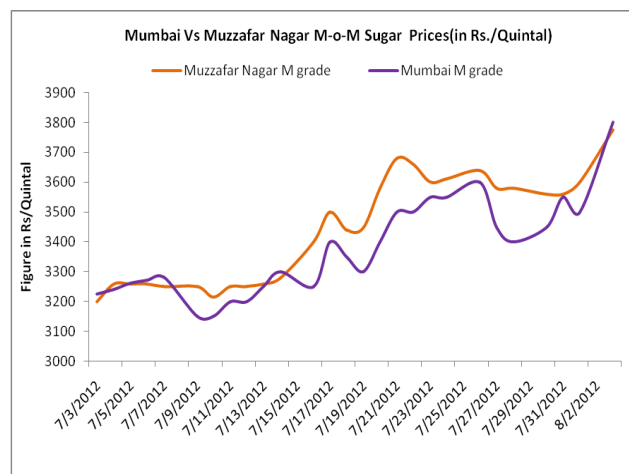


## Domestic Market Recap & Price Outlook:

Sugar prices have increased steeply in various key spot markets during July. Lower sugar arrival pressure and heavy demand weigh on the sugar prices last month.

Meanwhile, Government has released 2.66 lac tonnes of non-levy sugar, which was converted from levy quota for July 2012. Government released sugar for July considering higher prices in this month which has been steeply increasing due to concerns of draught and festive season also to curb further rise in sugar prices.

Meanwhile, government allowed additional 6,00,000 ton sugar exports under OGL which takes the total sugar export figures to 4.6 million tonnes in MY 2011-12.



Each sugar mill had to sell at 30% of the non-levy sale quota in the month of July, 2012 and at least 70% of the quota in the month of July and August, 2012. The remaining 30% to be sold off during September, 2012.

Considering the sugar release for July, NCDEX was pulling the prices up for spot markets while demand was same as that of last year, after 10% margin on sugar by MCX and NCDEX made we expect sugar prices will decrease in the coming month.

## Monthly News Highlights:

- Empowered Committee on Economic Affairs (CCEA) has increased Fair and Remunerative Price (FRP) to Rs170/quintal for 2012-13 from Rs 145/quintal last year. CCEA has raised the statutory minimum price for sugarcane by 17.25% to pay off farmers for rising cultivation costs. Increased FRP may not cover entire cost of production (especially labour and diesel costs) due to this farmers may suffer from losses. Sugarcane producers wait for the state advised price (SAP) is announced later by Uttar Pradesh, Punjab and Tamil Nadu, the FRP as its base
- Government has decided on Wednesday to releases unsold 2.9lac.tonne of levy sugar for open market sale, to arrest the rising prices are likely to impact prices to bring them down.
- As per central government, Sugar levy quota is in consideration to be reduced for next marketing year (2012-13). At the point of inventory cost this could bring the relief for millers, also more sugar will be available in the open market that would check prices from sudden rise.
- According to Maharashtra Government, Sugar output may fall by 22% next year due poor monsoon. This would drive up the prices of sugar.
- Exporters of sugar have defaulted on 50,000 tonnes of sugar order, due to higher prices at domestic market and decrease in prices in international market. With Brazilian sugar coming into the international market prices have come down whereas domestic prices have gone up on higher demand. Traders are getting good prices at domestic market than at international market. More defaults on sugar exports are likely to follow.
- The NCDEX and MCX will levy initial margin of 10 percent in all contracts of sugar from 6th of August 2012. Right now effective margin are 4.41 percent. On the MCX, sugar attracts a margin of 5 per cent .The exchanges clarified that the special margins, additional margins or any other margins levied shall be over and above the revised minimum initial margin.

## Sugar Export Opportunity:

Indian CIF prices to Indonesia ~700-709 are not competitive compared to Brazil and Thailand CIF prices to Indonesia especially from Maharashtra and UP. Export parity cannot be seen from domestic market due to higher cost of sugar in domestic market. Recent increase in sugar domestic prices and decreasing in international prices are keeping the Indian sugar exporters reluctant to export, even when the contracts are signed.

Comparative Sugar FOB & CIF Prices (USD/MT) (\$=Rs.55.00)			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffar nagar M 30
FOB India (USD/MT) (With Premium)	669.01	658.22	667.21
CIF up to Indonesia	700.97	700.15	709.17
	Brazil	Thailand	Pakistan
FOB (USD/MT) (With Premium)	620.20	650.20	-
CIF (USD/MT) (With Premium) up to Indonesia	686.06	672.15	-

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

## Domestic Sugar Balance Sheet:

Agriwatch has kept its sugar supply and Demand scenario of domestic sugar unchanged for January 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, lower 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.

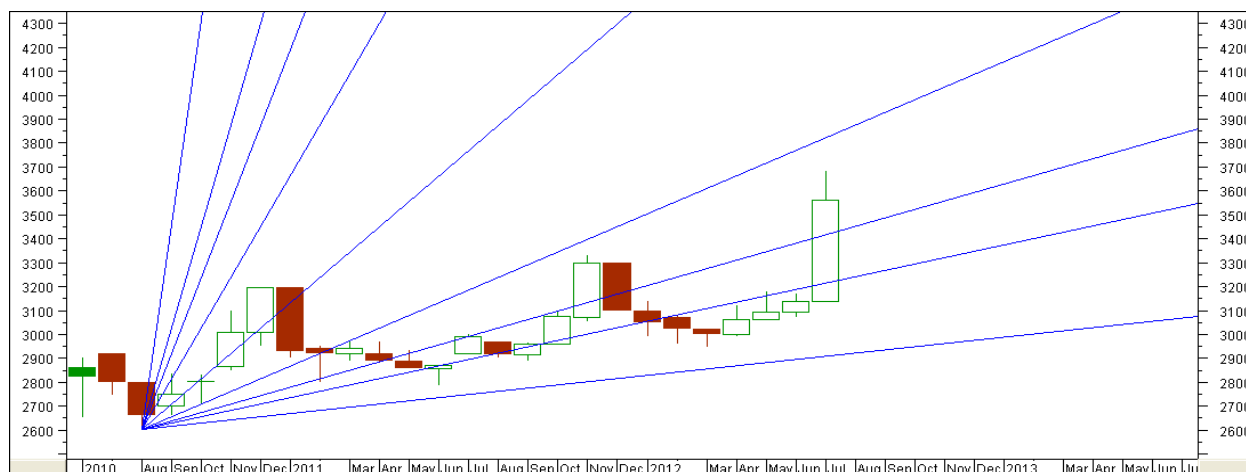
Total availability of sugar for 2011-12 may decline by 2% owing to the expected decrease in sugar production. However, if sugar exports of ~2.5 million tonnes take place, the sugar ending stocks will go down by 5.92% Y-o-Y.

Supply and demand component are listed in the table below:

All Units in Million Tons	2010-11	2011-12		Change (In %)	
		(December)	(January)	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%

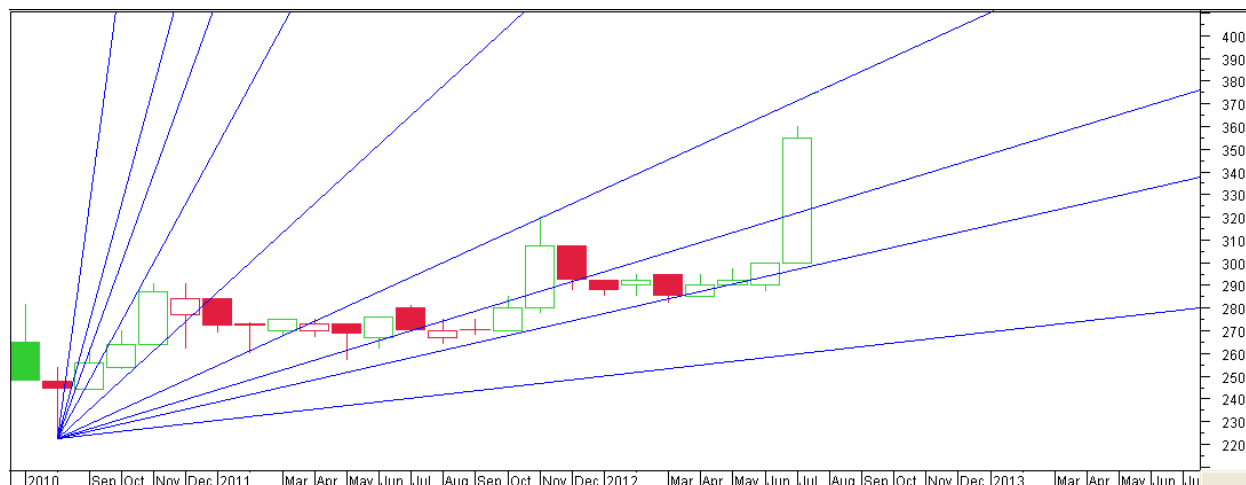
**Spot Sugar Prices Scenario (Monthly):**

	30 June 2012	31 July 2012	change
<b>Mumbai M-30</b>	3181	3596	<b>415</b>
<b>Mumbai S-30</b>	3026	3501	<b>475</b>
<b>Muzaffar Nagar M</b>	3140	3560	<b>420</b>
<b>Delhi M-30</b>	3160	3570	<b>410</b>
<b>Delhi S-30</b>	3100	3500	<b>400</b>
<b>Nagpur S</b>	3125	3600	<b>475</b>
<b>Chennai S</b>	2950	3500	<b>550</b>
<b>Kolhapur M-30</b>	3000	3550	<b>550</b>
<b>Kolhapur S-30</b>	2900	3450	<b>550</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 July 2012.
- Prices recently breach price level of Rs 3600.
- We suggest market participants to trade at range of Rs.3450- Rs.3680. However, if prices move in either direction then it is likely to move in that direction.

### 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 have breached Rs. 3600 will give the prices a new direction.
- Prices might resist at Rs 3900 level.
- We suggest market participants to trade at range of Rs.3500- Rs.3750. However, if prices move in either direction then it is likely to move in that direction.

#### Gur Scenario

Gur prices have surged in various gur spot markets during July 2012. Sluggish demand and moderate arrivals of gur had earlier kept the gur prices down.

Around 140,2091 bags (40 kg each) were stored in Muzaffar nagar cold storage till 30th July 2012 (448,661 bags lower than last year same period) of which, around 724,835 bags are of Chaku variety, which is also 96,459 bags less compared to previous year. 114500 bags are of Raskut Variety Gur and rest is for Laddu and Khurpa and other gur varieties.

Keeping in view cane availability and expected decrease in demand of gur, prices should move down from present level.

Gur prices have moved up in this month on sugar prices. With sugar prices expected to fall, Gur is likely to follow trend.

Gur Spot Monthly Prices (Rs/Qtl)				
Markets	Variety	30 June 2012	31 July 2012	Change
Muzaffar Nagar	Chaku-Sukha-gur(Cold)	2900	2975	-75
	Chaku-(Gila-gur)	2875	2950	75
	Khurpa	2900	2900	Unch
	Rascut	2850	2900	50
Bangalore	Achhu	2900	3000	100
	Mudde	3100	3100	Unch
Belgaum	Mudde	2800	3000	200
Belthangadi	yellow (Average)	2800	3000	200
Bijapur	Achhu	2760	2740	-20
Gulbarga	Other (Average)	2300	2900	600
Mahalingapura	Penti (Average)	2880	2900	20
Mandya	Achhu (Medium)	2450	2550	100
	Kurikatu (Medium)	2250	2300	50
	Other (Medium)	2300	2350	50
	Yellow (Medium)	2350	2450	100
Shimoga	Achhu (Average)	3150	3100	-50

Commodity: Sugar  
Contract: September

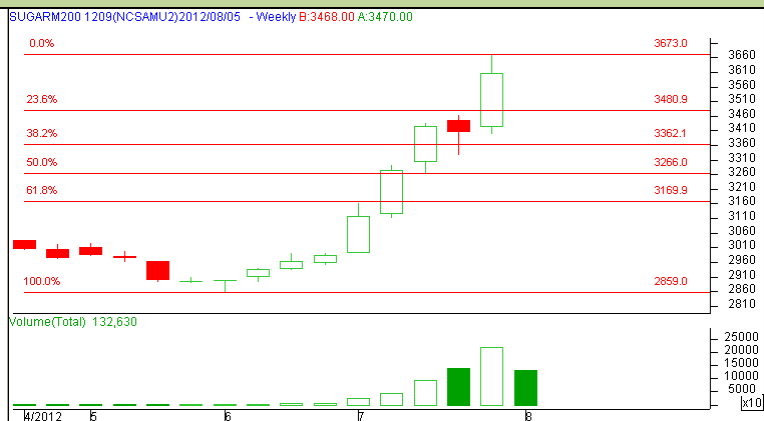
Exchange: NCDEX  
Expiry: September 20<sup>th</sup>, 2012

### SUGAR (July Weekly Chart)

#### Technical Commentary:

- Prices are moving upwards as the chart depicts.
- Sugar prices are testing resistance level of Rs.3670 support level which also lying over 38.2% retracement level, if breach then prices will get support at Rs 3266 level.

In either level the prices breach at Resistance of Rs.3673 or support of Rs.3400, and then they are likely to go in that direction.



**Strategy:** Sell from Entry level.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	March	3406	3266	3415	3650	3670
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	March	Sell	Below 3640	3570	3560	3710

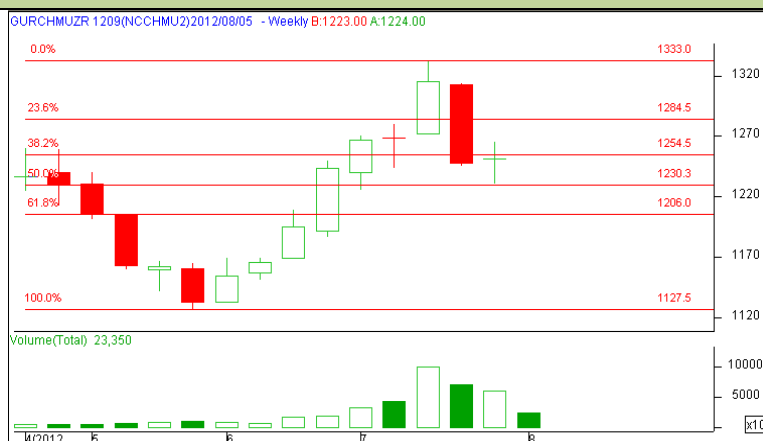
Commodity: Gur  
Contract: September

Exchange: NCDEX  
Expiry: September 20<sup>th</sup>, 2012

### GUR (Weekly Continuous Chart)

#### Technical Commentary:

- Gur prices are moving downwards after witnessing steep hike in the prices.
- Prices are hovering in a broad trading range of Rs 1210 to Rs 1254, two consecutive closes either side will give the prices a new direction.



**Strategy:** Sell from Entry is advisable.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	March	1210	1216	1244.5	1254	1284
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	March	<b>Sell</b>	Below 1250	1230	1215	1269

### International Scenario

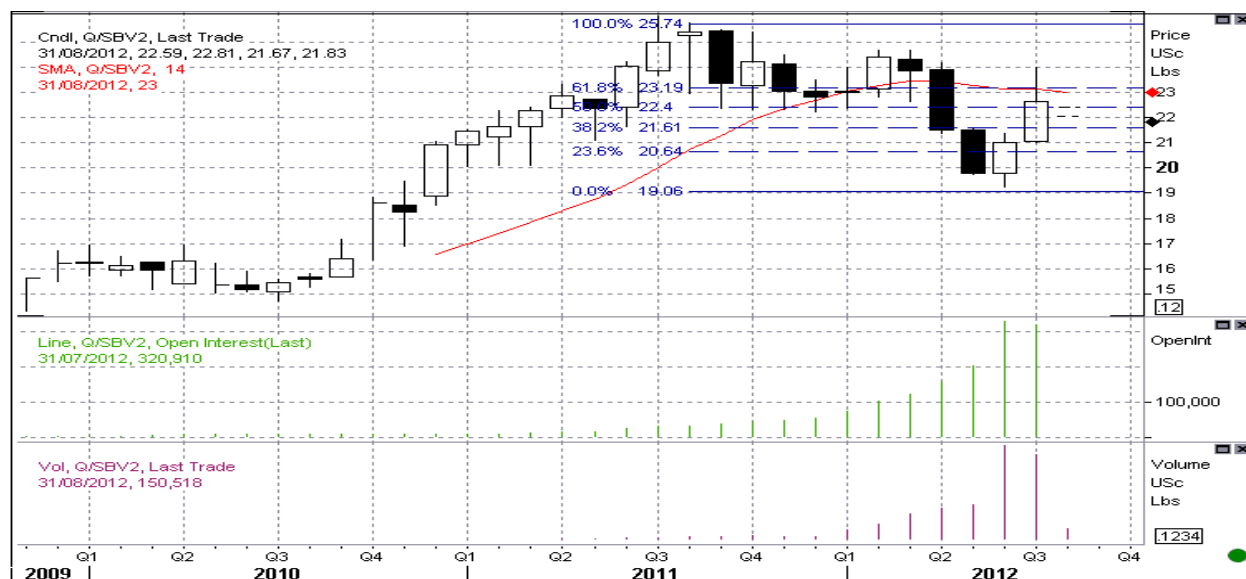
International sugar prices have declined during the month ended July 2012. Higher export prospects of sugar from Brazil and lowered demand from China have lowered the sugar international prices last month. We expect prices will move down further from prevailing sugar price levels in ICE as well as in LIFFE in coming month.

### International Market News Highlights:

- Sugar waiting at the Brazil port declined 8% on dry weather which helped in loading the sugar on to containers.
- Thailand government allowed 100,000 tonne more sugar for export. Thailand has cut its domestic consumption to 2.3 million tonne.
- China importers are reselling sugar on the international market as a result of better production than expected domestic crop and the end of a government buying programme reduce the need for sugar imports.
- Around 50,000 tonnes of raw sugar will be imported into Kazakhstan in the near future to be processed into refined sugar in the country's sugar factories, the Russian Sugar Producers Union announced.
- Exports of sugar from Brazil, the world's largest producer, were less profitable in the month end. Brazil's sugar-cane output climbed 3.9 percent in the first half of July after dry weather helped accelerate the harvest. The amount of cane processed in the last 15 days of July may reach a record.
- Mexico output estimate increased by 5% in coming 2012/13 (Nov/Oct) to 5.3 million metric tonne from previous production of 5.04 million metric tonne.

International Sugar Prices (Monthly)				
	Contract Month	29 June 2012	30 July 2012	Change
ICE Sugar #11 (US Cent/lb)	Oct-12	21.01	22.8	1.79
	Mar-13	21.5	23.06	1.56
	May-13	21.33	22.73	1.4
LIFFE Sugar (US \$/MT)	Oct-12	571.3	620.2	48.9
	Dec-12	557.4	600.6	43.2
	Mar-13	566.2	605.2	39

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

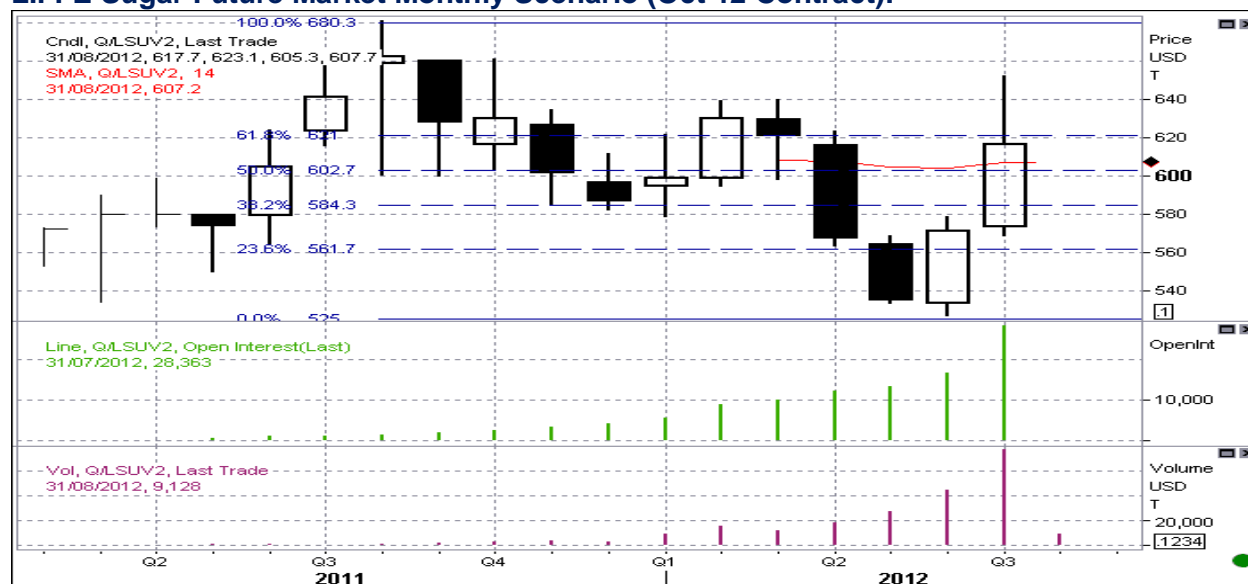


### Technical Commentary:

- ICE raw sugar future prices are moving upwards as the chart depicts.
- Raw sugar price if breach the retracement level of 23.6% the prices might fall upto 20 cents/pound.
- However, Increase in prices has been supported by open interest which indicates prices forms long buildup in the market. Prices are likely to trade between 21.5-22.5cents/pound.

International Sugar Futures Price Projection (Monthly)			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'12	22.64	21.0

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



### Technical Commentary:

- LIFFE sugar future prices are moving upwards as chart depicts.
- Prices might find a support at \$562.
- Sugar prices are continuously trying to test \$650 as chart depicts.
- We expect prices are likely to come down in the coming month.

	Contract Month	Present Quote	Expected Price level for Coming Month
LIFFE Sugar (US \$/MT)	Mar'12	616	595

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