

### News Highlights:

- India may allow 3 million tonnes sugar exports in 2011-12 over good sugar production prospects. Agriwatch pegged its sugar production estimate at 26.4 million tonnes which is 6.88% higher Y-o-Y. Extra sugar exports by India in 2011-12 might ease the impact of Brazilian less sugar production Y-o-Y and might cool off the international prices next year. Earlier, trade house ED&F Man also predicts that India can export 3 million tonnes sugar exports in 2011-12.
- Food minister K.V Thomas denies the possibility for further sugar exports till September. Thomas said on Tuesday replied to the recent industry demand of allowing additional half million tonnes sugar exports under OGL. Earlier, government has allowed in total 2.5 million tonnes (1.5 – ALS and 1 million tonnes – OGL) sugar exports in 2010-11.
- Government of AP has restored its decision of imposing 4% VAT on sugar as traders of Andhra Pradesh called the strike over the issue. According to traders, existing VAT imposition on sugar squeeze the profit margins out from the business.
- National Federation of Co-operative sugar factories (NFCSE) demanding 5 lakh tonnes additional sugar exports under OGL for 2010-11. According to NFCSE, this will help the millers to clear the arrears of the cane farmers.
- Sugar Futures fell Rs. 90 per quintal in a day trading and settled at Rs. 2705 per quintal on Wednesday owing to govt. refusal of allowing further sugar exports in the marketing year 2010-11 which pressured future prices downwards.
- The food ministry has approved 3.20 lakh tonne of sugar allocated to the sugar mills for export till 27th July 2011, out of 5 lakh tonne quantity that the government had allowed last month. Total 313 mills have got the license to export sugar so far.

### Domestic Market Recap:

Mixed sentiments witnessed in sugar prices during the week ending 29<sup>th</sup> July 2011. Improved demand of sugar in the coming season increase the forward booking of sugar supports the prices in the first half of the week. However concern over higher sugar quota expectations for August pressurizes the sugar prices in various spot markets in the later half of the week. Recently, Food ministry denies additional sugar exports which also pressurized the prices of sugar during the week.

Major reason for price decline in various sugar spot markets is the profit booking in Futures which urges the buyers to buy sugar stock from exchange rather than spot which further weaken the demand of sugar from Kolhapur market.

Meanwhile, sugar prices increases marginally in UP spot markets during the week. Upcountry buyers of UP buys sugar in the first half of the week and fulfill their sugar requirements before the kavad yatra which supports the spot sugar prices in UP in the first half. However, in the later half of the week, demand remains weak in the UP market as road jammed owing to kavad yatra which creates transportation problem of sugar from a place to another. It is noticeable that almost all mills have released their respective sugar quota obligation for July and presently not eager to release sugar in the open market and are waiting for August month sugar quota.

Higher expected sugar quota might pressurize the sugar prices initially but might regain afterwards owing to intact sugar demand on upcoming festive seasons. Markets are waiting for sugar quota release for August which gives the direction of sugar spot prices further for the coming week.

**Sugar Export Opportunity: Likely to Continue**

Sugar international prices surge by \$24.2/MT in a month from \$7654.8/MT on 28<sup>th</sup> June 2011 to \$789/MT on 28<sup>th</sup> July, 2011 in "LIFFE". Fear over Brazilian sugar output is becoming the cause for the surging prices. However in the later half of the week, prices have slowed its pace as decreasing port congestion in Brazilian ports and supply will outpace demand pressurized the prices at international exchanges (LIFFE & ICE).

However, recent government denial of allowing additional sugar exports after Sept. after considering the closing stock position for MY 2010-11 which remove the possibilities of taking splendid gap between international and domestic sugar prices. Current government decision on exports gives mighty blow to the hopes of Indian millers as well as export houses and also shows cautiousness by government over current domestic market price and balancing S&D of sugar for the current year as well as the coming crop year.

Meanwhile government is quickly releasing export sugar quota which helps the millers to get at most benefits of increasing international prices. Food ministry has approved export of over 3.20 lakh tonnes of sugar till 27<sup>th</sup> July 2011, out of 5 lakh tonnes export that the government had allowed last month and rest will be release in coming days.

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)	757.53	759.24	811.22
	Brazil	Thailand	
FOB (USD/MT)	789.00	879.00	-

Export houses are offering premium \$110 per tonne to get the export licenses from the millers. Surging sugar international prices urges the export houses to make profit from good export parity. Meanwhile, West Maharashtra exporters are quoting \$775 FOB at present.

Indian FOB prices are very much competitive compared to Brazil and Thailand. Chennai and Kolhapur centers have witnessed export parity owing to less distance to port. Even Muzaffar nagar center also giving tough competition to Thailand as far as export parity is concerned despite of long distance to port but lagging behind Brazil FOB prices. Recently Thailand quoted \$90 white sugar premium over LIFFE at which buyers are not interested to buy sugar at that much higher premium which might bound the thai sugar premium to decrease from the existing level.

**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>	24.7
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:**

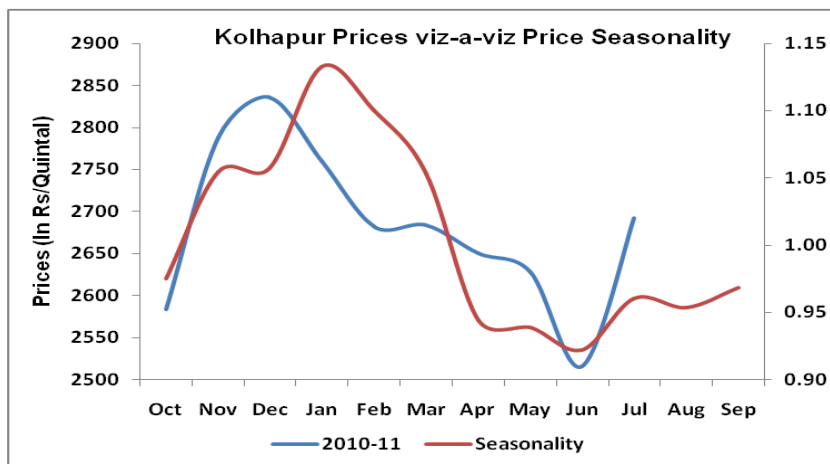
Meteorological analysis suggests that the poor rains have received in north and west cane growing regions. Meteorological deptt had predicted 7 percent below average rains in July. Last week, rains were 42 percent below normal in Gujarat and down 31-34 percent in Maharashtra overall. Rainfall after planting dictates the yield of sugar from the cane. However, it is noticeable that it does not put any or very marginal impact on standing cane crop as most of the cane growing region comes under irrigated land.

Weather dep't indicates that fairly widespread rainfall would occur over west coast, Uttar Pradesh, east and northeastern States and south peninsular India and scattered rainfall would occur over remaining parts of the country. This indicates favorable weather conditions for cane crop as crop is in emergence and germination stage which needs proper irrigation. August month rainfall will play a key role for growth of the plant.

Recently government has released the sugarcane crop progress during the week ending 29<sup>th</sup> July 2011. Sugarcane has been planted in 51.81 lakh hectares so far. Higher area has been reported Y-o-Y from Karnataka, Punjab, Uttar Pradesh and Maharashtra regions.

### Kolhapur Prices Viz-a-Viz Price Seasonality:

Compared to Kolhapur prices seasonality graph, 2011 year Kolhapur spot prices moved in tandem with the seasonality till June. But the prices changed its path and moved to higher level on supporting factors like export notification by government and increased spot sugar demand. However, higher sugar production prospects for 2011-12 might kept the Kolhapur sugar spot prices under pressure and will move in tandem with Seasonality prices of Kolhapur.



### Spot Sugar Prices Scenario (Weekly)

	21-July-11	28-July-11	change
Mumbai M-30	2991	2956	-35
Mumbai S-30	2851	2791	-60
Kolhapur M-30	2750	2700	-50
Kolhapur S-30	2700	2660	-40
Muzaffar Nagar M	2970	2990	+20
Delhi M-30	3000	2985	-15
Delhi S-30	2900	2870	-30
Chennai S	2725	2760	+35
Vijayawada M-30	3120	3120	Unch
Kolkata M Variety	2940	2980	+40

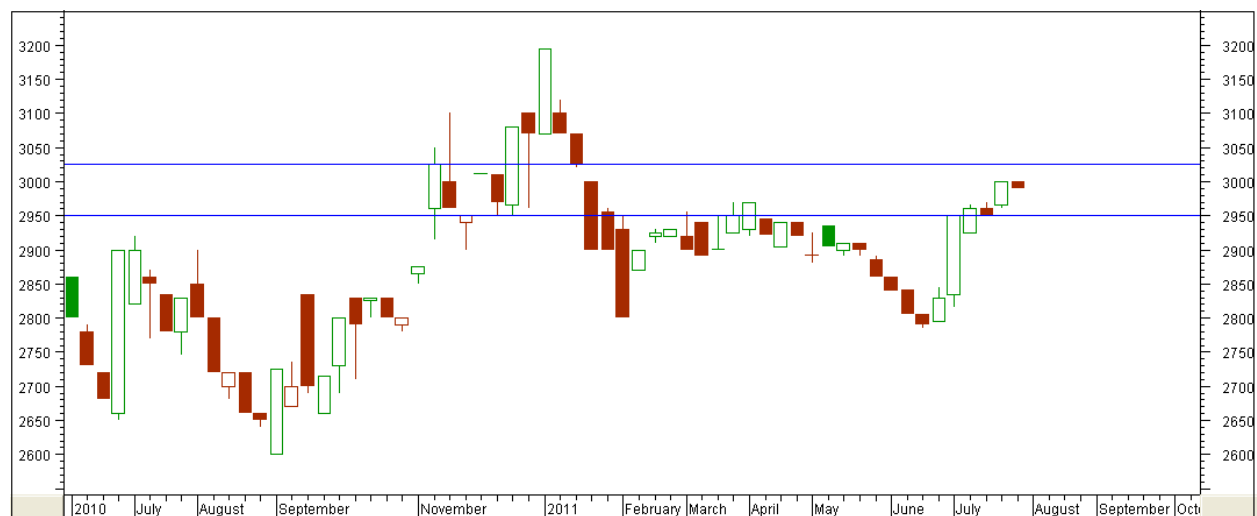
### Spot Market Technical Analysis (Kolhapur–Grade M)



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

- Kolhapur spot prices have come down in the previous week ending 21 to 28 July.
- Prices are hovering at its support level where buying is expected to come on the upcoming festive season in the coming week which might support the prices of sugar.
- 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.

- Muzaffar nagar spot prices decreased during last week.
- Prices are moving in a range between Rs. 2950 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. 2990/Qtl.

### Gur Scenario

Gur prices have increased in Muzaffar Nagar market during the week ending 29th July. Despite of weak demand in the market, prices have increased marginally. Daily 2500 bags are lifting for Chaku gur for direct consumption as well as for making remade gur which was 13000 bags at previous week. Kavayatra restrict the transportation of gur from a place to another which decrease the demand of gur during previous week. Meanwhile buyers from Gujarat and Rajasthan buying gur from Karnataka and Maharashtra market due to price difference between Chaku gur and Achhu variety gur in Karnataka. At present Karnataka and Maharashtra gur markets seems to give strong competition to UP market but after the completion of shivratri festival, buyers might divert their buying interest back to Muzaffar nagar market. Also upcoming Ganesh Chaturthi festival in Maharashtra might restrict the fresh arrivals of gur from Maharashtra due to labour problem which can divert the buyers buying gur from Maharashtra to UP.

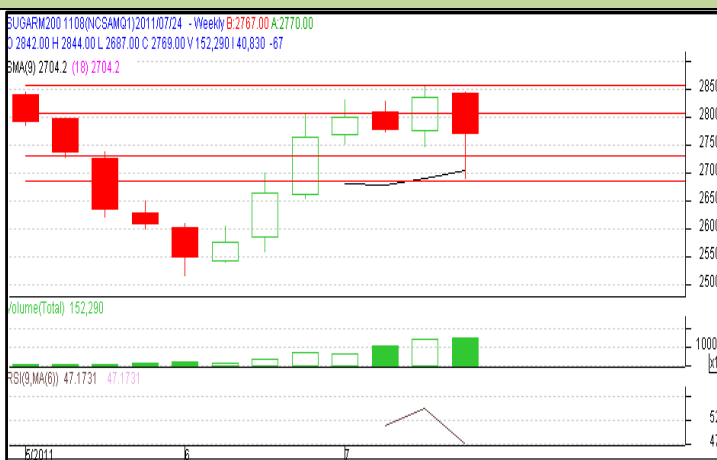
Meanwhile, around 625,000 bags of Chaku variety gur left in cold storage out of total 9,50,000 bags. Rest 3,25,000 bags are left for Khurpa, Raskat and Papdi variety.

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 after shivratri festival which have restricted the roads creates transportation problem.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	21-Jul-11	28-Jul-11	Change
Muzaffar Nagar	Chaku	2525	2535	+10
Bangalore	Achhu	2400	2500	+100
	Mudde	2800	2700	-100
Belgaum	Mudde	2200	2300	+100
Belthangadi	yellow (Average)	2700	2700	Unch
Bijapur	Achhu	2500	2500	Unch
Gulbarga	Other (Average)	2530	2550	+20
Mahalingapura	Penti (Average)	2550	2610	+60
Mandya	Achhu (Medium)	2350	2350	Unch
	Kurikatu (Medium)	2200	2100	-100
	Other (Medium)	2250	2250	Unch
	Yellow (Medium)	2300	2300	Unch
Shimoga	Achhu (Average)	2850	2800	-50

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

- Sugar prices have decreased and moving in a range between Rs. 2700 to Rs.2857, if breached the level either side will decide the movement of prices further.
- Prices are hovering at strong support level of Rs. 2750 if breached the level then it may go down further.
- However, RSI is in neutral region and moving down to oversold which further suggests bullishness in the prices.


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

Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	August	2686	2700	2769	2806	2858
Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	August	Buy	>2730	2806	2858	2700

**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.1069, 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.
- However, RSI is in overbought region which indicates price may decline.


**Strategy:** Buy from support level would be advisable.

Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1015	1028	1049.5	1047	1057
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Buy	>1036	1047	1057	1028

## International Scenario

International sugar prices have increased marginally in ICE and LIFFE markets. After touching its Oct month contract high at \$821/mt, prices have come down owing to ease in port congestion in Brazilian ports. Prices are likely to trade in a range and might move up further on Brazilian cane crop concerns and Chinese sugar demand.

## International Market News Highlights:

- Australia's 2011 sugar crush is starting to gather pace with nearly 25% of the crop now harvested. Australia is the world's third largest sugar exporter and is likely to harvest around 30 million tonnes of cane, up from last year's rain affected 27.5 million tonnes, but still below a typical harvest of 33 million tonnes.
- Brazil's top sugar producing region, Center South, has produced 11.9 million tonnes sugar, down by 15% Y-o-Y, from the start of the season till July 16. However, sugar production is catching up the pace of 2010 which started exceptionally early. The major reason for lower sugar production in Brazil was frequent rain from February to April month this year which results in lesser cane crush lagging last year crushing progress. However, dry weather since May has helped the crop to get ready to harvest. As per UNICA.
- The Thai Sugar Trading Corp. expects to export more than 2 mln tonnes of sugar in 2011 compared with 1.6-1.7 mln a year earlier on the back of strong global demand for the sweetener and a bumper Thai crop in 2010/11
- White sugar production from imported raws reached 2.249 mln tonnes as of July 25, up 20% from 1.873 mln in the same period a year ago, the Russian Sugar Producers Union said. There are currently 12 refineries operational, compared with 6 at the same time last year. Remaining raw sugar stocks at the refineries on July 25 totalled 113,300 tonnes, up from 18,500 a year ago.
- The sugar lineup at Brazilian ports goes down to 56 vessels, down from 62 on July 20, 2011. At Santos, Brazil's main port for sugar exports, the queue declined to 41 from 43. At Paranagua, the No. 2 sugar port, there were 15 ships this week, down from 18 vessels on July 20, 2011. There is 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	
	27-July	20-July	27-July	20-July	27-July	20-July
Santos	41	43	71450	82500	1440000	1530000
Paranagua	15	18	71900	71900	352200	412500
Maceio	-	-	0	0	0	0
Vitoria	-	1	0	12700	0	0
Total	56	62	143350	167100	1790000	1940000

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



International Sugar Prices (Weekly)				
	Contract Month	21/7/2011	28/7/2011	Change
ICE Sugar #11 (US Cent/lb)	Oct'11	29.85	29.92	0.07
	Mar'12	28.72	28.66	-0.06
	May'12	27.29	27.20	-0.09
LIFFE Sugar (US \$/MT)	Oct'11	781.30	789.00	7.7
	Dec'11	737.70	745.00	7.3
	Mar'12	726.30	731.40	5.1

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



#### Technical Commentary:

- Prices indicate bearish trend and moving in a range between \$782 to \$821 per mt.
- Prices are hovering to its support level, if breached its support level then it will go down to \$749 per mt.
- 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	789.00	749.00

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



### Technical Commentary:

- Prices are in bearish mode and moving in a range between 28.76 to 30.61 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.
- Sell on rallies 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	29.92	28.76

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