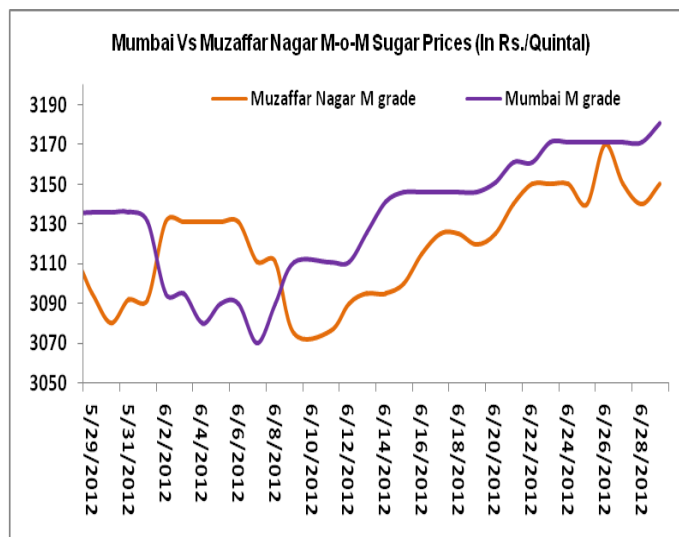


### Domestic Market Recap & Price Outlook:

Sugar prices surged sharply in key spot markets during the month ended June 2012. Good spot and export demand amid festive demand, delay in monsoon and lower sugar quota later in the month became major influencing factors for increase in prices of sugar.

In addition to it, increase in international prices and depreciation in rupee in terms of dollar pushed up the sugar exports from India.

Sugar prices are likely to continue its bull run in the coming month considering good domestic demand supported by firm international prices and lower sugar quota for next quarter.



### Monthly News Highlights:

- Farmers associations from UP and Maharashtra unable to make a consensus over sugar decontrol issue. Farmers from Maharashtra standing in favor of decontrolling sugar industry. However, UP farmers opposed the decontrol issue. It is notable that a committee heading by C. Rangarajan has to submit its recommendations to prime minister next month over the sugar decontrol issue but committee asking to increase the time limit of submission of report from government as reported.
- Sugar export registrations with DGFT crossed five lac tonnes mark. Around 3 lakh tons of sugar shipments already done till date.
- Maharashtra has received 52 percent lower rains below normal since the beginning of the monsoon season.
- Water reservoirs water levels were at 16 percent of capacity during the week ended June 28th due to weakening of monsoon precipitation. Last year, water levels in main reservoirs of India were at 27 percent of capacity. Water reservoirs are important for irrigation purpose for crops like wheat, rice, soy bean and sugarcane.
- ISMA estimate 25 million tons of sugar output in 2012-13 season which is 1 million tons lower compared to 2011-12. Lack of rainfall is expected to affect the cane yield in major cane growing belt like UP and Maharashtra.
- Industry demand to cut levy sugar quota from 10% to 5% to counter mounting losses of millers in India. It is notable that millers have to sell around 25-26 lac tons of sugar to government agencies at subsidized rates (~19 Rs per quintal) every year that is much lower than cost of production of sugar which increase the losses of millers.
- In AP, standing crop of sugarcane is at vegetative to grand growth stage and the sown crops are at seedling to emergence stage. Over all the growth is satisfactory, according to AP state agriculture dep't.
- ISO forecast favorable sugar production in India for 2012-13. According to ISO, it is too early to project sugar production for 2012-13 with good accuracy.

- NFCSF sees India will produce 25 million tons of sugar in 2012-13 due to lack of rainfall in Maharashtra which could decline the sugar production by 10% in Maharashtra compared to 2011-12.
- Sugar production is likely to fall 11% in 2012-13 compared to this year, according to Maharashtra Co-operation minister. Also, sugarcane output is likely to decline to 22% compared to this year. Drought like situation in the state is the major factor for decline in sugarcane output.
- 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.
- Farmers in Maharashtra prefer to plant sugarcane over cotton due to better remuneration from sugarcane compared to cotton this year. It is notable that cotton prices soar last year which led the cotton acreage increase in Maharashtra.

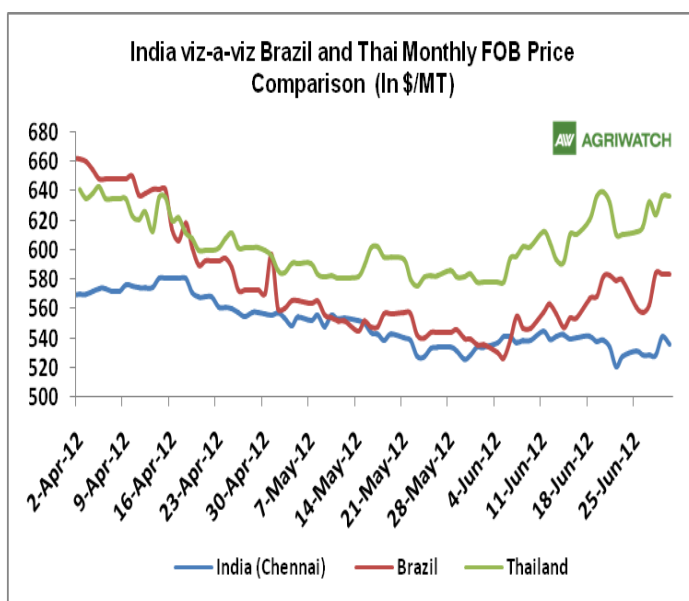
### Sugar Export Opportunity:

Indian export prices improved sharply this week owing to increase in spot prices supported by sharp appreciation in rupee. Meanwhile, Indian CIF prices to Indonesia ~605-668. are looking competitive compared to Thailand and Brazilian sugar CIF 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, Indian mills exported 3 lac tons of sugar till 15<sup>th</sup> June after the government lifted quantitative restrictions in early May,

Thai white sugar premium remains steady this week to \$35 as Thailand feels competition from Brazil and India.

Middle east countries are more aggressive in buying sugar for the upcoming ramazan festival. Increasing demand for white sugar might strengthen Thai white sugar premium as well as International sugar prices in LIFFE.



Comparative sugar prices from various sugar sourcing countries to Indonesia are mentioned in the table below:

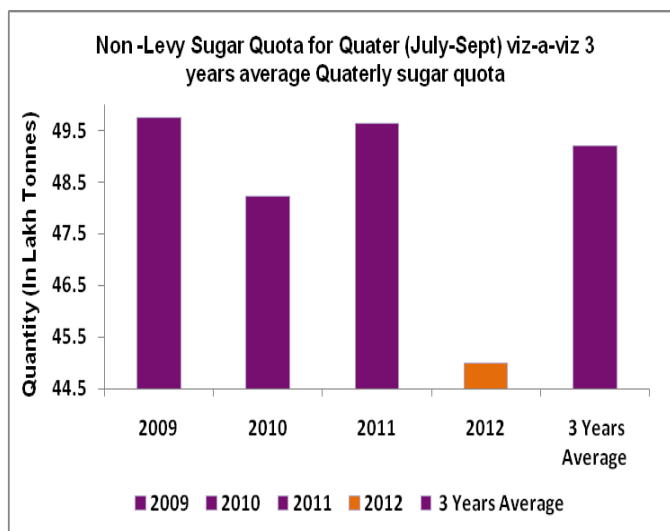
Comparative Sugar FOB & CIF Prices (USD/MT) (\$=Rs.56.96)			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffar nagar M 30
FOB India (USD/MT) (With Premium)	573.50	603.61	626.43
CIF up to Indonesia	605.17	645.38	668.26
	<b>Brazil</b>	<b>Thailand</b>	<b>Pakistan</b>
FOB (USD/MT) (With Premium)	599.20	634.20	-
CIF (USD/MT) (With Premium) up to Indonesia	665.00	656.10	

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

## Quarterly Sugar Quota (July-September)

Government release order with the condition that the sugar mills should sell and deliver / dispatch not less than 25% of the quarterly quota in each month of the quarter and that the remaining 25% can be sold and delivered / dispatched at any time during the quarter as per their commercial prudence.

Further, till date, for the quarter of July to September, 2012 the Government has released 4.64 lac tons of levy sugar quota, which includes 1.07 lac tons as quarterly levy sugar quota of FCI operated states and 1.74 lac tons as levy quota for July, 2012 as well as 1.83 lac tons as levy quota for August, 2012 for Direct Allottee States.



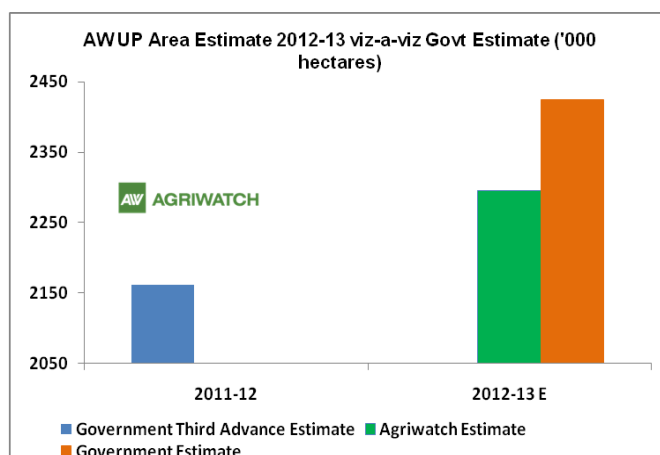
Present sugar quota seems balanced for the markets considering upcoming festival demand and would benefit the sugar millers as rising sugar prices in International markets give them opportunity to ship excess sugar.

## Uttar Pradesh Sugarcane Area Estimate 2012-13

As per recent survey done by Agriwatch, Sugar cane area seems to increase by 8% on an average in UP Y-o-Y owing to good cane remuneration to farmers compared to other competitive crops.

It is notable that Agriwatch estimate is lower than increase in cane area estimated by government for 2012-13.

However, as per preliminary recent report gathered from farmers, lack of rainfall in Gonda and Balrampur districts of UP hurting the cane crop which might result in decline in yield.



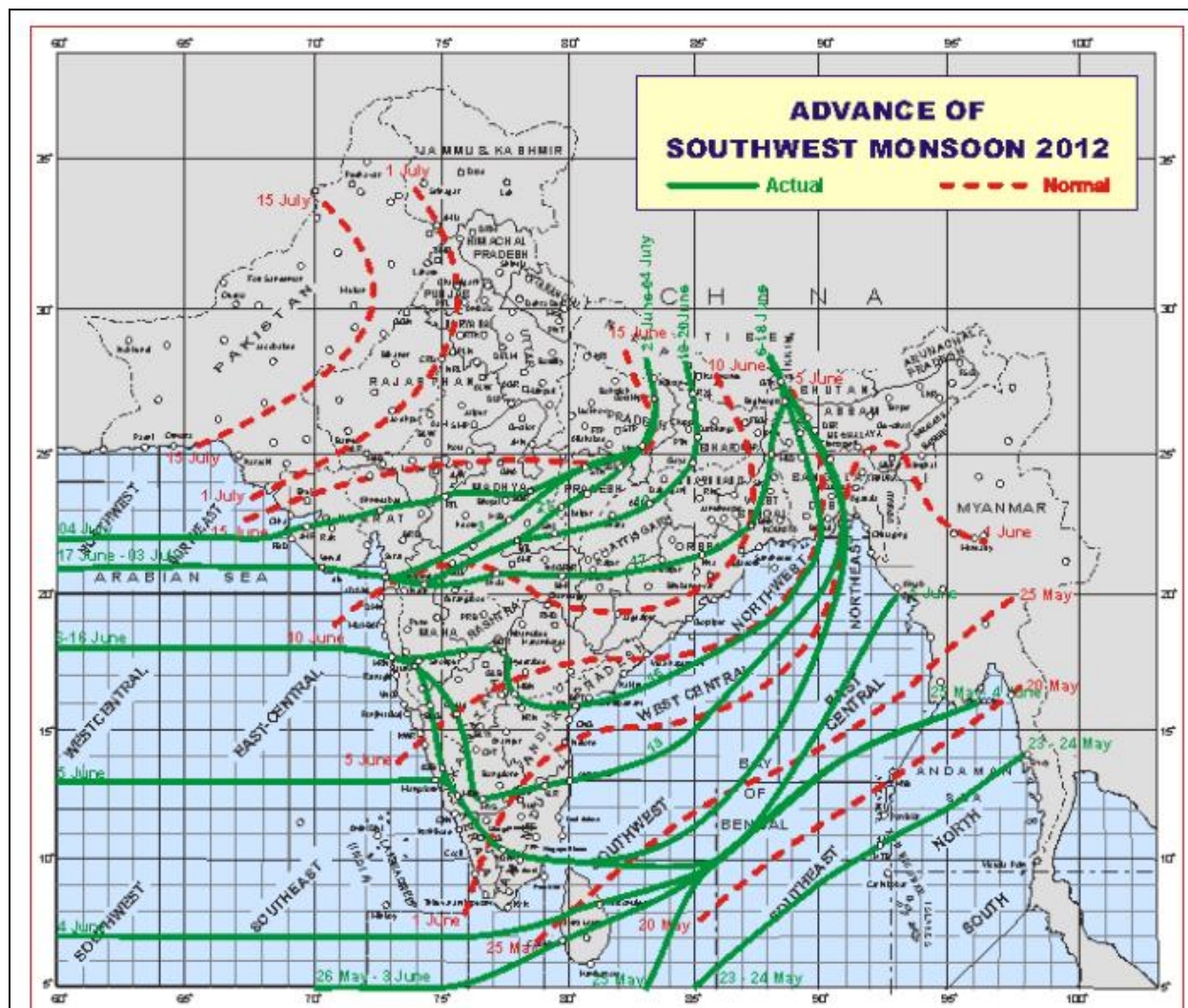
## Monsoon Update

As per latest update by IMD, India's crucial monsoon rains should pick up in July after a slow start over various parts of the country, which has threatened crops from rice to sugar, pulses to coarse cereals. Some 26 out of India's 36 weather zones received "deficient" or "scanty" rains in the past week from the monsoon which typically sweeps the subcontinent from June to September.

The monsoon rains are expected to pick up in the latter half of next week," Swati Basu, acting Director General of the India Meteorological Department (IMD), said. Basu forecast good rains in July which along with August are key months for planting and when India usually receives the maximum amount of rain. For the past week, monsoon rains were 18 percent below average while for June as a whole they have been 23 percent below average -- fanning fears about a repeat of a drought that devastated Indian farmers in 2009.

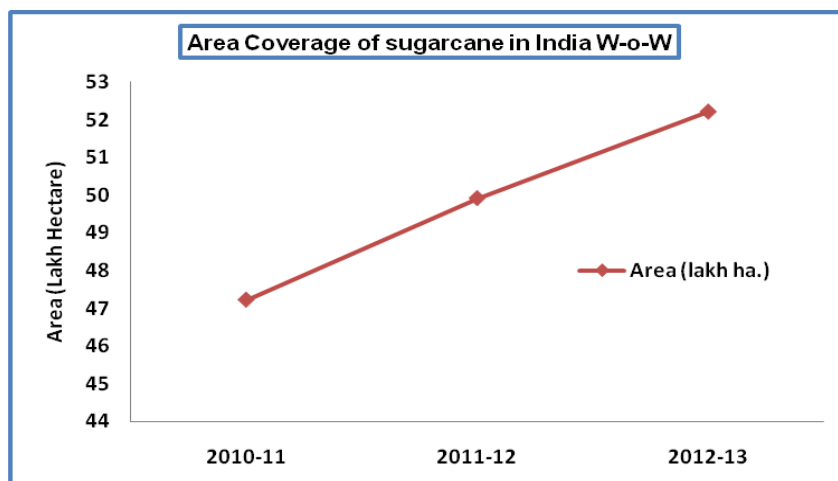
The rains have been abundant in India's northeast where raging floods have forced hundreds of thousands of people to flee homes but weak in the vital northwestern grain bowl and oil seed-growing central regions. Meteorological conditions indicate an increase in rainfall activity over east, central and also over northwest India" in coming days. But still, authorities have told India's 29 states to draft plans to shift from thirsty crops such as rice and sugarcane to others such as beans and wheat which require less water if the monsoon does not become stronger by mid-July.

India this month said it would maintain its forecast for an average monsoon. But the meteorological department was spectacularly wrong in its forecast in 2009 when it predicted a normal monsoon and the country suffered its worst drought in 37 years.

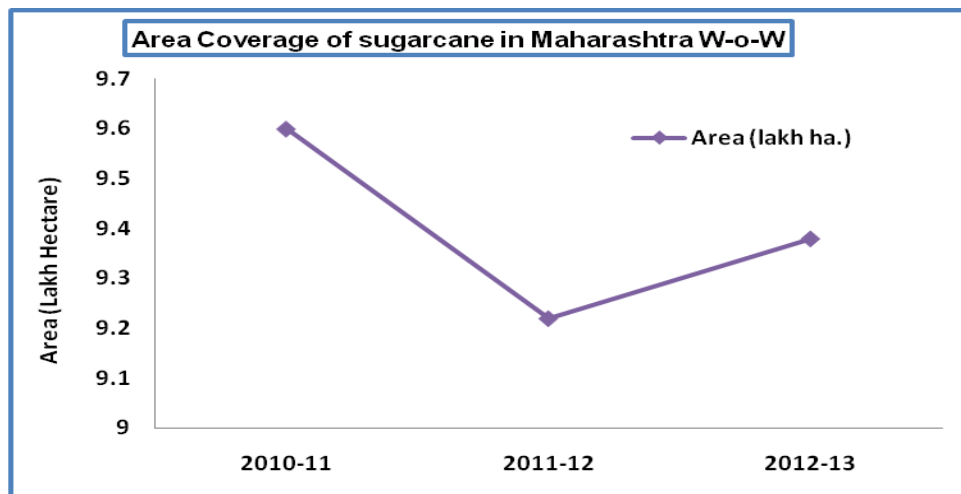


### Sugarcane Sowing Intention:

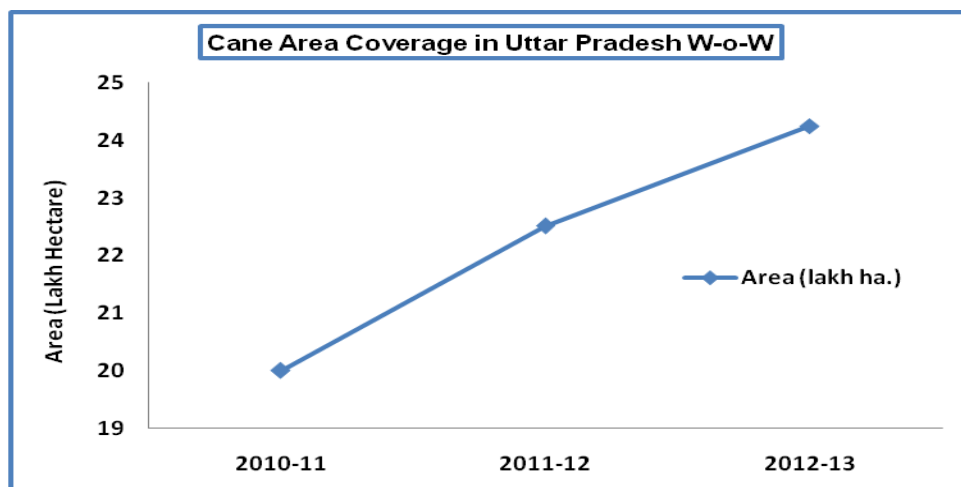
Sugarcane has been planted in 52.22 lac.hectares so far. Sugarcane has been planted in 2.30 lac.hectares more than that in 2011-12, according to Directorate of Sugarcane Development.



Around 9.38 lac hectares sugarcane area has been covered in Maharashtra which is 0.16 lac hectares higher compared to last year sugarcane sowed by growers in their respective fields. As far as crop condition is concerned, it is normal. However, as per feedback received by Agriwatch from Private trade does not confirmed the data released by Directorate of Sugarcane Development as on 27-6-2012.



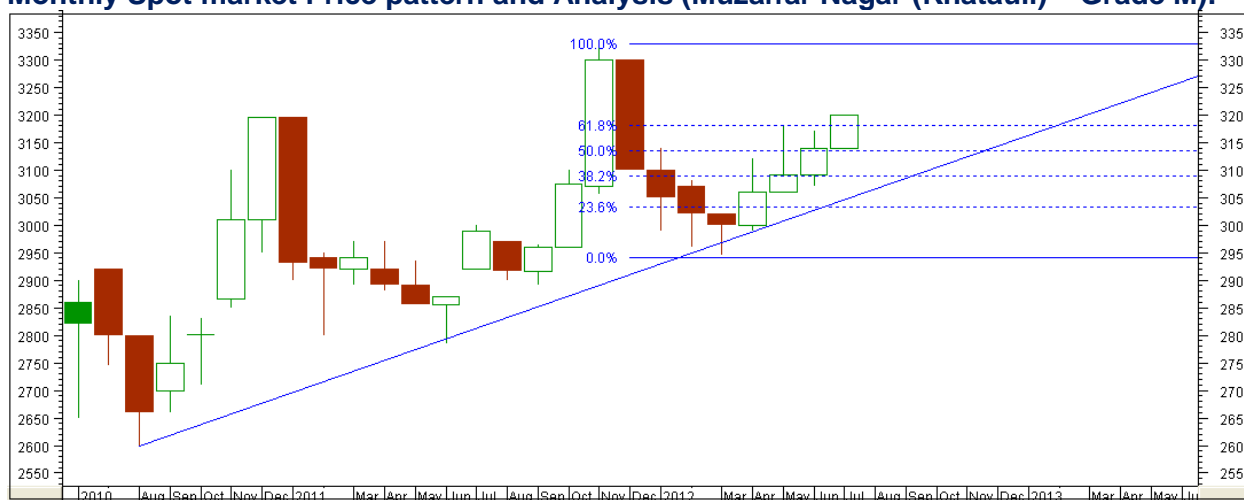
Also, sugarcane acreage increased in UP compared to last year with 24.25 lac hectares area has been covered by sugarcane this year which is up from 22.51 lac hectares area covered with sugarcane in UP last year. Better remuneration and timely payment encourage the farmers to plant more sugarcane in their respective fields for 2012-13 season, according to Directorate of Sugarcane Development.





**Spot Sugar Prices Scenario (Monthly):**

	30 May 2012	30 June 2012	Change
<b>Mumbai M-30</b>	3136	3181	<b>45</b>
<b>Mumbai S-30</b>	2976	3026	<b>50</b>
<b>Muzaffar Nagar M</b>	3080	3140	<b>60</b>
<b>Delhi M-30</b>	3120	3160	<b>40</b>
<b>Delhi S-30</b>	3060	3100	<b>40</b>
<b>Nagpur S</b>	3070	3125	<b>55</b>
<b>Chennai S</b>	2880	2950	<b>70</b>
<b>Kolhapur M-30</b>	2925	3000	<b>75</b>
<b>Kolhapur S-30</b>	2825	2900	<b>75</b>

**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 surged sharply in Muzaffar nagar market during the month ended June 2012.
- Prices recently breach 50% retracement level and moving towards 100% retracement level or Rs 3300 level.
- Considering lower sugar quota and good festive demand in the markets, we expect prices will move up 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 upwards as chart depicts.
- Prices are moving between Rs 2850 to 3100, if breached will give the prices a new direction.
- Prices might resist at Rs 3100 level.
- We suggest market participants to buy sugar at current levels.

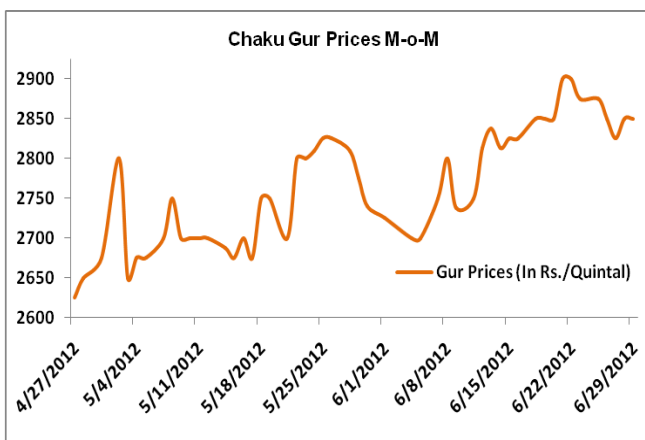
**Gur Scenario**

Gur prices had surged sharply during the month ended June 2012.

Good offtake of gur support the prices during the month.

It is notable that gur arrivals has already over in the Muzaffar nagar mandi and gur stored in cold storages is taken into use at present.

Around 1214000 bags (40 kg each) has been stored in Muzaffar nagar cold storage till 2<sup>th</sup> July 2012 which are 20000 bags higher compared to last year same period stock position of gur. Out of total gur stock position, there are around 840000 bags of Chaku variety and 140000 bags of Papdi variety gur stored in Cold storages.



	Gur Offtake in June Month 2012	Gur Offtake in June Month 2011
<b>Chaku</b>	89000	187000
<b>Raskut</b>	35000	22000
<b>Papdi</b>	-	-
<b>Khurpa</b>	-	-
<b>Total</b>	268000	134000



We expect prices should move range bound until any sign of precipitation. However, expected monsoon rainfall in the couple of weeks might give considerable spike in gur prices.

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 May 2012	30 June 2012	Change
Muzaffar Nagar	Chaku	NA	2900	-
Bangalore	Achhu	NA	2875	-
	Mudde	2750	2900	150
Belgaum	Mudde	2625	2850	225
Belthangadi	yellow (Average)	2800	2900	100
Bijapur	Achhu	3000	3100	100
Gulbarga	Other (Average)	2600	2800	200
Mahalingapura	Penti (Average)	3100	2800	-300
Mandya	Achhu (Medium)	2600	2760	160
	Kurikatu (Medium)	2380	2300	-80
	Other (Medium)	2710	2880	170
	Yellow (Medium)	2400	2450	50
Shimoga	Achhu (Average)	2250	2250	Unch

**Commodity: Sugar**  
**Contract: August**

**Exchange: NCDEX**  
**Expiry: August 17<sup>th</sup>, 2011**

### SUGAR (August Weekly Chart)

#### Technical Commentary:

- Prices are moving upwards as chart depicts.
- Prices closed above 9 and 18 days EMAs also indicate bullish sentiment in the market.
- Increase in prices with higher volumes and OI indicates to long build up in the market.



**Strategy:** Buy from near entry level.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	August	2954	2977	3063	3168	3359
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	August	Buy	Above 3060	3100	3120	3040

Commodity: Gur  
Contract: September

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

### GUR (Weekly Chart)

#### Technical Commentary:

- Candlestick chart pattern reveals bullish sentiment in the market.
- Prices closed above 9 days and 18 days EMAs also suggest bullish sentiment in the market.
- Increase in prices with higher volumes and OI indicates to long build up in the market.



**Strategy:** Buy from entry level is advisable.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1187.1	1220.5	1256.5	1364	-
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Buy	Above 1250	1300	1325	1230

## International Scenario

International sugar prices have surged during the month ended June 2012. Weather concerns in Brazil as well as India hurting cane crop which support the prices of sugar in International markets.

Various trading agencies like Dataagro downgrade Brazilian cane crop estimates due to continuous rains during last month. Also, 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.

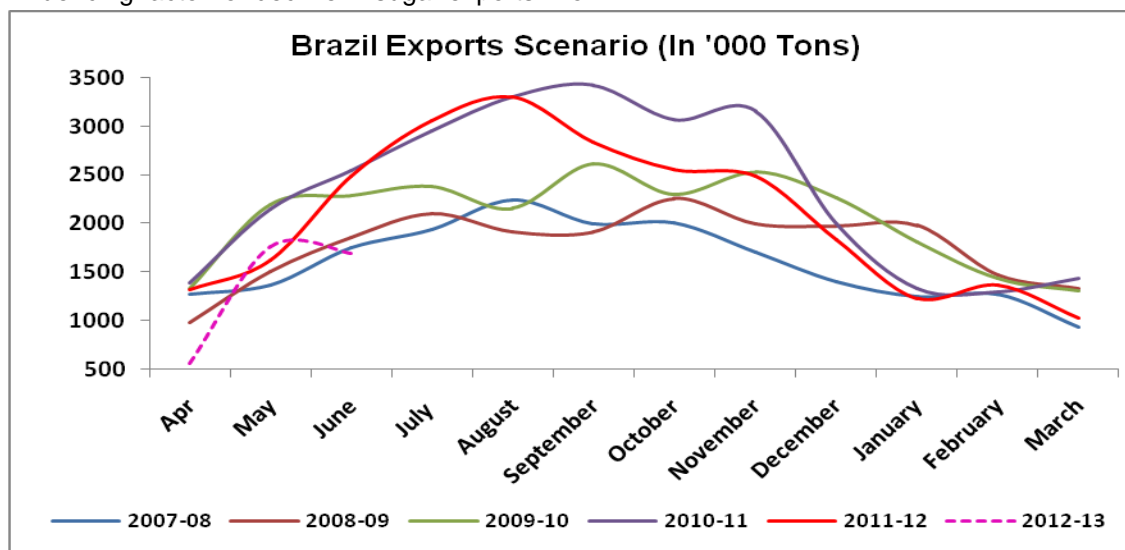
## International Market News Highlights:

- Brazil millers produce 4.89 million tons of sugar till 15<sup>th</sup> June 2012 down by 28% compared to last year same period. Continuous rainfall in major cane belts put hurdles in cane harvesting process. In addition to it, continuous rainfall reduces the sugar content from cane. According to Brazil Industry association UNICA, widespread rainfall has slowed harvesting process which means still ample amount of cane crush still left in the second half of the season.
- Brazil sugar is waiting to load on vessel increases this week to 70 from 60 a week ago. Source: Reuters.
- Dataagro project Brazil would produce 508.7 million tons of cane output in 2012-13 against 493.3 million tons cane output in 2011-12.
- Czarnikow increase global sugar surplus to 8.4 million tons for 2011-12 from 7.8 million tons estimated in its first forecast.
- Brazil sugar production continuously lagging behind last year sugar production at same period due to wet conditions in the whole month of May resulted in delay in harvesting of sugarcane crop.
- China imported 256,940 tons of sugar in May 2012 up by 47% Y-o-Y. However, Chinese May sugar imports declined from 313,084 tons a month earlier. May sugar imports take the total sugar imports to 2.33 million tons in the first eight months which is up from 823,090 tons sugar imported by China last year till same period.
- FO Litch raised its global sugar production estimate by 1 million tons to 176.8 million tons, raw value. Estimated global production for 2011-12 is 11.1 million tons higher compared to 2010-11.
- Genetically modified sugarcane trial planting is likely to begin in October 2012 in Brazil. It is notable that GM variety is herbicides, pests and stem borer resistant.
- Brazilian sugar output declined by 26 percent since the start of the season in April till May. Brazilian mills produce 3.53 million tons of sugar in this period, according to report generated by UNICA. Unfavorable wet conditions in major cane belt slow the cane harvesting process. In addition to it, continuous rainfall reduces the sugar content from cane.
- Brazil sugar vessel line up increased to 70 compared to 51 stood at last month. Out of total 70 vessels, 33 vessels are waiting for loading sugar at Santos port. Wet weather conditions in the center south region slowed loading of bulk raws.

Brazil Sugar Vessel Line up					In Tonnes	
Ports	Vessels		White		Raw	
	30-May	27-June	30-May	27-June	30-May	27-June
<b>Santos</b>	33	50	69000	65500	1136790	1883630
<b>Paranagua</b>	14	19	30500	57850	327300	389620
<b>Vitoria</b>	1	1	6000	6000	0	0

<b>Recife</b>	1	0	0	0	17400	0
<b>Maceio</b>	0	0	0	0	21511	9950
<b>Suape</b>	0	0	0	0	0	0
<b>Total</b>	51	70	105500	129350	1503001	2273250

- Recent rainfall in Brazil disturbs the sugar shipments and also increased the sugar ships waiting at the main ports in Brazil. Till yesterday around 2.2 million tons of sugar is waiting to be loaded at ships compared to 1.6 million tons sugar load till last week. Weather concern over Brazilian sugarcane crop lift the sugar prices up in ICE as well as in Liffe.
- Brazilian sugar output declined by 26 percent since the start of the season in April till May. Brazilian mills produce 3.53 million tons of sugar in this period, according to report generated by UNICA. Unfavorable wet conditions in major cane belt slow the cane harvesting process. In addition to it, continuous rainfall reduce the sugar content from cane.
- Brazil sugar vessel line up increased by 1 to 68 compared to last week. Out of total 68 vessels, 48 vessels are waiting for loading sugar at Santos port. Wet weather conditions in the center south region slowed loading of bulk raws.
- Macquarie cuts Brazilian cane production estimate for Brazil 2012-13 to 506 million tons down by 2.7 percent from estimate done by Macquarie in February 2012 owing to unfavorable weather conditions.
- Brazil June sugar export declined 32% to 1.692 tons, raw value, compared to last year same period. June sugar exports from Brazil also declined compared to 1.76 million tons exported in May 2012. Delayed start of cane crushing in the region due to wet weather conditions is the major influencing factor for decline in sugar exports Y-o-Y.



- According to Rabobank International. Global sugar production will exceed demand by 4.6 million tonne in that period, the third consecutive surplus. The lack of significant demand means sugar is coming under harvest pressure from Brazil.
- 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.

- Recent rains in Brazil might put hurdles on the cane harvesting process which will surge the prices in CBOT market. It is notable that ships are waiting at main Brazilian ports like Santos and Paranagua and more ships are coming to load sugar. In addition to it, wet conditions could hamper sugar content from sugarcane.
- Thailand is likely to produce record 10.6 million tons sugar, raw value, in 2012-13 if does so then it will surpass this year sugar production of 10.24 million tons.

International Sugar Prices (Monthly)				
	Contract Month	29 May 2012	29 June 2012	Change
ICE Sugar #11 (US Cent/lb)	Jul-12	19.53	21.81	2.28
	Oct-12	19.92	21.01	1.09
	Mar-13	20.85	21.5	0.65
LIFFE Sugar (US \$/MT)	Aug-12	556.5	611.3	54.8
	Oct-12	537.2	571.3	34.1
	Dec-12	543.9	557.4	13.5

World Sugar Balance Sheet (In Million Tons, Raw Value)			
	2010-11	2011-12	% Change
Production	164.2	173.8	6%
Consumption	163.6	167.4	2%
Surplus/Deficit	0.6	6.5	
Import	53.1	48.6	-8%
Export	52.8	53.5	1%
Ending Stock	56.9	58.5	3%

(Source: ISO)

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



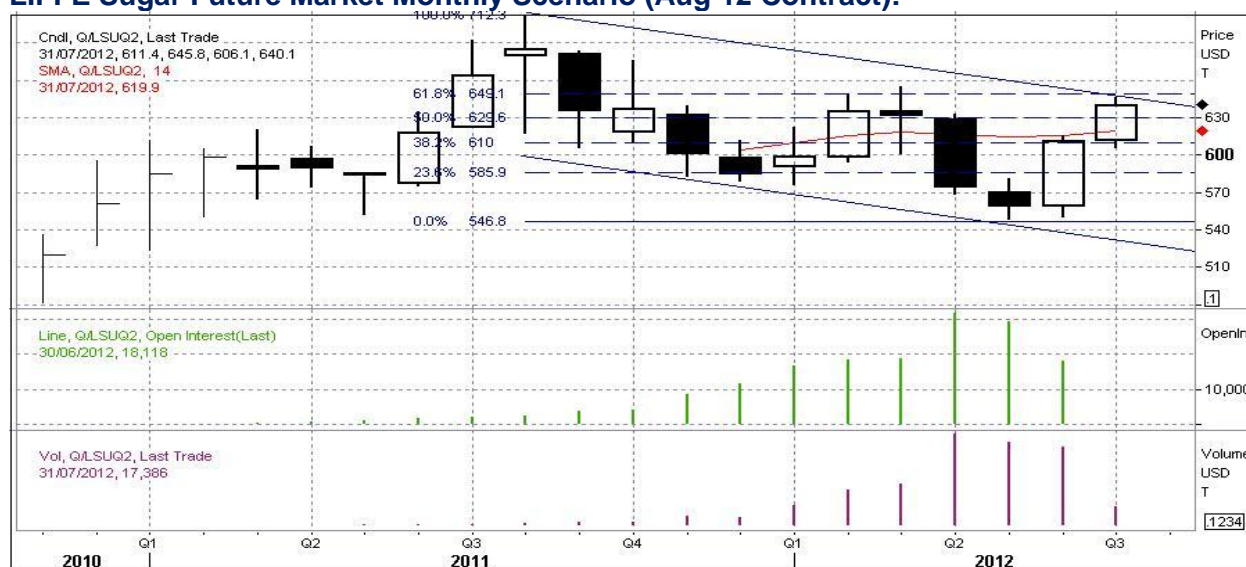
### (Oct Monthly Chart)

#### Technical Commentary:

- ICE raw sugar futures are moving upwards.
- Prices are hovering at its strong resistance level i.e. 22.61 which also lying over 50% retracement level, if breach then it gives break out signal which takes the raw sugar prices upto 23.43 cents/bushel.
- Increase in prices has supported by volume and OI which gives bullish signal.

International Sugar Futures Price Projection (Monthly)			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Oct'12	22.25	23.43

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



#### (Aug Weekly Chart)

#### Technical Commentary:

- Prices are moving in a falling channel and recently tested its resistance as chart depicts.
- Prices hovering in a range between \$545 to 650, breach of mentioned levels either side will give the prices a new direction.
- Increase in prices has not supported by volume and OI.

	Contract Month	Present Quote	Expected Price level for Coming Month
LIFFE Sugar (US \$/MT)	Aug'12	640	710



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