

Price Drivers

- Govt allows 18.39 lakh tonnes sugar quota for February
- Duty Free Sugar imports suspended till 31st 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 declined 0.75 cent to settle at 31.30 cents a pound at 2 p.m. on ICE Futures U.S. in New York In London, refined-sugar futures for May delivery declined \$16.80 to \$756.20 a metric ton on NYSE Liffe.

Market Analysis

- Sugar prices are steady to firm in different centers as the demand improves as compare to the previous day. However, any government intervention for re-opening sugar export might stand supportive for the prices though it is not likely before the summer.
- Actual Yield has been increased from plant crop in the year 2010-11 to 35 tonnes/hectare from 32 tonnes/hectare a year earlier owing to use of high yielding varieties and better irrigation facilities in West Champaran district (Bihar) which may likely give support to total sugar production in India.
- Centre permitting only holders of advance licences (AL) to export in fulfilment of their overdue re-export obligations. According to ALS, Mills, who have import raw sugar have the obligation to make white refined sugar from raw sugar and re-export it within a year. Also, these mills cannot sell this processed white sugar in the domestic market. But due to domestic shortage concerns urges govt to repeatedly extend the period of re-export obligation under ALS for last four years. But govt may found that this is the right time to fulfill this obligation by giving the permission to re-export sugar owing to sugar output surplus this year which would also provide the opportunity for mills to setoff its losses due to decreasing profit margin this marketing year.
- Sugar prices in UP, Kolkata, Mumbai, Vijayawada and Nagpur increased while almost steady demand could be seen from Delhi and Chennai compared to the previous day. Sugar arrival at Delhi remains 5000 Quintal for M grade and 4000 Quintal for S Grade. Meanwhile, arrivals at Naka remain unchanged at 30 motors on Monday.

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 Stochastic are hovering below overbought region.
- Selling towards resistance level would be the best strategy.

Trade Recommendation – Sugar NCDEX (Mar.) Contract

Call	Entry	T1	T2	SL
Sell Above	2810	2795	2779	2820
Support & Resistance				
S2	S1	PCP	R1	R2
2810	2795	2806	2835	2857



Prices at Key Markets

Centre	Grade/Variety	Prices 15-02-11 (Rs/Qtl)	Chng. from Prior day
Delhi	Sugar M	2950	Unch
	Sugar S	2920	Unch
Mumbai	Sugar M	2815-2870	+10
	Sugar S	2725-2730	+5
Kolhapur	Sugar M	2655-2710	+10
	Sugar S	2550-2570	+5
Chennai	Sugar S	2750	Unch
Vijaywada	Sugar M	2900	Unch
	Sugar S	2900	+29
Nagpur	Sugar M	2900	Unch
	Sugar S	2900	+30
Kolkata	Sugar M	3000	+20
Ramala	Sugar Ready new	2860	+10
Khatauli	Sugar Ready	2920	+20

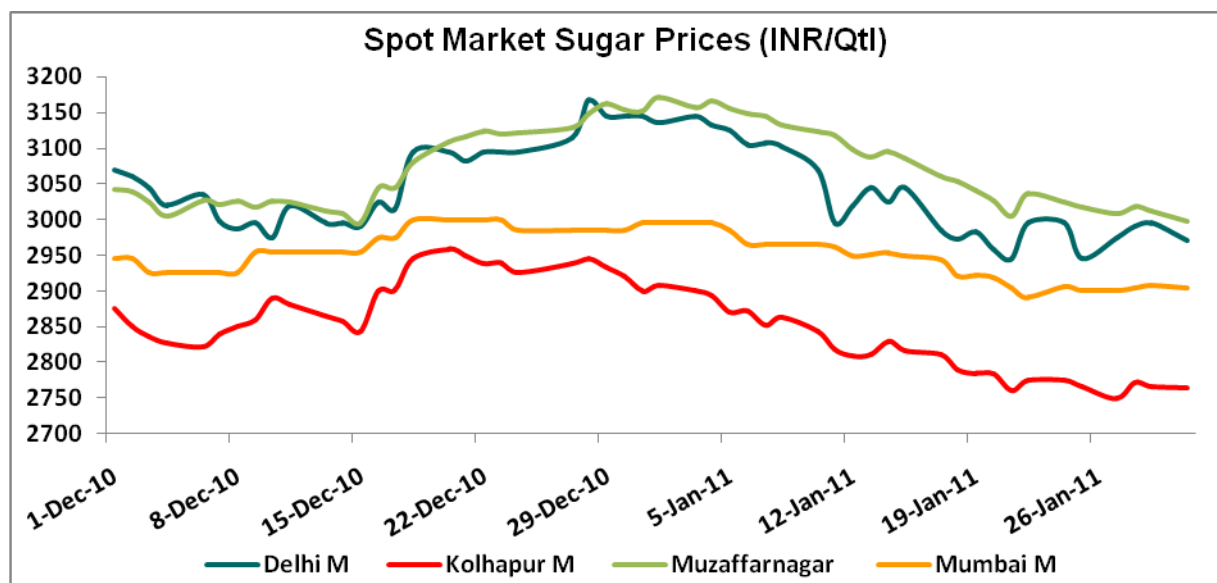
International Futures Quotes (as on 11-2-11)

	Contract Month	Open	High	Low	Close	Change
ICE Sugar #11 (US Cent/lb)	Mar'11	32.15	32.65	30.83	31.30	-0.75
	May'11	30.19	30.71	28.86	29.39	-0.80
	Jul'11	27.90	28.08	26.68	27.13	-0.68
LIFFE Sugar (US \$/MT)	May'11	766.90	778.00	750.40	756.20	-16.80
	Aug'11	728.50	734.10	712.40	719.30	-14.00
	Oct'11	679.00	679.30	660.30	665.10	-15.20
White Sugar Premium \$/MT	Mar'11	-	-	-	79.00	+8.75
	May'11	-	-	-	104.75	+3.75
	Aug'11	-	-	-	117.25	+1.50

Stock Position of Sugar in NCDEX Warehouse (In Metric Tonnes)

Location	Variety	Dematted Stocks		Change
		12/02/2011	11/02/2011	
Kolhapur	Sugar M Total	789	789	Unch
Kolhapur	Sugar S Total	3271	3381	Unch
Source: NCDEX				

Spot Market prices trend



(Source: NCDEX)

ICE Sugar Futures Mar'11 Contract



LIFFE Sugar Futures Mar'11 Contract



(Source: Reuters)

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