

Sugar Price Trend and Outlook:

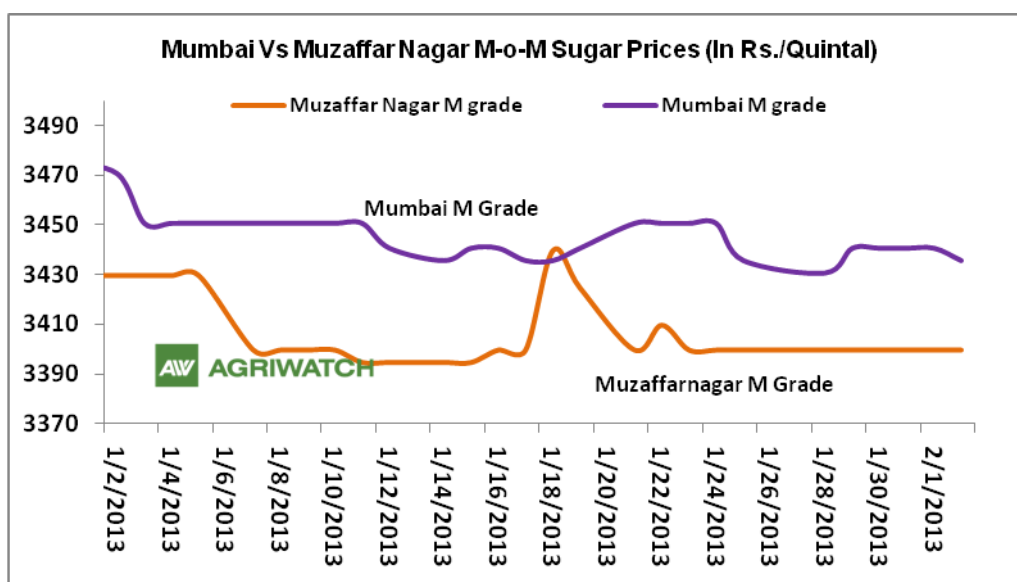
Sugar prices falling like anything during the month ended January 2012.

Recently, government intention not to increase sugar import duty on both raw and white sugar also broke the market sentiments.

Meanwhile, government is thinking to give some respite to the millers by announcing some policy changes like time extension for sugar quota, non-conversion of unsold sugar into levy sugar. In addition to it, thinking to decontrol sugar industry before budget.

However, presently strong Rupee and weak international prices of sugar increase the opportunity for local sugar refineries to import raw sugar from Brazil which dampen the sugar prices in domestic arena.

Till date around 9.19 lac tons of sugar has already imported from Brazil as reported.

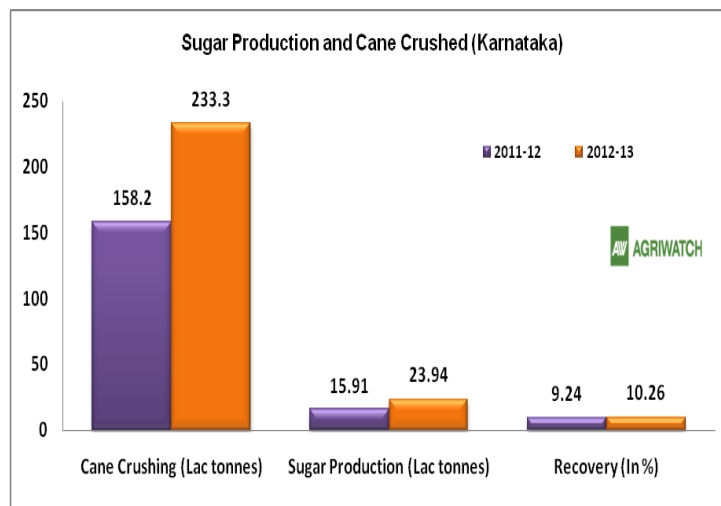


Domestic Sugar Price Outlook:

Prices not seems bullish at present until government ban sugar imports. Government is presently considering the sugar production stats for 2012-13. However, sugar exports don't seems viable in the coming months as global sugar is overflowing this year.

Monthly News Highlights:

- Decreasing sugar prices in domestic arena thanks to government policies dampen the growth of sugar industry. However, recent decisions taken by Cabinet ministry gives clear indication of loosen up the regulation on sugar industry. Industry is seeking some big decision from government that could give some respite to the millers.
- Karnataka sugar mills produce 2.39 million tons of sugar after crushing 23.33 million tons of cane with an average recovery of 10.26% till 2nd February 2013 starting from Oct 2012.
- Government today hike the Fair Remunerative Price of Sugarcane by 23.5% to Rs. 210/Quintal for 2013-14. It is notable that last year FRP of sugarcane was Rs 170/ Quintal. This move could encourage farmers to plant more sugarcane in their respective fields for the coming year as sugarcane crop proved more competitive crop compared to Rice, wheat and cotton as estimated.
- Recent, government relaxed its norms to convert unsold sugar into levy sugar in the given period of release from December to March.
- Brazilian sugar waiting at ports increased by 23% this week compared to last week as ships loaded with sugar are bound to sail towards India, Algeria and Black sea region. It is notable that Indian refiners find raw sugar import more profitable. India has imported 919,000 tons of sugar till date from Oct 2012, according to Director General of ISMA.
- Indian Sugar production is likely to improve by 0.3 million tons to 24.3 million tons up from previous production forecast i.e. 24 million tons. Increase in sugar production from UP boost the overall sugar output.
- Duration of non-levy sugar quota likely to increase to four months from existing two months for the recent sugar allocation in the open markets. This decision would help mills to sell sugar at higher quotes
- UP sugar millers might get some relief from UP government as government might exempt entry tax on sugar on the invoice value of sugar sold by manufacturers within the state. In addition to it, industry might get exemption from 3% purchase tax on the FRP of cane.
- Government has relaxed norms to export pharmaceutical grade and specialty sugar will not be required to be registered with DGFT.
- Maharashtra sugarcane growers have planted sugarcane in total 234986 hectares area till 21st January 2013. Out of total planting, farmers have sowed sugarcane in 0.81 lac hectares in adsali and 0.72 lac hectares in suru, 0.18 lac hectares in suru and 0.64 lac hectares of ratoon crop as reported this year till date.
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- Declining sugar prices in International arena gives domestic refineries an opportunity to make profit by importing cheap raw sugar and refined it which become cheaper compared to domestic sugar prices.
- Farmers association demands hike in sugar import duty up to 60% from present 10% as increasing sugar imports weakens the sugar prices and raise difficulties in front of millers and eventually they are unable to pay cane payments to farmers.

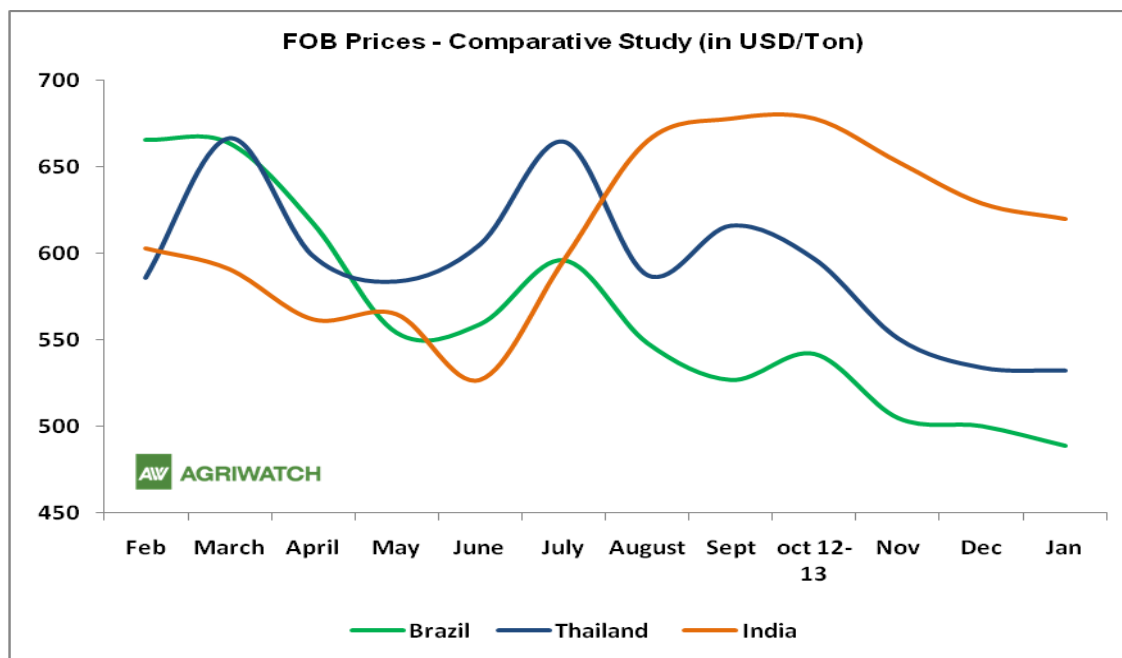
Raw Sugar Import Opportunity:

Indian indicative raw sugar CIF prices from Brazil quoted at \$520.13 per ton (including 10% import duty) and Indian domestic refined sugar prices quoted at \$628.19 per ton Kolhapur. It is notable that millers are now find import more profitable.

Comparative raw sugar CIF prices from various sugar sourcing countries to India are mentioned in the table below:

Indicative Import Parity/ Disparity (USD/MT) (\$=Rs.52.93) till 4 th February 2013			
	From Brazil	From Thailand	
CIF India (USD/MT)	520.13	527.96	

As far as India's sugar imports are concerned, we are expecting around 1.5 to 2 million tons of sugar imports in 2012-13. However, this week no sugar imports has been reported.



Domestic Sugar Balance Sheet:

All Units in Million Tons	2009-10	2010-11	2011-12	2012-13E
Opening stocks	3.73	4.68	3.56	2.86
Production	18.9	24.38	26.00	23.5
Imports	4.76	0.00	0.00	1.00
Total Availability	27.39	29.06	29.56	27.36
Domestic consumption	22.50	23.00	23.50	24.01
Exports	0.21	2.50	3.20	0.00
Total Usage	22.71	25.50	26.70	24.01
Closing stocks	4.68	3.56	2.86	3.35
Average Monthly consumption	1.88	1.92	1.96	2.00
Stocks in months to use	2.50	1.86	1.46	1.67
Stock/Consumption Ratio	0.21	0.15	0.12	0.14

Major Global Sugar Producers:

Sugar Production Scenario (In raw value)						
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Australia	4.9	4.8	4.7	3.7	3.9	4.3
China	15.9	13.3	11.4	11.2	12.3	14.6
India	28.6	16.0	20.6	26.6	28.8	25.6
Indonesia	2.0	2.1	1.9	1.8	1.8	2.0
Thailand	7.8	7.2	6.9	9.7	10.2	9.9
Mexico	5.9	5.3	5.1	5.5	5.4	6.0
Russia	3.2	3.5	3.4	3.0	5.5	4.9
South Africa	2.4	2.4	2.3	2.0	1.9	2.3
World	163.5	143.9	153.5	161.8	172.1	172.3

(Cost Conversion of raw sugar to white sugar = 1.08)

Spot Sugar Prices Scenario (Monthly):

	31 Jan 2013	31 Dec 2012	change
Mumbai M-30	3441	3476	-35
Mumbai S-30	3288	3316	-28
Muzaffar Nagar M	3400	3430	-30
Delhi M-30	3400	3450	-50
Delhi S-30	3360	3390	-30
Nagpur S	3400	3450	-50
Chennai S	3100	3130	-30
Kolhapur M-30	3225	3260	-35
Kolhapur S-30	3125	3160	-35

Gur Market Scenario and Outlook

Gur prices are moving range bound in Muzaffar nagar spot mandi during the month ended January 2013. Initially the prices got pressurized owing to arrivals pressure but prices rebound in later half of the month due to good demand and weak arrivals thanks to consecutive days rainfall in the region.

Presently, situation of gur is tight and stock position stored in the cold storages are pretty much lower compared to last year stock position.

Total around 339000 bags of gur (40kg each) stored in cold storages till 4th January 2013 which are 123000 bags (40kg each) lower compared to last year same period.

Out of total 339000 bags of gur, around 145000 bags of Chaku gur, 59000 bags of Rascut, 99000 bags of Papdi, and 1500 bags of Khurpa stored in the cold storages as reported.

As far as arrivals are concerned, around 147000 bags arrived in the market this month.

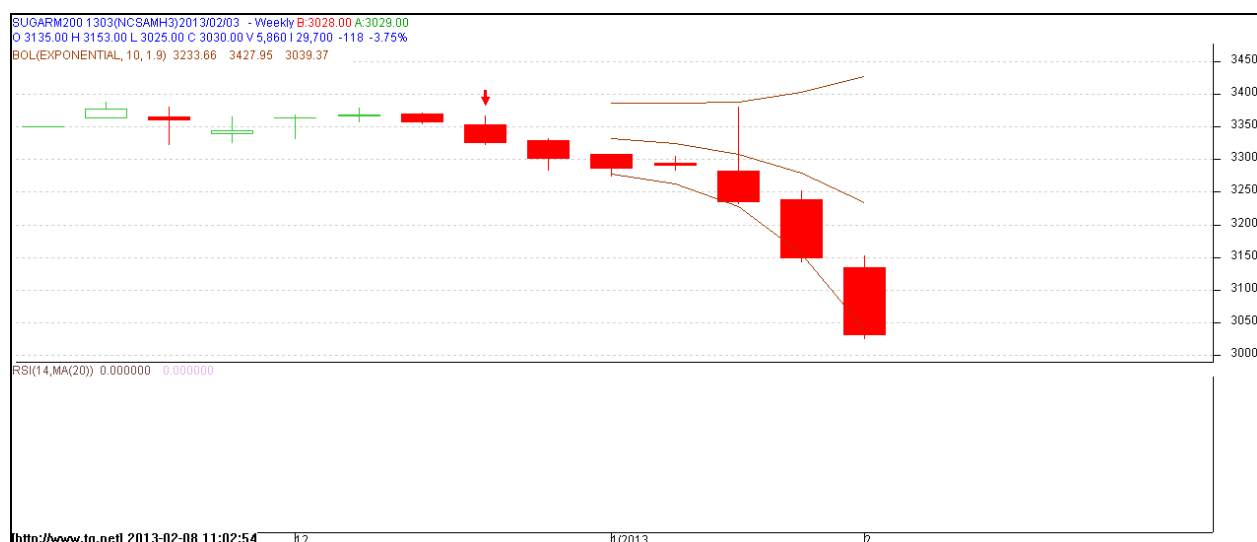
Gur Spot Monthly Prices (Rs/Qtl)				
Markets	Variety	31 Jan 2013	31 Dec 2012	Change
Muzaffar Nagar	Chaku-Sukha-gur(Cold)	2650	2750	-100
	Chaku-(Gila-gur)	2638	2588	50
	Khurpa	2750	2700	50
	Rascut	-	-	-
Bangalore	Achhu	3000	3500	-500
	Mudde	3300	3600	-300
Belgaum	Mudde	3000	3100	-100
Belthangadi	yellow (Average)	3200	3200	Unch
Bijapur	Achhu	-	3050	-
Gulbarga	Other (Average)	2830	3000	-170

Mahalingapura	Penti (Average)	3000	3010	-10
Mandya	Achhu (Medium)	2500	2750	-250
	Kurikatu (Medium)	2350	2450	-100
	Other (Medium)	2300	2500	-200
	Yellow (Medium)	2500	2700	-200
Shimoga	Achhu (Average)	2975	3125	-150

Commodity: Sugar
Contract: March

Exchange: NCDEX
Expiry: Mar 20th, 2012

SUGAR



Technical Commentary:

- Prices are moving in a downtrend.
- Last candlestick pattern Morubozu suggest bearishness in the prices.
- Prices should test its next support level i.e. Rs. 2985 from where profit booking might occur.

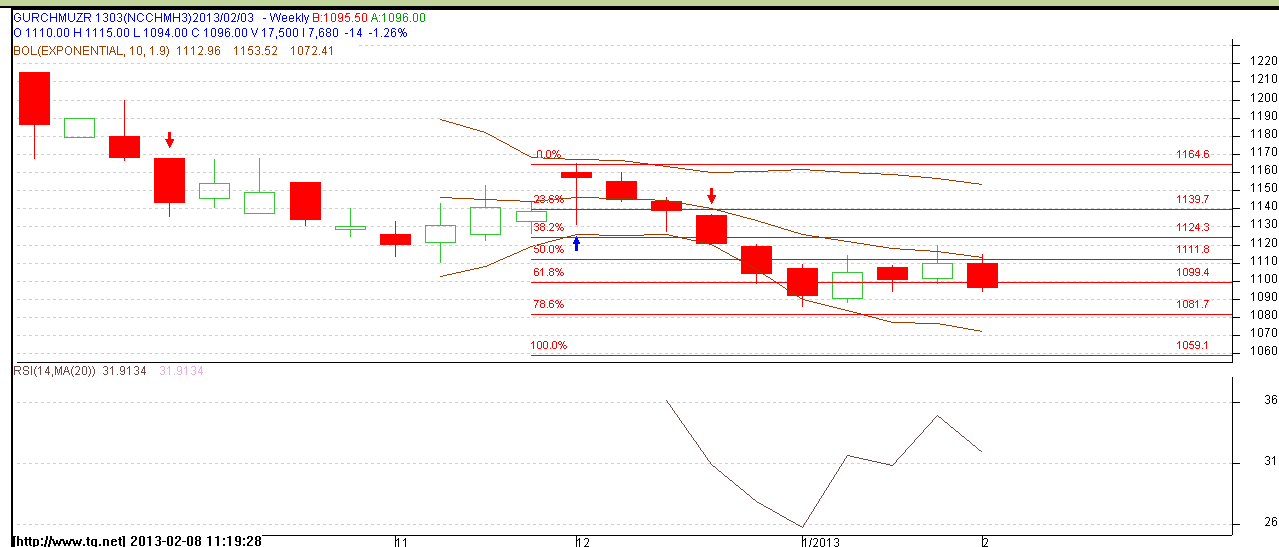
Strategy: Buy from support level

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	March	-	2985	3071	3120	3300
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	March	Buy	Above 2985	3080	3120	2940

Commodity: Gur
Contract: March

Exchange: NCDEX
Expiry: March 20th, 2012

GUR



Technical Commentary:

- Prices are consolidating at present level.
- Prices are moving down after testing 50% retracement level.
- Breach of 61.8% retracement level would take the prices down to 1082 and then 1060.
- Last candlestick depicts bearishness in the prices.
- However, RSI is hovering near to oversold region.

Strategy: Sell

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	March	994	1060	1191.5	1112	1125
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	March	Sell	Below 1102	1082	1070	1112

International Scenario

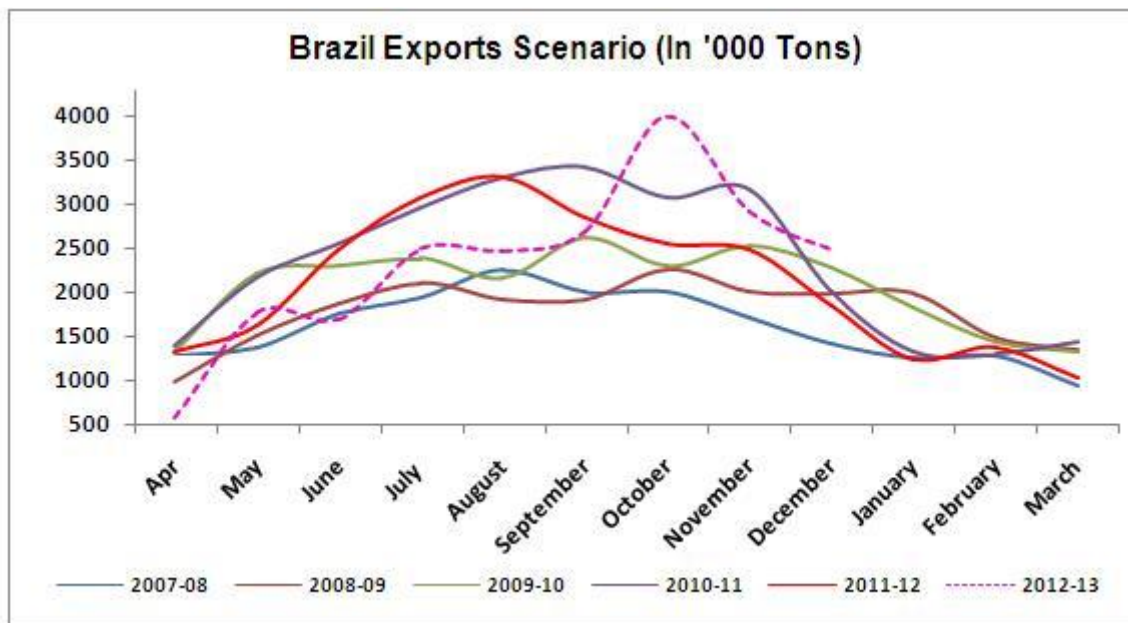
International raw as well as white sugar prices moving downwards due to weak demand and excess sugar production globally.

Good cane crushing reports from Thailand and higher sugar production figures from Brazil led the sugar prices down for ICE as well as LIFFE sugar prices

Prices are likely to continue its southward movement in the coming month in ICE as well as in LIFFE.

International Market News Highlights:

- World top sugar refiner, Al Khaleej Sugar co. stopped its sugar processing unit based in Dubai. Weak refined sugar demand internationally and sugar stocks piling up at silos urge them to stop refining operations of raw sugar. It is notable that Al Khaleej sugar refinery has 6000 TCD capacity per day.
- Brazil Center South sugar production ends at 34.1 million tons in 2012-13.
- Sugarcane output likely to increase to 585 million tons from 532.5 million tons in Center South region of Brazil, according to Raizen.
- Market participants increase their net short positions in LIFFE by 5840 lots to 8762 lots as on 22nd Jan, as per Exchange COT data.
- Thai raw sugar premium stood at 75 to 80 cents over ICE raw sugar futures may contract. Also, Thai raw sugar premium for J-spec also trading at 95-100 points over ICE May contract which was 75 to 80 last week.
- China's sugar imports declined by 45% in December 2012 compared to last year same period. China imported 268362 tons of sugar in December 2012. In total, China imported 3.7 million tons of sugar starting from Jan to Dec 2012, which is 28.35% higher compared to last year. Major exporting countries of sugar to China are Brazil, Thailand and Cuba as reported.
- Trade associations engaged in Sugar operations are slowly shifting towards containerized berth compared to conventional shipments which carry white sugar bags which cover lot of space.
- Czarnikow hikes its global sugar surplus prediction to 7.8 million tons from previous forecast of 7.1 million tons for 2012-13 owing to lower rate of sugar consumption growth.
- Brazil Center South cane crop rising to 600 million tons in 2013/14 season compared to estimate 520 million tons cane production in 2012/13, according to local analyst Safras & Mercado. Higher sugar production figures this year from Brazil keep the sugar prices down in international arena presently.
- Thailand likely to miss expected sugar production forecast of 9.4 million tons owing to lower yields from cane. Now, trade houses are estimating 9.0 to 9.2 million tons sugar production estimate for 2012-13.
- Brazil exported 2.346 million tons of sugar, raw value, in January up from 2.491 million tons in November and up from 1.231 million tons sugar exported last year same period. Extended period of crushing thanks to dry weather conditions help millers to produce record sugar production and allow them to ship exported surplus. In addition to it, Brazil has exported only 23.39 million tons of sugar this year till January which was 22.72 million tons, raw value, last year same period.



International Sugar Prices (Monthly)				
	Contract Month	30 Jan 2013	28 Dec 2012	Change
ICE Sugar #11 (US Cent/lb)	Mar-13	18.71	19.42	-0.71
	May-13	18.74	19.53	-0.79
	July-13	19.04	19.68	-0.64
LIFFE Sugar (US \$/MT)	Mar-13	496.8	522	-25.2
	May-13	506.7	526.7	-20
	Aug-13	512.2	529.6	-17.4

ICE Raw Sugar Future Market Monthly Scenario (Mar'13 Contract):



Technical Commentary:

- ICE raw sugar future prices are moving downwards as the chart depicts.
- However, Decrease in prices has been supported by open interest which indicates prices forms short buildup in the market. Prices are likely to test 18 cents/pound in the coming month.

International Sugar Futures Price Projection (Monthly)			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'13	18.71	17.15

LIFFE Sugar Future Market Monthly Scenario (Mar'13 Contract):



Technical Commentary:

- LIFFE sugar future prices are moving range bound with weak tone.
- Prices might find a support at \$490 and then \$460.
- We expect prices are likely to come down in the coming month.

We suggest market participants to sell below \$500 and cover their short positions at \$460-470.

	Contract Month	Present Quote	Expected Price level for Coming Month
LIFFE Sugar (US \$/MT)	Mar'12	496.8	460

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