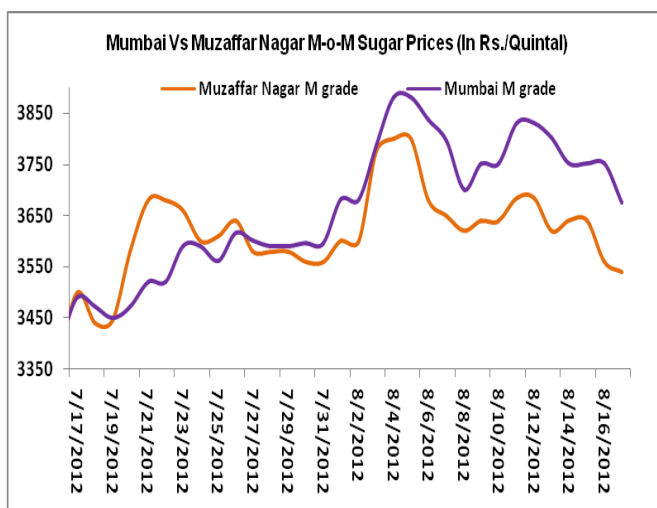


### Executive Summary:

Sugar prices fell sharply in key spot markets during last week ended 20<sup>th</sup> August 2012. Weak demand and additional sugar released by government in the open market increase the availability of sugar hence had pressurized the prices of sugar. In addition to it, continuous decline of sugar prices in International arena encourage the short participants.

Meanwhile, government has released additional 4.2 lac tons of sugar in open market to curb the rising prices of sugar. It also increases the sugar margin to 10% in NCDEX platform to put some breaks on the prices.



### Domestic Outlook:

Considering the upcoming festival demand and 2 to 2.5 months still left for start of cane crushing operations for the marketing year 2012-13, we expect prices are likely to stay range bound for the coming week. However, any change in government policies in future would decide the prices direction of sugar.

### News Highlights:

- Uttarakhand government waived off 2 percent VAT on sugar mills giving relief to loss making mills.
- Government is considering of imposing tax on export and reduction of 10% import duty to curb exports to keep in check rising domestic prices.
- Government decided to release additional 4.2 lakh tonne of sugar in open market sale to control rising prices.
- Sugarcane sowing progress, planted in 52.88 lakh ha. so far. Plantation has been done in 2.29 lakh ha. more than previous year 2011-12.
- According to ISMA (Indian Sugar Miller Association), Sugar output would far exceed demand in 2012-2013 despite poor rains.
- Sugar prices are coming down on week offtake of sugar as traders fear further interference by government despite festive demand.
- Monsoon is 19 percent below average since June 1<sup>st</sup> 2012-13. It is noticeable that major sugarcane producing states like Maharashtra, Karnataka and Gujarat are facing drought like situation that might affect the cane yield as well as sugar for the coming marketing year.

### Sugar Export Opportunity:

Indian export prices declined 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 Brazilian sugar CIF prices. It is notable that millers are now find domestic sales more profitable than exports. Sugar prices in spot markets increased like anything during couple of months due to speculation. Prices of sugar which was traded at Rs 3100 per quintal in June is now trading at Rs. 3550-3600 per quintal in Muzaffar nagar markets.

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

Comparative Sugar FOB & CIF Prices (USD/MT) (\$=Rs.55.74)			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffar nagar M 30
FOB India (USD/MT) (With Premium)	673.41	665.34	682.38
CIF up to Indonesia	705.39	707.29	724.39
	Brazil	Thailand	Pakistan
FOB (USD/MT) (With Premium)	559.50	-	-
CIF (USD/MT) (With Premium) up to Indonesia	625.18	-	-

\* 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.

### Spot Sugar Prices Scenario (Weekly)

	11-Aug-12	17-Aug-12	Change
Delhi M-30	3670	3610	<b>-60</b>
Delhi S-30	3600	3600	<b>Unch</b>
Muzaffar Nagar M	3685	3540	<b>-145</b>
Mumbai M-30	3831	3676	<b>-155</b>
Mumbai S-30	3656	3546	<b>-110</b>
Kolhapur M-30	3600	3500	<b>-100</b>
Kolhapur S-30	3500	3400	<b>-100</b>
Kolkata M Variety	3780	3625	<b>-155</b>
Chennai S	3775	3575	<b>-200</b>
Vijayawada M-30	4180	4050	<b>-130</b>

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



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

- Sugar Kolhapur prices came down during the week ended 20<sup>th</sup> August 2012.
- Last candlestick pattern black Morubozu suggests bearishness in the prices
- Keeping in view prevailing fundamentals, we expect prices should move range bound with weak tone. We suggest market participants to stay away from the market at present due to high volatility.

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



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

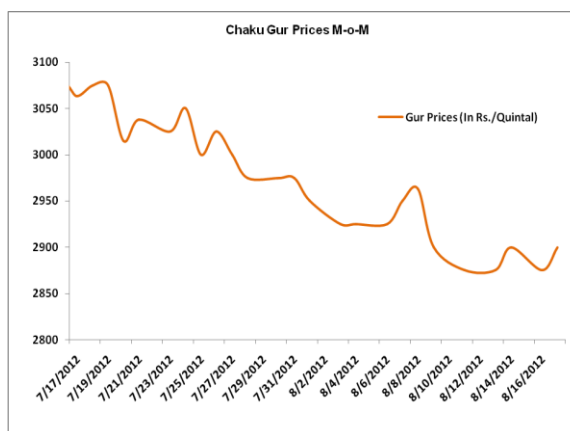
- Sugar prices in Muzaffar nagar market moved downwards during the week.
- RSI is moving from overbought region towards neutral region.
- We suggest market participants to stay away from the market at present due to high volatility.

### Gur Market Scenario and Outlook

Gur prices are moving range bound with weak tone during the week ended 20<sup>th</sup> August 2012. Dull offtake kept the prices at bearish trend.

Last week around 68718 bags of gur sold out from Cold storages, which was lesser than previous year.

Around 916282 bags (40 kg each) of Gur has been stored in Muzaffar nagar cold storage till 13<sup>th</sup> August 2012, which are 26282 bags higher compared to same period in last year, stock position. Out of total gur stock position, there are around 648896 bags of Chaku variety gur stored in Cold storages.



	<b>This week Off take (In Bags)</b>
<b>Chaku</b>	44104
<b>Raskut</b>	-
<b>Papdi</b>	-
<b>Khurpa</b>	-
<b>Total</b>	68718

Dull demand of gur in Muzaffar nagar mandi led the gur prices down last week. We expect prices are likely to remain range bound in the coming week.

<b>Gur Spot Prices (Rs/Qtl)</b>				
<b>Markets</b>	<b>Variety</b>	<b>11-Aug-12</b>	<b>17-Aug-12</b>	<b>Change</b>
Muzaffar Nagar	Chaku – Sukha	2875	2900	25
	Khurpa	2800	2850	50
	Laddoo	2700	2800	100
Bangalore	Achhu	2800	2838	38
	Mudde	3000	3000	Unch
Belgaum	Mudde	3100	3100	Unch
Belthangadi	yellow (Average)	3000	3400	400
Bijapur	Achhu	3000	2900	-100
Gulbarga	Other (Average)	2745	2720	-25
Mahalingapura	Penti (Average)	2950	3450	500
Mandya\	Achhu (Medium)	3110	2900	-210
	Kurikatu (Medium)	2500	2450	-50
	Other (Medium)	2300	2300	Unch
	Yellow (Medium)	2350	2350	Unch
Shimoga	Achhu (Average)	2450	2400	-50

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

**Technical Commentary:**

- Sugar prices are moving in a range as chart depicts.
- Last candlestick depicts prices tried to breach the upper KC line but rebound after testing which indicates prices should move up in the coming week.
- RSI is moving at overbought region.
- Rs 3390 is acting as a strong support level and prices are moving in a range between Rs 3390 to Rs 3608, two consecutive closes either side would give the prices a new direction.

**Strategy:** Buy towards entry level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Sept	3268	3365	3474	3678	3678
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Sept	Buy	Above 3485	3535	3560	3460

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

**Technical Commentary:**

- Gur prices are moving down as chart depicts.
- RSI is moving up near to neutral region.
- Morning star pattern could be seen on the charts in the coming week.
- Prices are likely to test Rs 1240 in the coming week as expected.

**Strategy: Buy**

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1127	1190	1210	1260	1280
Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Buy	Above 1210	1240	1255	1195

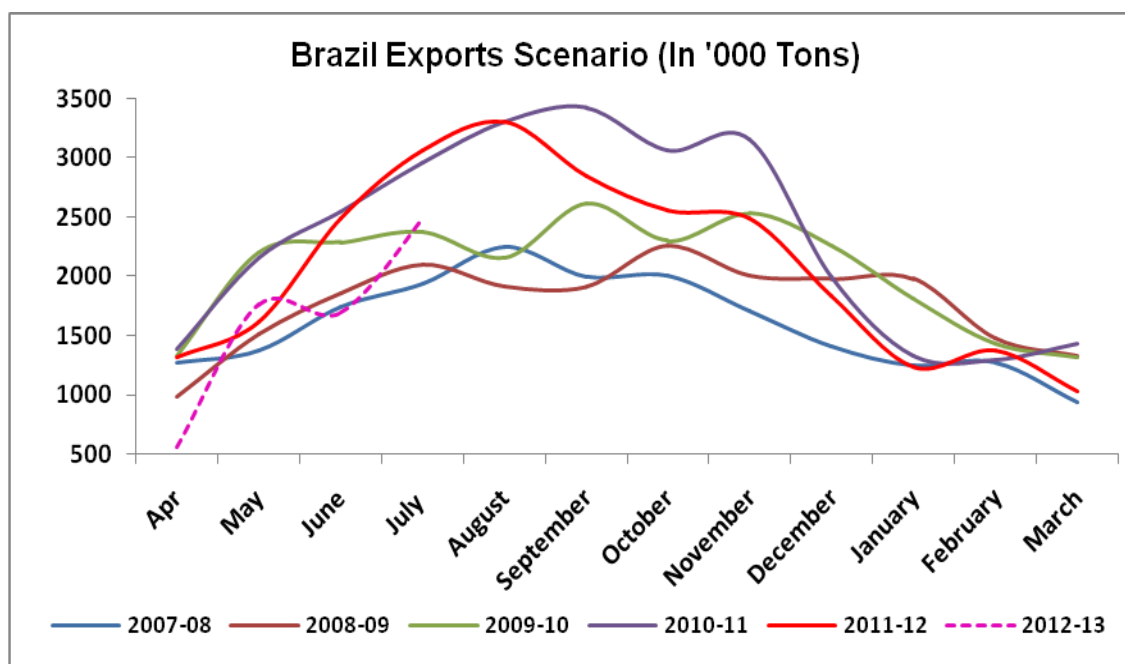
### International Scenario

International white and raw sugar moved range bound with weak tone last week. Prices are likely to stay in trading range as 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. In addition to it, increasing sugar exports from Brazil M-o-M and unexpected sugar exports from India might increase the supply of sugar in the global markets.

Also, port congestion at main Brazilian ports like Santos and Paranagua ease down by 9.4 percent. Around 2.5 million tons of sugar are waiting at ports to load to various destinations. Out of 2.5 million tons, around 1,63,000 tons of sugar is heading towards India as it makes sense to import sugar from other destinations due to recent spike in Indian sugar spot prices. Raw sugar Imports might be done by major sugar refiners like Renuka Sugars to export it later.

### International Market News Highlights:

- Conab lowers Brazilian 2012-13 sugarcane crop estimate to 596.63 million tons from an April estimate of 602.18 million tons. However, despite of decrease in cane output estimate by Conab, it is still higher by 6.5% Y-o-Y.
- Center South sugarcane crush increased to 46.27 million tons in July which is 10.8% higher than the 41.77 million tons crushed in the same period a year ago.
- Brazil produced 5.97 million tons sugar, raw value, in July 2012 that is up from 5.39 million tons produced in July 2011.
- China has diverted around 50000 tons of sugar towards India, Dubai and Indonesia to avoid access supply. It is notable that China imports surged to 170 percent in the first half of the year as sugar prices in China surged like anything.
- Brazil exported 2.489 million tons of sugar, raw value, up from 1.692 million tons in June but lower from 3.06 million tons sugar exported last year same period. It is noticeable that Brazil is likely to increase export in the coming months keeping in view higher sugar production compared to last year. In addition to it, Brazil has exported only 6.5 million tons of sugar this year till July which was 8.48 million tons last year same period.



International Sugar Prices (Weekly)				
	Contract Month	10-Aug-12	17-Aug-12	Change
ICE Sugar #11 (US Cent/lb)	Oct-12	20.74	20.15	-0.59
	Mar-13	21.23	20.93	-0.3
	May-13	20.9	20.86	-0.04
LIFFE Sugar (US \$/MT)	Oct-12	578.5	559.5	-19
	Dec-12	562	554.6	-7.4
	Mar-13	565.3	560.6	-4.7

### 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.
- However, Increase in prices has not supported by OI which clearly indicates short covering occurs from support level.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'12	559.5	585



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

**Technical Commentary:**

- ICE raw sugar futures prices are trying to rebound from support level.
- Increase in prices has not 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	20.15	20.80

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