

News Highlights:

- Indian government has extended zero percent import tax for the import of raw and white sugar by three months until 30 Nov. It is noticeable that government had earlier extended tax free import of sugar till 31 August, 2011. The extension of tax free import of sugar might not put any major impact on the current sugar prices as India has produced ample amount of sugar in the marketing year 2010-11 which stands sufficient to meet up the existing sugar demand which further dampens the possibilities of import of sugar (raw or white) at present. Extension of tax free sugar imports will be effective from September 1, 2011.
- Government allocated 92504.5 tonnes for sugar exports under OGL out of which 89783.9 tonnes of sugar released till 3rd September 2011. Total 79 mills has got the allocated sugar export permit for overseas sugar shipments out of total 5,00,000 tonnes of unrestricted export quota. According to Notification on a government website.
- According to the Maharashtra State sugar commissionerate, Maharashtra will produce 9.3 million tonnes sugar in 2011-12 season. It also denies any adverse impact on cane yield due to heavy rainfall in Maharashtra.
- India is likely to decide sugar exports in December 2011 after accessing the initial crushing results from the new cane crop. It is noticeable that India is likely to produce 26-26.4 million tonnes sugar in marketing year 2011-12.

Domestic Market Recap:

Sugar prices have increased in various spot sugar markets owing to higher sugar demand and higher sugar price quoted by millers. Meanwhile, moderate demand has been witnessed in Kolhapur, Chennai and Kolkata markets on various festive occasions like Onam and Ganesh Chaturthi. Daily 27000 bags are lifting for Kolkata from Kolhapur market. However, demand remains weak in UP markets which weigh on to the sugar spot prices during last week.

Meanwhile, Govt has extended duty free sugar imports for raw and white sugar by three months until 30 Nov. However, the decision over import tax might not put any impact over present sugar prices as India is going to produce sugar in the marketing year 2011-12 which is expected to start from mid October.

We expect sugar prices are likely to remain range bound and likely to move down in the coming week owing to higher sugar quota for Sept and higher sugar production outlook for 2011-12.

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)	781.90	748.02	782.99
	Brazil	Thailand	

FOB (USD/MT)	753.80	783.80	-
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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(13.9.2011)	Normal (01.06.2011)	% Change
Eastern UP	705.5	810.7	-13%
Western UP	696.5	703.3	-1%
Central Maharashtra	732.6	639.4	15%
Andhra Pradesh	495.9	482.7	3%
Northern Karnataka	416.8	405.6	3%
Southern Karnataka	611.0	562.1	9%
Gujarat	880.7	843.8	4%
Tamil Nadu	257.4	240.9	7%
Bihar	816.7	911.8	-10%
Country as a Whole	823.9	801.3	3%

Source: IMD

According to Indian Meteorological Department, overall actual rainfall in the country is normal till 13th September 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.

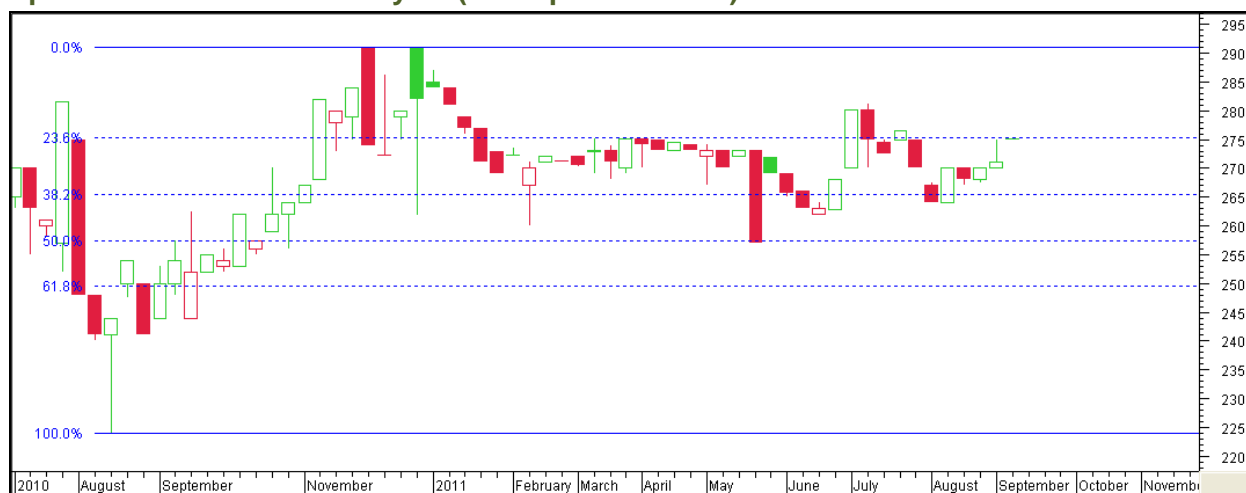
Sugarcane crop progress during the week ending 02nd Sept 2011 indicates satisfactory progress y-o-y. Higher return from cane crop compared to soybean, pulses and coarse cereals in major producing states resulted in higher acreage for 2011-12. Sugarcane has been planted in 51.43 lac hectares till 02nd Sept which is 4.3% higher compared to previous year same period.

Sugarcane Area Scenario			
	2-Aug-11	2-Aug-10	Change
Planted sugarcane area	51.43	49.32	4.30%

Spot Sugar Prices Scenario (Weekly)

	02-Sept-11	09-Sept-11	change
Mumbai M-30	2931	2981	50
Mumbai S-30	2778	2801	23
Kolhapur M-30	2710	2750	40
Kolhapur S-30	2660	2700	40
Muzaffar Nagar M	2920	2910	-10
Delhi M-30	2950	2975	25
Delhi S-30	2850	2855	5
Chennai S	2750	2825	75
Vijayawada M-30	3130	3170	40
Kolkata M Variety	3040	3050	10

Spot Market Technical Analysis (Kolhapur–Grade M)



Price Expectation for Kolhapur market for the coming week.

- Kolhapur spot prices are moving up and trying to test 2750 level which also acts as a strong resistance level as well as 23.6% retracement level.
- Range bound movement recorded in prices and hovering between Rs. 2665 to Rs. 2750, if breach the level either side 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 are in a consolidation phase.
- Prices are moving in a range between Rs. 2900 to Rs. 2950, two consecutive closes below or above the mentioned level will give prices a new direction.
- RSI is moving near to neutral region.
- It is expected that the prices are likely to trade range bound during the upcoming week.

Gur Scenario

Gur prices have increased in Muzaffar nagar spot gur markets during the week ending 02th September 2011. Demand for gur remains moderate in Muzaffarnagar mandi. Daily offtake of gur was 14000 bags from Muzaffar nagar mandi which is a decent demand for the season.

Total gur stock in Muzaffar nagar is reported at 420,000 bags out of which 220,000 bags are of Chaku variety and rest 200,000 bags belongs to varieties like Khurpa, raskut and Papdi. The stock position of gur in 2009-10 was 541,000 bags which is higher compared to 2010-11 gur stock position which led the gur prices to move upwards.

Meanwhile favorable weather urges the kolhus to crush the new cane crop for making fresh gur. Some fresh gur arrivals has been reported from shamli. It is noticeable that the price quoted for fresh gur is Rs. 1210 per 40 kg. Kolhus are expected to pay Rs 240/Quintal to the farmers.

Higher demand of gur and decreasing stock position of gur in Muzaffar nagar maket might weigh on the gur prices in the coming week.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	02-Sept-11	09-Sept-11	Change
Muzaffar Nagar	Chaku (Dry)	2650	2713	63
	Chaku (Wet)	2600	2625	25
Bangalore	Achhu	2810	2600	-210
	Mudde	3000	2800	-200
Belgaum	Mudde	2500	2300	-200
Belthangadi	yellow (Average)	2800	2800	Unch
Bijapur	Achhu	2700	2950	250
Gulbarga	Other (Average)	2560	2500	-60
Mahalingapura	Penti (Average)	2665	2810	145
Mandya	Achhu (Medium)	2400	2500	100
	Kurikatu (Medium)	2250	2250	Unch
	Other (Medium)	2500	2550	50
	Yellow (Medium)	2350	2400	50
Shimoga	Achhu (Average)	2800	3000	200

Commodity: Sugar
Contract: October

Exchange: NCDEX
Expiry: October 20th, 2011

SUGAR

Technical Commentary:

- Sugar prices are moving downwards as chart suggests.
- Prices are moving in a range between Rs 2778 to Rs 2812, if breach the levels either side will decide the movement of the prices further.
- However increase in volume with decrease in prices further suggests bearishness in the prices.
- RSI is hovering in neutral region.



Strategy: Sell from resistance level would be advisable.

Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	September	2776	2872	2797	2815	-
Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	September	Sell	<2800-2805	2782	2776	2815

Commodity: Gur
Contract: September

Exchange: NCDEX
Expiry: September 20th, 2011

GUR

Technical Commentary:

- Prices are moving up and recently two consecutive close above 1*1 Gann fan line confirms the breakout signal which further indicates bullishness in the prices.
- However prices have tested 880 level which also act as a strong support 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	969	975	990	1010	1020
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Buy	985-989	1010	1020	975

International Scenario

International sugar prices have declined in ICE and LIFFE during the week ending 9th September 2011. We expect that the sugar prices might go down further over improved supply from Brazil and global sugar surplus for 2011-12 season.

International Market News Highlights:

- Brazil sugar production is expected to fall to 35.45 million tonnes in 2011-12 compared to 38 million tonnes in 2010-11, according to Datagro, Datagro also seen cane crushing down at 565 million tonnes in 2011-12 down from 620 million tonnes in 2010-11. Datagro also seen 21.1 million tonnes sugar exports from Brazil's center south region.
- LD Commodities seen 3.3 million tonnes white sugar exports from Thailand in 2011-12 against 2.2 million tonnes in 2010-11. It is noticeable that Thailand is expected to produce 9.6 million tonnes in marketing year 2011-12
- Global sugar surplus is expected to stay around 9.161 million tonnes in 2011-12 which is 13.37% lower than previous estimate i.e. 10.57 million tonnes, according to Kingsman.
- Philippines expect to produce 2.4 million tonnes sugar production estimate in 2011-12 which is marginally higher than previous estimate.
- Thai sugar millers might start their crushing operations before two weeks in mid of November. Thailand usually starts crushing in November end.

International Sugar Prices (Weekly)				
	Contract Month	1/9/2011	8/9/2011	Change
ICE Sugar #11 (US Cent/lb)	Oct'11	29.59	28.73	-0.86
	Mar'12	28.73	27.79	-0.94
	May'12	27.25	26.49	-0.76
LIFFE Sugar (US \$/MT)	Oct'11	762.80	763.00	0.2
	Dec'11	735.80	708.50	-27.3
	Mar'12	722.70	702.00	-20.7

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



Technical Commentary:

- LIFFE prices are showing bearishness for short to medium term as chart depicts.
- Prices are moving in a range between \$719 to \$821/MT, if breach the levels either side will give the prices a new direction.
- Two consecutive closes below 23.6% retracement level will drag the prices down to 38.2% level and then 50% level.
- Also, decrease in prices with increase in volume also indicates bearishness in the prices.
- We are expecting that the prices might test \$719 which also act as a strong support level if breach the mentioned level will drag the prices downwards.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'11	763.00	719

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

Technical Commentary:

- Prices are trying to test 1*1 Gann Fann line, if breach the level then it might test 61.8% retracement level which is also act as a strong support level.
- However, increase in volume and prices indicate market is strengthening.
- We expect prices are likely to remain range bound 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	28.73	30.82

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