

News Highlights:

- Government might take final decision on allowing more sugar exports by September end after assessing supply and demand scenario. Government pegged sugar production for 2010 to 24.5 million tonnes with marginal improvement of 0.1 million tonnes from its prior estimates 24.4 million tonnes. By considering sugar production (24.7 million tonnes) and consumption (23 million tonnes), total availability to stay near 29.38 million tonnes which left the carry out stocks projected 3.88 million tonnes which reflects tight situation for sugar ending stocks against food ministry expectations.
- Indian sugar mills have received export licences for 15,898 tonnes of sugar out of the additional 500,000 tonnes of open general licence (OGL) sugar exports allowed by the government in late June,
- Sugar exporters are quoting FOB \$775 per tonne to take advantage of recent spike of International sugar prices. Exporters are taking recent spike in prices as a golden opportunity to sell 500,000 tonnes of sugar exports under OGL approved by Government three weeks ago. Recent price rise also give opportunity to millers to cover their losses as they can ask for premium on domestic price from the export houses.
- The Andhra State government slaps 4% VAT (Value added Tax) on Sugar which has been implemented from July 11, 2011. Industry and Trade has reacted sharply on imposition of 4% VAT on sugar as sugar prices has gone by Rs120 per Quintal and settle at Rs.3120 per Quintal for M grade in Vijayawada. However, Khandasari sugar is exempted from VAT. It is noticeable that Andhra Pradesh is the first state which has imposed VAT on sugar in India.
- UP industry demanded to remove levy quota mechanism and linking of sugarcane and sugar prices.

Domestic Market Recap:

Sugar prices remains in the bullish trend in various spot markets during week ending July 14th owing to increase in sugar demand from exporters as international price touches its contract high. Retail demand also pick up in various centers gives support to the prices. However, markets are still keeps a eye on most awaited decision on sugar decontrolling which is going to discuss by government. Decision on total decontrol of sugar may give boost to the sugar prices despite of expected bumper sugar output in 2011-12.

Meanwhile, demand has increased in Mumbai market due to good lifting of stock at lower level and high export demand. It is expected that prices may increase further due to increase in forward booking which indicates good demand of sugar will remains in Maharashtra market in the coming week. However, due to export parity disadvantage, UP lags behind Maharashtra as far as export demand is concerned. Sluggish retail and export demand may pressurize the prices. However, Sugar upcountry buyers of UP like Delhi and Haryana stops buying sugar from Kolhapur due to decrease in parity which might divert them to buy sugar from UP market.

In coming week we expect sugar price remains range bound. However, any decision on sugar decontrol or additional export allowance will support the prices further in the coming week.

Sugar Export Opportunity:

White sugar prices in International market moved up by \$119/MT in a month from \$645.50 /MT on 14th June 2011 to \$764.50 quoted on 14th July, 2011 in the bench mark market “Liffe”. Increase in port congestion and concern over less sugarcane production for 2011-12 discount the prices of sugar in LIFFE.

Recently, government quickly notifies additional 5 lakh tonnes sugar exports and kick off sugar export program to allow the millers to get the benefit from price spread advantage between domestic and international prices. Government release licenses of export to millers for 15,898 tonnes out of additional 5 lakh tonnes sugar exports.

Comparative Sugar FOB Prices (USD/MT)			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffarnagar M 30
FOB India (USD/MT)	753.06	768.19	804.51
	Brazil	Thailand	
FOB (USD/MT)	764.50	794.50	-

Millers are getting good returns from the recent export allowance of sugar as the export houses are offering premium of \$110 to the millers over domestic sugar prices due to attractive prices in international market. Recently, one of the export house quoted FOB \$775 per tonne to take advantage of recent spike in international prices.

It is noticeable that exporters found India FOB price lucrative over Brazil and Thailand. Export parity found attractive from centers like Kolhapur and Chennai due to freight advantage over UP market where export parity is not that much attractive.

Sugar Production Scenario:

Sugar production remain unchanged at 24.7 million tonnes for 2010-11. It is noticeable that sugar production estimate by Agriwatch is more than Government and Industry estimates by 0.2 million tonnes. Extended cane crushing in Maharashtra and Tamil Nadu supports the overall sugar production in 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

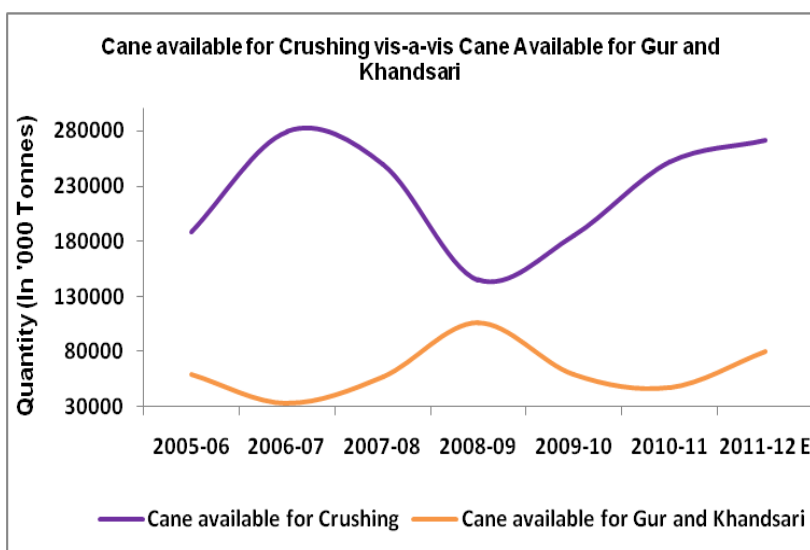
We also kept sugar production estimate for 2011-12 unchanged at 26.4 million tonnes as compared to the estimate. Increase in overall sugarcane acreage by 9.79% Y-o-Y i.e 5439000 for 2011-12 and i.e. 73345 kg/hectare may result in increase in the overall sugar production for 2011-12.

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

Production projection based on 2 years average yield

Sugarcane Availability for Crushing vis-à-vis Cane Availability for Gur and Khandsari:

Chart shown below depicts the trend of cane availability for crushing by mills and gur/khandsari. Cane availability for crushing by mills is likely to drop by 4 per cent to 68.10 per cent in 2011-12 compared to 2010-11. As gur and khandsari manufacturers are expected to get higher cane during 2011-12.



Spot Sugar Prices Scenario (Weekly)

	7-July-11	14-July-11	change
Mumbai M-30	2981	2978	-3
Mumbai S-30	2781	2835	+55
Kolhapur M-30	2700	2740	+40
Kolhapur M-30	2650	2700	+50
Muzaffar Nagar M	2935	2970	+35
Delhi M-30	2950	2960	+10
Delhi S-30	2930	2940	+10
Chennai S	2725	2740	+15
Kolhapur M-30	2801	2821	+20
Kolhapur S-30	2591	2621	+30

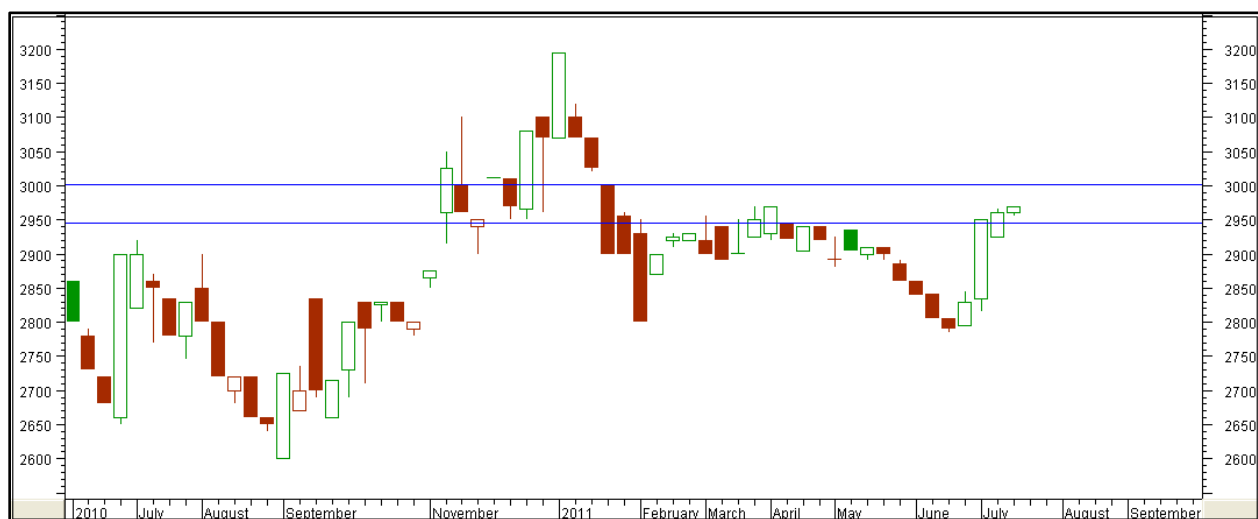
Spot Market Technical Analysis (Kolhapur–Grade M)



Price Expectation for Kolhapur market for the coming week.

- Kolhapur spot prices have decreased during week ending 10 -14 July 2011.
- Prices are likely to improve further technically.
- Prices are expected to move in a range between Rs. 2701/Qtl to Rs. 2751/Qtl, if breached these levels then it will decide the movement of the prices further.

Spot Market Technical Analysis (Muzaffar Nagar –Grade M)



Price Expectation for Muzaffar Nagar market for the coming week.

- Muzaffar Nagar spot market price increase during week ending 9-14 July, 2011.
- As chart depicts, prices are likely to trade range bound between Rs. 2945 to Rs.2971, if breached present range either side will decide the movement of the prices further.
- However, technically chart showing upward price movement for the coming week and may move up further Rs.20 to Rs.30 per Quintal from present level.

Gur Scenario

Gur prices have surged in Muzaffar Nagar market during the period owing to improved demand of Chaku Gur for making remade gur as well as retail demand (Direct Consumption). Daily 13000 bags have lifted for Chaku variety Gur. Also, demand came from Haryana, Rajasthan and Gujarat. However, fresh supply of Gur from Karnataka and Maharashtra give strong competition to UP markets

Meanwhile, currently around 720,000 bags of Chaku variety gur left in cold storage out of total 10,90,000 bags. Rest 3,70,000 bags are left for Khurpa, Raskat and Papdi variety Gur.

Prices are likely to trade steady to positive in the coming week owing to expected rise in demand of Chaku variety Gur which further support the Gur prices further in the coming week.

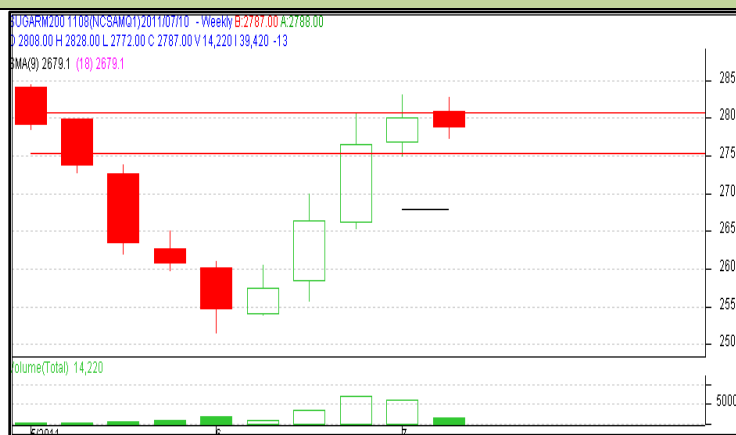
Commodity: Sugar
Contract: August

Exchange: NCDEX
Expiry: August 20th, 2011

SUGAR

Technical Commentary:

- Range bound movement recorded in sugar prices between Rs. 2752 to Rs.2806, if breached the level either side will decide the movement of prices further.
- However, RSI is in 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	August	2752	2771	2787	2823	2835
Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	August	Sell	<2806	2771	2752	2823

Commodity: Gur
Contract: September

Exchange: NCDEX
Expiry: September 20th, 2011

GUR

Technical Commentary:

- Prices are moving in a range between Rs.1014 to Rs.1038, if breached either side will decide the movement of the prices further. However prevailing strong fundamentals may support the gur prices downwards.
- Also, prices are trading above 9 and 18 day EMA further suggests bullishness in the prices.



Strategy: Buy from support level would be advisable.

Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1014	1020	1040	1038	1046
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Buy	>1027	1038	1046	1020

International Scenario

International sugar prices are steady to positive in ICE and LIFFE markets. Prices of sugar in LIFFE have come down after touching its all time high due to profit booking. However, ease in port congestion and cane harvesting pick up speed in Brazil may drag the sugar prices downwards in the coming week.

International Market News Highlights:

- Brazil sugar industry association UNICA projected cane output at 533.5 million tonnes 6.2% less than previous estimate of 568.5 million tonnes. Crop damaged by frost in June and dry weather between April to August last year put impact on plant development, according to UNICA. UNICA also cuts its sugar production forecast by 6.4% to 32.38 million tonnes
- China has produced 97905 tonnes of sugar in June that is 60.5% higher than previous year same period production.. Total output January-June period rose 2.8% to 8.06 million tonnes compared to last year same period. According to National Bureau of Statistics
- Russia produced 2.08 million metric tonnes of refined sugar from imported raws in Jan. 1-July 11, up 18.9% from 1.749 million tonnes in the corresponding period last year, according to Dow Jones.
- Russia imported 624,500 tonnes of raw sugar in May 2011, nearly double of the 344,800 tonnes imported in April but down sharply from the exceptional 1.4 mln tonnes in May last year. That brought total raw sugar imports in the first five months of 2011 to 1.585 mln tonnes, down 11% from 1.782 mln imported in the same period in 2010. The Russian Sugar Producers Union has said Russia may import 2.24 mln tonnes of raw sugar this year, up by 150,000 tonnes from 2010.
- The sugar lineup at Brazilian ports tumble to 68 vessels, down from 86 on July 06.2011. At Santos, Brazil's main port for sugar exports, the queue rose to 45 from 58. At Paranagua, the No. 2 sugar port, there were 22 ships this week, up from 24 vessels on July 06, 2011. There is an major improvement in the situation over 2010 when at this time there were 108 ships queuing at the Brazilian ports due to wet weather repeatedly halted loading last year.

Brazil Sugar Vessel Line up					In Tonnes	
Ports	Vessels		White		Raw	
	14-July	6-July	14-July	6-July	14-July	6-July
Santos	45	58	66000	68500	1730000	2290000
Paranagua	22	24	80400	68900	490200	664.7
Maceio	-	2	0	0	0	21.9
Vitoria	1	2	12700	16450	0	0
Total	68	86	159100	153.850	2220000	2970000

*Numbers include ships loading, waiting to berth or expected to arrive in the coming week.

International Sugar Prices (Weekly)				
	Contract Month	7/7/2011	14/7/2011	Change
ICE Sugar #11 (US Cent/lb)	Oct'11	29.52	29.2	-0.32
	Mar'12	28.42	28.07	-0.35
	May'12	26.92	26.69	-0.23
LIFFE Sugar (US \$/MT)	Oct'11	745.00	764.50	19.5
	Dec'11	715.90	727.60	11.7
	Mar'12	703.80	709.5	5.7

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

Technical Commentary:

- Prices indicate bullish trend and moving in a range between \$702 to \$779 per mt.
- However, RSI is hovering in an overbought region which indicates bearishness in the prices.
- Profit booking expected from the current level and prices might come to its immediate support level of \$715, if breached then it may go down further to \$702 per tonne.
- Price decline with volume further suggests bearishness in the prices.
- Sell from resistance level would be advisable.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'11	764.5	715.4

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



Technical Commentary:

- Prices are in bullish trend and moving in a range between 27.3 to 29.57 cents/pound if breached 28.23 cents/pound level then may go down further to its support level to 27.3 cents/pound.
- However, RSI is in a positive zone which suggests bearishness in the prices.
- Sell on resistance level would be advisable.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'11	29.2	27.3

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