

Sugar Futures Climb on Bullish Energy Signs as Coffee Gains

- Traders weigh supply concerns against rising freight costs
- In coffee, buyers skirting too far forward contracts: importer

By Marvin G. Perez

(Bloomberg) --

Raw sugar headed for the biggest gain in a week amid bullish signs from energy markets and lingering concern about constrained supplies in top shipper Brazil.

The March contract climbed 1.6% to 20.04 cents a pound on ICE Futures U.S. after adding 0.8% a day earlier. The commodity has climbed 29% this year after adverse conditions hurt plants in the South American giant.

Higher energy costs are boosting the outlook for cane-based ethanol demand in Brazil, increasing incentives for mills there to direct the raw material toward making more biofuel and less sweetener. West Texas Intermediate crude climbed 1.9%, bringing its year-to-date rally to 48%.

There are expectations for a poor crop next year as effects of drought and frost linger. Offsetting lower supplies are concerns about flagging demand, spurred by Covid-related restrictions and high transportation costs.

“On one hand, Brazilian production is low, on the other, there are uncertainties about the world demand for sugar because of the increase in sea freights,” said Heloisa Lee Burnquist, analyst for the University of Sao Paulo.

In other soft commodities, arabica coffee rose a second day, following a government cut to Brazilian production on Tuesday. The price is up 44% for the year.

The market has already factored most of Brazil’s crop woes into prices. What’s more pressing now are logistical headwinds that have held back more than 3 million bags of coffee since May, “which the market really needs,” said Christian Wolthers, president of Wolthers Douque, an importer in Florida.

Prices will likely trade between \$1.80 and \$2 a pound, and if crops in South America don’t get enough rain in the next two weeks, which is needed to stimulate and sustain flowering for next year’s crop, the upper limit will be broken again, he said.

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