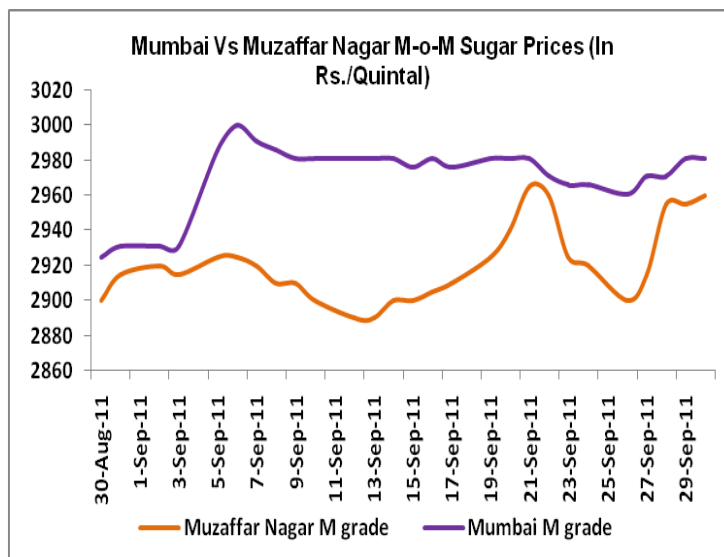


Domestic Market Recap:

Sugar prices have surged in various physical sugar markets during Sept 2011. Demand during various festive occasions like Dusshera, Ganesh Chatturthi, and Ramazan led the sugar prices higher last month. Also, balanced non-levy sugar quota for October eased the supply pressure from millers in the open market. Meanwhile, government is likely to decide on sugar exports after Diwali which could be weighing on the market sentiments.

Meanwhile, a government panel which was headed by Mr. K.V Thomas has estimated the sugar production at 24.6 million tonnes for MY 2011-12. However, it seems to be very conservative as higher cane acreage is expected and even moderate yield figures around the country would lead to around 10% increase in overall sugar production for 2011-12.



Sugarcane crushing in Maharashtra may be delayed by two weeks which will ultimately delay the sugar production in 2011-12. Farmers and mills failed to reach a consensus over cane prices,. The government has ordered sugar millers to start their crushing operations from Oct 15 but the decision on cane prices may lead to a delay until the first week of November.

Factors like higher sugar demand in peak festive seasons, rumors over sugar exports in the end of Oct month and the likely delay in the crushing in Maharashtra, make us believe that sugar prices will remain high in the coming month.

News Highlights:

- The government is planning to raise retail sugar prices sold through ration shop to lower the subsidy burden . 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.
- Indian government has extended zero percent import tax for the import of raw and white sugar by three months until 30 Nov 2011. The extension of tax free import of sugar might not have 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 reducing any need to import of sugar (raw or white) at present. Extension of tax free sugar imports will be effective from September 1, 2011.
- Government has extended the stock holding restriction of 500MT on Traders and whole sale traders by two months until 30th November 2011. Govt. 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. The restriction is likely to be removed in December.

- 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, the sugar industry has projected a 26 million tonnes sugar production for 2011-12 on the support of higher sugarcane acreage and initial satisfactory yield figures.
- The Government has decided to make available 19.97 lac tonne of sugar (levy sugar –2.47 lac tonne and non-levy sugar – 17.5 lac tonne) for the month of October 2011 in view of the festivals in the month. Government has released 17.5 lac tonne sugar quota for October which is in tandem of last year sugar quota released by government for October month.
- Industry association ISMA has estimated sugar production for UP and Maharashtra together at 16 million tonnes in 2011-12. Maharashtra alone will produce 9.3 million tonnes sugar in 2011-12 which is higher compared to previous year output of 9.07 million tonnes. Food ministry pegged Maharashtra sugar production at only 8.57 million tonnes for 2011-12. Meanwhile ISMA has also projected sugar production for UP at 6.7 million tonnes higher than 2010-11 final sugar production figure i.e 5.87 million tonnes. ISMA has retained at its previous sugar production estimate of 26 million tonnes for 2011-12.

Cane Remuneration Estimate For 2011-12:

As per the recommendation of CACP for 17% hike over FRP, state governments are likely to decide over SAP in UP as well as Maharashtra.

Actual Cane Price Paid by Millers to Farmers			
State	2009-10	2010-11	2011-12E
UP	2300	2050	2450
Maharashtra	2264	1751	2050
Punjab	2080	2120	2480.4
Haryana	2450	2150	2515.5
Andhara Pradesh	1885	1931	2259.27
Karnataka	2400	1740	2035.8
Tamil Nadu	1663	1948	2279.16

UP government is likely to follow the CACP suggestion and give a 17% hike over last year SAP of sugarcane to the farmers for 2011-12. Farmers would then get Rs. 240-245 per quintal this season against the Rs 205/Qtl under SAP last year..

However, farmers want around 50% hike over last year SAP and are hoping that the approaching state elections next year may get them Rs. 300/Qtl. Given that sugar prices are hovering near to Rs 2750/qtl and the sugar surplus expected in 2011-12, sugar prices are expected to decline in the coming season which would make things tough for the sugar millers.

Yield Assumption:

After getting initial response from farmers and millers, we conclude that cane production is going to increase in UP, Bihar, AP, TN and Haryana owing to well distributive and timely rainfall.

Statewise Yield Scenario (2011-12) (Figures in Quintals/hectare)			
	2010-11	2011-12	% Change

North Maharashtra	582	605	3.95%
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%
Tamil Nadu	785	855	8.92%
Andhra Pradesh	659	702	6.50%

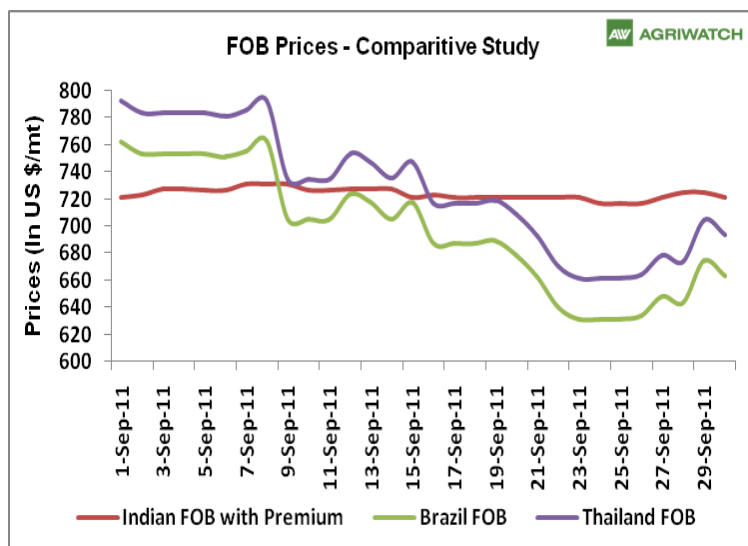
(Source: Agriwatch)

North Maharashtra got good rainfall in July to August period which helped the growth of the cane and increased cane yield by 3.95% in 2011-12. Also, various mills have helped the farmers to implement drip irrigation this year which would boost yield in the region. Meanwhile, Bihar, TN and AP are also witnessing increases in cane yield in 2011-12 compared to previous year. Balanced and timely rainfall and regular supply of fertilizers and seeds by government/mills to farmers have helped in improving 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 improved cane yield figures came for cane yield for different states, except Punjab, during first round of survey by Agriwatch.

Exports Scenario

With the decrease in Dec contract in LIFFE, Indian FOB is not competitive compared to various major exporting countries like Thailand and Brazil. However, if millers decrease the sugar premium then they could enter the market. Meanwhile, despite of considerable rise in Thai white sugar premium (\$30mt to \$70 mt), Thai FOB price have the prices advantage over Indian FOB prices.

Government has allocated 449692 tonnes sugar to the mills for exports till 7th Oct. out of total 500,000 tonnes sugar exports allowed by government under OGL. It is reported that millers are getting premium of Rs.6500 per tonne over domestic prices from export houses (depends on the location of the sugar factory). Millers are getting sugar export parity only when they give Rs 3660 per tonne as a premium to the millers. It is noticeable that millers were getting Rs. 8000 per tonne premium over domestic prices at the time of higher LIFFE sugar prices. However, Government has decided to review over the issue of sugar exports after diwali which gives some hope to the exports as well as millers.



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)	733.41	721.11	750.83
	Brazil	Thailand	
FOB (USD/MT)	641.70	711.70	

Sugar FOB prices at Chennai, Muzaffar nagar and Kolhapur centers are not competitive c over Brazil and Thailand FOB prices.

Domestic Sugar Balance Sheet:

We have kept the domestic sugar balance sheet unchanged. Government is likely to allow 3 million tonnes of sugar exports under OGL which is in tandem of 2010-11 sugar exports quota released by government. Sugar prices have increased during Sept to Oct period as expected owing to tight stock position for 2010-11.

Total availability of sugar for 2011-12 surges owing to expected increase in sugar production. However, considering overall sugar exports expectations (~3 million tonnes) for 2011-12, the sugar ending stocks will go down by 5.92% Y-o-Y.

Supply and demand component are listed in the table below:

All Units in Million Tons	2009-10	2010-11	2011-12
Opening stocks	3.73	4.68	3.38
Production	18.9	24.70	26.40
Imports	4.76	0.00	0.00
Total Availability	27.39	29.38	29.78
Domestic consumption	22.50	23.00	23.60
Exports	0.21	3.00	3.00
Total Usage	22.71	26.00	26.60
Closing stocks	4.68	3.38	3.18
Average Monthly consumption	1.88	1.92	1.97
Stocks in months to use	2.50	1.76	1.62
Stock/Consumption Ratio	0.21	0.15	0.13

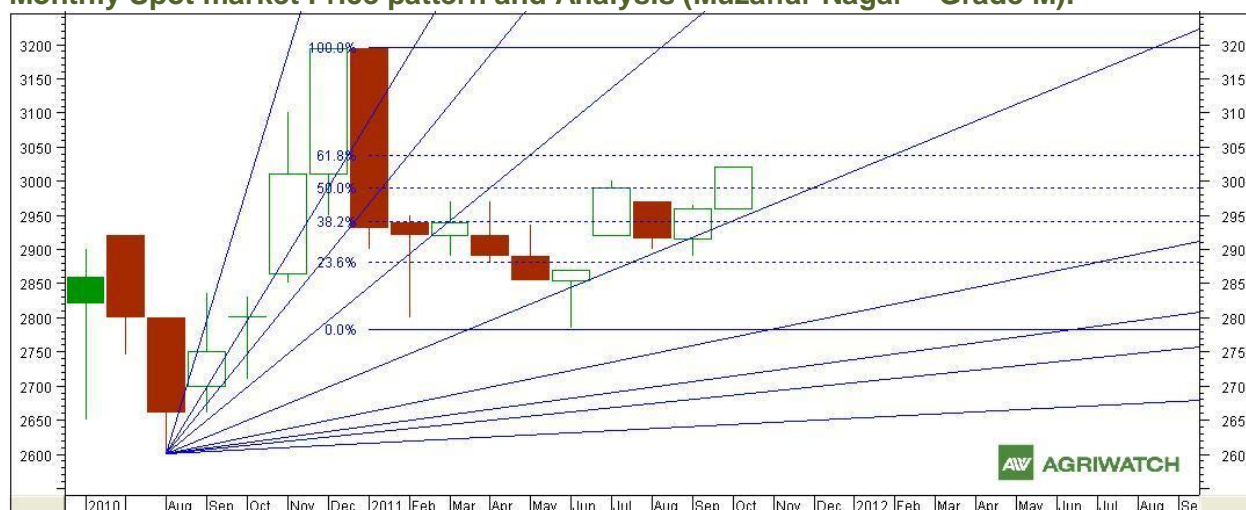
*Export break up – OGL – 1.5 million tons, ALS – 1.5 million tons

Spot Sugar Prices Scenario (Monthly):

	30-August-11	30-September-11	change
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Mumbai M-30	2925	3016	+90
Mumbai S-30	2771	2821	+50
Muzaffar Nagar M	2900	3025	+125
Delhi M-30	2950	3050	+100
Delhi S-30	2850	2920	+70
Nagpur S	2900	2960	+60
Chennai S	2750	2780	+30
Kolhapur M-30	2750	2750	Unch
Kolhapur S-30	2675	2700	+25

Monthly Spot market Price pattern and Analysis (Muzaffar Nagar – Grade M):



Price Expectation for Muzaffar Nagar market for the coming month.

- Sugar prices in Muzaffar nagar spot markets have increased during the month ended Sept 2011.
- After continuously testing lower Gann Fann line, prices have surged.
- Sugar prices are likely to test 61.8% retracement level which is also act as a strong resistance level. Prices are likely to come down after testing 61.8% retracement level in the coming month due to expected fresh sugar arrivals started at the end of the month.
- Prices are expected to move in a range between Rs 2950 to Rs 3050; closing above or below these levels will give a new direction to the prices.

Monthly Spot market Price pattern and Analysis (Kolhapur – Grade M):



Price Expectation for Kolhapur market for the coming month.

- Kolhapur sugar prices are moving in a range as chart depicts.
- Prices are moving between Rs 2680 to Rs 2750.
- Breach of 50% retracement level upwards will take the prices to Rs. 2800. However, it is expected that the prices will move in a range between Rs 2680 to Rs. 2800/quintal.

Gur Scenario

Gur prices have declined in Muzaffar nagar spot market during month ending 30th September 2011. Fresh arrivals of gur in Muzaffar nagar market weigh on to the gur prices. Meanwhile demand remains moderate which helps to almost clear the stock of gur stored in cold storage. Stock position of Gur stored in cold storage was 107000 bags out of which only 4000 bags of old chaku gur and 50000 bags of raskut are left in the cold storage.

Meanwhile, fresh stocks will move into cold storage for next season from November. Daily 8000-10000 bags have been arriving which has been offset daily which shows moderate demand of gur in the market.

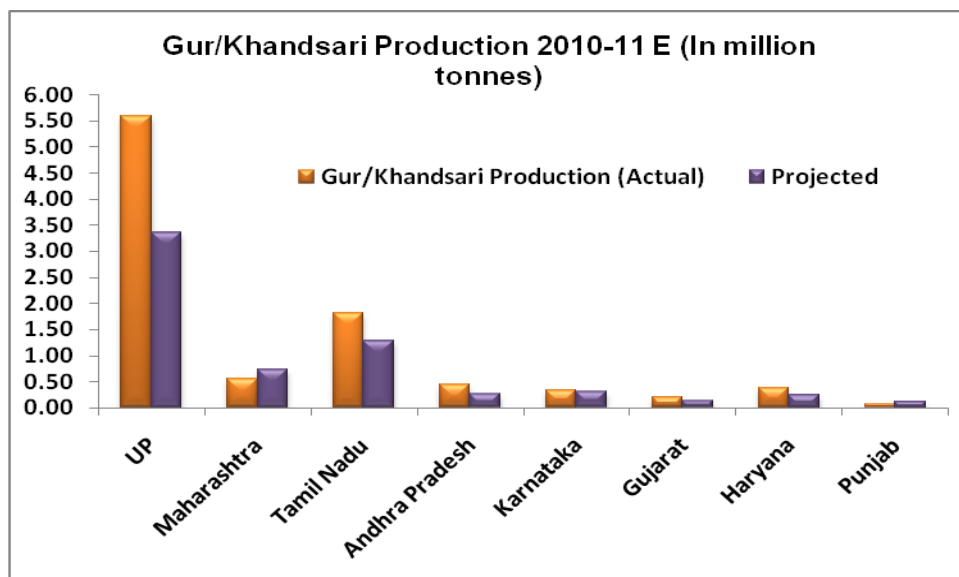
Kolhus are getting parity after making gur from cane. Farmers are getting Rs 180 per quintals from Kolhus at present. Kolhus are getting around 10% of recovery from cane.

Gur - Cost of Production	
Sourcing market	Muzaffar Nagar
Loose prices of Cane purchase from Farmer(Rs/Qtl)	200
Excise duty (In Rs/Qtl)	0
Loading/Unloading, transportation, Labour charges, Indegrediants (Rs/Qtl)	17
Market expenses borne by Kolhus/crushers	217
Recovery of Gur from Cane (In %)	10
Cost of making gur on Kolhus (Rs/Quintal)	2170
Total transport cost + loading/unloading (Rs/Quintal)	12

Total Cost (Rs/Qtl)	2182
Local Prices at Consumption Center (Rs/Qtl)	2900
Parity/Disparity (Rs/Qtl)	718

After considering all costs including raw materials used in making gur, transportation, loading/unloading etc. Gur costs around Rs. 2182/Qtl for Kolhus and the current market rate of fresh gur is Rs 2900 which ultimately gives Rs.718 parity to the kolhus. Recovery from new cane is not good initially but matured cane can give recovery upto 12% later on which will give good parity to the kolhus. However, increasing supply of gur might put pressure on present gur prices which can squeeze the gur prices.

The festive season will keep the gur prices upwards initially. However, fresh gur arrivals in which will weigh on the market sentiments in the later half of the month.



Agriwatch keeps its gur and khandsari production unchanged for 2010-11 which is pegged at 9.65 million tonnes. Around 84.3 million tonnes sugarcane are crushed by Kohlus for making gur and khandsari and produce 9.65 million tonnes of gur/ khandsari with an average recovery of 11.44%. However, after assuming normal % cane available to gur and Khandsari i.e. 20.1, then the gur production stood at 7.8 million tonnes.

Gur Spot Monthly Prices (Rs/Qtl)				
Markets	Variety	30-Aug-11	30-Sept-11	Change

Muzaffar Nagar	Chaku (Dry variety)	2620	2550	-70
	Chaku (Wet variety)	2600	2500	-100
Bangalore	Achhu	2800	2700	-100
	Mudde	3000	2900	-100
Belgaum	Mudde	2400	2600	+200
Belthangadi	yellow (Average)	2800	2900	+100
Bijapur	Achhu	2770	2710	-60
Gulbarga	Other (Average)	2401	2751	+351
Mahalingapura	Penti (Average)	2640	2640	Unch
Mandya	Achhu (Medium)	2350	2500	+150
	Kurikatu (Medium)	2200	2200	Unch
	Other (Medium)	2250	2400	+150
	Yellow (Medium)	2300	2500	+200
Shimoga	Achhu (Average)	2800	2800	Unch

Commodity: Sugar
Contract: October

Exchange: NCDEX
Expiry: October 20th, 2011

SUGAR (November Weekly Chart)

Technical Commentary:

- Prices are moving upwards and trying to test Rs 2771 which is lying over 38.2% retracement level, if breached the level from upper side will drag the prices to Rs 2800.
- Meanwhile higher volume support with increase in prices further indicates bullishness in the prices.



Strategy: It is advisable to buy from support level.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	November	2695	2711	2766	2838	2864
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	November	Buy	>2750	2800	2825	2723

Commodity: Gur
Contract: November

Exchange: NCDEX
Expiry: November 20th, 2011

GUR (November Monthly Chart)

Technical Commentary:

- Gur prices are moving in a range and hovering in a rectangle formation as the chart depicts.
- Prices are moving downwards. Prices are likely to trade range bound with weak bias.
- Meanwhile, RSI is hovering near to neutral region.



Strategy: Sell from resistance level is advisable.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	November	934	947	967	1050	1145
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	November	Sell	<989-999	964	950	1010

International Scenario

International sugar prices have plunged during the month ending 30th September 2011. Higher sugar supplies from Brazil and good cane as well as sugar production outlook from India, Thailand and Mexico kept the sugar prices under pressure during the month. However, keeping in view recent flood situation in Thailand, we are expecting some downfall in Thai sugar production figures for 2011-12 which will support the sugar prices in the medium term. Also increasing Chinese sugar demand might help the prices to surge during the coming month.

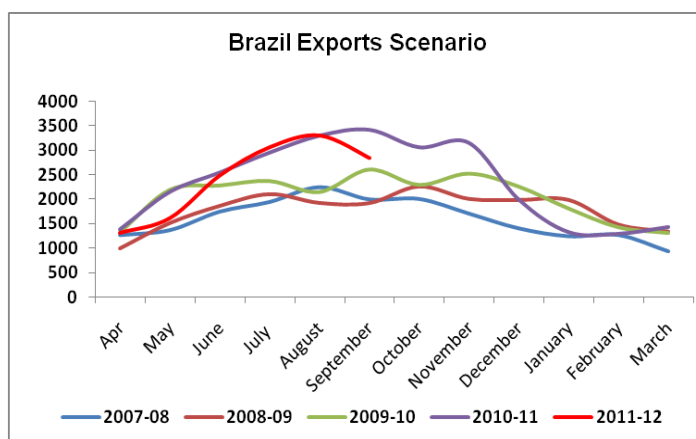
International Market News Highlights:

- Sugar production in Brazil's Center south region is lagging behind last year by 8%. However, sugar output has picked up the pace in recent weeks, according to UNICA. The sugar output totaled to 23.1 million tonnes from the beginning of the season from April to September which is 2 million tonnes less than the same period in 2010. Meanwhile, 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.
- Canaplan has increased its 2011-12 sugar production estimate for Brazil's center south region to 28.3 to 29.3 million tonnes from 28.0-28.5 million tonnes. Meanwhile, Brazil's center south region has crushed 36.89 million tonnes of sugarcane in the first half of September which is 1.6% down compared to sugarcane crushed in 2010 same period.
- China has imported 423,794 tonnes of sugar in August which is 65% higher compared to the previous month and around 42% higher compared to sugar imported in August 2010. It is noticeable that China has imported in total 1.2 million tonnes of sugar within the period of Jan to Aug 2011. It is also noticeable that 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.

- Mexico doesn't plan to increase its sugar-import quota again this year as domestic buyers have switched to lower-cost corn syrup. In May, Mexico approved a quota of 150,000 tons to cover a possible sugar shortfall and stabilize prices.
- Indonesia sugar production could be between 2.3 to 2.4 million tonnes for 2011-12 which is 10% lower than their 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.
- Czarnikow cut its estimate for the global sugar surplus in 2011/12 to 5.3 million 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 tonnes compared with an initial estimate of 575 million tonnes.
- LD Commodities sees 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.

Brazil Export Scenario:

Brazil has exported 2.841 million tonnes, raw value, of sugar in September 2011 which is 17% less compared to previous year same period. It is noticeable that Brazil has exported 3.424 million tonnes sugar, raw value, in 2010-11. September sugar exports by Brazil takes the total sugar exports figures to 14.624 million tonnes from April to September period in 2011-12 which is also 7% less compared to 2010-11 total sugar exports during the same period. Less sugar production outlook in Brazil for 2011-12 urges biggest sugar producing nation to cut its sugar exports this year. Meanwhile, major importers of white sugar from Brazil are UAE and Saudi Arabia in September which consumes 418,900 tonnes and 206,200 tonnes respectively.



International Sugar Production Scenario:

World Sugar Production and Consumption Estimate for 2011-12 (In MMT)				
	Date of Estimation	Production	Consumption	Surplus/Deficit
Czarnikow	1-Jun-11	182.17	171.41	10.76

USDA	18-Jun-11	168.48	162.5	5.98
ISO	31-Aug-11	172.37	168.16	4.21

(Source: ISO)

World Sugar Balance Sheet:

World Sugar (1000 Tonnes)	Years	
	2009-10	2010-11
Opening stocks	27946	26146
Production	153637	165605
Imports	51409	49159
Domestic consumption	154096	158202
Exports	51807	51824
losing stocks	26146	26457
Average Monthly consumption	12841.3	13183.5
Stocks in months to use	2.04	2.01
Stock to use ratio	16.97%	16.72%

*Sugar Balance Sheet based on Global sugar production figures by F O Litch

International Sugar Prices (Monthly)				
	Contract Month	29/8/2011	29/9/2011	Change
ICE Sugar #11 (US Cent/lb)	Mar'12	28.98	26.85	-2.13
	May'12	27.48	25.87	-1.61
	July'12	26.27	25.22	-1.05
LIFFE Sugar (US \$/MT)	Dec'11	741.60	674.70	-66.9
	Mar'12	729.00	658.70	-70.3
	May'12	711.00	653.30	-57.7

ICE Raw Sugar Future Market Monthly Scenario (Mar'12 Contract):



Technical Commentary:

- Prices are trying to move up as chart depicts
- Prices are trying to test 61.8% retracement level, if breach then prices may go upto 100% retracement level.
- Market participants are advised to buy from support level.

International Sugar Futures Price Projection (Monthly)			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'12	26.85	29.00

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

Technical Commentary:

- Prices are trying to rebound as chart depicts.
- Prices are trying to test 61.8% retracement level if breach then price may move up further to \$775 which also lying on 100% retracement level.
- Market participants would be advisable to buy from support level.

	Contract Month	Present Quote	Expected Price level for Coming Month
LIFFE Sugar (US \$/MT)	Dec'11	674.70	775

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