

Domestic Market Recap:

Sugar prices have increased in the last week in all spot markets of sugar. Government notification of additional 5 lakh tonnes sugar export, lower sugar non-levy sugar quota for July and improved demand of sugar supports the prices of sugar in previous week.

At the current level, traders might book profit as it doesn't seem prices move up from current level. However, mills are releasing sugar at increased rates in the open market. It is expected that prices shouldn't move up further in the coming week as it seems difficult for buyers to buy sugar from current level which can put bullish impact on the sugar prices. Also, no upcoming festive or marriage season would keep the sugar demand at lower side.

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.
- According to a statement by K.V Thomas, additional 5 lakh tonnes sugar exports under OGL has led to an increase of Rs. 4 per Kg in the sugar retail price. News has increased the sugar prices sharply in all domestic market.
- Punjab government is expecting its sugar production to touch 32.5 lakh quintals which would be 2.3 lakh quintals higher than previous year sugar production. Punjab Government has decided to provide big relief to the farmers by disbursing on the spot payment for the cane.
- A high level delegation led by Chief Minister of Maharashtra filed a petition in front of central government asking for 40 lakh tonnes sugar exports allowance as against 10 lakh tonnes sugar exports allowed so far by government.

Further Sugar Export Opportunity:

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 benchmark 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. Recent meeting of Maharashtra government delegates which led by Maharashtra Chief minister filed a petition in front of central government asking for 40 lakh tonnes sugar exports allowance as against 10 lakh tonnes sugar

exports allowed so far by government. It might give some hope for millers and export houses to get more sugar quota license for further export.

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	-

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 be able to keep sugar prices at higher levels.

Sugar Production Scenario:

Agriwatch has revised its sugar production estimates for 2010-11 to 24.7 million tonnes up 0.3 million tonnes compared to previous sugar production estimate i.e. 24.4.

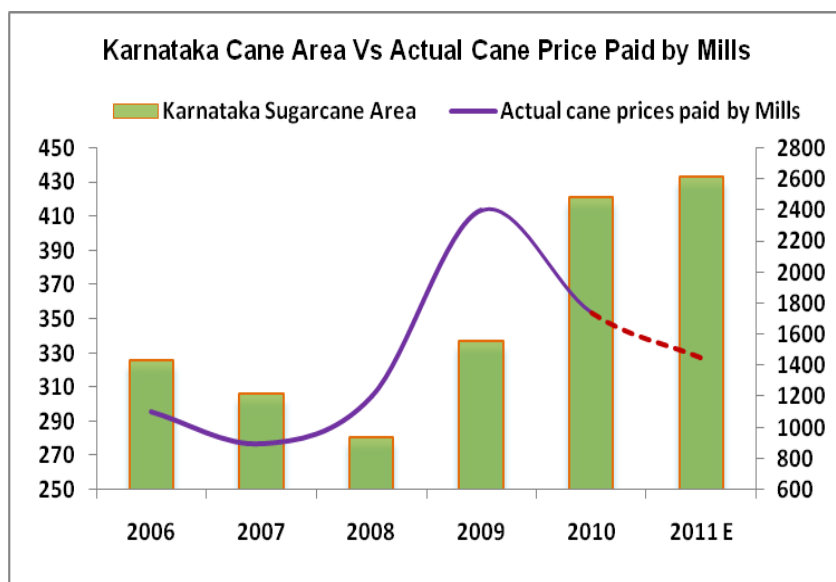
Sugar Production estimate for 2010-11 (In Million Tonnes)	
Indian Government	24.5
ISMA	24.2
Agriwatch	24.7
Sucden	24.0-24.5
ED&F Man	24.5
Maharashtra State Cooperative Sugar Factories Federation (MSCSFF)	24.5

After second round of survey by Agriwatch, we found that the sugar production for 2011-12 might increase to 26.4 million tonnes up 0.4 million tonnes from our previous estimate. There was increase in overall area while keeping the yield constant which led to an increase in the overall sugar production for 2011-12. Increase in overall area lead us to project sugar production up at 26.4 million tons as shown in the following table.

Sugar Production estimate for 2011-12 (In Million Tonnes)	
Agriwatch	26.4
Czarnikow	26.1
Sucden	25.7

Karnataka Cane Area viz-a-viz Actual Cane Price Paid by Mills:

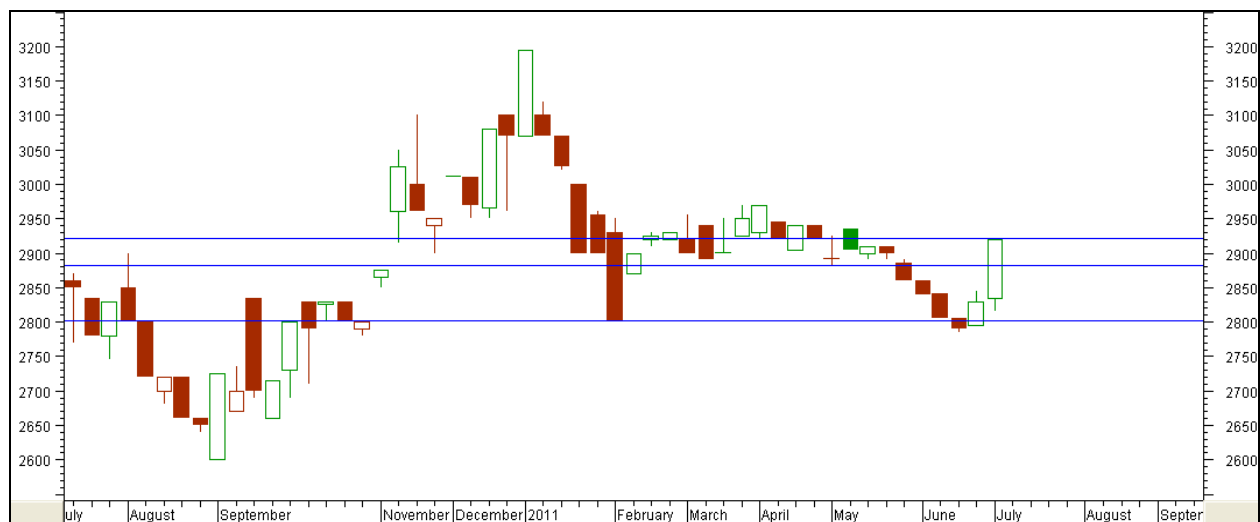
As per a survey conduct by Agriwatch, Karnataka cane area is expected to go up by 2.92%% for 2011-12 as active planting is reported from the state. Surge in cane area from Karnataka is mainly due to relatively better realization to the farmers compared to other crops. Since sugar cane production is highly cyclic in nature and is entering a phase of good production in 2011-12, we expect cane prices



paid by the mills to decline owing to higher cane availability and might come close to government set FRP to Rs. 1450/MT as cane area and actual cane prices paid to farmers are inversely related. Mills have paid Rs. 1740/MT to farmers in Karnataka during 2010-11.

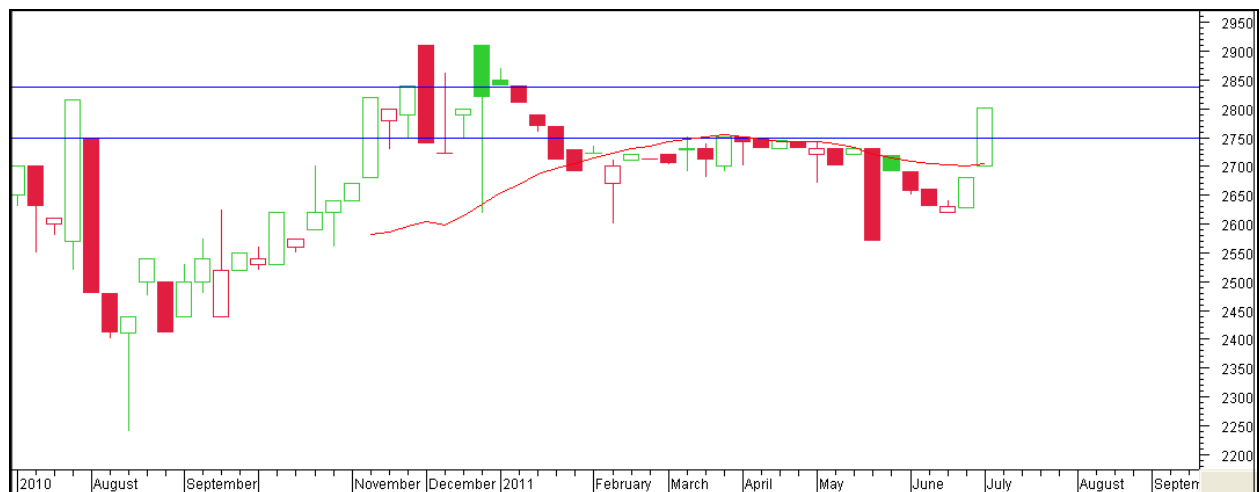
Spot Sugar Prices Scenario (Weekly)

	24-June-11	1-July-11	change
Mumbai M-30	2841	2961	+120
Mumbai S-30	2661	2751	+90
Muzaffar Nagar M	2845	2920	+75
Delhi M-30	2850	2930	+80
Delhi S-30	2800	2910	+110
Kolhapur M-30	2681	2801	+120
Kolhapur S-30	2501	2591	+90

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


Sugar spot prices improved in Muzaffarnagar. Improved demand, sugar sell by mills at increased price and export notification in the Muzaffar Nagar spot market kept the sugar prices upwards by Rs.30-40.

We expect sugar price in Muzaffarnagar to ease in the upcoming week. Prices of Sugar M in Muzaffar Nagar spot market might decrease by Rs. 20-30 to Rs. 2890/Qtl when compared with the prevailing prices of Rs. 2920/Qtl.

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


Sugar prices at spot market of Kolhapur increased due to improved demand from upcountry buyers like Rajasthan, Gujarat, Karnataka and AP. Sugar prices rebound by Rs.120 previous week. Also, export demand support the prices for the coming weekly.

Considering the current fundamentals, we expect sugar prices to increase during coming week. Prices of Sugar-S in Kolhapur spot market might go up by Rs. 30-40 and is likely to stay near Rs. 2838/Qtl when compared to average price of Rs. 2800. per Qtl.

Gur Scenario:

Gur witnessed improve demand last week. Demand of remade chaku gur came from Rajasthan, Haryana Gur prices have been steady to negative in Muzaffarnagar spot market in previous week. 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 week 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 week.

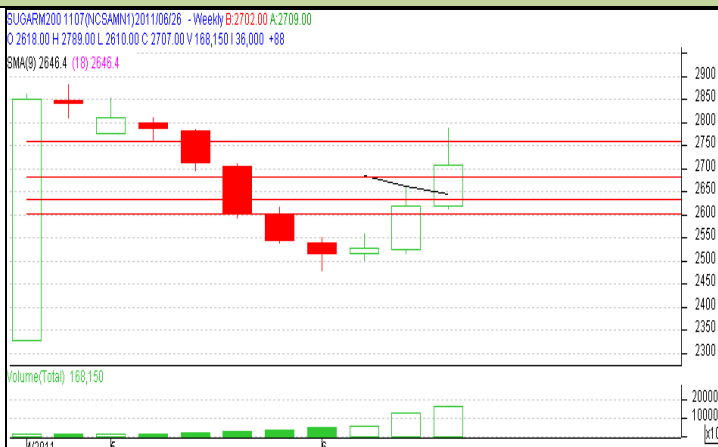
Commodity: Sugar
Contract: July

Exchange: NCDEX
Expiry: July 20th, 2011

SUGAR

Technical Commentary:

- Prices are moving upwards and hovering in a range from Rs.2682 to Rs.2784 if breached the level either side will decide the movement of price in future.
- Meanwhile, weak fundamentals indicate the sugar prices bearish.
- However, RSI is moving in a overbought which further suggests bearish.



Strategy: It is advisable to sell on rallies.

Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	July	2602	2634	2707	2731	2760
Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	July	Sell	<2690	2634	2602	2731

Commodity: Gur
Contract: July

Exchange: NCDEX
Expiry: July 20th, 2011

GUR

Technical Commentary:

- Gur future prices consolidate and are moving in a range between Rs. 964 to Rs 999 if breached either side may decide the movement of the prices. However, RSI is hovering in an oversold region which suggests bullishness. Prices closing above 9 day SMA further suggest bullishness in the prices.



Strategy: Sell on rallies would be advisable.

Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	July	964	975	976	999	1016
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	July	Sell	>984	975	964	990

International Scenario

International prices have increased marginally in previous week. Port congestion and Brazil crop situation support the prices to move up. We expect that the prices may decrease as increased global sugar output increase the supply situation which might pressurize the prices of sugar in the coming week.

International Market News Highlights:

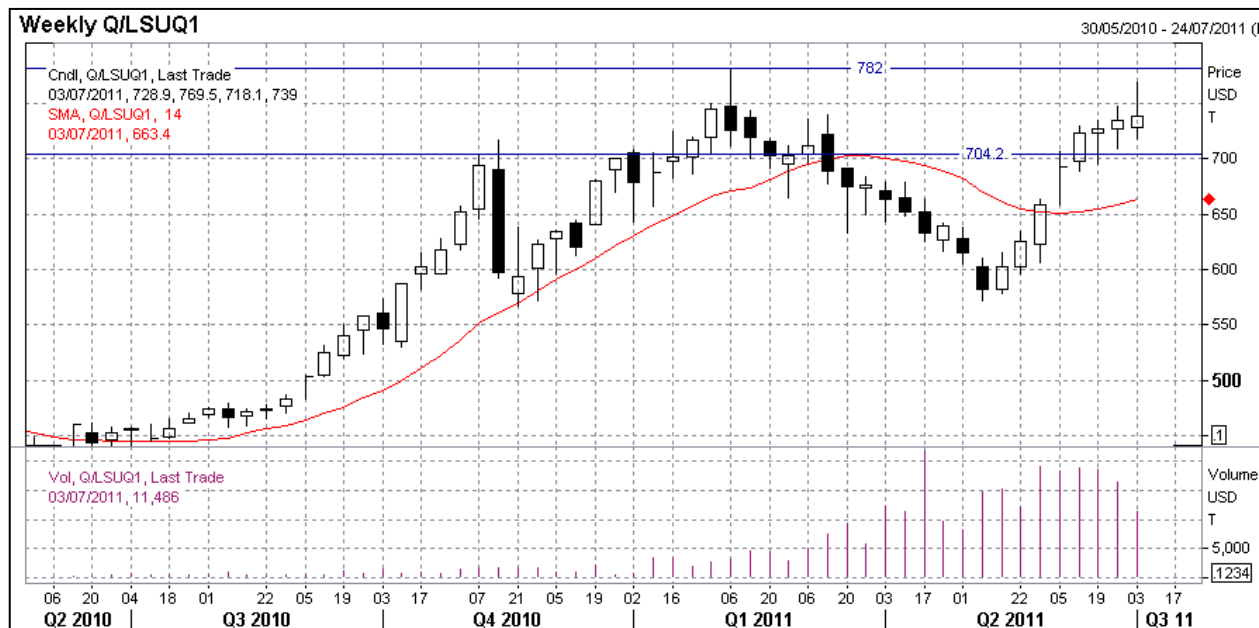
- Australia's sugar production in 2011/12 is forecast to recover by only a modest 232,000 tonnes to 3.852 mln, despite increased plantings, the government chief commodities forecaster ABARES said.
- Australian firm Queensland Sugar Ltd. has kicked off its export program for 2011/12 (Jul/Jun) on a solid note despite weather-induced setbacks last year. 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.
- Mexico produced 3,573 tonnes of sugar, tel quel, in the week ended June 25, compared with 8,164 in the same period a year ago, industry data showed. That brought total output in the season-to-date to 5.183 mln tonnes, up 7.5% from 4.822 mln produced by the same date last year. Cane yields were down to 65.8 tonnes per ha in 2010/11 so far from 67.0 a year ago, while the sugar recovery increased to 11.75% from 11.12%.
- The sugar lineup at Brazilian ports rose to 74 vessels, up from 70 on June 8. At Santos, Brazil's main port for sugar exports, the queue rose to 58 from 50 over the past three weeks. At Paranagua, the No. 2 sugar port, there were 15 ships this week, down from 18 vessels on June 8.

Brazil Sugar Vessel Line up					In Tonnes	
Ports	Vessels		White		Raw	
	8-June	29-June	8-June	29-June	8-June	29-June
Santos	50	58	113200	71200	1630000	2200000
Paranagua	18	15	48600	23600	425450	400950
Maceio	1	1	0	0	10025	9950
Total	70	74	165800	94800	2070000	2610000

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'11	26.34	24.33
LIFFE Sugar (US \$/MT)	Aug'11	739.00	704.2

International Sugar Prices (Weekly)				
	Contract Month	23/6/2011	30/6/2011	Change
ICE Sugar #11 (US Cent/lb)	Jul'11	27.58	28.36	0.78
	Oct'11	26.08	26.34	0.26
	Mar'12	25.50	25.71	0.21
LIFFE Sugar (US \$/MT)	Aug'11	733.30	739.00	5.7

	Oct'11	663.50	670.30	6.8
	Dec'11	647.20	648.60	1.4

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

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

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