Major rise in sugar exports can change domestic situation
By
Business Recorder

Sugar: The wholesale price of sugar continued to remain under pressure last week in the main wholesale markets of Karachi and Lahore, trading just above Rs4800 per 100 kg as of September 20. The market sentiment remains that since there is abundant sugar supply till the sugar mills start crushing fresh season sugarcane from November, sugar prices will remain under pressure in coming weeks.

A major increase in exports, however, can change the domestic situation, however modestly, maintain sources. Sugar exports already picked up in August, but future exporting activity is majorly dependent on the extent of differential between international and local prices. Latest data by the Pakistan Bureau of Statistics shows Pakistan exported 54,817 tons of sugar, worth Rs2.87 billion, in July and August this year.

Meanwhile, recent torrential rains in Punjab and Sindh may have benefited the standing sugarcane crop. In its maturity stage, the crop's adequate water absorption can increase the sucrose content in this part of the season. Too much rain, however, can be a bane. If the crop remains immersed in water for too long, it will be vulnerable to pest and bacteria attacks. Roots can also grow beneath a water-logged cane crop.

In the international market, raw sugar futures decreased last week, on the heels of a promising harvest outlook from Brazil, and new forecast of surplus Indian sugar come next season. On the NY ICE trading, raw sugar's (No. 11) October contract dropped to 19.38 cents per pound on September 21, from 19.71 cents per lb a week ago. The white sugar's (No. 5) December contract on London's LIFFE, however, closed strongly at $560.9 per ton on September 21, compared to $545.5 per ton on September 13.

Wheat

Wheat may be in an abundant supply, but the open trading market is in disequilibrium as there is more demand than supply. This is resulting in increasing wholesale prices, which the release of supplies from provincial food departments can address to some extent.

PBS data shows that exporters shipped over 53,000 tons of wheat in August last month, which raised the commodity's exports between July and August this year to 68,569 tons, valued at $20.95 million or Rs1.97 billion. Shipments are nearly half compared to the two-month period last year. Rising international prices, however, may stoke another round of active buying in local market to fulfil export orders.

Meanwhile, wheat futures increased during the week in international markets as mixed signals emerge from Russian authorities regarding a possible curb on the country's exports. Domestic wheat prices in Russia are increasing after the output suffered on account of hot and dry weather. Currently, Russian exporters continue to fulfill their orders in the face of rapidly dwindling stocks.

It is quite apparent that the falling Russian supplies are pushing the US wheat prices higher, with a positive impact on European wheat, too. The US hard red wheat for Gulf delivery had jumped up to $382 per ton on September 20, from $375 per ton on September 13. The EU wheat (France Grade-1), too, slightly increased to $347 per ton, from $345 per ton, during the period.

Moving forward, international wheat market is expected to remain vulnerable due to a falling global trade of the commodity, in part due to expected export limits from countries like Russia and Ukraine. Major buyers are already in the market, ramping up their purchases while the CIS countries are still selling.

Cotton

An overall uneventful past week saw trading decrease on the cotton market, with mills opting out of buying fiber amid fears of quality concerns. Sources however maintain that the quality of arrivals towards the end of the week improved which caused ginners to push for higher prices; however the mills were still engaged in cautious buying, unwilling to pay above a certain price level amid a falling demand in the international market for Pakistani textiles.

Hence the official spot rate fell further this week, going down to Rs5,500 from Rs5,650, which was recorded at the end of last week. However, market sources maintain that while the wet weather has affected the quality of the fiber somewhat- some 500,000 to 700,000 bales are said to have been damaged- total output numbers are not expected to deviate much from forecasts.

Overall, while lint and seedcotton prices have been depressed lately, traders expect them to pick up once business commences after the long weekend. Additionally, the rains are expected to finally peter out, with forecasts of dry and sunny weather in the weeks to come also expected to help local prices regain lost ground.

On the international front, US cotton saw a decline towards the end of the week following a multi week high due to the US Federal Reserve's latest stimulus which saw commodities climb up optimistically. However, these measures by the Fed and European Central Bank could only bring a temporary relief to the investors because a cautious thinking once again prevailed, causing a flurry of selling on commodity markets which lost their footing once again amid subdued buying.

Cotton similarly saw a setback as the sentiments shifted once more this week amid a bearish market trend that saw a major commodity sell-off. Hence witnessing the sharpest fall in one day since 13th August, on Friday, NYCE's benchmark December cotton contract settled down 1.97 cents, going at 73.25 cents/lb.

Rice

Prices for both long grain and Basmati varieties of Pakistani origin saw marginal hikes as arrivals of the new crop have been delayed further due to continued showers across the country. Market sources maintain that harvest of the new crop is unlikely to start before the last week of September, which has had incremental effect on prices amid depleting supplies.

This week, prices for the Irri-6 climbed 5 percent by $5, selling at $460 per ton, whereas the 15 percent broken was selling as high as $450 per ton, up from $435 as of last week. Overall, while there has been little trading activity reported this week, these prices are likely to remain tightened on account of delayed arrival of the new crop which in some areas will not be harvested until the standing water has receded.

Moreover, traders report that until the new crop hits the market, trading is likely to remain negligible despite there being a substantial number of enquiries from abroad regarding orders. There have been a number of exporters who had made early sales; they have now been pushed to delay shipments because of the fact that the new crop is still not available in the market. Consequently, since exporters cannot guarantee when they will be able to cover crop orders, new orders are currently slow, according to market reports

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Business Recorder, “Major rise in sugar exports can change domestic situation” *Business recorder*. 24-09-2012.
Keywords: Social science, Social needs, Sugarcane crop, Wholesale markets, Sugar supply, Trading market, Wheat prices, Cotton market, International market, Basmati varieties, Rice, Cotton, Wheat, Sugar