

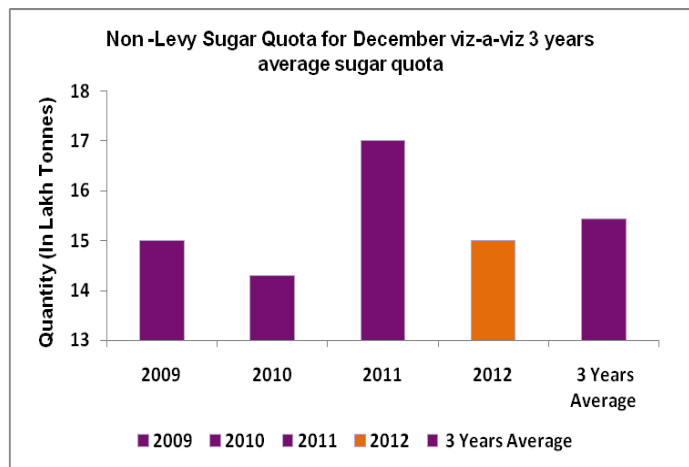
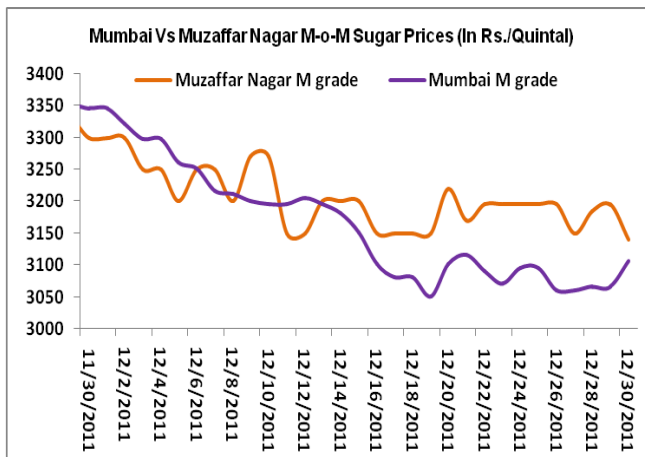
### News Highlights:

- UP mills have produced 22.91 lac tonnes of sugar till 3<sup>rd</sup> January 2012 which is 24% higher compared to previous year same period. However, recovery of sugar from cane stood at 8.47% at present which is lower compared to previous year recovery of sugar (~8.73%).
- Competition among millers in UP has led to advance cane payment to attract the farmers to get cane for crushing.
- Around 70-75% ratoon cane crop has been crushed and rest of the crop will be crushed by mills within couple of weeks.
- Government has notified 17.16 lac tonnes sugar quota for release in January 2012.

### Domestic Market Recap:

Mixed sentiments recorded in various sugar spot markets during the week ended 30<sup>th</sup> December 2011. Higher arrivals and moderate demand of sugar in different regions weighed on the sugar prices.

Meanwhile, 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% lesser compared to last 3 years average sugar quota for January. Less quota for January compared to last year may support prices to some extent.



Meanwhile, cane crushing is going at its full pace in UP and Maharashtra. Around 70-75%, ratoon crop has been crushed and rest of the crop will be crushed in the next couple of weeks, according to a recent survey done by Agriwatch.

However, Plant crop will be available for crushing to millers after 1<sup>st</sup> week of February 2012.

According to recent crushing data from various sugar commissionerates, UP mills have produced 22.91 lac tonnes of sugar till 3<sup>rd</sup> January 2012 which is 24% higher compared to last year same period. However, less recovery of sugar from cane is becoming a big concern for millers as

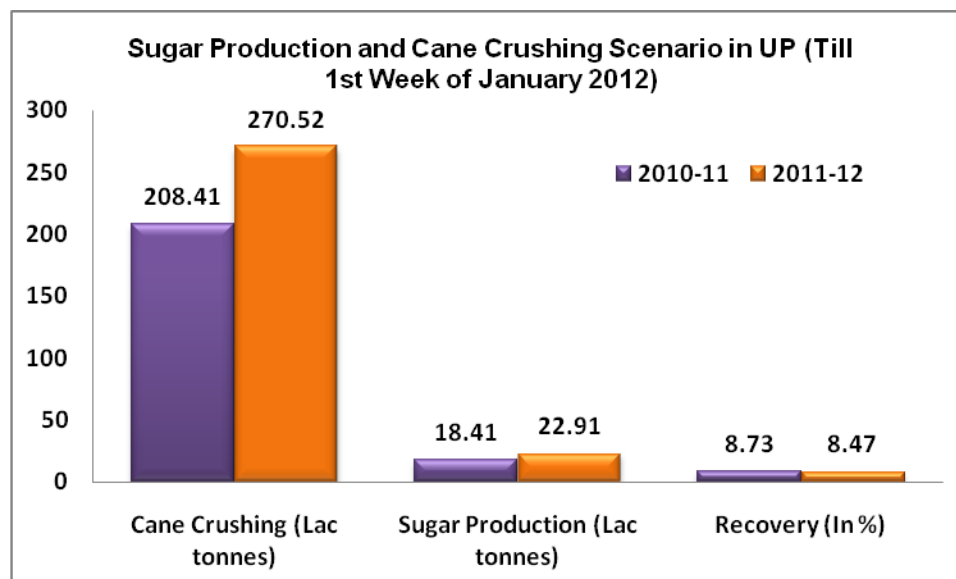
they are getting around 8.47% sugar recovery from cane to date which is 3% less compared to last year same period. Main reason for the lower sugar recovery from ratoon cane crop is early harvesting of sugarcane by farmers as various mills have started their crushing operations for this season 10-15 days early. In addition to it, high use of urea by farmers may have affected the sugar recovery from cane.

**Sugar prices are likely to trade in a range with weak tone in the coming week** considering increasing sugar supply by millers and moderate demand of sugar in the open market.

### Weekly State Wise Sugar Production Scenario (2011-12) (Lakh Tonnes)

Maharashtra				UP			Tamil Nadu		
	2010	2011	% Change	2010	2011	% Change	2010	2011	% Change
<b>Sugar production</b>	24.52	28.17	14.9%	18.41	22.91	24%	2.05	3.12	52.2%
<b>Cane crushed</b>	244	268	9.8%	208.41	270.52	30%	24.23	35.59	46.9%
<b>Recovery (%)</b>	10.05	10.51	4.6%	8.73	8.47	-3%	8.47	8.76	3.4%
<b>Mills started</b>	155	167	7.7%	125	122	-2%	31	39	25.8%

(Source: State Sugar Commissionerates) Up to 3<sup>rd</sup> January 2012. Maharashtra – Up to 31<sup>st</sup> December 2011.



### Sugar Export Opportunity:

Indian CIF prices looks competitive as compared to the CIF prices of Brazil and Thailand. Even UP millers are competitive despite the distance to the ports thanks to the increase in prices of sugar in International markets and recent decline in domestic sugar prices. Indian exporters can export sugar at prevailing prices to South East Asian countries like China, Indonesia, and Malaysia etc. It is reported that exporters are offering \$48/MT as a premium to millers that are located in the West coastal region of India to grab the sugar export quota.

Comparative Sugar FOB & CIF Prices (USD/MT) *1\$=Rs. 52.94			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffar nagar M 30
FOB India (USD/MT) (With Premium)	621.17	628.72	617.68*
CIF upto Indonesia	647.88	660.46	651.53*
	<b>Brazil</b>	<b>Thailand</b>	
FOB (USD/MT) (With Premium)	602.00	642.00	
CIF (USD/MT) (With Premium) upto Indonesia	667.81	663.93	

\*Without Premium.

### Spot Sugar Prices Scenario (Weekly)

	16-Dec-11	30-Dec-11	Change
Delhi M-30 (New)	3200	3160	-40
Delhi S-30	3100	3040	-60
Muzaffar Nagar M	3200	3140	-60
Mumbai M-30	3101	3106	+5
Mumbai S-30	2981	2971	-10
Kolhapur M-30	2875	2950	+75
Kolhapur S-30	2800	2850	+50
Kolkata M Variety	3220	3170	-50
Chennai S	2825	2900	+75
Vijayawada M-30	3280	3220	-60

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



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

- Sugar prices in Kolhapur market have shown some upward correction during the week ended 30<sup>th</sup> December 2011.
- Kolhapur spot prices are likely to hover in a range between Rs 2900 to 2950, and any breach of the levels either side will decide the movement of the prices further.
- Last candlestick formation Morubozu suggests prices will continue the bullishness.
- We expect prices to move up in the coming week keeping in view improved retail demand of sugar.

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



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

- Muzaffar nagar sugar spot prices have shown downward correction after price tested the 23.6% retracement level.
- Last two candlestick patterns are making bearish engulfing pattern indicating that the prices will move down further.
- Prices have recently breached 38.2% retracement level and might test 50% retracement level, which if breached would take prices to the 61.8% retracement level or Rs 3050.
- Prices are likely to move in a range between Rs 3100 to Rs. 3150 in the coming week with weakness in the prices.

### Gur Market Scenario and Outlook

Gur prices have declined in Muzaffar nagar spot mandi during the week ended 30 December 2011. Increasing arrivals and lesser demand of gur kept the gur prices under pressure. Kolhus bring gur stock in mandi keeping in view higher gur prices. Daily on an average 10000 bags (40 kg each) of gur are arriving at Muzaffar nagar gur mandi. Last week daily average arrival of gur was 7000 bags (40 kg each). Stock position of gur in cold storage this week was 245,000 bags till 2<sup>nd</sup> January 2012. Chaku gur variety is 140,000 bags less stored in cold storage compared to previous year.

As per our recent survey of sugarcane in UP, initial data gives us a clear indication of lesser cane diversion of cane to kolhus in 2011-12 compared to previous year. Main reasons for this is the lower gur prices leading to marginal parity for producing gur for kolhus and higher cane remuneration prices to farmers (~245) by millers.

Considering moderate arrivals of gur in mandi and expected demand of gur on the upcoming occasion of Makar Sankranti, we expect prices are likely to stay range bound with firm bias in the coming week.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	16-Dec-11	30-Dec-11	Change
Muzaffar Nagar	Chaku – New	2625	2500	-125
	Khurpa	2400	2450	+50
	Laddoo	2600	2500	-100
Bangalore	Achhu	2800	2400	-400
	Mudde	3000	2500	-500
Belgaum	Mudde	2400	2400	Unch
Belthangadi	yellow (Average)	3100	3100	Unch
Bijapur	Achhu	2250	2320	+70
Gulbarga	Other (Average)	2411	2352	-59
Mahalingapura	Penti (Average)	2280	2350	+70
Mandya	Achhu (Medium)	2300	2200	-100
	Kurikatu (Medium)	2150	2100	-50
	Other (Medium)	2150	2150	Unch
	Yellow (Medium)	2175	2150	-25
Shimoga	Achhu (Average)	2875	2800	-75

**Commodity: Sugar**  
**Contract: January**

**Exchange: NCDEX**  
**Expiry: January 20, 2011**

### SUGAR (January Weekly Chart)



### Technical Commentary:

- Sugar prices are moving range bound with weak bias.
- Prices are moving in a range between Rs 2842 to 2887 and any breach of the mentioned levels on either side will give the prices a new direction.
- Decrease in prices along with reasonable open interest gives clear indication that prices will consolidate at the present level.
- However, RSI is hovering near to neutral region.
- Prices are likely to trade in the mentioned trading range with weak tone in the coming week.

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

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	January	2800	2820	2844	2910	2930
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	January	Sell	below 2850	2830	2820	2860

**Commodity:** Gur  
**Contract:** January

**Exchange:** NCDEX  
**Expiry:** January 20, 2011

### GUR (January Weekly Continuous Chart)



### Technical Commentary:

- Gur prices are moving range bound with firm sentiments as chart depicts.
- Gur prices got the strong resistance at Rs 1080, if breached the prices may move to Rs 1085 and then to 1130.
- Gur prices are continuously trying to test 61.8% retracement level, breach of the mentioned level will take the prices down to Rs 1045 level which lying over 50% retracement level.
- However, RSI is hovering near to overbought region.
- Prices are likely to trade between Rs 1044 to Rs 1080 in the coming week.

**Strategy:** Buy from support level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	January	1024	1044	1065.5	1080	1085





Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	January	Buy	1050-1054	1070	1080	1044

### International Scenario

International sugar prices have surged during the week ended 30<sup>th</sup> December 2011. Improved demand of sugar from buyers like China and a lower cane crop expectation from Mexico have supported sugar prices in ICE as well as in LIFFE. We expect sugar prices to surge in the coming weeks keeping in view moderate sugar demand.

### International Market News Highlights:

- 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 Sugar production in 2011/12 in the period ended December 17 is down by 30% from the 560,000 tonnes produced in the same period a year ago. Lesser cane yield and low recovery are the main factors for the decline.

International Sugar Prices (Weekly)				
	Contract Month	16/12/2011	30/12/2011	Change
ICE Sugar #11 (US Cent/lb)	Mar'12	23.08	23.30	+0.22
	May'12	22.69	22.95	+0.26
	Jul'12	22.41	22.56	+0.15
LIFFE Sugar (US \$/MT)	Mar'12	599.70	602	+2.3
	May'12	591.00	591.60	+0.6
	Aug'12	584.90	584.60	-0.3

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

**Technical Commentary:**

- White sugar prices are moving in a downtrend and likely to consolidate as the chart depicts.
- Prices are moving in a range between \$580 to \$600, two consecutive closes above or below the mentioned level will give the prices a new direction.
- Decrease in prices with open interest suggest prices are likely to decline 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	602.00	



**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 are likely to trade range bound between 22.96 to 24.27 cents per pound in the coming week.
- Market participants should Sell from present level i.e. (~23.20) and cover their short positions from support level (~23).

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'12	23.30	

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