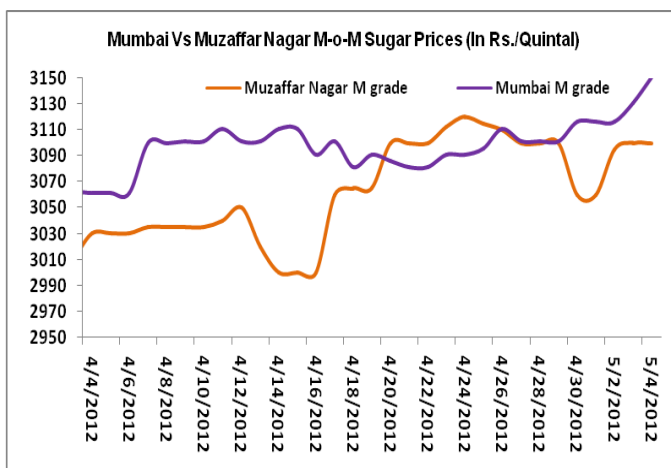


### Executive Summary:

Sugar prices surged during the week ended 4<sup>th</sup> May 2012 in various key spot markets of sugar. Recent removal of quantitative restrictions over sugar exports and firm demand in spot markets are the major influencing factors for recent increase in sugar prices.

Meanwhile, Government in a meeting held on 2<sup>nd</sup> May 2012 gives sugar industry a relief by removing quantity restrictions over sugar exports. Now millers can sell unlimited sugar exports in this fiscal year. Government also ruled out the "First come first serve" mechanism for sugar exports. However, International sugar prices are already moving downwards continuously which might not give much export opportunities to millers at present.



Sugar prices are likely to move up in the coming week considering good summer demand.

### News Highlights:

- ED&F Man sees Indian sugar exports to decline by 1 million tons to 2 million tons for MY 2012-13.
- India produces 25.10 million tons of sugar in Oct to April month till date which is 11% higher compared to last year same period. Out of total sugar production, UP mills produced 7 million tons of sugar and Maharashtra produced 8.83 million tons of sugar, which are also, 19% and 6% higher respectively compared to last year same period.
- Sugarcane growth affected by shortage of water in Maharashtra during March and April month for 2012-13 season as rainfall in these months are below 59% below the normal, according to IMD.
- Food Ministry earlier recommend four options to the panel of ministers for the faster sugar shipments. Options include allocation of sugar export quantity based on the earlier export performance of a sugar mill, allocation of export quota on the basis of "First Come First Serve" basis against a bank guarantee, online registration of shipments at ports, and Implement existing sugar quota mechanism with fast allocation of sugar exports to millers. Earlier, government removed export quota mechanism and implement the rule of getting export licenses for millers on first come first serve basis which gives direct benefit to the mills located near to ports. However, after protest of North Indian millers for the removal of export quota, government reinstates its decision to existing export quota mechanism.

### Sugar Export Opportunity:

Indian CIF prices to Indonesia ~615-685 are looking competitive compared to Brazil and Thailand CIF prices especially from Chennai and Kolhapur owing to recent appreciation in Dollar rates. However, export parity still does not exist from UP market due to higher transportation and labor charges compared to other domestic sourcing centers.

It is noticeable that Brazilian new sugar arrivals will hit the market in May that might depress the prices of sugar in ICE as well as in LIFFE leading to export disparity for Indian exporters. Therefore, exporters and millers should use this window of opportunity quickly. Meanwhile, the Thai white sugar premium stood at \$25 per ton owing to recent Asian sugar demand from Indonesia. FOB price comparisons are mention in the table below:

<b>Comparative Sugar FOB &amp; CIF Prices (USD/MT)</b>			
	<b>South (T.N)</b>	<b>West (Maharashtra)</b>	<b>North (U.P)</b>
	<b>Chennai S 30</b>	<b>Kolhapur S 30</b>	<b>Muzaffar nagar M 30</b>
FOB India (USD/MT) (With Premium)	583.61	597.83	643.32
CIF up to Indonesia	615.32	639.58	685.20
	<b>Brazil</b>	<b>Thailand</b>	
FOB (USD/MT) (With Premium)	566.10	591.10	
CIF (USD/MT) (With Premium) up to Indonesia	631.80	612.87	

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

### Sugarcane Sowing Intention:

After harvesting of wheat in UP, sowing in UP has started. Farmers in UP are planting more cane in their respective fields for the season 2012-13 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.

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.

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 4<sup>th</sup> 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 (Weekly)

	<b>27-April-12</b>	<b>04-May-12</b>	<b>Change</b>
Delhi M-30	3100	3100	<b>Unch</b>
Delhi S-30	3070	3075	<b>+5</b>
Muzaffar Nagar M	3100	3100	<b>Unch</b>
Mumbai M-30	3101	3151	<b>+50</b>
Mumbai S-30	2936	2950	<b>+14</b>
Kolhapur M-30	2925	2950	<b>+25</b>
Kolhapur S-30	2825	2850	<b>+25</b>
Kolkata M Variety	3140	3090	<b>-50</b>
Chennai S	2900	2900	<b>Unch</b>
Vijayawada M-30	3240	3250	<b>+10</b>

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



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

- Sugar Kolhapur prices moved in a range during the week ended 4<sup>th</sup> May 2012.
- Prices hovering between 2820 to 2950, two consecutive close either side will give the prices a new direction.
- Keeping in view prevailing fundamentals and prices moving in upward channel technically for spot Kolhapur market, we expect prices will move up in the coming week. We suggest market participants to buy from present level.

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



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

- Prices recently breach Rs. 3050 level and moving upwards.
- Prices might test 23.6% retracement level or 3150 in the coming week.
- Prevailing fundamental factors also became bullish which also support the prices.
- We suggest market participants to buy sugar at 3100 level from spot markets.

### Gur Market Scenario and Outlook

Gur prices are moving range bound with firm tone in various sourcing markets during the week ended 4<sup>th</sup> May 2012. Good demand of Chaku gur and moderate arrivals in the mandi kept the prices range bound.

However, cane farmers are doing distress selling for their cane to kolhus as mills in UP has already closed and gur makers are taking advantage of that by paying lesser cane prices to farmers. Kolhus are paying around Rs 180 per quintal as a cane payment to farmers at present instead of Rs 220 paid a month ago.

As far as gur stock position is concerned, all cold storages are full as reported. Around 1407000 bags (40 kg each) has been stored in Muzaffar nagar cold storage till 7<sup>th</sup> May 2012 which are 26000 bags higher compared to last year same period stock position of gur. Out of total gur stock position, there are around 982,000 of Chaku variety gur stored in Cold storage which are 65000 bags higher compared to previous same period

Arrivals of gur are expected to come till May end as reported after which gur stored in cold storages will be taken in use.

We expect gur to trade on a weaker tone in the coming week due to weak demand and moderate arrivals at higher price levels.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	27-April-12	04-May-12	Change
Muzaffar Nagar	Chaku – New	2625	2675	+50
	Khurpa	2600	2650	+50
	Laddoo	2775	2825	+50
Bangalore	Achhu	2700	2700	Unch
	Mudde	3000	3000	Unch
Belgaum	Mudde	2500	2600	+100
Belthangadi	yellow (Average)	3100	3100	Unch
Bijapur	Achhu	2450	2300	-150
Gulbarga	Other (Average)	2400	2375	-25
Mahalingapura	Penti (Average)	2625	2680	+55
Mandya	Achhu (Medium)	2350	2350	Unch
	Kurikatu (Medium)	2300	2200	-100
	Other (Medium)	2300	2300	Unch
	Yellow (Medium)	2300	2300	Unch
Shimoga	Achhu (Average)	2425	2465	+40

**Commodity: Sugar**  
**Contract: June**
**Exchange: NCDEX**  
**Expiry: June 20, 2012**
**SUGAR (June Weekly Chart)**

**Technical Commentary:**

- Prices are hovering in a trading range between Rs 2920 to Rs 2960, two consecutive close either side will give the prices a new direction.
- Prices might get resistance at 38.2% retracement levels as chart depicts.
- RSI is hovering near to neutral region.

**Strategy:** Buy towards entry level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	June	2854	2920	2939	2995	3027
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	June	Buy	Above 2940	2960	2970	2930

**Commodity: Gur**  
**Contract: July**
**Exchange: NCDEX**  
**Expiry: July 20, 2012**
**GUR (July Weekly Chart)**

**Technical Commentary:**

- Gur prices are moving upwards as the chart depicts.
- Prices are moving in a range between Rs 1185 to Rs 1225, two consecutive closes either side will give the prices a new direction.
- Prices are hovering in a downward channel
- RSI is hovering near to neutral region.
- 

**Strategy:** Sell from entry level.

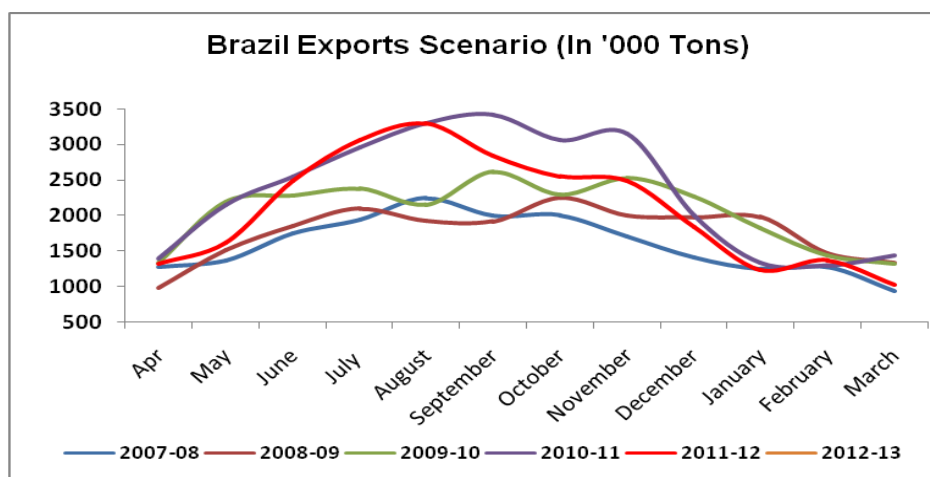
Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	July	1132	1142	1201.50	1252	1280
Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	July	<b>Sell</b>	Above 1205	1185	1175	1215

### International Scenario

International sugar prices declined during the week ended 4<sup>th</sup> May 2012. New crop starts in Brazil and removal of quantitative restrictions of sugar exports from Indian However, good sugar demand from China and port congestion in Brazil might support the prices of sugar in ICE as well as in LIFFE.

### International Market News Highlights:

- Archer consulting cuts its Brazil cane production estimate for the second time in a month to 508 million tons from 512 million tons for 2012-13 crop. However, Archer forecast higher sugar production ~32.51 million tons against previous forecast of 32.47 million tons.
- 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. It is notable that ISO predicts that China is likely to import 3 million tons of sugar in 2011-12.
- Brazil's cane crushing starts slowly in Center South region due to heavy rains. According to Unica, Crushing reached to 4.7 million tons and produced 152,000 tons of sugar till 15<sup>th</sup> April. However, last year at same period, Brazil produced 214,000 tons of sugar by crush of 6.99 million tons of sugarcane. It is notable that Brazil's 2012-13 sugar marketing year starts from 1<sup>st</sup> April.
- Brazil's main center-south sugarcane region had a slow start to its 2012-13 harvest last month but should gain speed in coming weeks.
- Continuous rains in Brazilian ports increase the port congestion as around 14% increase of ships that are waiting to load at present at ports.
- Brazil April sugar export declined 58% to 558400 tons, raw value, compared to last year same period. April sugar exports from Brazil also declined compared to 1.026 million tons export in March 2012.



International Sugar Prices (Weekly)				
	Contract Month	27-April-12	03-May-12	Change
ICE Sugar #11 (US Cent/lb)	May'12	21.22	20.65	-0.57
	Jul'12	21.21	21.07	-0.14
	Oct'12	21.63	21.88	+0.25
LIFFE Sugar (US \$/MT)	Aug'12	576.8	559.8	-17
	Oct'12	570.8	555.7	-15.1
	Dec'12	576.8	563.9	-12.9



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



**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.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Aug'12	559.8	575



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

**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.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	July'12	21.07	21.36

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