**Rabobank Sugar Quarterly Q4 2015: Sugar Bounces Back**

**In Q4 2015, world sugar prices have continued to build on the recovery initiated at the end of August, with March futures occupying a range of USc 14.0/lb to USc 15.5 USc/lb for much of November and early December, according to the Rabobank Global Sugar Quarterly Q4 2015.**

“The main drivers of rising prices have been an emerging consensus that a significant deficit is on the cards for the global supply/demand balance in 2015/16; an associated strong shift in fund positioning (from net short to net long); and some modest strengthening of the BRL/USD exchange rate”, says Andy Duff, Rabobank Global Sugar Strategist. Despite the strong recovery, the gains made by sugar prices remain vulnerable to a weakening of the Brazilian real (a possibility given the political situation in the country) or any significant liquidation of the funds’ net long position.

There is also heightened uncertainty in 2015/16 regarding the impact that the weather—specifically El Niño—might have on various important crops around the world. In Centre/South Brazil, there is no shortage of cane still to be harvested, but persistent wet weather has made it difficult to get into the field. Meanwhile in Asia, questions remain as to the extent to which the potential of some crops has been impacted by dry weather.

**Highlights from the Global Sugar Quarterly Q4 2015:**

* The progress of cane milling in Brazil’s Centre/South has been slowed by wet weather throughout the month of November, and there are now questions regarding how much of this cane will be milled before the season effectively ends.
* With the end of the year drawing near, several factories across the EU are wrapping up campaigns which have been some of the shortest that we have seen over the past years.
* As with many agricultural commodity prices, we expect US sugar prices to remain in a narrow trading range for 2016.
* The Mexican sugar campaign for 2015/16 has begun. However, a couple of mills are still struggling to start operations due to adverse weather and delays in mechanical repairs.
* The Australian cane harvest is just over 95% complete and heading towards the largest crush in nine seasons.

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