

### News Highlights:

- Government might consider 2 million tonnes of sugar exports under OGL in the Marketing year 2011-12 keeping in view high sugar output, according to food minister K.V Thomas. It is noticeable that government will take any decision on sugar exports at the end of November.
- India's Sept. 1 sugar stocks were at 8.83 million tonnes, up from 6.4 million tonnes in the previous year.
- Various mills in Karnataka have started their crushing operations for 2011-12 and are paying Rs 180/quintal as a remuneration to the farmers, according to various sources. It is noticeable that mills have paid Rs 200/quintal to the farmers in 2010-11.
- India may allow unrestricted sugar exports on monthly basis in MY 2011-12, according to Farm Minister Mr. Sharad Pawar. It is noticeable that government has allowed 3 million tonnes of sugar exports (1.5 – ALS and 1.5 – OGL) in 2010-11 and also good crop as well as sugar production scenario in 2011-12 is likely to depress the sugar prices. Government is likely to allowed 2.5 to 3 million tonnes of sugar exports in MY 2011-12.

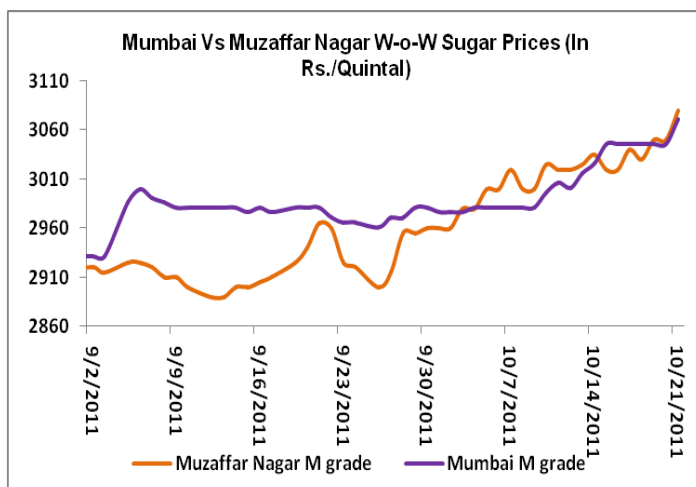
### Domestic Market Recap:

Sugar prices have surged in various spot sugar markets during the week ending 21<sup>st</sup> October 2011. Good festive demand and exports hopes after diwali support the sugar prices last week. Demand remains good in key markets like Maharashtra and UP markets.

On export front, government has decided to take decision on sugar exports after Diwali for MY 2011-12.

Meanwhile, UP and Maharashtra mills are going to start their crushing operations from Nov end. It is also reported that some mills in Karnataka have already started their crushing operations.

We are expecting that prices are likely to remain range bound in the coming week.



### Sugar Export Opportunity:

Domestic sugar prices are not looking competitive compared to major sugar exporters like Brazil. However, Higher Thai premium (~\$70) over LIFFE kept the Thai sugar out of the market. Meanwhile, government is likely to take any decision on sugar exports only after diwali. New export quota might prove a boon to the millers as well as exports owing to increasing LIFFE sugar prices which will give fair parity advantage. 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 were getting Rs. 8000 per tonne premium over domestic prices at the time of higher LIFFE sugar prices.

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)	727.26	741.61	781.57
	Brazil	Thailand	
FOB (USD/MT)	706.40	776.40	

## 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 14<sup>th</sup> 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 lac hectares till 14<sup>th</sup> Oct which is 3.01% higher compared to previous year same period.

Sugarcane Area Scenario			
	14-Oct-11	14-Oct-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 Dep't.)

## 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. However, lack of rainfall in various regions of Maharashtra will decrease the actual cane yield Y-o-Y.

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)

South Maharashtra has witnessed less rainfall during June to August period which will depress cane yield. Cane yield in South Maharashtra is expecting to decrease by 10.29% in 2011-12 compared to 2010-11. Meanwhile 7 day consecutive rainfall in Kolhapur which is the biggest cane as well as sugar producer of South Maharashtra region will put marginal impact on sugarcane yield. However, 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 helped 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)

	14-Oct-11	21-Oct-11	change
Mumbai M-30	3026	3071	+45
Mumbai S-30	2821	2851	+30
Kolhapur M-30	2750	2850	+100
Kolhapur S-30	2700	2750	+50
Muzaffar Nagar M	3035	3080	+45
Delhi M-30	3075	3050	-25
Delhi S-30	2920	2980	+60
Chennai S	2780	2770	-10
Vijayawada M-30	3220	3240	+20
Kolkata M Variety	3010	3140	+130

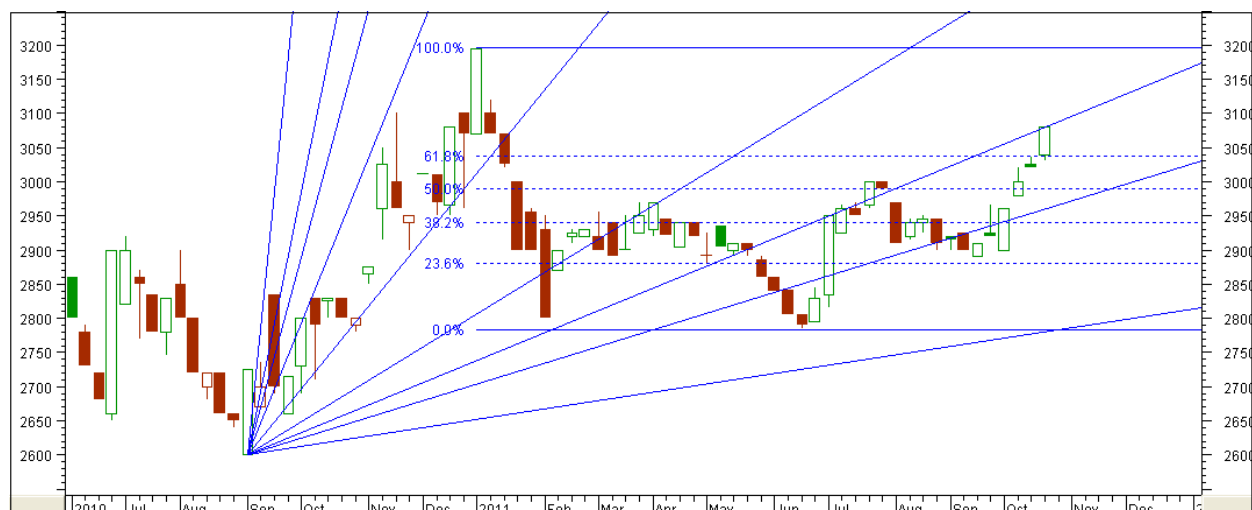
### Spot Market Technical Analysis (Kolhapur–Grade M)



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

- Sugar prices have rebound in Kolhapur spot market during the week ending 21<sup>st</sup> October 2011.
- Prices have recently breach 61.8% retracement level and might trying to test 100% retracement level as chart depicts.
- Morubozu candle stick pattern further suggests that prices are bullish.
- 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 Muzaffar nagar mandi during the week ending 21<sup>st</sup> October 2011.
- Prices have recently breach 61.8% retracement level, two consecutive close above the mentioned level will continue the bull run of the sugar prices in Muzaffar nagar.
- Prices have tested upper Gann Fann line which suggests that prices are likely to remain range bound with weak bias.
- Prices are likely to move in a range between Rs 3050 to Rs. 3100 in the coming week.

### Gur Scenario

Gur prices have remained in the downward trend in the benchmark gur market Muzaffar nagar during the week ended 21<sup>st</sup> October 2011. Sluggish demand and higher arrivals of gur depressed the gur prices. It is noticeable that daily 9000 bags of gur are arriving daily. Meanwhile, farmers asking more cane remuneration from millers increase the cost of cane for Kolhus also. Increasing cost and decreasing gur prices decrease the parity advantage for various kolhus operating at present.

Gur prices are likely to trade weak in the coming week owing to increasing arrivals and sluggish demand.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	14-Oct-11	21-Oct-11	Change
Muzaffar Nagar	Chaku – New	2900	2625	<b>-275</b>
	Khurpa	2450	2425	<b>-25</b>
	Laddoo	2625	2550	<b>-75</b>
	Rascut	2250	2250	<b>Unch</b>
Bangalore	Achhu	2700	2700	<b>Unch</b>

	Mudde	2900	2800	Unch
Belgaum	Mudde	2600	2600	Unch
Belthangadi	yellow (Average)	3050	3085	+35
Bijapur	Achhu	2850	2860	+10
Gulbarga	Other (Average)	2701	2725	+24
Mahalingapura	Penti (Average)	2760	2810	+50
Mandya	Achhu (Medium)	2450	2400	Unch
	Kurikatu (Medium)	2200	2200	Unch
	Other (Medium)	2350	2350	Unch
	Yellow (Medium)	2400	2450	+50
Shimoga	Achhu (Average)	2950	3000	+50

Commodity: Sugar  
Contract: October

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

## SUGAR



### Technical Commentary:

- Sugar Future prices are moving range bound with firm bias.
- Prices are moving in a range between Rs 2750 to Rs 2807, if breach the mentioned level will give the prices a new direction.
- Prices are continuously trying to test 50% retracement level which is strong support level. Breach of mentioned level will take the sugar prices upto Rs 2695.
- 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	2695	2711	2755	2830	2848
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	October	Buy	>2750	2790	2807	2730

**Commodity: Gur**  
**Contract: November**
**Exchange: NCDEX**  
**Expiry: November 18<sup>th</sup>, 2011**
**GUR**

**Technical Commentary:**

- Gur prices are moving in a range between Rs 955 to Rs. 980 levels which are lying over 38% and 50% retracement levels respectively. Two consecutive closes below or above these retracement levels will give gur prices a new direction.
- Prices are continuously trying to test trend line support level as chart depicts and might rebound from current level.
- Prices are likely to remain range bound in the coming week.
- Also, RSI is hovering near to oversold region which indicates buying signal.

**Strategy:** Buy from resistance level.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	November	940	950	970.50	980	990
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	November	Buy	>960	975	983	954



### International Scenario

International sugar prices are moving range bound with weak bias during the week ended 21<sup>st</sup> October 2011. Good production scenario and exports hopes of sugar from India kept the sugar prices under pressure. We are expecting that prices are likely to remain range bound in ICE and LIFFE.

### International Market News Highlights:

- Floods have damaged around 2-3% of the cane area in Thailand which might costs around 300,000 tonnes of sugar in 2011-12. Thailand expects to produce 10.5 million tonnes of sugar in 2011-12 which is 500,000 tonnes higher compared to previous year. Thailand also expects to exports 7.2 million tonnes of sugar in 2011-12 which is 900,000 tonnes higher compared to previous year.
- Thailand sugar mills might delay their cane crushing operations till November last owing to recent floods in the region, According to news sources. However, their might be limited damage as far as cane crop is concerned. It is noticeable that Thailand has expected to start their crushing operations before two weeks in early November, but recent floods bound the millers to delay their cane crushing operations. Thailand is expected to produce 10.5 million tonnes of sugar in MY 2011-12. However, recent flooding will downgrade the expectations of sugar production too.
- Recent continuous rains in Brazil's center south region have put constraints in cane harvesting. However, it is expected that weather will remain dry at the end of the month.

International Sugar Prices (Weekly)				
	Contract Month	14/10/2011	21/10/2011	Change
ICE Sugar #11 (US Cent/lb)	Mar'12	27.93	26.48	-1.45
	May'12	26.87	25.67	-1.2
	Jul'12	25.81	24.76	-1.05
LIFFE Sugar (US \$/MT)	Dec'11	711.30	706.40	-4.9
	Mar'12	696.00	669.70	-26.3
	May'12	684.30	659.40	-24.9

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



#### Technical Commentary:

- Prices are moving in a uptrend as chart suggests.
- Prices have recently breach 61.8% retracement level. Two consecutive close above 61.8% retracement level will take the prices upto \$774.
- Prices are likely to remain range bound in the coming week.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Dec'11	706.40	714



**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 61.8% retracement level, two consecutive close above this level will take the prices up to 30.6 cents per pound.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'11	26.48	27.08

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