



## Sugar Falls on Brazil Production Data

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By Christian Berthelsen

Sugar prices fell Tuesday after a Brazilian sugar industry trade group said mills there processed nearly 20% more cane than the year before.

Sugar futures for March delivery dropped 2% to settle at 15 cents a pound on the ICE Futures U.S. exchange. Sugar has been trading near its highs for the year as speculation has grown that this year's crop could strain supplies.

Brazil's Unica said mills in the country's center-south growing region, which grows 90% of Brazil's sugar cane crop, crushed 18.7 million tons of cane in the second half of November, an increase of 18.9% from a year earlier. Still, the group said less actual sugar was produced than a year earlier, as the nation allocated a higher percentage of output to ethanol, a key source of fuel there. Brazil is the world's largest producer and exporter of sugar.

Financial investors in the \$18 billion sugar market have gotten heavily bullish on the contract in recent months, with bullish bets outnumbering bearish trades by a margin of nearly seven-to-one. Analysts and traders said it was likely that some funds would soon begin closing out bullish trades and even begin betting the opposite way as the market has appeared increasingly over-bought.

**"Funds are disgustingly long," said David Martin, managing member of \$75 million soft commodities hedge fund firm Martin Fund Management. "The market is starting to change."**

Meanwhile, cocoa prices sold off after rallying Monday to their highest level of the year, as traders took queues from technical analysis to book profits from the trade. Speculators have been getting bullish on cocoa as expectations have dimmed for harvests in the top growing regions of West Africa. Cocoa prices fell 3% to \$3,316 a ton.

"It may be difficult for this season to get back in front (much less stay ahead) of last season's pace," research consultancy the Hightower Report said in a note.

In other soft commodity markets, coffee fell 0.7% to \$1.2520 a pound, cotton fell 0.2% to 64.44 cents a pound and orange juice was flat at \$1.4325 a pound.

Write to Christian Berthelsen at [christian.berthelsen@wsj.com](mailto:christian.berthelsen@wsj.com)

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