

#### Price Drivers

- Duty Free Sugar imports suspended till 31<sup>st</sup> March 2011
- Good recovery in UP and Maharashtra reported till date.
- FMC allows sugar futures trading, will start from 27<sup>th</sup> January.
- Govt allows 19.18 lakh tonnes sugar quota for January.
- Govt. suspend 500000 tonnes of sugar export in MY 2010-11 due to unclear picture of Production.

#### ICE Sugar Futures Market

Raw sugar for March delivery gained 0.06 cent, or 0.2 percent, to settle at 31.18 cents a pound on ICE Futures U.S. In London, refined-sugar futures for March delivery fell \$8.60, or 1.1 percent, to \$771.60 a metric ton on NYSE Liffe.

#### Market Analysis

- Sugar prices trading weak in all physical markets on Thursday on and high sugar quota for January month which pressurized sugar mills to sell its output in decreased prices which helps the supply factor to surge in the markets.
- Recent heaviest rainfalls in Brazil in almost four decades haven't affected the sugarcane crop. Rainfall is not severe in these areas where sugarcane crop grows.
- According to media sources, India sugar production rise 15% YoY against year earlier to 8.4 million tonnes since Oct 1, 2010 until 15 Jan.
- We are expecting that sugar production may increase up to 11.2 million tonnes until Jan 31 from Oct 1 for the current season.
- Govt. has declared India's subsidized sugar sales quota for the month of February which may decrease the prices further. February sales quota of sugar has been declined to 2,16,000 tonnes in comparison to 2,18,000 tonnes in January due to fewer festivals in February.

*We expect sugar prices remains in Negative bias in near term due to higher sugar quota for January and lack of demand in Physical Markets. Mills prices declined also support the prices downward. However, estimates of sugar output both domestically and internationally may provide the actual direction to sugar prices in medium to long term.*

#### Technical Analysis:

- As reflected in the chart sugar prices are in downtrend and moving in falling channel.
- RSI and Stochastics oscillators indicates in a neutral region..
- In short term sugar prices are expected to hover between Rs.2862 to Rs.2800 which is the immediate falling channel and breaching the level either side will give the further direction to the prices.
- Selling towards resistance level will be the best strategy.

#### Trade Recommendation - Sugar NCDEX (Feb.) Contract

Call	Entry	T1	T2	SL
<b>Sell</b>	<2784	2773	2766	2790
Support & Resistance				
S2	S1	PCP	R1	R2
2767	2780	2785	2815	2832



#### Prices at Key Markets

Centre	Grade/Variety	Prices 20-01-11 (Rs/Qtl)	Chng. from Prior day
Delhi	Sugar M	2980	-
	Sugar S	2920	-
Mumbai	Sugar M	2850-2890	10
	Sugar S	2810-2840	10
Kolhapur	Sugar M	2690-2730	10
	Sugar S	2650-2680	10
Ramala Khatauli	Sugar Ready new	2920	10
	Sugar Ready	2980	-

#### International Futures Quotes (as on 19-1-11)

	Contract Month	Open	High	Low	Close	Change
ICE Sugar #11 (US Cent/lb)	Mar'11	31.10	31.80	30.88	31.18	0.06
	May'11	29.50	29.77	28.97	29.26	0.04
	Jul'11	27.31	27.59	26.70	27.06	0.28
LIFFE Sugar (US \$/MT)	Mar'11	785.20	790.50	770.10	771.60	8.60
	May'11	750.80	757.80	739.10	741.40	5.40
	Aug'11	716.20	719.60	701.70	704.10	7.40

Location	Variety	Dematted Stocks		Change
		19/01/2011	18/01/2011	
Kolhapur	Sugar M Total	3191	198	2993
Kolhapur	Sugar S Total	399	396	3
Source: NCDEX				

#### ICE Sugar Future Mar'11 Contract



#### LIFFE Sugar Future Mar'11 Contract



(Source: Reuters)

#### DISCLAIMER

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at

<http://www.agriwatch.com/Disclaimer.asp>