

News Highlights:

- India is likely to announce sugar exports for 2011-12 during mid of October. It is noticeable that India is heading towards good sugar production in 2011-12 which might urge the government to allow sugar exports for 2011-12. According to Mr. Sharad Pawar, shipments for sugar exports will likely to be allowed in tranche of more than 500,000 metric tonnes.
- Government has extended stock holding restriction on Traders and whole sale traders by two months. Govt. on Tuesday takes this decision to curb any further possibility of increase in sugar prices. It is noticeable that food inflation has gone to 9.47% this year and higher food inflation rate urges government to extend the stock holding restriction. Presently, restrictions on sugar holding for traders are 500 MT which were due to expire on 30th Sept. But after the government extension, the stock holding limit on sugar will extend till 30th November.
- India's sugar output will increase slightly to 24.6 million tonnes in 2011-12 from 24.3 million tonnes, according to Food Minister Mr. K. V Thomas on Wednesday. However, Sugar industry association has estimated 26 million tonnes sugar production for 2011-12 on the support of higher sugarcane acreage and initial satisfactory yield figures. Considering the above facts, a government sugar production figure shows its conservativeness towards sugarcane production for 2011-12.

Domestic Market Recap:

Mixed prices could be seen in major sugar spot markets during the week ending 23rd September 2011. Sluggish demand has been reported in markets like Chennai, Delhi, and Vijayawada. Meanwhile, improved demand could be seen from Maharashtra, and UP markets. Festive demand came from Kolkata which drive up the prices of sugar in Maharashtra market. Daily 2-3 racks came from Kolhapur to Kolkata market which increases the supply situation of sugar in Kolkata market.

Trade Channel	
Sourcing market	Kolhapur
Consumption center	Kolkata
Grade	S variety
Loose prices (Rs/Qtl)	2550
Excise duty (In Rs/Qtl)	97.85
Loading Charges (Rs/Qtl)	5
Market expenses borne by purchaser/miller/crushers	102.85
Transportation Cost (Rs/Qtl)	180
Insurance Rs. 2/Bag	2
Unloading at destinations (Rs/Qtl)	5
Total transport cost + loading/unloading	187
Total Cost (Rs/Qtl)	2839.85
Local Prices at Consumption Center (Rs/Qtl)	2870
Parity/Disparity (Rs/Qtl)	30.15

However, increasing supply and decreasing prices urge the Kolkata traders to stop buying sugar from Kolhapur market, according to reliable sources.

Meanwhile, need based buying of sugar by retailers improved the prices of sugar slightly in UP markets. Recently, government has extended sugar holding limit on traders by two more months till 30th November. This decision shows conservative approach from Government side which is trying to curb any further steep increase in sugar prices. It is also noticeable that government has estimate 24.6 million tonnes sugar production for 2011-12 which is only 0.3 million higher compared to previous year sugar production which pegged at 24.3 million tonnes. Government might trying to put a full stop on to the millers expectations of sugar exports in the marketing year 2011-12. Meanwhile, Mr Sharad pawar said that present sugar production estimate should be review again as it might be any major mistake in calculation. It is also noticeable that higher acreage and improved yield figures (480 quintals per hectare in 2011-12 compared to 462 quintals per hectare in 2010-11) from biggest sugarcane producing state UP, gives strong indication of higher sugar production in 2011-12.

Considering all the factors, we expect that sugar prices are likely to remain range bound during the coming week.

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. Government has allocated 355,336 tonnes sugar to the mills for exports till 22nd Sept. out of total 500,000 tonnes sugar exports allowed by government under OGL. 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). However, Government has decide to review over the issue of sugar exports in mid of October which ultimately denies any further exports possibilities in the coming week.

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)	640.00	670.00	

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 October 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(23.9.2011)	Normal (01.06.2011)	% Change
Eastern UP	748.4	869.8	-14%
Western UP	722.1	748.9	-4%
Central Maharashtra	755.0	686.0	10%
Andhra Pradesh	530.2	537.0	-1%
Northern Karnataka	431.9	463.5	-7%
Southern Karnataka	640.1	619.1	3%
Gujarat	900.4	875.4	3%
Tamil Nadu	287.8	285.5	1%
Bihar	970.3	984.7	-1%
Country as a Whole	884.2	853.3	4%

Source: IMD

According to Indian Meteorological Department, overall actual rainfall in the country is normal till 23th 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. However, rains in September end might decrease the recovery of sugar from cane due to increase of water which will result in decrease sucrose content in sugarcane.

Sugarcane crop progress during the week ending 16th 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 16th Sept which is 2.98% higher compared to previous year same period.

Sugarcane Area Scenario			
	23-Sept-11	23-Sept-10	Change
Uttar Pradesh	21.84	21.25	2.78%
Maharashtra	10.22	9.64	6.02%
Karnataka	4.46	4.30	3.72%
Planted Sugarcane area	50.93	49.44	3.01%

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

Yield Scenario (2011-12)

After getting initial response from farmers and millers, we came into conclusion that actual cane is going to increase in UP, Bihar and Haryana owing to well distributive and timely rainfall.

Statewise Yield Scenario (2011-12)			
	2010-11	2011-12	% Change
Bihar	308	330	7.10%
Punjab	512	487.5	-4.80%
Haryana	444	458	3.20%
Uttarakhand	590	587	0.50%

UP	462	480	3.90%
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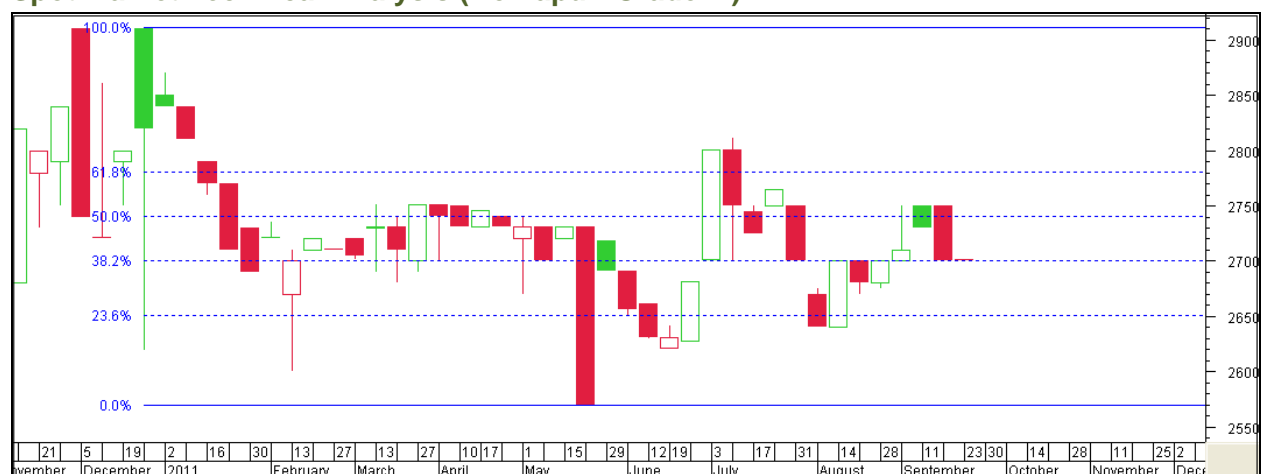
(Source: Agriwatch)

Bihar has witnessed increase in cane yield in 2011-12 compared to previous year. Balanced and timely rainfall and regular supply of fertilizers and seeds by government to farmers helps in improvement in cane yield. Meanwhile, UP has also witnessed 3.9% increase in yield compared to 2010-11 cane yield. Timely sowing of sugarcane crop and improved climatic conditions prior to previous year give the boost to the cane yield. However, cane yield has been affected in Uttarakhand and Punjab states owing to flood and water logging conditions. Overall mixed figures came for cane yield for different states during first round of survey by Agriwatch.

Spot Sugar Prices Scenario (Weekly)

	16-Sept-11	23-Sept-11	change
Mumbai M-30	2981	2966	-15
Mumbai S-30	2781	2791	10
Kolhapur M-30	2700	2700	Unch
Kolhapur S-30	2660	2650	-10
Muzaffar Nagar M	2910	2925	15
Delhi M-30	2975	2975	Unch
Delhi S-30	2875	2875	Unch
Chennai S	2825	2825	Unch
Vijayawada M-30	3210	3210	Unch
Kolkata M Variety	2970	2930	-40

Spot Market Technical Analysis (Kolhapur–Grade M)



Price Expectation for Kolhapur market for the coming week.

- Steady prices have been seen in Kolhapur sugar spot markets during the week ending 23rd Sept 2011.
- Market has adopted wait and watch strategy which is the only reason for steady price of Kolhapur spot sugar price during the 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 acts as a strong support level, if breach then prices might go down to 23.6% retracement level or Rs. 2650 level.

Spot Market Technical Analysis (Muzaffar Nagar –Grade M)



Price Expectation for Muzaffar Nagar market for the coming week.

- Profit booking from higher level has been seen in Muzaffar nagar spot sugar market during the week.
- Prices are moving in a range between Rs. 2900 to Rs. 2965, 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 decreased in Muzaffar nagar spot gur market during the week ending 23rd September 2011. Speculations over fresh gur arrivals drag the gur prices downwards during the week. Meanwhile, demand remains moderate in Muzaffar nagar mandi. Daily off take of gur was 12000-14000 bags. Total gur stock in Muzaffar nagar is reported at 400,000 bags out of which 180,000 bags are of Chaku variety and rest 220,000 bags belongs to varieties like Khurpa, raskut and Papdi. The stock position of Chaku gur in 2009-10 was 211,000 bags which is higher compared to 2010-11 gur stock position.

Meanwhile, Kolhus have stopped making gur as the recovery rate from Cane was not upto the mark. As reported, only 6% recovery came from sugarcane for extracting gur which is not sufficient for manufacturers of gur as they are not getting profit from the present recovery. It is noticeable that Kolhus

will start crushing cane for making gur only after they got minimum 8% recovery from cane. According to reliable source, water level is high at present in sugarcane and 5-10 days consecutive sunny and warm season would be good for cane which will ultimately increase the gur recovery. Initially kolhus are paying Rs 200/Quintals to farmers.

Meanwhile, it is expected that left stock of gur will be consumed well before fresh gur arrivals as only 400000 bags has been left in the cold storage and considering 10000-12000 bags of daily offtake and expected coming demand from Revri, gazak makers might offset the left stock.

Increasing demand and expected 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	16-Sept-11	22-Sept-11	Change
Muzaffar Nagar	Chaku (Dry)	2740	2650	-90
	Chaku (Wet)	2650	2600	-50
Bangalore	Achhu	2600	2600	Unch
	Mudde	2800	2800	Unch
Belgaum	Mudde	2500	2600	100
Belthangadi	yellow (Average)	2800	2800	Unch
Bijapur	Achhu	2800	2980	180
Gulbarga	Other (Average)	2651	2501	150
Mahalingapura	Penti (Average)	2840	2725	-115
Mandya	Achhu (Medium)	2500	2450	-50
	Kurikatu (Medium)	2200	2200	Unch
	Other (Medium)	2450	2500	50
	Yellow (Medium)	2400	2400	Unch
Shimoga	Achhu (Average)	3000	3000	Unch

Commodity: Sugar
Contract: October
Exchange: NCDEX
Expiry: October 20th, 2011
SUGAR

Technical Commentary:

- Sugar prices are moving downwards and hovering in a downtrend as chart depicts.
- Prices are making a rectangle between Rs 2695 to Rs 2850, if breach the rectangle formation will give the next objective level for Rs 2600 for medium term.
- Prices have recently breach 50% retracement level and might test 38.2% retracement level.
- Also increase in volume and open interest and decrease in prices further indicates bearish signal.
- However, RSI is moving in a neutral region.

Strategy: Buy from support level would be advisable

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	October	2680	2695	2715	2740	2750
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	October	Sell	2722-2730	2695	2680	2740

Commodity: Gur
Contract: November
Exchange: NCDEX
Expiry: November 20th, 2011
GUR


Technical Commentary:

- Prices have witnessed steep downfall during the week.
- Recent breach of 1025 level indicates that the prices might test 965 level which also acts as a 0% retracement level.
- 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	965	975	987	1005	1010
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	November	Sell	989-999	975	965	1005

International Scenario

International sugar prices have declined in LIFFE and ICE during the week ending 23th September 2011. US economy significant downside risks and also supplies will be enough to meet demand due to higher sugar production estimates from India and EU pressurize the prices. We expect prices are likely to remain in bearish mode in the coming week owing to increasing sugar supply by Brazil.

International Market News Highlights:

- China's sugar production in 2011-12 is likely to reach at 11.5 million tonnes higher compared to 10.45 million tonnes produced in 2010-11. Meanwhile, China has kept its sugar import quota at 1.945 million tonnes.
- China has imported 423,794 tonnes of sugar in August, up 65% M-o-M and 42% more than was imported in August 2010. This brought cumulative imports in the first eight months (Jan/Aug) to 1.2 million tonnes, up 19% year-on-year.
- Mills in Brazil's key Centre/South region crushed 40.49 million tonnes of sugarcane in the second half of August, down from 42.07 million in the same period a year ago but up from 38.53 million in the first half of the month, updated Unica crop data showed.

- Conab has reduced its forecast of Brazil's sugar production in 2011/12 to 37.07 million tonnes from 40.93 million in its first projection in May. This would mean that output will be down 2.9% from last year's 38.17 million tonnes.

International Sugar Prices (Weekly)				
	Contract Month	15/9/2011	22/9/2011	Change
ICE Sugar #11 (US Cent/lb)	Oct'11	29.50	25.67	-3.83
	Mar'12	28.18	24.81	-3.37
	May'12	26.99	24.11	-2.88
LIFFE Sugar (US \$/MT)	Dec'11	717.60	640.00	-77.6
	Mar'12	704.10	628.40	-75.7
	May'12	689.30	624.00	-65.3

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



Technical Commentary:

- LIFFE prices are moving in a bearish trend and recently touched its trendline support as chart depicts.
- Two consecutive close below \$693 gives a breakout signal which has taken the price to its next objective i.e \$ 643 during the week.
- Prices are trying test its trendline support level, if breach the level then the prices may go down to \$612.8 level which is 23.6% retracement level and acting as a next support level. However,

decrease volume suggests sellers are showing weakness which further indicates profit booking might takes place in the coming week.

- Meanwhile, decrease in prices with volume decrease further indicates that the market is strengthening.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Dec'11	640	668-671

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



Technical Commentary:

- Prices have witnessed steep downfall during the period.
- Prices have recently breach 61.8% retracement level and trying to test 50% retracement level, if breach then prices might go down to 23.97 level which is also act as a strong trendline support level.
- However, decrease in volume with decrease in prices further indicates market is strengthening.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'11	25.67	23.97

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