

Brazil May 22, 2014

Sugar prices are expected to finally rise to levels, which allow producers to break even or with a bit of luck and good management actually turn a profit.

What brought on this change in prices? It is impossible to point at one single factor as the cause of this change. Instead it is a combination of several events:

- The weather in Brazil has reduced the tonnage of available cane substantially. This 25% reduction of cane immediately affects production in the main sugar producing region of the country.
- The sucrose content is lower than normal, thus requiring up to 10% more sugar cane to produce one metric ton of sugar.
- The forecast El Nino event is already being factored into prices by traders.
- Brazilian sugar cane farmers are expecting a crop loss of 20% and more.
- For the first time in four years, we can expect a production deficit of approx. 3 million tons.

Brazil has suffered thru the driest summer in seventy years. This could mean a production deficit of almost 1,000,000 Metric Tons vs. demand.

Experts predict that if this trend continues or if production falls even further we could see another 14% - 15% price increase this year.

Last year 44 Sugar Refineries have closed in Brazil, because they either went bankrupt or simply did not reopen for this year's crushing season. Some of these mills may reopen if prices stabilize at a higher level.