

News Highlights:

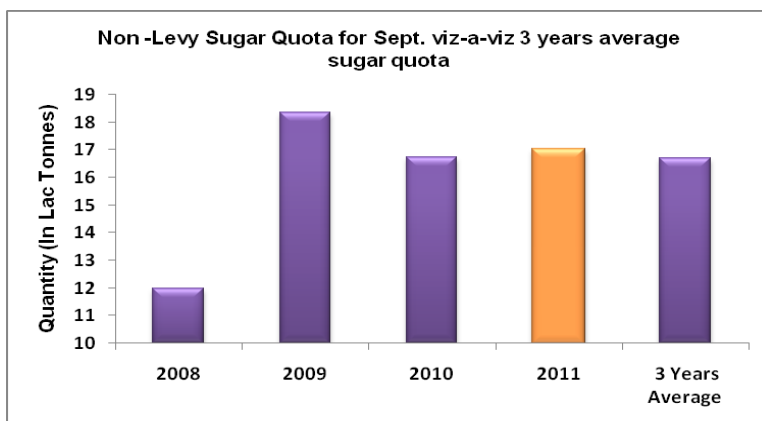
- The Government has decided to release 19.31 lac tonnes of sugar (levy sugar – 2.31 lac tonne and non-levy sugar – 17 lac tonnes) for the month of September 2011. This quantity of 19.31. lac tonne is more than sufficient to meet the internal demand of sugar for the month of September, 2011. It is noticeable that released sugar quota for September month is higher compared to 3 years average sugar quota for September month which might weigh on market sentiments. However, expected festive demand in the latter half of the month might lend underlying support to the prices.
- Government is planning to raise retail sugar prices sold through ration shop to lower the subsidy burden on the government. The price at which the government bought sugar from the mills for PDS has been raised by 40 percent since 2008-09 but the rate at which it is sold at the ration shop has been kept constant at Rs 13.50 per kg since March 2002.
- IMD data reveals good rainfall in major cane growing regions indicating optimistic cane yield across India. According to Agricultural ministry data, sugarcane has been planted in 51.67 lac hectares which is 4.9% higher compared to 2010-11 crop year.

Domestic Market Recap:

Steady to positive sentiments was recorded in various sugar physical markets during the week ending 02 September 2011. Meanwhile, moderate demand of sugar on the eve of various festive seasons like Ganesh Chaturthi and Eid supported the prices of sugar during the period in most of the markets. However, weak demand led the price to decline in Chennai market.

Meanwhile, government has released 19.31 lac tonnes sugar quota for September (Levy – 2.31 lac tonnes and non-levy – 17 lac tonnes). Non-levy sugar quota is higher compared to 3 years average of 15.69 lac tonnes for September which might weigh on market sentiments initially though the higher demand during the festival period is likely to keep sugar prices range bound with improvement likely at lower price quotes.

As per our sources, mills have started exporting sugar under OGL as per export release order. Mills garnered premium from big exports houses in lieu of export quota licenses which helped them offset their losses.



Non-Levy Sugar Quota Forecast for September					
	2008	2009	2010	2011	3 Yrs. Average
September	12	18.34	16.72	17	15.69

Sugar Export Opportunity: Likely to Continue

Domestic sugar prices are competitive compared to major exporters like Thailand and Brazil. Buyers are not interested in buying sugar from Thailand despite recent decline in Thai white sugar premium from USD 45 to USD 30 owing to marked decline in Liffe prices. Meanwhile exporters are trying to take advantage of price spread between international and domestic markets. Millers continue to enjoy premiums after government announced 5 lac tonnes additional sugar quota for export. 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)	765.51	752.39	776.44
	Brazil	Thailand	
FOB (USD/MT)	770.80	800.80	-

Sugar prices at Chennai, Muzaffar nagar and Kolhapur centers shows competitive advantage over Brazil and Thailand. Higher LIFFE sugar prices decreased the demand of sugar. Also, traditional buyers like Indonesia and other South East Asian nations are not interested in buying sugar from Thailand owing to the higher premium and might look towards India. Recently, Indonesian industry (AGI) showed interest in buying sugar from India next year along with Thailand as Indian sugar quality is comparable to Thai white and the price differential between the two nations will divert the demand accordingly.

Weather Outlook and Sowing Progress:

State wise Rainfall Distribution (In Millimeter)			
	Actual(31.8.2011)	Normal (01.06.2011)	% Change
Eastern UP	644.4	700.3	-8%
Western UP	628	620.9	1%
Central Maharashtra	618.4	576.9	7%
Andhra Pradesh	442.5	422.0	5%
Northern Karnataka	378.4	360	5%
Southern Karnataka	539.2	519	4%
Gujarat	744.1	744.3	0%
Tamil Nadu	213	201.4	6%
Bihar	790.4	803.6	-2%
Country as a Whole	716.0	713.4	0%

Source: IMD

According to Indian Meteorological Department, overall actual rainfall in the country is normal till 31st 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 the previous week which is likely to give a boost to the cane yield.

Sugarcane crop progress during the week ending 26th Aug 2011 indicates satisfactory progress y-o-y. Higher return from cane crop compared to soybean, pulses and coarse cereals in major producing states resulted in higher acreage for 2011-12. Sugarcane has been planted in 51.67 lac hectares till 26th August which is 4.8% higher compared to previous year same period.

Spot Sugar Prices Scenario (Weekly)

	26-Aug-11	31-Aug-11	change
Mumbai M-30	2916	2931	15
Mumbai S-30	2766	2778	12
Kolhapur M-30	2700	2700	Unch
Kolhapur S-30	2650	2650	Unch
Muzaffar Nagar M	2900	2915	15
Delhi M-30	2950	2950	Unch
Delhi S-30	2850	2850	Unch
Chennai S	2725	2750	25
Vijayawada M-30	3100	3120	20
Kolkata M Variety	3030	3025	-5

Spot Market Technical Analysis (Kolhapur–Grade M)



Price Expectation for Kolhapur market for the coming week.

- Prices are moving up and are trying to test Rs 2751 level as chart depicts.
- Range bound movement recorded in prices and hovering between Rs. 2665 to Rs. 2751, if breach the level either side will decide the movement of the prices further.
- RSI is moving to overbought region from neutral region.

Spot Market Technical Analysis (Muzaffar Nagar –Grade M)



Price Expectation for Muzaffar Nagar market for the coming week.

- Prices are trying to move up after testing its trend line support level as chart depicts.
- Prices are moving in a range between Rs 2900 to Rs 2970, if breach the levels either side will decide the movement of the prices further.
- Prices might test Rs. 2940 level which also acts as a next resistance level.
- However, RSI is hovering near to neutral region.

Gur Scenario

Gur prices have increased in various spot gur markets during the week ending 31st August 2011. Demand for gur remains moderate in Muzaffarnagar mandi. Daily offtake of gur was 10000 bags from Muzaffar nagar mandi which is a decent demand for the season.

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 noticeable that the gur left in the cold storage might not be consumed till September end and by then the fresh gur arrival in Sept end will increase the total supply of gur in the open market.

We expect that the gur prices to increase owing to various festive seasons in the upcoming week.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	25-Aug-11	31-Aug-11	Change
Muzaffar Nagar	Chaku (Dry)	2600	2620	+20
	Chaku (Wet)	2530	2600	+70
Bangalore	Achhu	2800	2800	Unch
	Mudde	3000	3000	Unch
Belgaum	Mudde	2300	2400	+100
Belthangadi	yellow (Average)	2800	2800	Unch
Bijapur	Achhu	2565	2700	+135
Gulbarga	Other (Average)	2491	2551	+61
Mahalingapura	Penti (Average)	2710	2665	-45
Mandya	Achhu (Medium)	2400	2450	+50
	Kurikatu (Medium)	2250	2250	Unch
	Other (Medium)	2300	2350	+50
	Yellow (Medium)	2350	2300	-50
Shimoga	Achhu (Average)	2800	2800	Unch

Commodity: Sugar
Contract: September

Exchange: NCDEX
Expiry: September 20th, 2011

SUGAR

Technical Commentary:

- Sugar prices are showing some upward correction and hovering in a range between 2687 to Rs 2765.
- Prices are trying to test Rs 2765 level and closing of price above 2765 will indicate the trend reversal.
- However, volume is not supported with the price increase.
- RSI is hovering in neutral region.



Strategy: Buy from support level would be advisable.

Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	September	2680	2687	2712	2740	2756
Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	September	Buy	<2700-2710	2740	2756	2687

Commodity: Gur
Contract: September

Exchange: NCDEX
Expiry: September 20th, 2011

GUR

Technical Commentary:

- Prices have recently breached 1061 level which also acts as a strong resistance level.
- Increase in prices and volume indicates bullish signal.
- Prices might test 1020 level which is the next resistance level.
- Meanwhile, RSI is hovering near to overbought region.



Strategy: Buy from support level would be advisable.

Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1035	1043	1074.5	1098	1120
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Buy	<1055-1061	1098	1120	1043

International Scenario

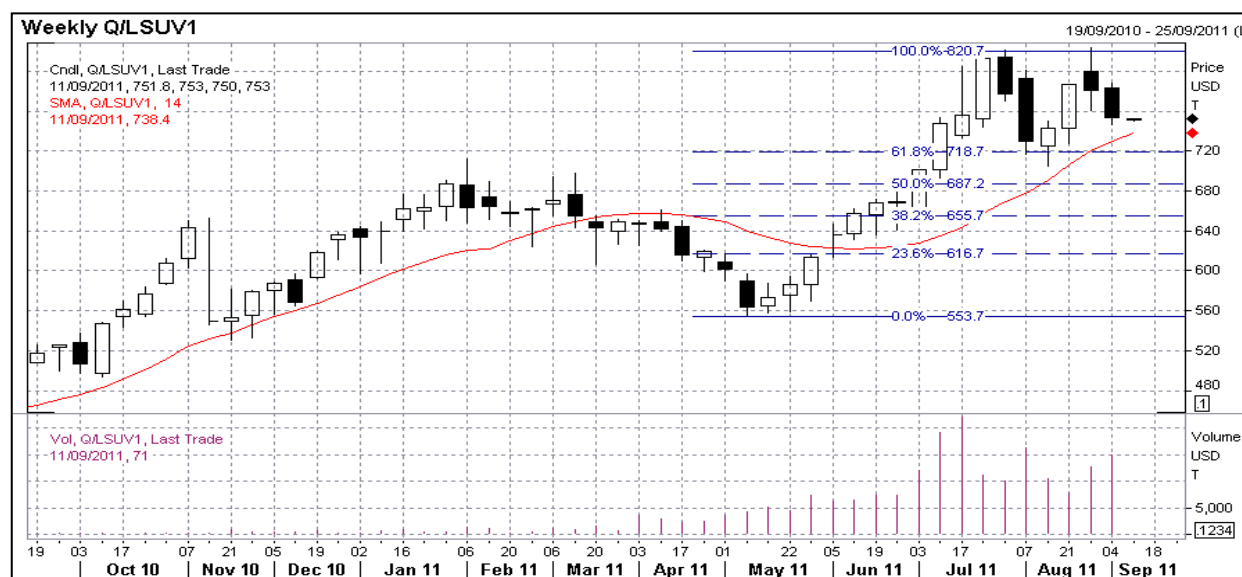
International sugar prices have increased marginally in ICE and LIFFE during the week ending 2nd September 2011. Downward estimate for Brazilian cane and sugar for 2011-12 by Conab and good sugar demand by countries like China and EU supports sugar prices up in both international sugar exchanges (ICE & LIFFE). Prices are expecting to trade range bound in the coming week.

International Market News Highlights:

- Thai cane crop in 2011/12 could reach to 100 million tonnes, which is higher compared to 95.4 million tonnes in 2010/11, according to Thai sugar millers. If the recovery or extraction rate were similar to 2010/11 then sugar output could reach as much as 10.5 million tonnes. In order to process the larger cane crop, milling industry plans to start crushing in early November which is around two weeks earlier than usual.
- Thailand, the world's second-biggest sugar exporter, may cut sugar supplies for domestic consumption quota by 100,000 tonnes to allow higher exports of sugar overseas. Country's domestic sugar quota, known as Quota A, could drop to 2.5 million tonnes, down from 2.6 million tonnes set earlier, according to Office of Cane and Sugar Board (OCSB).
- After Canaplan and Job Economia, Conab, Brazil's official government forecaster decreased its sugar production estimate for Brazil to 37.07 million tonnes from previous estimate of 40.93 million tonnes for 2011-12. Sugar production in the Centre/South was cut to 31.89 mln tonnes from 35.88 million tonnes in May and compared with 33.56 million tonnes a year ago.
 China might import 2.45 million tonnes sugar for 2012 as current crop hit by a drought. It is noticeable that China buys 2.32 million tonnes sugar in 2011.

International Sugar Prices (Weekly)				
	Contract Month	25/8/2011	31/8/2011	Change
ICE Sugar #11 (US Cent/lb)	Oct'11	29.66	29.68	0.02
	Mar'12	28.82	28.88	0.06
	May'12	27.29	27.41	0.12
LIFFE Sugar (US \$/MT)	Oct'11	771.20	770.80	-0.40
	Dec'11	731.40	738.80	7.40
	Mar'12	718.80	725.50	6.70

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



Technical Commentary:

- Trend of LIFFE sugar futures is bullish and showing downward correction.
- Increase in volume with decrease in prices further indicates bearishness in the prices.
- However prices might test its support level of \$718/MT, if breach then It may go down to its next support level of \$687/MT.
- Closing of price below \$718 indicates reversal pattern from bullish to bearish as chart depicts.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'11	770.80	718-730

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

Technical Commentary:

- Raw Sugar futures remain in bullish trend and showing profit booking at higher levels.
- Sugar prices might test 29.04 level which acts as a strong support level. However, if this is breached the support level then may go down to 27.44 cents per pound.
- Increase in volume with decrease in prices further indicates bearishness in the prices.
- Two consecutive closes below 38.2% retracement level will indicate bearish trend.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'11	29.68	27.44

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