**Rabobank Sugar Quarterly Q2: Deficit in 2015/16… but so what?**

**The global sugar market has been trending downwards on the back of the persistent abundance of stocks, aggravated by a strong seasonal mismatch between export availability and import demand. There is no indication at the moment of how low sugar prices can go in the absence of any supportive developments, according to the latest Rabobank Sugar Quarterly report.**

**Highlights from the Rabobank Sugar Quarterly:**

·    Better than expected sugar production from India and Thailand appears to have consolidated the global surplus projected for 2014/15, bringing stocks to record levels.

·    The sugar pipeline is full for the major importers after a prolonged period of low prices, suggesting that further price falls will do little for immediate sugar demand.

·     The preliminary global supply/demand balance for 2015/16 looks headed for a deficit after five consecutive years of surplus, but the impact on prices may be limited.

“This year’s final production from India and Thailand caught most of the industry by surprise, further highlighting just how precarious surplus/deficit predictions can be,” says Rabobank analyst Yong Chang Jian.

At current prices, it will not be easy for producers to accept that levels could fall even lower. However, should the 2015/16 crop do better than initially forecast, we could very well see prices trending even lower.

“The market might be paying for the cost of carry, but at some point in time, producers and exporters can no longer kick the can down the road and will eventually be forced to sell any accumulated stocks,” says sugar analyst Yong Chang Jian.

**El Niño already factored in**

Weather-forecasting agencies around the globe have once again predicted a possibility of an El Niño event this year. US, Japanese and Australian weather bureaus have placed a 50% to 70% probability of the weather event happening. This is not news to the market, having heard about it for over a year now, and there is much debate as to what extent the weather risk has not been priced into the market, says the Rabobank Sugar Quarterly report.

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