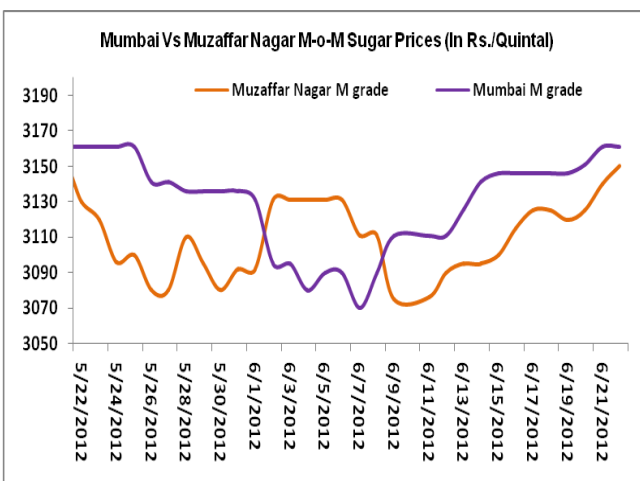


### Executive Summary:

Prices of sugar surged during the week ended 18th June 2012. Firm spot demand and increasing international sugar prices are the major influencing factors for recent increase in sugar prices.

As per Agriwatch estimates, cane acreage is up in states like Bihar, MP, UP and TN. However, considerable amount of decline witnessed in cane acreage in biggest sugar producing state Maharashtra for the coming year.

Sugar prices should take a downward correction from here on considering weakness in global sugar prices. Also, market is keeping an eye over next quarter sugar quota allocation which will decide the direction of sugar prices further.



### Domestic Outlook:

*Sugar prices are moving upwards but recent decline in international prices might weigh on the prices.*

### News Highlights:

- Industry demand to cut levy sugar quota from 10% to 5% to counter mounting losses of millers in India. It is notable that millers have to sell around 25-26 lac tons of sugar to government agencies at subsidized rates (~19 Rs per quintal) every year that is much lower than cost of production of sugar which increase the losses of millers.
- Shortage of trucks in Kolhapur line increase the freight rate by Rs 5 per bag which led the sugar prices up in Kolhapur center. In addition to it, fresh demand of sugar came from Assam and West Bengal influence the sugar prices in Kolhapur.
- Sugar cane area seems increase by 8-10% on an average in UP Y-o-Y owing to good cane remuneration to farmers compared to other competitive crops.
- Lack of rainfall in Gonda and Balrampur districts of UP hurting the cane crop which might resulted in decline in yield.
- Sugar output is likely to decline by 11% in main sugar producing state Maharashtra owing to drop in sugarcane acreage in the region following by drought-like situation in the state, according to news sources.
- Sugarcane acreage in Maharashtra state alone decline by 1-1.5 lac hectares for the coming marketing year which might depress the sugar output.
- In AP, standing crop of sugarcane is at vegetative to grand growth stage and the sown crops are at seedling to emergence stage. Over all the growth is satisfactory, according to AP state agriculture dep't.
- ISO forecast favorable sugar production in India for 2012-13. According to ISO, it is too early to project sugar production for 2012-13 with good accuracy.

**Sugar Export Opportunity:**

Indian export prices declined sharply this week owing to sharp depreciation in rupee. Meanwhile, Indian CIF prices to Indonesia ~546-596. are looking competitive compared to Thailand and Brazilian sugar CIF prices especially from Chennai and Kolhapur. However, export parity still does not exist from UP market due to higher transportation and labor charges compared to other domestic sourcing centers.

Meanwhile, Indian mills exported 3 lac tons of sugar till 15<sup>th</sup> June after the government lifted quantitative restrictions in early May,

Thai white sugar premium remains steady this week to \$25-\$30 as Thailand feels competition from Brazil and India. FOB price comparisons are mention in the table below:

Middle east countries are more aggressive in buying sugar for the upcoming ramazan festival. Increasing demand for white sugar might strengthen Thai white sugar premium as well as International sugar prices in LIFFE.

Comparative sugar prices from various sugar sourcing countries to Indonesia are mentioned in the table below:

Comparative Sugar FOB & CIF Prices (USD/MT) (\$=Rs.56.96)			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffar nagar M 30
FOB India (USD/MT) (With Premium)	531.95	544.24	581.99
CIF up to Indonesia	546.95	559.24	596.99
	Brazil	Thailand	Pakistan
FOB (USD/MT) (With Premium)	585.80	620.80	-
CIF (USD/MT) (With Premium) up to Indonesia	651.56	642.66	

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

**Sugarcane Sowing Intention:**

Sugarcane has been planted in 51.52 lac.hectares so far. Sugarcane has been planted in 1.38 lac.hectares. more than that in 2011-12, according to Pib.

**Spot Sugar Prices Scenario (Weekly)**

	15-June-12	22-June-12	Change
Delhi M-30	3115	3160	45
Delhi S-30	3080	3080	Unch
Muzaffar Nagar M	3100	3150	50
Mumbai M-30	3146	3161	15
Mumbai S-30	2966	2981	15
Kolhapur M-30	2925	2960	35
Kolhapur S-30	2850	2860	10

Kolkata M Variety	3170	3235	65
Chennai S	2920	2910	-10
Vijayawada M-30	3270	3320	50

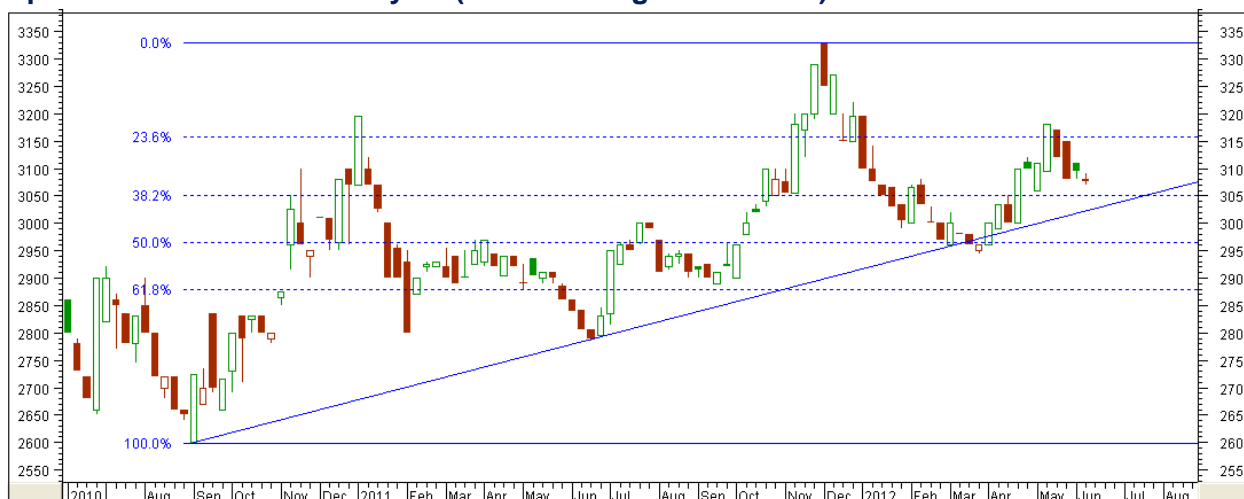
### Spot Market Technical Analysis (Kolhapur–Grade M)



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

- Sugar Kolhapur prices declined during the week ended 25<sup>th</sup> June 2012.
- Prices hovering between Rs.2800 to 2950, two consecutive closes either side will give the prices a new direction.
- Prices might rebound from lower trendline in the coming week keeping in view increasing sugar spot demand.
- Keeping in view prevailing fundamentals, we expect prices will move range bound with some firmness in the coming week. We suggest market participants to buy at Rs 2850 to 2875 level.

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



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

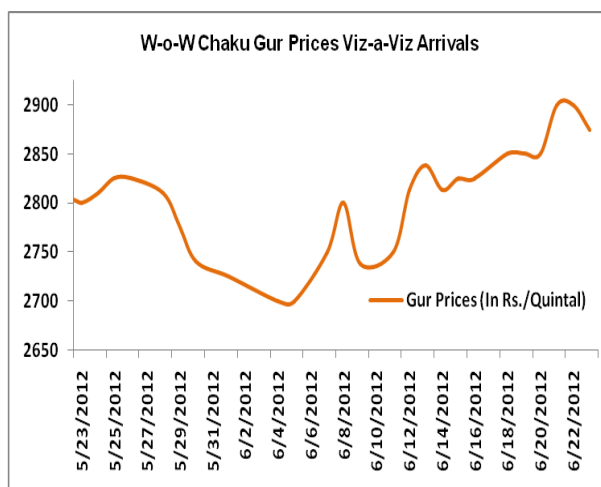
- Sugar prices in Muzaffar nagar market declined during the week.
- Prices are likely to test 38.2% retracement level or 3050 level.
- We suggest market participants to wait for some stabilization in sugar prices. We suggest market participants to buy sugar at Rs. 3050 to Rs. 3060 level.

### Gur Market Scenario and Outlook

Gur prices improved during the week ended 25<sup>th</sup> June 2012. Moderate demand and arrivals comes to an end now as reported by market sources which support the gur prices during the week.

Last week around 53000 bags of gur sold out from Cold storages which indicate good demand of gur which have led the prices up during last week in Muzaffar nagar spot mandi.

Demand of gur came from Rajasthan and UP centers. Presently, manufacturers process papdi and wet gur by adding sugar into it to make pedi and sell it into the market at Rs 3200 per quintal.



Around 1263000 bags (40 kg each) has been stored in Muzaffar nagar cold storage till 25<sup>th</sup> June 2012 which are 18000 bags higher compared to last year same period stock position of gur. Out of total gur stock position, there are around 869000 bags of Chaku variety and 149000 bags of Papdi variety gur stored in Cold storages.

	This week Off take
<b>Chaku</b>	27000
<b>Raskut</b>	8000
<b>Papdi</b>	11000
<b>Khurpa</b>	7000



<b>Total</b>	53000
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We expect prices should continue its bull run in the coming week due to good demand from Rajasthan and UP markets. In addition to it, expected monsoon rainfall in the couple of weeks might give considerable spike in gur prices.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	15-June-12	22-June-12	Change
Muzaffar Nagar	Chaku – New	2825	2900	75
	Khurpa	2775	2838	63
	Laddoo	2750	2850	100
Bangalore	Achhu	2675	2750	75
	Mudde	3000	3000	Unch
Belgaum	Mudde	3200	3200	Unch
Belthangadi	yellow (Average)	2800	2800	Unch
Bijapur	Achhu	3150	3200	50
Gulbarga	Other (Average)	2624	2618	-6
Mahalingapura	Penti (Average)	2320	2300	-20
Mandya\	Achhu (Medium)	2780	2880	100
	Kurikatu (Medium)	2450	2450	Unch
	Other (Medium)	2250	2250	Unch
	Yellow (Medium)	2350	2350	Unch
Shimoga	Achhu (Average)	2400	2350	-50

Commodity: Sugar  
Contract: Aug

Exchange: NCDEX  
Expiry: Aug 20, 2012

### SUGAR (Weekly Aug Contract Chart)



#### Technical Commentary:

- Sugar prices moving in a broad falling channel as chart depicts.
- Prices are moving in a falling channel and are hovering in trading range between Rs 2830 to Rs 2965 levels.
- RSI is moving near to neutral region.
- Last candlestick pattern suggests prices could not sustain at resistance level and short participants dominates at higher levels.

**Strategy:** Sell towards entry level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Aug	2830	2880	2926	2964	3000
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Aug	<b>Sell</b>	Between 2930-2934	2900	2884	2948

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

**Technical Commentary:**

- Gur prices are moving upwards as chart depicts.
- Prices are likely to hover in a trading range between Rs. 1128 to 1230, two consecutive closes either side would give the prices a new direction.
- RSI is moving up to neutral region.
- However, increase in prices has supported by Volume and OI.

**Strategy:** Buy from entry level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1128	1190	1196	1230	1260
Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Buy	Above 1200	1220	1230	1190

### International Scenario

International sugar prices have moved in a range with firm tone during the week ended 25<sup>th</sup> June 2012. Continuous rainfall in Brazil cane main cane belt and increasing sugar vessels at ports in Brazil support the prices of sugar last week. We expect prices are likely to remain firm in ICE as well as in LIFFE.

### International Market News Highlights:

- Czarnikow increase global sugar surplus to 8.4 million tons for 2011-12 from 7.8 million tons estimated in its first forecast.
- Brazil sugar production continuously lagging behind last year sugar production at same period due to wet conditions in the whole month of May resulted in delay in harvesting of sugarcane crop.
- China imported 256,940 tons of sugar in May 2012 up by 47% Y-o-Y. However, Chinese May sugar imports declined from 313,084 tons a month earlier. May sugar imports take the total sugar imports to 2.33 million tons in the first eight months which is up from 823,090 tons sugar imported by China last year till same period.
- FO Litch raised its global sugar production estimate by 1 million tons to 176.8 million tons, raw value. Estimated global production for 2011-12 is 11.1 million tons higher compared to 2010-11.
- Genetically modified sugarcane trial planting is likely to begin in October 2012 in Brazil. It is notable that GM variety is herbicides, pests and stem borer resistant.
- Brazilian sugar output declined by 26 percent since the start of the season in April till May. Brazilian mills produce 3.53 million tons of sugar in this period, according to report generated by UNICA. Unfavorable wet conditions in major cane belt slow the cane harvesting process. In addition to it, continuous rainfall reduces the sugar content from cane.
- Brazil sugar vessel line up increased by 1 to 68 compared to last week. Out of total 68 vessels, 48 vessels are waiting for loading sugar at Santos port. Wet weather conditions in the center south region slowed loading of bulk raws.

International Sugar Prices (Weekly)				
	Contract Month	14-June-12	21-June-12	Change
ICE Sugar #11 (US Cent/lb)	Jul'12	19.97	21.39	1.42
	Oct'12	19.51	20.79	1.28
	Mar'13	20.32	21.39	1.07
LIFFE Sugar (US \$/MT)	Aug'12	566.7	607.1	40.4
	Oct'12	540	569.1	29.1
	Dec'12	534.1	555.3	21.2

### LIFFE Future Market Sugar Scenario (October Contract):



### Technical Commentary:

- Prices rebound from support level as chart depicts.
- Prices hovering in a range between \$526 to 640, breach of mentioned levels either side will give the prices a new direction.
- Prices are moving in a falling channel and breach of the channel towards upward direction would take the prices up to \$600
- Increase in prices has supported by volume and OI.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'12	569.1	580

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

**Technical Commentary:**

- ICE raw sugar futures trying to rebound from support level.
- Increase in prices has supported by volume and OI.
- Last candlestick suggests bullishness in the prices.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'12	20.79	21.00

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