

Price Drivers

- Duty Free Sugar imports suspended till 31st March 2011
- Good recovery in UP and Maharashtra reported till date.
- FMC allows sugar futures trading, will start from 27th 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 futures for March delivery gained 0.13 cent, or 0.4 percent, to 31.31 cents a pound in New York owing to Tunisia import. On NYSE Liffe, refined-sugar futures for March delivery fell \$3.30, or 0.4 percent, to \$768.30 a ton.

Market Analysis

- Sugar prices trading weak in all physical markets on Friday due to 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.
- Sugar mills in India are staying away from raw sugar imports, due to negative processing margins.
- Sugar production in India's second-largest producer Uttar Pradesh up 11.6% to January 15
- 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.
- Price trading below 9 EMA and 18 EMA which further indicates bearish.
- RSI oscillators indicates in a overbought region..
- Selling towards resistance level will be the best strategy.

Trade Recommendation – Sugar NCDEX (Feb.) Contract

Call	Entry	T1	T2	SL
Sell	<2833	2815	2800	2842
Support & Resistance				
S2	S1	PCP	R1	R2
2785	2791	2825	2836	2855



Prices at Key Markets

Centre	Grade/Variety	Prices 20-01-11 (Rs/Qtl)	Chng. from Prior day
Delhi	Sugar M	2950	30
	Sugar S	2920	-
Mumbai	Sugar M	2840-2870	20
	Sugar S	2800-2820	20
Kolhapur	Sugar M	2680-2710	20
	Sugar S	2640-2660	20
Ramala Khatauli	Sugar Ready new	2910	10
	Sugar Ready	2950	30

International Futures Quotes (as on 20-1-11)

	Contract Month	Open	High	Low	Close	Change
ICE Sugar #11 (US Cent/lb)	Mar'11	31.18	31.40	30.04	31.31	0.13
	May'11	29.22	29.38	28.09	29.28	0.02
	Jul'11	27.06	27.23	26.00	27.02	0.04
LIFFE Sugar (US \$/MT)	Mar'11	773.70	776.20	752.20	768.30	3.30
	May'11	744.40	746.50	722.70	739.60	1.80
	Aug'11	707.10	708.70	686.20	701.50	2.60

Location	Variety	Dematted Stocks		Change
		20/01/2011	19/01/2011	
Kolhapur	Sugar M Total	999	3191	-2190
Kolhapur	Sugar S Total	3491	399	3092
Source: NCDEX				

ICE Sugar Future Mar'11 Contract



LIFFE Sugar Future Mar'11 Contract



(Source: Reuters)

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