

News Highlights:

- According to the Kingsman, India might import sugar in 2012/13 after two consecutive years of good cane crop production. It is expected that India will produce 26.4 million tonnes of sugar in 2011-12 but there are a fear of decline in production in 2012-13 owing to expected larger cane arrears in 2011-12 which might discourage cane growers to plant sugarcane in their respective fields.
- Leading sugar producing group, Simbhaoli sugar, sees ongoing sugar exports should more than USD 710 per tonne. Moreover, it is reported that millers are getting premium as much as 6000-8000 per tonne from Export houses in lieu of export quota licenses.
- India's sugar output rose 25.6% to 23.26 million tonnes till June 1 higher than 2009-10 sugar output at the same period. Present sugar stock is sufficient to cover demand for more than a year.
- Govt. notifies additional 5 lac tonnes sugar exports under OGL and ask sugar mills to register for exports. Recent government allowance of additional 5 lac tonnes sugar exports takes the overall sugar exports figures to 1.5 million tonnes under OGL in 2010-11.

Domestic Market Recap:

Mixed sentiments recorded in various sugar physical markets during the week ending 26th Aug 2011. Higher sugar festive demand in markets like Kolhapur, Vijayawada and Kolkata led the sugar prices increase in respective markets during the week. However, lean demand has been reported in markets like Delhi, UP and Chennai markets which drag the sugar prices downwards in respective markets during the week.

Meanwhile, mills have started exporting sugar as per recent allowance of additional sugar exports by government. Mills are catering good sugar premium from export houses as reported which helps to reduce their losses.

It is expected that government might release 17.5-18.0 lac tonnes non-levy sugar quota (Including 3 lac carry over stock) for September month which is higher in comparison to three years average quota which stood at 15.69 lac tonnes. Taking upcoming festive seasons in September might urge government to release higher sugar quota for September to meet the festive demand. It is noticeable that demand of sugar is expected to increase on the eve of upcoming festive seasons like Ganesh Chaturthi, Onam, Navratra and Durga Puja. Expected higher sugar quota for September might resist the sugar prices in the coming week.

Considering expected higher sugar quota for September might pressurize the sugar prices and prices will trade range bound in the coming week.

Non-Levy Sugar Quota Forecast for September					
	2008	2009	2010	2011	3 Yrs. Average
September	12	18.34	16.72	17.5-18.00	15.69

Sugar Export Opportunity: Likely to Continue

Domestic sugar prices are looking competitive compared to major exporters like Thailand and Brazil. Buyers are not interested in buying sugar from Thailand despite of decrease in Thai white sugar premium from USD 70 to USD 45. Meanwhile exporters are trying to take advantage between the prices gap of international and domestic sugar prices. Millers might also get some respite from recent 5 lac tonnes

sugar exports allowance by government. It is reported that millers are getting premium of Rs.6000-8000 per tonne over domestic prices from export houses (depends on the location of the sugar factory).

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)	786.34	778.37	805.70
	Brazil	Thailand	
FOB (USD/MT)	780.60	825.60	-

Sugar prices at Chennai, Muzaffar nagar and Kolhapur centers were seen competitive against Thailand and giving tough competition to Brazil. Higher LIFFE sugar prices decrease the demand of sugar. Recent Chinese intentions to import more sugar would make a good sense for China to buy Indian sugar. Also, traditional 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:

Our sugar production estimates for 2010-11 remain unchanged at 24.7 million tonnes. Agriwatch kept its sugar production 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(28.8.2011)	Normal (01.06.2011)	% Change
Eastern UP	643.9	679	-5%
Western UP	628.1	603.0	4%
Central Maharashtra	564.8	503.7	-8%
Andhra Pradesh	425.1	406.7	5%
Northern Karnataka	367.6	348	6%
Southern Karnataka	521.1	508.6	2%
Gujarat	685.6	715.9	-4%
Tamil Nadu	211.7	191.7	10%
Bihar	789.8	781.1	1%
Country as a Whole	691.8	692.5	0%

Source: IMD

According to Indian Meteorological Department, overall actual rainfall in the country is normal till 28th Aug 2011. Good rainfall was recorded in various cane producing regions like UP, Tamil Nadu, AP and Karnataka. Rainfall has improved in various states compared to previous week which is likely to give boost to the cane yield. However, rainfall in regions like Gujarat, Maharashtra and Eastern UP got slightly lesser rain. However, marked decline in rainfall below normal will have no or marginal impact on cane yield as these areas are 90% irrigated.

Sugarcane crop progress during the week ending 26th Aug 2011 indicates satisfactory progress y-o-y owing to satisfactory cane remuneration to farmers by millers in 2010-11. Higher return from cane crop could be seen from competitive crops like soybean, pulses and coarse cereals in major producing states. Sugarcane has been planted in 51.67 lac hectares till 26th August 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)

	18-Aug-11	26-Aug-11	change
Mumbai M-30	2931	2916	-15
Mumbai S-30	2776	2766	-10
Kolhapur M-30	2670	2700	30
Kolhapur S-30	2630	2650	20
Muzaffar Nagar M	2925	2900	-25
Delhi M-30	2950	2950	Unch
Delhi S-30	2850	2850	Unch
Chennai S	2740	2725	-15
Vijayawada M-30	3080	3100	20
Kolkata M Variety	2880	3030	150

Spot Market Technical Analysis (Kolhapur–Grade M)



Price Expectation for Kolhapur market for the coming week.

- Sugar Kolhapur spot prices increase during the week ending 19th August 2011.
- Kolhapur spot prices are moving in a range between Rs. 2670 to Rs. 2750, if breach the levels either side will decide the movement of the prices further.
- Moreover, prices might test Rs.2670 which also acts as a strong support level as chart depicts.
- Also, RSI is also moving in a neutral region.

Spot Market Technical Analysis (Muzaffar Nagar –Grade M)



Price Expectation for Muzaffar Nagar market for the coming week.

- Sugar prices have declined during the week in Muzaffar nagar spot market as chart depicts.
- Prices have recently breach its trend line support and moving downwards.
- Sugar Muzaffar nagar spot price is expected to move in a range between Rs. 2860 to Rs. 2970. Any breach of the levels on either side will decide the movement of the prices further.
- However, RSI is moving in neutral region.
- Prices seem to touch Rs. 2860 level which is next support level.

Gur Scenario

Gur prices have increased in various spot gur markets during the week ending 26th August 2011. Good festive demand of gur and speculation over late rainfall in September which impact fresh arrivals support the gur prices in Muzaffar nagar mandi. Daily offtake of gur are 10000 bags from Muzaffar nagar mandi which shows decent demand of gur.

Total gur stock in Muzaffar nagar is reported at 601,000 bags out of which 375,000 bags are of Chaku variety and rest 226,000 bags belongs to varieties like Khurpa, raskut and Papdi.

It is expected that the gur left in cold storage might not consumed till September end. It is also expected that fresh arrival will start from September end. Considering present gur stock and upcoming fresh arrivals of gur kept the supply side higher which might put pressure over gur prices.

Meanwhile, gur production is gaining momentum in Karnataka with new cane available for making 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.

We expect profit booking might come at higher prices and prices might take a downward correction in the coming week owing to expected sluggish gur demand in the market.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	18-Aug-11	25-Aug-11	Change
Muzaffar Nagar	Chaku (Dry)	2500	2600	+100
Bangalore	Achhu	2600	2800	+200
	Mudde	2800	3000	+200
Belgaum	Mudde	2300	2300	Unch
Belthangadi	yellow (Average)	2800	2800	Unch
Bijapur	Achhu	2565	2565	Unch
Gulbarga	Other (Average)	2501	2491	-10
Mahalingapura	Penti (Average)	2540	2710	+170
Mandya	Achhu (Medium)	2400	2400	Unch
	Kurikatu (Medium)	2200	2250	+50
	Other (Medium)	2250	2300	+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 are moving in a downtrend and hovering in a range between 2695 to Rs 2730.
- Prices are trying to test Rs 2695 level and closing of price below 2695 gives selling indication which supports by the 38.2% retracement line as depicts in the chart.
- RSI is hovering in neutral region.


Strategy: Sell on rallies would be advisable.

Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	September	2677	2695	2727	2755	2765
Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	September	Sell	<2730-2737	2695	2677	2755

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 are continuously testing 1051 level which also act as a strong resistance level.
- Prices got support at 1031 level which is 38.2% retracement level,
- However, prices above 9 & 18 day EMA suggest bullishness in the prices.


Strategy: Sell from resistance level would be advisable.

Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1038	1043	1047.5	1061	1069
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Sell	<1050-1055	1043	1038	1061

International Scenario

International sugar prices have surged in ICE and LIFFE during the week ending 26th Aug 2011. Downward estimate for Brazilian cane and sugar for 2011-12 by Canaplan and good sugar demand by countries like China and EU supports sugar prices up in both international sugar exchanges (ICE & LIFFE). Prices are expecting to trade in range bound in the coming week.

International Market News Highlights:

- Canaplan downgrade Brazii CS sugar production to 28.01-28.35 million tonnes from its previous estimates of 33.5 million tonnes. Fall in production is due to high percentage of flowering in the cane which ultimately lower the cane yield from 84 tonnes per hectare in 2010-11 to 68 tonnes per hectares.
- It is expected that Mexico might lowered its sugar exports in 2011-12 after a record high exports in 2010-11. Proactive drought situation in Mexico impact sugar output for 2011-12. Mexico expects to produce 5 million tonnes sugar for 2011-12 down from 5.18 million tonnes in 2010-11 which could fall exports to 1.2 million tonnes in 2011-12.
- Philippines is on its way to regain its previous distinction as a net sugar exporter. Philippines recently cuts its sugar consumption figures to 1.5 million tonnes in 210-11 from 1.8 million tonnes in crop year 2009-10. It is noticeable that Indonesia has produce 2.39 million tonnes sugar in 2010-11. Industry expects Indonesia to produce 2.4 million tonnes sugar in 2011-12. Considering excess sugar production and comparatively lesser sugar consumption, Indonesia is thinking to export at least 300,000 MT of raw and refined sugar.

International Sugar Prices (Weekly)				
	Contract Month	18/8/2011	25/8/2011	Change
ICE Sugar #11 (US Cent/lb)	Oct'11	29.12	29.66	0.54
	Mar'12	28.30	28.82	0.52
	May'12	26.94	27.29	0.35
LIFFE Sugar (US \$/MT)	Oct'11	765.80	771.20	5.4
	Dec'11	725.40	731.40	6.0
	Mar'12	712.70	718.80	6.1

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

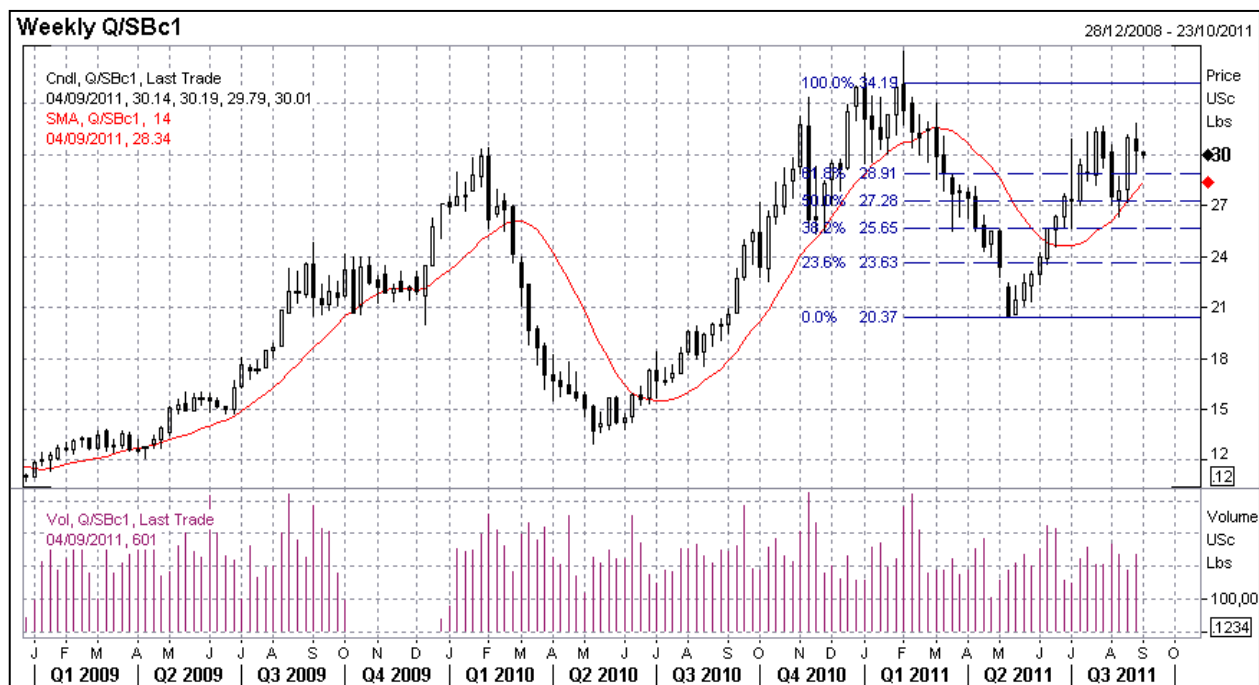


Technical Commentary:

- Trend of LIFFE sugar futures is bullish and showing some downward correction.
- Increase in volume with decrease in prices further indicates bearishness in the prices.
- However prices might test its support level of \$760/MT, if breach then It may go down to its next support level of \$725/MT.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'11	771.20	725-750

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



Technical Commentary:

- Raw Sugar futures remain in bullish trend and showing profit booking from higher levels.
- Sugar prices might testing 28.91 level which acts as a strong support level. However, if breach the support level then may go down to its next support level of 27.28 cents per pound.
- Increase in volume with decrease in prices further indicates bearishness in the prices.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'11	29.66	27.28-28.91

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.