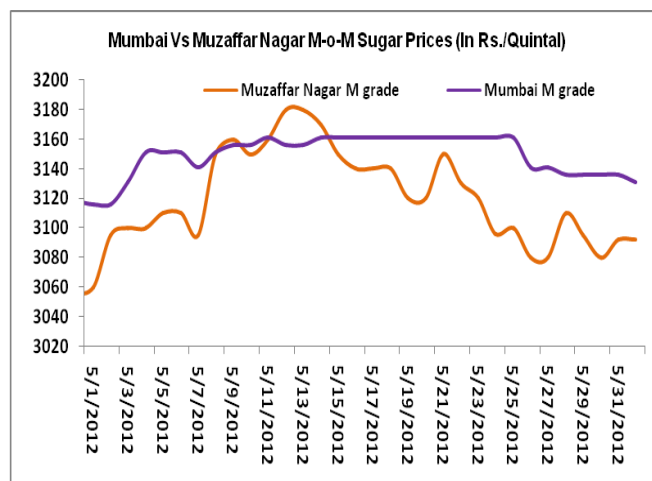


Domestic Market Recap & Price Outlook:

Sugar prices remained range bound during the month as government decision of allowing free sugar exports support the sugar prices initially. However, weak demand and millers obligation to sell allocated sugar quota in the open market depress the prices later in the month which kept the prices range bound.

In addition to it, weak international sugar prices also depress the prices of sugar in domestic market in the later half of the month.

Meanwhile, Indian markets are tracking international sugar prices as rebound in International sugar prices from here on in sugar prices might increase the sugar export parity for Indian exporters which will support the prices of sugar in domestic prices. It is notable that Brazilian sugarcane crop harvesting is going on at present and further rainfall in the Brazilian cane growing regions would definitely hamper harvesting as well as decrease the sugar content which will support the prices of sugar in LIFFE and ICE markets.



Sugar prices are likely to move up from hereon as upcoming sugar demand from Ramazan season might give the prices a boost in the coming month.

Monthly News Highlights:

- India produced 25.5 million tons of sugar in the period starting from October 1 to May 31st 2012; up by 8% compared to last year same period. ISMA
- Out of total sugar produced in India, Maharashtra mills contributed 8.96 million tons of sugar with an average recovery of 11.63%. Sugar produced by Maharashtra this season is 0.5% higher Y-o-Y.
- Dubai Al Khaleej Refinery bought at least 30000 tons of Indian sugar so far by displacing its traditional raw sugar supplier Brazil due to lower freight from India compared to Brazil. It is notable that Freight from Brazil to Dubai stood at \$50 per ton compared to \$30 Freight from India to Dubai.
- Indian white sugar prices were quoted at \$530 per ton down from \$560 per ton quoted last week. Upcoming Ramadan festive season started from July onwards might help Indian millers to ship excess sugar surplus.
- Indian sugar output is likely to hover around 25.5 million tons for 2012-13 after taking an average forecast of 10 different agencies.
- Selling Ratio of both Sugar M and S grades by millers are 25:75 in Maharashtra as reported. Increased selling of Sugar S grade in open market by Maharashtra millers is the main reason for big difference between Sugar S and M grade prices. It is notable that Sugar M grade prices are trading at Rs 2950 per quintal while Sugar S grade is trading at Rs 2850 per quintal in Kolhapur market.
- Sugar industry is asking for removal of unlifted Levy sugar carry forward. It is notable that millers have to contribute 10% of its sugar output in PDS at subsidized rates ~Rs. 19 per kg annually. In case if government unable to lift the allocated levy sugar from millers in particular year then government carry forward the unlifted levy sugar for the next year which increase the burden on sugar mills for the next year.

- Maharashtra sugar production may decline to 8 million tons in 2012-13 from 2011-12 sugar production estimates of 8.9 million tons, according to news sources. Main reason for decline is the drop of cane acreage to 9 lac hectares from 10.22 lac hectares this year. Decline in acreage of sugarcane in Maharashtra is due to the area diversion towards soybean due to good remuneration. In addition, lesser irrigation facilities became the main reason for decline.
- Government is likely to consider increasing sugarcane FRP prices soon. Recently, CACP has proposed 18% hike in sugarcane prices to Rs 170.65 per quintal for this season.

Sugar Export Opportunity:

Indian export prices improved this week despite of decline in sugar spot prices as rupee appreciation during the week affect the export parity. However, still Indian CIF prices to Indonesia ~590-647 are looking competitive compared to Thailand and Brazilian sugar prices especially from Chennai and Kolhapur. However, export parity still does not exist from UP market due to higher transportation and labor charges compared to other domestic sourcing centers.

Meanwhile, the Thai white sugar premium declined to \$20-\$30 from \$35 per ton as Thailand feels competition from Brazil and India. FOB price comparisons are mention in the table below:

Comparative Sugar FOB & CIF Prices (USD/MT) (\$=Rs.55.30)			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffar nagar M 30
FOB India (USD/MT) (With Premium)	559.30	562.02	605.42
CIF up to Indonesia	590.94	603.66	647.19
	Brazil	Thailand	
FOB (USD/MT) (With Premium)	558.60	583.60	
CIF (USD/MT) (With Premium) up to Indonesia	624.28	605.35	

* Note: Sugar prices have been taken on the basis of average of high and low.

Meanwhile, Rabobank sees 4 million tons sugar shipments from India in 2011-12 season. It is notable that around 1.6 million tons of sugar has been exported till early May.

Sugarcane Sowing Intention:

Uttar Pradesh

Sowing of sugarcane in UP has started in full swing and planting in UP is good compared to last year due to various factors after getting initial response from mill official:

1. No other crop is remunerative at present compared to Sugarcane in UP at present.
2. Normal Monsoon forecast by IMD also lured farmers to grow cane in their respectively fields.
3. Also, recommendation by CACP to government to increase FRP by 18% increase the sowing intention of sugarcane.

As per initial survey done by Agriwatch, sugarcane acreage is going to improve by 4-5% on an average for the next 2012-13 season despite of payment delays by farmers as higher SAP for cane lured them to plant more cane. In UP, farmers normally plant sugarcane late just after harvesting of wheat completed. Farmers normally grows sugarcane with little amount of maize in their respective fields. Major competitive crop of sugarcane in UP is rice.

Maharashtra

However, after getting initial figures of sowing in Maharashtra, sugarcane acreage declined for 2012-13 and diverted towards soyabean as lesser rainfall and irrigation facilities and higher soyabean prices urge farmers to plant soyabean in their respective fields.

As far as Adsali sowing (18 months sugarcane crop) is concerned, acreage of sugarcane might decline as still there is no rainfall in major sugarcane growing belt which might urge the farmers to plant soybean crop instead of sugarcane as soybean needs around 200% less irrigation compared to sugarcane.

Bihar

Plantation of sugarcane crop in Bihar is encouraging and around 20-25% area has increased in Bihar for sugarcane for 2012-13. Main Reasons are attributed to the rising cane acreage due to

1. Balanced rainfall in the growing regions.
2. Attractive realization by farmers after growing sugarcane.
3. Construction of Dam in Samastipur region decrease the fear of flood in the region which encourage the farmers to plant sugarcane.

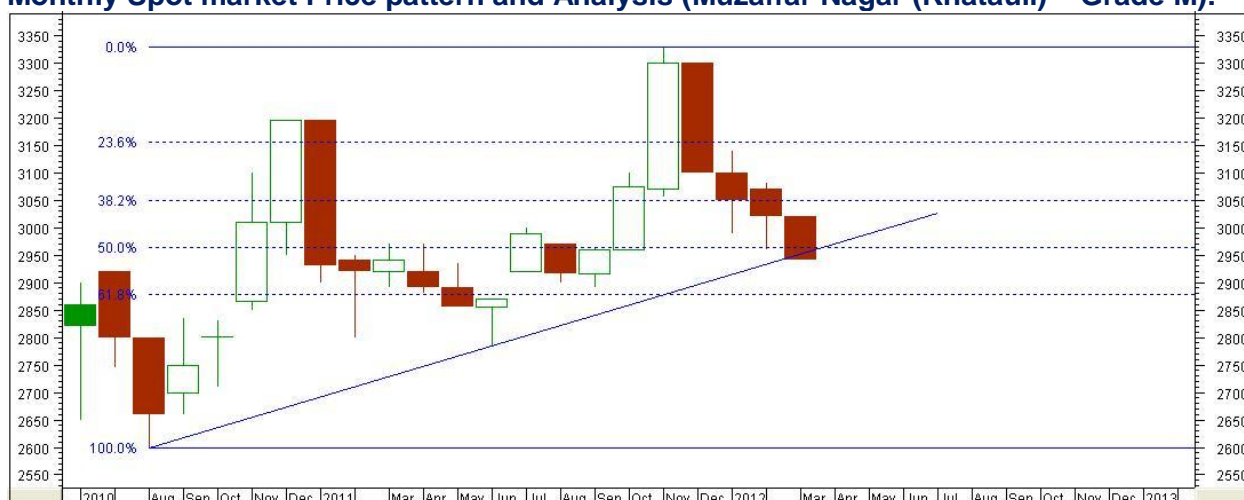
Meanwhile, as per government sowing figures, Sugarcane has been planted in 48.61 lakh hectare as compared to 47.61 lakh hectare last year till 4th May 2012. It is 1.00 lakh hectare more than last year. Normal area for sugarcane cropping is 47.45 lakh hectare.

Higher area coverage has been reported from Uttar Pradesh (0.90 lakh hectare), Tamil Nadu (0.66 lakh hectare), Karnataka (0.50 lakh hectare), Bihar (0.21 lakh hectare), Madhya Pradesh (0.11 lakh hectare), Uttarakhand (0.06 lakh hectare), Maharashtra (0.04 lakh hectare), Punjab (0.03 lakh hectare) and Andhra Pradesh (0.01 lakh hectare). Source: Pib.

Spot Sugar Prices Scenario (Monthly):

	30 April 2012	30 May 2012	change
Mumbai M-30	3116	3136	+20
Mumbai S-30	2936	2976	+40
Muzaffar Nagar M	3060	3080	+20
Delhi M-30	3100	3120	+20
Delhi S-30	3070	3060	-10
Nagpur S	3000	3070	+70
Chennai S	2900	2880	-20
Kolhapur M-30	2900	2925	+25
Kolhapur S-30	2800	2825	+25

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 May 2012.
- Prices might support at Rs 2950 per quintal which is lying over 50% retracement level as chart depicts.
- Prices are moving in a range between Rs 2950 to 3050; breach of the mentioned level will decide the movement of the prices thereafter.
- Considering higher production scenario and weak demand in the markets, we expect prices will trade in the mentioned range with weak bias in the coming month.

Monthly Spot market Price pattern and Analysis (Kolhapur – Grade M):



Price Expectation for Kolhapur market for the coming month.

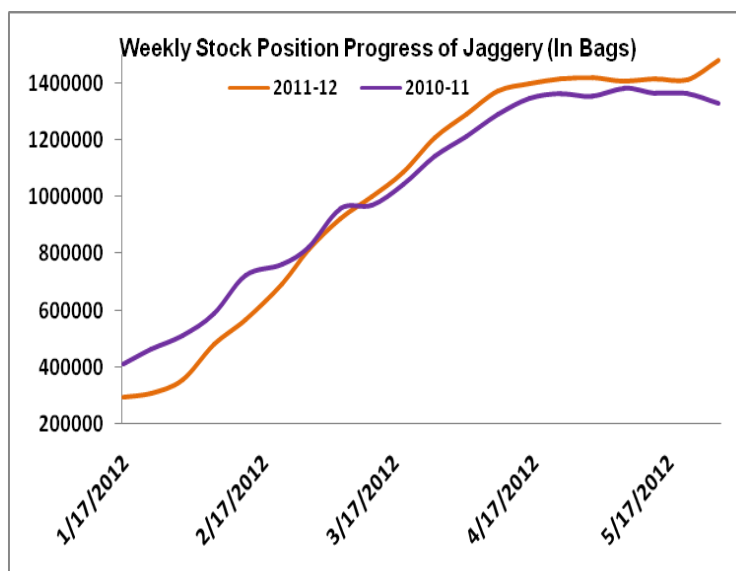
- Kolhapur sugar prices are moving downwards as chart depicts.
- Prices are moving between Rs 2850 to 3100, if breached will give the prices a new direction.
- We expect prices will move in the mentioned trading range with weak tone.

Gur Scenario

Gur prices have improved in various gur spot markets during May 2012. Moderate demand and declining arrivals of gur support the prices during the month.

Meanwhile, Gur arrivals has already over in the Muzaffar nagar mandi

Around 1482000 bags (40 kg each) has been stored in Muzaffar nagar cold storage till 28th May 2012 which are 154000 bags higher compared to last year same period stock position of gur. Out of total gur stock position, there are around 171000 bags of Rascut variety and 188000 bags of Papdi variety gur stored in Cold storages.



Gur arrivals are now over at present and gur stored in cold storages are taking in use. As far as prices are concerned, dry gur is quoted at Rs 2750 while wet gur is quoted at Rs 2700 per quintal.

We expect gur to move up in the coming month due to expected demand of gur from Gujarat and Rajasthan.

Gur Spot Monthly Prices (Rs/Qtl)				
Markets	Variety	30 April 2012	30 May 2012	Change
Muzaffar Nagar	Chaku	2675	2740	+65
Bangalore	Achhu	2700	2800	+100
	Mudde	3000	3000	Unch
Belgaum	Mudde	2600	2600	Unch
Belthangadi	yellow (Average)	3100	3100	Unch
Bijapur	Achhu	2500	2600	+100
Gulbarga	Other (Average)	2350	2380	+30
Mahalingapura	Penti (Average)	2810	2710	-100
Mandya	Achhu (Medium)	2350	2400	+50
	Kurikatu (Medium)	2200	2250	+50
	Other (Medium)	2350	2300	-50
	Yellow (Medium)	2300	2350	+50
Shimoga	Achhu (Average)	2440	2840	+400

Commodity: Sugar
Contract: July

Exchange: NCDEX
Expiry: July 20th, 2011

SUGAR (July Weekly Chart)

Technical Commentary:

- Prices are moving downwards as chart depicts.
- Prices are hovering in a broad trading range between Rs 2800 to Rs 2900, two consecutive close either side will give the prices a new direction.
- Also, RSI is hovering near to oversold region.



Strategy: Buy from support level.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	July	2750	2795	2807	2950	2980
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	July	Buy	Above 2770	2900	2940	2750

Commodity: Gur
Contract: July

Exchange: NCDEX
Expiry: July 20th, 2011

GUR (Monthly Continuous Chart)

Technical Commentary:

- Gur prices are moving in a falling channel and trying to rebound from support level as chart depicts.
- Prices are moving in a broad trading range between Rs 1106 to Rs 1140, two consecutive close either side would give the prices a new direction.
- RSI is hovering in a neutral region.
- Last candlestick Morubozu suggests bullishness in the prices.



Strategy: Buy from support level is advisable.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	July	1106	1124	1143.5	1224	1253
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	July	Buy	Above 1140	1180	1200	1120

International Scenario

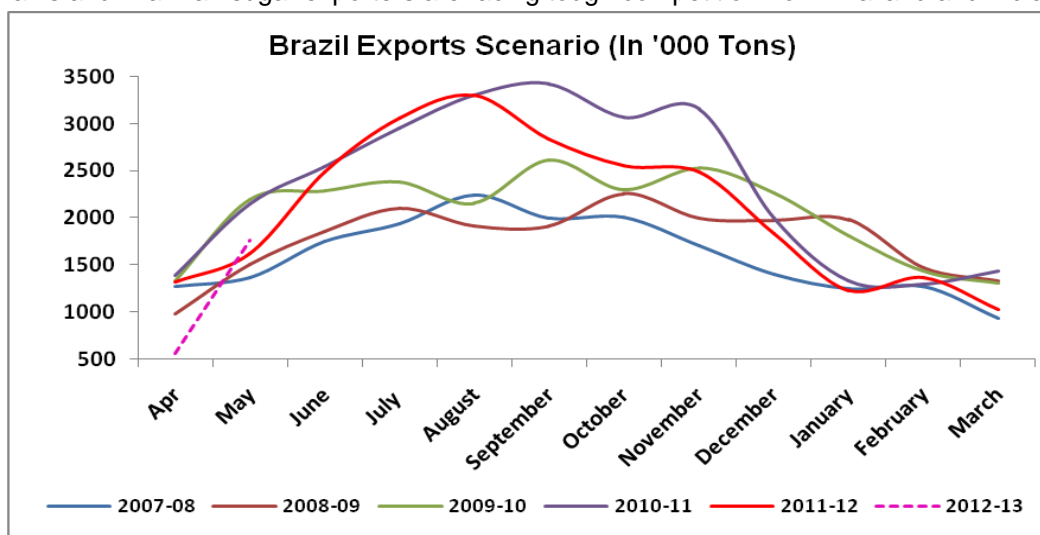
International sugar prices have declined during the month ended May 2012. Increasing sugar supply from major exporter countries like Brazil, Thailand and India and global economic worries drag the sugar prices towards southward direction.

However, worries over Brazilian cane crop due to continuous rains in recent days and increasing waiting of sugar vessels at main ports at Brazil might support the price of sugar in ICE as well as in LIFFE in the coming month.

International Market News Highlights:

- Indonesian sugar Association (AGI) sees 2.43 million tons of white sugar output in 2012-13 season compared to 2.3 million tons in 2011-12. Crop year for sugar in Indonesia starts from May onwards.
- Thai white sugar premium declined to between \$20 - \$30 over LIFFE prices this week from \$35 a week earlier owing to tight competition from Indian sugar exporters.
- Bangladesh postponed its tender of 25000 tons of white sugar for a third time as officials sees Bangladesh has around 185000 tons of sugar stocks at present which is sufficient to meet Ramadan demand. It is notable that Bangladesh consumes 1.4 million tons of sugar annually. However, its annual production of sugar is 100000 tons which it normally imports from India, Brazil and Thailand.
- Asian sugar demand drive the Thai sugar export to 2.34 million tons in the first quarter of 2012 up 70% compared to last year same period. China imports significant amount (~265,814 tons) of sugar from Thailand in the first quarter as reported.
- Brazilian sugar vessel line up increases to 39 this week from 37 a week ago. Increasing cane harvesting in Brazil and increasing raw sugar exports increased the vessel line ups on main ports of Brazil like Santos and Paranagua. Waiting of ships at ports are expecting to increase in the coming months due to continuous increase in harvesting of cane in Brazil. In addition to it, profit from sugar exports beats domestic sales due to weak Brazilian currency which encourage exporters. However, demand of Brazilian white sugar is weak due to tough competition from India and Thailand.
- Brazil Center South region produced 1.57 million tons of sugar by mid-May, which is 34 percent down compared to last year same period sugar produced. Decline in production is mainly attributed by recent rains in the region which slowed down the harvesting of cane.
- Delayed cane harvesting in Brazil proves unfavorable for Exporters as Brazil is losing the sugar export opportunity to China as Thailand is increasing its sugar exports shipments to China. It is notable that Thailand have ample sugar surplus to export as Thai mills produced 10.2 million tons of sugar this year. Thailand is forecast to export around 6 lac tons of raw sugar to China in the first half of the year, according to Thai Sugar Trading Corp.
- China imports around 310000 tons of sugar, raw value, in April 2012 up 97% from 157508 tons in the same period last year. Recent export figures take the total sugar imports to 2.07 million tons in the first seven months.
- Iran government re-issued a tender to buy 25000 tons of sugar from Brazil, Thailand UAE and Europe on 20th May 2012. Last day for the bidding is May 28th.
- Datagro sees decline in Brazilian sugar output to 32.71 million tons in 2012-13 in its second update on harvest from 33.88 million tons sugar production estimate in March. Drought situation and lower yields are the major influencing factors for decline in sugar output. Apart from this, forecaster Somar expect that continuous rainfall is slowing the progress of Brazil's cane harvest and can affect the overall output.

- Thailand is likely to export record sugar in 2011-12 (Nov/Oct) season. Thailand is likely to produce 10.2 million tons of sugar out of which Thailand kept 2.4 million tons of sugar for domestic consumption and rest 7.8 million tons of sugar for shipment.
- Mexico sugar output declined by 6.7% so far to 4.7 million tons in 2011-12 till 7th May compared to 5.06 million tons a year earlier.
- China is looking on to the Thailand white sugar as removal of export restrictions weigh on the international sugar prices which gives China opportunity to buy sugar at lower rates from Thailand.
- Standard Chartered Bank sees bearish in International sugar prices for short term and prices will move up after June. It is notable that factors like Brazilian new crop hit the market and India removed sugar export restrictions and good thai sugar exports figures kept the prices downwards in LIFFE markets.
- ISO raises global sugar surplus forecast to 6.5 million tons for the current season ending Sept 3 2012 which is 25% up from its previous estimates. Earlier, ISO estimate 5.2 million tons of global sugar surplus for the current season in February.
- Brazil exported 1.504 million tons of sugar, raw value, in May 2012 down from 1.615 million tons shipped last year same period. Decline in exports is mainly due to delay in harvesting of cane due to rains and Brazilian sugar exporters are facing tough competition from Thailand and India.



International Sugar Prices (Monthly)				
	Contract Month	29 April 2012	29 May 2012	Change
ICE Sugar #11 (US Cent/lb)	Jul-12	21.12	19.53	-1.59
	Oct-12	21.53	19.92	-1.61
	Mar-13	22.37	20.85	-1.52
LIFFE Sugar (US \$/MT)	Aug-12	574.6	556.5	-18.1
	Oct-12	567.4	537.2	-30.2
	Dec-12	573.7	543.9	-29.8

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



(July Weekly Chart)

Technical Commentary:

- ICE raw sugar futures are moving range bound with a weak tone as the chart depicts
- Prices are hovering at its strong support level, if breach then prices might go down to 17 cents per bushel which is the next objective.
- ICE raw sugar future prices are likely to trade between 21.00 to 24.83 cents/bushels in the coming week.
- Decrease in prices has not supported by volume.
- Prices are likely to move in the mentioned trading range 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)	July'12	19.53	21

LIFFE Sugar Future Market Monthly Scenario (Aug'12 Contract):



(Aug Weekly Chart)

Technical Commentary:

- Prices are moving in a mentioned rectangle.
- Prices hovering in a range between \$555 to 640, breach of mentioned levels either side will give the prices a new direction.
- Prices have recently tested its support level and are likely to rebound from support level as expected.
- Prices are likely to move in the mentioned trading range in the coming month.

	Contract Month	Present Quote	Expected Price level for Coming Month
LIFFE Sugar (US \$/MT)	Aug'12	574.60	600

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.