

#### Price Drivers

- Govt allows 18.39 lakh tonnes sugar quota for February
- Duty Free Sugar imports suspended till 31<sup>st</sup> March 2011
- Good recovery in UP and Maharashtra reported till date.
- 37.04 lakh tones sugar production till date in Maharashtra.

#### ICE Sugar Futures Market

Raw sugar for March delivery rose 0.04 cent, or 0.1 percent, to settle at 32.68 cents a pound at 2 p.m. on ICE Futures U.S. in New York on concern that world production will trail demand. In London, refined-sugar futures for May delivery gained \$9.30, or 1.2 percent, to \$778.80 a metric ton on NYSE Liffe.

#### Market Analysis

- Sluggish demand of sugar in various spot markets drags the prices down on Tuesday. Arrivals in Delhi was 40000 Qtl for M-30 and 15000 Qtl for S-30. Prices may move down further due to lack of demand and obligation on mills to sell 13.00 lakh tones in February month and 3.00 lakh tones addition Carryover quantity of unsold/undispatched non-levy sugar released for the month of January.
- ISMA has lowered its sugar production estimates to 25 Million Tonnes from 25.5 Million Tonnes. But we are expecting Sugar production would be 23.5 Million tones due to less yield in major producing states Maharashtra and UP.
- According to Media Sources, Maharashtra sugar co-ops in financial trouble as price drops like anything but according to our analysis, if prices goes down to 22 Rs/Kg even then mills would make profit due to low costing of sugar cane conversion to sugar, high availability of sugarcane owing to good production of sugarcane and rising demand and prices of by products like ethanol, baggasse etc.
- According to Media Sources, Maharashtra produced 4.26 million tonnes of sugar as on Feb. 4, up 13 percent as compared with 3.77 million tonnes during the same period a year ago. Govt is in a mess to allow the sugar exports under OGL as industry's desire to take the advantage of global scenario while double digit inflation is becoming a painful headache for Govt.

*We expect that sugar prices are in Negative bias in near term due to good supply in the market and lack of demand in Physical Markets. 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 moving downward.
- Price trading below 9 EMA and 18 EMA which further indicates bearish.
- However, oscillators such as RSI and Stochastics are hovering below oversold region.
- Selling towards resistance level would be the best strategy.

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

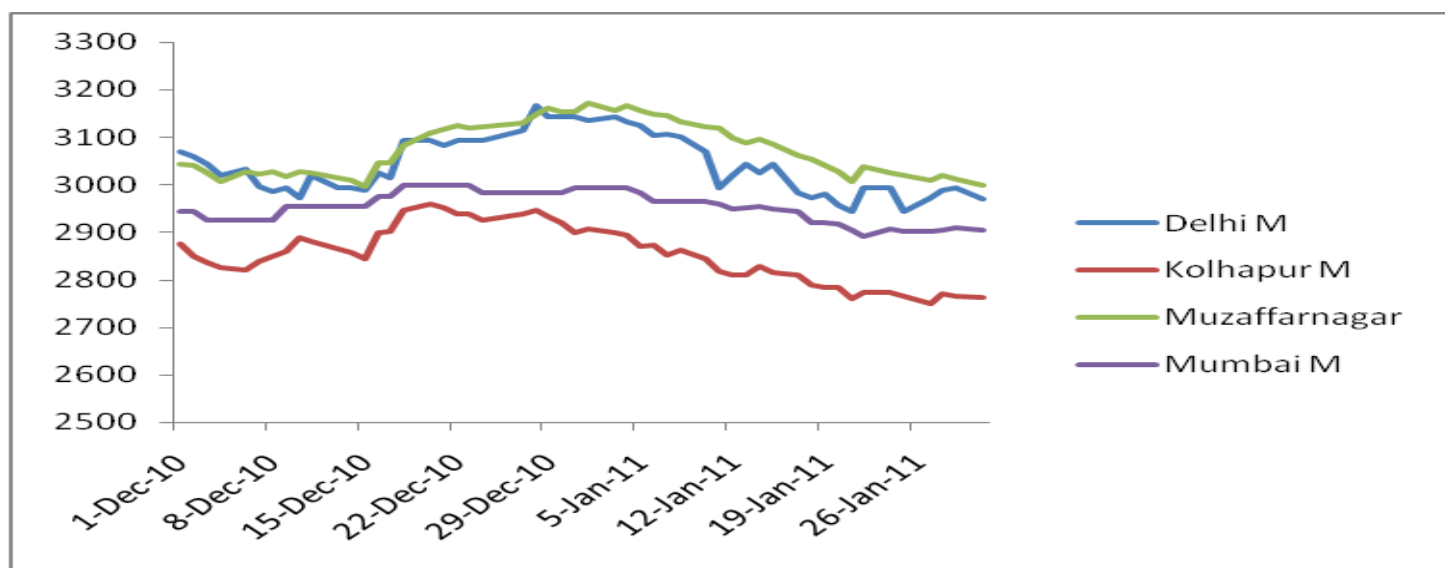
Call	Entry	T1	T2	SL
Sell Below	2778	2768	2658	2687
Support & Resistance				
S2	S1	PCP	R1	R2
2671	2684	2678	2716	2740



#### Prices at Key Markets

Centre	Grade/Variety	Prices 08-02-11 (Rs/Qtl)	Chng. from Prior day
Delhi	Sugar M	2950	Unch
	Sugar S	2930	Unch
Mumbai	Sugar M	2800-2840	+10
	Sugar S	2760-2785	-5
Kolhapur	Sugar M	2640-2680	+10
	Sugar S	2540-2625	-5
Chennai	Sugar S	2800	-
Kolkata	Sugar M	2950	-
Ramala	Sugar Ready new	2850	Unch
Khatauli	Sugar Ready	2880	+10

#### Spot Market prices trend



(Source: NCDEX)

Location	Variety	Dematted Stocks		Change
		7/02/2011	5/02/2011	
Kolhapur	Sugar M Total	789	789	Unch
Kolhapur	Sugar S Total	3271	3381	Unch
Source: NCDEX				

#### International Futures Quotes (as on 7-2-11)

	Contract Month	Open	High	Low	Close	Change
ICE Sugar #11 (US Cent/lb)	Mar'11	33.00	33.40	32.56	32.68	+0.04
	May'11	30.61	31.19	30.52	30.63	+0.24
	Jul'11	27.77	28.47	27.76	28.34	+0.65
LIFFE Sugar (US \$/MT)	Mar'11	800.00	807.90	797.00	799.50	+5.10
	May'11	776.90	785.00	774.60	778.80	+9.30
	Aug'11	737.00	743.50	733.50	740.40	+13.90

#### ICE Sugar Futures Mar'11 Contract



(Source: Reuters)

#### LIFFE Sugar Futures Mar'11 Contract



#### 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>