

Posted on Fri, Feb. 25, 2005

## AGRICULTURE

# Cosan expects sugar prices to go up

BY MICHAEL SMITH

Bloomberg News

Grupo Cosan, the world's largest sugar producer, expects prices to rise the highest in more than four years as Brazil, the biggest producing nation, converts more cane into fuel, a company executive said.

Sugar prices, which jumped 56 percent in 2004, may rise by another fifth to about 11 cents a pound this year, the highest since October 2000, said Paulo Diniz, chief financial officer of Piracicaba, Brazil-based Cosan.

Raw sugar futures for May delivery fell 0.13 cent, or 1.40 percent, to 9.15 cents a pound on the New York Board of Trade.

"We are convinced that the great part of this growing production in Brazil could be absorbed by ethanol," Diniz, 47, said in a telephone interview Thursday from Sao Paulo. "Therefore in 2005 we are talking about a range of 8 to 11, or 12 cents per pound" for sugar.

Prices will rise even as Brazil harvests a record crop because the cost of oil, up 50 percent from a year ago, is prompting countries such as Japan to use more sugar-cane-based ethanol as fuel, he said.

Prices should remain near this year's levels in 2006 as the growing use of cane to make ethanol should absorb bigger crops in India, Brazil and Thailand, the world's biggest producers, Diniz said.

"A lot of sugar cane should be directed to ethanol and not sugar," Diniz said. "Therefore, we may have a slight reduction in prices, but not that much."

The prediction comes as concern about rising production in India and Brazil fueled the biggest one-day decline in sugar prices in two weeks on Feb. 16.

Speculation that dry weather damaged the crop in India, the No. 2 grower and largest consumer, had helped send raw sugar prices up from 5.95 cents per pound a year ago.