

News Highlights:

- India's July 1 2010-11, sugar stocks were at 12.3 million tonnes, up 38.2 percent from 8.9 million tonnes in 2009-10. On June 1, 2011 sugar inventory was at 14.0 million tonnes against 10.2 million tonnes in the year earlier. Sugar mills produced 23.9 million tonnes of the sweetener between Oct. 1 and June 30 2011 against 18.6 million tonnes in the year earlier period.
- Increased production and cheaper costs will enable India to become a leading sugar exporter to Indonesia next year, the Indonesian Sugar Association's (AGI).
- India expects a bigger sugar surplus of 4 million tonnes in 2011/12 and the decline in Brazil's production will offer an export opportunity for the South Asian producer and Thailand. Initial estimates based on government forecast of a 5 percent rise in cane area show that India, the world's second-largest sugar producer, will produce 26.0 million tonnes in 2011/12 versus 24.2 million tonnes for the 2010/11 season.
- It has been decided to allow an additional export of 5 lakh tonnes of raw, white and refined sugar under OGL in furtherance of export earlier allowed. India allowed the additional quantity of sugar exports, totalling sales under the Open General Licence (OGL) scheme to 1.5 million tonnes so far this year.

Domestic Market Recap:

Sugar prices remains mixed in various spot markets during the week ending 19th Aug 2011. Prices have surged for Sugar S variety in Mumbai market owing to fresh festive sugar demand. However sluggish demand and lackluster trade of sugar in UP markets kept the sugar prices steady to weak during the previous week. However, prices have surged in Chennai market owing to fresh exports released by Govt. Prices in Vijayawada, Nagpur, Delhi and Kolkata market remain unchanged during the previous week.

Meanwhile, Govt allows additional 5 lac tonnes sugar exports under OGL keeping in view higher sugar international prices. Govt tries to give some respite to the millers by taking a positive stand on exports scenario. Recent exports take the exports figures to 1.5 million tonnes in 2010-11.

Considering upcoming festive season in Maharashtra and expected subdued demand in UP, we expect that the prices may likely to trade range bound and mixed sentiments likely to remain in various sugar markets in the coming week.

Sugar Export Opportunity: Likely to Continue

Indian prices are looking competitive compared to Thailand and also giving stiff competition to Brazil in terms of FOB prices. Higher Thai white sugar premium kept Thailand out of the competition. International prices have surged in both international exchanges (ICE & LIFFE) owing to bad crop condition in Brazil and higher sugar demand from China which gives fuel to the surging prices. Higher sugar international prices increase the prices gap between international and domestic prices which further gives opportunity to the millers as well as exporters to take the export parity advantage.

Meanwhile, government allows 5 lac tonnes sugar exports under OGL which takes the sugar export figures to 1.5 million tonnes in 2010-11. Considering higher international sugar prices, govt. allows additional sugar exports which give golden opportunity to millers to fetch higher sugar premium from big trade and export houses which are seeking export permit. It is noticeable that after previous export license allotment to millers, export houses were willing to pay a premium of as much as 7000/MT to get 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)	797.06	785.87	823.90
	Brazil	Thailand	
FOB (USD/MT)	765.80	835.80	-

Sugar prices at Chennai, Muzaffar nagar and Kolhapur centers were seen competitive against Thailand and giving tough competition to Brazil. Thailand kept its white sugar premium at USD 70 per tonne over LIFFE. Buyers like Indonesia and other South East Asian nations are not interested in buying sugar from Thailand owing to higher sugar premium which stands favorable to Indian exporters to bag imports orders from these nations. Recently, Indonesian industry (AGI) shows interest in buying sugar from India next year along with Thailand as Indian sugar quality is close to Indonesian white sugar quality.

Sugar Production Scenario:

We kept our 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 supports the sugar production estimates to reach at 24.7 million tonnes 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

Sugar production estimate for 2011-12 is also kept unchanged at 26.4 million tonnes. Recently, good rainfall data from IMD in major cane producing indicating good yield from cane which further supports higher sugar production estimates for 2011-12. However, yield situation will be clear after Aug rainfall.

.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	591	574.3	3%
Western UP	564.1	503.6	12%
Central Maharashtra	463	503.7	-8%
Andhra Pradesh	311.4	349	-11%
Northern Karnataka	280	308.6	-9%
Southern Karnataka	466.4	457.4	2%
Gujarat	566.2	633.4	-11%
Tamil Nadu	153.2	154.7	-1%
Bihar	705.1	672.8	5%
Country as a Whole	600.1	606.2	-1%

Source: IMD

According to Indian Meteorological Department, overall actual precipitation in the country is 1% below normal upto 17th Aug 2011. Good precipitation was recorded in Western UP which might support the yield of sugarcane. Rainfall has been improved in regions like Bihar and South Karnataka compared to last week which gives boost to the cane yield. However, rainfall in states like AP, Maharashtra, TN and Northern Karnataka recorded slightly below normal rainfall. These areas are 90% irrigated already and the decline in rainfall will have no or marginal impact on yield of sugarcane.

Sugarcane crop progress during the week ending 19th 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 51.67 lac hectares till 19th Aug which is 4.8% higher compared to previous year same period. Higher area has been reported Y-o-Y in major cane growing states which bears with our original estimate of proposed acreage this year.

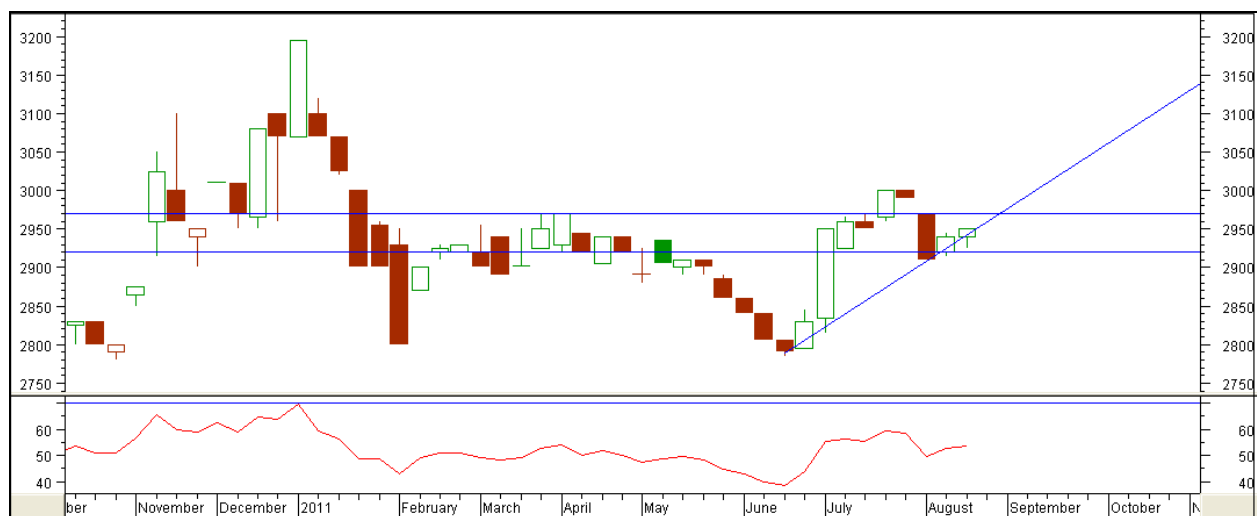
Spot Sugar Prices Scenario (Weekly)

	11-Aug-11	18-Aug-11	change
Mumbai M-30	2941	2931	-10
Mumbai S-30	2751	2776	+25
Kolhapur M-30	2700	2670	-30
Kolhapur S-30	2630	2630	Unch
Muzaffar Nagar M	2945	2925	-15
Delhi M-30	2950	2950	Unch
Delhi S-30	2850	2850	Unch
Chennai S	2715	2740	+25
Vijayawada M-30	3080	3080	Unch
Kolkata M Variety	2880	2880	Unch

Spot Market Technical Analysis (Kolhapur–Grade M)

Price Expectation for Kolhapur market for the coming week.

- Sugar Kolhapur spot prices decrease during the week ending 19th August 2011.
- Kolhapur spot prices might take a correction after testing immediate support level of Rs. 2620 which is also a trend line support. If the level breached downwards then may continue its bearish run. However, prices are technically weak as chart depicts.
- 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, in the short term.

Spot Market Technical Analysis (Muzaffar Nagar –Grade M)

Price Expectation for Muzaffar Nagar market for the coming week.

- Sugar prices have gone up during the week in Muzaffar nagar spot market.
- Sugar Muzaffar nagar spot price is expected to move in a range between Rs. 2910 to Rs. 2970. Any breach of the levels on either side will decide the movement of the prices further.
- However, RSI is moving from neutral to overbought region.

- Prices seem to touch Rs. 2970 level which is a strong resistance level.

Gur Scenario

Gur prices have increased in Muzaffar nagar market during the week ending 19th August 2011. Improved festive demand support the Jaggery prices in Muzaffar nagar mandi.. On an average daily 14000 bags of gur has been off take from Muzaffar nagar mandi.

Total gur stock in Muzaffar nagar is reported at 850,000 bags out of which 525,000 bags are of Chaku variety and rest 325,000 bags belongs to varieties like Khurpa, raskut and Papdi.

Meanwhile, it is expected that fresh arrivals of gur will start from 24th September which will add supply pressure in the markets. Considering the stock of gur left in cold storage and expected fresh arrivals of gur that will start in September end will pressurize the gur prices. Moreover, no festival season in the coming week gives less possibility of the revival of demand of gur which will keep the gur prices under pressure.

Meanwhile, gur production is gaining momentum in Karnataka with new cane crushing for gur picks up. Karnataka and Maharashtra market is giving strong competition to the Muzaffar nagar mandi as fresh arrivals from these states attract buyers from Gujarat and Rajasthan. Fresh arrivals of gur in Karnataka mandi kept the gur prices under pressure during the week.

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	11-Aug-11	18-Aug-11	Change
Muzaffar Nagar	Chaku (Dry)	2450	2500	+50
Bangalore	Achhu	2600	2600	Unch
	Mudde	2800	2800	Unch
Belgaum	Mudde	2200	2300	+100
Belthangadi	yellow (Average)	2700	2800	+100
Bijapur	Achhu	2630	2565	-65
Gulbarga	Other (Average)	2572	2501	-71
Mahalingapura	Penti (Average)	2680	2540	-140
Mandya	Achhu (Medium)	2400	2400	Unch
	Kurikatu (Medium)	2200	2200	Unch
	Other (Medium)	2300	2250	-50
	Yellow (Medium)	2350	2350	Unch
Shimoga	Achhu (Average)	2800	2800	Unch

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

- Sugar prices have increased and stayed in a range of Rs. 2697 to Rs.2760, and breaching the levels in either side will decide the price movement.
- Prices might test 2750 level which also act as a strong resistance level and any decisive close above the same might drag the prices upwards.


Strategy: It is advisable to buy on dips.

Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	September	2705	2730	2706	2755	2765
Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	September	Buy	<2730-2637	2755	2765	2730

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

- Prices are moving in a range of Rs.1015 to Rs.1051. Prices might touch its trendline resistance of Rs 1051 if breach the level then it will move up further.
- Prices got resistance at 1051 level which is 38.2% retracement level, if breach then it may move up to its 50% retracement level as chart depicts.
- However, prices above 9 & 18 day EMA suggest bullishness in the prices.


Strategy: Buy from support level would be advisable.

Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1015	1025	1017	1046	1060
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Buy	<1030-1033	1046	1060	1025

International Scenario

International sugar prices have surged in ICE and LIFFE during the week ending 19th Aug 2011. Downward estimate for Brazilian cane and sugar for 2011-12 by Job Economia and higher sugar imports by China supports sugar prices up in both international sugar exchanges (ICE & LIFFE). Prices are expecting to trade in range bound and might go up owing to concern over Brazilian sugar output and higher sugar demand from China.

International Market News Highlights:

- Thailand sugarcane crop could reach to 100 million tonnes in 2011-12 (Nov/Oct) which is higher compared to 2010-11 crop which stood at 95.4 million tonnes, according to Thai sugar millers cooperation. Considering the last year extraction rates, sugar output could reach as much as 10.5 million tonnes in 2011-12 compared to 10 million tonnes in 2010-11. In order to crush higher amount of cane, millers might start their crushing operation in early November which is around two weeks earlier than usual.
- Job Economia estimated 522 million tonnes sugarcane output from Brazil Center-south region in 2011-12, which is down from previous estimate of 540 million tonnes and 6.5% below the previous year crop. Job Economia also lowered down its sugar production estimate for 2011-12 to 32.3 million tonnes from previous forecast of 33.5 million tonnes.
- Brazil has produced 4.94 million tonnes sugar in July 2011 down from 5.02 million tonnes produced in same period last year. This brought the total sugar production figures in 2011-12 to 15.182 million tonnes, down from 17.649 million tonnes produced in the same period in 2010-11.
- 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.
- China has ramped up imports of sugar in recent months to boost its reserves. Total imports in the first half have risen 27.4 percent from a year ago to 520,472 tonnes. Spot sugar prices in most parts of the country have exceeded 8,000 Yuan per tonne, almost double than two years ago, according to the official Xinhua news agency. The price rise was due to shrinking output in China's major sugar-growing areas such as southern Guangxi.
- The sugar lineup at Brazilian ports goes down to 49 vessels, down from 51 on 10 Aug.2011. At Santos, Brazil's main port for sugar exports, the queue declined to 34 from 39. However at Paranagua, the No. 2 sugar port, there were 13 ships this week, up from 12 vessels on 3 Aug, 2011. It is noticeable that queue of ships decreased despite of wet conditions at Santos that had interrupted sugar loading. Last year same period, Sugar lineup was gone up to 136 due to high sugar demand from sugar importing countries and wet conditions. It is very typical to see queue for sugar vessels at Brazilian ports going down at the time of peak crushing season in Brazil.

Brazil Sugar Vessel Line up					In Tonnes	
Ports	Vessels		White		Raw	
	10-Aug	17-Aug	3-Aug	17-Aug	10-Aug	17-Aug
Santos	39	34	86650	52400	1400000	1180000
Paranagua	12	13	61000	53700	229900	285100
Maceio	-	-	0	0	0	0
Vitoria	-	1	0	4200	0	0
Recife	-	1	-	14000	-	0
Total	51	49	147650	124300	1630000	1460000

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

International Sugar Prices (Weekly)				
	Contract Month	11/8/2011	18/8/2011	Change
ICE Sugar #11 (US Cent/lb)	Oct'11	28.08	29.12	1.04
	Mar'12	26.89	28.30	1.41
	May'12	25.37	26.94	1.57
LIFFE Sugar (US \$/MT)	Oct'11	749.70	765.80	16.1
	Dec'11	704.70	725.40	20.7
	Mar'12	691.20	712.70	21.5

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



Technical Commentary:

- Trend of LIFFE sugar futures is bullish and remains in corrective mode.
- Recovery is likely to be seen upto \$800-820/MT.
- However prices might test its resistance level of \$800/MT, if breach then It may go up to its next support level of \$820/MT.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'11	765.80	800-820

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

Technical Commentary:

- Raw Sugar futures remain in bullish trend and showing correction from lower levels.
- Sugar prices might come back after testing 29.81 level which acts as a strong resistance level. However, if breach the resistance level then may go up further.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'11	29.12	29.72-29.81

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