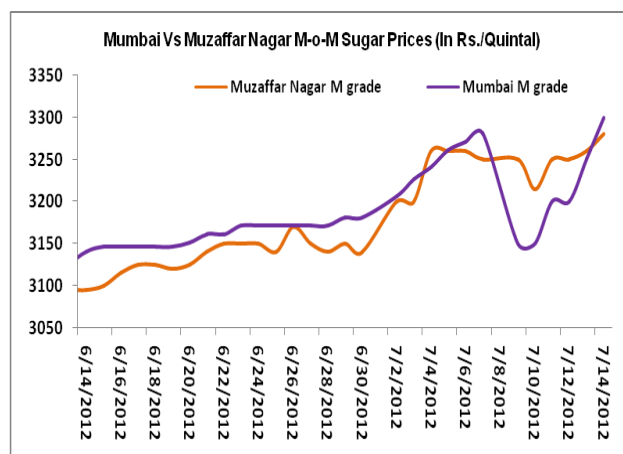


### Executive Summary:

Prices of sugar surged sharply during the week ended 23<sup>rd</sup> July 2012. Increase in cane prices and firm spot as well as export demand of sugar led the sugar prices upwards. In addition to it, delay in monsoon affecting yield of standing sugarcane crop became major influencing factors of rise in sugar prices.

We expect sugar prices will trade steady to firm in domestic markets considering good domestic as well as export demand. In addition to it, firm international cues also support the prices of sugar in International as well as in Indian markets.



### Domestic Outlook:

Sugar prices are likely to stay in Bull Run in the coming days keeping in view good spot demand supported by firm international cues and lack of rainfall in sugarcane belt in India.

### News Highlights:

- Empowered Committee on Economic Affairs (CCEA) has increased Fair and Remunerative Price (FRP) to Rs170/quintal for 2012-13 from Rs 145/quintal last year. CCEA has raised the statutory minimum price for sugarcane by 17.25% to pay off farmers for rising cultivation costs. Increased FRP may not cover entire cost of production (especially labour and diesel costs) due to this farmers may suffer from losses. Sugarcane producers wait for the state advised price (SAP) is announced later by Uttar Pradesh, Punjab and Tamil Nadu, the FRP as its base.
- According to Agriculture department of Rajasthan Sugarcane has been planted in 5.4 thousand hectares so far. Sugarcane has been planted in 0.3 thousand hectares less than that in 2011-12.
- Futures of Indian sugar rose higher due to poor monsoon in main crop growing region of Maharashtra. Also, heavy rains have affected the world's biggest sugarcane producer, Brazil. In which ports are heavy facing congestion. Market is following bullish trend. There have been rains for past few days which could bring some relief in the crop but the damage in has already been done.
- Scanty rainfall hit sugarcane crop in Maharashtra resulted in lower sugarcane production by 15% from last year. Crop available for crushing will drop to 65mt compared to 77.1mt last year. Average recovery of sucrose is expected to decline to 11.50% in 2012-13 compared to 11.65% last year. If situation gets worse than it would be difficult for some millers to go for crushing in the coming season.
- Government has imposed 10% import duty on sugar keeping in view higher sugar output over consumption for the coming year. It is notable that zero import duty on sugar has expired on June 30<sup>th</sup> 2012.

### 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 ~680-752 are facing tough competition from Thailand and Brazilian sugar CIF prices.

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

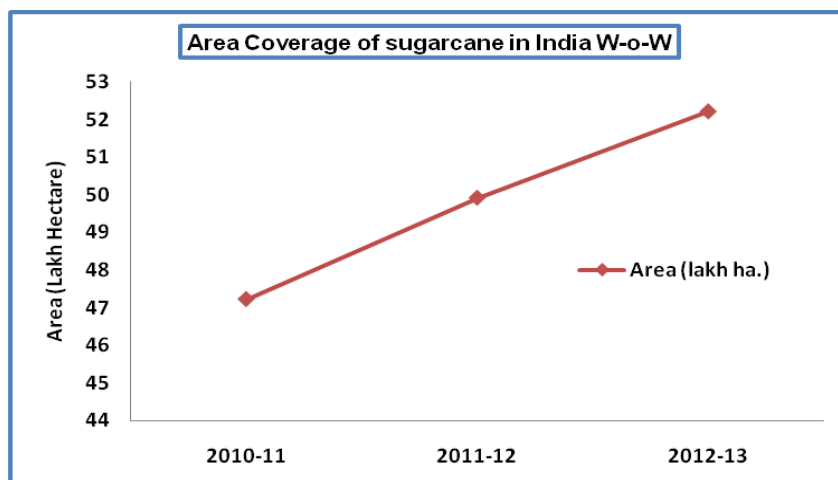
Comparative Sugar FOB & CIF Prices (USD/MT) (\$=Rs.55.00)			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffar nagar M 30
FOB India (USD/MT) (With Premium)	648.64	674.09	710.45
CIF up to Indonesia	680.54	716.07	752.54
	Brazil	Thailand	Pakistan
FOB (USD/MT) (With Premium)	636.30	666.30	-
CIF (USD/MT) (With Premium) up to Indonesia	702.21	688.30	

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

India has exported 2.5 million tons of sugar till this month from the season starting from Oct 2011. It is notable that around 5 lac tons of sugar shipment is still in the pipeline. Out of total 2.5 million tons sugar exports, 5 lac tons of sugar has exported in the last two months as reported.

### Sugarcane Sowing Intention:

Sugarcane has been planted in 52.81 lac.hectares so far. Sugarcane has been planted in 2.02 lakh hectares more than that in 2011-12. (Source: Pib)



Recently, Government of India has increased sugarcane production estimate for 2011-12 to 357.67 million tons in its fourth advance estimate up from 351.1 million tons estimated by government in its third advance estimate. Increase in sugarcane estimate by government might offset the impact of recent bullishness in the sugar prices.

### Spot Sugar Prices Scenario (Weekly)

	13-July-12	20-July-12	Change
Delhi M-30	3260	3425	165
Delhi S-30	3210	3380	170
Muzaffar Nagar M	3260	3580	320
Mumbai M-30	3311	3471	160
Mumbai S-30	3196	3411	215
Kolhapur M-30	3250	3400	150
Kolhapur S-30	3150	3300	150
Kolkata M Variety	3300	3450	150
Chennai S	3270	3350	80
Vijayawada M-30	3500	3640	140

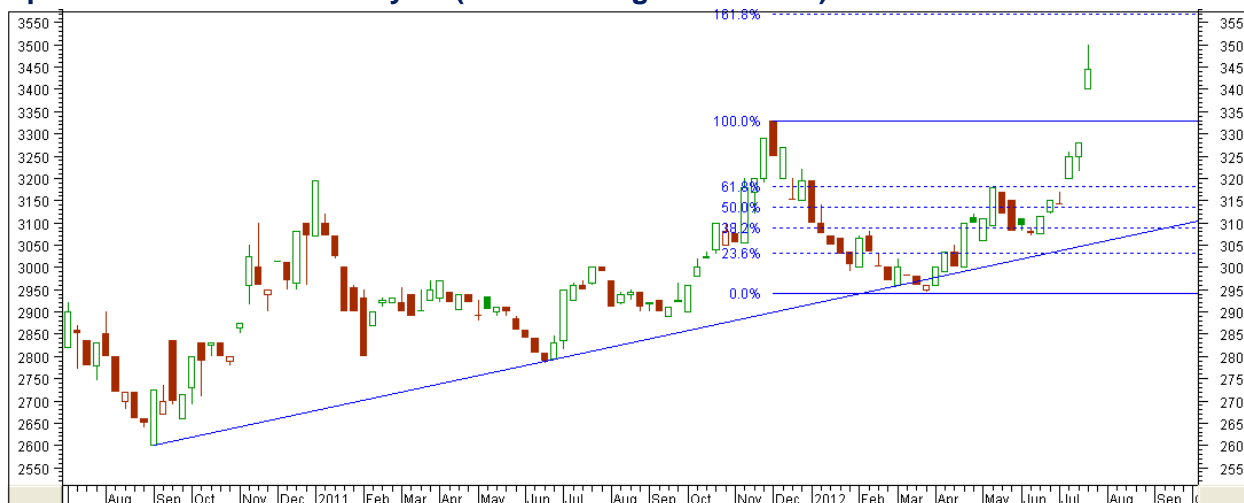
### Spot Market Technical Analysis (Kolhapur–Grade M)



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

- Sugar Kolhapur prices moving up during the week ended 20<sup>th</sup> July 2012.
- Prices recently breach broad trading range between Rs. 2800 to Rs 3200 level and likely to remain in the firm tone
- 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 hold sugar at prevailing price levels.

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



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

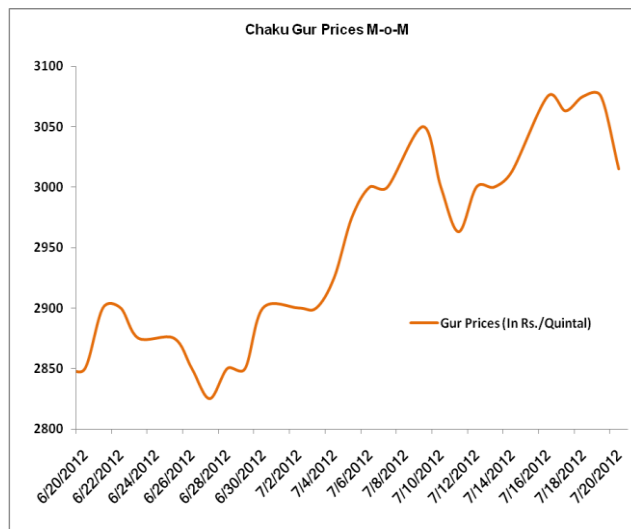
- Sugar prices in Muzaffar nagar market moved upwards during the week.
- Prices have recently breach 100% retracement level and likely to continue its bull run.
- We suggest market participants to hold sugar and likely to make profit booking at Rs 3550 level.

### Gur Market Scenario and Outlook

Gur prices are moving range bound with weakness during the week ended 23<sup>th</sup> July 2012. Weak offtake and lack of rainfall in UP put breaks on overall bullishness in the gur prices.

Last week around 28000 bags of gur sold out from Cold storages, which was lesser than previous year.

Around 1120000 bags (40 kg each) has been stored in Muzaffar nagar cold storage till 16<sup>th</sup> July 2012 which are 57000 bags higher compared to last year same period stock position of gur. Out of total gur stock position, there are around 778000 bags of Chaku variety and 128000 bags of Papdi variety gur stored in Cold storages.



	This week Off take (In Bags)
Chaku	18000
Raskut	4000
Papdi	5000
Khurpa	1000
Total	28000

Dull demand of gur in Muzaffar nagar mandi led the gur prices down last week. However, overall trend of gur is bullish as increase in cane prices and depleting stocks of gur in cold storages likely to drag the gur prices in the coming week.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	13-July-12	20-July-12	Change
Muzaffar Nagar	Chaku – Sukha	3000	3015	15
	Khurpa	2963	2950	-13
	Laddoo	3100	3100	Unch
Bangalore	Achhu	2888	2950	62
	Mudde	3200	3000	-200
Belgaum	Mudde	3100	3050	-50
Belthangadi	yellow (Average)	2900	3000	100
Bijapur	Achhu	2800	2800	Unch
Gulbarga	Other (Average)	2690	2950	260
Mahalingapura	Penti (Average)	2650	2900	250
Mandya\	Achhu (Medium)	2880	2880	Unch
	Kurikatu (Medium)	2650	2550	-100
	Other (Medium)	2300	2300	Unch
	Yellow (Medium)	2400	2450	50
Shimoga	Achhu (Average)	2550	2500	-50

Commodity: Sugar  
Contract: Aug

Exchange: NCDEX  
Expiry: Aug 17, 2012

### SUGAR (Weekly Aug Contract Chart)



#### Technical Commentary:

- Sugar prices are moving upwards 161.8% retracement level or Rs. 3220 price level.
- RSI is moving at overbought region.
- However, last candlestick pattern suggests bullishness in the prices.

**Strategy:** Buy towards entry level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Aug	3358	3338	3355	3395	3410
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Aug	Buy	Above 3335	3342	3340	3330

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

**Technical Commentary:**

- Candlestick prices reveals range bound movement in the market.
- Prices closed above 9 days and 18 days EMAs indicates to bullish sentiment in the market.
- RSI is moving up near to overbought region, which might take correction in near term.
- Decrease in prices with higher OI indicates to short build up in the market.

**Strategy:** Buy above entry level

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1269	1283	1315	1316	1326
Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Buy	Above 1286	1314	1327	1272

**International Scenario**

International white and raw sugar moved range bound with firm tone last week. Prices are likely to stay in trading range until dry weather situation made in Brazil's center south region that would increase the pace of crushing as well as inflow of Brazilian sugar in global market, which could ease the prices of sugar in ICE as well as LIFFE.

**International Market News Highlights:**

- Sugar which has struck at the Brazilian port rises 9.5% on shipment for China. Due to heavy rains in Brazil, port has been congested for past many days; it has delayed in the harvesting of crops which would reduce the sucrose content in the sugarcane. These delays could cause further accelerate prices in the International markets.

- Chinese demand, which has been strong, is likely to weaken in the coming days due to higher sugar imports by China. It is notable that China imported 2.33 million tons of sugar in first eight months up from 0.82 million tons in same period previous year.

International Sugar Prices (Weekly)				
	Contract Month	12-July-12	19-July-12	Change
ICE Sugar #11 (US Cent/lb)	Oct-12	22.46	23.25	0.79
	Mar-13	22.93	23.58	0.65
	May-13	22.76	23.2	0.44
LIFFE Sugar (US \$/MT)	Oct-12	608.4	636.3	27.9
	Dec-12	592.7	613	20.3
	Mar-13	598.4	614.1	15.7

### 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.
- As per our previous week expectation, prices recently test \$620 level. This week we expect prices are likely to continue its bull run and would test upper resistance level in the coming week.
- However, Increase in prices has not supported by volume which clearly indicates lack of confidence among long market participants.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'12	636.3	660

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

**Technical Commentary:**

- ICE raw sugar futures moved up sharply during the week ended 23<sup>th</sup> July 2012.
- Increase in prices has not supported by volume and OI.
- Prices are breach 50% retracement level that confirms 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	23.25	24.71

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