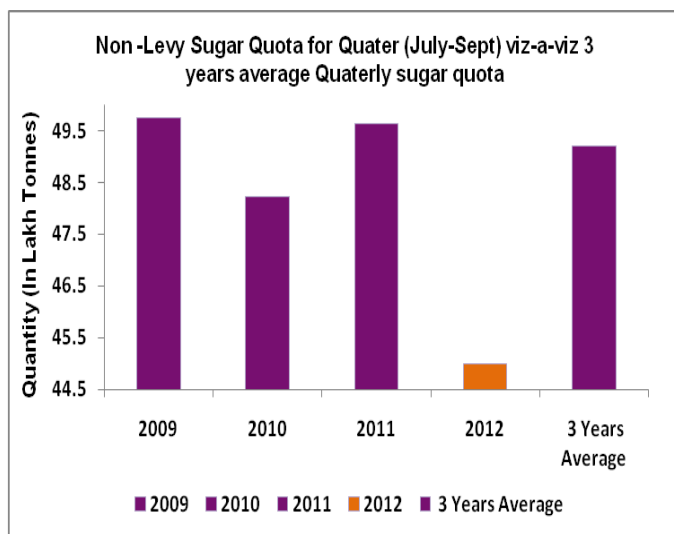
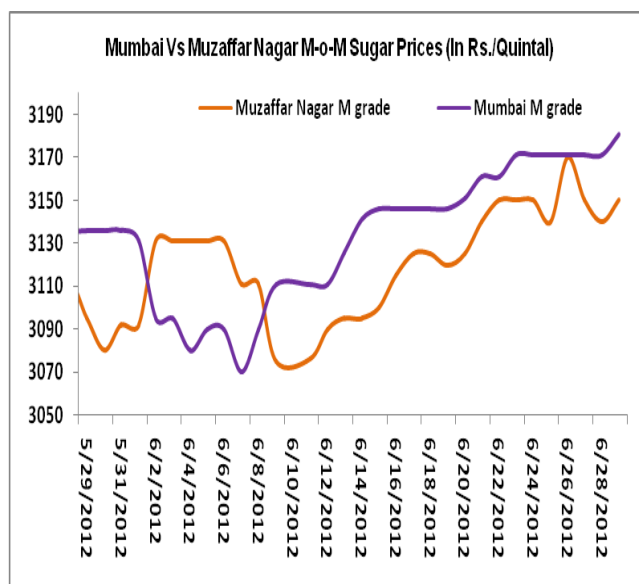


Executive Summary:

Prices of sugar surged during the week ended 2nd July 2012. Lower sugar quota for next quarter, delay monsoon affecting sugarcane crop and firm spot demand are the major influencing factors for recent increase in sugar prices.

Government allocates 45 lac tons total non-levy sugar quota for the quarter of July to September 2012 which is 9.3% lower compared to sugar quota released by government last year same quarter.

Meanwhile, Government release order with the condition that the sugar mills should sell and deliver / dispatch not less than 25% of the quarterly quota in each month of the quarter and that the remaining 25% can be sold and delivered / dispatched at any time during the quarter as per their commercial prudence.



Further, till date, for the quarter of July to September, 2012 the Government has released 4.64 lakh tons of levy sugar quota, which includes 1.07 lakh tons as quarterly levy sugar quota of FCI operated states and 1.74 lakh tons as levy quota for July, 2012 as well as 1.83 lakh tons as levy quota for August, 2012 for Direct Allottee States.

Present sugar quota seems balanced for the markets considering upcoming festival demand and would benefit the sugar millers as rising sugar prices in International markets give them opportunity to ship excess sugar to abroad.

We expect sugar prices will trade steady to firm in domestic markets considering good domestic as well as export demand. In addition to it, rupee depreciation and wet conditions in Brazil also support the prices of sugar in International as well as in Indian markets.

Domestic Outlook:

Sugar prices are moving upwards and likely to continue its bull run for medium term considering various upcoming festival seasons like Ramazan and Janmashtami.

News Highlights:

- Farmers associations from UP and Maharashtra unable to make a consensus over sugar decontrol issue. Farmers from Maharashtra standing in favor of decontrolling sugar industry. However, UP farmers opposed the decontrol issue. It is notable that a committee heading by C. Rangarajan have to submit its recommendations to prime minister next month over the sugar decontrol issue but committee asking to increase the time limit of submission of report from government as reported.
- Indian exporters find sugar shipments profitable trade due to delay in cane harvesting in Brazil which support the prices of sugar in LIFFE as well as in ICE markets. In addition to it, rupee depreciation gives boost to the profit margins to the sugar exporters at present.
- Sugar export registrations with DGFT crossed five lac tonnes mark. Around 3 lakh tons of sugar shipments already done till date.
- Maharashtra has received 52 percent lower rains below normal since the beginning of the monsoon season.
- Water reservoirs water levels were at 16 percent of capacity during the week ended June 28th due to weakening of monsoon precipitation. Last year, water levels in main reservoirs of India were at 27 percent of capacity. Water reservoirs are important for irrigation purpose for crops like wheat, rice, soy bean and sugarcane.
- ISMA estimate 25 million tons of sugar output in 2012-13 season which is 1 million tons lower compared to 2011-12. Lack of rainfall is expected to affect the cane yield in major cane growing belt like UP and Maharashtra.

Sugar Export Opportunity:

Indian export prices improved sharply this week owing to increase in spot prices supported by sharp appreciation in rupee. Meanwhile, Indian CIF prices to Indonesia ~605-668. 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 15th June after the government lifted quantitative restrictions in early May,

Thai white sugar premium remains steady this week to \$35 as Thailand feels competition from Brazil and India.

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)	573.50	603.61	626.43
CIF up to Indonesia	605.17	645.38	668.26
	Brazil	Thailand	Pakistan
FOB (USD/MT) (With Premium)	599.20	634.20	-
CIF (USD/MT) (With Premium) up to Indonesia	665.00	656.10	

* 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.

Around 9.38 lac hectares sugarcane area has been covered in Maharashtra which is 0.16 lac hectares higher compared to last year sugarcane sowed by growers in their respective fields. As far as crop condition is concerned, it is normal. However, as per feedback received by Agriwatch from Private trade does not confirmed the data released by Directorate of Sugarcane Development as on 27-6-2012.

Also, sugarcane acreage increased in UP compared to last year with 24.25 lac hectares area has been covered by sugarcane this year which is up from 22.51 lac hectares area covered with sugarcane in UP last year. Better remuneration and timely payment encourage the farmers to plant more sugarcane in their respective fields for 2012-13 season.

Spot Sugar Prices Scenario (Weekly)

	22-June-12	29-June-12	Change
Delhi M-30	3160	3180	+20
Delhi S-30	3080	3110	+30
Muzaffar Nagar M	3150	3150	Unch
Mumbai M-30	3161	3181	+20
Mumbai S-30	2981	3026	+45
Kolhapur M-30	2960	2975	+15
Kolhapur S-30	2860	2875	+15
Kolkata M Variety	3235	3230	-5
Chennai S	2910	2950	+40
Vijayawada M-30	3320	3350	+30

Spot Market Technical Analysis (Kolhapur–Grade M)



Price Expectation for Kolhapur market for the coming week.

- Sugar Kolhapur prices moving up during the week ended 2th July 2012.
- Prices recently breach short trading rectangle i.e. 2850 to 2950 and prices are heading towards Rs 3100 level.
- Last candlestick pattern morubozu suggests bullishness in the prices.
- Keeping in view prevailing fundamentals, we expect prices will move up in the coming week. We suggest market participants to buy at Rs 3000 level.
-

Spot Market Technical Analysis (Muzaffar Nagar –Grade M)



Price Expectation for Muzaffar Nagar market for the coming week.

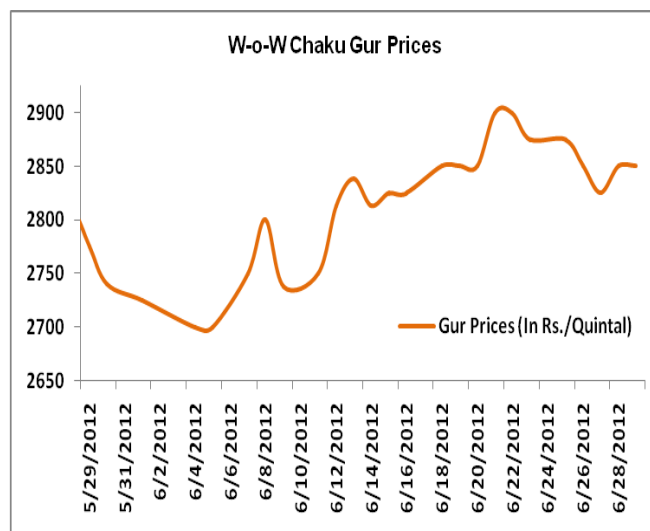
- Sugar prices in Muzaffar nagar market moved range bound during the week.
- Prices are likely to test 61.8% retracement level or 3200 level.
- We suggest market participants to buy sugar at Rs. 3050 to Rs. 3060 level.

Gur Market Scenario and Outlook

Gur prices declined during the week ended 2th July 2012. Delay in rainfall and high temperature results in lackluster trade which kept the prices of gur steady to weak.

Last week around 49000 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 1214000 bags (40 kg each) has been stored in Muzaffar nagar cold storage till 2th July 2012 which are 20000 bags higher compared to last year same period stock position of gur. Out of total gur stock position, there are around 840000 bags of Chaku variety and 140000 bags of Papdi variety gur stored in Cold storages.

	This week Off take
Chaku	29000
Raskut	7000
Papdi	9000
Khurpa	2375
Total	49000

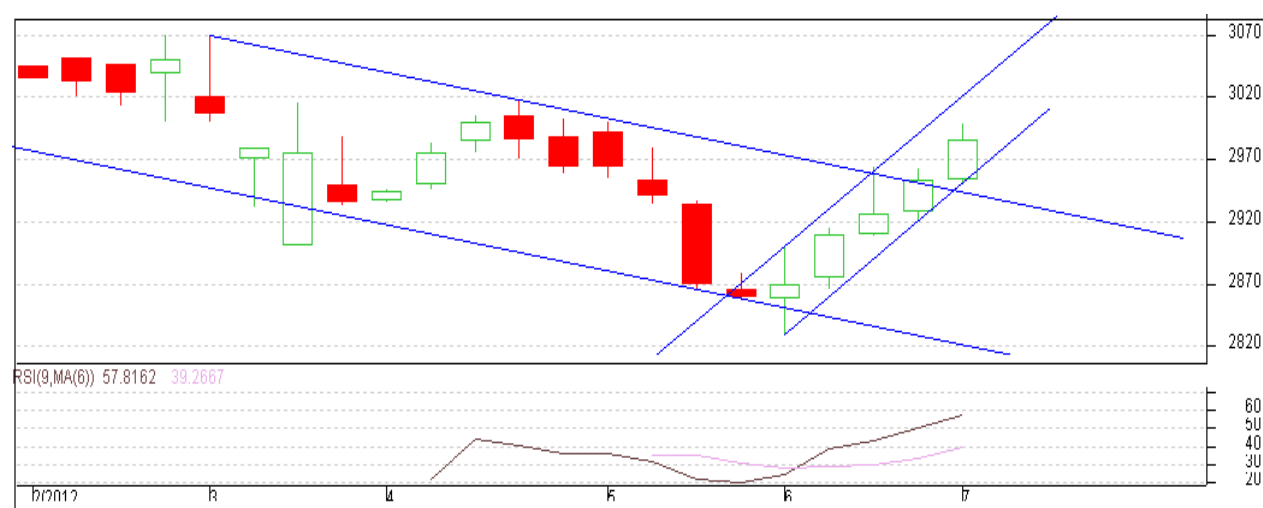
We expect prices should move range bound with weak tone until any sign of precipitation. However, expected monsoon rainfall in the couple of weeks might give considerable spike in gur prices.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	22-June-12	29-June-12	Change
Muzaffar Nagar	Chaku – New	2900	2850	-50
	Khurpa	2825	2825	Unch
	Laddoo	2850	2900	+50
Bangalore	Achhu	2750	2750	Unch
	Mudde	3000	2900	-100
Belgaum	Mudde	3200	3100	-100
Belthangadi	yellow (Average)	2800	2800	Unch
Bijapur	Achhu	3200	2800	-400
Gulbarga	Other (Average)	2618	2605	-13
Mahalingapura	Penti (Average)	2601	2315	-286
Mandya\	Achhu (Medium)	2880	2880	Unch
	Kurikatu (Medium)	2450	2450	Unch
	Other (Medium)	2250	2250	Unch
	Yellow (Medium)	2350	2300	-50
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 short upward channel as chart depicts.
- RSI is moving near to neutral region.
- Last candlestick pattern suggests bullishness in the prices.

Strategy: Sell towards entry level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Aug	2920	2945	2993	3015	3070
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Aug	Sell	Below 3000	2970	2955	3015

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. 1210 to 1260, two consecutive closes either side would give the prices a new direction.
- RSI is moving up to neutral region.
- However, decrease in prices with volume and OI suggests profit booking from resistance level.

Strategy: Book Profits

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1195	1210	1237.5	1260	1340
Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Sell	Below 1235	1220	1213	1242

International Scenario

International sugar prices have moved in a range with weak tone during the week ended 02nd July 2012. However, Continuous rainfall in Brazil cane main cane belt and increasing sugar vessels at ports in Brazil support the prices of sugar in the coming week as expected. We expect prices are likely to remain firm in ICE as well as in LIFFE.

International Market News Highlights:

- Brazil millers produce 4.89 million tons of sugar till 15th June 2012 down by 28% compared to last year same period. Continuous rainfall in major cane belts put hurdles in cane harvesting process. In addition to it, continuous rainfall reduces the sugar content from cane. According to Brazil Industry association UNICA, widespread rainfall has slowed harvesting process which means still ample amount of cane crush still left in the second half of the season.
- Brazil sugar is waiting to load on vessel increases this week to 70 from 60 a week ago. Source: Reuters.
- Dataagro project Brazil would produce 508.7 million tons of cane output in 2012-13 against 493.3 million tons cane output in 2011-12.

International Sugar Prices (Weekly)				
	Contract Month	21-June-12	28-June-12	Change
ICE Sugar #11 (US Cent/lb)	Jul'12	21.39	21.21	-0.18
	Oct'12	20.79	20.53	-0.26
	Mar'13	21.39	21.12	-0.27
LIFFE Sugar (US \$/MT)	Aug'12	607.1	599.2	-7.9
	Oct'12	569.1	562	-7.1
	Dec'12	555.3	548.8	-6.5

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.
- White sugar prices had recently breach 50% retracement level which gives a breakout signal.
- Prices are likely to test 61.8% retracement level in the coming week.
- Increase in prices has supported by OI.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'12	562	594

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



Technical Commentary:

- ICE raw sugar futures moved up sharply during the week ended 2nd July 2012.
- Increase in prices has supported by volume and OI.
- Prices are testing 50% retracement level, breach of mentioned level would give break out signal.
- 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	20.53	22.00

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