

**Domestic Market Recap:**

Sugar prices improved during the last week owing to recent shift in government policy and surging demand prior to festivals. Government notification of additional 5 lakh tonnes sugar export, lower sugar non-levy sugar quota for July (though carry forward and whites from imported raw keep sugar quota satisfactory for July demand) and improved demand of sugar supports the prices of sugar in previous week.

Current situation is tilted towards sugar millers who now start releasing their stocks at premium backed by improved demand and fetching premiums from the exporters. Sugar demand is expected to pick up slowly during the first week of July and peak demand is expected during second fortnight of July and beginning of the Aug as bulk buyers might go for forward booking before festivals starts.

**News Highlights:**

- India has made available 15.60 lakh tonnes (12.5 lakh tonnes – Normal quota, 3 lakh tonnes carry over and 0.10 lakh tonnes white/refined sugar processed out of imported raw sugar) of non-levy sugar quota for July, lower than the 16.5 lakh tonnes released during previous month and last three years average. The government has released 2.12 lakh tonnes of levy sugar for July.
- Govt. allows additional 5 lakh Tonnes sugar quota for exports under OGL which totaled the to 10 lakh tonnes which is 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.
- 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 petitioned 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 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. Recent meeting of Maharashtra government delegates which led by Maharashtra Chief minister filed a petitioned 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.

<b>Comparative Sugar FOB Prices (USD/MT)</b>			
<b>Sugar Parity Calculations</b>	<b>South (T.N)</b>	<b>West (Maharashtra)</b>	<b>North (U.P)</b>
	<b>Chennai S 30</b>	<b>Kolhapur S 30</b>	<b>Muzaffarnagar M 30</b>
FOB India (USD/MT)	724.15	708.23	757.60
	<b>Brazil</b>	<b>Thailand</b>	
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:**

We revised up our sugar production estimates for 2010-11 to 24.7 million tonnes up 0.3 million tonnes compared to previous sugar production estimate of 24.4. Extension of cane crushing in Maharashtra coupled with better sugar production prospect from T.N. results into more sugar production.

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

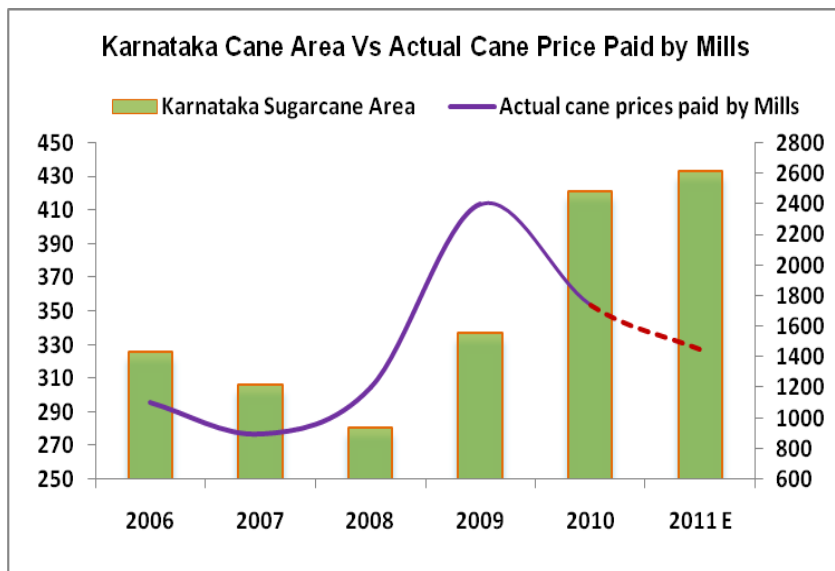
Meanwhile, sugar production projection for 2011-12 also revised up to 26.4 million tonnes up 0.4 million tonnes from our previous estimate. There was increase in overall area while keeping the yield constant which led to an increase in the overall sugar production for 2011-12. Increase in overall area lead us to project sugar production up at 26.4 million tons as shown in the following table.

<b>Sugar Production Projection for 2011-12 (In Million Tonnes)</b>	
<b>Agriwatch</b>	<b>26.4</b>
Czarnikow	26.1
Sucden	25.7

Production projection based on 2 years average yield

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

Information from mills in Karnataka reveal cane area 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 return by 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.

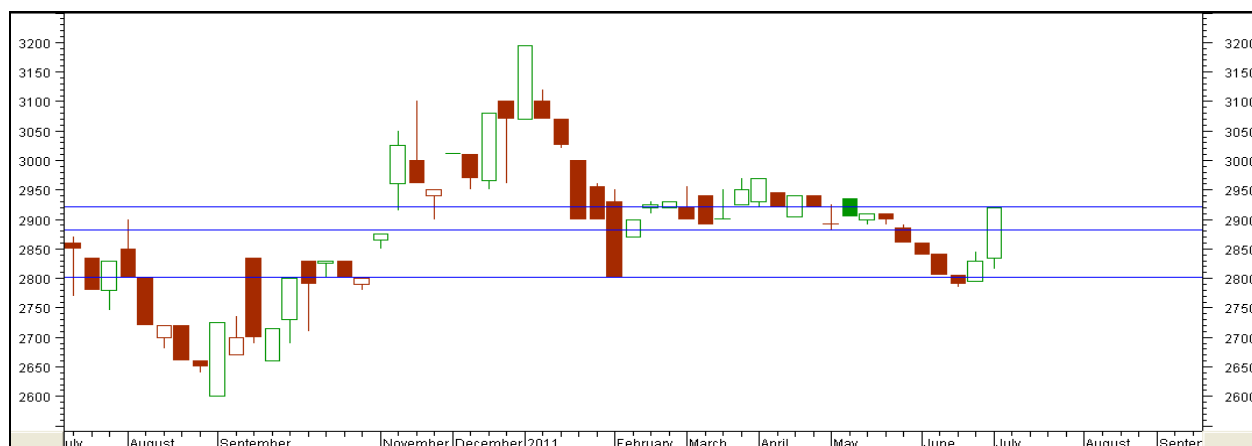


1450/MT as cane area and actual cane prices paid to farmers are inversely related. Mills have paid Rs. 740/MT to farmers during 2010-11.

### 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

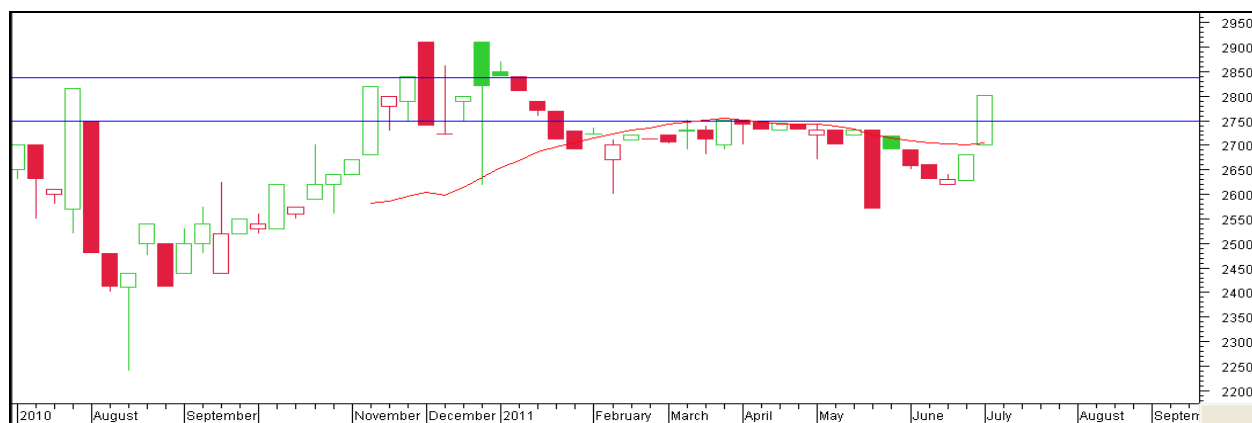
### Spot market analysis (Muzaffar Nagar – Grade M):



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 move upwards in the upcoming week.

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



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 prices featured weak trend in Muzaffarnagar spot. Weak demand and lackluster trade of Gur kept the under pressure. 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. Increased stocks continue to weigh on the prices. However, Raskut and Papdi variety is in tight position which is nearly 100000 bags less compared to previous year. 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. Gur prices during the month of July is expected to stay weak as liquidation of stock from UP might continue to weigh on the market sentiments.

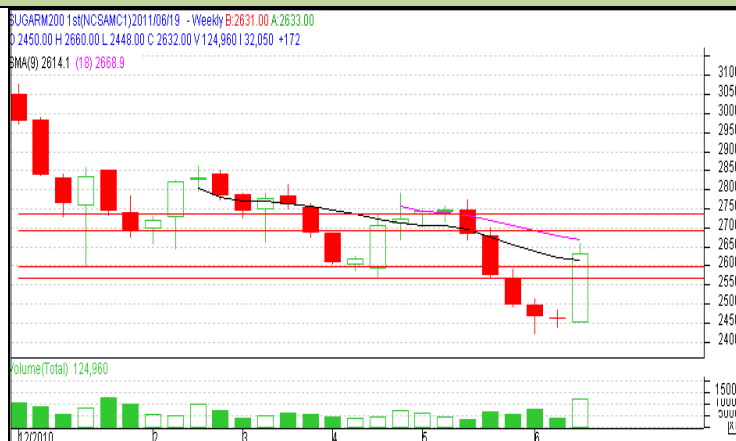
**Commodity: Sugar**  
**Contract: July**

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

## SUGAR

### Technical Commentary:

- Prices are moving upwards and hovering in a range from Rs. 2682 to Rs.2784. Price increase with volume further suggests bullishness in the prices. However, RSI is in a overbought region which suggests bearishness in the prices.



**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	<b>Sell</b>	<2690	2634	2602	2731

**Commodity: Gur**  
**Contract: July**

**Exchange: NCDEX**  
**Expiry: July 20<sup>th</sup>, 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 a 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	975	999	1016
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	July	<b>Sell</b>	<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 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):**

**Technical Commentary**

- Prices are moving up and hovering near to its strong resistance level at \$782/mt, if breached then it may move up further.
- However, Increase in prices with decrease in volume further indicates bearishness.
- Also, RSI is hovering in an overbought region which suggests bearishness in the prices.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Aug'11	739.00	704.2



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

**Technical Commentary**

- Prices are moving upwards and moving in a channel.
- Prices try to breach its strong resistance level of 26.01 cents/pound. If prices breached the present resistance level then prices might go up in the coming week.
- However, increase in prices with decrease volume suggests bearishness in the prices.
- Also, RSI is in overbought region which further support the bearishness in the prices.

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

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