

Sugar, cotton surge as India curbs exports



BLOOMBERG

An Indian farmer carts harvested sugarcane stalks near Modi Nagar in Uttar Pradesh. Heavy rains have delayed harvesting in key regions, limiting supplies.

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CHINA may be Asia's fastest-growing major economy, but the continent's second-biggest market, India, is driving prices of two prized commodities.

Sugar and cotton prices are surging as India restricts exports to make sure its own booming population has enough of both commodities. Poor harvests from key sugar and cotton producers have left both markets struggling to meet growing global demand.

Though India's economy is growing fast, commodities markets typically pay more attention to its larger neighbour. China is already one of the top importers of oil, copper and soybeans, and high prices for those commodities and others are heavily dependent on the country's blistering economic growth.

India's influence is on the supply end of the market as a major agricultural exporter.

Cotton prices rose to their exchange-permitted limit for three consecutive days last week after the Indian government announced it would block exports of cotton yarn. December futures ended the week up 3.6 per cent at \$US1.4233 a pound on the ICE Futures US exchange,

having recovered half of the 24 per cent slide they had after reaching post-Civil War highs last month.

Sugar prices took a tumble of their own after reaching a 30-year high in mid-November. They have since risen 13 per cent, ending Friday at US\$29.50c a pound.

Indian Textile Minister Dayanidhi Maran last month decried the lack of cotton in the Indian market, saying he was more concerned about the supplies to local textile mills than satisfying export demand. Heavy rains have delayed harvesting in key regions, further limiting supplies to the local market.

Demand for Indian cotton has soared in the past few months as the country was expecting a bumper crop, while two other key

producers — China and Pakistan — had estimated losses of the fibre crops due to floods. Meanwhile, India is in the eye of another storm: sugar. India is the world's top sugar consumer and its second-biggest producer, after Brazil. But unseasonably heavy rains in the country's main sugarcane-growing region caused a 10 per cent drop in production in October and November, the first two months of the crop year.

The government last week said it would consider exports only after seeing the size of the crop, with a decision likely by year's end. "We may think of allowing more sugar exports on a monthly basis, depending on production and availability," said Farm Minister Sharad Pawar.

India is expected to export 2-3 million tonnes of sugar in the 2010-11 season, which began in October. Mr Pawar said total production was unlikely to fall below 24.5 million tonnes, down from an earlier estimated 25-26 million tonnes.

March sugar futures' US\$29.50c a pound on ICE Futures US on Friday was a two-week high. "They're going to keep doing that until they're sure about supplies," said Jack Scoville, vice-president at Price Futures Group in Chicago.

ADDITIONAL REPORTING:
DEBIPRASAD NAYAK

Performance of the daily settlement price*

