

### News Highlights:

- Government extends duty free sugar imports of sugar till March 31<sup>st</sup> 2012.
- Government releases 19.07 lac tonnes total sugar quota for December 2011.
- UP mills have produced 4.79 lac tonnes of sugar up to 29<sup>th</sup> November 2011 which is 3.39 lac tonnes more compared to sugar produced in 2010-11 same period. This difference is due to the 2 week delayed start of crushing operations by mills in UP last year. Moreover, mills have crushed 61 lac tonnes cane till date which is 43.55 lac tonnes higher compared to previous year. However, recovery of sugar from cane is on the lower side this year. Mills have registered average 7.8% recovery from cane.

### Domestic Market Recap:

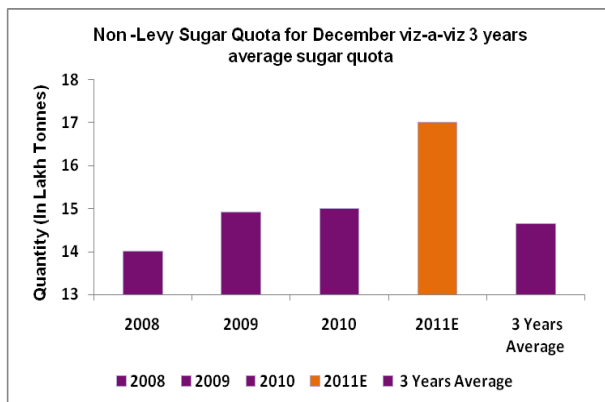
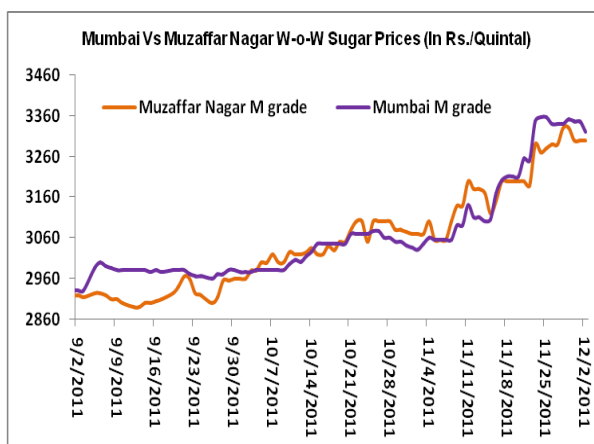
Sugar prices have declined in various sugar spot markets during the week ended 2<sup>nd</sup> December 2011. Extension of zero percent duty on sugar imports and higher sugar quota for December pressurized the sugar prices.

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 30<sup>th</sup> November 2011. Government has taken this decision to curb further hike in sugar prices. The high sugar quotas for December is also an example of the government policies to control sugar prices.

Meanwhile, this decision will restrict the millers from hiking sugar prices further as the lower international prices may lead to import parity soon and will be an golden opportunity for importers to import raw sugar from international markets.

Also, The Government has decided to make available 19.07 lac tonnes of sugar (levy sugar – 2.07 lakh tonnes and non-levy sugar – 17 lakh tonnes) for the month of 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.

Considering higher sugar prices and higher sugar quota for December, we expect sugar prices will decline in the coming week.



**Weekly Sugar Production Scenario (2011-12) (Lakh Tonnes)**

|                  | UP    |        |          | Tamil Nadu |       |          |
|------------------|-------|--------|----------|------------|-------|----------|
|                  | 2010  | 2011   | % Change | 2010       | 2011  | % Change |
| Sugar Production | 1.4   | 4.79   | 242%     | 0.95       | 0.91  | -4.2%    |
| Cane Crushed     | 17.46 | 61.017 | 249%     | 10.79      | 10.69 | -0.9%    |
| Recovery         | 8.06  | 7.8    | -3%      | 8.77       | 8.53  | -2.7%    |

(Source: State Sugar Commissionerates)

**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. However, UP mills cannot enjoy the sugar export at present due to their distance to port. Indian exporters can export sugar at prevailing prices to South East Asian countries like China, Indonesia, Malaysia etc. It is also reported that exporters are offering \$48/MT as a premium to millers which are located at West coastal region of India 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      | Muzaffarnagar M 30 |
| FOB India (USD/MT) (With Premium)           | 662.10        | 663.08             | 660.16*            |
| CIF upto Indonesia                          | 688.94        | 694.92             | 694.14*            |
|   | <b>Brazil</b> | <b>Thailand</b>    |                    |
| FOB (USD/MT) (With Premium)                 | 613.60        | 683.60             |                    |
| CIF (USD/MT) (With Premium) upto Indonesia  | 679.44        | 705.65             |                    |

\*Without Premium.

**Spot Sugar Prices Scenario (Weekly)**

|                   | 25-Nov-11 | 02-Dec-11 | change |
|-------------------|-----------|-----------|--------|
| Delhi M-30 (old)  | 3350      | 3300      | -50    |
| Delhi S-30        | 3211      | 3200      | -11    |
| Muzaffar Nagar M  | 3280      | 3300      | +20    |
| Mumbai M-30       | 3356      | 3321      | -35    |
| Mumbai S-30       | 3191      | 3136      | -55    |
| Kolhapur M-30     | 3150      | 3025      | -125   |
| Kolhapur S-30     | 3025      | 2925      | -100   |
| Kolkata M Variety | 3300      | 3350      | +50    |
| Chennai S         | 3050      | 3010      | -40    |
| Vijayawada M-30   | 3500      | 3530      | +30    |

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



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

- As per the expectations of the previous week, prices in Kolhapur market have come down during the week ended 2<sup>nd</sup> December 2011.
- Prices might try to test lower Gann Fann line or Rs 3000, if that is breached then prices may go down to Rs 2900.
- Kolhapur spot prices are likely to hover in a range between Rs 2900 to 3100, and any breach of the levels either side will decide the movement of the prices further.
- We expect prices to hover within the mentioned range with weakness in the prices.

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



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

- Muzaffar nager sugar spot prices have been rising during the week ending 2<sup>nd</sup> December 2011.
- Prices have come down after the breach of Rs 3300 level which lies above the upper Gann Fann line as chart depicts.

- Prices are likely to hover below the upper Gann Fann line in the coming week.
- Prices are likely to move in a range between Rs 3100 to Rs. 3300 in the coming week with weakness in the prices.

### Gur Market Scenario and Outlook

Gur prices have declined in Muzaffar nagar market due to lower demand and lackluster trade of gur in the market. Daily 6000 bags (each 40 kg) are arriving in the market. Meanwhile, lower gur prices (~ Rs.1800-1900/Quintal) are quoted in MP mandis which is attracting the traditional buyers of UP gur from Rajasthan and Gujarat. Also, less than expected recovery of gur from cane (~11%) has increased the cost of gur production for UP kolhus.

Keeping in view sluggish demand and moderate arrivals of gur, we expect prices are likely to trade range bound with weakness in the prices in the coming week.

| Gur Spot Prices (Rs/Qtl) |                   |           |           |        |
|--------------------------|-------------------|-----------|-----------|--------|
| Markets                  | Variety           | 25-Nov-11 | 01-Dec-11 | Change |
| Muzaffar Nagar           | Chaku – New       | 2550      | 2300      | -250   |
|                          | Khurpa            | 2350      | 2200      | -150   |
|                          | Laddoo            | 2450      | 2350      | -100   |
| Bangalore                | Achhu             | 2700      | 2500      | -200   |
|                          | Mudde             | 2900      | 2800      | -100   |
| Belgaum                  | Mudde             | 2600      | 2600      | Unch   |
| Belthangadi              | yellow (Average)  | 3200      | 3150      | -50    |
| Bijapur                  | Achhu             | 2400      | 2550      | +150   |
| Gulbarga                 | Other (Average)   | 2725      | 2270      | +455   |
| Mahalingapura            | Penti (Average)   | 2350      | 2430      | +80    |
| Mandya                   | Achhu (Medium)    | 2250      | 2200      | -50    |
|                          | Kurikatu (Medium) | 2175      | 2150      | -25    |
|                          | Other (Medium)    | 2050      | 2150      | +100   |
|                          | Yellow (Medium)   | 2100      | 2150      | +50    |
| Shimoga                  | Achhu (Average)   | 2600      | 2975      | +375   |

Commodity: Sugar  
Contract: December

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

### SUGAR (Continuous Weekly Chart)



#### Technical Commentary:

- Sugar prices are moving range bound with firm bias.
- Prices are moving in a range between Rs 2985 to 3050, and any breach of the mentioned levels either side will give the prices a new direction.
- Prices came down after testing Rs 3050 level which also acts as a strong resistance level which indicates prices have not sustained at higher level.
- Increase in prices along with open interest indicates fresh buying occurs in the previous week.
- However RSI is hovering near to overbought region.

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

| Intraday Supports & Resistances |       |          | S2   | S1        | PCP  | R1   | R2   |
|---------------------------------|-------|----------|------|-----------|------|------|------|
| Sugar                           | NCDEX | December | 2950 | 2985      | 3010 | 3050 | 3075 |
| Intraday Trade Call             |       |          | Call | Entry     | T1   | T2   | SL   |
| Sugar                           | NCDEX | December | Sell | 3020-3025 | 2985 | 2960 | 3040 |

**Commodity: Gur**  
**Contract: December**
**Exchange: NCDEX**  
**Expiry: December 20<sup>th</sup>, 2011**
**GUR (Continuous Weekly Chart)**

**Technical Commentary:**

- Gur prices are moving downwards as chart depicts.
- Prices are moving in a range between Rs 985 to Rs 1010, two consecutive closes above or below the mentioned level will decide the movement of the prices further.
- Gur prices are hovering between 50% and 61.8% retracement level.
- Prices are moving downwards and are likely to test its lower support trend line as chart depicts.
- Decrease in prices along with open interest indicates that prices are likely to stay in a range in the coming and consolidates.
- However, RSI is hovering in neutral region.

**Strategy:** Sell from resistance level.

| Intraday Supports & Resistances |       |          | S2          | S1       | PCP   | R1   | R2   |
|---------------------------------|-------|----------|-------------|----------|-------|------|------|
| Gur                             | NCDEX | December | 960         | 975      | 999.5 | 1010 | 1015 |
| Intraday Trade Call             |       |          | Call        | Entry    | T1    | T2   | SL   |
| Gur                             | NCDEX | December | <b>Sell</b> | 998-1000 | 985   | 980  | 1006 |



## International Scenario

International sugar prices have surged during the week ended 2<sup>th</sup> December 2011. Lesser sugar exports from Brazil in November month increase the sugar prices upwards. We expect prices are likely to move in a range during the coming week with firm bias in ICE and LIFFE.

## International Market News Highlights:

- Brazil has exported 365800 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.
- Around 20 mills have started cane crushing operations in Thailand and produce 43,700 tonnes of raw sugar and 327 tonnes of whites. All mills have crushed around 920,000 tonnes of cane as on 27<sup>th</sup> November 2011.

| International Sugar Prices (Weekly) |                |            |            |        |
|-------------------------------------|----------------|------------|------------|--------|
|                                     | Contract Month | 23/11/2011 | 01/12/2011 | Change |
| ICE Sugar #11 (US Cent/lb)          | Mar'12         | 23.09      | 23.59      | 0.5    |
|                                     | May'12         | 22.7       | 23.28      | 0.58   |
|                                     | Jul'12         | 22.46      | 23.01      | 0.55   |
| LIFFE Sugar (US \$/MT)              | Mar'12         | 605.4      | 617.20     | 11.8   |
|                                     | May'12         | 596.2      | 609.70     | 13.5   |
|                                     | Aug'12         | 589.7      | 603.20     | 13.5   |

## LIFFE Future Market Sugar Scenario (Mar'12 Contract):



## Technical Commentary:

- White sugar prices are moving in a downtrend as the chart depicts.

- Prices are moving in a range between \$600 to \$660, two consecutive closes above or below the mentioned level will give the prices a new direction.
- Last candlestick pattern Morubozu also showing bullish nature of prices in the coming week.
- Increase in prices with open interest and volume suggest prices are likely to move up in the coming week.

| International Sugar Futures Price Projection |                |               |                                    |
|--|----------------|---------------|------------------------------------|
|  | Contract Month | Present Quote | Expected Price level for next week |
| LIFFE Sugar (US \$/MT)                       | Mar'12         | 617.20        | 635                                |

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



### Technical Commentary:

- ICE raw sugar futures are moving range bound but still hovering in downtrend as chart depicts
- Prices have rebound after breach of 23.6% retracement level as chart depicts.
- Prices are likely to trade range bound between 22.96 to 24.27 cents per pound in the coming week.
- Prices are likely to trade range bound and prices are likely to trade above the trend line support level in the coming week.

| International Sugar Futures Price Projection |                |               |                                    |
|--|----------------|---------------|------------------------------------|
|  | Contract Month | Present Quote | Expected Price level for next week |
| ICE Sugar #11 (US Cent/lb)                   | Mar'12         | 23.59         | 24.27                              |



#### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>  
© 2005 Indian Agribusiness Systems Pvt Ltd.