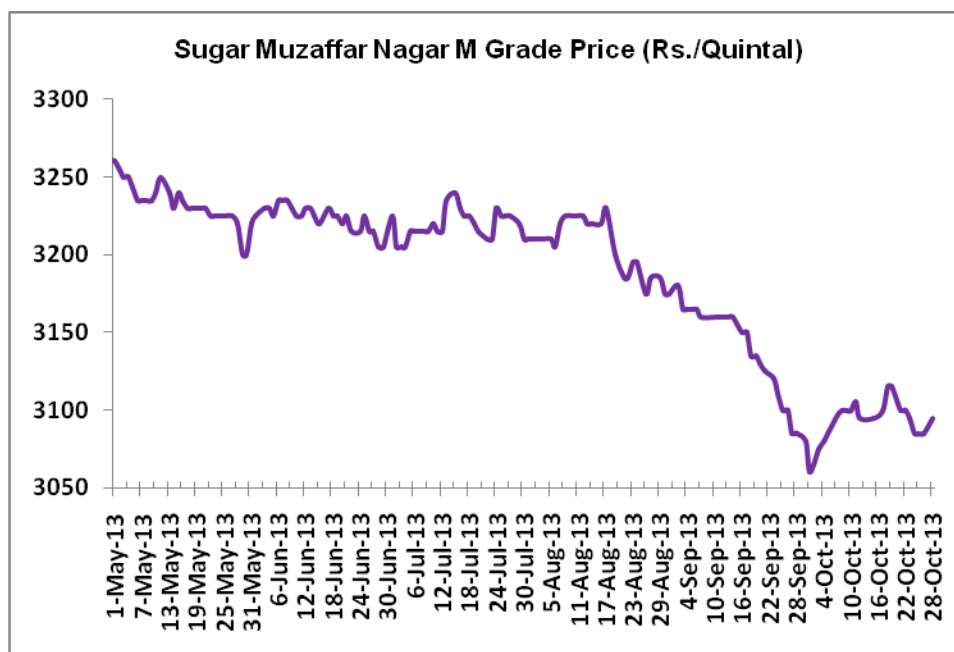


Domestic Market Recap & Price Outlook:

Sugar prices are falling sharply in key spot markets considering weak demand and huge carryover stocks with mills. In addition to it, lesser white sugar export possibilities and start of new crushing season also spread fear in the markets.



Sugar Domestic Price Outlook:

Indian sugar prices are hovering near to bottom level due to weak demand in domestic market and higher sugar surplus this year which led the prices down in key sugar markets. In addition to it, global sugar surplus and tough competition from Thailand and Brazil on Export front also restrict the sugar export possibilities from domestic markets up to certain extent.

Government policies would play decisive role that will decide the prices of sugar in future.

Major Happenings in Domestic Sugar Industry:

- Sugar prices dispute is likely to remove the export advantage from domestic arena as it ultimately delay the sugar production operations.
- UP sugar mills are waiting for SAP prices for 2013-14. Millers already shown their inability to run sugar mills if government will not decrease sugarcane prices. It is notable that higher cost of sugar production from sugarcane and sharp decline in sugar prices put mills in huge trouble as they have to settle the cane arrears.
- 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).
- In a latest development private trade has finalized export deals of 1.75 lack T raw sugars for Dec-Jan delivery. However, more deals may hamper if mills are forced to pay higher prices for farmers. Market participant says that dispute over price between farmers and millers may delay crushing in Maharashtra and Uttar Pradesh.

- Major banks in U.P. have refused to provide working capital for sugar mills. The main reason behind this refusal is mainly attributed to higher SAP, mill's persistence losses and fresh uncertainty over cane crushing this year.
- Stir over cane price between Maharashtra farmers Sugar cooperative mills is likely to continue as both the party's have varied opinions over cane price. Farmers association has demanded Rs 2700-3500 per T as a first advance. Against it Sugar cooperatives say that they are unable to pay as production cost is much higher than actual realization. Sugar crushing season starts from 1st Nov. in Maharashtra.
- ISMA in its latest release has claimed that sugar consumption in 2012-13 increased by 3.6 percent to 22.8 million Tons against previous year. Even higher consumption and lower production by 4.5 percent to 25.14 million T could not provide support for cash market. The top two producers-Maharashtra and Uttar Pradesh have contributed 7.99 and 7.48 million T respectively in the season ending Sept. 2013. Sugar output in Karnataka Tamil Nadu and Andhra Pradesh was recorded at 3.46, 1.96 and 0.99 million T respectively.
- Sugar recovery too has decreased from 10.25 percent to 10.03 percent during the review period. Lower recovery and sugarcane crushing were the main reasons for lower sugar production last year. According to ISMA new season started with 8.85 million T carry in stock.
- DGFT suggests relaxation of sugar export norms of around 2-2.5 million tons. If implemented than an exporter doesn't need to register for sugar export until sugar export reaches 2-2.5 million.
- Sugar export business likely to get boost in the coming years considering increasing amount of refineries near to ports. Presently, Shree Renuka Sugars become the leader in India as far as sugar refineries are concerned. It is notable that it has imported raw sugar at very reasonable rates from its Brazilian unit and then refines it here for re-export purpose.
- Sugarcane cultivators in Uttar Pradesh have upped the stake, demanding the State Advised Price (SAP) of their produce be fixed at Rs 327 per quintal for 2013-14. However UP Cane Research Institute at Shahjahanpur had recommended cane price of Rs 228 per quintal during the previous season of 2012-13.

Issue of Sugarcane Price:

Here we enter into another new marketing year with some traditional resistance by farmers asking for increase in sugarcane prices.

However, this time millers are giving shocks to the government by giving ultimatum to decrease sugarcane prices for 2013-14 marketing year.

Problem starts from the whooping increase in cane prices Y-o-Y last year by UP state government considering state elections to woo the farmers sections. However, this increase gives shock to the sugar millers as piling up of sugar stocks, decrease in sugar prices and no export parity bound UP millers to offload their sugar stocks below cost of sugar production to clear mounting cane arrears.

Now, millers request government to decrease the sugarcane prices. In case, government refuses their proposal then many of the sugar mills will not start their cane crushing operations for 2013-14 due to negative future ROI.

Therefore, it will be watchable that what government will do to protect the sugar industry.

Sugarcane Sowing Update:

As per by Ministry of Agriculture, The total sugarcane Kharif sown area, as per reports received from States, during the week ending 11.10.2013 stands at 48.74 lakh hectare as compared to 50.06 lakh hectare at this time last year which is down about 1.32 lakh hectare from previous year. However against it ISMA projected total sugarcane acreage for crushing in India in sugar season 2013-14, will be around 52.89 lakh hectare which is almost 9% higher than the initial estimates of Ministry of Agriculture of 48.53 lakh hectare.

Raw Sugar Import Opportunity:

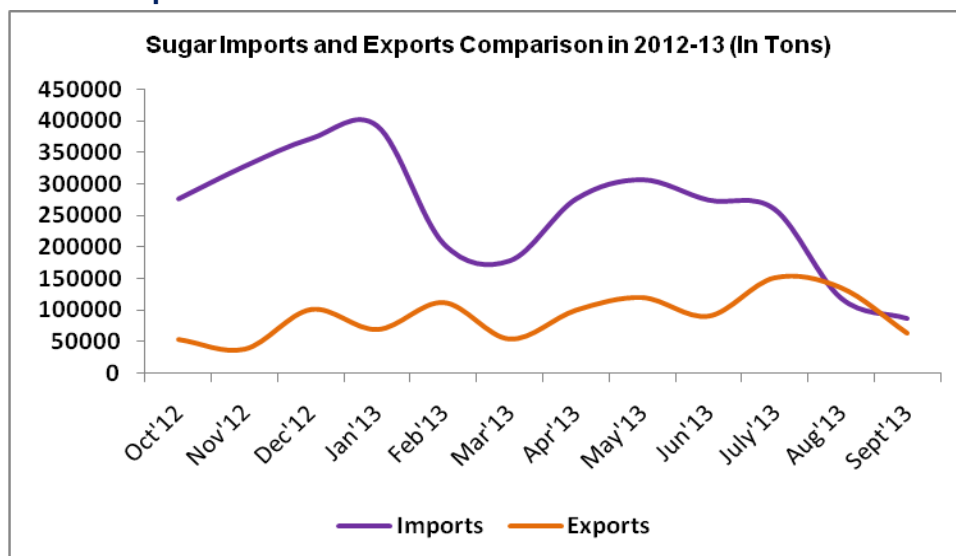
Indian sugar refiners now completely lose opportunity to import raw sugar from Brazil as higher degree of decrease in sugar prices in domestic markets compared to international markets decrease the import parity. In addition to it, govt. stand to increase raw sugar import duty to 15% also dampen the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

Indian indicative raw sugar CIF prices from Brazil quoted at \$533.23 per ton (including 15% import duty) and Indian domestic raw sugar FOB prices quoted at \$450 per ton. Indian domestic refined sugar FOB prices quoted at \$488.26 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.61.75) till 1 st November 2013			
	From Brazil	From Thailand	
CIF India (USD/MT)	533.23	-	

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):

		Estimated Balance sheet	
	Qty in lakh Ton	2012-13	2013-14E
A	Opening Sugar stock	28.6	58.89
B	Estimated sugar production	251.4	250.4
C	Imports(IBIS)	30.79	0
D	Estimated sugar availability	310.79	309.29
E	Total Export (IBIS)	10.90	20
G	Total Available for domestic consumption (D-E)	299.89	289.29
H	Estimates sugar consumption	241	246
I	Ending Stock	58.89	43.29

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario Monthly (Average)				
Commodity	Centre	Prices (Rs/Qtl)		Change
		October-13	September-13	
Sugar	Delhi - Grade M	3127	3161	-34
	Delhi - Grade S	3084	3100	-16
	Delhi - Grade L	3161	3199	-38
	UP- Khatauli Grade M	3103	3132	-29
	UP- Ramala Grade M	3011	3072	-61
	UP- Dhampur Grade M Ex-Mill	2983	3014	-31
	UP- Dhampur Grade S Ex-Mill	2963	2994	-31
	UP- Dhampur Grade L Ex-Mill	3033	3064	-31
	Mumbai –Grade M	3225	3298	-73
	Mumbai –Grade S	2983	3067	-84
	Kolhapur – Grade M	2906	2997	-91
	Kolhapur – Grade S	2807	2895	-88
	Guhawati – Grade S	3113	3202	-89
	Shillong – Grade S	3127	3215	-88
	Vijayawada – Grade M	3516	3571	-55
	Vijayawada- Grade S	3277	3363	-86
	Nagpur – Grade S	3235	3139	96
	Kolkata – Grade M	3050	3274	-224
	Chennai - Grade S	2999	3089	-90

Gur Market Scenario and Outlook

Gur prices increased last month due to new chaku gur arrival which is quoted higher compared to old chaku gur.

Meanwhile, expected late crushing operations by millers in UP and Maharashtra 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 Monthly Average Prices (In Rs./Quintal)				
Markets	Variety	October-13	September-13	Change
Muzaffar Nagar	Chaku	3051	2932	119
	Khurpa	NA	NA	-
	Laddu	3027	2533	494
	Rascut	3204	2809	395
Maharashtra	Latur(Lal Variety)	2634	2633	1
Bangalore	Achhu	3340	3250	90
	Mudde	3357	3141	216
Belgaum	Mudde	3640	3422	218
Belthangadi	Yellow (Average)	2793	2847	-54
Bijapur	Achhu	2938	2836	102
Gulbarga	Other (Average)	3241	3150	91
Mahalingapura	Penti (Average)	3086	3040	46
Mandya	Achhu (Medium)	3121	3121	Unch
	Kurikatu (Medium)	2939	2926	13
	Other (Medium)	2500	2424	76
	Yellow (Medium)	2555	2424	131
Shimoga	Achhu (Average)	2879	2824	55

Commodity: Sugar
Contract: Dec

Exchange: NCDEX
Expiry: Dec 20th, 2013

SUGAR (December Weekly Chart)

Technical Commentary:

- Prices are hovering at bottom level as chart depicts.
- RSI is moving at oversold region.
- Last candlestick depicts bearishness.
- However, decrease in prices haven't supported by volume and OI.



Strategy: Sell from near entry level.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Dec	-	2730	2899	2912	2948
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Dec	Sell	Above 2865	2800	2770	2900

Commodity: Gur
Contract: December

Exchange: NCDEX
Expiry: December 20th, 2013

GUR (Weekly Chart)

Technical Commentary:

- Prices still hovering at downtrend.
- RSI is hovering at oversold region.
- Last candlestick depicts bearishness.
- However, decrease in prices has supported by volume and OI.



Strategy: Sell from entry level is advisable.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	Dec	858	903	997.5	1052	1074
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	Dec	Sell	Below 1015	960	935	1045

Sugar International Price Scenario:

Sugar prices are moving in a range with firm tone during last month ended on 31st October 2013. Prices of sugar came back after sharp increase in prices due to fire at Brazil port damaged 1.8 lac tons of sugar.

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 10.02 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 8.35 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 25.1 million tons of sugar in 2012-13 and exported around 1 million tons of sugar considering very less opportunity of export. Presently, India is exporting sugar to Middle east countries.

India white sugar FOB is quoted at \$488 per ton Kolhapur basis as reported. We expect prices to remain strong for short term.

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, it 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.

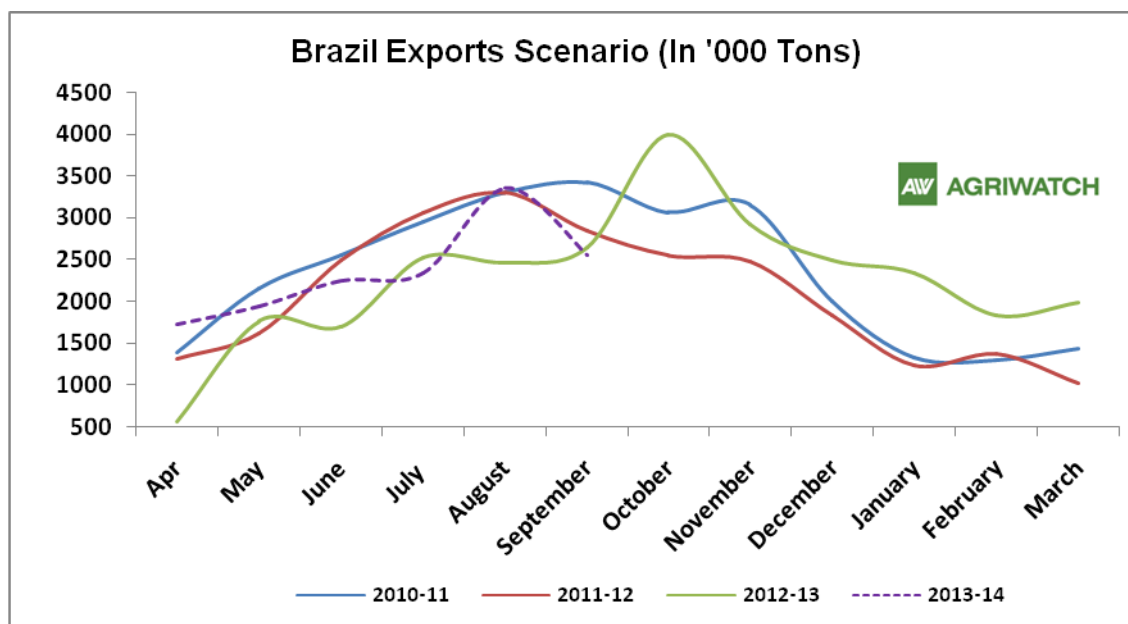
Middle East Countries: Countries like Saudi Arabia, UAE, and Syria have increased their sugar purchase. These countries also installed refineries in their respective regions and always interested buying raw sugar. Major markets of these countries are Thailand and India.

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

International Market News Highlights:

- Malaysian domestic Trade, Co-operatives and Consumer Affairs Minister Datuk Seri Hasan Malek said that Sugar will continue to be a controlled item and even without its subsidy, the cost will not be increased indiscriminately.
- A fire that blazed through Brazil's Santos port has ravaged six warehouses, destroying 180,000 tonnes of raw sugar in the Copersucar terminal. The fire hit all of the sugar giant's warehouses at the port, driving prices up to the highest in a year.
- ICE March raw sugar prices rose more than six per cent to a one-year high on news of the fire before paring gains. The March contract settled up 2.5 per cent at 19.48 cents per lb as per the news published in The Independent. A conservative estimate would be six months to get this in operational form again.
- However, any bull run due to this latest development is unlikely as supply from other sources is capable of taking care of emerging demand. Higher global price may provide some respite to Indian sugar exporters. Market participant expects prices to move up in the medium term.
- Indonesia's annual sugar consumption is estimated at 5 million tonnes, while the country produces only 2.50-2.57 million tonnes sugar per year. Therefore, almost 50 percent of domestic demand is met by import from other sources.
- International sugar prices show some signs of bullish over lower sugar production estimates for 2013-14. It is notable that Unica downgrade Brazil's Center south sugar production estimate to 34.2 million tons which is around 3.7% lower compared to six month previous estimate.

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	29-Oct-13	30-Sep-13	Change
ICE Sugar #11 (US Cent/lb)	14-Mar	17.48	18.14	-0.66
	14-May	18.14	18.07	0.07
	14-Jul	18.07	17.98	0.09
LIFFE Sugar (US \$/MT)	13-Dec	488.80	486.10	2.7
	14-Mar	491.30	486.60	4.7
	14-May	496.10	491.00	5.1

ICE Raw Sugar Future Market Monthly Scenario (March 2014 Contract)



(Monthly Chart)

Technical Commentary:

- ICE raw sugar futures are moving upwards.
- Last candlestick depicts bullishness which also supported by OI.
- Two consecutive closes above SMA would confirm the bullishness in the market.

International Sugar Futures Price Projection (Monthly)			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'14	17.48	18.50

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)	Dec'13	488.80	510

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