

Domestic Market Recap:

Sugar prices continued to go down in major domestic markets during last week. Sugar prices came down owing to paltry demand in various markets. Aggressive selling of sugar by millers in the open market also pressurized the prices downwards. On May 19, 2011, the Govt. of India tried to give some relief to millers and ensure that prices will do not go down further by allowing unrestricted 5 Lakh tonnes of export but that news was not enough for market to increase the prices of sugar in Spot markets.

Buyers believe its better to stay away from the market at present if the demand remains sluggish in the coming week or so which may drag the prices downwards further. Overall lackluster trade is seen in physical markets of Delhi and Muzaffarnagar.

Sugarcane has been planted in 48.96 lakh hectares in sowing year 2010-11 as on 20th May 2011 as compared to 45.65 lakh hectares at the same point of time in sowing year 2009-10. (Source: Government of India)

Recently, Industry Association ISMA has revised its sugar production estimate for 2010-11 to 24.2 million tonnes from 24.5 million tonnes but still lower than Government estimate of 25 million tonnes.

News Highlights:

- India's sugar cane plantings and production in 2011/12 may increase from 7 to 10 percent. According to Media Sources, Sugarcane acreage may likely to be increased to 5.3 to 5.4 million hectares in sowing year 2010-11 from 4.97 million hectares in sowing year 2009-10.
- Government released 208231.81 tonnes for sugar exports under OGL. Total 200 mills have got the permit for overseas sugar shipments out of total 5,00,000 tonnes of unrestricted export quota as on May 19, 2011 as per the Notification on a government website.
- Empowerment group of ministers (EGOM) are likely to meet soon to discuss allowing further sugar exports. EGOM may ease the restrictions on sugar exports as overall sugar production is exceeding overall domestic consumption.
- Indian Sugar Mills Association (ISMA) lowered its overall sugar production estimate to 24.2 million tonnes in 2010-11, down from 25 million tonnes owing to lesser sugar production in UP state than its earlier projection.
- Maharashtra state is now facing a problem of excess sugarcane production. With almost 50 lakh tonne additional sugarcane in the state yet to be crushed, the state sugar industry is likely to continue crushing till mid June. Out of the 50 lakh tonne, 26 lakh tonne excess sugarcane is in Pune district alone.
- Around 91,000 tonnes of Indian sugar approved for sale under a government-sanctioned scheme have been sold at premiums of less than \$50, pressuring Thai traders to soften their premiums.

Sugar Production Scenario:
Sugar Production Scenario by Major Sugar Producing States (In Lakh tonnes)

| States | Sugar Production as on 15th May | Expected Time for mills to close operations | Sugar Production during crushing continues (Expected) | Total Sugar Production |
|-----------------------------|---------------------------------|---|---|------------------------|
| UP | 58.75 | Closed | Nil | 58.75 |
| Maharashtra | 87.3 | End of June | 3.7 | 91 |
| Andhra Pradesh | 10 | Closed | Nil | 10 |
| Karnataka | 36 | 30th May 2011 | 2 | 38 |
| Tamil Nadu | 12.82 | - | 3.57 | 16.39 |
| Haryana | 19.29 | Closed | Nil | 19.29 |
| Punjab | 3.02 | Closed | Nil | 3.02 |
| Total | 227.18 | - | 9.27 | 236.45 |
| Total Govt. estimate | 245 | | | |

*Sugar Production in Gujarat is not mentioned in the table.

As per the data collected from Sugar Commissionerate of various states, it seems that India may likely achieve its sugar production estimate i.e. 24.5 million tonnes set by Government of India. Major sugar producing states like Maharashtra and UP are likely to produce 15 million tonnes out of total 24.5 million tonnes. UP state alone has produced 5.87 million tonnes of sugar in 2010-11 season up 13.44% up from 5.17 million tonnes in 2009-10.

Production has increased in UP and Maharashtra due to increase in acreage led by last years cane prices where farmers has got Rs. 240/Quintal from millers. Also, good rainfall and use of cane varieties like Co 265, 86032 helped to increase the yield of the crop in these states.

| Sugar Production estimate for 2010-11 (In Million Tonnes) | |
|---|-------------|
| Indian Government | 24.5 |
| ISMA | 24.2 |
| Agriwatch | 24.4 |
| Sucden | 24.0-24.5 |
| ED&F Man | 24.5 |
| Maharashtra State Cooperative Sugar Factories Federation (MSCSFF) | 24.5 |

Sugarcane Crop Progress (2011-12)

| State | Sugarcane Area 2010 (In lakh hectares) | Sown Area by Farmers 2010 (In Acres) | Sowing Intensions by Farmers in 2011 | %change | Expected cane area |
|-------------|--|--------------------------------------|--------------------------------------|---------|--------------------|
| Maharashtra | 10 | 7.5 | 7.5 | 0 | 10 |
| UP | 22 | 148.25 | 141.26 | -4.72 | 20.96 |
| Total | 32 | 155.75 | 148.76 | -3.24 | 30.96 |

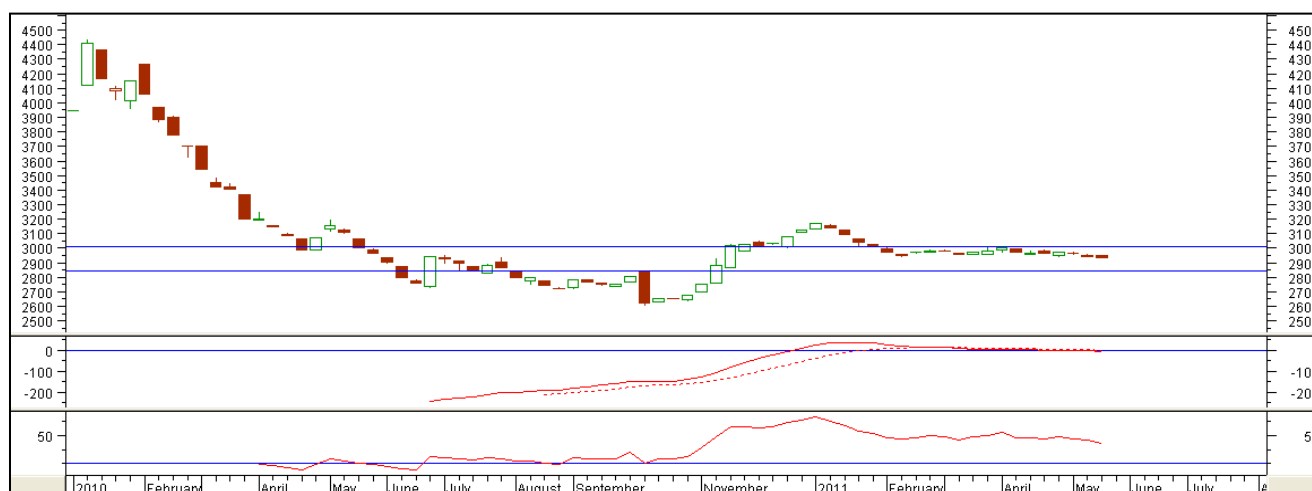
Farmers sowing intentions indicates that there are high possibilities that sugarcane acreage is likely to decline marginally in UP for 2011-12 in comparison to 2010-11 by -4.72% The reason behind this was lower remuneration by millers this year. Most of the acreage reductions are in UP for 2011-12. As far as Maharashtra state is concerned, we are expecting that sugarcane area will remain same in 2011-12 in

comparison to 2010-11. However, as per trade sources information, area in other states like Karnataka, Andhra Pradesh are likely to go up due to better expectation of cane price remuneration in the coming season which may increase the overall sugarcane area in 2011-12.

Spot Sugar Prices Scenario (Weekly)

| | 16-May-11 | 23-May-11 | change |
|------------------|-----------|-----------|--------|
| Mumbai M-30 | 2891 | 2878 | -13 |
| Mumbai S-30 | 2771 | 2756 | -15 |
| Muzaffar Nagar M | 2910 | 2885 | -25 |
| Delhi M-30 | 2925 | 2900 | -25 |
| Delhi S-30 | 2900 | 2860 | -40 |
| Kolhapur M-30 | 2731 | 2718 | -13 |
| Kolhapur S-30 | 2611 | 2596 | -15 |

Spot market Price Analysis (Muzaffar Nagar – Grade M):



As the chart suggests, the spot prices are hovering in a consolidation phase in Muzaffarnagar. Subdued demand in the Muzaffar Nagar spot market drags the prices downwards by Rs.20. Also, arrivals from Maharashtra seem sufficient to complete the requirement of sugar in upcountry market like Delhi, Haryana, Madhya Pradesh etc.

By seeing chart and fundamentals of sugar in Muzaffar Nagar spot market, we are expecting the prices to trade steady to negative in the upcoming week. Prices of Sugar M in Muzaffar Nagar spot market may go down Rs. 10-30 in the upcoming week.

Spot market Price pattern and Analysis (Kolhapur – Grade S):


As the chart suggests, the spot prices are hovering in a consolidation phase in Kolhapur S. Subdued demand in the Kolhapur spot market drags the prices downwards by Rs.10 when compared with last week. Higher liquidating interest by the millers prior to end of this month owing to non-levy obligation continue to weigh on the sugar market sentiments.

By seeing chart and fundamentals of sugar in Kolhapur spot market, we are expecting the prices to trade steady to negative in the upcoming week. Prices of Sugar S in Kolhapur spot market may likely to go down Rs. 10-20 in the upcoming week.

Gur Scenerio

- Gur arrivals are at its last stages in UP that may increase quantity of Gur stored in Cold storage.
- Gur from Cold storage may not trade in UP before mid June as severe temperature will affect the chaku gur.
- Prices of Gur stored in Cold Storage may likely to remains negative in coming days as marriage season in Gujarat has came to an end which results in subdued demand.
- As per trade expectation, gur prices will move up when arrivals from UP come to an end in the month of June.
- Gur production may start in Maharashtra and Karnataka after June as a lot of cane is expected to remains left uncrushed which may move to the kolhus in Maharashtra. Also, the lower temperatures after June will be favourable for gur production. Increased arrivals may crash prices of Gur after June.

Commodity: Sugar
Contract: June

Exchange: NCDEX
Expiry: June 20th, 2011

SUGAR

Technical Commentary:

- Prices of sugar are moving in a channel range between Rs. 2657 to Rs. 2827. Prices are hovering at channel support. Two consecutive prices trading below existing channel may drag the sugar future prices down to Rs. 2600 and then may touch to Rs. 2577 level. However, Oscillators like RSI is hovering in oversold region.



Strategy: It is advisable to sell from support level.

| Supports & Resistances | | | S2 | S1 | PCP | R1 | R2 |
|------------------------|-------|------|------|-------|------|------|------|
| Sugar | NCDEX | June | 2577 | 2600 | 2659 | 2685 | 2810 |
| Trade Call | | | Call | Entry | T1 | T2 | SL |
| Sugar | NCDEX | June | Sell | <2657 | 2600 | 2577 | 2685 |

Commodity: Gur
Contract: July

Exchange: NCDEX
Expiry: July 20th, 2011

GUR

Technical Commentary:

- Gur future prices are moving downwards and hovering above strong support level of Rs. 991 if breached then it may go down to its next support level of Rs. 971 and then Rs. 960. RSI is also hovering in a oversold region.



Strategy: Selling from support level for short term is advisable.

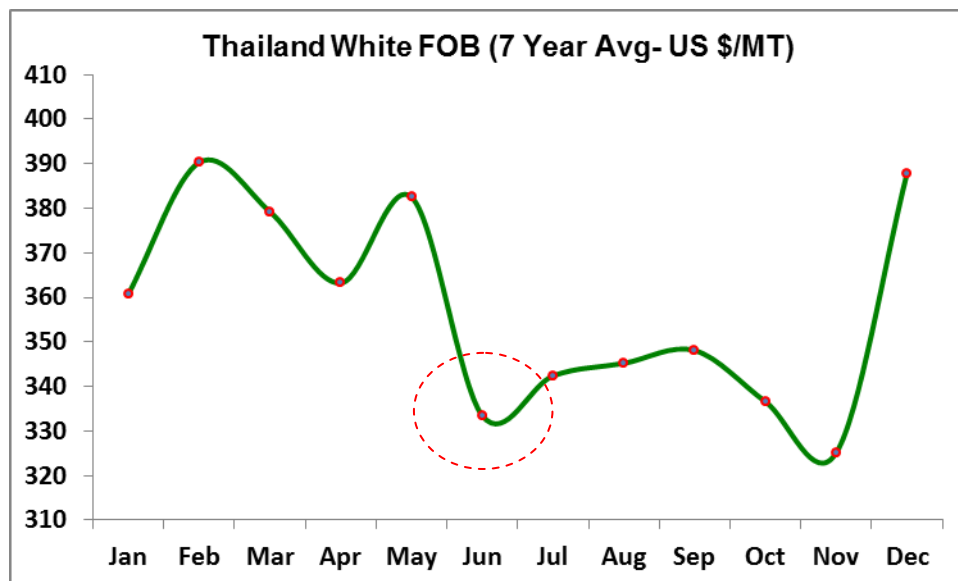
| Supports & Resistances | | | S2 | S1 | PCP | R1 | R2 |
|------------------------|-------|------|------|-------|-------|------|------|
| Gur | NCDEX | July | 960 | 971 | 993.5 | 1024 | 1044 |
| Trade Call | | | Call | Entry | T1 | T2 | SL |
| Gur | NCDEX | July | Sell | <991 | 971 | 960 | 1001 |

International Scenario

Sugar prices in LIFFE Sugar Futures saw a correction last week as Brazil output went down drastically, the data showed by UNICA. In international market, sugar prices are also reported lower due to higher supply from Asian countries in overseas market.

International Market News Highlights:

- Thailand produce recorded at 9.9 million tonnes sugar in 2010-11, up 37.5% from 7.2 million tonnes same period in 2009-10. Total sugarcane crushed rose to 94.1 million tonnes in 2010-11 compared to 68.5 million tonnes in 2009/10. Daily production rates are now below 10,000 tonnes of sugar and crushing is likely to extend further. Meanwhile, keeping the historical price trend and record sugar production prospect in Thailand we expect prices to cool off during June as it is a seasonal trend.



Moreover, incremental gain in sugar production y-o-y at Thailand front shall keep weighing on the Thailand prices which is likely to soften the Thai premium moving forward.

- At Brazilian front, sugar production in Centre/South region in 2011/12 through May 1 was down 68.9% on the year at 795,000 tonnes (tel quel) from 2.555 mln a year ago as rains through mid-April hindered cane harvesting and mills prioritised ethanol production. Sugar may rise next week on signs that output is dropping in Brazil, the world's biggest grower.
- Philippines expect better sugar crop in 2010-11 than its government estimates. Also, production outpaces domestic demand which may decrease the possibilities of sugar imports by Philippines.
- Sugar merchant Czarnikow forecasts a global sugar surplus in 2011/12 as production surges, including a 3.3 percent year-on-year increase in the cane crush in the centre-south of top producer Brazil.

- Russia produced 932,900 tonnes of white sugar from imported raws between the start of the year and May 10, nearly double the 486,800 tonnes produced in the same period last year, the Russian Sugar Producers Union said.
- Itau BBA forecasts a 2011/12 global sugar surplus of 6-8 million tonnes, up from a surplus of around 3 million tonnes in 2010/11.
- China imported 161,711 tonnes of sugar, raw value, in April 2011, up nine times from 17,967 in the same month last year, customs data showed.

| International Sugar Futures Price Projection | | | |
|--|----------------|---------------|------------------------------------|
| | Contract Month | Present Quote | Expected Price level for next week |
| ICE Sugar #11 (US Cent/lb) | Jul'11 | 21.51 | 20.53 |
| LIFFE Sugar (US \$/MT) | Aug'11 | 612.9 | 581.5 |

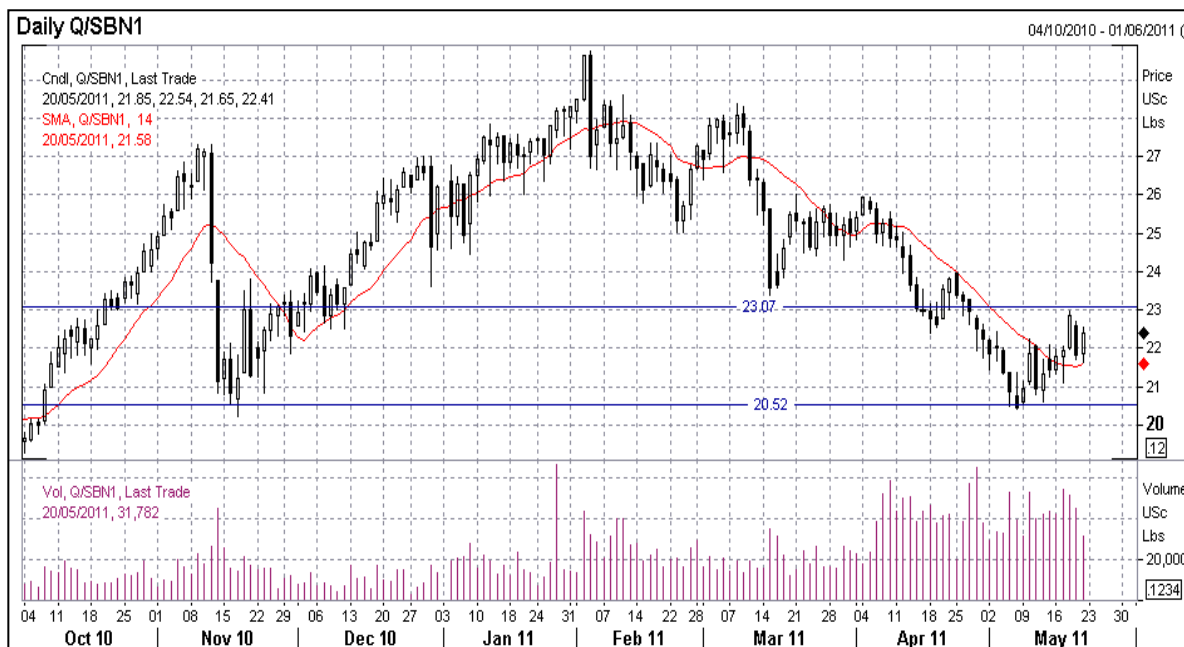
| International Sugar Prices (Weekly) | | | | |
|-------------------------------------|----------------|-----------|-----------|--------|
| | Contract Month | 16/5/2011 | 23/5/2011 | Change |
| ICE Sugar #11 (US Cent/lb) | Jul'11 | 21.77 | 21.51 | -0.26 |
| | Oct'11 | 21.42 | 21.24 | -0.18 |
| | Mar'12 | 21.56 | 21.72 | +0.16 |
| LIFFE Sugar (US \$/MT) | Aug'11 | 607 | 612.9 | +5.9 |
| | Oct'11 | 572.1 | 577.6 | +5.5 |
| | Dec'11 | 578.2 | 575.6 | -2.6 |

LIFFE Future Market Sugar Scenario (Aug'11 Contract):



Prices in LIFFE Exchange of Sugar Future August contract shows bullish trend last week as news of Brazil output declining drastically supported the prices. We are expecting that prices may go down in the upcoming week as improved supply from Brazil may pressurize the prices down.

ICE Raw Sugar Future Market Scenario (July'11 Contract):



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