>		95	98						
<i>Malta</i>			28						
<i>Netherlands</i>		935	750						
<i>Poland</i>		1450	1845						
<i>Portugal</i>		15	305						
<i>Romania</i>		110	645						
<i>Slovakia</i>		115	260						
<i>Slovenia</i>			108						
<i>Spain</i>		685	1400						
<i>Sweden</i>		350	415						
<i>UK</i>		1195	2425						
French Territories	25		18	-3	22	15	0	15	-
Gibraltar	1		1	0	1	1	0	1	-
Iceland	0		11	0	0	11	0	11	-
Norway	42		160	0	42	160	0	160	-
Switzerland	137	270	540	0	137	272	2	270	-
Total	6725	15740	20472	-1305	5420	4134	707	3427	0
+ Including 300 thousand tonnes of cane raw sugar produced in DOM									
EASTERN EUROPE and FSU									
Albania	62	4	90	-6	56	80		80	-
Armenia	43	4	90	-1	42	85		85	-
Azerbaijan	46	25	175	0	46	250	100	150	-
Belarus	213	535	420	0	213	160	275	-	115
Bosnia	28		145	0	28	145		145	-
Croatia	276	260	205	0	276	210	265	-	55
Georgia	75		135	0	75	165	30	135	-
Kazakhstan	196	15	475	0	196	515	55	460	-
Kyrgyzstan	70	20	135	0	70	115		115	-
Macedonia	52	35	77	0	52	50	8	42	-
Moldova	39	150	100	0	39	5	55	-	50
Russia	1690	3800	6175	-780	910	1785	190	1595	-
Serbia & Montenegro	117	340	330	-25	92	155	190	-	35
Tajikistan	60	0	120	0	60	120	0	120	-
Turkmenistan	10	4	92	0	10	88	0	88	-
Ukraine	1242	1700	2300	-270	972	350	20	330	-
Uzbekistan	111	0	520	0	111	520	0	520	-
Total	4330	6892	11584	-1082	3248	4798	1188	3865	255
NORTH AND CENTRAL AMERICA									
Canada	232	70	1465	-45	187	1395	45	1350	-
USA	1111	6870	9855	-230	881	2900	145	2755	-
Bahamas	2		13	0	2	13		13	-
Barbados	10	34	15	0	10	16	35	-	19
Belize	13	100	14	0	13		86	-	86
Bermuda	2		2	0	2	2		2	-
Costa Rica	64	400	235	0	64		165	-	165
Cuba	208	1400	705	0	208	25	720	-	695
Dominican Republic	513	510	345	0	513	25	190	-	165
El Salvador	480	595	245	0	480		350	-	350
Guatemala	754	2275	715	0	754		1560	-	1560
Haiti	117	0	200	0	117	200		200	-

WORLD SUGAR BALANCE (cont.)

2008/09

(thousand tonnes, raw value - October/September Year)

	Begin. stock	Production	Consumption	Change stock	Ending stock	Imports	Exports	Total net imports	exports
Honduras	213	415	270	-35	178		180	-	180
Jamaica	164	160	115	0	164	105	150	-	45
Mexico	2245	5200	5300	-1270	975	200	1370	-	1170
Netherlands Antilles	17		15	0	17	20	5	15	-
Nicaragua	472	545	230	-35	437		350	-	350
Panama	124	175	125	0	124		50	-	50
St Christopher	6		3	0	6	3		3	-
Trinidad & Tobago	39		75	0	39	75		75	-
Other Central America	2		45	0	2	80	35	45	-
Total	6788	18749	19987	-1615	5173	5059	5436	4458	4835
SOUTH AMERICA									
Argentina	1902	2470	1825	0	1902	5	650	-	645
Bolivia	84	360	345	0	84	15	30	-	15
Brazil	2381	36605*	12100	505	2886		24000	-	24000
Chile	651	370	735	-30	621	335		335	-
Colombia	1478	2400	1600*	165	1643	110	745	-	635
Ecuador	133	505	515	0	133	50	40	10	-
Guyana	159	240	27	-25	134	10	248	-	238
Paraguay	20	160*	127	10	30	25	48	-	23
Peru	376	1000	1135	0	376	185	50	135	-
Suriname	3	7	22	0	3	15		15	-
Uruguay	78	7	125	-18	60	100		100	-
Venezuela	245	710	1095	0	245	385		385	-
Total	7510	44834	19651	607	8117	1235	25811	980	25556
MIDDLE EAST and NORTHERN AFRICA									
Algeria	659		1290	-50	609	1240		1240	-
Djibouti	33		17	-6	27	11		11	-
Egypt, Arab Republic	1588	1699	2725	0	1588	1061	35	1026	-
Iran	1341	600	2315	-415	926	1300		1300	-
Iraq	310		735	0	310	735		735	-
Israel	221		485	-25	196	570	110	460	-
Jordan	123		290	0	123	400	110	290	-
Kuwait	59		100	0	59	100		100	-
Lebanon	35	5	152	10	45	157		157	-
Libyan Arab Jamahiriya	34		285	0	34	285		285	-
Mauritania	40		180	0	40	180		180	-
Morocco	899	490	1200	0	899	710		710	-
Persian Gulf	40		135	0	40	135		135	-
Saudi Arabia	621		875	0	621	1060	185	875	-
Somalia	168	20	245	0	168	225		225	-
Sudan	83	885	1150	0	83	300	35	265	-
Syrian Arab Republic	545	150	845	0	545	930	235	695	-
Tunisia	210		370	0	210	370		370	-
Turkey	916	2175	2150	0	916	10	35	-	25
UAE	726		170	-100	626	1775	1705	70	-
Yemen	155		555	0	155	555		555	-
Total	8806	6024	16269	-586	8220	12109	2450	9684	25
FAR EAST and OCEANIA									
Australia	1670	4800	1130	-370	1300	10	4050	-	4040
Brunei	4		12	0	4	12	0	12	-
China	3979	13510	15075	-1200	2779	1100	735	365	-
China (Taiwan)	68	65	630	-25	43	555	15	540	-
Hong Kong	97		188	2	99	230	40	190	-
Fiji	9	310	68	2	11	10	250	-	240
Indonesia	3490	3050	4725	-125	3365	1550		1550	-
Japan	563	850	2290	-140	423	1305	5	1300	-
Kampuchea	250		215	-50	200	215	50	165	-
Korea, DPR	75		95	0	75	95		95	-
Korea, Republic of	1467		1205	0	1467	1460	255	1205	-
Laos, DPR	5	23	52	5	10	56	22	34	-
Macao	2		6	0	2	6		6	-
Malaysia	398	35	1305	0	398	1380	110	1270	-
Mongolia	12		27	0	12	27		27	-
Myanmar	47	180	190	0	47	15	5	10	-
New Zealand	35		225	5	40	235	5	230	-
Papua New Guinea	25	35	37	0	25	11	9	-	-
Philippines	575	2125	2160	-150	425	50	165	-	115
Singapore	54	0	320	0	54	370	50	320	-

WORLD SUGAR BALANCE (cont.)

2008/09

(thousand tonnes, raw value - October/September Year)

	Begin. stock	Production	Consumption	Change stock	Ending stock	Imports	Exports	Total net imports	exports
Thailand	2249	7478	2380*	-182	2067	15	5295	-	5280
Vietnam SR	184	975	1375	0	184	425	25	-	-
Western Samoa	1	2	5	0	1	3		3	-
Other Oceania	1	0	25	0	1	25		25	-
Total	15260	33438	33740	-2228	13032	9160	11086	7347	9675
INDIAN SUBCONTINENT									
Afghanistan	129		210	-5	124	205		205	-
Bangladesh	575	170	1190	-45	530	975		975	-
India	13805	16100	22500	-4100	9705	2325	25	2300	-
Maldives	2		6	0	2	6		6	-
Nepal	21	140	145	0	21	15	10	5	-
Pakistan	2315	3800	4650	-525	1790	350	25	325	-
Sri Lanka	57	75	710	0	57	635		635	-
Total	16904	20285	29411	-4675	12229	4511	60	4451	0
EQUATORIAL and SOUTHERN AFRICA									
Angola	74		285	0	74	310	25	285	-
Benin	22	10	42	0	22	45	13	32	-
Botswana	7		51	0	7	51		51	-
Burkina Faso	17	40	90	0	17	50		50	-
Burundi	3	24	31	0	3	7		7	-
Cameroon UR	68	100	145	0	68	70	25	45	-
Cape Verde	1		18	0	1	18		18	-
Central African Republic	3		11	0	3	11		11	-
Chad	10	35	90	0	10	55		55	-
Comoros	1		10	0	1	10		10	-
Congo	40	65	80	0	40	55	40	15	-
Cote d'Ivoire	14	145	245	5	19	110	5	105	-
Ethiopia	333	360	405	0	333	70	25	45	-
Gabon	12	21	23	0	12	2		2	-
Gambia	66		76	-15	51	61		61	-
Ghana	141		235	0	141	400	165	235	-
Guinea	27	20	145	0	27	125		125	-
Guinea Bissau	13		15	0	13	15		15	-
Kenya	63	575	800	0	63	240	15	225	-
Liberia	7		16	0	7	16		16	-
Madagascar	58	16	145	0	58	144	15	129	-
Malawi	293	305	180	0	293		125	-	125
Mali	30	40	120	0	30	80		80	-
Mauritius	176	506*	40*	33	209	40	473	-	433
Mozambique	9	350	175	10	19		165	-	165
Niger	16	10	83	0	16	73		73	-
Nigeria	666	21	1645	0	666	1624		1624	-
Rwanda	8	15	21	0	8	6		6	-
Senegal	132	100	210	0	132	110		110	-
Sierra Leone	32	6	30	0	32	24		24	-
South Africa	1963	2400	1900	-340	1623	175	1015	-	840
Swaziland	410	650	55	0	410		595	-	595
Tanzania, United Rep.	509	310	320	-45	464	10	45	-	35
Togo	29		70	-5	24	65		65	-
Uganda	45	220	280	0	45	65	5	60	-
Zaire	73	70	130	0	73	60		60	-
Zambia	44	300	120*	0	44		180	-	180
Zimbabwe	246	300	200	-20	226		120	-	120
Other Africa	2		110	0	2	110		110	-
Total	5663	7014	8647	-377	5286	4307	3051	3749	2493
WORLD TOTAL	71986	152976	164316&	-11261	60725	49868&	49789	42516	42839

& Including adjustment for unknown net trade of 4,555,000 t

* Production and consumption estimates revised since the last issue of the world balance

WORLD SUGAR BALANCE (cont.)

2007/08

(thousand tonnes, raw value - October/September Year)

	Begin. stock	Production	Consumption	Change stock	Ending stock	Imports	Exports	Total net imports	exports
WESTERN EUROPE									
EC +	6840	17833	19570	-320	6520	3075	1658	1417	-
<i>Austria</i>		418	340						
<i>Belgium-Luxemburg</i>		897	630						
<i>Bulgaria</i>			290						
<i>Cyprus</i>			37						
<i>Czech Republic</i>		382	515						
<i>Estonia</i>			80						
<i>Denmark</i>		397	270						
<i>Finland</i>		100	210						
<i>France</i>		4886	2615						
<i>Germany</i>		4329	3575						
<i>Greece</i>		96	330						
<i>Hungary</i>		296	345						
<i>Ireland</i>			175						
<i>Italy</i>		538	1880						
<i>Latvia</i>			75						
<i>Lithuania</i>		122	97						
<i>Malta</i>			27						
<i>Netherlands</i>		1044	745						
<i>Poland</i>		2038	1835						
<i>Portugal</i>			305						
<i>Romania</i>		103	640						
<i>Slovakia</i>		167	255						
<i>Slovenia</i>			109						
<i>Spain</i>		538	1385						
<i>Sweden</i>		380	410						
<i>UK</i>		1102	2395						
French Territories	3		17	22	25	39		39	-
Gibraltar	1		1	0	1	1		1	-
Iceland	0		11	0	0	11		11	-
Norway	50		160	-8	42	152		152	-
Switzerland	187	260	535	-50	137	228	3	225	-
Total	7081	18093	20294	-356	6725	3506	1661	1845	0
+ Including 286 thousand tonnes of cane raw sugar produced in DOM									
EASTERN EUROPE and FSU									
Albania	53	4	85	9	62	90		90	-
Armenia	27	3	89	16	43	102		102	-
Azerbaijan	81	18	175	-35	46	297	175	122	-
Belarus	174	495	425	39	213	216	247	-	31
Bosnia	32		140	-4	28	137	1	136	-
Croatia	268	225	205	8	276	220	232	-	12
Georgia	71		138	4	75	257	115	142	-
Kazakhstan	108	30	470	88	196	540	12	528	-
Kyrgyzstan	85	15	130	-15	70	100		100	-
Macedonia	57	35	75	-5	52	40	5	35	-
Moldova	43	81	85	-4	39	13	13	-	-
Russia	1531	3415	6285	159	1690	3084	55	3029	-
Serbia & Montenegro	10	490	325	107	117	135	193	-	58
Tajikistan	104		115	-44	60	71		71	-
Turkmenistan	16	4	90	-6	10	80		80	-
Ukraine	1458	2025	2310	-216	1242	71	2	69	-
Uzbekistan	136		515	-25	111	490		490	-
Total	4254	6840	11657	101	4330	5943	1050	4994	101
NORTH AND CENTRAL AMERICA									
Canada	183	130	1445	49	232	1440	76	1364	-
USA	1292	7392	9621	-181	1111	2331	283	2048	-
Bahamas	2		13	0	2	13		13	-
Barbados	8	34	15	2	10	12	29	-	17
Belize	14	83	14	-1	13		70	-	70
Bermuda	2		2	0	2	2		2	-
Costa Rica	31	346	229	33	64		84	-	84
Cuba	124	1446	692	84	208	210	880	-	670
Dominican Republic	485	508	337	28	513	47	190	-	143
El Salvador	399	596	239	81	480		276	-	276
Guatemala	702	2156	668	52	754		1436	-	1436
Haiti	91		195	26	117	221		221	-

THE WORLD SUGAR BALANCE (cont.)

2007/08

(thousand tonnes, raw value - October/September Year)

	Begin. stock	Production	Consumption	Change stock	Ending stock	Imports	Exports	Total net imports	exports
Honduras	134	380	265	79	213		36	-	36
Jamaica	159	141	115	5	164	115	136	-	21
Mexico	2179	5753*	4938*	66	2245	12	761	-	749
Netherlands Antilles	18		15	-1	17	21	7	14	-
Nicaragua	374	490	225	98	472		167	-	167
Panama	116	175	125	8	124		42	-	42
St Christopher	6		3	0	6	3		3	-
Trinidad & Tobago	38		75	1	39	79	3	76	-
Other Central America	1		45	1	2	58	12	46	-
Total	6358	19630	19276	430	6788	4564	4488	3787	3711
SOUTH AMERICA									
Argentina	1528	2392	1758	374	1902	5	265	-	260
Bolivia	185	360	340	-101	84	5	126	-	121
Brazil	2956	30691	11777	-575	2381		19489	-	19489
Chile	297	370	720	354	651	704		704	-
Colombia	1399	2155	1593	79	1478	89	572	-	483
Ecuador	141	505	505	-8	133	15	23	-	8
Guyana	154	240	26	5	159	7	216	-	209
Paraguay	10	140*	125	10	20	25	30	-	5
Peru	243	995	1080	133	376	258	40	218	-
Suriname	1	7	22	2	3	17		17	-
Uruguay	91	6	120	-13	78	101		101	-
Venezuela	352	695	1090	-107	245	288		288	-
Total	7357	38556	19156	153	7510	1514	20761	1328	20575
MIDDLE EAST and NORTHERN AFRICA									
Algeria	819		1260	-160	659	1100		1100	-
Djibouti	27		16	6	33	44	22	22	-
Egypt, Arab Republic	1544	1699	2715	44	1588	1075	15	1060	-
Iran	1341	1095	2280	0	1341	1315	130	1185	-
Iraq	325		715	-15	310	700		700	-
Israel	118		475	103	221	733	155	578	-
Jordan	123		285	0	123	380	95	285	-
Kuwait	88		95	-29	59	66		66	-
Lebanon	45	5	150	-10	35	135		135	-
Libyan Arab Jamahiriya	54		280	-20	34	260		260	-
Mauritania	119		170	-79	40	91		91	-
Morocco	889	466	1175	10	899	719		719	-
Persian Gulf	25		130	15	40	145		145	-
Saudi Arabia	407		870	214	621	1479	395	1084	-
Somalia	139	20	235	29	168	259	15	244	-
Sudan	174	731	1044	-91	83	253	31	222	-
Syrian Arab Republic	441	150	840	104	545	794		794	-
Tunisia	211		360	-1	210	359		359	-
Turkey	1172	1843	2096	-256	916	5	8	-	3
UAE	723		165	3	726	1773	1605	168	-
Yemen	222		535	-67	155	468		468	-
Total	9006	6009	15891	-200	8806	12153	2471	9685	3
FAR EAST and OCEANIA									
Australia	1442	4832	1120	228	1670	10	3494	-	3484
Brunei	4		12	0	4	12		12	-
China	1453	16130	14500	2526	3979	953	57	896	-
China (Taiwan)	35	65	630	33	68	611	13	598	-
Hong Kong	114		188	-17	97	201	30	171	-
Fiji	99	214	68	-90	9	9	245	-	236
Indonesia	3638	2850	4555	-148	3490	1557		1557	-
Japan	581	849	2346	-18	563	1480	1	1479	-
Kampuchea	187		205	63	250	343	75	268	-
Korea, DPR	50		95	25	75	120		120	-
Korea, Republic of	1378		1195	89	1467	1598	314	1284	-
Laos, DPR	9		50	-4	5	46		46	-
Macao	3		7	-1	2	6		6	-
Malaysia	481	35	1290	-83	398	1405	233	1172	-
Mongolia	18		26	-6	12	20		20	-
Myanmar	43	180	180	4	47	4		4	-
New Zealand	43		225	-8	35	238	21	217	-
Papua New Guinea	20	35	37	5	25	7		7	-
Philippines	278	2545	2156	297	575	67	159	-	92

THE WORLD SUGAR BALANCE (cont.)

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(thousand tonnes, raw value - October/September Year)

	Begin. stock	Production	Consumption	Change stock	Ending stock	Imports	Exports	Total net imports	exports
Singapore	91		320	-37	54	450	167	283	-
Thailand	1500	8060	2422*	749	2249	3	4892	-	4889
Vietnam SR	293	1150	1330	-109	184	95	24	71	-
Western Samoa	1	2	5	0	1	3		3	-
Other Oceania	1		25	0	1	25		25	-
Total	11762	36947	32987	3498	15260	9263	9725	8239	8701
INDIAN SUBCONTINENT									
Afghanistan	77		205	52	129	257		257	-
Bangladesh	376	170	1115	199	575	1144		1144	-
India	11778	28876	21835	2027	13805		5014	-	5014
Maldives	2		6		2	6		6	-
Nepal	28	140	140	-7	21	4	11	-	7
Pakistan	1974	5100	4490	341	2315	21	290	-	269
Sri Lanka	68	75	695	-11	57	609		609	-
Total	14303	34361	28486	2601	16904	2041	5315	2016	5290
EQUATORIAL and SOUTHERN AFRICA									
Angola	109		265	-35	74	275	45	230	-
Benin	1	10	41	21	22	74	22	52	-
Botswana	7		51	0	7	51		51	-
Burkina Faso	27	40	85	-10	17	35		35	-
Burundi	2	24	30	1	3	7		7	-
Cameroon UR	54	100	140	14	68	78	24	54	-
Cape Verde	3		18	-2	1	16		16	-
Central African Republic	2		11	1	3	12		12	-
Chad	13	34	86	-3	10	49		49	-
Comoros	1		10	0	1	10		10	-
Congo	48	59	80	-8	40	45	32	13	-
Cote d'Ivoire	44	145	235	-30	14	65	5	60	-
Ethiopia	299	340	385	34	333	139	60	79	-
Gabon	13	21	22	-1	12			-	-
Gambia	49		75	17	66	107	15	92	-
Ghana	114		225	27	141	507	255	252	-
Guinea	17	20	135	10	27	125		125	-
Guinea Bissau	13		15	0	13	15		15	-
Kenya	112	545	795	-49	63	255	54	201	-
Liberia	3		16	4	7	20		20	-
Madagascar	56	16	145	2	58	140	9	131	-
Malawi	243	300	175	50	293		75	-	75
Mali	33	35	115	-3	30	77		77	-
Mauritius	182	447	44	-6	176	51	460	-	409
Mozambique	16	249	167	-7	9	4	93	-	89
Niger	11	10	80	5	16	75		75	-
Nigeria	638	55	1565	28	666	1538		1538	-
Rwanda	3	10	20	5	8	15		15	-
Senegal	135	100	200	-3	132	97		97	-
Sierra Leone	34	6	29	-2	32	21		21	-
South Africa	1934	2391	1814	29	1963	280	828	-	548
Swaziland	410	609	52	0	410		557	-	557
Tanzania, United Rep.	483	285	299	26	509	70	30	40	-
Togo	21		66	8	29	74		74	-
Uganda	45	220	256	0	45	36		36	-
Zaire	57	70	125	16	73	71		71	-
Zambia	55	191*	113*	-11	44		89	-	89
Zimbabwe	263	309	200	-17	246		126	-	126
Other Africa	2		110	0	2	110		110	-
Total	5552	6641	8295	111	5663	4544	2779	3658	1893
WORLD TOTAL	65673	167077	160694&	6338	71986	48180&	48250	40107	40274

& Including adjustment for unknown net trade of 4,555,000 t

* Production and consumption estimates revised since the last issue of the world balance