

**News Highlights:**

- As per the news sources, India is likely to produce 26 million tonnes in 2011-12 which is higher compared to 24.6 million tonnes in 2010-11. Higher cane acreage and favorable weather in major cane producing states will give support to the sugar output in the coming marketing year. Sugarcane production is forecast at 342.2 million tonnes for 2011-12 compared to 339.17 million tonnes sugarcane produced in 2010-11
- UP is likely to produce 5.9 million tonnes of sugar in 2011-12 which is marginally higher compared to 5.87 million tonnes in 2010-11. According to a media sources.
- Maharashtra is likely to produce 9.2 million tonnes in 2011-12 which is marginally higher compared to sugar production which was stood at 9.07 million tonnes in 2010-11. According to a media sources.
- Government has allocated 244744 metric tonnes to mills for sugar export, out of which 240991 metric tonnes of sugar has been released by 234 mills till 16<sup>th</sup> September 2011.

**Domestic Market Recap:**

Mixed prices could be seen in major sugar spot markets during the week ending 16<sup>th</sup> September 2011. Sluggish demand has witnessed in Maharashtra market. Completions of major festivals like Ganesh Chaturthi ease the demand of sugar in the Kolhapur as well as Vashi market which weigh on to the sugar prices. Also weak demand remains in markets like Kolkata, UP and Chennai. Lesser prices quoting by Karnataka mills urge the traders from Tamil Nadu to buy sugar from Karnataka mills rather than Tamil Nadu mills.

Meanwhile, sugar buying could be expected from Kolhapur market by Kolkata traders on the occasion of Navaratri festival. However, it is expected that steady to weak demand is expected in other spot markets during the coming week.

Prices are expected to trade range bound in the coming week. However, any change in policy regarding sugar by government might give the reason to fluctuate the prices at higher rate.

**Sugar Export Opportunity:**

Domestic sugar prices are not looking competitive compared to major sugar exporters like Thailand and Brazil. Lower sugar prices in December contract gives all major international sugar exporters an edge in terms of FOB over Indian domestic centers. However, Thai white sugar premium remained same to USD 30 per mt owing to marked decline in LIFFE prices. Meanwhile, exports are going on and exporters are trying to fetch export licenses from millers. 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	752.39	782.99
	Brazil	Thailand	
FOB (USD/MT)	717.60	747.60	-

Sugar FOB prices at Chennai, Muzaffar nagar and Kolhapur centers are not showing competition over Brazil and Thailand FOB prices. Moreover, government denial of sugar exports till December also weakens the hopes of sugar millers as well as exporters for additional sugar exports in 2010-11. It is

noticeable that government has allowed 3 million tonnes sugar exports (1.5 – under ALS and 1.5 – under OGL) in marketing year 2010-11.

### 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%
<b>Country as a Whole</b>	<b>823.9</b>	<b>801.3</b>	<b>3%</b>

Source: IMD

According to Indian Meteorological Department, overall actual rainfall in the country is normal till 13<sup>th</sup> 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 16<sup>th</sup> 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 50.79 lac hectares till 16<sup>th</sup> Sept which is 2.98% higher compared to previous year same period.

Sugarcane Area Scenario			
	16-Sept-11	16-Sept-10	Change
<b>Uttar Pradesh</b>	21.84	21.25	2.78%
<b>Maharashtra</b>	10.22	9.64	6.02%
<b>Karnataka</b>	4.46	4.30	3.72%
<b>Planted Sugarcane area</b>	<b>50.79</b>	<b>49.32</b>	<b>2.98%</b>

(Source: Pib, Govt. of India and State Agricultural Deptt.)

### Spot Sugar Prices Scenario (Weekly)

	09-Sept-11	16-Sept-11	change
Mumbai M-30	2981	2981	Unch
Mumbai S-30	2801	2781	-20
Kolhapur M-30	2750	2700	-50
Kolhapur S-30	2700	2660	-40
Muzaffar Nagar M	2910	2910	Unch
Delhi M-30	2975	2975	Unch
Delhi S-30	2855	2875	20
Chennai S	2825	2825	Unch
Vijayawada M-30	3170	3210	40
Kolkata M Variety	3050	2970	-80

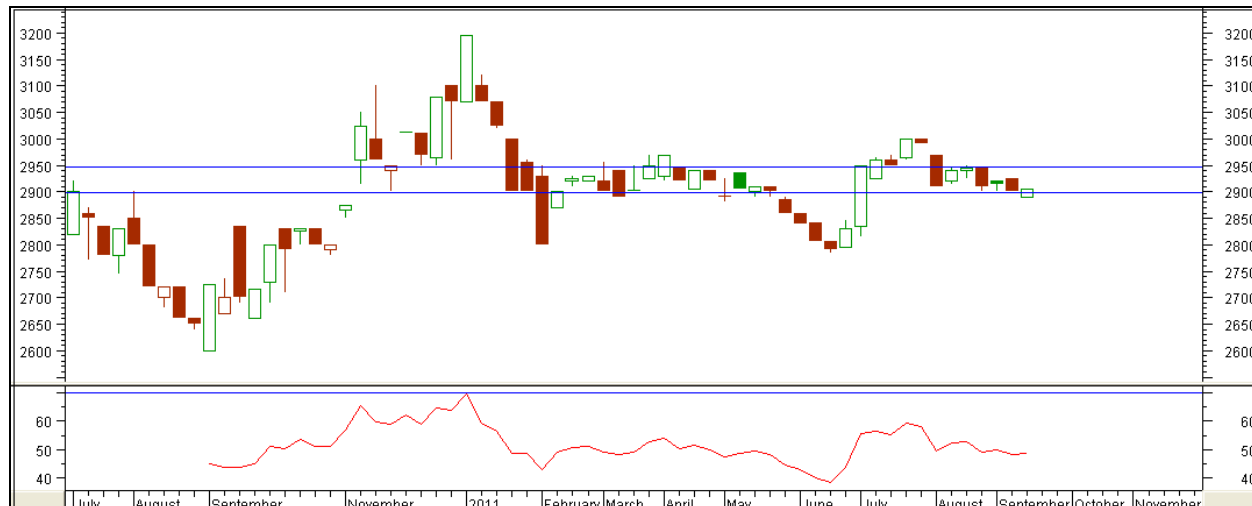
### Spot Market Technical Analysis (Kolhapur–Grade M)



### Price Expectation for Kolhapur market for the coming week.

- Profit booking could be seen from higher levels in Kolhapur spot prices during the previous week.
- Kolhapur spot prices are hovering in a range between Rs 2665 to Rs. 2750, if breach the level either side will decide the movement of the prices further.
- We expect that the prices might test its 38.2% retracement level which also act as a strong support level.

### Spot Market Technical Analysis (Muzaffar Nagar –Grade M)



#### Price Expectation for Muzaffar Nagar market for the coming week.

- 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

Improved demand, intermittent rain and decreasing gur stock led the gur prices increase in Muzaffar nagar spot gur markets during week ending 16<sup>th</sup> September 2011. Demand for gur remains moderate in Muzaffar nagar mandi. Daily off take 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.

Increasing demand and fresh gur arrivals supplying by various kolhus gives an indication that the prices will trade range bound during the coming week.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	09-Sept-11	16-Sept-11	Change
Muzaffar Nagar	Chaku (Dry)	2713	2740	27
	Chaku (Wet)	2625	2650	25
Bangalore	Achhu	2600	2600	Unch
	Mudde	2800	2800	Unch
Belgaum	Mudde	2300	2500	-200
Belthangadi	yellow (Average)	2800	2800	Unch
Bijapur	Achhu	2950	2800	-150
Gulbarga	Other (Average)	2500	2651	151
Mahalingapura	Penti (Average)	2810	2840	30
Mandya	Achhu (Medium)	2500	2500	Unch
	Kurikatu (Medium)	2250	2200	-50
	Other (Medium)	2550	2450	-100
	Yellow (Medium)	2400	2400	Unch
Shimoga	Achhu (Average)	3000	3000	Unch

Commodity: Sugar  
Contract: October

Exchange: NCDEX  
Expiry: October 20<sup>th</sup>, 2011

## SUGAR



**Technical Commentary:**

- Sugar prices are moving downwards and hovering in a downtrend as chart depicts
- Prices are hovering in a range between Rs. 2722 to Rs 2776; closing of prices below the mentioned level will decide the movement of the prices further.
- Prices are trying to move up after testing 0% retracement level and 50% Fann line. If breach these levels then it might go down to 2670 level.
- Prices are likely to move range bound in the coming week.
- However, RSI is moving in a oversold region.

**Strategy:** Buy from support level would be advisable

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	October	2670	2700	2725	2750	2776
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	October	Buy	2722-2728	2750	2776	2738

**Commodity:** Gur  
**Contract:** November

**Exchange:** NCDEX  
**Expiry:** November 20<sup>th</sup>, 2011

**GUR**

**Technical Commentary:**

- Prices are showing some correction from resistance level. Prices came down after testing upper Gann Fann line.
- Prices may likely to test 993 level which is also a strong support level.
- Prices are moving in a range between 993 to 1025, closing of prices below or above these levels will decide the movement of the prices further.
- Increase in volume with decrease in prices further indicates bearishness.
- Also, RSI is hovering near to overbought region which also indicates bearishness.

**Strategy:** Sell from resistance level would be advisable.

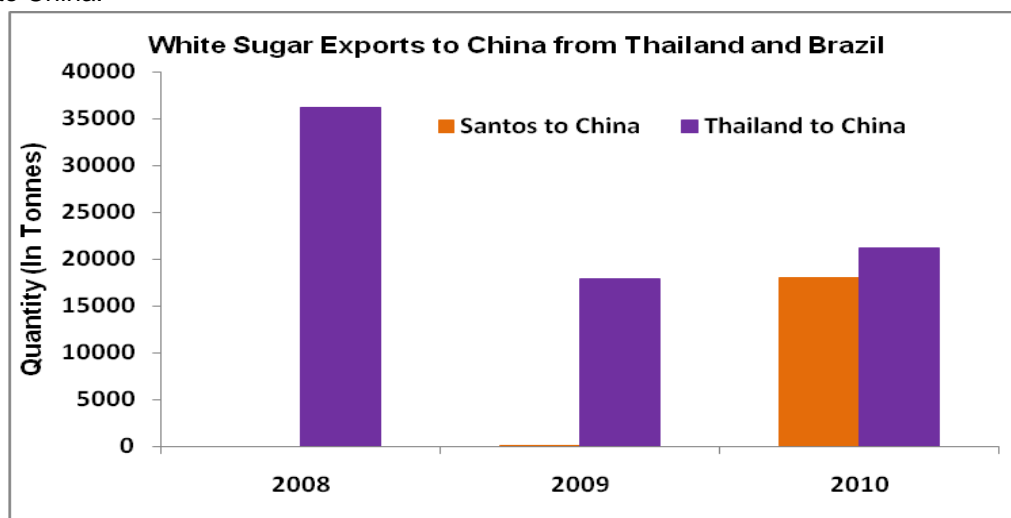
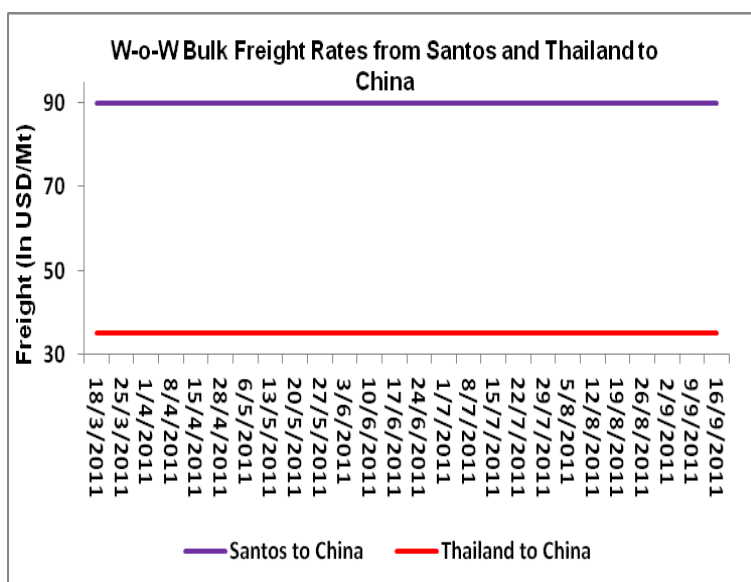
Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	November	993.5	1000	1023	1018.5	1024
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	November	<b>Sell</b>	1010-1012	1000	993.5	1018.5

### International Scenario

International sugar prices have declined in LIFFE but improved in ICE during the week ending 16<sup>th</sup> September 2011. Global sugar surplus downgrade by Czarnikow and higher sugar production scenario from Russia, India and Indonesia kept the sugar prices mixed. We expect that the sugar prices in ICE and LIFFE might trade range bound in the coming week.

### International Market News Highlights:

- Brazil is looking to Chinese markets for its sugar export program. Russia sugar output set to almost double Y-o-Y in 2011-12 which force Brazil to look on to the Chinese sugar markets. However, Brazil could face stiff competition from Thailand which has a big freight advantage to the Chinese market. China is going to import 2.5 million tonnes sugar in 2011-12 to fulfill its sugar deficit: ISO. It is also noticeable that Russia is going to produce 5.8 million tonnes beet sugar in 2011-12. Take a look on the freight and export figures from Thailand to China and Santos to China.



- Indonesia sugar production will stand between 2.3 to 2.4 million tonnes for 2011-12 which is 10% lower than government estimates. According to AGI (Indonesian Sugar Association). Indonesia has between 430,000 and 450,000 hectares of sugarcane plantations, and is estimated to produce 2.58m tonnes of white sugar this year, according to agriculture ministry data.
- Sugar production in Brazil's Center south region totaled at 20.4 million tonnes from the start of the season till Sept 1, which is 9.4% down from the same period in 2010-11: Unica.
- Czarnikow cut its estimate for the global sugar surplus in 2011/12 to 5.3 mln tonnes from 10.3 million tonnes. The downgrade was largely due to a lower crop in top producer Brazil. Czarnikow now expects the sugarcane crop in the Centre/South of Brazil to reach only 498 million tonnes compared with an initial estimate of 575 million tonnes.
- Brazil's official government forecaster Conab has reduced its forecast of Brazil's sugar production in 2011/12 to 37.07 million tonnes from 40.93 million tonnes in its first projection in May.

International Sugar Prices (Weekly)				
	Contract Month	8/9/2011	15/9/2011	Change
<b>ICE Sugar #11 (US Cent/lb)</b>	<b>Oct'11</b>	28.73	29.50	<b>0.77</b>
	<b>Mar'12</b>	27.79	28.18	<b>0.39</b>
	<b>May'12</b>	26.49	26.99	<b>0.5</b>
<b>LIFFE Sugar (US \$/MT)</b>	<b>Dec'11</b>	763.00	717.60	<b>-45.4</b>
	<b>Mar'12</b>	708.50	704.10	<b>-4.4</b>
	<b>May'12</b>	702.00	689.30	<b>-12.7</b>

### LIFFE Future Market Sugar Scenario (Dec'11 Contract):





### Technical Commentary:

- LIFFE prices are showing bearishness for short to medium term as chart depicts.
- Prices are moving in a range between \$695 to \$774/MT, if breach the levels either side will give the prices a new direction.
- Prices have recently breach Gann Fann line and trying to test 61.8% retracement level which is also a support level.
- We are expecting that the prices might test \$695 which also act as a strong support level if breach the mentioned level will drag the prices towards \$671/per MT.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Dec'11	717.6	671-695

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



### Technical Commentary:

- Prices are moving downwards and hovering between Gann Fann line and 61.8% retracement level and two consecutive close below or above these lines will give prices a new direction.
- 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	29.5	29.7-30.0

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