

Executive Summary:

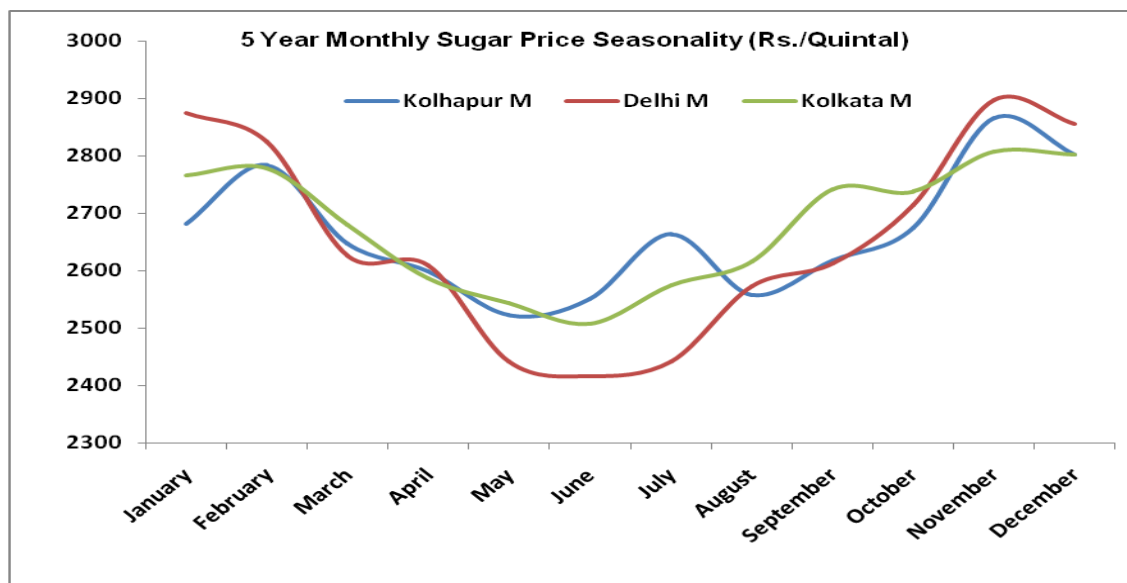
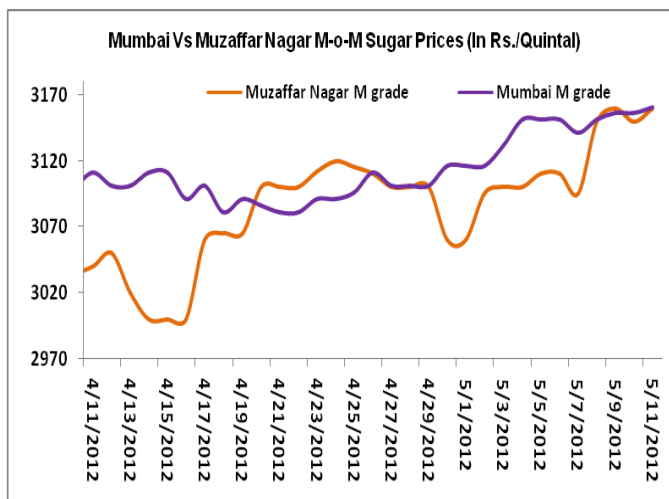
Sugar prices surged during the week ended 11th May 2012 in various key spot markets of sugar. Removal of export restrictions and increase in demand support the prices of sugar in spot markets.

Meanwhile, sugar demand is good from Kolhapur market at present. Weekly around 30 rakes of sugar has moved from Kolhapur market as reported.

Rakes business of sugar has been witnessed from Kolhapur to Punjab, Haryana, Delhi and Kolkata.

Recently, Government notifies its decision for allowing free exports of sugar for 2012-13. This means millers or exporters do not need to take permission to export sugar but exporters need to furnish details of the quantity of sugar exports. It is notable that this decision might help millers to clear Rs 10000 crore cane payment dues to farmers and might help to make some profitable trade.

We expect prices will move up in the coming week considering good demand of sugar by various consuming centers in the country supported by 5 year average sugar price seasonality chart.



News Highlights:

- Sugar industry is asking for removal of unlifted Levy sugar carry forward. It is notable that millers have to contribute 10% of its sugar output in PDS at subsidized rates ~Rs. 19 per kg annually. In case if government unable to lift the allocated levy sugar from millers in particular year then government carry forward the unlifted levy sugar for the next year which increase the burden on sugar mills for the next year.
- Maharashtra sugar production may decline to 8 million tons in 2012-13 from 2011-12 sugar production estimates of 8.9 million tons, according to news sources. Main reason for decline is the drop of cane acreage to 9 lac hectares from 10.22 lac hectares this year. Decline in acreage of sugarcane in Maharashtra is due to the area diversion towards soybean due to good remuneration. In addition, lesser irrigation facilities became the main reason for decline.
- Indian sugar prices are \$25 per ton above Aug LIFFE contract which means that export window for sugar is tight for Indian exporters.
- Government is likely to consider increasing sugarcane FRP prices soon. Recently, CACP has proposed 18% hike in sugarcane prices to Rs 170.65 per quintal for this season.

Sugar Export Opportunity:

Indian CIF prices to Indonesia ~606-670 are looking competitive compared to 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. However, Recent decline in LIFFE prices gives Brazilian exporters an edge over Indian exporters at present as Indian sugar export prices are \$20-25 per ton above Aug LIFFE contract.

It is noticeable that Brazilian new sugar arrivals hit the market in April that continuously 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 moved up to \$40 from \$27 per ton owing to recent Asian sugar demand from Indonesia. FOB price comparisons are mention in the table below:

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)	574.48	591.21	627.45
CIF up to Indonesia	606.16	632.94	669.29
	Brazil	Thailand	
FOB (USD/MT) (With Premium)	557.10	597.10	
CIF (USD/MT) (With Premium) up to Indonesia	622.77	618.89	

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

Meanwhile, a sugar cargo of around 15000 tons is loading at Vessel named Golden Bridge at Mumbai Port and is expected to complete on 15th May 2012.

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 4th 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)

	04-May-12	11-May-12	Change
Delhi M-30	3100	3170	+70
Delhi S-30	3075	3120	+45
Muzaffar Nagar M	3100	3160	+60
Mumbai M-30	3151	3161	+10
Mumbai S-30	2950	2991	+41
Kolhapur M-30	2950	2950	Unch
Kolhapur S-30	2850	2850	Unch
Kolkata M Variety	3090	3200	+110
Chennai S	2900	2920	+20
Vijayawada M-30	3250	3320	+70

Spot Market Technical Analysis (Kolhapur–Grade M)



Price Expectation for Kolhapur market for the coming week.

- Sugar Kolhapur prices moved in a range with firm tone during the week ended 11th May 2012.
- Prices hovering between 2820 to 2950, two consecutive closes 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.
- As per our previous price forecast, prices touched Rs. 3150 level in spot market.
- Prevailing fundamental factors also became bullish which also support the prices.
- We suggest market participants to buy sugar at Rs. 3150 level from spot markets and breach of Rs 3150 level might take the prices upto Rs. 3350 in couple of weeks.

Gur Market Scenario and Outlook

Gur prices are moving range bound with firm tone in various sourcing markets during the week ended 11th May 2012. Good demand of Chaku gur, increasing stock position of gur in the cold storages, and decreasing arrivals in the mandi kept the prices range bound.

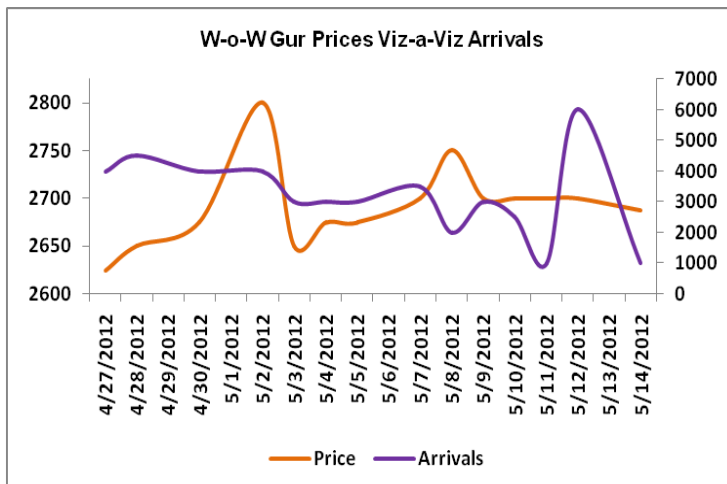
Meanwhile, Daily around 2500-2600 bags of Chaku gur is arriving in the market which is down from 3750 bags arrived last week.

Around 1415000 bags (40 kg each) has been stored in Muzaffar nagar cold storage till 14th May 2012 which are 50000 bags higher compared to last year same period stock position of gur.

Out of total gur stock position, there are around 949,000 of Chaku variety gur stored in Cold storage which are 36000 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 prices to trade range bound in the coming week.



Gur Spot Prices (Rs/Qtl)				
Markets	Variety	04-May-12	11-May-12	Change
Muzaffar Nagar	Chaku – New	2675	2700	+25
	Khurpa	2650	2650	Unch
	Laddoo	2825	2850	+25
Bangalore	Achhu	2700	2700	Unch
	Mudde	3000	3000	Unch
Belgaum	Mudde	2600	2700	+100
Belthangadi	yellow (Average)	3100	3100	Unch
Bijapur	Achhu	2300	2350	+50
Gulbarga	Other (Average)	2375	2325	-50
Mahalingapura	Penti (Average)	2680	2760	+80
Mandya	Achhu (Medium)	2350	2600	+250
	Kurikatu (Medium)	2200	2300	+100
	Other (Medium)	2300	2350	+50
	Yellow (Medium)	2300	2500	+200
Shimoga	Achhu (Average)	2465	2475	+10

Commodity: Sugar
Contract: June

Exchange: NCDEX
Expiry: June 20, 2012

SUGAR (June Weekly Chart)



Technical Commentary:

- Prices are moving sideways with weak tone as chart depicts.
- Prices are hovering in a trading range between Rs 2975 to Rs 2960, two consecutive close either side will give the prices a new direction.
- RSI is hovering near to oversold region.

Strategy: Sell towards entry level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	June	2854	2875	2902	2995	3027
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	June	Sell	Below 2910	2880	2865	2925

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

Technical Commentary:

- Gur prices are moving in a downward channel as the chart depicts.
- Prices have recently breach price range of Rs. 1189 to 1224, and its next objective would be Rs 1132 which also lying over 0% retracement level.
- RSI is moving down to oversold region from neutral region which also gives sell signal.
- Last candlestick called bearish morubozu candle gives sell signal.

Strategy: Sell from entry level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	July	1132	1142	1166.50	1189	1224
Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	July	Sell	Below 1172	1152	1142	1182

International Scenario

International sugar prices declined during the week ended 11th May 2012. Higher global sugar surplus estimate by ISO, increasing new Brazilian sugar crop and increased M-o-M sugar production in China put weight on sugar prices. However, recent increase in port congestion at Brazilian ports and slow pace of crushing of sugarcane in Brazil might offset the impact of bearishness in the prices of sugar in ICE as well as in LIFFE for the coming week.

International Market News Highlights:

- 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.
- 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 15th 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 1st April.
- 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.
- Brazil cane output concerns kept the ICE raw sugar future market trading in contango. Traditionally, ICE raw sugar futures traded in backwardation over new season of sugar starts in Brazil in April.
- China sugar production up in April month to 707,850 tons from 554,400 tons at same period last year.
- Standard Chartered Bank sees bearish in International sugar prices for short term and prices will move up after June. It is notable that factors like Brazilian new crop hit the market and India removed sugar export restrictions and good thai sugar exports figures kept the prices downwards in LIFFE markets.
- Sugar Output declined by 35% in Brazil till end of April owing to delay in cane crushing operation by mills in Brazil Sugar production declined to 389,400 tons between April 16 to 30 period from 603,500 tons sugar produced same period last year.
- Brazil sugar waiting for loading at ports rises 19% till yesterday owing to fresh sugar demand from Malaysia and Algeria. It is notable that Ships are waiting at ports to load around 108,000 tons of sugar to Malaysia while 103,350 tons to Algeria. Malaysia is buying sugar from Brazil rather from Thailand due to recent increase in white sugar premiums. As far as Indian sugar are concerned, mills are still waiting for notification of unrestricted sugar exports from government which will enable them to export at least 4 million tons of sugar in this MY 2011-12.
- ISO raises global sugar surplus forecast to 6.5 million tons for the current season ending Sept 3 2012 which is 25% up from its previous estimates. Earlier, ISO estimate 5.2 million tons of global sugar surplus for the current season in February.

International Sugar Prices (Weekly)				
	Contract Month	04-May-12	11-May-12	Change
ICE Sugar #11 (US Cent/lb)	May'12	20.81	20.22	-0.59
	Jul'12	21.18	20.62	-0.56
	Oct'12	21.99	21.54	-0.45
LIFFE Sugar (US \$/MT)	Aug'12	566.1	555.8	-10.3
	Oct'12	560.3	549	-11.3
	Dec'12	576.8	563.9	-12.9

LIFFE Future Market Sugar Scenario (Continuous Chart):



Technical Commentary:

- Prices are getting support from trendline.
- Prices hovering in a range between \$555 to 640, breach of mentioned levels either side will give the prices a new direction.
- Decrease in prices has not supported by volume.
- 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	555.8	575

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

Technical Commentary:

- ICE raw sugar futures are moving downwards 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 20.07 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	20.22	20.93

Disclaimer

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