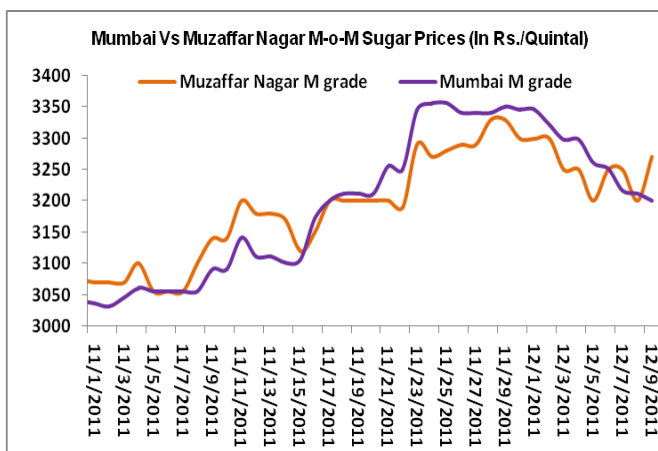


Domestic Market Recap:

Sugar prices remained firm during the month of November 2011. Opening of exports upto 1 million tonnes by government under OGL, removal of sugar stock holding limit for traders, increase in cane price payment to farmers by millers and delayed crushing by millers are the major reasons which influenced the sugar prices to go up in last month.

However, government has released 19.07 lac tonnes of total sugar quota for the December which is a reasonable high quantity and can help control prices as the Government hopes it will. Around 10% hike has been witnessed in sugar prices in Kolhapur mandi in a month.. Mills have increased their pace of crushing of cane to take advantage of higher sugar prices.

We expect sugar prices will move downwards in the coming month keeping in view higher sugar supply and subdued demand of sugar in domestic markets.



Monthly News Highlights:

- UP mills have produced 9.97 lac tonnes of sugar till 8th December 2011 which is 5.6 lac tonnes higher compared to previous year same period, though, recovery of sugar from cane stood at 8.12% at present which is lesser compared to previous year recovery of sugar (~8.38%). In total 124 mills are running their crushing operations at present in UP.
- Government has notified 1 million tonnes exports of raw, white and refined sugar under OGL for the Marketing year 2011-12. Government will allocate sugar export quota amongst sugar factories by taking into account their 3 years average production or 2 years average production in case of factory had not operated in any 1 of the last 3 years. However, a new sugar factory that has started in 2011-12 will not have any export entitlement. Mills should register within 45 days of the issue of the notification for the latest exports and permission would be granted within three days of application. Earlier, India had allowed 1 million tonnes sugar exports under OGL keeping in view overall sugar availability
- UP government has fixed Rs. 235-250/quintal as cane remuneration to the farmers to be paid by millers in 2011-12. This SAP is 19% higher compared to the previous year's which stood at Rs 205/quintal. Meanwhile, hike given by government is as per the industry expectation and government has tried to satisfy both parties (millers as well as farmers). It is noticeable that farmers were asking for Rs 275-300/quintal which the industry was not willing to pay.
- Maharashtra government has fixed three rates for cane depending on the recovery of sugar from cane in various regions. Government has fixed Rs 205/quintal in cities like Kolhapur, Satara and Sagri, Rs. 185 per quintal in Pune, Solapur and Ahmednagar and Rs 180/quintal for cane in the rest of Maharashtra as the first tranche. Farmers had been asking for Rs 235/quintal as a cane remuneration this year.
- Government has removed restriction on sugar stock holding from December as government sees sugar production on higher side in 2011-12. Currently, stock holding limit for sugar traders and whole sellers is 500 tonnes. It is noticeable that EGOM had relaxed the limit on sugar from 200 metric tonnes to 500 metric tonnes per month in March 2011. Removal of sugar stock holding limit will give prices a boost.

- The government has extended zero duty on sugar imports (Raw and white) until March 31 2012. The earlier notification on zero duty on sugar imports had expired on 30th November 2011. Government has taken this decision to curb further hike in sugar prices.
- Government has decided to make available 19.07 lac tonnes of sugar (levy sugar –2.07 lac tonnes and non-levy sugar – 17 lac tonnes) in December 2011. to counter the low sugar stocks in the markets. It is noticeable that the present December quota is 16.12% higher compared to the 3 years average non-levy sugar quota and 13.33% higher compared to last year December non-levy sugar quota.

Sugar Export Opportunity:

Indian CIF Prices to Indonesia are looking competitive against major sugar export players like Brazil and Thailand especially from Kolhapur and Chennai. In addition, UP millers are also giving stiff competition despite the distance to port as the recent decline in domestic sugar prices. Indian exporters can export sugar at prevailing prices to South East Asian countries like Indonesia and Malaysia and also China. It is also reported that exporters are offering \$48/MT as a premium to millers which are located on the West to grab the sugar export quota. However, decrease in International prices further will remove the export parity advantage for Indian millers.

Comparative Sugar FOB & CIF Prices (USD/MT)			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffar nagar M 30
FOB India (USD/MT) (With Premium)	618.46	621.26	617.19*
CIF upto Indonesia	645.17	652.98	651.04*
	Brazil	Thailand	
FOB (USD/MT) (With Premium)	605.20	645.20	
CIF (USD/MT) (With Premium) upto Indonesia	671.02	667.14	

*Without Premium.

Weekly State wise Sugar Production Scenario (2011-12) (Lakh Tonnes)

Maharashtra				UP			Tamil Nadu		
	2010	2011	% Change	2010	2011	% Change	2010	2011	% Change
Sugar production	12.7	14.67	15.5%	4.37	9.97	128%	0.95	0.91	-4.2%
Cane crushed	136	148.53	9.2%	52.23	122.8	135%	10.79	10.69	-0.9%
Recovery (%)	9.34	9.87	5.7%	8.38	8.12	-3%	8.77	8.53	-2.7%

(Source: State Sugar Commissionerates) Till 8th December 2011.

Domestic Sugar Balance Sheet:

Agriwatch sees a change the sugar supply and demand scenario in India for 2011-12 season. Recent drift in yield from sugarcane and the 1 million tonnes exports allowed by Government of India will change the

supply and demand situation of sugar. Government is likely to allow 2.5 million tonnes of sugar exports under OGL which is 17% down Y-o-Y.

Also, lesser cane yield has been reported in Maharashtra and Punjab , so production will be down by 0.5 million tonnes and likely to stand at 25.9 million tonnes which is still 5% higher compared to last year's sugar production. Sugar prices have increased during Oct to Nov period as expected owing to tight stock position for 2010-11.

Total availability of sugar for 2011-12 will decline by 2% owing to expected decrease in sugar production. However, considering overall sugar exports expectations (~2.5 million tonnes) for 2011-12, the sugar ending stocks will go down by 5.92% Y-o-Y.

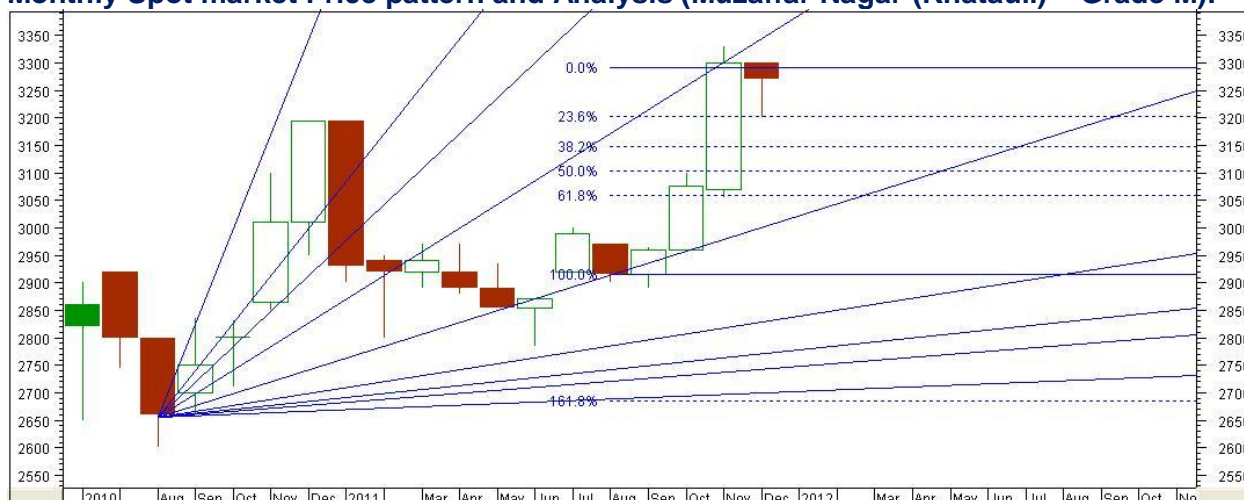
Supply and demand component are listed in the table below:

All Units in Million Tons	2010-11	2011-12		Change (In %)	
		(October)	(November)	M-o-M	Y-o-Y
Opening stocks	4.68	3.38	3.38	0.0%	-27.78%
Production	24.70	26.4	25.90	-1.9%	4.86%
Imports	0.00	0	0.00	0.0%	0.00%
Total Availability	29.38	29.78	29.28	-1.7%	-0.34%
Domestic consumption	23.00	23.6	23.60	0.0%	2.61%
Exports	3.00	3	2.50	-16.7%	-16.67%
Total Usage	26.00	26.6	26.1	-1.9%	0.38%
Closing stocks	3.38	3.18	3.18	0.0%	-5.92%
Average Monthly consumption	1.92	1.97	1.97	-0.2%	2.61%
Stocks in months to use	1.76	1.62	1.62	-0.2%	-8.31%
Stock/Consumption Ratio	0.15	0.13	0.13	3.7%	-8.31%

Spot Sugar Prices Scenario (Monthly):

	1 st November 2011	1 st December 2011	change
Mumbai M-30	3036	3346	+310
Mumbai S-30	2841	3146	+305
Muzaffar Nagar M	3070	3300	+230
Delhi M-30	3100	3320	+220
Delhi S-30	3000	3200	+200
Nagpur S	2980	3250	+270
Chennai S	2730	3050	+320
Kolhapur M-30	2800	3075	+275
Kolhapur S-30	2700	2975	+275

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



Price Expectation for Muzaffar Nagar (Khatauli) market for the coming month.

- Sugar prices have declined in Muzaffar nagar market during the month ended November 2011.
- Prices resist at Rs 3300 per quintal as chart depicts and is likely to reach 23.6% retracement level in the coming month keeping in view ample sugar supply by mills in the market.
- Prices are moving in a range between Rs 3200 to 3300, breach of mentioned level will decide the movement of the prices further.
- Considering good supply of sugar and sluggish demand in the market, we expect prices will fall upto 3100 in the coming month.

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



Price Expectation for Kolhapur market for the coming month.

- Kolhapur sugar prices are moving downwards as the chart depicts.
- Prices are moving between Rs 2950 to 3100, and any breach of the mentioned level will give the prices a new direction.
- Market participants should sell sugar from present level.

Gur Scenario

Gur prices have declined in various gur spot mandis during the November 2011. Sluggish demand and moderate arrivals of gur kept the gur prices from moving upwards. Daily an average of 7000-8000 bags (each 40 kg) have arrived in Muzaffar nagar market.

Meanwhile, buyers are buying gur from MP market due to the lower prices from Kolhus in MP compared to UP which has pressurized the prices of gur in benchmark market Muzaffar nagar. At present ~ Rs.1800-1900/Quintal are quoted in MP mandis.

However, considering the higher cane price paid by millers to farmers, Kolhus might find difficulty in procuring cane which will decrease the supply of gur in the market. Also, demand for gur is expected to increase which will support the prices of gur in the coming month.

Gur Spot Monthly Prices (Rs/Qtl)				
Markets	Variety	1st November	1st December	Change
Muzaffar Nagar	Chaku	2650	2500	-150
Bangalore	Achhu	2700	2500	-200
	Mudde	2900	2800	-100
Belgaum	Mudde	2700	2600	-100
Belthangadi	yellow (Average)	3100	3150	+50
Bijapur	Achhu	2752	2250	-502
Gulbarga	Other (Average)	2750	2270	-480
Mahalingapura	Penti (Average)	2680	2430	-250
Mandya	Achhu (Medium)	2400	2200	-200
	Kurikatu (Medium)	2200	2150	-50
	Other (Medium)	2250	2150	-100
	Yellow (Medium)	2350	2150	-200
Shimoga	Achhu (Average)	2750	2632	-118

Commodity: Sugar
Contract: January

Exchange: NCDEX
Expiry: January 20th, 2011

SUGAR (January Weekly Chart)

Technical Commentary:

- Prices are moving downwards and hovering in a downtrend as chart depicts.
- Decrease in prices with volume and open interest support indicates that prices might move down further.
- Prices might take a support at Rs 2850, if breached, the prices should go down to Rs 2820.



Strategy: Sugar prices are moving downwards and there is no bullish signal technically as well as fundamentally. We expect prices to move downwards in the coming month and advise market participants to sell from entry level.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	January	2760	2805	2890	2920	2950
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	January	Sell	2900	2850	2825	2700

Commodity: Gur
Contract: January

Exchange: NCDEX
Expiry: January 20th, 2011

GUR (Monthly Continuous Chart)

Technical Commentary:

- Prices are moving upwards and hovering in an uptrend as chart depicts.
- Prices are hovering in a broad trading range of Rs 1031 to Rs 1070, two consecutive closes either side will give the prices a new direction.
- However, increase in prices along with open interest clearly indicates that prices are likely to move up in the coming month.



Strategy: Sell from resistance level is advisable.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	January	1031	1049	1066	1120	1130
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	January	Sell	<1075-1080	1060	1057	1098

International Scenario

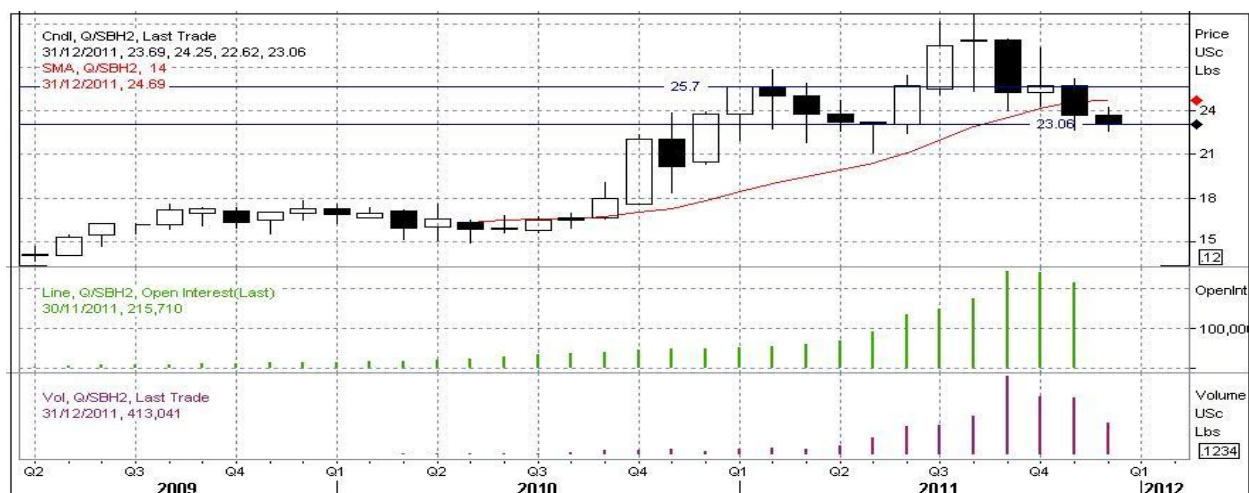
International sugar prices have declined during the month ended 30th November 2011. Higher overall production scenario of sugar and a lower demand from China and EU led the international prices to decline. In addition, The Kingsman expectation of 9.7 million tonnes of sugar surplus globally has kept the sugar prices under pressure. We expect prices will continue its bear run in the coming month in ICE as well as in LIFFE.

International Market News Highlights:

- Brazil sugar exports are likely to continue weakening till April due to the sugar stocks held by mills more likely to hit the local market. Shipments from November through March 2012 could be 2 million tonnes lower than last year which is about 30 percent lower. Brazil has exported 365,800 tonnes of white sugar in November 2011, which is 32.8% down compared to 2010 same period. It is also noticeable that November 2011 shipment is 20.8% down compared to October 2011 sugar shipment.
- South Africa's 2011/12 sugar production forecast was cut to 1.855 million tonnes from a forecast of 1.909 million tonnes released in October by South African Sugar Association (SASA).
- Mexico is expected to produce around 5.3 million tonnes of sugar in 2011-12 which is 0.3 million tonnes higher compared to previous estimates. However, sugar exports by Mexico would probably be the same as last year.
- Mills in Brazil's Centre/South region have crushed 23.04 million tonnes of sugarcane in October second half which is marginally down compared to 23.41 million in the first half of the month, According to UNICA.
- Despite of some crop damage, Australia is likely to export 2.6 million tonnes of sugar in 2011-12 which is 4% higher compared to previous year.
- Kingsman sees 9.7 million tonnes sugar surplus for 2011-12, which is around 15% higher, compared to previous month's estimate (~8.4 million tonnes). Higher sugar production estimate from countries like China, Thailand, India and EU adds to the overall sugar production.
- China produced 813,000 tonnes of sugar in November month, which is 23.6% higher, compared to previous year same period. It is noticeable that China projects 12.57 million tonnes of sugar production in 2011-12. China produced 214,000 ton sugar in October 2011 which was 36% up compared to same month last year, according to the National Bureau of Statistics.
- Indonesia is expected to increase its sugar production for 2012 by 0.3 million tonnes. It is noticeable that Indonesia is likely to produce from the 2.2 million tonnes of sugar in 2011.
- Thailand's production is likely to reach 9.9 million tonnes in 2011-12 which is higher compared to last year sugar production which stood at 9.64 million tonnes. Previously government was projected 10-10.5 million tonnes sugar production but recent floods have led to some damage to the cane crop. Out of 9.9 million tonnes total sugar production, Thailand will keep 2.4 million tonnes of sugar for domestic consumption and the rest 7.5 million tonnes sugar production will be exported in 2012. Thailand exported 6.32 million tonnes last year.
- Around 20 mills have started cane crushing operations in Thailand and produced 43,700 tonnes of raw sugar and 327 tonnes of whites. All mills have crushed around 920,000 tonnes of cane as on 27th November 2011.

International Sugar Prices (Monthly)				
	Contract Month	1/11/2011	1/12/2011	Change
ICE Sugar #11 (US Cent/lb)	Mar'12	25.34	23.59	-1.75
	May'12	24.80	23.28	-1.52
	July'12	24.21	23.01	-1.2
LIFFE Sugar (US \$/MT)	Dec'11	680.40	617.20	-63.2
	Mar'12	649.10	609.70	-39.4
	May'12	640.10	603.20	-36.9

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



Technical Commentary:

- ICE raw sugar future prices are moving downwards as the chart depicts.
- Prices might find a support at 23.06 cents/pound, two consecutive closes below the mentioned level will give the confirmation of further bear run of prices in the coming month.
- Raw sugar price is trading below 14 day SMA suggests prices are in a bearish trend.
- However, decrease in prices has not been supported by volume and open interest which indicates prices might consolidate in the trading range between 23.06 to 25.7 cents per pound in the coming month.

International Sugar Futures Price Projection (Monthly)			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'12	23.59	23.06

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

Technical Commentary:

- LIFFE sugar future prices are moving downwards as the chart depicts.
- Prices might find a support at \$600, two consecutive closes below the mentioned level will give the confirmation of further bear run of prices in the coming month.
- In addition to this, decrease in prices along with open interest indicates further decline in the prices next month.

	Contract Month	Present Quote	Expected Price level for Coming Month
LIFFE Sugar (US \$/MT)	Dec'11	617.20	550-560

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