BILLIONS NEEDED TO INVEST

By Carlos Caminada and Jeb Blount

Bloomberg News

RIO DE JANEIRO - Brazil's sugar-cane industry needs $10 billion of investment by 2012 as rising demand for ethanol leaves sugar makers short of cane and drives up the price of sugar to record highs, the country's agriculture minister said.

Brazil, the world's largest sugar producer, needs to build 73 new mills to convert sugar cane into ethanol and to plant an additional 2.5 million hectares of cane, an increase of almost 50 percent, Agriculture Minister Roberto Rodrigues said Monday in Brasilia. Brazil produces 5.5 million hectares of sugar cane, about half of which goes to produce ethanol, a motor fuel.

Concern that more of the world's sugar-cane crop will be used to produce ethanol and less for sugar sent raw sugar prices to a 24-year high in New York Monday. In Brazil, ethanol is cheaper than gasoline.

"Ethanol is strategic for the country," Rodrigues told reporters in a hallway as he came out of a ministry meeting with Brazilian sugar and ethanol industry executives. He expects demand for ethanol to double over the next eight years.

Raw-sugar futures for March delivery rose 1.2 percent to 17.35 cents a pound on the New York Board of Trade, the highest closing price in at least 20 years. All Brazilian gasoline is, by law, 25 percent ethanol, and most new cars sold in the country can run on any mixture of gasoline or ethanol.