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### Sugar Highlights

#### **Sugar & Gur Domestic Fundamentals:**

- Mixed sentiments recorded in various sugar spot markets on Monday as markets could not find the adequate to decide the prices either side.
- The Government has decided to make available 18.57 lakh tonne of sugar (levy sugar –2.07lakh tonne and non-levy sugar – 16.50 lakh tonne) for the month of June 2011.
- Steady prices recorded in Gur on Monday. Less arrivals of Chaku gur and very less lifting and demand of gur stored in Cold storage.

#### **Sugar International Fundamental:**

In International market, Thailand sugar production in 2010-11 to close at 9.95 million tonnes up from 7.2 million tonnes same period in 2009-10. Out of 9.95 million tonnes, 3.83 million tonnes were whites.

#### **Outlook:**

Sugar spot prices are moving sideways to negative. We are expecting that the prices may go down further due to subdued demand and good arrivals in the markets. Overall good production scenario of sugar also pressurizes the prices of sugar in the coming months.

### Major news from Domestic Sugar Markets

- **India releases 1.65 mln T non-levy sugar for June:** India has made available 1.65 million tonnes of non-levy sugar for June, lower than the 1.75 million tonnes it had released for May, the government said in a statement on Friday. Non-levy, or free-sale sugar, is sold by millers in the open market, but the quantity each mill can sell is fixed by the federal government on a monthly basis. The government has released 207,000 tonnes of levy sugar for June. Levy sugar is the quantity mills sell at subsidised rates to the government for the public distribution system.  
(Source: Reuters)
- **Co-ops find sugar exports unattractive:** Uninspiring prices of sugar at the international market have made sugar export an unattractive prospect for factories in the state. The factories so far have exported only two lakh quintal of sugar despite holding licences to export 1.40 lakh tonne. Ashok Gade, joint director (by-products), state sugar commissionerate, said, "One factory each from Kolhapur and Sangli exported 1.22 lakh quintal and 95,088 quintal sugar from the state so far. Fifteen factories from Kolhapur, 13 from Sangli and 5 from Ahmednagar have received release orders from the Union government for export. The factories will have to export sugar within two months from the date of release order." Most sugar from the state is exported by factories from Kolhapur, Sangli, Satara, Solapur and Ahmednagar districts, and sometimes from Aurangabad division. The current export price is around Rs 2,800 per quintal, which does not fetch an attractive margins for the factories. Had the export been allowed in February, it could have fetched rates around Rs 3,200 per quintal, said a city-based exporter. Satara-based the Kisanvir Cooperative Sugar Factory and the Sahyadri Cooperative Sugar Factory have handed

over their export rights to private exporters who will buy sugar from the factories and export it. The factories are allowed to hand over the export rights if they are not interested in dealing with the export business themselves, said Gade. The sugar commissionerate is also worried about the onset of monsoon or pre-monsoon rainfall as sugar stocks in factories are lying in the open. A medium shower would be enough to damage the sugar stocks laying in the open near factories. "Many factories do not have large warehouses. Besides, factories also have to keep buffer stock of previous year in their storage, as the government does not have sufficient storage capacity. If the old stock is not lifted, there will be inadequate space for stocking fresh sugar," said Gade. Another official from the commissionerate said the office has been working on gathering information on storage capacity and sugar stocks lying in the open. Raghunath Patil, leader of a farmers' organisation, said, "These factories are already not in good condition mainly because of the lower rates in domestic and international markets. Some factories may come up with claims that their sugar stock was damaged because of the rainfall and demand compensation. In the past it was seen that factories claimed damage and sold the sugar stock in the domestic market at lower rate. Demand for financial assistance from government is rarely rejected as sugar lobby has political clout in rural areas."

(Source: TOI)

- **Maharashtra okays 92 more pvt sugar mills:** Maharashtra, which contributes nearly a third to India's sugar production, is expected to have an additional investment of close to Rs 9,000 crore in the next four and half years, in the establishment of 92 private sugar mills. According to the state cooperation department, there are presently 165 cooperative mills and 43 private mills in the state, with a combined capital investment of Rs 20,000 crore. Rajendra Chavan, sugar commissioner, told Business Standard: "We have cleared the proposals of 92 private sugar mills as per the aerial distance criteria. The proposed mills will not come in a 15 km area of an existing mill. Generally, four and a half years are required for making a mill operational. However, with advanced technologies, a mill can start its operation within a year." He noted the private mills had selected their project site considering the adequate availability of sugarcane. Of the mills in existence, he said, 164 had participated during the current crushing season, of which 123 were cooperatives and 41 private mills. A government official, who did not want to be identified, said the state government had decided a decade earlier against permitting any new cooperative mill. There is also a high court order staying approvals for new cooperative mills. "Notwithstanding the state government policy, the Government of India has taken a conscious decision on delicensing of the sugar industry and thereby of private mills. With the private sector bringing in new technologies, professionalism and austerity, the cooperative sector needs to take corrective measures," he added. On the entry of more mills, a miller from cane-rich western Maharashtra said: "Ultimately, farmers will benefit, as they will get a better price." Earlier, a committee headed by Shivajirao Deshmukh, former agriculture secretary and current director general of the Vasantdada Sugar Institute, had given a report to the government and the high court that more mills should not be allowed, pending formulation of a detailed master plan. It said the existing cane output of 81 million tonnes was enough to meet the requirement of existing mills. Amit Deshmukh, founder-chairman of the Vikas cooperative sugar factory in Latur, welcomed the establishment of new mills in the private sector. "The fittest will survive. The private mills will bring in competition and innovative processes," he said.

**International Sugar Futures ICE**
**(Cents/Lb)**

Futures month	% Change over previous year	Today	Week ago	Month Ago	Year Ago
		27-May-11	20-May-11	27-Apr-11	27-May-10
July'11	54.09	22.99	22.41	24.55	14.92
Oct'11	49.02	22.86	22.07	22.96	15.34
Mar'12	42.54	23.02	22.34	23.16	16.15

**(Source: Reuters)**

\* Today – figures are a day ago Quotes.

**International Sugar Futures LIFFE**
**(USD/MT)**

Futures month	% Change over previous year	Today	Week ago	Month Ago	Year Ago
		27-May-11	20-May-11	27-Apr-11	27-May-10
Aug'11	37.32	658.3	625.3	626.5	479.4
Oct'11	38.56	613.4	586.5	609.2	442.7
Dec'11	40.47	606.4	586.3	613.7	431.7

**(Source: Reuters)**

\* Today – figures are a day ago Quotes.

**Sugar FOB Prices**
**(USD/MT)**

Country	Grade	Del. Date	% Change over Previous year	14-May-11	7-May-11	14-Apr-11	14-May-10	14-May-09
Thailand	Raw 11	12-Jan	30.13	566.05	575.68	527.52	435	284.03
Thailand	100 P1	12-Mar	36.32	632	664.5	606	463.6	396.3
UK(London)	ISA	Spot	31.44	587.85	572.95	667.8	447.25	439.65

**(Source: Reuters)**

\*FOB Prices of Thailand as on 21<sup>st</sup> March 2011

\*FOB Prices of UK as on 13<sup>th</sup> April 2011

### Landed Cost of Sugar (Raw & Refined)

Cost Component		UK	Thailand	Thailand Raw 11
FOB Value		587.85	632	566.05
Insurance	1%	5.88	6.32	5.66
Freight		45.5	40	40
Export Tax				
C & F Value		639.23	678.32	611.71
Interest Charges for two months	0.02	12.78	13.57	12.23
<b>C &amp; F Value &amp; Interest Charges (USD/ MT)</b>		<b>652.01</b>	<b>691.89</b>	<b>623.94</b>
Convert \$ in Rs. (1USD = 44.46)	44.99	29334.1	31128.0	28071.3
Landing Charges	0.01	293.34	311.28	280.71
<b>Landed Costs on Indian ports (INR/MT)</b>		<b>29627.41</b>	<b>31439.25</b>	<b>28351.99</b>
<b>Handling charges at Port incl Transportation</b>	500+800	<b>30927.41</b>	<b>32739.25</b>	<b>29651.99</b>
Processing cost for converting raw to white sugar (Rs/MT)	2000	32927.41	34739.25	31651.99

(Source: Reuters)

\*FOB Prices of Thailand as on 15<sup>th</sup> April 2011

\*FOB Prices of UK as on 14<sup>th</sup> May 2011

### Spot Prices of Sugar at NCDEX Delivery Centers

	% Change over previous year	Today	Week ago	Month Ago	Year Ago
		28-May-11	21-May-11	28-Apr-11	28-May-10
<b>Sugar S Grade</b>					
Erode	-2.34	2708	2723	2723	2773
Kolhapur	-2.82	2580	2624	2642.5	2655
Kolkata	-0.46	2800	2855	2860	2813
Vashi	-2.35	2703	2742	2760.75	2768
<b>Sugar M Grade</b>					

Delhi	-1.10	2875	2890	2920	2907
Erode	-2.50	2728	2748	2748	2798
Kanpur	0.00	2950	2960	2947.5	2950
Kolhapur	-4.13	2621	2678	2695.65	2734
Kolkata	-2.10	2888	2940	2962.5	2950
Muzaffar Nagar	-0.91	2929	2938	2942	2956

\*NA: Not Available

Source: NCDEX; NCDEX delivery prices are inclusive of mandi tax and other applicable.

### NCDEX Futures Quote: As on 30<sup>th</sup> May '11

Contract Month	% change over previous day	Today's close	Open	High	Low	Previous Close
May'11	0.08	2577	2568	2591	2564	2575
June'11	0.31	2607	2600	2618	2591	2599
July'11	0.46	2645	2627	2650	2627	2633

Source: NCDEX

#### Technical Analysis:

- Closing of prices below 9 & 18 days EMA supports bearish sentiments in the market.
- RSI is moving up in oversold region which suggests bullishness in the market.

Market participants are suggested to go for Sell on rally.



**Wholesale Sugar Prices in Different Markets As on 30<sup>th</sup> May '11**

State	Location	Variety	MIN	MAX	MODAL PRICE (Rs/Quintal)
<b>Jharkhand</b>	Giridih		NR	NR	NR
	Hazaribagh	Other	NR	NR	NR
	Godda	Other	NR	NR	NR
	Jamtara	Other	NR	NR	NR
	Chaibasa	Other	NR	NR	NR
	Saraikela	Other	NR	NR	NR
	Pakur	Chini	NR	NR	NR
	Madhupur	Other	NR	NR	NR
	Khunti	Other	NR	NR	NR
	Sahebganj	Chini	NR	NR	NR
	Simdega	Other	NR	NR	NR
	Daltenganj	Chini	3000	3400	3200
	Lohardaga	Other	NR	NR	NR
	Ranchi	Medium	2950	3080	3030
	Gadwah	Other	NR	NR	NR
<b>Rajasthan</b>	Ajmer (Grain)	Other	2890	2941	2930
	Jaipur(Grain)(Chandpole)	Other	NR	NR	NR
	Pali	Other	NR	NR	NR
	Udaipur		NR	NR	NR
	Banswara	Other	NR	NR	NR
	Dungarpur	Other	NR	NR	NR
	Kapasan	Other	NR	NR	NR
	Abu Road	S-30	2890	2941	2930
	Rajasamand	Other	NR	NR	NR
<b>Uttar Pradesh</b>	Atarra	Chini	NR	NR	NR
	Bareilly	Chini	NR	NR	NR
		Khand	NR	NR	NR
	Lalitpur		NR	NR	NR
	Lakhimpur	Other	NR	NR	NR
	Muzaffar Nagar	Medium	2980	3100	3000
	Devband	Other	NR	NR	NR
	Jhansi	Other	NR	NR	NR
	Orai	Other	NR	NR	NR
<b>West Bengal</b>	Asansol		NR	NR	NR
	Midnapore Sadar		NR	NR	NR
<b>Kerala</b>	Thirurrangadi	Other	NR	NR	NR
	Alleppey	Other	NR	NR	NR
	Kollam	Other	2800	3000	2900

NR: Not Reported

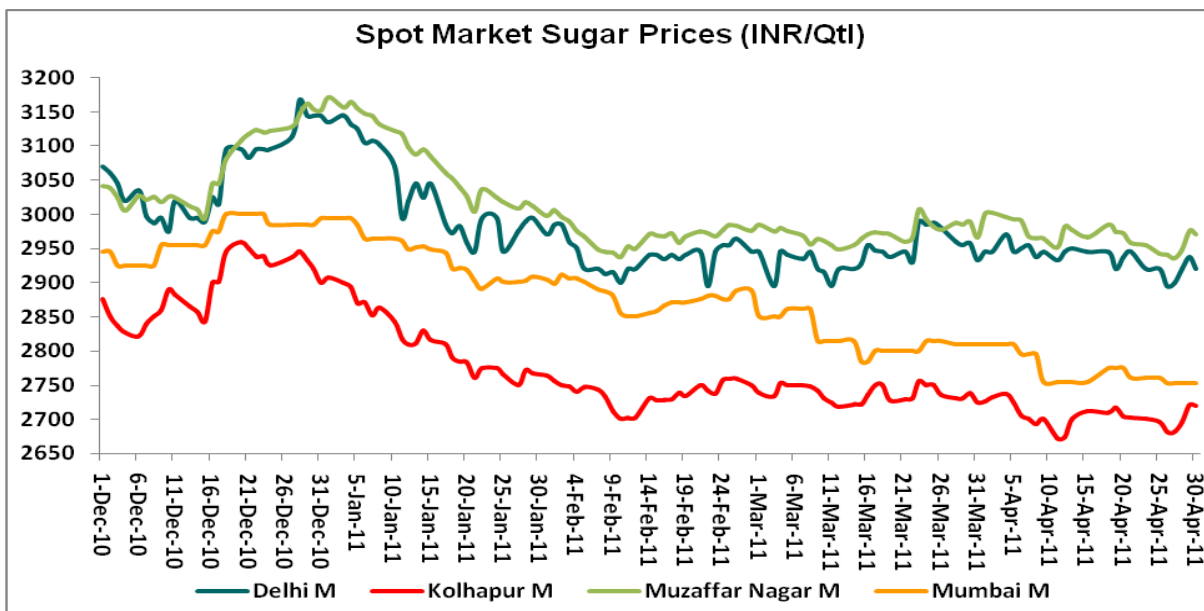
(Source: Agmarknet)

**Sugar M Grade Spot Prices Mumbai**



(Source: Reuters)

**Spot Market Sugar Prices (INR/QtL)**



(Source: NCDEX)



**World Sugar Balance Sheet**
**(IN '000 MT)**

Country	Opening Stock	Production Estimates 2009-10	Imports	Exports	Domestic Consumption	Ending Stocks	Production Estimate 2010-11
Argentina	226	2230	10	760	1,730	0.00	2,290
Australia	487	4600	76	3,600	1,250	313	4,800
Brazil	<b>0.00</b>	<b>36400</b>	<b>0.00</b>	<b>24,300</b>	<b>11,800</b>	<b>0.00</b>	<b>39,400</b>
China	3784	11500	1500	94	14,790	1,900	12,670
Cuba	343	1100	122	725	700	140	1,100
EU-27	2232	16830	2620	2,407	16,900	2,375	14,800
Guatemala	592	2415	0.00	1,654	747	546	2,474
India	<b>3510</b>	<b>20538</b>	<b>4110</b>	<b>5</b>	<b>23,500</b>	<b>4,653</b>	<b>25,700</b>
Mexico	624	5115	861	773	4,615	973	5,450
Pakistan	550	3420	1030	70	4,200	730	3,270
Russia	481	3113	2380	100	5,694	380	2,850
Thailand	2556	6930	0.00	5,900	2,100	1,486	6,870
United States	1392	7208	2943	191	9,684	1,454	7,607
World	<b>27946</b>	<b>153459</b>	<b>51409</b>	<b>51,807</b>	<b>154,096</b>	<b>26,146</b>	<b>161,899</b>

(Source: USDA, 30<sup>th</sup> May'11)

**Sugar Balance Sheet Highlights**

- Global 2009/10 Sugar production is projected at 161.89 million tons, more 8.44 million tonnes from last year.
- Increase is reported from India, Brazil and China. India is projected to produce 25.7 million tonnes as against 20.53 million tonnes produced last year, an increase of 5.17 million tonnes.
- Pakistan to produce 3.27 million tones as against 3.42 million produced in 2009-10.
- Brazil production is expected at 39.40 million tones from last year's 36.40 million tones. Increase in production is also reported from China at 12.6 million tonnes from last year's 11.5 million tonnes.
- Argentina's production is projected at 2.29 million tones from 2.23 million tones last year. While the EU-27 sugar production is set to decline by around 2.03 million tonnes towards 14.80 million Tonnes from 16.83 million tonnes.

### Major News from Global Sugar Markets

- **Thailand sees record 2011 sugar exports:** Thailand expects to export a record 7 million tonnes of sugar in 2011, a senior official said on Friday, though demand from traditional buyers in the Middle East and new Russian and EU markets could help ease pressure from the global surplus. The 2010/11 crushing season had almost ended and a total 9.62 million tonnes of sugar was likely to be produced, the highest ever, Prasert Tapaneeyangkul, secretary-general of the Office of Cane and Sugar Board (OCSB), told Reuters. Against that backdrop, the quota to be set aside for the home market had been cut to 2.6 million tonnes from 2.8 million. "This means we would have up to 7.0 million tonnes surplus left for export this year," Prasert said. "Concerns over a possible shortfall on the domestic market have subsided as we have record output this year." Thailand, the world's second-biggest sugar exporter after Brazil, shipped 5.12 million tonnes in 2009 but only 4.42 million tonnes last year, when authorities bought back sugar from international trading houses for the first time to meet domestic demand. Some 74,350 tonnes were bought back in July 2010. Prasert said he expected firm global demand at a time when other major producers such as Brazil and Australia faced disruption to crushing and a fall in supply. Brazil's centre-south has produced 47 percent less sugar in the season through mid-May versus a year earlier, but output is catching up with last year's pace, helped by drier weather from mid-April and more mills starting to crush cane from the new season. Premiums for Thai raw sugar were offered at 200 points, or 2.0 U.S. cents, above New York raw sugar futures -- steady since early this month. But buyers mostly bid at 180 points, with eyes on the impact of the vote by the European Union committee on Thursday to open a 200,000 tonne duty-free import quota for raw and white sugar. The EU also approved a tendering system for future imports at reduced duties. Thailand is expected to be a key supplier to the EU with the vote. The premium on Thai white sugar was steady at \$65 above London white futures, but some dealers has seen business done recently at a premium of \$55.

#### **SURPLUS VERSUS DEMAND**

Demand from Russia is also likely to rise, as Moscow has switched to buying the sweetener from Thailand after its traditional supplier, Brazil, faced port congestion. But Brazil's No. 2 port for sugar exports now expects throughput to climb as much as half and for ships to face shorter waiting times to load in the current harvest. An official said queues would recur at the port this year as it expected to handle even more sugar, though waiting times would be less severe than last year. At least 98,625 tonnes of Thai sugar was shipped to Russia from January to April, nearly five times the 21,200 tonnes sold in the same period last year, and Moscow was expected to take more because of competitive prices. Traders also expect demand to come from traditional buyers in the Gulf ahead of the fasting month in August. "The Middle East would be major buyers at this moment as demand there was expected to rise ahead of the holy Muslim fasting month of Ramadan," said a Bangkok-based trader who deals with major buyers in the Middle East and Indonesia. Apart from Thailand, sugar production elsewhere was rising, traders said. India, the world's second-biggest producer after Brazil, is likely to produce 24.2 million tonnes in 2010/11, higher than local demand of about 22-23 million. It has approved exports of 253,000 tonnes so far this year, part of planned 500,000 tonnes of overseas sales. The global sugar surplus may exceed 3 million tonnes in 2011/12, up from 0.8 million tonnes in 2010/11, the International Sugar Organization said. "Yes, we see rising supply, but demand is strong, too. As you can see, India can also export gradually, which means there is demand out there," said a Singapore-based trader. A Bangkok trader agreed: "At this moment, I think demand can absorb a rise in supply and premiums are unlikely to drop as trading houses are still looking to buy more sugar from local millers."

- Brazil CS cane crush advances but lags 2010's:** Brazil's center-south has produced 46.7 percent less sugar in the season through May 16 than a year earlier, due to excess rains and cane mills granting priority to production of ethanol over sugar. But output is catching up with last year's pace, helped by drier weather from mid-April and more mills starting to crush cane from the new season, data from the cane industry association Unica showed on Thursday. Output through May 16 totaled 2.36 million tonnes, compared with 4.42 million tonnes in the same period in 2010. Cane crushing reached 56.7 million tonnes, down 39.5 percent from a year ago when harvesting started exceptionally early. Plentiful rainfall from February through mid-April this year forced many mills to postpone the start of harvesting. Ethanol output through May 16 totaled 2.16 billion liters, down 42.3 percent. Mills directed 59.9 percent of the crushed cane to the production of the biofuel after prices hit record highs in the interharvest due to extremely low supplies. "The numbers show that companies continue to prioritize ethanol production," Unica's technical director, Antonio de Padua Rodrigues, said in a statement. The share of the crop going to ethanol is expected to decline as cane crushing advances and cane gets more mature. In March, Unica estimated that 54.7 percent of the cane crushed in the season would be directed to the production of the biofuel. Unica once again noted that cane quality, or the concentration of sugars in cane, and agriculture yields -- the volume of cane per hectare -- remain below expectations. Cane harvested through May 16 had on average 108.8 kilograms of sugars per tonne of cane, down 7.3 percent from the same period in 2010. This means mills are obtaining less ethanol and sugar per tonne of cane processed. On top of that, there has been a "substantial" drop in the volume of cane per hectare, Padua said, adding that if the situation persists the sector may not meet Unica's production forecast for the season. In March, Unica projected the season's crush at 568.5 million tonnes, with an average sugars content of 140.8 kg per tonne of cane. Brazil is the world's largest sugar producer and exporter, and the center-south accounts for 90 percent of its output. More than 60 mills out of the 335 in the center-south had not come on stream by May 16 due to the limited availability of cane, Unica said. At this time last year, mills were in full swing crushing cane that had been left from the previous season.

(Source: Reuters)

- Brazil Center-South Sugar Output Drops 17% in 1st Half of May:** Sugar output in Brazil's Center South, the world's largest producing region, slumped 17 percent in the first half of May, industry association Unica said. Output dropped to 1.55 million tons in the first half of the month, from 1.87 million tons in the same period a year earlier, Unica said today in an e-mailed statement. Farmers harvested 32.8 million tons of sugar cane in the period, down 6.7 percent from a year earlier, Unica said. Brazil's sugar-cane harvest usually runs from March until December. In the harvest so far this year, growers have reaped 56.7 million tons of cane and produced 2.36 million tons of sugar. Ethanol production in the first half of May fell 13 percent to 1.26 billion liters (333 million gallons). Mills in the Center South produce about 90 percent of the country's sugar and ethanol.
- Sugar Price May Gain on Signs of Increased Demand, Survey Shows:** Sugar may rise next week after the European Union and Mexico approved plans to increase import allowances, signaling demand may gain. Nine of 10 traders, analysts and brokers surveyed by Bloomberg News said that raw sugar traded in New York probably will advance. One forecast little change. Before today, futures for July delivery gained 1.2 percent this week, closing yesterday at 22.69 cents a pound on ICE Futures U.S. Eight of 10 respondents said refined sugar on London's NYSE Liffe will rise. Two were neutral. Through yesterday, futures gained 4 percent this week to \$650 a metric ton.

### LIFFE WHITE SUGAR FUTURES PRICE TREND (AUG'11)



### ICE RAW SUGAR FUTURES PRICE TREND (JULY'11)



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