

### News Highlights:

- Government has released 4th Advance Estimate of Sugarcane Production for 2010-11 and estimates 339.17 million tonnes sugarcane production which is marginally down from previous estimate in April i.e 340.54 million tonnes. It is noticeable that production of sugarcane, which had attained a record level of 355.52 million tonnes during 2006-07 and declined in subsequent years, has again started witnessing increasing trend with an estimated production of 339.17 million tonnes in the current year.
- Sugar prices increased in UP and Delhi markets owing to recent buying from retail buyers. Demand has been improved on concern over upcoming Shivratri festival which might restrict the transport of sugar from one place to other due to kavad yatra. Retail buyers are buying sugar to fulfill their requirements just before starting kavad yatra which boost the demand of sugar in various sugar markets of UP and Delhi.
- The food ministry has approved export of over 2.50 lakh tonne of sugar till 20th July 2011, out of 5 lakh tonne quantity that the government had allowed last month. Total 207 mills have got the license to export sugar so far.
- India has marginally raised its sugar production estimate for 2010/11 (Oct/Sep) to 24.5 million tonnes from 24.2 million tonnes previously, According to Food Minister K.V. Thomas. The country produced 18.8 million tonnes of the sweetener in 2009/10.
- India can export 3 million tonnes of sugar in the marketing year 2011-12 as it is likely to produce a surplus. According to trade house ED & F Man. Exports from India can cool off the prices and impact of less sugar production estimate for Brazil, biggest exporter of sugar in the world.

### Domestic Market Recap:

Sugar prices are steady to positive in various spot markets during the week ending on July 22<sup>th</sup> owing to increased export demand. However, need based demand recorded by retail buyers which kept the sugar price steady to positive during the week. Traders are eagerly waiting for upcoming festive demand. At present, sugar spot prices are moving in a range which might increase in the coming days owing to upcoming peak festive seasons which results in increase in sugar demand.

After profit booking from higher level, traders shows their buying interest towards sugar. Increase in demand witnessed in Maharashtra market. Fair chances of price rebound in Maharashtra market due to increase in forward booking which further indicates improvement in demand in the coming week. Meanwhile, prices have improved marginally in UP and Delhi owing to ongoing Kavad yatra which might restrict the sugar transportation from source center to consumption center which urges buyers to fulfill their need based sugar requirement before the festival. Higher sugar prices in Maharashtra might divert the sugar upcountry buyers towards UP based on trade channel parity which might support the sugar prices in UP in coming week. However, poor demand recorded in Chennai market as traders are buying sugar from traditional upcountry suppliers like Karnataka and AP where mills are quoting less prices than Chennai mills which urges traders to buy sugar from these centers.

In coming week we expect sugar price to move up further ahead of festive demand which could attract retail buyers towards sugar market. Meanwhile, any decision on sugar decontrol or additional export allowance will support the prices further in the coming week.

**Sugar Export Opportunity: Likely to Continue**

International sugar prices witnessed steep hike by \$107.90/MT in a month from \$673.60/MT on 21st June 2011 to \$781.30/MT on 21st July, 2011 in "LIFFE". Concern over Brazilian sugarcane crop and sugar production for 2011-12 is the reasons encourage the sugar prices at international front (LIFFE and ICE).

Recent government decision on additional 5 lakh tonnes sugar exports under OGL favoring the millers as high sugar export parity between domestic and international prices giving them good returns which help them to cover their existing losses. Millers are demanding higher premiums over domestic sugar prices from big export enterprises and selling their export quota to them at higher prices over spot prices. Moreover, some Chennai mills are exporting sugar on their own and selling sugar at FOB Rs.34640/MT or FOB \$775/MT while they are quoting their domestic prices at Rs.27000/MT or \$604 which clearly suggests the sugar export opportunity for millers owing to higher sugar export parity.

Government also trying to help millers by releasing sugar export quota to millers in a rapid manner to get the benefits of increasing international prices. The food ministry has approved export of over 2.50 lakh tonne of sugar till 20th July 2011, out of 5 lakh tonne quantity that the government had allowed last month and rest will release during coming couple of weeks time.

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)	749.70	770.43	806.75
	Brazil	Thailand	
FOB (USD/MT)	781.30	809.55	-

Export houses are very much eager to get export license from millers and are offering premium of \$110 to \$120/MT to the millers over domestic sugar prices owing to attractive international sugar prices. Meanwhile, exporter from Western Maharashtra recently quotes FOB prices at \$775 per tonne to get the benefit of gap in export parity.

Indian FOB prices are comparatively competitive over Brazil and Thailand. Chennai and Kolhapur centers showing competition as far as export parity is concerned due to less distance to port. However, Muzaffarnagar center is not lucky in that case and showing export disparity over Brazil owing to high transportation cost to port.

**Sugar Production Scenario:**

We kept our sugar production estimates 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
<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

Sugar production estimate for 2011-12 remain unchanged at 26.4 million tonnes compared to our previous estimate of 26.2 million tonnes. Surge in sugarcane acreage by 9.79% Y-o-Y and normal yield assumptions help to increase the overall sugar production for 2011-12.

<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

### Weather Outlook and Sowing Progress:

Meteorological analysis indicates that fairly widespread rainfall may continue over most parts of the country in the coming week except south interior peninsula where subdued rainfall conditions may prevail. This indicates favorable weather conditions for Sugarcane as crop is in emergence and germination mode which needs good amount of water. It is noticeable that July to Aug rainfall plays vital role for optimum cane yield due to strong correlation of yield and rainfall.

Sugarcane planting is gaining momentum with expected normal precipitation in major cane growing regions in the coming week. Better cane realization from cane compared to crops like wheat, paddy, and cotton during previous year and bright prospect of intercropping of sugarcane with crops like lobia, gourds and beans found profitable for growers to go for aggressive cane planting for 2011-12. As per the State Agriculture Dept., Cane acreage has been increased marginally by 0.01 lakh hectares to 3.63 lakh hectares till 21<sup>st</sup> July compared to previous year same period in Karnataka. Cane sowing progress is as follows:

Normal Area for Whole Kharif Season	Sugarcane Sowing Progress (lakh hectares)			
	As on 8.07.2011 (Area sown reported)			
	2011	% of Normal	2010	Y-o-Y (Absolute Change)
46	51.38	111.7	49	2.4

### Spot Sugar Prices Scenario (Weekly)

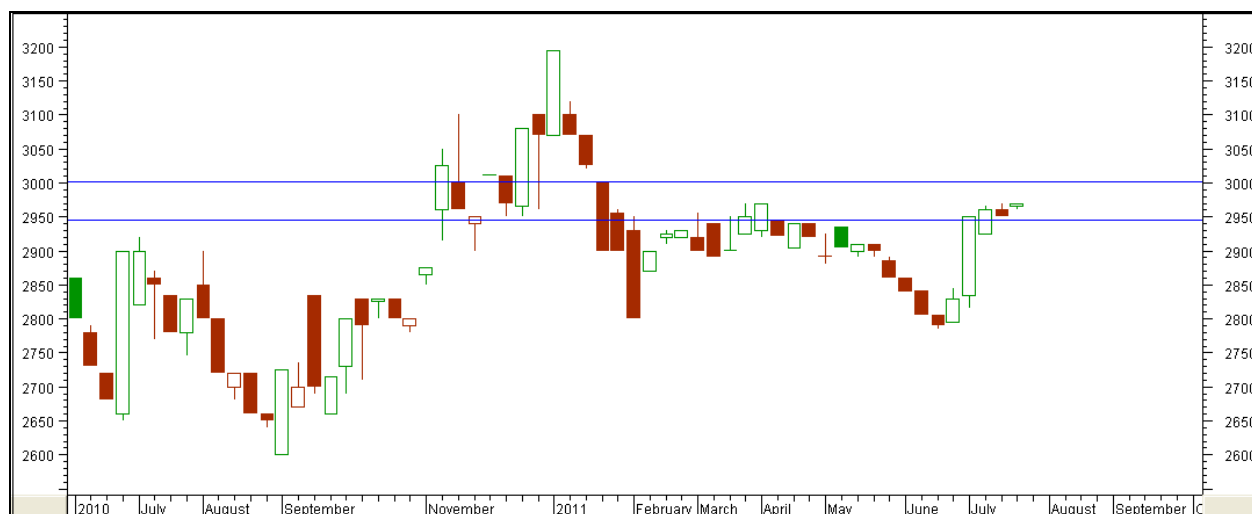
	14-July-11	21-July-11	change
Mumbai M-30	2978	2991	13
Mumbai S-30	2835	2851	16
Kolhapur M-30	2740	2750	10
Kolhapur M-30	2700	2700	Unch
Muzaffar Nagar M	2970	2970	Unch
Delhi M-30	2960	3000	40
Delhi S-30	2940	2900	-40
Chennai S	2740	2725	-15
Vijayawada M-30	3100	3120	20
Kolkata SS Variety	2900	2900	Unch

### Spot Market Technical Analysis (Kolhapur–Grade M)



### Price Expectation for Kolhapur market for the coming week.

- Kolhapur spot prices have surged in the previous week ending 15 to 22 July.
- Prices seem technically strong and might find support at lower levels.
- Prices are expected to move in a range between Rs. 2730/Qtl to Rs. 2801/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.**

- Increased in prices of sugar witnessed in Muzaffarnagar market during previous week.
- Prices are likely to stay range bound between Rs. 2945 to Rs.3000/Qtl, if breached present range on either side will decide the direction.
- 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 which is quoting at Rs. 2970/Qtl.

**Gur Scenario**

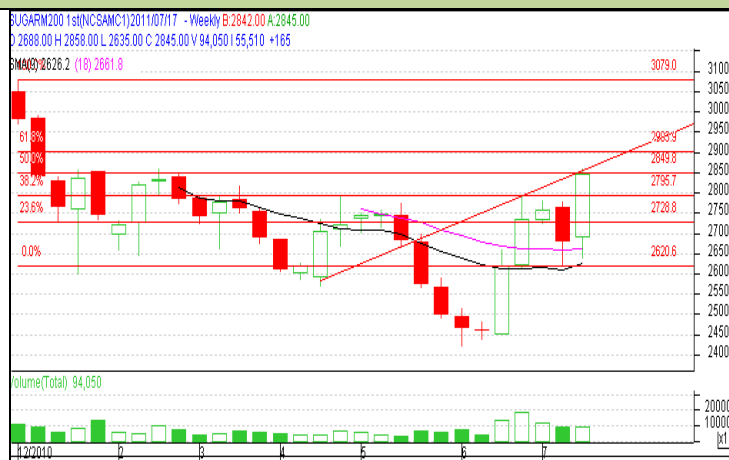
Gur prices have increased in Muzaffar Nagar market during the week ending 22<sup>nd</sup> July. Demand of Chaku gur remains higher as Kolhus are lifting 3000 bags of Chaku gur per day for making remade gur. Also, buyers like Gujarat and Rajasthan showing interest in buying Chaku gur from Muzaffarnagar. Daily 13000 bags have lifted for Chaku gur out of which 9000 bags consumed by Gujarat and Rajasthan market. However, demand of Chaku gur lowered for making remade gur owing to high sugar prices and ongoing Kavayatra which puts hurdles to transport gur from a place to another. However, fresh supply of Gur from Karnataka and Maharashtra give strong competition to UP markets

Meanwhile, around 700,000 bags of Chaku variety gur left in cold storage out of total 9,90,000 bags. Rest 2,90,000 bags are left for Khurpa, Raskat and Papdi variety.

Prices are likely to trade range bound and will move steady to positive in the coming week owing to expected rise in demand of Chaku variety from Gujarat and Rajasthan market which supports the Gur prices further in the coming week.

**Commodity: Sugar**  
**Contract: August**
**Exchange: NCDEX**  
**Expiry: August 20<sup>th</sup>, 2011**
**SUGAR**
**Technical Commentary:**

- Sugar prices are increasing and moving in a range between Rs. 2806 to Rs.2857, if breached the level either side will decide the movement of prices further.
- Current prices has made cup and handle pattern and recently breached it which indicates bullishness in the prices.
- However, RSI is in overbought region which suggests bearishness in the prices.


**Strategy:** It is advisable to buy from support level

Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	August	2764	2806	2845	2910	-
Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	August	Buy	>2835	2910	-	2806

**Commodity: Gur**  
**Contract: September**
**Exchange: NCDEX**  
**Expiry: September 20<sup>th</sup>, 2011**
**GUR**
**Technical Commentary:**

- Prices are moving in a range between Rs.1028 to Rs.1047, 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	1018	1031	1045	1047	1057
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Buy	>1040	1047	1057	1031

### International Scenario

International sugar prices have surged in ICE and LIFFE markets. Prices of sugar in LIFFE have gone up on concern over less Brazil sugar production outlook and good sugar demand from countries like EU and China. Prices are likely to remain bullish in the coming week due to improved demand of sugar.

### International Market News Highlights:

- China's sugar import decreased in June by 40.54% Y-o-Y. Major exporters of sugar to China are Thailand, Cuba, and Vietnam. China could become no.1 market for Brazilian sugar exports in 2011-12. rising incomes had boosted demand for processed foods and soft drinks in the world's most populous country. China could import between 2.2 million and 2.5 million tonnes of sugar from the international market this year. Chinese per capita consumption of sugar was currently around 10.3 kg per capita per year, and was expected to grow to 18 kg per capita per year in the coming years, equivalent to the present consumption of India.
- ISO has cut its sugar production forecast for Brazil in 2011-12 to 38.5 million tonnes from a previous estimate of 40.5 million tonnes due to adverse weather conditions.
- Paranaguá port plans for major expansion that will increase its capacity by 55 percent. The decision has been taken after considering the demand of Brazilian sugar grows Y-o-Y and to ease the port congestion. It is noticeable that the prices of sugar peaked last month owing to Port Congestion in Brazil ports. The major reason for expansion plan is that Santos port, No.1 port of Brazil has no space to expand further. Paranaguá, Brazil's second largest port, is used to export sugar, grains, oilseeds and general cargo. It also imports fertilizer to fuel Brazil's growing agricultural industry. At present, Paranaguá port has 20 berths which they want to expand it to 32 berths. However, even after expansion, Paranaguá port would have a capacity well below Santos port which currently has 63 berths.
- Mexico's 2010/11 sugar exports through June have more than tripled from last season to 1.24 million metric tonnes. Mexico exported just 367,836 metric tonnes through June of the 2009/10 season, which runs October through September. Mexico's sugar industry chamber has said exports are likely to reach 1.4 million tonnes this season, up from an initial forecast of 1.3 million tonnes.
- INDONESIA'S white sugar production this year will reach 2.58m tonnes, lower than a previous target of 2.7m tonnes because of erratic weather, according to the Indonesian Sugar Council (DGI) forecast. The output forecast is still above last year's 2.3m tonnes.
- Total sugar exports from centre-south Brazil stood at 6.7 million tonnes between April 1 and July 15, down from 8.4 million in the same year ago period.
- More than 5 million tonnes of sugarcane has now been crushed since the 2011 season began on May 18 and approximately 6 million tonnes of cane was left to standover from the 2010 crop due to excessively wet weather last year.

International Sugar Prices (Weekly)				
	Contract Month	14/7/2011	21/7/2011	Change
ICE Sugar #11 (US Cent/lb)	Oct'11	29.2	29.85	0.65
	Mar'12	28.07	28.72	0.65
	May'12	26.69	27.29	0.6
LIFFE Sugar (US \$/MT)	Oct'11	764.50	781.30	16.8
	Dec'11	727.60	737.70	10.1
	Mar'12	709.5	726.30	16.8

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



**Technical Commentary:**

- Prices indicate bullish trend and moving in a range between \$748 to \$805 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 \$762.8, if breached then it may go down further to \$748 per tonne.
- Price increase with volume further suggests bearishness in the prices.
- Buy from support 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	781.30	830

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





**Technical Commentary:**

- Prices are in bullish trend and moving in a range between 28.73 to 31.15 cents/pound if breached either side will decide the movement of the raw sugar prices further.
- However, RSI is in a positive zone which suggests bearishness in the prices.
- Buy on dips 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	29.85	31.53

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