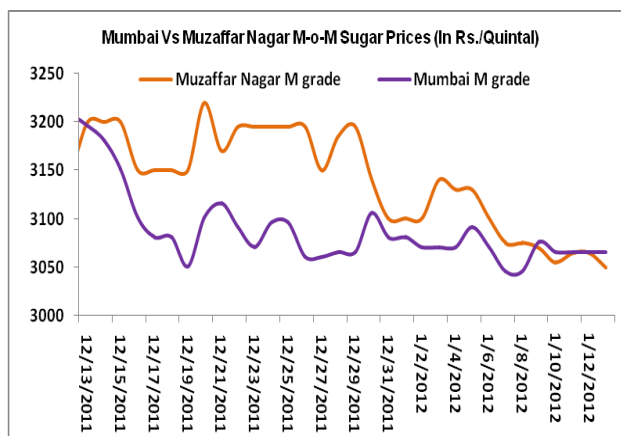


Domestic Market Recap & Price Outlook:

Sugar prices have declined in various key spot markets during December end. Distress selling of sugar by Maharashtra mills kept the sugar supply on the higher side.

Meanwhile, no increase in quotas for sugar exports by government and the lower demand of sugar weighed on sugar prices. Buyers didn't show interest in buying sugar in falling market. As far as sugar exports are concerned, around 5.63 lac tonnes of sugar had been released by mills till 19th January 2012 out of the 5.85 lac tonnes allocated by government of India as a first tranche of sugar exports out of total 1 million tonnes.



Further, the government is likely to take a decision on the additional sugar exports on Feb 7th which will decide the direction of sugar prices thereafter. Government may allow an additional 1 million tonne for exports in MY 2011-12.

Meanwhile, cane crushing of 90% of the Ratoon crop is done and the rest of the crop will be crushed in the next couple of weeks, according to a recent survey done by Agriwatch. However, new plant crop will be available for crushing to millers only after 1st week of February 2012.

Moreover, Co-operative mills of Maharashtra have been forced into liquidating their stocks to make the payments of sugarcane to farmers, which they now have to within 15 days..

Prices are likely to remain weak in the coming month keeping in view the lower demand and increasing arrivals of sugar.

Monthly News Highlights:

- Government has released 17.16 lac tonnes sugar quota (Levy – 2.16 lac tonnes and Non- levy – 14 lac tonnes, Carry over stock – 1 lac tonnes) for January. Sugar quota for January month is 11.76% lower compared to previous year and 0.50% lower compared to the last 3 years average sugar quota for January. This may support prices to some extent.
- 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, the 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. 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.

Sugar Export Opportunity:

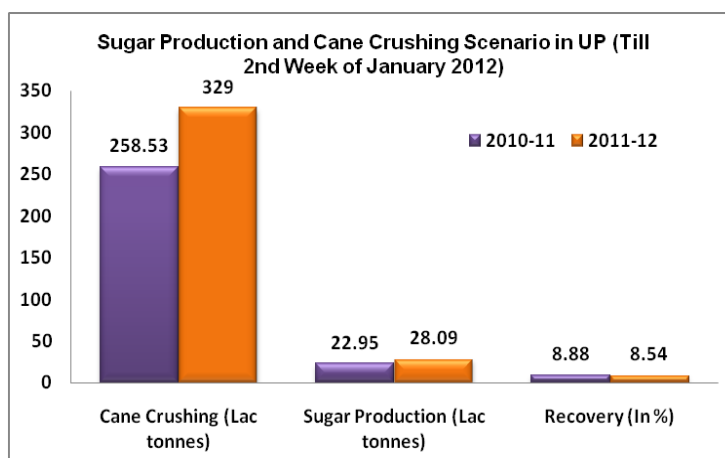
Indian CIF prices to Indonesia ~660-690 are looking competitive compared to Brazil and Thailand CIF prices to Indonesia. Recent decline in sugar domestic prices and increase in international prices has given millers as well as Indian sugar exporters an opportunity to export. Last month, parity was not seen from India due to lower prices of sugar internationally which affected the ongoing exports. It is noticeable that millers are fetching USD 48 per tonne as a premium from exporters in lieu of export licenses. Meanwhile, Government may allow additional sugar exports after a meeting to be held on 7th Feb 2012.

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)	629.51	647.48	647.96
CIF upto Indonesia	661.25	689.28	689.91
	Brazil	Thailand	
FOB (USD/MT) (With Premium)	651.20	686.20	
CIF (USD/MT) (With Premium) upto Indonesia	717.15	708.26	

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

Maharashtra				UP			Tamil Nadu		
	2010	2011	% Change	2010	2011	% Change	2010	2011	% Change
Sugar production	24.52	28.17	14.9%	22.95	28.09	22%	2.05	3.12	52.2%
Cane crushed	244	268	9.8%	258.53	329	27%	24.23	35.59	46.9%
Recovery (%)	10.05	10.51	4.6%	8.88	8.54	-4%	8.47	8.76	3.4%
Mills started	155	167	7.7%	125	122	-2%	31	39	25.8%

(Source: State Sugar Commissionerates) Till 13th January 2012.



Domestic Sugar Balance Sheet:

Agriwatch kept its sugar supply and Demand scenario of domestic sugar unchanged for December 2011-12 season. 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 which has led production to go down by 0.5 million tonnes and stand at 25.9 million tonnes which is still 5% higher compared to last year sugar production.

Total availability of sugar for 2011-12 may decline by 2% owing to the expected decrease in sugar production. However, if sugar exports of ~2.5 million tonnes take place, the sugar ending stocks will go down by 5.92% Y-o-Y.

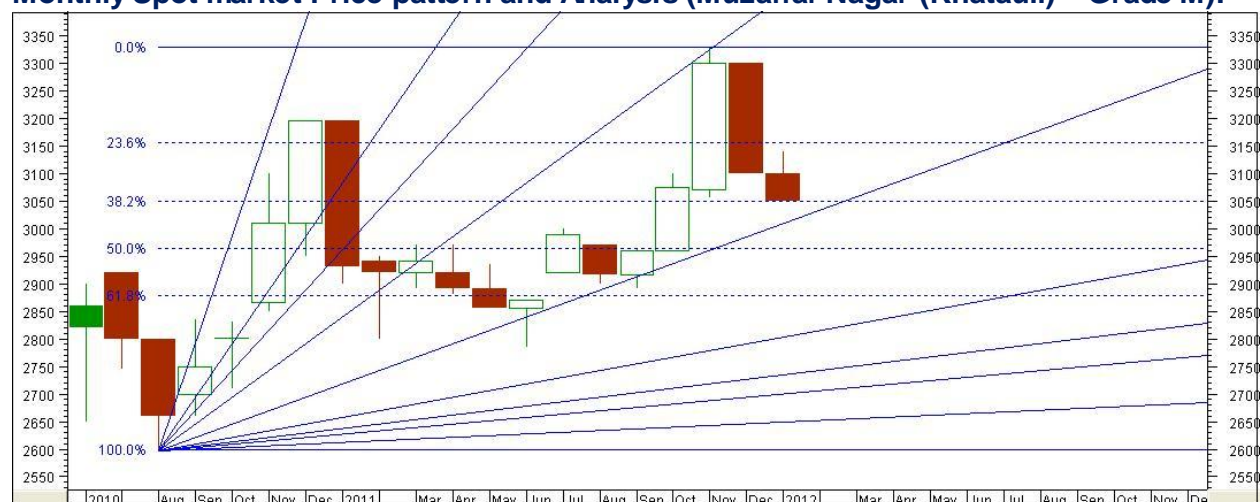
Supply and demand component are listed in the table below:

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

Spot Sugar Prices Scenario (Monthly):

	30 St November 2011	31 St December 2011	change
Mumbai M-30	3346	3081	-265
Mumbai S-30	3146	2971	-175
Muzaffar Nagar M	3300	3100	-200
Delhi M-30	3320	3150	-170
Delhi S-30	3200	3050	-150
Nagpur S	3250	3090	-160
Chennai S	3050	2900	-150
Kolhapur M-30	3075	2925	-150
Kolhapur S-30	2975	2825	-150

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 December 2011.
- Prices got support at Rs 3050 per quintal as chart depicts, breach of 38.2% retracement will take the sugar prices down to 50% retracement or Rs. 2880.
- Prices are moving in a range between Rs 3050 to 3150; breach of mentioned level will decide the movement of the prices thereafter.
- Considering good supply of sugar and sluggish demand in the market, we expect prices will fall upto 3000 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 chart depicts.
- Prices are moving between Rs 2850 to 3100, if breach the mentioned level will give the prices a new direction.

- We expect prices might correct upwards from present level, Market participants should buy sugar from present level.

Gur Scenario

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

As far as stock position of gur are concerned, around 293,000 bags (40 kg each) is said to be stored in Muzaffar nagar cold storages as of 16th January 2012 which is 118,000 bags lesser compared to last year same period. Out of total stock position of gur stored in Muzaffar Nagar Cold storage, around 158,000 bags have stored in cold storage which are also 100,000 bags less compared to previous year. 59000 bags are stored of Raskut Variety Gur and rest is for Laddu and Khurpa and other gur varieties.

Meanwhile, it is noticeable that buyers are buying gur from MP market due to the lower prices quoted by Kolhus in MP compared to UP which pressurize the prices of gur in benchmark market Muzaffar nagar. At present (~ Rs.1800-1900/Quintal) are quoted in MP mandis.

It is noticeable that lesser diversion of cane in UP, especially in Western UP is becoming the major factor and will lead to lower gur production this year. Increase in SAP of cane has led the farmers to sell their crop to millers directly rather than to kolhus. Only farmers who can't afford to pay higher transportation cost to transport cane to mills, are selling to kolhus.

Keeping in view lesser cane availability to Kolhus and expected increase in demand of gur, prices should rebound from present level.

Gur Spot Monthly Prices (Rs/Qtl)				
Markets	Variety	30 November	31 st December	Change
Muzaffar Nagar	Chaku	2500	2525	+25
Bangalore	Achhu	2500	2400	-100
	Mudde	2800	2500	-300
Belgaum	Mudde	2600	2300	-300
Belthangadi	yellow (Average)	3150	3100	-50
Bijapur	Achhu	2550	2320	-230
Gulbarga	Other (Average)	2270	2352	+82
Mahalingapura	Penti (Average)	2430	2350	-80
Mandya	Achhu (Medium)	2200	2250	+50
	Kurikatu (Medium)	2150	2100	-50
	Other (Medium)	2150	2100	-50
	Yellow (Medium)	2150	2200	+50
Shimoga	Achhu (Average)	3000	2450	-550

Commodity: Sugar
Contract: January

Exchange: NCDEX
Expiry: January 20th, 2011

SUGAR (February Weekly Chart)

Technical Commentary:

- Prices are moving downwards and continuing the downtrend as the 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 2835, if breached the level will take the prices down to Rs 2820.



Strategy: Buy from support level.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	January	2760	2805	2839	2920	2950
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	January	Buy	2835	2880	2900	2811

Commodity: Gur
Contract: February

Exchange: NCDEX
Expiry: February 20th, 2011

GUR (Monthly Continuous Chart)

Technical Commentary:

- Prices are moving in a range with firm tone.
- Prices are hovering in a broad trading range of Rs 1038 to Rs 1090, 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	February	1031	1049	1064	1120	1130
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	February	Sell	<1075-1080	1060	1055	1090

International Scenario

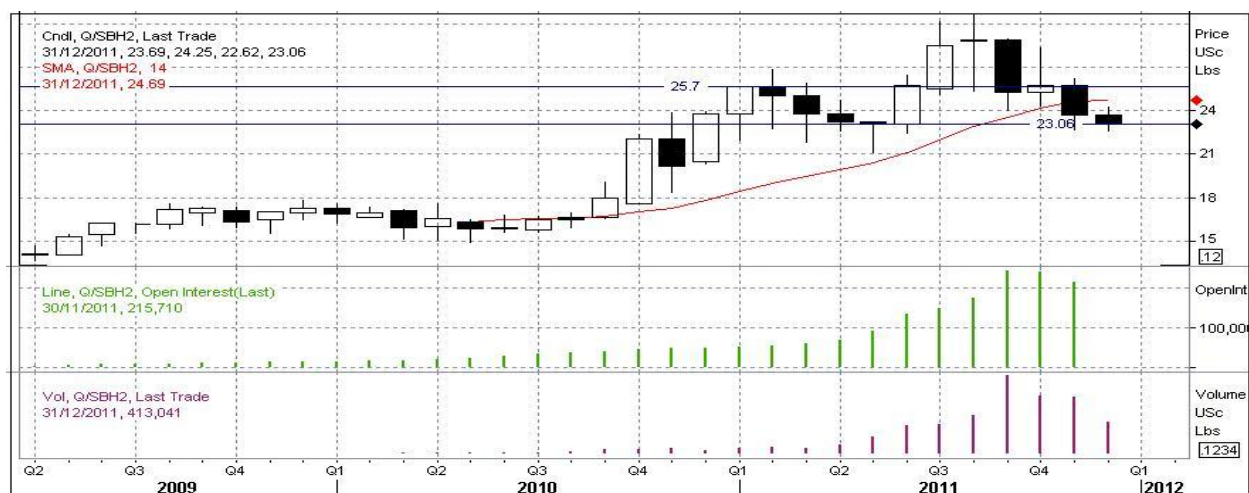
International sugar prices have declined during the month ended December 2011. Higher overall production scenario of sugar from Thailand, Australia and India and lower demand from China and EU led the sugar international prices to decline. However, expected demand from China & EU in January and end of crushing period in Brazil in January will support the prices of sugar in ICE as well as in LIFFE.

International Market News Highlights:

- Czarnikow sees 6.1 million tonnes sugar surplus globally for 2011-12 which is higher compared to its previous estimate of 5.3 million tonnes. According to Czarnikow, global sugar output was expected to reach at 177.1 million tonnes for 2011-12.
- Chinese sugar imports have surged in November 2011. China has imported 420,000 tonnes of sugar in November 2011 which is 17 times higher compared to previous year sugar imports same period. Sugar imports in November are still marginally higher compared to October, which stood at 336,995 tonnes.
- Philippines has produced 431,230 tonnes of raw sugar in 2011-12 (Sep/Aug) as reported on November 27, which is 75% up compared to previous year. It is noticeable that Philippines is going to start its sugar export program early in 2011-12.
- Mexico has produced 392,052 tonnes of sugar in 2011/12 in the period ended December 17, down by 30% from the 560,000 tonnes produced in the same period a year ago. Lower cane yield and recovery are the main factors for the decline. Mexico sugar production is expected to reach 5.34 million tonnes in 2011-12(Nov/Oct) season which is 3% higher compared to 5.2 million tonnes sugar produced by Mexico in 2010-11.
- Australian commodities forecaster ABARES cut its estimate of raw sugar production to 3.89 million tonnes for 2011-12 from an earlier estimate of 4.20 million tonnes released in September. However, recent forecast of raw sugar production by ABARES is still 8% higher compared to last year raw sugar production which was stood at 3.61 million tonnes.
- Brazil sugar exports are likely to continue weakening till April due to the sugar stocks held by mills fulfilling domestic demand. Shipments from November through March 2012 could be 2 million tonnes lower than last year which is about 30 percent lower. 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.
- 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).
- 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 estimate (~8.4 million tonnes). Higher sugar production estimate from countries like China, Thailand, India and EU gives boost to overall sugar production.
- Thailand sugar 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 had projected 10-10.5 million tonnes sugar production but recent floods in Thailand damaged some of 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 exports the rest in 2012. Thailand had exported 6.32 million tonnes last year.

International Sugar Prices (Monthly)				
	Contract Month	30/11/2011	30/12/2011	Change
ICE Sugar #11 (US Cent/lb)	Mar'12	23.69	23.30	-0.39
	May'12	23.33	22.95	-0.38
	July'12	22.96	22.56	-0.4
LIFFE Sugar (US \$/MT)	Mar'12	613.60	602	-11.6
	May'12	606.60	591.60	-15
	Aug'12	601.20	584.60	-16.6

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 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	23.30	25.7

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

Technical Commentary:

- LIFFE sugar future prices are moving downwards as chart depicts.
- Prices might find a support at \$600, two consecutive close below the mentioned level will give the confirmation of further bear run of prices in the coming month.
- Last candlestick pattern suggests sellers are losing control from support level.
- We expect prices are likely to move up in the coming month.

	Contract Month	Present Quote	Expected Price level for Coming Month
LIFFE Sugar (US \$/MT)	Dec'11	602	660

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