

News Highlights:

- The Government has decided to make available 19.25 lakh tonne of sugar quota (levy sugar – 2.22lakh tonne, 0.03 lakh tonne of white processed from imported raws and non-levy sugar – 17 lakh tonne) for the month of August 2011. August quota is higher compared to last three years average sugar quota for August month which might pressurize the price in the coming week.
- Maharashtra, largest sugar producing state in India, is likely to produce
- Food Minister Mr K.V Thomas says that the closing stock for 2010-11 season might go up to 17% Y-o-Y. However keeping in view the 2.2% sugar consumption growth, and 2.5 million tonnes sugar exports (1.0 million tonnes – OGL and 1.5 million tonnes – ALS), ending stock for 2010-11 might go down to ~17.09% which totally negates the statement of food minister. According to Govt. estimate, closing stock of sugar is estimated at 6 million tonnes as on September 2010-11. But according to the S&D of sugar, Agriwatch estimate closing stock of sugar for 2010-11 would be around 3.88 million tonnes which is much lower than government projection.

Domestic Market Recap:

Sugar prices soften in various spot markets during the week ending 5th Aug 2011. High sugar quota for Aug month kept the sugar buyers out of the market. However, festive buying of sugar remains due which is expected to come in the second week of August. Traders try to bargain and carry sugar stock at lower levels. Meanwhile, sugar prices in all spot markets came down on an average Rs.45-50 w-o-w and it is expected that the prices to come down further until sugar festive buying occurs.

Meanwhile traders as well as millers are in panic situation as higher August sugar quota lower down the demand. Traders are not buying sugar at current prices as they are expecting more downfall in the sugar prices. This further indicates rebound in prices at lower levels.

Moreover, higher supply weigh on to the market sentiments at present but expected spike in demand and prices of sugar in second week of Aug will offset the impact of higher supply of sugar in the market.

Sugar Export Opportunity: Likely to Continue

Indian prices are not looking competitive at present from major international players as evident in the following table. Increased exports by Brazil in July month and ease in port congestion in Brazil decline the international sugar prices in LIFFE which weakens the possibilities of further sugar exports.

Also, considering the sugar lower ending stock (~3.88) for 2010-11 might remove the possibilities of allowing further sugar exports by government in the MY 2010-11.

Meanwhile government has released 4.15 lack tonnes of sugar till 4th Aug 2011 out of 5 lack tonnes export and rest of the quantity will be release during coming days. It is noticeable that exports was willing to pay premium as much as 7000/MT to fetch the allotted export licenses from millers.

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)	791.47	797.06	839.56

	Brazil	Thailand	
FOB (USD/MT)	719.80	799.80	-

Sugar prices at Chennai and Kolhapur centers were seen competitive against Thailand, second largest sugar exporter country after Brazil. However Muzaffar nagar center is not looking competent compared to Brazil and Thailand due to freight disadvantage and large distance to ports. Recently Thailand raised its sugar premium from USD 22 to 80 over LIFFE. At these higher levels of Thai premiums buyers are seen inactive and waiting for Thai premium to come down. This stands favorable for Indian exporters to bag import orders from SE Asian nations. However, sugar export parity advantage remains useless for Indian exports until government allows further sugar exports apart from 1 million tonnes of sugar exports till date.

Sugar Production Scenario:

We kept the sugar production estimates unchanged at 24.7 million tonnes for 2010-11. Agriwatch kept its production estimate slightly higher (0.2 million tonnes) compared to government estimates. Extended cane crushing in states like Maharashtra and Tamil Nadu helped the overall sugar production estimates for 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

Sugar production estimate for 2011-12 kept unchanged at 26.4 million tonnes during the current period as yield situation will be clear only after Aug rainfall. Surge in sugarcane acreage by 9.79% Y-o-Y and normal yield assumptions help to increase 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

Weather Outlook and Sowing Progress:

State wise Rainfall Distribution (In Millimeter)			
	Actual(5.8.2011)	Normal (01.06.2011)	% Change
Eastern UP	427.1	453.2	-6%

Western UP	426.2	377.9	13%
Central Maharashtra	407	426.1	-4%
Andhra Pradesh	270.3	286.8	-6%
Northern Karnataka	256.4	260.7	-2%
Southern Karnataka	397.2	389.6	2%
Gujarat	318.6	520.1	-39%
Tamil Nadu	101	124.3	-19%
Bihar	528.5	561.5	-6%
Country as a Whole	468.5	499.3	-6%

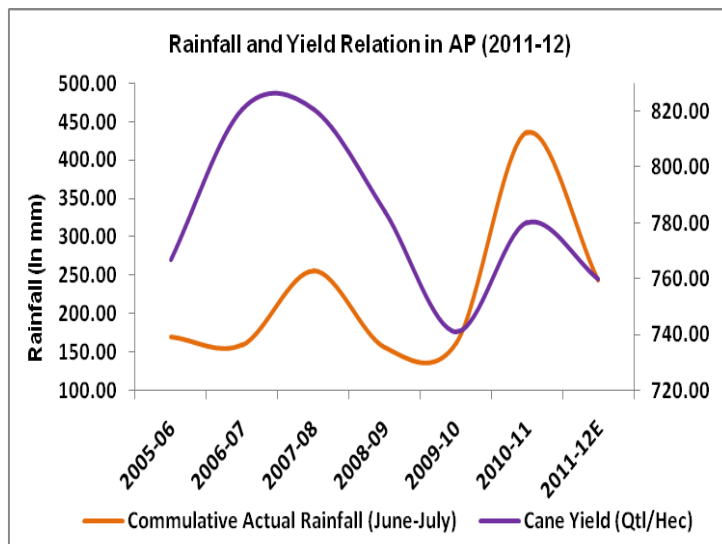
Source: IMD

According to Indian Meteorological Department, overall actual precipitation in the country is 6% below normal during 5th Aug 2011. Good precipitation recorded in Western UP where the sugarcane needs good rainfall which might support the yield of sugarcane in western UP. However, rainfall is 6% below normal recorded in Eastern UP which is unlikely put any impact on sugarcane yield as Eastern UP lies under low lying area. Meanwhile, Gujarat has witnessed around 39% below average rainfall which might decrease the sugarcane yield Y-o-Y. Also, rainfall in states like AP, Maharashtra, Bihar, TN and Karnataka recorded slightly below normal rainfall. Marked areas are 90% irrigated already and marked decline in rainfall will put no or very marginal impact on yield of sugarcane in these states.

Sugarcane crop progress during the week ending 5th Aug 2011 indicates satisfactory progress y-o-y as major shift in area towards sugarcane could be seen from competing crops like soybean, pulses, and coarse cereals in major producing states. Sugarcane has been planted in 51.13 lakh hectares till 5th Aug. Higher area has been reported Y-o-Y from Karnataka, Punjab, Uttar Pradesh and Maharashtra which hold our view of increased acreage this year during beginning of the planting time.

Rainfall and Yield Relation in Andhra Pradesh (2011-12):

Recent rainfall data by Indian Meteorological Department indicates 8% below normal rainfall in June-July period 2011. It is noticeable that cane needs good rainfall in Andhra Pradesh for better cane yield but latest rainfall data might lower down the yield marginally in AP. However, situation will get clear after August rainfall data as it is very crucial period for the cane yield. Considering the normal rainfall in August rainfall and assuming previous 2 years average yield, Cane yield is likely to be around 760 quintals per hectare in AP for 2011-12 which is 3% lower than 2010-11 cane yield.



Spot Sugar Prices Scenario (Weekly)

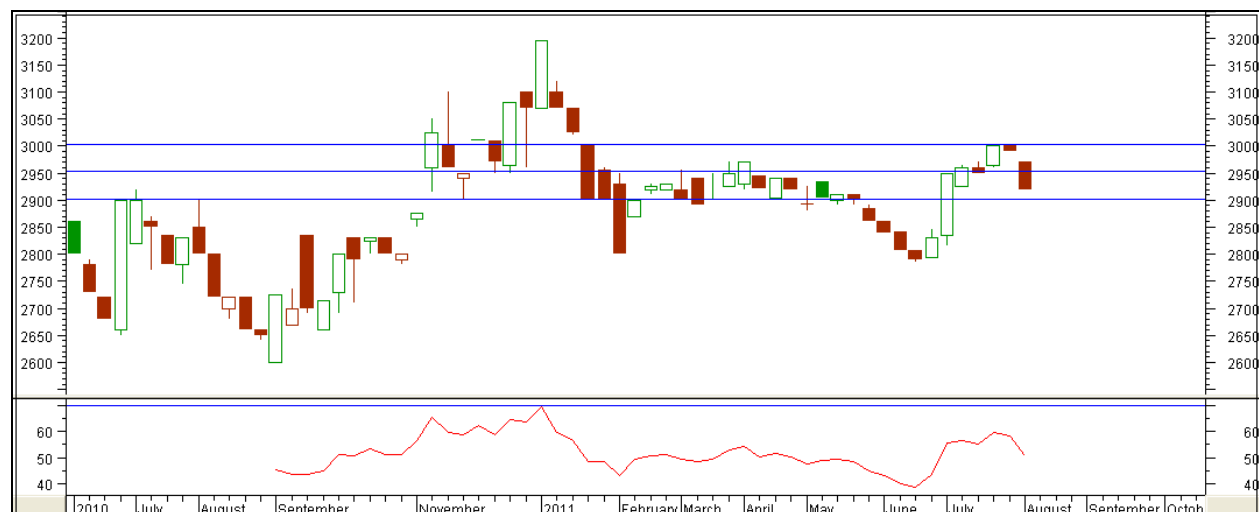
	28-July-11	04-Aug-11	change
Mumbai M-30	2956	2911	-45
Mumbai S-30	2791	2746	-45
Kolhapur M-30	2700	2650	-50
Kolhapur S-30	2660	2625	-35
Muzaffar Nagar M	2990	2920	-70
Delhi M-30	2985	2950	-35
Delhi S-30	2870	2850	-20
Chennai S	2760	2715	-45
Vijayawada M-30	3120	3100	-20
Kolkata M Variety	2980	2910	-70

Spot Market Technical Analysis (Kolhapur–Grade M)



Price Expectation for Kolhapur market for the coming week.

- Sugar Kolhapur spot prices tumbled during the week ending 5th August 2011.
- Kolhapur spot prices might test immediate support level of Rs. 2620 which is also a trend line support. If the level breached downwards then may continue its bearish run.
- Also, RSI is also moving down to oversold region from neutral region.
- Prices are expected to move in a range between Rs. 2620/Qtl to Rs. 2700/Qtl, for short term.

Spot Market Technical Analysis (Muzaffar Nagar –Grade M)**Price Expectation for Muzaffar Nagar market for the coming week.**

- Prices ease during the week for sugar spot markets in Muzaffarnagar.
- Sugar Muzaffarnagar spot price is expected to move in a range between Rs. 2900 to Rs. 2950 if breached the levels either side will decide the movement of the prices further
- RSI is moving downward to oversold region from overbought.
- Short covering from lower support level would be expected.

Gur Scenario

Gur prices have decreased in Muzaffarnagar market during the week ending 5th August 2011. Subdued demand and trade of gur reported in the benchmark market and is the only reason of decline in gur prices. Decline in demand is primarily due to less demand came from Gujarat owing to high temperature in Gujarat which may perish the cold storage gur. Demand will not come until temperature came down, according to a trader. On an average daily off-take of gur from Muzaffar Nagar mandi is reported to 110000 bags.

Total gur stock in Muzaffarnagar is reported at 900,000 bags out of which 620,000 bags are of Chaku variety and rest 280,000 bags belongs to varieties like Khurpa, raskut and Papdi.

Meanwhile, gur production is likely to gain momentum in South Karnataka with new cane crushing for gur is expected to pick up during Aug and Sep. Fresh gur arrivals in Karnataka and Maharashtra gives strong competition to the Muzaffarnagar mandi as buyers from Gujarat and Rajasthan prefer buying gur from Karnataka and Maharashtra. Recent price hike in gur at various Karnataka mandi proves this evident further.

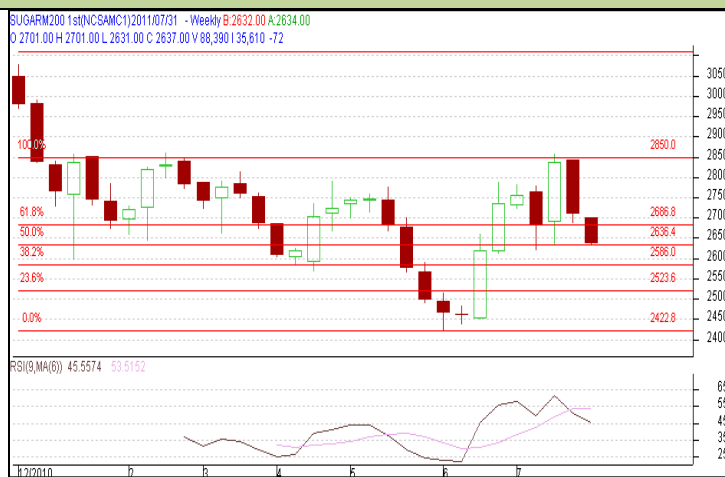
Considering the above factors, we expect the prices to stay under pressure and likely to stay range bound during the coming week.



Gur Spot Prices (Rs/Qtl)				
Markets	Variety	28-Jul-11	04-Jul-11	Change
Muzaffar Nagar	Chaku	2535	2450	-85
Bangalore	Achhu	2500	2800	+300
	Mudde	2700	3000	+300
Belgaum	Mudde	2300	2400	+100
Belthangadi	yellow (Average)	2700	2800	+100
Bijapur	Achhu	2500	2550	+50
Gulbarga	Other (Average)	2550	2558	+8
Mahalingapura	Penti (Average)	2610	2680	+70
Mandya	Achhu (Medium)	2350	2640	+290
	Kurikatu (Medium)	2100	2150	+50
	Other (Medium)	2250	2250	Unch
	Yellow (Medium)	2300	2300	Unch
Shimoga	Achhu (Average)	2800	2950	+150

Commodity: Sugar
Contract: August
Exchange: NCDEX
Expiry: August 20th, 2011
SUGAR
Technical Commentary:

- Sugar prices have decreased and stay in a range of Rs. 2636 to Rs.2705, and breaching the levels in either side will decide the price movement.
- Prices are testing strong support at Rs. 2636 and any decisive close below the same might initiate a bear run.
- RSI is in neutral region and moving down to oversold where prices might find buying support.


Strategy: It is advisable to buy from support level

Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	August	-	2605	2637	2686	2710
Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	August	Buy	>2630-2636	2686	2705	2605

Commodity: Gur
Contract: September
Exchange: NCDEX
Expiry: September 20th, 2011
GUR
Technical Commentary:

- Prices are moving in a range of Rs.1025 to Rs.1069. It got resistance towards its 61% retracement levels. This might trigger technical sell from the regions which is expected to cool the prices towards its 38% retracement levels as depicted in the adjacent chart.
- Also, RSI is hovering near to the overbought region and moving towards neutral region.


Strategy: Buy from support level would be advisable.

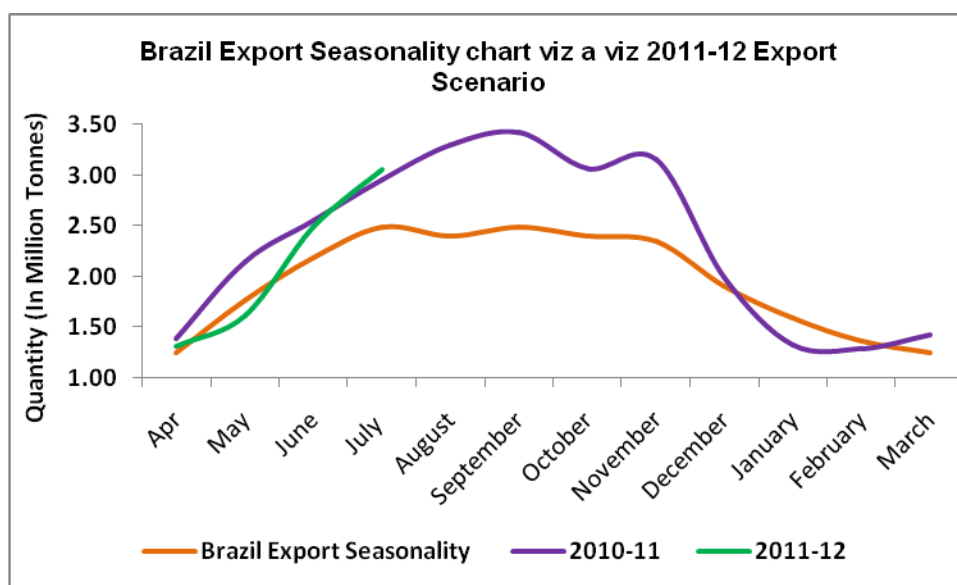
Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1005	1015	1025.5	1051	1069
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Sell	<1036-1038	1015	1005	1051

International Scenario

International sugar prices have declined in ICE and LIFFE during the week ending 4th Aug 2011. Brazil-wide sugar ship lineup shortens to 54 vessels which indicate demand is weak for sugar. Also, better sugarcane crop from Russia of as much as 4.5 million metric tonnes, and a forecast of 26.4 million tonnes from India for 2011-12 weigh on the sugar international prices. We expect the sugar prices are likely to decline further during the coming week.

International Market News Highlights:

- Sugar exports from Brazil, biggest sugar exporter country in the world, increased 4% Y-o-Y in July. Brazil has export 3.06 million tonnes sugar exports in July 2011 which is higher against 2.95 million tonnes exports commenced in July 2010. It is noticeable that flow of sugar to the ports might increase further after a slow initial start of sugar harvest which restricts the sugar flow in the early stages of the harvest.



(Source: F O Litch)

- Canaplan sees sugar production in Brazil could fall below 30 million tonnes in 2011-12 if the rain returns early to the south center region which might affect crushing. Meanwhile, USDA also cuts its forecast for cane harvest to 595 million tonnes. It also cuts Brazil sugar production estimate to 36 million tonnes for 2011-12.
- Sugar prices are likely to fall despite of smaller sugar global surplus, according to Kingsmen. Prices of sugar have surged 50% from May on concern over bad cane crop in Brazil and lower output from Argentina. However, good sugar production outlook from India for 2011-12 and good cane crop from Russia may give the supply boost to the global market which might result in prices decline.
- The sugar lineup at Brazilian ports goes down to 54 vessels, down from 56 on July 27, 2011. At Santos, Brazil's main port for sugar exports, the queue declined to 40 from 41. At Paranaguá, the No. 2 sugar port, there were 14 ships this week, down from 15 vessels on July 20, 2011. Importers are not willing to import sugar at much higher level and thus results in ease in demand of sugar.

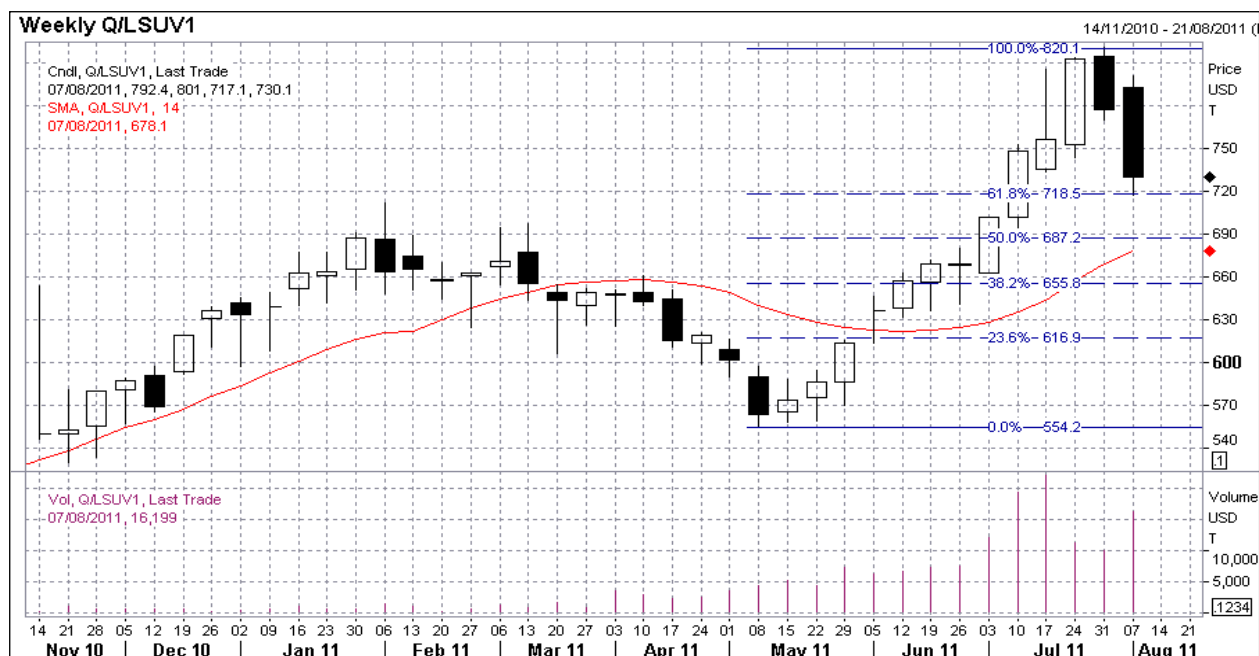
Brazil Sugar Vessel Line up			In Tonnes
Ports	Vessels	White	Raw

	3-Aug	27-July	3-Aug	27-July	3-Aug	27-July
Santos	40	41	110350	71450	1360000	1440000
Paranagua	14	15	67900	71900	276200	352200
Maceio	-	-	0	0	0	0
Vitoria	-	-	0	0	0	0
Total	54	56	178250	143350	1630000	1790000

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

International Sugar Prices (Weekly)				
	Contract Month	28/7/2011	04/8/2011	Change
ICE Sugar #11 (US Cent/lb)	Oct'11	29.92	27.79	-2.13
	Mar'12	28.66	26.81	-1.85
	May'12	27.20	25.62	-1.58
LIFFE Sugar (US \$/MT)	Oct'11	789.00	719.80	-69.2
	Dec'11	745.00	681.80	-63.2
	Mar'12	731.40	669.10	-62.3

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

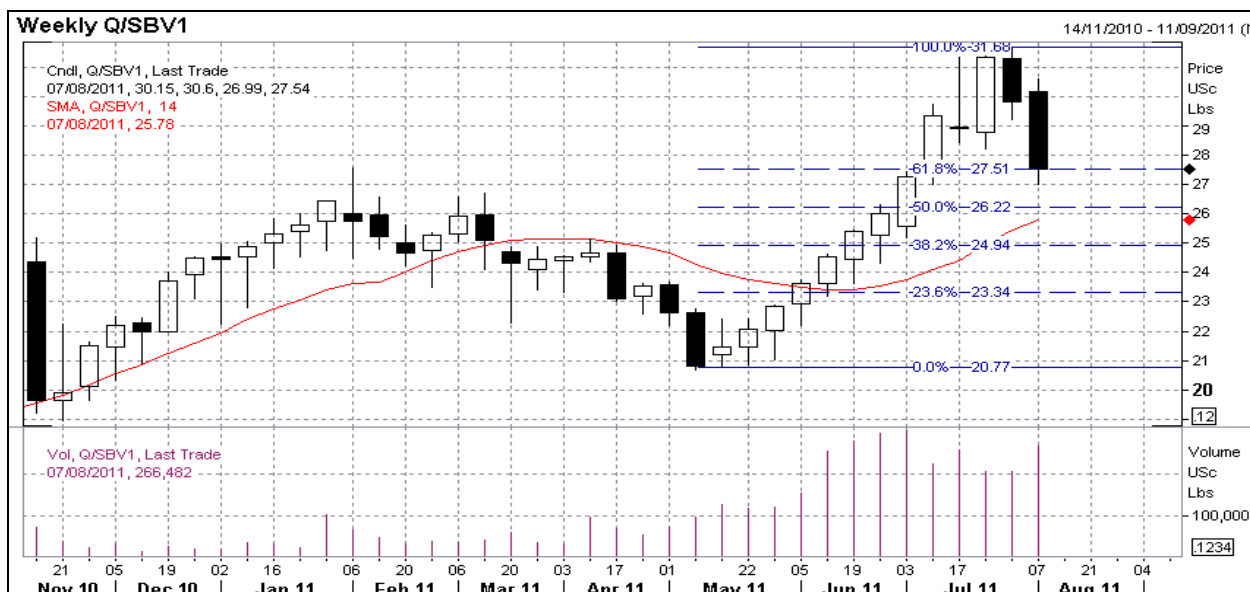


Technical Commentary:

- Prices find strong support towards \$718 per mt which lead further decline in the prices during coming week.
- Increase in volume with decrease in prices indicates more bear run during the coming week.
- Prices are testing US \$718 and close below the marked level will indicates the bear run continue.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'11	730	687-718

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



Technical Commentary:

- Sugar prices witnessed declined during the week.
- Prices keep testing 27.51 level and if close below the level will continue its bearish run for longer term.
- Increase in volume with decrease in prices further suggests bearish run in the coming week.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'11	27.79	26.22-27.51

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