

### News Highlights:

- Sugarcane actual yield is likely to increase by 3.90% in UP compared to previous year. Timely sowing and improved climatic conditions prior to previous year give the boost to the cane yield. According to initial data collected from various mills. Western UP has got good rainfall in June to August period which helps the sugarcane growth. Average Cane Yield in Western UP is likely to increase to 540 quintal/hectare in 2011-12 from 517 quintal/hectare in 2010-11.
- UP government is likely to give 17% hike over last year SAP of sugarcane to the farmers for 2011-12 taking into account CACP suggestion of 17% hike over FRP this year. It is noticeable that farmers have got Rs 205/Qtl under SAP. Suggested hike over previous year SAP would take the SAP figures to Rs. 240-245/Quintal for 2011-12.
- UP farmers want 50% hike over last year SAP in 2011-12 which will figured around Rs. 300/Qtl. It is noticeable that sugar prices are hovering near to Rs 2750/qtl and keeping in view sugar surplus for 2011-12, sugar prices are expected to decline in the coming season which will be a major setback for sugar millers. Moreover, UP government is likely to increase SAP prices for sure considering next year elections.
- Sugar cane crushing in Maharashtra has been reportedly delayed by a week after mills and farmers failed to agree on cane prices. Delay in crushing might impact on sugar production in the state for 2011-12. It is noticeable that Maharashtra is likely to produce 9.3 million tonnes of sugar for 2011-12 which is marginally up from 9.05 million tonnes produced last year.

### Domestic Market Recap:

Sugar prices have increased in various spot markets during the week ending 7<sup>th</sup> October 2011. Various festive occasions like Dusherra, Navaratra etc pulled up the demand as well as sugar prices during last week. Good demand of sugar has been recorded in markets like Maharashtra, UP and Delhi. However, sugar prices have declined in Kolkata, Vijayawada and Nagpur markets owing to sluggish demand. Moreover, higher sugar prices quoted by millers in Tamil Nadu weigh on to the sugar prices during the week.

Meanwhile, millers are getting ready to start its crushing operations for Marketing year 2011-12. However, lack of consensus over cane price between millers and farmers might delay the cane crushing process which might affect the sugar production for 2011-12. It is noticeable that UP farmers are asking for over 50% hike over last year SAP which will take the SAP figure to Rs. 300/qtl. However, good cane as well as sugar surplus for MY 2011-12 might resist sugar prices. Expected decrease in sugar prices might be a disaster for sugar millers owing to squeezing profit margins which will unable the millers to pay the cane arrears to farmers.

It is expected that upcoming peak festival seasons like Diwali might pulled up the prices as well as demand of sugar in the coming week.

### Sugar Export Opportunity:

Domestic sugar prices are not looking competitive compared to major sugar exporters like Thailand and Brazil. Lower Dec contract in LIFFE decrease the FOB prices compared to Indian FOB prices. Meanwhile, Despite of considerable rise in Thai white sugar premium (\$30mt to \$70 mt), Thailand FOB prices kept lower FOB price advantage over Indian FOB prices due to lesser prices of sugar for Dec contract in LIFFE. Meanwhile, exports are going on and exporters are trying to fetch export licenses from millers. Government has allocated 449692 tonnes sugar to the mills for exports till 7<sup>th</sup> 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). Earlier, millers was getting Rs. 8000 per tonne premium over domestic prices at the time of

higher LIFFE sugar prices. 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)                    | 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 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(29.9.2011) | Normal (01.06.2011) | % Change  |
| Eastern UP                                       | 821.5             | 894.7               | -8%       |
| Western UP                                       | 724.0             | 767.7               | -6%       |
| Central Maharashtra                              | 758.2             | 723.9               | 5%        |
| Andhra Pradesh                                   | 537.5             | 574.9               | -7%       |
| Northern Karnataka                               | 436.8             | 499.7               | -13%      |
| Southern Karnataka                               | 640.3             | 653.7               | -2%       |
| Gujarat  | 901.3             | 897.7               | 0%        |
| Tamil Nadu                                       | 295.3             | 312.7               | -6%       |
| Bihar  | 1056.7            | 1023.5              | 3%        |
| <b>Country as a Whole</b>                        | <b>899.4</b>      | <b>883.0</b>        | <b>2%</b> |

Source: IMD

According to Indian Meteorological Department, overall actual rainfall in the country is normal till 29<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. However, rains in September end might decrease the recovery of sugar from cane due to increase of water which will resulted in decrease sucrose content in sugarcane.

Sugarcane crop progress during the week ending 30<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 30<sup>th</sup> Sept which is 2.78% higher compared to previous year same period.

| Sugarcane Area Scenario |            |            |        |
|-------------------------|------------|------------|--------|
|                         | 30-Sept-11 | 30-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>50.93</b> | <b>49.44</b> | <b>3.01%</b> |

(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, 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 gives moderate opportunity to grow the cane which results in increase in cane yield by 3.95% in 2011-12. Also, various mills have help the farmers to implement drip irrigation this year which also gives boost to the cane yield in the region. Meanwhile, 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. Also, distributed rainfall, cane development activities and mills supply seeds and fertilizers to farmers are the main reasons for increase in cane yield in TN and AP for 2011-12. 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.

### Spot Sugar Prices Scenario (Weekly)

|                  | 30-Sept-11 | 07-Oct-11 | change |
|------------------|------------|-----------|--------|
| Mumbai M-30      | 2981       | 2981      | Unch   |
| Mumbai S-30      | 2786       | 2801      | +15    |
| Kolhapur M-30    | 2700       | 2750      | +50    |
| Kolhapur S-30    | 2650       | 2675      | +25    |
| Muzaffar Nagar M | 2960       | 3020      | +60    |
| Delhi M-30       | 2960       | 2950      | -10    |

|                   |      |      |     |
|-------------------|------|------|-----|
| Delhi S-30        | 2890 | 2900 | +10 |
| Chennai S         | 2790 | 2800 | +10 |
| Vijayawada M-30   | 3210 | 3190 | -20 |
| Kolkata M Variety | 3010 | 3000 | -10 |

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



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

- Sugar prices have rebound in Kolhapur spot market during the week ending 7<sup>th</sup> October 2011.
- Prices have recently breach 38.2% retracement level and trying to test 50% retracement level as chart depicts. If breach 50% retracement level will take the prices upto 61.8% retracement level.
- Kolhapur spot prices are hovering in a range between Rs 2700 to Rs. 2750, if breach the level either side will decide the movement of the prices further.
- Last candle stick pattern Marubozu further suggests bullishness in the prices.

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



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

- Sugar spot prices has increased in Muzaffar nagar mandi during the week ending 7<sup>th</sup> October 2011.
- Prices have recently breach 50% retracement level and might test 61.8% retracement level as chart depicts.
- Also, prices might test upper Gann Fann line which also lying on to 61.8% retracement level.
- RSI is moving up near to overbought region from neutral region.
- Prices are likely to move in a range between Rs 3000 to Rs. 3050 in the coming week.

**Gur Scenario**

Gur prices have decreased at most of the gur mandi during the week ending 7<sup>th</sup> October 2011. Fresh gur arrivals and sluggish demand pressurize the gur prices. Meanwhile, sluggish demand urges gur makers to quote less price of fresh gur which ultimately weigh on to the gur prices stored in cold storage. At present, daily 5000-6000 bags of fresh gur arrived which has been offset daily. Fresh gur was quoted at Rs 1037 at present which was earlier quoted at Rs. 1070. However, fresh gur decrease the demand of gur stored in cold storage. Daily 500-1000 bags have been off take which was 11000-12000 bags daily earlier. Stock positions for Chaku variety gur stored in cold storage are 50000 bags.

It is noticeable that buyers from Gujarat and Rajasthan showing interest in buying fresh gur from Muzaffar nagar market. However, decreasing prices of gur (both fresh as well as cold storage gur) worried Kolhus as decreasing prices squeeze their profit margins. Further gur price decrease might result in decline in fresh gur arrivals as Kolhus might not get parity in making gur.

Moreover, gur left in the cold storage has to be offset before 31<sup>st</sup> October 2011 due to cleaning of warehouses which also weigh on to the gur prices.

Considering sluggish demand and fresh arrivals of gur, we are expecting that gur prices are likely to decline in the coming week.

| Gur Spot Prices (Rs/Qtl) |                  |            |           |        |
|--------------------------|------------------|------------|-----------|--------|
| Markets                  | Variety          | 29-Sept-11 | 07-Oct-11 | Change |
| Muzaffar Nagar           | Chaku (Dry)      | 2600       | 2575      | -25    |
|                          | Chaku (Wet)      | 2525       | 2450      | -75    |
| Bangalore                | Achhu            | 2700       | 2700      | Unch   |
|                          | Mudde            | 2900       | 2900      | Unch   |
| Belgaum                  | Mudde            | 2600       | 2600      | Unch   |
| Belthangadi              | yellow (Average) | 2900       | 3600      | +700   |
| Bijapur                  | Achhu            | 2750       | 2660      | -90    |
| Gulbarga                 | Other (Average)  | 2700       | 2750      | +50    |
| Mahalingapura            | Penti (Average)  | 2680       | 2600      | -80    |
| Mandya                   | Achhu (Medium)   | 2450       | 2450      | Unch   |

|         |                   |      |      |      |
|---------|-------------------|------|------|------|
|         | Kurikatu (Medium) | 2200 | 2200 | Unch |
|         | Other (Medium)    | 2350 | 2250 | -100 |
|         | Yellow (Medium)   | 2400 | 2350 | -50  |
| Shimoga | Achhu (Average)   | 2800 | 2900 | +100 |

Commodity: Sugar  
Contract: October

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

## SUGAR



### Technical Commentary:

- Sugar prices consolidate at present with a range bound movement.
- Prices are moving in a range between Rs 2695 to Rs 2755, if breach the mentioned level will give the prices a new direction.
- Prices are trying to test 50% retracement level and then came down which indicates that the mentioned level is strong resistance level.
- Prices are also trying to test the Gann Fann line and then move up which further indicates that prices are likely to remain range bound during next week.
- However, RSI is moving in a neutral region which further proves that the prices are in consolidation phase.

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

| Intraday Supports & Resistances |       |         | S2   | S1        | PCP  | R1   | R2   |
|---------------------------------|-------|---------|------|-----------|------|------|------|
| Sugar                           | NCDEX | October | 2680 | 2695      | 2725 | 2755 | 2765 |
| Intraday Trade Call             |       |         | Call | Entry     | T1   | T2   | SL   |
| Sugar                           | NCDEX | October | Sell | 2748-2755 | 2720 | 2700 | 2765 |



**Commodity: Gur**  
**Contract: November**
**Exchange: NCDEX**  
**Expiry: November 20<sup>th</sup>, 2011**
**GUR**

**Technical Commentary:**

- Gur prices are declining and moving in a downward trend as chart depicts.
- Two consecutive close below 38.2% retracement level suggest weakness in the prices.
- Prices are heading towards 23.6% retracement level.
- Prices are likely to remain range bound in the coming week.
- Also, RSI is hovering near to neutral region.

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

| Intraday Supports & Resistances |       |          | S2          | S1    | PCP    | R1  | R2  |
|---------------------------------|-------|----------|-------------|-------|--------|-----|-----|
| Gur                             | NCDEX | November | -           | 933   | 960.50 | 965 | 971 |
| Intraday Trade Call             |       |          | Call        | Entry | T1     | T2  | SL  |
| Gur                             | NCDEX | November | <b>Sell</b> | <960  | 944    | 937 | 965 |

### International Scenario

International sugar prices are moving in a range and showed marginal improvement in ICE. However, prices have decreased in LIFFE market during the week ending 07<sup>th</sup> October 2011. Increasing supply from Brazil is offset by higher Chinese sugar demand which urges the sugar prices to trade range bound. It is expected that prices are likely to trade steady to negative and will remain in a range in both ICE and LIFFE markets during the coming week.

### International Market News Highlights:

- Sugar production from Brazil's Center south region is lagging behind from last year by 8%. However, sugar output has pick up the pace in recent weeks, according to UNICA. It is noticeable that 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 same period in 2010.
- China has imported 423,794 tonnes of sugar in August which is 65% higher compared to 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.
- 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.

| International Sugar Prices (Weekly) |                |           |            |        |
|-------------------------------------|----------------|-----------|------------|--------|
|                                     | Contract Month | 28/9/2011 | 06/10/2011 | Change |
| ICE Sugar #11 (US Cent/lb)          | Mar'12         | 24.30     | 24.64      | 0.34   |
|                                     | May'12         | 23.71     | 23.97      | 0.26   |
|                                     | Jul'12         | 23.18     | 23.16      | -0.02  |
| LIFFE Sugar (US \$/MT)              | Dec'11         | 643.80    | 641.70     | -2.1   |
|                                     | Mar'12         | 629.90    | 626.30     | -3.6   |
|                                     | May'12         | 625.50    | 620.80     | -4.7   |

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





- Prices are trying to test upper Gann Fann line if breach, then prices might go up to \$670 level.
- Prices are moving in a range between \$644 to \$669, if breach the marked levels will give the prices a new direction.
- Prices are trying to test 50% retracement levels. However, lack of volume support weakens the possibilities of further gains.
- Prices might consolidate in the coming week and will move in a range.

| International Sugar Futures Price Projection |                |               |                                    |
|--|----------------|---------------|------------------------------------|
|  | Contract Month | Present Quote | Expected Price level for next week |
| LIFFE Sugar (US \$/MT)                       | Dec'11         | 641.70        | 669                                |

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



### Technical Commentary:

- ICE sugar futures have shown some upward correction last week.
- Prices have recently move upwards after testing its trend line support level and Gann Fann line as chart depicts.
- Prices have bounce back after testing 38.2% retracement level and might test 50% retracement line as chart depicts.
- Also, prices are hovering above Gann Fann line and are likely move between 38.2% and 50% retracement levels.

| International Sugar Futures Price Projection |                |               |                                    |
|--|----------------|---------------|------------------------------------|
|  | Contract Month | Present Quote | Expected Price level for next week |
| ICE Sugar #11 (US Cent/lb)                   | Oct'11         | 25.68         | 26.24                              |

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