

### News Highlights:

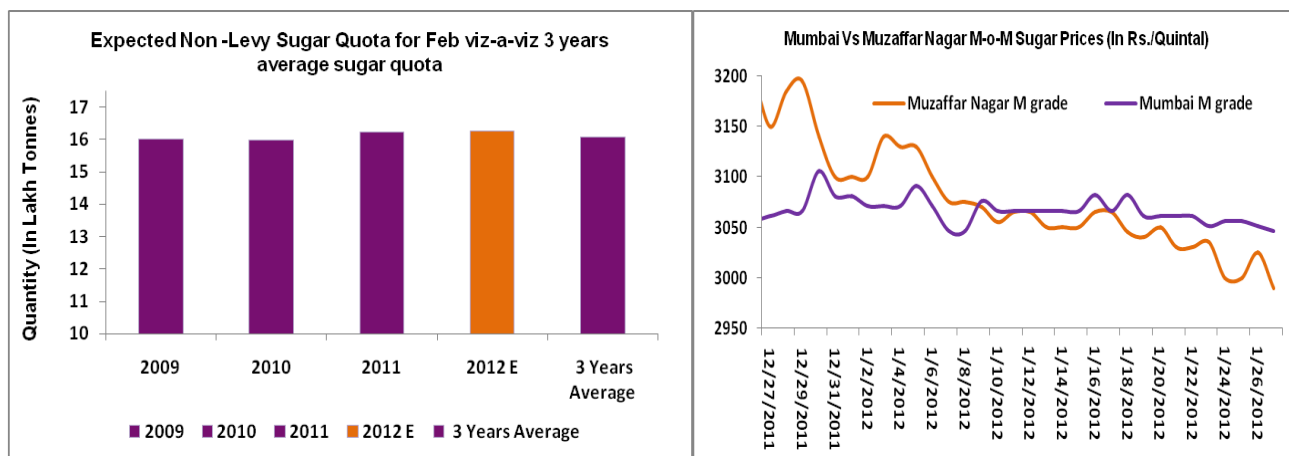
- It is noticeable that Food ministry is taking permission from Election Commission for allowing additional sugar exports. There are elections in states like UP, Punjab and Uttarakhand which are one of the biggest sugar producing states in India and Election commission might consider sugar exports allowance as an political stunt in between the election code of conduct.
- Karnataka mills have crushed 162.07 lac tonnes of sugarcane and produce 17.25 lac tonnes sugar with an average recovery of 10.61% upto 15th January 2012. This year sugar production till 15th Jan is 22.3% higher compared to previous year same period. Last year mills have produced 14.1 lac tonnes sugar with an average recovery of 10.19%, according to Sugar commissionerate, Karnataka.
- Export parity could be seen from India for sugar exports compared to Brazil and Thailand as recent increase in prices of sugar in International market and continuous decline in domestic sugar prices widen the sugar export parity.
- ISMA sees 4.8% increase in cane area for 2011-12 after conducted first satellite mapping of sugarcane area jointly by ISMA and NFCSE. ISMA sees sugarcane area has increased to 5.182 million hectares in 2011-12 which is higher than cane area estimate by ministry of Agriculture ~5.093 million hectares and Sugar Ministry ~5.079

### Domestic Market Recap:

Sugar prices are moving in a range with weak tone during the week ended 27<sup>th</sup> January 2012. Continuous supply of sugar and lackluster trade in physical markets are the major influencing factors for decline in prices during the week. Meanwhile, market is keeping an eye over upcoming major events due in the coming week like sugar quota for February and additional export decision.

Government might release 16-16.25 lac tonnes of Non-levy sugar quota for February month, according to an estimate by Agriwatch. Expected Non-Levy sugar quota for February is almost same as compare to previous year Non-levy sugar quota released by government. If government release sugar quota within expected range then prices of sugar will move down initially from present price level as market is expecting lesser sugar quota for February for this year.

It is noticeable that government might release sugar quota for February on 31<sup>st</sup> January 2012.



Non-Levy Sugar Quota Forecast for February (Lac Tonnes)				
	2009	2010	2011	2012E
February	16	15.97	16.23	16-16.25

Market is keeping an eye over sugar exports allowance and upcoming monthly sugar quota that will be announced by government on 7 February 2012 that will decide the direction of prices of sugar in the domestic market.

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

Karnataka			UP			Tamil Nadu			Andhra Pradesh			
	2010-11	2011-12	Change	2010-11	2011-12	Change	2010-11	2011-12	Change	2010-11	2011-12	Change
Sugar production	14.1	17.25	22.3%	27.39	35	28%	3.11	4.49	44.4%	3.11	4.49	44.4%
Cane cru shed	138.37	162.07	17.1%	307.74	384.41	25%	36.77	50.57	37.5%	38.8	52.77	36.0%
Recovery (%)	10.19	10.61	4.1%	8.9	8.58	-4%	8.47	8.89	5.0%	8.76	9.04	3.2%
Mills started	57	58	1.8%	123	123	0%	31	39	25.8%	35	37	5.7%

(Source: State Sugar Commissionerates) Uttar Pradesh & AP upto 23 January 2012. Karnataka & TN – Up to 15<sup>th</sup> January 2011.

### Sugar Export Opportunity:

Despite of recent surge in domestic prices of sugar and appreciation of Rupee compared to Dollar, Indian CIF prices (especially from Chennai and Kolhapur source centers) to Indonesia are competitive compared to Brazil and Thailand CIF prices to Indonesia. However, UP millers cannot enjoy the sugar export benefits due to greater distance from ports. 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 7<sup>th</sup> 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)	634.07	653.19	699.48
CIF upto Indonesia	665.83	695	741.43
	<b>Brazil</b>	<b>Thailand</b>	
FOB (USD/MT) (With Premium)	637.70	677.70	
CIF (USD/MT) (With Premium) upto Indonesia	703.61	699.73	

### Spot Sugar Prices Scenario (Weekly)

	20-Jan-12	27-Jan-12	Change
Delhi M-30 (New)	3070	3035	-35
Delhi S-30	2990	2940	-50
Muzaffar Nagar M	3050	2990	-60
Mumbai M-30	3061	3046	-15
Mumbai S-30	2901	2911	+10
Kolhapur M-30	2875	2880	+5
Kolhapur S-30	2775	2780	+5
Kolkata M Variety	3090	-	-
Chennai S	2825	2775	-50
Vijayawada M-30	3220	3220	Unch

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



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

- Sugar Kolhapur prices are moving range bound as chart depicts.
- Prices are trying to test lower Gann Fann line and also the 38.2% retracement level, if breached then prices will move down to the 50% retracement level.
- Prices are likely to use the support from lower Gann fann angle and we expect the prices to trade above the mentioned angle in the coming week.

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



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

- Sugar prices are moving downwards as chart depicts.
- Prices have recently trying to test the 38.2% retracement level.
- However, prices are getting support from the lower Gann Fann angle, from where prices might rebound.
- Prices might take an upward correction from Rs 3050 level which acts as a strong support level.

### Gur Market Scenario and Outlook

Mixed sentiments recorded in various gur markets during last week. Prices of Chaku variety gur have improved due to moderate demand. In addition to it, lesser stock of Chaku gur stored in Muzaffar nagar cold storage indicates diminishing gur production this year compared to last year support the prices. Around 309,621 bags (40 kg each) are stored in Muzaffar nagar cold storage till 27th January 2012 which are 152,379 bags lesser compared to last year same period stock position of gurof which, around 172,000 bags are of Chaku variety, which is also 133,000 bags less compared to previous year. 82000 bags are of Raskut Variety Gur and rest is for Laddu and Khurpa and other gur varieties.

Daily 6500 bags are arriving in Muzaffar nagar market up from 2500 bags on an average last week. We expect prices are likely to stay in a range with firm tone.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	20-Jan-12	27-Jan-12	Change
Muzaffar Nagar	Chaku – New	2750	2850	+100
	Khurpa	2500	2500	Unch
	Laddoo	2675	2600	-75
Bangalore	Achhu	2400	2400	Unch
	Mudde	2600	2680	+80
Belgaum	Mudde	2400	2300	-100
Belthangadi	yellow (Average)	3150	3100	-50
Bijapur	Achhu	2200	2463	+263
Gulbarga	Other (Average)	2201	2325	+124
Mahalingapura	Penti (Average)	2280	2380	+100
Mandya	Achhu (Medium)	2300	2300	Unch
	Kurikatu (Medium)	2150	2100	-50
	Other (Medium)	2150	2150	Unch
	Yellow (Medium)	2300	2250	-50
Shimoga	Achhu (Average)	2325	2325	Unch

**Commodity: Sugar**  
**Contract: February**
**Exchange: NCDEX**  
**Expiry: February 20, 2011**
**SUGAR (February Weekly Chart)**

**Technical Commentary:**

- Sugar prices are moving range bound as chart depicts.
- Prices are moving in a range between Rs 2835 to 2900 and any breach of the mentioned levels on either side will give the prices a new direction.
- RSI is moving in a neutral region.
- We expect prices to move range bound with weak tone in the coming week.

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

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	February	2760	2800	2853	2900	2950
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	February	<b>Sell</b>	2880	2850	2835	2895

**Commodity: Gur**  
**Contract: March**
**Exchange: NCDEX**  
**Expiry: March 20, 2011**
**GUR (March Weekly Chart)**

**Technical Commentary:**

- Gur prices are moving upwards as chart depicts.
- Prices are hovering in a range between Rs 1085 to 1170, two consecutive close either side will give prices a new direction.
- Also, RSI is hovering near to overbought region.
- Prices are likely to trade in the mentioned range with firm tone in the coming week.

**Strategy:** Sell from resistance level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	March	1085	1110	1136	1170	-
Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	March	<b>Sell</b>	Below 1170	1130	1110	1190



## International Scenario

International sugar prices have moved in a range with weak tone during the week ended 27 January 2012. Higher cane production estimates of sugarcane from Brazil and better export prospects of sugar by Mexico pressurize the prices of sugar during the week. We expect prices will move in a range in ICE and LIFFE in the coming week.

## International Market News Highlights:

- Favorable weather conditions assist cane crop in Brazil as reported
- Exports has picked up from Mexico as the current season starts. Also, considerable amount of price spread between Mexican sugar prices and international prices support the export operations in the country. It is noticeable that sugar output has been improved in Mexico in the month of January owing to improved crushing of cane in the region. Mexico produced 226,151 tonnes of sugar in the week to January 14 which is up from 202,787 tonnes in the same week a year ago.
- Sudden sees around 520 million tonnes of sugarcane production from Brazil's center south region for 2012-13.

International Sugar Prices (Weekly)				
	Contract Month	20/01/2012	27/01/2012	Change
ICE Sugar #11 (US Cent/lb)	Mar'12	24.89	24.21	-0.68
	May'12	24.20	23.67	-0.53
	Jul'12	23.57	23.20	-0.37
LIFFE Sugar (US \$/MT)	Mar'12	645.60	637.70	-7.9
	May'12	626	620.50	-5.5
	Aug'12	612.40	608.00	-4.4

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



## Technical Commentary:

- White sugar prices are moving upwards as the chart depicts.
- Prices are moving in a range between \$600 to \$660, two consecutive closes above or below the mentioned level will give the prices a new direction.

- However, Decrease in prices is not supported by volume and open interest.
- Prices are likely to trade range bound in coming week.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Mar'12	637.70	620

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



### Technical Commentary:

- ICE raw sugar futures are moving range bound with weak tone as the chart depicts
- However, volume and open interest have not supported recent dip in prices.
- Prices are likely to trade range bound in the coming week.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'12	24.21	24

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