

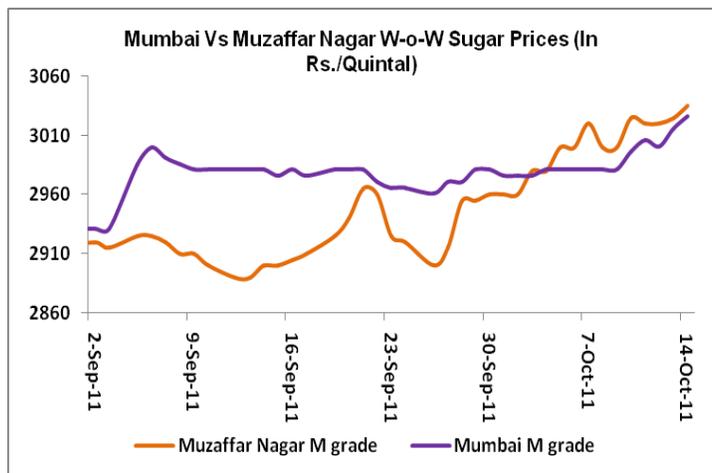
News Highlights:

- Farmers have sowed 5.09 lakh hectares of sugarcane crop in their fields till 14th October 2011 which is 3.04% higher compared to 2010, according to data published by Agriculture Ministry.
- India's sugar stocks stood at 88.3 lakh tonnes on 1st Sept 2011 which is higher compared to 64 lakh tonnes of sugar stocks a year ago on 1st Sept 2010.
- Government may take a decision on sugar exports after Diwali. Exports will be allowed in phases and the quantity of sugar exports will be decided after reconciling the sugar production figures for 2011-12, according to K.V Thomas. It is notable that government has projected 24.6 million tonnes of sugar production for 2011-12.
- Mills of UP and Maharashtra will delay their cane crushing operations for crushing year 2011-12. No consensus over cane remuneration between millers and farmers and recent rainfall in Maharashtra region is leading the millers to delay cane crushing which ultimately might impact the sugar output for 2011-12.

Domestic Market Recap:

Sugar prices have increased in various spot markets this week. Higher demand for sugar in the run up to the festival season is supporting the sugar prices. Good demand for sugar has been witnessed from key markets like Kolhapur, Maharashtra etc. On the export front, government has decided to take decision on sugar exports after Diwali for MY 2011-12.

Meanwhile, millers might delay their cane crushing operations owing to continuous rains in Maharashtra. Also, Farmers and mills failed to reach a consensus over cane prices which is delaying crushing operations.



Delayed cane crushing and good festive season sugar demand will help to support the prices in the coming week. It is expected that prices will trade range bound with positive bias.

Sugar Export Opportunity Vanishes:

Sugar export quota for 2010-11 is already utilized and there's virtually no chance for sugar export during the current week. Even the domestic sugar prices are un-competitive compared to major sugar exporting countries like Brazil. For new crush season 2011-12, government may take a decision on sugar exports only after Diwali. Government is adopting cautious approach to allow export for the new crush season beginning from Oct 2011. Delay in cane crushing from UP and Maharashtra are the concerns which might further delay in announcement of sugar export for 2011-12.

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)	729.31	731.36	778.49
	Brazil	Thailand	
FOB (USD/MT)	711.30	781.30	

Weather Outlook and Sowing Progress:

According to Indian Meteorological Department, overall rainfall in the country is normal. Meanwhile recent rainfall in Kolhapur district, which contributes around 23% sugarcane area, will put marginal impact on sugarcane yield. However rest of the cane producing states have got normal amount of rainfall during the season.

Sugarcane crop progress during the week ending 14th Oct 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 50.93 lakh hectares till 14th Oct which is 3.01% higher compared to previous year same period.

Sugarcane Area Scenario			
	14-Oct-11	14-Oct-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 Depts.)

Yield Scenario (2011-12)

After getting initial feedback from farmers and millers, we came to the conclusion that actual cane is going to increase in UP, Bihar, AP, TN and Haryana owing to well distributed and timely rainfall.

State wise Yield Scenario (2011-12) (Figures in Quintals/hectare)			
	2010-11	2011-12	% Change
North Maharashtra	582	605	3.95%
South Maharashtra	816	732	-10.29%
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)

Cane yield from central Maharashtra could decline due to scattered distribution of rainfall along with relatively higher proportion of ratoon during 2011-12 over plant. Also, water stagnation for a week during its critical period due to seven days consecutive rainfall in Kolhapur district might have impact on cane yield. Kolhapur is one of the largest cane producing areas in South Maharashtra region. However, North Maharashtra got good rainfall during July - August period resulting in an increase in cane yield by 3.95% for the 2011-12 sugarcane season. Bihar has witnessed increase in cane yield in 2011-12 compared to previous year due to balanced and timely rainfall and regular supply of fertilizers and seeds by government to farmers.

Well distributed rainfall, cane development activities and mills participation to supply good quality seeds and fertilizers to farmers are the main reasons for increase in cane yield in TN and AP for 2011-12.

UP has also witnessed improvement in yield compared to 2010-11 as shown in the above table. Timely sowing of sugarcane crop and improved climatic conditions compared to previous year gave a boost to the cane yield. However, cane yield has been affected in the states of Uttarakhand and Punjab owing to flood and water logging conditions.

Spot Sugar Prices Scenario (Weekly)

	07-Oct-11	14-Oct-11	change
Mumbai M-30	2981	3026	+45
Mumbai S-30	2801	2821	+20
Kolhapur M-30	2750	2750	Unch
Kolhapur S-30	2675	2700	+25
Muzaffar Nagar M	3020	3035	+15
Delhi M-30	2950	3075	+125
Delhi S-30	2900	2920	+20
Chennai S	2800	2780	-20
Vijayawada M-30	3190	3220	+30
Kolkata M Variety	3000	3010	+10

Spot Market Technical Analysis (Kolhapur–Grade M)



Price Expectation for Kolhapur market for the coming week.

- Sugar prices have rebounded in Kolhapur spot market during the week ending 14th October 2011.
- Prices have recently breached the 38.2% retracement level (Rs 2720) of the previous price fall and are trying to test 50% retracement level (Rs 2755) as the chart depicts. A breach of the 50% retracement level will take the prices upto the 61.8% retracement level which stands at Rs 2790.
- The resistance levels for Kolhapur spot prices are at Rs 2750 and Rs 2800. A breakout above Rs 2750 level can take prices up to the 2800 level where it might face some strong resistance.
- Prices are likely to move up in the coming week keeping in view festive demand of sugar.

Spot Market Technical Analysis (Muzaffar Nagar –Grade M)



Price Expectation for Muzaffar Nagar market for the coming week.

- Sugar spot prices have increased in Muzaffarnagar mandi during the week ending 14th October 2011.

- Prices have recently breached the 50% retracement level (Rs 2990) and are testing the 61.8% retracement level (Rs 3040) as expected in the previous week.
- The next technical resistance level is at the Rs 3080 level.
- Prices are likely to move in a range between Rs 3000 to Rs. 3080 in the coming week.

Gur Scenario

Gur prices have plunged in the benchmark gur market of Muzaffarnagar during the week ended 14th October 2011. Increasing fresh gur arrivals and weak demand are weighing on to the gur prices. Meanwhile, the quantity of old gur stored in cold storage is very less. Around 6000 bags of old dry gur reportedly remain in the cold storages, which will be consumed in the coming days. It is notable that 9000 bags of gur are arriving daily. Kolhus are trying to make as much gur as they can as Kolhus are getting good parity for making gur and selling it into the market. Kolhus are paying Rs 180/quintal to the farmers for the new cane crop. As prices of gur fall, the parity is likely to reduce and the incentive for gur production might decline.

Gur prices are likely to move range bound in the coming week as gur demand is likely to pick up due to the upcoming festivals which will be offset by the moderate to high supply of gur in the market.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	07-Oct-11	14-Oct-11	Change
Muzaffar Nagar	Chaku – New	-	2900	-
	Chaku (Dry)	2575	2475	-100
	Khurpa	2575	2450	-125
	Laddoo	2650	2625	-25
	Rascut	2287	2250	-37
Bangalore	Achhu	2700	2700	Unch
	Mudde	2900	2900	Unch
Belgaum	Mudde	2600	2600	Unch
Belthangadi	yellow (Average)	3600	3050	-550
Bijapur	Achhu	2660	2850	+190
Gulbarga	Other (Average)	2750	2701	-49
Mahalingapura	Penti (Average)	2600	2760	+160
Mandya	Achhu (Medium)	2450	2450	Unch
	Kurikatu (Medium)	2200	2200	Unch
	Other (Medium)	2250	2350	+100
	Yellow (Medium)	2350	2400	+50
Shimoga	Achhu (Average)	2900	2950	+50

Commodity: Sugar
Contract: October

Exchange: NCDEX
Expiry: October 20th, 2011



Technical Commentary:

- Sugar Future prices are moving range bound with firm bias.
- Prices are moving in a range between Rs 2770 to Rs 2207. A breach of these levels in either direction will give the prices a new short term direction.
- Prices are continuously trying to test 50% retracement level (Rs 2800) and coming down, which indicates that the 2800 level is a strong resistance level. Breach of this level will take the sugar prices upto Rs 2829.
- RSI is moving in a neutral region and shows no clear signal.

Strategy: Buy from support level would be advisable

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	October	2711	2735	2761	2830	2848
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	October	Buy	2755-2760	2790	2807	2740

Commodity: Gur
Contract: November

Exchange: NCDEX
Expiry: November 18th, 2011



Technical Commentary:

- Gur prices are moving in a range between Rs 958 to Rs. 974 levels which are the 50% and 61.8% retracement levels respectively. Two consecutive doses below or above these retracement levels will give gur prices a new direction.
- Prices are also likely to decline and test the trend line support level i.e. 958, and it is likely that it will rebound from the mentioned level afterwards.
- RSI is directionless in neutral region and gives no signals.
- Overall, the technicals indicate that prices are likely to remain range bound in the coming week.

Strategy: Sell from resistance level would be advisable.

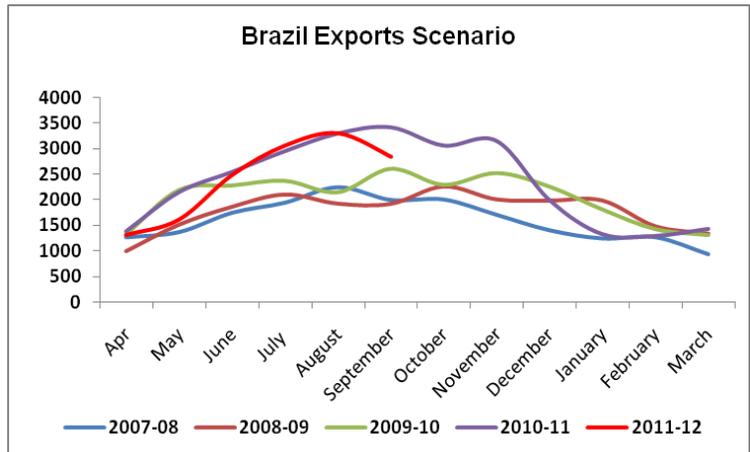
Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	November	942	955	967	980	990
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	November	Sell	<970	960	955	975

International Scenario

International sugar prices surged during the week ended 14th October 2011. Less exports from Brazil and concern over Thai cane crop damage due to recent floods supported international sugar prices. Meanwhile, decreasing M-o-M output of sugar in Brazil (according to the production seasonality data of Brazil) and lower exports from Brazil is likely to keep the sugar prices higher in ICE and LIFFE markets during the coming week.

International Market News Highlights:

- Cane crop has been damaged in Thailand owing to flood which affected around 64000 hectares of cane crop. According to the president of the Thailand Sugarcane Planters Federation, flooding is considered minimal in terms of its impact on overall sugar production. He said that the recent flood situation will not affect the country's sugar production much as the affected cane crop in the region is only 4-5% of the total cane crop in the region.
- USDA is expected to lower Brazil's sugar export estimates by 2 million tonnes to 23.8 million tonnes in 2011-12 compared to 2010-11. Fall in Brazil's sugar exports are owing to poor weather and aging cane which led the country to cut its sugar production and clearly put impact on Brazil's sugar exports. USDA also pegged Brazil's sugarcane production at 558 million tonnes which is 62 million tonnes down from 2010-11.
- 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 notable 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 exports in the same period of the previous year. Less sugar production outlook in Brazil for 2011-12 means that the biggest sugar producing nation will see lower sugar exports this year.



The major importers of white sugar from Brazil in September are UAE and Saudi Arabia which consumed 418,900 tonnes and 206,200 tonnes respectively.

International Sugar Prices (Weekly)				
	Contract Month	07/10/2011	14/10/2011	Change
ICE Sugar #11 (US Cent/lb)	Mar'12	25.16	27.93	+2.77
	May'12	24.42	26.87	+2.45
	Jul'12	23.58	25.81	+2.23
LIFFE Sugar (US \$/MT)	Dec'11	653.70	711.30	+57.6
	Mar'12	639.40	696.00	+56.6
	May'12	634.40	684.30	+49.9

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



Technical Commentary:

- Short covering has been witnessed from lower level.
- Range bound movement of the prices have witnessed in the past week.
- Prices have recently tested upper Gann Fann line and are likely to move below the line.
- However, two consecutive closes above the Gann Fann line will indicate medium term bullishness in the prices.
- 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	711.30	690

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



Technical Commentary:

- ICE raw sugar futures are trading range bound with firm bias.
- Prices are trying to test upper Gann Fann line. Thereafter, prices are likely fall back from the Gann Fann line in the coming week as chart depicts.
- Also, weak volume does not support sugar prices moving up further.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'11	27.93	26.24

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