

Domestic Market Recap:

Sugar prices decline witnessed in major domestic physical markets in previous month. Subdued demand and lackluster trade of sugar in the markets was the main reason for price decline. Also, higher sugar quota for June month when compared to 3 years average results in good supply of sugar in the open market. However, sugar prices witnessed steep correction in the last week as government allows additional 5 lakh tonnes sugar exports under OGL which totaled the overall sugar exports figures to 10 lakh tonnes in 2010-11. However, industry was expecting 15 lakh tonnes sugar exports from government.

Demand has improved for sugar in various spot markets. In Maharashtra, demand came from various upcountry buyers like Rajasthan, Karnataka, Andhra Pradesh and UP. However, demand remains sluggish for sugar in UP markets in the previous month due to sugar is available at cheaper rate in Kolhapur which urges upcountry buyers to lift sugar from Kolhapur inspite of UP.

Additional 5 lakh tonnes of sugar exports will give some respite to the sugar millers. Now, millers can dictate their terms in front of export house and may ask for higher sugar premium in lieu of their sugar export license which millers can sell it to the export houses.

Also, government released lower sugar quota for July month which might give support to sugar prices of sugar in the coming month. Mills have to liquidate less sugar in the open markets which decrease the sugar supply in the markets which further give some respite to sugar prices.

Prices may likely to rebound in the coming month owing to less sugar quota obligation for millers for July. Also, demand may improve owing to ramazan festive season. Also, export demand might increase the prices of sugar.

News Highlights:

- India has made available 15.60 lakh tonnes of non-levy sugar for July, lower than the 16.5 lakh tonnes it had released for June but higher than last three years average sugar quota released by government for July month. Lower quota for July month is likely to put bullish impact on sugar prices in the coming month. The government has released 2.12 lakh tonnes of levy sugar for July.
- Govt. Allows Additional 5 lakh Tonnes Sugar Exports under OGL which totaled the sugar quota for export to 10 lakh tonnes which is much below the industry expectation of 15 lakh tonnes.
- EGOM panel did not take any decision on removing stock holding limits for sugar. India had put the stock holding restrictions in 2009 when production fell due to bad monsoon rains.
- Bulk consumers like cold drink makers were not active in the market. Retail demand was there, but wasn't enough to support prices.
- India's Maharashtra state, the biggest sugar producer in the country, has revised downward its 2010/11 sugar output forecast to 9 million tonnes from the previous 9.1 million tonnes.
- According to the Directorate General of Foreign Trade, India has allowed upto 10000 tonnes of organic sugar exports per annum. The step came to encourage the farmers to adopt organic farming. The government tries to give some relaxation on exports of sugar produced without using chemical fertilizers and pesticides.
- Indian sugar millers want to export an extra 15 lakh tonnes of the sweetener under the Open General Licence (OGL) scheme this season.

- The Food Ministry has proposed 15% import duty on sugar from July 1 as the country's production is higher than the domestic demand. The government had abolished import duty to boost domestic supply in February 2009.
- Maharashtra state is likely to have five lakh tonne excess sugarcane, which sugar factories may not be able to crush. The wet-field conditions due to rainfall, acute shortage of labour and cultivation at distant locations are the major hurdles in transporting the excess sugarcane to the factories for crushing. This will reduce the original estimate by 50,000 tonnes of sugar from the overall 24.4 million tonnes sugar production for 2010-11.
- Maharashtra sugar mills have crushed 800 lakh tonne sugar cane till Saturday, surpassing the state's earlier record of 798.49 lakh tonne sugar cane in 2006-07.
- Government is planning to establish 92 private sugar mills 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 hereby allocates a total quantity of 10,000 MTs (Ten thousand metric tonnes) of raw/white Sugar for export of CXL Concessions Sugar to European Union (EU) for the period October, 2010 to September, 2011.

Sugar Production Scenario (2010-11)

Sugar Production for 2010-11 revised to 24.7 million tonnes up 0.3 million tonnes to our previous projections of 24.4 million tonnes. Extended crushing operations by mills in Maharashtra and Tamil Nadu and better sugar production figures for Gujarat increase the overall sugar production scenario for 2010-11.

| Sugar Production estimate for 2010-11 (In Million Tonnes) | |
|---|-----------|
| Indian Government | 24.5 |
| ISMA | 24.2 |
| Agriwatch | 24.7 |
| Sucden | 24.0-24.5 |
| ED&F Man | 24.5 |
| Maharashtra State Cooperative Sugar Factories Federation (MSCSFF) | 24.5 |

Sugar production figures after revision exceeds the government and industry association ISMA sugar production estimates for 2010-11 by 0.2 and 0.5 million tonnes respectively.

Sugar Production Scenario by Major Sugar Producing States (In lack tonnes)

| States | Sugar Production as on 26th June | Expected Time for mills to close operations | Sugar Production during crushing continues (Expected) | Total Sugar Production |
|----------------|---|--|--|-------------------------------|
| UP | 58.75 | Closed | Nil | 58.75 |
| Maharashtra | 90.2 | End of June | 0.8 | 91 |
| Andhra Pradesh | 10 | Closed | Nil | 10 |

| | | | | |
|-----------------------------|---------------|----------|-------------|---------------|
| Karnataka | 37 | Closed | Nil | 37 |
| Tamil Nadu | 14.48 | - | 1.91 | 16.39 |
| Haryana | 19.29 | Closed | Nil | 19.29 |
| Gujarat | 12.3 | Closed | Nil | 12.3 |
| Punjab | 3.02 | Closed | Nil | 3.02 |
| Total | 245.04 | - | 2.71 | 247.75 |
| Total Govt. estimate | 245 | | | |

*Figures as on 26th June 2011.

Above data has been collected by various sugar commissionerate. It was found that till 26th June 2011, mills have produce 245 lakh tonnes sugar and mills in Maharashtra and Tamil nadu will take this figure to 247.75 lakh tonnes.

Planting Situation for 2011-12

Better rainfall prospects and pre-seasonal rainfall urges farmers to plant overall sugarcane in 50.94 lakh hectares as on 24th June, 2011, Higher area has been reported from Uttar Pradesh (1.1 lakh hectare), Maharashtra (0.18 lakh hectare) and Karnataka (0.19 lakh hectare). Compared to 2010, the sugarcane acreage in the country is 2.23lakh hectare higher on 24.6.2011. Data reveal from the latest report announced by the government.

1. Area Estimation:

Agriwatch has revised up its sugarcane area estimate for 2011-12 season by 9.79% to 5439000 hectares as compared to previous estimates of 4955000 hectares. due to various factors like better cane price expectation by farmers for 2011-12 season.

Area has been revised in UP state (India's biggest sugarcane producing state) by 7.96% in 2011-12 from previous area estimate of 8% increase. As per the data collected by farmers and millers, Mills in UP is paying the price weekly to farmers that change the sowing sentiments of farmers. Increased SAP expectation and good realization from cane crop in comparison to wheat and rice are the main reason that urges farmers to divert their land to sugarcane cultivation.

As far as Maharashtra is concerned, we has revised area estimate to 11.90% in 2011-12 from previous estimate of 14.89%. Better Irrigation facilities and better realization cane price in Sugarcane compared to rice, banana crop also urges the farmers to shift their land to sugarcane. It is noticeable that average cane price paid by millers in 2010-11 is Rs.175/Quintal much lower than last year cane price payment that was Rs.264/Quintal. Despite of low cane remuneration by farmers, they still found sugarcane crop more profitable than other crops.

In Tamil Nadu, after the second round of survey by Agriwatch, it was found that sown area under sugarcane has been increased by 25.26% from our previous estimate which was showing an increase in area by 15% in 2011-12 due to good remuneration price paid by millers in 2010-11 encourage the farmers to plant sugarcane crop in their respective fields. Also less profit in Paddy and normal rains prediction may encourages the sugarcane growers. In 2010-11, mills paid Rs.194/Quintal in comparison to Rs.166/Quintal in 2009-10.

Area in Andhra Pradesh has been revised to 10.93% increase in 2011-12 from our previous estimate which was increase by 3.07% in 2011-12. The main reasons are prompt cane payment and good remuneration to farmers by mills. Also, a healthy competition within mills to get the cane from farmers also encourages the farmers to increase the sugarcane crop in their field. In 2010-11, mills have paid Rs.193/Quintal which is much higher than previous year price remuneration i.e Rs.188/Quintal.

After completing second round of survey we found that Area in Karnataka increase by 2.92% which has decreased by 5.78% in our first round of survey. Good realization in cane crop in comparison to maize and cotton which urges farmers to plant more sugarcane for 2011-12.

Area has been revised in Gujarat which has been decreased by 7.49% in 2011-12 in comparison to 16.05%, according to our previous estimate. In Gujarat, very low price remuneration by millers to farmers in 2010-11 is the reason for decrease in area. In 2010-11, millers paid Rs.150-170/Quintal till second installment to farmers less than last year cane price payment i.e Rs.245/Quintal.

Area has been revised for Haryana for 2011-12 witnessed an increase in 26.31% which is higher than previous estimate i.e 12.41%. Due to better price expectation for next year, Area in Haryana may rise in 2011-12. Also less profit in crops like wheat and paddy encourage the farmers to transfer into sugarcane.

| States | Area (000 hec) | | %Change |
|----------------|----------------|-------------|--------------|
| | 2010-11 | 2011-12 | |
| UP | 2125 | 2294 | 7.96% |
| Maharashtra | 964 | 1079 | 11.90% |
| Tamil Nadu | 336.2 | 421 | 25.26% |
| Andhra Pradesh | 192 | 213 | 10.93% |
| Karnataka | 421 | 433 | 2.92% |
| Gujarat | 188 | 174 | -7.49% |
| Haryana | 85 | 107 | 26.31% |
| Punjab | 69 | 89 | 28.87% |
| Others | 574 | 629 | 9.50% |
| India | 4955 | 5439 | 9.79% |

2. Yield Estimation:

We kept the yield for 2011-12 unchanged. For the next harvesting season 2011-12, we have considered previous 2 year average yield to calculate the yield of sugarcane. Also by considering the prediction of normal monsoon by Meteorological Department this season may likely give some boost to the overall yield. On the basis of these assumptions. We expect that the yield may likely to increase by 6.71% across the country in 2011-12.

| States | Yield (Kg/hect) | | %Change |
|----------------|-----------------|------------|---------|
| | 2010-11 | 2011-12(E) | |
| UP | 57411 | 58331 | 1.60% |
| Maharashtra | 82318 | 83592 | 1.55% |
| Tamil Nadu | 101962 | 101707 | -0.25% |
| Andhra Pradesh | 78000 | 76051 | -2.50% |
| Karnataka | 86449 | 88392 | 2.25% |
| Gujarat | 75745 | 78132 | 3.15% |
| Haryana | 73506 | 72800 | -0.96% |
| Punjab | 59855 | 60761 | 1.51% |

| | | | |
|--------------|--------------|--------------|--------------|
| Others | 39936 | 40335 | 1.00% |
| India | 68733 | 73345 | 6.71% |

3. Cane Production Estimation (2011-12)

After second round of survey done by Agriwatch, it was found that cane production is revised for 2011-12 up 17% which is higher than previous cane production estimate of 15% in comparison to 2010-11 owing to area and yield may likely to increase by 8.14% and 6.71% respectively. Also normal monsoon prediction by IMD may likely to support the overall sugarcane production for 2011-12.

| States | Cane Production (MMT) | | %Change |
|----------------|-----------------------|------------|--------------|
| | 2010-11 | 2011-12 | |
| UP | 122.0 | 134 | 9.7% |
| Maharashtra | 79.4 | 90 | 13.6% |
| Tamil Nadu | 34.3 | 43 | 24.9% |
| Andhra Pradesh | 15.0 | 16 | 8.2% |
| Karnataka | 36.4 | 38 | 5.2% |
| Gujarat | 14.2 | 14 | -4.6% |
| Haryana | 6.2 | 8 | 25.1% |
| Punjab | 4.1 | 5 | 30.8% |
| Others | 22.9 | 25 | 10.6% |
| India | 340.5 | 399 | 17.2% |

Sugar Production Estimation (2011-12)

Taking the assumptions of higher sugarcane production and last three years sugar recovery into account, we are expecting that the sugar production may likely to increase by 7% in 2011-12. We take 9.85% 3 years average sugar recovery for 2011-12. Sugarcane diversion for crushing may likely to be 68.1% while diversion for Gur/Khandsari stood at 20% out of total sugarcane production. 11.9% divert to Seed/Feed purpose. Sugar production estimate for 2011-12 may likely to be 26.4 million tonnes which is higher than previous estimate i.e. 26.0 million tonnes.

| States | Sugar Production 2011-12 (MMT)(E) |
|----------------|-----------------------------------|
| UP | 7.7 |
| Maharashtra | 8.4 |
| Tamil Nadu | 2.2 |
| Andhra Pradesh | 1.1 |
| Karnataka | 3.3 |
| Gujarat | 1.1 |
| Haryana | 0.4 |
| Punjab | 0.3 |

| | |
|----------------------------|-------------|
| Others | 0.0 |
| India | 26.4 |
| Total India 2010-11 | 24.7 |

Exports Scenario

White sugar prices in International market moved up by \$108.4/MT in a month from \$658.3 /MT on 29th May 2011 to \$766.7 quoted on 29th June, 2011 in its bench mark market of Liffe. Port congestion in Brazil and Thailand and Y-o-Y less sugar production in Brazil are the reason to support white sugar prices in recent past.

In domestic market, recent additional export allowance by central government give some respite to millers which now can dictate their terms and may charge increase premium price over current domestic price from export houses. Low domestic and high international prices increase the spread significantly thereby creating export opportunity for exporters. Moreover, export parity is likely to extend further for coming couple of weeks despite expectation of marginal softening in the international prices. Indian FOB prices are still competent when compared with its competitors like Thailand and Brazil.

| Comparative Sugar FOB Prices (USD/MT) | | | |
|--|---------------------|---------------------------|---------------------------|
| Sugar Parity Calculations | South (T.N) | West (Maharashtra) | North (U.P) |
| | Chennai S 30 | Kolhapur S 30 | Muzaffarnagar M 30 |
| FOB India (USD/MT) | 724.15 | 708.23 | 757.60 |
| | Brazil | Thailand | |
| FOB (USD/MT) | 764.80 | 794.80 | - |

* Figures as on 29/6/2011.

Given the additional sugar export quota available there is high competition amongst exporters for the licenses. They may offer premiums over the mill gate prices to get the export quota from the mills. However, after considering Indian premiums sugar export remains viable from Chennai and Kolhapur region taking the freight advantage when compared to the land locked UP.

Meanwhile, millers get benefitted from existing additional sugar exports as export parity widens which urges exporters to give more premium over existing domestic sugar prices which helps sugar mills to cover their losses. However, the quantity allotted is not significant when compared to their crushing capacity and might not able to keep sugar prices at higher levels.

Domestic Sugar Balance Sheet:

Revised figures of sugar production for 2010-11 showing sharp jump in sugar production (~30.69%) for 2010 which improved the total availability by nearly 7.27% when compared with previous year. Considering yearly growth of consumption to the tune of 2.2% and export permission of additional 5 lakh tons OGL system along with previous 5 lakh tonnes sugar export permit and 1.5 million tons exported so far against Advance License Scheme, total usage for 2010-11 is likely to up by 12.29%. This would result into overall decline in the ending stocks of sugar (17.09%)

Meanwhile, at the other side of the coin, despite expected sharp decline in the opening stocks for 2011-12 marketing year sugar production is expected to increase by nearly 6.88% considering normal monsoon and equitable distribution in the major cane growing region of India. Keeping in view surge in sugar production y-o-y total availability is expected to increase by ~3.06% which results in to marked improvement in the sugar ending stocks to the tune of 20.62% considering consumption to grow by nearly 2.6% for 2011-12.

The detail of the supply and demand component is enlisted in the following table:

| All Units in Million Tons | 2009-10 | 2010-11 | 2011-12 |
|-----------------------------|---------|---------|---------|
| Opening stocks | 3.7 | 4.7 | 3.88 |
| Production | 18.9 | 24.7 | 26.4 |
| Imports | 4.8 | 0.0 | 0.0 |
| Total Availability | 27.4 | 29.38 | 30.28 |
| Domestic consumption | 22.5 | 23.0 | 23.6 |
| Exports | 0.2 | 2.5 | 2.0 |
| Total Usage | 22.7 | 25.5 | 25.6 |
| Closing stocks | 4.7 | 3.88 | 4.68 |
| Average Monthly consumption | 1.9 | 1.92 | 1.97 |
| Stocks in months to use | 2.5 | 2.02 | 2.38 |
| Stock/Consumption Ratio | 0.2 | 0.17 | 0.20 |

*Export break up – OGL – 1.0 million tons(subject to govt permitting), ALS – 1.5 million tons

Expectation of marked gain in the ending stocks for 2011-12 owing to better production scenario, stock to month use ratio and stock to consumption ratio is expected to improve significantly indicating satisfactory supply scenario. This might prompt the government to review its current export policy to avert a situation of glut similar to 2006-07 and 2007-08. However, any policy change will be dependent on the monsoon and amount of precipitation received during July and Aug.

Molasses and Ethanol Production Scenario (2010-11)

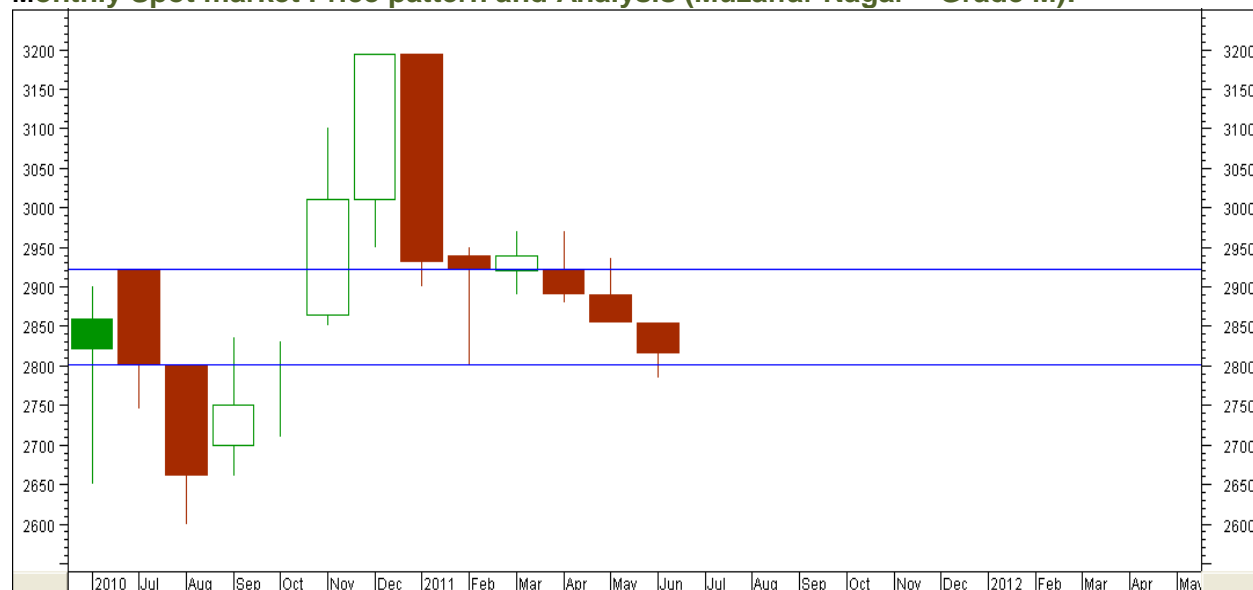
Mills have crushed 2217.57 lakh tonnes of sugarcane and produce 100.46 lakh tonnes Molasses with an average recovery of 4.53% in 2010-11. Out of total molasses production, 2219.07 lakh liters ethanol has been produced in 2010-11.

| Molasses and Ethanol Production (2010-11) | | |
|--|---|--|
| States | Molasses Production (In Lakh Tonnes) | Ethanol Production (In Lakh liters) |
| UP | 29.13 | 643.57 |
| Maharashtra | 36.24 | 800.54 |
| Tamil Nadu | 7.10 | 156.75 |
| Andhra Pradesh | 4.71 | 104.07 |
| Karnataka | 15.08 | 333.23 |
| Gujarat | 5.60 | 123.67 |
| Haryana | 1.04 | 22.90 |

| | | |
|--------------|---------------|----------------|
| Punjab | 1.56 | 34.35 |
| India | 100.46 | 2219.07 |

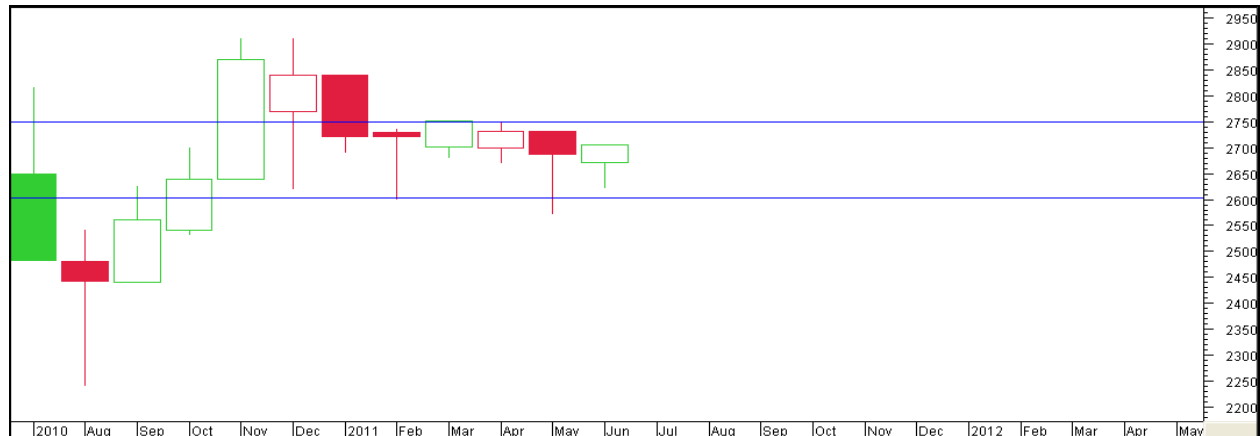
Spot Sugar Prices Scenario (Monthly):

| | 28-May-11 | 28-June-11 | change |
|------------------|-----------|------------|--------|
| Mumbai M-30 | 2851 | 2866 | 15 |
| Mumbai S-30 | 2716 | 2665 | -51 |
| Muzaffar Nagar M | 2860 | 2815 | -45 |
| Delhi M-30 | 2900 | 2880 | -20 |
| Delhi S-30 | 2860 | 2820 | -40 |
| Vijayawada M | 2860 | 2870 | 10 |
| Vijayawada S | 2820 | 2750 | -70 |
| Nagpur M | 2900 | 2840 | -60 |
| Nagpur S | 2870 | 2780 | -90 |
| Chennai S | 2620 | 2610 | -10 |
| Kolhapur M-30 | 2691 | 2706 | 15 |
| Kolhapur S-30 | 2556 | 2505 | -51 |

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


As the chart suggests, the spot prices are bearish in Muzaffarnagar. Subdued demand in the Muzaffar Nagar. Technicals and fundamentals of Muzaffar Nagar spot market reveal that prices to stay steady to positive in the upcoming month. Prices of Sugar M in Muzaffar Nagar spot market might increase by Rs. 100 per quintal and expect to move up to Rs. 2921/qtl. due to improved demand, lower sugar quota for July and festive season. At present, spot prices are hovering at Rs. 2815/qtl.

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



Spot prices rebound in Kolhapur spot market. Improved demand in the Kolhapur spot market supports the prices upwards by Rs.30 last month. Improved buying came from various upcountry buyers increase the spot prices of Kolhapur.

We expect sugar prices in Kolhapur to trade positive in the upcoming month. Prices of Sugar-S in Kolhapur spot market is likely to go up further by Rs.2706 to Rs 2750/ctl. in the upcoming month.

Gur Scenario

Gur prices have been steady to negative in Muzaffarnagar spot market in previous month. Weak demand and lackluster trade of Gur kept the prices of Gur at lower side. On an average, 6000 bags are lifting per day from Muzaffarnagar market.

Talking about the stock position, 800,000 bags are stored in Cold storage for Chaku variety Gur which are 150,000 bags more compared to previous year stock position of Chaku variety Gur i.e. 650,000 bags. Increased stock position of Gur in cold storage puts pressure on market to empty the pipeline in coming 2 months as new arrivals of Gur will start from October 2011 which might pressurize the prices in the coming month. However, Raskut and Papdi variety Gur is 100000 bags less than previous year. Remade Gur from chaku Gur is not making on its full swing owing to major buyer of remade Gur, Haryana is making Gur from its own which fulfill its own requirements.

Major threat for Muzaffarnagar traders is the fresh arrivals of Gur from Maharashtra and Karnataka which can snatch the buyers (Gujarat and Rajasthan) of Gur from UP.

For the next month prices are likely to remain steady to weak owing to selling pressure of gur for traders of UP. Also, subdued demand of gur pressurize the prices in the coming month.

| Gur/Khandsari Production 2010-11 (In lakh tonnes) | |
|--|---------------------------------|
| States | Gur/Khandsari Production |
| UP | 56.10 |
| Maharashtra | 5.51 |
| Tamil Nadu | 18.04 |
| Andhra Pradesh | 4.44 |
| Karnataka | 3.28 |
| Gujarat | 1.99 |
| Haryana | 3.84 |
| Punjab | 0.68 |
| India | 96.45 |

India has produced 96.45 lakh tonnes of Gur in 2010-11. Overall 30% sugarcane has been diverted for to out of which 26.44% has been diverted for Gur and Khandsari production. Kohlus has got 843.3 lakh tonnes of sugarcane and produce 96.45 lakh tonnes of gur with an average recovery of 11.43%. Higher gur production for 2010-11 increases the supply situation of gur and will pressurize the prices further in the coming month.

Commodity: Sugar
Contract: August
Exchange: NCDEX
Expiry: August 20th, 2011
SUGAR
Technical Commentary:

- Prices of sugar are moving in a range between Rs. 2421 to Rs. 2789. Prices are moving upwards and may take downside correction. If prices breached its support level of Rs 2673 then it may go down further.
- However, Oscillators like RSI is hovering in overbought region.


Strategy: It is advisable to sell from support level.

| Intraday Supports & Resistances | | | S2 | S1 | PCP | R1 | R2 |
|---------------------------------|-------|--------|-------------|-------|------|------|------|
| Sugar | NCDEX | August | 2602 | 2673 | 2730 | 2766 | 2789 |
| Intraday Trade Call | | | Call | Entry | T1 | T2 | SL |
| Sugar | NCDEX | August | Sell | <2730 | 2673 | - | 2766 |

Commodity: Gur
Contract: September
Exchange: NCDEX
Expiry: September 20th, 2011
GUR
Technical Commentary:

- Gur future prices consolidate and moving in a range from Rs.975 to Rs.1010 if breached either side will decide the movement of prices. However, prevailing fundamentals indicates bearishness in the market.
- However, RSI is in oversold region which suggests bullishness in the prices.


Strategy: Sell from resistance level is advisable.

| Intraday Supports & Resistances | | | S2 | S1 | PCP | R1 | R2 |
|---------------------------------|-------|-----------|-------------|-------|-------|------|------|
| Gur | NCDEX | September | 964 | 975 | 975.5 | 1030 | 1060 |
| Intraday Trade Call | | | Call | Entry | T1 | T2 | SL |
| Gur | NCDEX | September | Sell | <1010 | 975 | 964 | 1030 |

International Scenario

International sugar witnessed steep correction in the prices in LIFFE exchange in previous month. Port congestion in Brazil and Thailand, concern on overall brazil sugar production scenario for 2011-12, and Ramadan festive demand push the sugar international prices upwards. Also, imports from EU and Russia supports the sugar prices of LIFFE upwards.

We are expecting that the prices might go up further in the coming month owing to less cane yield Y-o-Y in Brazil which might impact the sugar production downwards which helps the prices to rebound further from existing level.

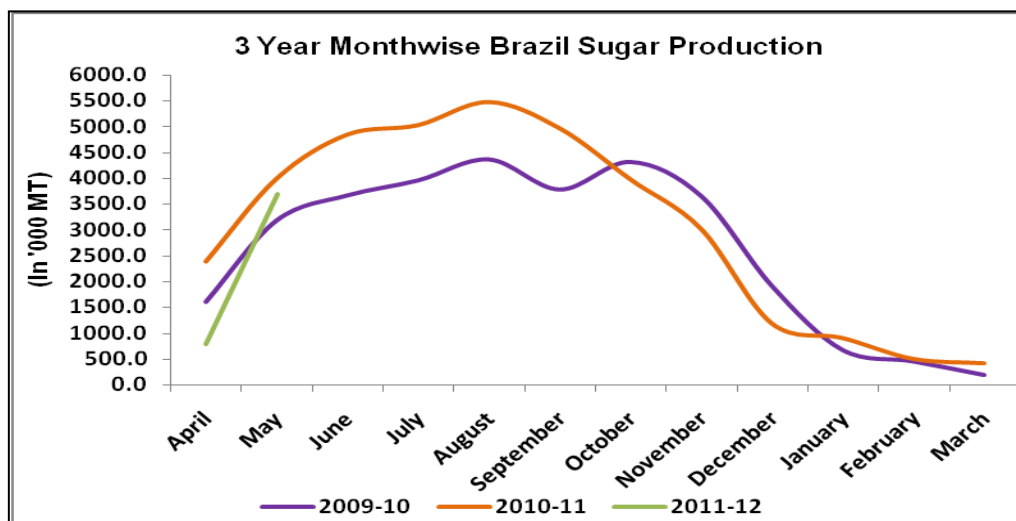
International Market News Highlights:

- The Russian sugar refining from imported raws rose 27 percent in the year upto June 20 to 1.68 million tonnes, compared to 1.32 million tonnes a year ago. Russian raw sugar imports rose to 960,000 tonnes in the first four months of this year from 763,100 a year ago with 0.85 million tonnes shipped in March and April.
- Global sugar production will rise by 10.5 million metric tons in the season starting in October to about 176 million tons, according to German researcher F.O. Licht.
- Australia, the world's third largest raw sugar exporter, is likely to lift output this year after heavy rains lowered last year's yield. Raw sugar production is estimated at 3.852 million tonnes in 2011/12 up from 3.620 million tonnes the previous year Australia's raw sugar exports would rise 1.9 percent year-on-year in fiscal 2011/12 to 2.476 million tonnes,
- Mexico has so far produced 5.18 million tonnes of sugar in the 2010/11 season, nearly 8 percent more than in the previous harvest.
- Main cane producing areas in Brazil's center-south will see no rain through the beginning of July, a condition that should favor harvesting but could hamper the development of the crop.
- The European Union may import as much as 500,000 metric tons of sugar. The EU last month allowed additional duty-free imports of 200,000 tons of sugar.
- The 2011 sugarcane crush in Australia has commenced in earnest with eight of the 21 mills now in full swing, the Australian Sugar Milling Council said.
- Port Congestion in Brazil and Thailand ports is driving up the sugar prices of sugar. Ships waited to take on cargoes of sugar at ports in Brazil and Thailand, the world's two biggest exporters. As many as 68 vessels were lining up at Santos and Paranagua in Brazil to load about 2.22 million metric tons of sugar
- Total sugar consumption in Indonesia will rise more than 3 percent to an estimated 5.17 million tonnes this year, Southeast Asia's largest sugar consumer consumes 5.01 million tonnes in 2010 According to media sources. It is noticeable that Indonesia is expected to produce 2.7 million tonnes of white sugar in 2011.
- The Thai 2010/11 sugar harvest followed by subsequent cane crushing is extended in June which is the longest extension in the Thai history. On 6th June 2011, 192 days of crushing completed by mills in Thailand. Sugar production in 2010/11 (Nov/Oct) in the period ended June 6 amounted to 9.98 million tonnes, raw value, up from 7.2 million tonnes produced in the same period a year ago. Out of 9.98 million tonnes, 3.96 million tonnes was whites.

World Sugar Market Scenario

Brazil

Mills Brazil's Centre/South region improves crushing operations and produces more sugar in comparison to 2010-11 owing to dry weather. Brazil produce 2.379 million tonnes sugar in the two-week period in 2011-12 up 6.8% from 2.227 million tonnes in the same period in 2010-11. Brazilian mills crushing rise by 5.5% to 42.724 million tonnes from 40.507 million tonnes. It is noticeable that Brazilian sugar industry association UNICA said that the sugarcane yield was down 20.7% down on the Y-o-Y basis by the end of May. Unica expects that the mills will crush 568.5 million tonnes of cane and produce 34.6 million tonnes of sugar for 2011-12 season. Sugarcane available for crushing to produce sugar in May 2011-12 increased at 45.98% compared to 44.74% in May 2010-11.



Sugar production in Brazil pick up in May month and may likely to remain higher side as the chart suggests. Sugar production normally makes a peak in August and start declining afterwards. Increased production of sugar in July month might put some pressure on sugar prices in LIFFE exchange.

Thailand

Thailand is moving forward to produce 9.25 million tonnes of sugar, white value from 2010-11 sugarcane harvest. Thailand sugar production in 2010-11 (Nov-Oct) as on 19th June stood at 9.25 million tonnes up from 6.6 million tonnes produced in the same period a year ago. Out of 9.25 million tonnes of sugar production, 3 million tonnes were whites. The total sugarcane crushed by mills are 95.35 million tonnes compared to 68.5 million tonnes in 2009-10. Molasses production was 3.92 million tonnes compared to 2.77 million tonnes in 2009-10. Production capacity is now below 2000 tonnes of sugar and therefore expected to finish the sugar production in the next few days. Thailand sugarcane production in 2011-12 (Nov-Oct) is expected to reach at 105.1 million tonnes up from 95.35 million tonnes in 2010-11. Thailand Sugar production could reach to 9.78 million tonnes, white value, up from 9.25 million tonnes in 2010-11. This would make available at least 7.5 million tonnes of sugar to export.

Export houses found difficult to export sugar from Thailand owing to congestion in Thai ports and problems with river transportation which urges export houses to find alternative routes to ship sugar. Export houses switching to Laem Chabung port due to congestion in Bangkok port. Exports have risen so

far this year which takes the export figures to 3.2 million tonnes in the first five month of 2010-11 up 20% from 2.7 million tonnes a year earlier.

Australia

Australia sugar production in 2011-12 is expected to hover around 3.852 million tonnes up from 3.620 million tonnes in 2010-11. Queensland Sugar Ltd. has started sugar export for 2011/12 (Jul/Jun). This season's first consignment of 27,000 tonnes of raw sugar destined for New Zealand left Townsville last week, with the second shipment of an unspecified quantity for South Korea having been shipped over the weekend. The ABARE forecast Australia's raw sugar exports would rise 1.9 percent year-on-year in fiscal 2011/12 to 2.476 million tonnes.

International Sugar Production Scenario:

| World Sugar Production Scenario (In Million Tonnes) | | | | |
|---|----------|---------------|---------------|---------------|
| Countries | Harvest | 2010-11 | 2009-10 | 2008-09 |
| Brazil | Apr-Mar | 36.68 | 31.74 | 30.95 |
| Thailand | Nov-June | 9.25 | 6.55 | 6.91 |
| Australia | June-Jan | 3.29 | 4.16 | 4.23 |
| India | Oct-Sept | 24.5 | 18.9 | 14.81 |
| Russia | Sept-Jan | 2.72 | 3.21 | 3.55 |
| China | Oct-May | 10.45 | 10.73 | 12.43 |
| Mexico | Nov-Sept | 4.98 | 4.63 | 4.76 |
| World | | 152.35 | 141.34 | 137.07 |

* Production figures are in White value.

Source: FO Litch

| International Sugar Futures Price Projection (Monthly) | | | |
|---|-----------------------|----------------------|--|
| | Contract Month | Present Quote | Expected Price level for Coming Month |
| ICE Sugar #11 (US Cent/lb) | Oct'11 | 26.92 | 29.15 |
| LIFFE Sugar (US \$/MT) | Aug'11 | 766.70 | 857.00 |

| International Sugar Prices (Monthly) | | | | |
|---|-----------------------|------------------|------------------|---------------|
| | Contract Month | 29/5/2011 | 29/6/2011 | Change |
| ICE Sugar #11 (US Cent/lb) | Jul'11 | 22.99 | 29.28 | 6.29 |
| | Oct'11 | 22.86 | 26.92 | 4.06 |
| | Mar'12 | 23.02 | 26.17 | 3.15 |
| LIFFE Sugar (US \$/MT) | Aug'11 | 658.30 | 766.70 | 108.4 |
| | Oct'11 | 613.40 | 693.80 | 80.4 |
| | Dec'11 | 606.40 | 670.10 | 63.7 |

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



International LIFFE exchange sugar prices are hovering to its peak level \$783.2/mt if breached then it will move up further in the coming month.

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



International ICE Raw sugar futures contract is hovering near to its peak level 27.56 cents/lb if breached then it may move up further.

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