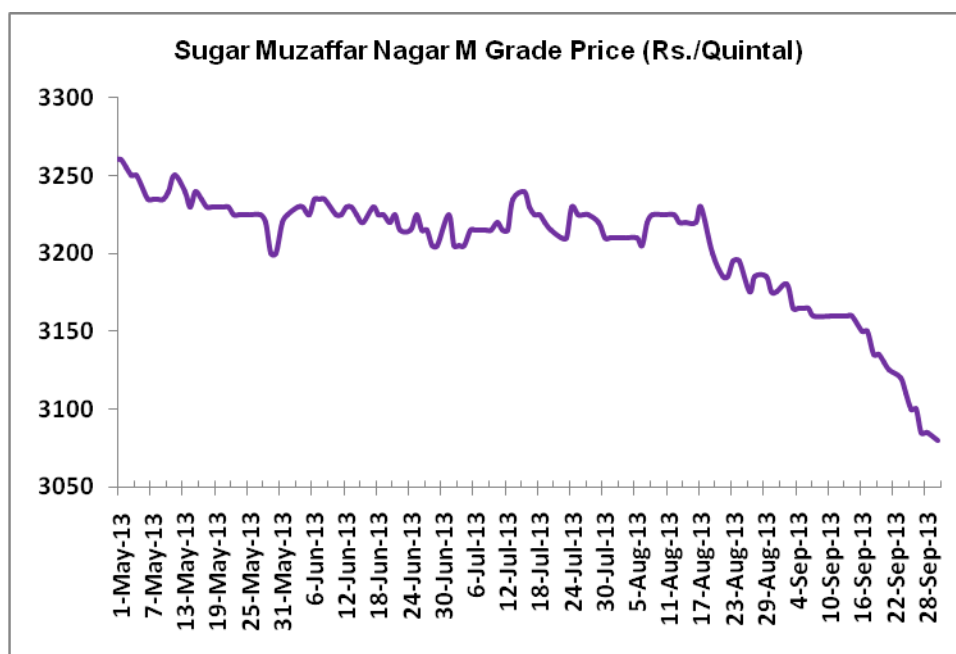


### Domestic Market Recap & Price Outlook:

Sugar prices are falling sharply in key sugar spot markets during the month ended 30<sup>th</sup> September 2013. Weak local demand and huge stocks with mills spread fear in the markets.

However, stockists have started buying sugar at lower rates as they are expecting prices to move up in the coming weeks considering upcoming festivals.



### Sugar Domestic Price Outlook:

Sugar prices are hovering near to its bottom levels. However, good news for millers is the raw sugar imports are not viable and imports are falling drastically M-o-M basis.

Recently, UP government is thinking to give some energy to the UP mills by linking sugarcane prices from sugar prices.

Considering upcoming festivals and expected delay in crushing season from UP mills will curb any further downside in the sugar prices. However, government policies would play important role which will decide the prices of sugar in future.

### Major Happenings in Domestic Sugarcane and Sugar Industry:

- Sugarcane yield likely to increase by 17% in 2013-14 compared to prior year owing to good rainfall in major sugarcane producing states like Maharashtra, Karnataka and UP.
- According to Ministry of Agriculture, Total around 48.74 lac hectares of sugarcane sowing has been done till 13<sup>th</sup> September 2013. However, this year progressive sowing till last week is 2.6% lower compared to last year same period. It is notable that sugarcane has been sowed in 2012-13 was 50.06 lac hectares at same period.

- In a latest development, Delhi based Simbhaoli Sugars has planned to establish a sugar processing unit near Kandla port gauging the better export opportunity in the new season. With crushing capacity of 1000 T per day the unit will be able to produce 3 lakh T white sugar.
- ISMA increases its sugar production estimates for 2013-14 to 25 million tons up from 23.7 million tons estimated previously.
- Indian white sugar offered at FOB \$480 per ton at which exporters are seeking foreign buyers.
- UP sugar mills are giving a hint that they would not operate for the coming marketing year due to higher degree of increase in cane prices and paltry increase in sugar prices which hit the sugar mills profitability like anything. It is notable that sugar mills in UP haven't give any details of their cane requirement to state government till date which shows that millers are in no mood to start their crushing operations for the coming year.
- ISMA sees India's sugar production estimate to 25 million tons for 2013-14 up from 23.7 million tons estimated earlier. Good monsoon showers in Maharashtra and Karnataka would increase the yield of the cane.
- Millers urges government to increase sugar import duty to 30% from existing 15%. It is notable that sugar export is the only way out for millers to clear the mounting cane arrears.

### Sugarcane Sowing Update:

According to Ministry of Agriculture, Total around 48.74 lac hectares of sugarcane sowing has been done till 13<sup>th</sup> September 2013. However, this year progressive sowing till last week is 2.6% lower compared to last year same period. It is notable that sugarcane has been sowed in 2012-13 was 50.06 lac hectares at same period.

### India State wise Sugar Production

India	State wise Sugar production (In Million Tons)
States	2012-13
UP	7.6
Maharashtra	7.9
Tamil	1.6
Andhra	1.1
Karnataka	3.2
Gujarat	1.1
Haryana	0.3
Bihar	0.8
Uttrakhand	0.4
Punjab	0.3
India	24.9

### Raw Sugar Import Opportunity:

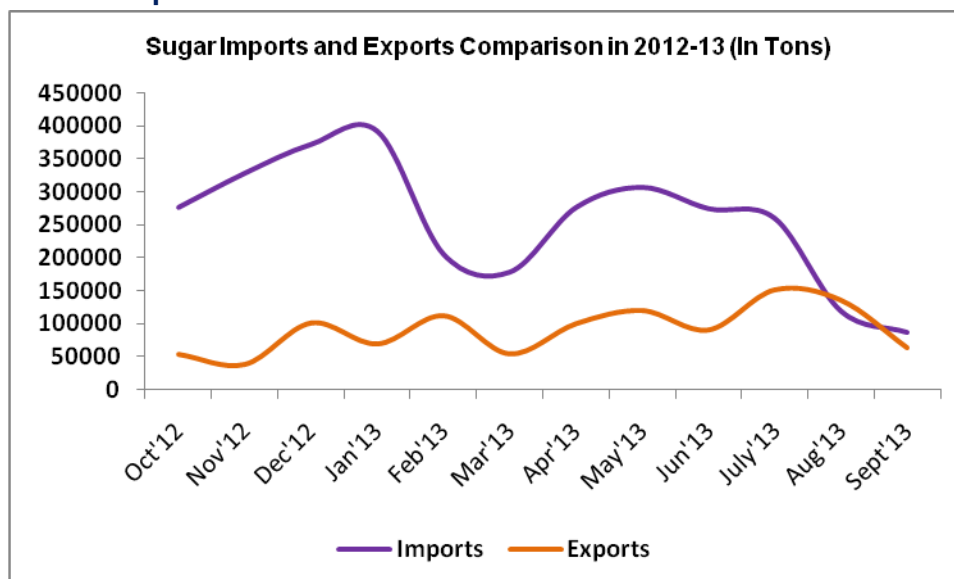
Indian sugar refiners now slowly losing opportunity to import raw sugar from Brazil as higher degree of decrease in sugar prices in international markets compared to domestic markets decrease the import parity in case of sugar imports. In addition to it, govt. stand to increase raw sugar import duty to 15% also dampen the possibility of import.

Indian indicative raw sugar CIF prices from Brazil quoted at \$520.31 per ton (including 15% import duty) and Indian domestic refined sugar FOB prices quoted at \$469.65 per ton Kolhapur based.

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.61.28) till 30 <sup>th</sup> September 2013			
	From Brazil	From Thailand	
CIF India (USD/MT)	518.76	-	

### Sugar Import and Export Scenario:



India has become net importer in the marketing year 2012-13 as big refiners like Shree Renuka Sugars take full benefit of lower raw sugar prices in Brazil despite of 10-15% sugar import duty (on both raws and whites).

As far as sugar imports are concerned, India imported 3.07 million tons of raw as well as white sugar and exported around 1.09 million tons of sugar in 2012-13 marketing year (Oct-Sept).

### Sugar Balance Sheet (Domestic):

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	24.90
Imports	4.76	0.00	0.00	2.00
Total Availability	27.39	29.06	29.56	29.76
Domestic consumption	22.50	23.00	23.50	24.10
Exports	0.21	2.50	3.20	1.00
Total Usage	22.71	25.50	26.70	25.10
Closing stocks	4.68	3.56	2.86	4.66
Average Monthly consumption	1.88	1.92	1.96	2.01
Stocks in months to use	2.50	1.86	1.46	2.32
Stock/Consumption Ratio	0.21	0.15	0.12	0.19

### Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly)				
Commodity	Centre	Prices (Rs/Qtl)		Change
		30.9.2013	31.8.2013	
Sugar	Delhi - Grade M	3070	3190	-120
	Delhi - Grade S	3040	3150	-110
	Delhi - Grade L	3100	3280	-180
	UP- Khatauli Grade M	3080	3175	-95
	UP- Ramala Grade M	3050	3110	-60
	UP- Dhampur Grade M Ex-Mill	2970	3060	-90
	UP- Dhampur Grade S Ex-Mill	2950	3040	-90
	UP- Dhampur Grade L Ex-Mill	3020	3110	-90
	Mumbai –Grade M	3232	3266	-34
	Mumbai –Grade S	3036	3086	-50
	Kolhapur – Grade M	2950	3025	-75
	Kolhapur – Grade S	2800	2925	-125
	Guhawati – Grade S	3106	3233	-127
	Shillong – Grade S	3120	3245	-125
	Vijayawada – Grade M	3540	3550	-10
	Vijayawada- Grade S	3300	3380	-80
	Nagpur – Grade S	3250	3150	100
	Kolkata – Grade M	3180	3280	-100
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3100	3100	Unch
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	-	-	-

	Chennai - Grade S	3075	3080	-5
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## Gur Market Scenario and Outlook

Gur prices are moving in a range presently owing to consistent arrivals and demand in cash market.

Total around 380000 bags of gur (40kg each) stored in cold storages till 22rd September 2013 higher from 357000 bags of gur at last year same period (40kg each). Out of total 380000 bags of gur, around 238000 bags of Chaku gur, 58000 bags of Rascut, and 61000 bags of Papdi, stored in the cold storages as reported.

Gur Stock Position	Chaku	Raskut	Papdi	Total
<b>2013</b>	238000	58000	61000	380000
<b>2012</b>	207000	66500	50000	357000

Meanwhile, expected late crushing operations by millers in UP and Maharashtra also might urge farmers to divert their cane towards gur making. Weak lifting of gur by Rajasthan and Gujarat also curb any hike in prices of gur.

We expect prices to remain in range with weak tone for the coming month.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	30.9.2013	31.8.2013	Change
Muzaffar Nagar	Chaku	3075	2913	162
	Khurpa	-	2550	-
	Laddu	-	2800	-
	Rascut	2650	2613	37
Maharashtra	Latur(Lal Variety)	3250	3250	Unch
Bangalore	Achhu	3000	3000	Unch
	Mudde	3200	3100	100
Belgaum	Mudde	2900	2900	Unch
Belthangadi	Yellow (Average)	2850	-	-
Bijapur	Achhu	3200	3100	100
Gulbarga	Other (Average)	3250	3150	100
Mahalingapura	Penti (Average)	3140	-	-
Mandya	Achhu (Medium)	2900	2850	50
	Kurikatu (Medium)	2400	2450	-50
	Other (Medium)	2400	2450	-50
	Yellow (Medium)	2800	2800	Unch
Shimoga	Achhu (Average)	3325	3650	-325

Commodity: Sugar  
Contract: Nov

Exchange: NCDEX  
Expiry: November 20<sup>th</sup>, 2013

### SUGAR (November Weekly Chart)

#### Technical Commentary:

- Prices are hovering at bottom level as chart depicts.
- Breach of 3000 level would give the confirmation of further downside in the market.
- RSI is moving at oversold region.
- However, decrease in prices haven't supported by volume.



**Strategy:** Buy from near entry level.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Nov	2630	2760	2899	3006	3235
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Nov	Buy	Above 2860	2960	3000	2800

Commodity: Gur  
Contract: November

Exchange: NCDEX  
Expiry: November 20<sup>th</sup>, 2013

### GUR (Weekly Chart)

#### Technical Commentary:

- Prices still hovering at downtrend.
- Gur prices should test its 18 day EMA which also lying over 50% Fibonacci retracement level from selling would be advisable.
- RSI is hovering near to neutral region.
- Last candlestick depicts bullishness.
- However, increase in prices has not supported by volume and OI.



**Strategy:** Sell from entry level is advisable.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	Nov	1047	1076	1141	1195	1228
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	Nov	Sell	Below 1150	1100	1080	1175

## **Sugar International Price Scenario:**

Sugar prices are moving in a range presently. However, lower global sugar surplus and increasing demand should lead the prices upwards in the coming month as expected.

We expect prices to remain stable to firm in ICE as well as in LIFFE for the shorter term.

## **World Sugar Markets:**

### **Thailand:**

Thailand is likely to produce record 11 million tons of sugar in 2013-14 which is higher than 10.2 million tons of sugar produced by Thai mills 2012-13.

Export Front: Recently, Thailand government increase the domestic sugar consumption quota to 2.665 million tons this year up from 2.5 million tons in 2012-13. With increase in sugar consumption figures, only 7.35 million tons of sugar available for export. It is notable that Thailand has exported 7.48 million tons of sugar in 2012-13. It is notable that Thailand contributes 14% of the total world sugar exports.

**Brazil:** Trade houses see Brazil sugar output could reach 40.4 million tons for 2013-14 which is higher from 38.6. Million tons produced in 2012-13. However, sugar production likely to fall further thanks to recent frost which damage 1/5 of the standing cane crop as reported. Brazil likely to export 29.3 million tons in 2013-14 up by 1.65 million tons compared to last year.

As far as consumption is concerned, Brazil consumes 11.26 million tons of sugar.

**Pakistan:** Pakistan sugar output likely to rise by 20% to 6 million tons in 2013-14 up from 5 million tons sugar output in 2012-13. Increase in cane prices by government urge farmers to plant more sugarcane in their respective fields. Pakistan has exported 1.2 million tons of sugar in 2012-13. We expect sugar export likely to reach around 1.5 million in 2013-14.

**India:** India has produced 24.9 million tons of sugar in 2012-13 and likely to export around 1 million tons of sugar considering very less opportunity of export. Presently, India is exporting sugar to Middle east countries.

India FOB is quoted at \$506.5 per ton Kolhapur basis as reported. We expect prices to remain strong for short term. Some Indian millers are not prepared to sell below \$480 per tonne, trade sources said

**Indonesia:** Indonesia become the one the biggest raw sugar importer. Indonesia normally imports 2.5 to 3 million tons of raw sugar from Thailand and Brazil. Meanwhile, its overall consumption capacity stood at 5 million tons (2.8 in beverage industry and 2.2 million tons in direct human consumption).

**Sri Lanka:** India recently got the opportunity to sell sugar to Sri Lanka as Lower ending stock position of sugar in Pakistan presently give a golden opportunity to Indian exporters. Earlier, Sri Lanka is getting sugar from Pakistan at cheaper rates. However, the export scope is limited from India.

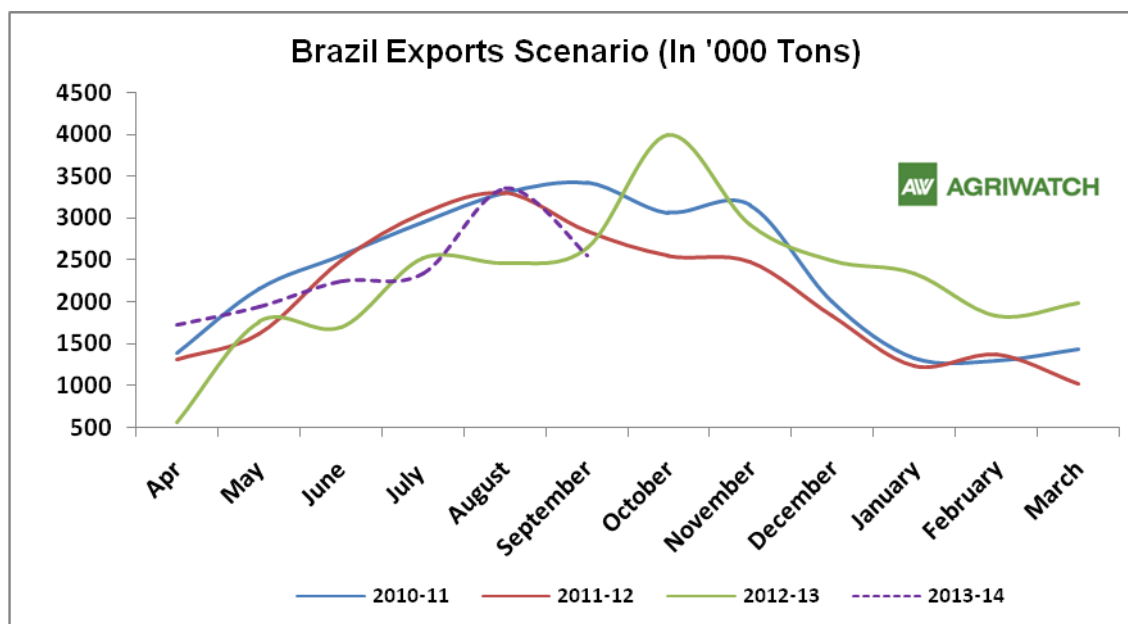
**Middle East Countries:** Countries like Saudi Arabia, UAE, and Syria have increased their sugar purchase. These countries also installed refineries in their respective regions and always interested buying raw sugar. Major markets of these countries are Thailand and India.

**Others:** Russia, China, Malaysia, India (Re-export through ALS)

### **International Market News Highlights:**

- Sugar price seems bullish in short term in international arena due to increasing sugar demand cuts surplus of sugar, according to Czarnikow.
- Tough competition from Brazil impacted adversely sugar export from India this year. Sugar production in new season( 2013-14) is expected to touch 25 million tons, 5 lakh T more than last year as per market source. Potential buyers for Indian white sugar are Pakistan, Afghanistan and Middle East countries. Brazil would remain dominant player once again. However, export opportunity for India still exists as prices have decreased considerably.
- China has imported 570628 tons of sugar in August 2013 which is up from 502199 tons imported in July 2013 and marginally lower quantity imported last year same period.
- Thai raw sugar premium fall drastically to 100 points over ICE Oct contract from previous 160 points as reported.
- Kingsman has projected 4.45 million tons of global sugar surplus in 2013-14 which is half compared to previous forecast done by Kingsman. It is notable that Kingsman has projected 10.7 million tons of global sugar surplus earlier. Lower sugar prices for a long period of time increase the sugar consumption is the main reason for shrinking global sugar surplus.
- Pakistan government allowed 5 lac tons of white sugar exports in October and November. However, prices are not competitive for exports from Pakistan at present which would be difficult for traders to ship the allotted quantity in the specified time period.
- Syria has to cancel tender purchase for 276000 tons of white sugar due to only one application of seller. There is huge ambiguity in the minds of traders regarding country's sanction hit payments systems.

### **Brazilian Sugar Export Scenario**





Brazil has exported 2.55 million tons of sugar, raw value, in September 2013 marginally down from 2.63 million tons in the previous year.

Higher sugar production than consumption and smooth movement of sugar at ports led the sugar exports increase from Brazilian ports. It is notable that Brazil has exported 14.14 million tons of sugar this year till September which was 11.63 million tons, raw value, last year same period.

It is expected that sugar exports from Brazil likely to decrease in the coming months considering lower sugar production estimates by various trade houses compared to sugar production estimated earlier.

International Sugar Prices (Weekly)				
	Contract Month	30.9.2013	30.8.2013	Change
ICE Sugar #11 (US Cent/lb)	13-Oct	17.48	16.34	1.14
	14-Mar	18.14	16.88	1.26
	14-Mar	18.07	16.82	1.25
LIFFE Sugar (US \$/MT)	13-Dec	486.10	472.40	13.7
	14-Mar	486.60	469.10	17.5
	14-May	491	470.50	20.5

### ICE Raw Sugar Future Market Monthly Scenario (Continuous Chart)



(Monthly Chart)

### Technical Commentary:

- ICE raw sugar futures are moving downwards.
- Sugar prices recently tested 100% retracement level i.e. 16.1 cents which also lying over trend line support level.
- Last candlestick depicts bullishness which also supported by OI.

International Sugar Futures Price Projection (Monthly)			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	C1- Chart	16.34	17.80

### LIFFE Sugar Future Market Monthly Scenario (Continuous Chart):



(Aug Weekly Chart)

### Technical Commentary:

- Prices are moving in a falling channel and recently tested its trend line support level as chart depicts.
- Prices hovering in a range between \$452 to 550, breach of mentioned levels either side will give the price a new direction.

	Contract Month	Present Quote	Expected Price level for Coming Month
LIFFE Sugar (US \$/MT)	C1 chart	477.90	540

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