

### Domestic Market Recap:

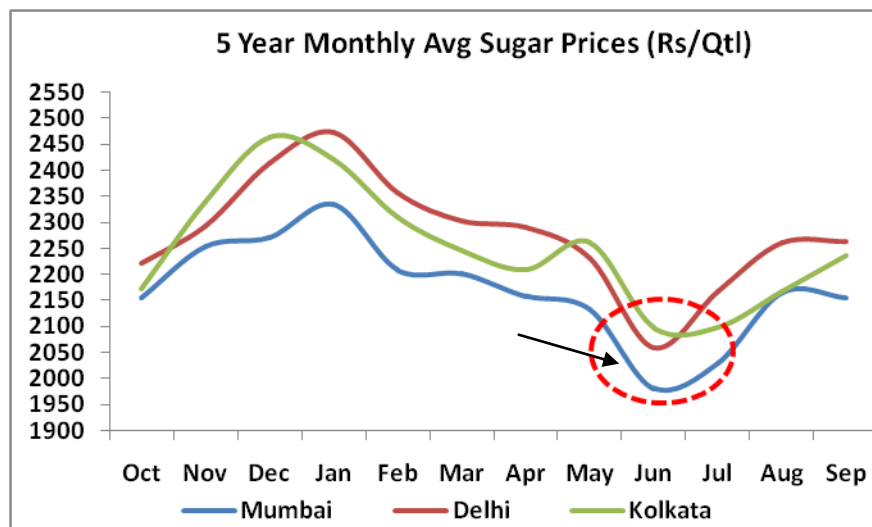
Sugar prices have witnessed bearish sentiments in the previous week. Sugar prices came down owing to ample stock of sugar with mills and paltry demand in various markets. Aggressive selling of sugar by millers in the open market leads to panic among traders as there are very few buyers in the market pressurizing traders to sell their stock in very low profit margins. Sugarcane crushing in Maharashtra is yet to end and their stocks entering the market may drag the prices downwards even more.

Upcountry buyers like Delhi, Haryana, Rajasthan prefer sourcing from Maharashtra, whereby they save upto Rs.50 profit per bag including transportation cost if they are going to buy sugar from Maharashtra. Currently, Prices of sugar in Kolhapur market are Rs.2500 and on the corresponding, prices in UP are hovering around Rs.2805/Qtl.

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 Muzaffar Nagar.

Government has released 16.5 lakh tonnes non-levy sugar quota for June month. 4 year Avg June sugar quota is 15.25 lakh tonnes which suggests that the 16.5 lakh tonnes sugar quota for June month is higher which may likely impact on sugar prices downwards.

By seeing the seasonal trend we are expecting that the prices of sugar in June month are likely to go down further.



Sugar prices used to fall during June as seasonality is reflected from the above chart. As mills almost complete is crushing by June end. Higher stock position by June end and compulsion to liquidate the allotted quota compel millers to sell aggressively during June which mostly results into softening of sugar prices. The condition is likely to similar for current year too and with higher production estimates y-o-y basis we expect sugar prices to stay at subdued levels. Meanwhile, cooler than normal summer during 2011 hold bulk buyers to go for aggressive buying this time and the same might get reflected in the sugar price trend moving forward.

### News Highlights:

- The area under sugarcane cultivation in India is projected to increase by 8-10% in 2011/12 (Oct/Sep) due to favorable cane prices and relatively favorable weather conditions. As per the media sources, they are projected the area to reach 5.47 mln ha next season, which could yield 380 mln tonnes of cane and 26.0-26.5 mln tonnes of sugar. This compares with 4.98 mln ha sown to the crop in 2010/11, which is currently estimated to result in a cane crop of 346 mln tonnes and 24.2-24.5 mln tonnes of sugar. (Source: Agra-net)
- India has made available 1.65 million tonnes of non-levy sugar for June, lower than the 1.75 million tonnes released in May but is higher than last three years average sugar quota. Increased quota for June month is likely to have bearish impact on sugar prices in the existing month. The government has released 207,000 tonnes of levy sugar for June.
- Government will allow setting up 92 private sugar mills in Maharashtra in the next four and half years. The establishment of these sugar mills would cost around Rs. 9000 crore. Maharashtra state alone contributes one third of the total sugar production in India. At present, there are 165 cooperative mills and 43 private sugar mills in the state.
- The Director General of Foreign Trade has allocated 10,000 MTs of raw/white Sugar for export of CXL Concessions Sugar to European Union (EU) for the period October, 2010 to September, 2011.
- Mills in Tamil Nadu have crushed 136.9 lakh tonnes and produced 12.8 lakh tonnes sugar, up 27.82% from previous year, with an average recovery of 9.36%. Tamil Nadu mills had crushed 110.08 lakh tonnes and produced 10.03 lakh tonnes sugar with an average recovery of 9.11% same period last year. It is noticeable that all the sugar mills in Tamil Nadu have closed their crushing operations for MY 2010-11. Increased sugar production in Tamil Nadu will support the government estimate of 24.5 million tonnes sugar production scenario for 2010-11.
- Marginal decline in acreage is expected in Karnataka for 2011-12, where the area might see a decline of nearly by 5.78% owing to moderate returns to the growers against anticipation of getting the previous year prices level. At the same time cotton remain competitive for sugarcane in major cane growing region of Karnataka and better realization of cotton and maize compared with cane stands discouraging for the growers to go for active cane planting. However, intention might change during June when active planting is expected considering recent decline in cotton prices. In 2010-11, mills paid Rs. 174/Quintal to farmers in comparison to Rs.240/Quintal in 2009-10.
- Cane area is expected to decrease from Gujarat, owing to relatively lower return to the growers in 2010-11 which is likely to drop cane area by 16.05% in 2011-12. In 2010-11, millers paid Rs.150-170/Quintal till second installment to farmer's less than last year cane price of Rs.245/Quintal. At the same time cane payment during 2010-11 hovers very close to government set FRP which stand discouraging for the farmers to go for aggressive cane planting.

### Sugar Production Scenario (2010-11):

Sugar production is likely to hover near 24.4 million tonnes for 2010-11. Sugar production in Maharashtra, biggest state sugar producer in India, is likely to touch its estimated sugar production level of 9.1 million tonnes. Meanwhile sugar production in UP has stood at 5.8 million tonnes. Adding the sugar production of states like Andhra Pradesh, Karnataka, Tamil Nadu, Haryana, Punjab and Gujarat, we expect overall sugar production may reach at 24.4 million tonnes for 2010-11.

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

### Sugarcane Crop Estimate (2011-12) – Agriwatch Estimates

Sugarcane acreage in India for 2011-12 is likely increase by 8.14% due to better remuneration price for cane over FRP (Rs 145/Qtl) to farmers and good realization from cane in comparison to crops like paddy, maize etc lures the growers to go for active planting and thus increase the overall cane area.

Area might decline in Gujarat and Karnataka by 16.05% and 5.78% respectively. Moderate returns to the growers against the anticipation of previous year SAP discourage the growers in Gujarat and Karnataka to shift their crop from sugarcane to other crops like Cotton, Maize etc.

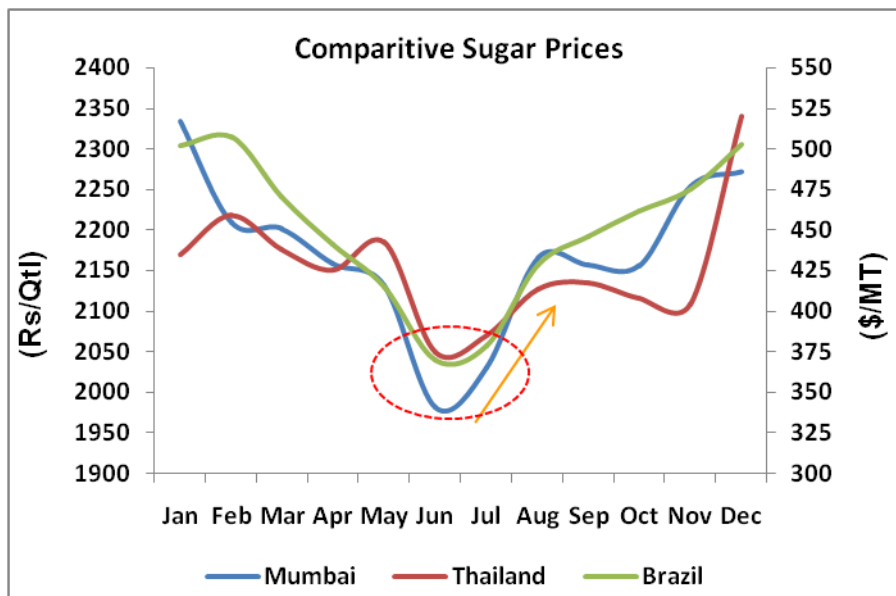
By considering the previous two years average yield we are expect sugarcane production for 2011-12 to go up by 15%.

### Sugar Production Estimate (2011-12)

Sugar production is likely to increase to 26 million tonnes up 6.58% compared to 24.4 million tonnes in 2010-11. Diversion from Cane to Gur and Khandsari might be close towards 20% while 11.9% will be available for Seed/Feed purpose. India is likely to crush 267.2 million tonnes of sugarcane to produce 26 million tonnes of sugar with consideration of average recovery to stay near 9.85%.

### Spot Sugar Prices Scenario (Weekly)

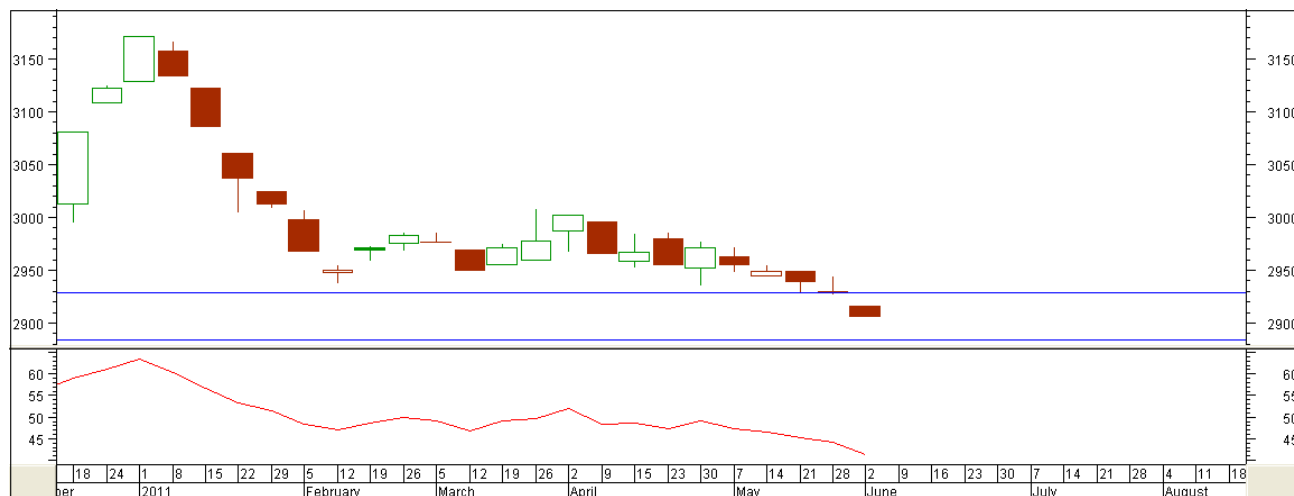
	23-May-11	02-June-11	change
Mumbai M-30	2878	2831	-47
Mumbai S-30	2756	2701	-55
Muzaffar Nagar M	2885	2850	-35
Delhi M-30	2900	2870	-30
Delhi S-30	2860	2820	-40
Kolhapur M-30	2718	2671	-47
Kolhapur S-30	2596	2541	-55



As chart suggests, normally prices in June month remains at its lowest level in domestic as well as International markets. There is a very strong correlation between prices of India with Thailand and Brazil also. It means that if prices in Brazil and Thailand go up then it will be followed by Indian Domestic market also.

By considering the seasonal trend, we are expecting that the prices may rebound after June month in domestic as well as international markets.

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



As the chart suggests, the spot prices are going downwards in Muzaffarnagar. Subdued demand in the Muzaffar Nagar spot market drags the prices downwards by Rs.15.

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 to Rs. 2884/Qtl. in the upcoming week. At present the prices are hovering near Rs. 2905/Qtl.

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



As the chart suggests, the spot prices are in a bearish phase in Kolhapur . Ample supply and subdued demand in the Kolhapur spot market drags the prices downwards by Rs.50 last week. Strong arrivals of sugar in the spot market driving the prices down.

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. 20-30 in the upcoming week and may settle up to Rs. 2501/Qtl . Currently prices are hovering near to Rs. 2524 per Qtl.

### Gur Scenerio

Steady to negative sentiments witnessed in various spot markets of Gur last week. Lackluster trade and less offloading of Gur stored in Cold storage have put pressure on prices. Also, paltry but continuous arrivals of fresh gur in Muzaffar Nagar market increase the supply of Gur in the market.

According to leading sources, Fresh Gur (Chaku variety) arrival is going to close in the coming days and put pressure on Gur stored in cold storage for selling in the open market which may rebound the prices and demand of Gur in the coming days.

However, closing of cane crush in Maharashtra and Karnataka may provide uncrushed cane to kolhus which may increase the supply of Gur in the market after 15<sup>th</sup> June. Around then the remaking of the cold storage gur and the dropping temperatures will also improve the market.

For next week, we are expecting that Gur prices may likely to remain in consolidation phase and no such high fluctuation expected in Gur prices for next week.

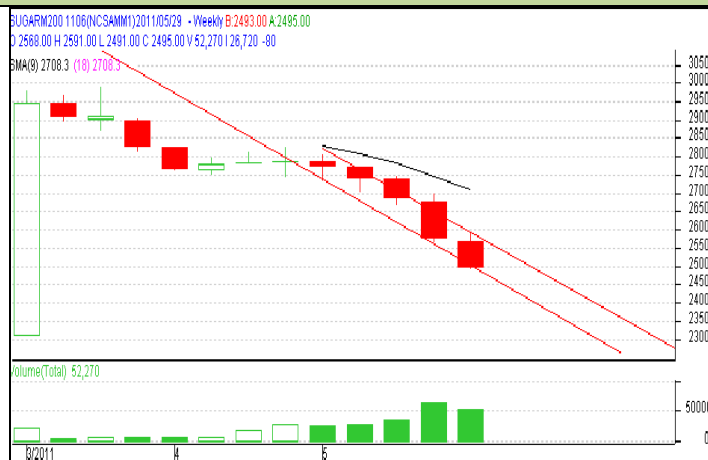
Commodity: Sugar  
Contract: June

Exchange: NCDEX  
Expiry: June 20<sup>th</sup>, 2011

## SUGAR

### Technical Commentary:

- Prices of sugar are moving in a channel range between Rs. 2495 to Rs. 2808. Prices are hovering at channel support. Two consecutive prices trading below existing channel may drag the sugar future prices down to Rs. 2433 and then may touch to Rs. 2400 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	2400	2433	2495	2525	2569
Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	June	<b>Sell</b>	<2495	2433	2400	2525

Commodity: Gur  
Contract: July

Exchange: NCDEX  
Expiry: July 20<sup>th</sup>, 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	981.50	1024	1044
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	July	<b>Sell</b>	<989.50	971	960	1001

## International Scenario

Sugar prices in LIFFE and ICE Sugar Futures saw a correction last week as Brazil output went down despite of improved pace of sugar production. According to UNICA. In international market, sugar prices have improved due to increased demand from EU, Russia and Mexico which is likely to increase the prices from existing level in ICE as well as LIFFE sugar future markets.

### International Market News Highlights:

- Thailand expects to export a record 7 million tonnes of sugar in 2011. The 2010/11 crushing season had almost ended and a total 9.62 million tonnes of sugar was estimated to have been produced. Thailand, the world's second-biggest sugar exporter after Brazil, shipped 4.42 million tonnes in 2009. Also sugarcane production in 2010/11 (Nov/Oct) is now seen at a record 93 mln tonnes, prompting the extension of the current 2010/11 crushing season by a month to the end of May which supports the sugar output.
- Sugar output in Brazil's Center South region, world's largest producing region, slumped 17 percent in the first half of May. Output dropped to 1.55 million tonnes in the first half of May from 1.87 million tonnes in the same period last year. Brazil's sugar output is expected to rise by about 2.7 million tonnes to 40.9 million tonnes this year.
- Ukraine is likely to produce 2.1 million tonnes of sugar from beet up 40 percent in 2011-12 by crushing 17 to 17.5 million tonnes of sugar beet. In 2010-11, Ukraine produced 1.55 million tonnes of sugar by crushing 13.7 million tonnes of Sugar beet. Ukraine consumes about 1.8 million tonnes of sugar per year exporting the rest.
- Mexico has so far produced 5.13 million tonnes of sugar in 2010-11, 8.4 percent more than previous harvest. In 2009-10, Mexico produced 4.7 million tonnes of sugar in the same period. Mexico's sugar harvest is expected to reach 5.25 million tonnes in 2010-11. Recently, Economy Ministry of Mexico opened a 150,000 tonne sugar import quota at the end of May to keep prices low in the local market and ensure domestic supply.
- The European Union will open an additional 200,000-tonne duty-free import quota for raw and white sugar and also approved a tendering system for future imports at reduced duties.
- China produced 554,400 tonnes of sugar in April 2011, up 54.7% from 358,300 tonnes produced in the same month last year. Imports by China, the world's second-biggest consumer after India, may jump 35 percent as output trails demand, helping push global prices higher. The nation may produce 12.5 million tons in the year from Oct. 1, while demand may be 15 million tons.

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	683.9	716.7

International Sugar Prices (Weekly)				
	Contract Month	23/5/2011	2/6/2011	Change
ICE Sugar #11 (US Cent/lb)	Jul'11	21.51	23.52	+2.01
	Oct'11	21.24	23.38	+2.14
	Mar'12	21.72	23.60	+1.88
LIFFE Sugar (US \$/MT)	Aug'11	612.9	683.90	+71
	Oct'11	577.6	628.30	+50.7
	Dec'11	575.6	617.90	+42.3

### 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 up further in the upcoming week as improved demand from buyers like Russia, EU, China and Mexico may take the price upwards in the coming week. Prices is likely to settle at \$716.7/MT in the coming week.



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



ICE Raw sugar future price has rebound in this week due to lower output by Brazil and high demand scenario of sugar in previous week by countries like Russia, Mexico, and EU etc. Prices are hovering near to strong resistance level if breached then it may go up to 25.01 cents/pound in the coming week. Also, keeping in view the brazil sugar production and ongoing demand may likely to push the prices up.

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