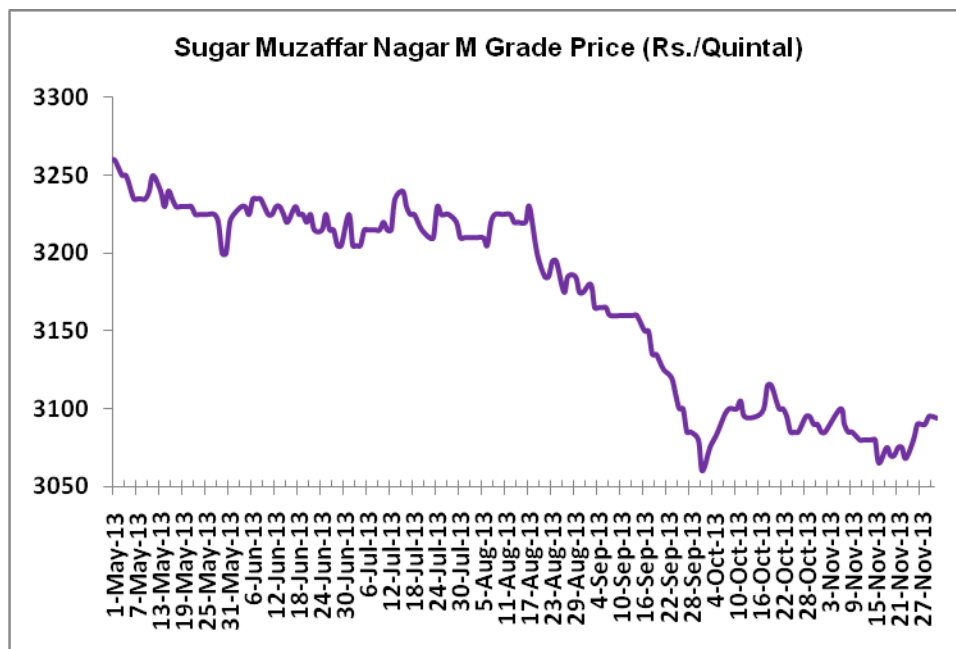


### Domestic Market Recap & Price Outlook:

Sugar prices are moving in a downtrend. However, considering delay in sugarcane crushing decline the sugar production prospects for India. Presently, UP millers also agree to run their sugar mills at present SAP.

Considering 2-3 million tons sugar exports and lower sugar production prospects of sugar, the prices of sugar should move upwards in the coming weeks ahead.

Markets are just waiting for upcoming Central meeting held on 6<sup>th</sup> December 2013 in which Mr. Sharad Pawar would take decision on the future of sugar prices.



### Sugar Domestic Price Outlook:

Sugar prices are hovering near to its bottom levels. Weak international sentiments of sugar also led the prices lower. However, lower sugar production scenario of sugar for 2013-14 due to delay in crushing season would support the sugar prices up to certain extent.

### Major Happenings in Domestic Sugar Industry:

- UP government strictly say no to any decline in existing sugarcane prices for 2013-14 and ordered UP western and Eastern millers to run their sugar mills upto 5 to 7 December respectively. However, government also give some benefits to sugar mills by removing 2% entry tax levied on sugar mills and to waive off interest subvention.
- India has imported 29940 tons of raw sugar from Brazil mainly from Kolkata port in the third week of November as reported. This take the total sugar imports to 91460 tons till third week of November 2013.
- 
- Maharashtra sugar millers are likely to adopt Brazilian model considering Y-o-Y increase in sugar production. Millers are now planning to make more ethanol and less sugar from cane which would give them more profits.

- Farmers as well as millers both are dissatisfied with the cane purchasing price at Rs 250 per quintal which was fixed by Karnataka government.
- UP government kept the sugarcane SAP prices unchanged ~280 per quintal for 2013-14 compared to last year. However, mills don't want to start their crushing operations at current rate due to higher cost of production and lower sugar prices.
- India has imported 61520 tons of raw sugar from Brazil in the first two weeks of November 2013.
- UP state government asked Central government to increase the sugar import duty to 30 percent from current 15 percent to stop the raw sugar supply in India from Brazil. It is notable that decline in sugar prices in International markets gives refiners again an opportunity to import raw sugar from Brazil.

### 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:

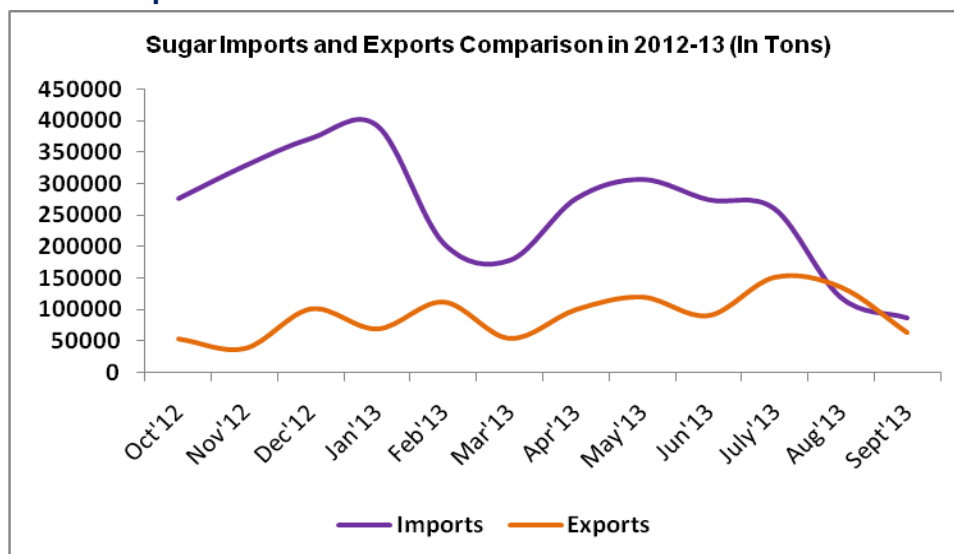
Indian sugar refiners now completely lose opportunity to import raw sugar from Brazil as higher degree of decrease in sugar prices in domestic markets compared to international markets decrease the import parity. In addition to it, govt. stand to increase raw sugar import duty to 15% also dampen the 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 <sup>st</sup> 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
		November-13	October-13	
Sugar	Delhi - Grade M	3114	3127	-13
	Delhi - Grade S	3053	3084	-31
	Delhi - Grade L	3148	3161	-13
	UP- Khatauli Grade M	3082	3103	-21
	UP- Ramala Grade M	3054	3011	43
	UP- Dhampur Grade M Ex-Mill	3048	2983	65
	UP- Dhampur Grade S Ex-Mill	3028	2963	65
	UP- Dhampur Grade L Ex-Mill	3098	3033	65
	Mumbai –Grade M	3203	3225	-22
	Mumbai –Grade S	2923	2983	-60
	Kolhapur – Grade M	2887	2906	-19
	Kolhapur – Grade S	2760	2807	-47
	Guhawati – Grade S	3020	2807	213
	Shillong – Grade S	3080	2807	273
	Vijayawada – Grade M	3534	3516	18
	Vijayawada- Grade S	3250	3277	-27
	Nagpur – Grade S	3208	3235	-27
	Kolkata – Grade M	3021	3050	-29
	Chennai - Grade S	3166	3100	66

**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 Prices Scenario Monthly (Average)				
Markets	Variety	November-13	October-13	Change
Muzaffar Nagar	Chaku	2523	3051	-528
	Chaku (Arrival)	11636	-	-



	Khurpa	2348	3027	-679
	Laddu	2512	3204	-692
	Rascut	2518	2634	-116
<b>Maharashtra</b>	Latur(Lal Variety)	2745	3340	-595
<b>Bangalore</b>	Achhu	3529	3357	172
	Mudde	3612	3640	-28
<b>Belgaum</b>	Mudde	2913	2793	120
<b>Belthangadi</b>	Yellow (Average)	3006	2938	68
<b>Bijapur</b>	Achhu	2913	3241	-328
<b>Gulbarga</b>	Other (Average)	3105	3086	19
<b>Mahalingapura</b>	Penti (Average)	2831	3121	-290
<b>Mandya</b>	Achhu (Medium)	2789	2939	-150
	Kurikatu (Medium)	2464	2500	-36
	Other (Medium)	2497	2555	-58
	Yellow (Medium)	2756	2879	-123
<b>Shimoga</b>	Achhu (Average)	3258	3379	-121

**Commodity: Sugar**  
**Contract: Jan**

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

### SUGAR (January 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:** Buy from mentioned support level.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Jan	-	2665	2899	3015	3095
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Jan	Buy	Above 2720-2730	2900	2990	2900

**Commodity: Gur**  
**Contract: January**

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

### GUR (Weekly Chart)

#### Technical Commentary:

- Prices still hovering at downtrend.
- RSI is hovering at neutral region.
- Prices likely to correct after testing 18 day EMA which also lying over 50% retracement level.
- Market participants should put their stop losses above 6
- However, Increase 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	Jan	961	975	1043	1104	1132
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	Jan	Sell	Below 1065	1002	980	1098

## **Sugar International Price Scenario:**

Sugar International prices are moving in a weak tone during the month ended November 2013. Continuous sugar supply by Brazil in the global markets and start of cane crushing operations by Thailand millers also curb any hike in sugar prices.

We expect prices to remain in a range to weak tone in the coming month in both ICE as well as LIFFE markets.

## **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.

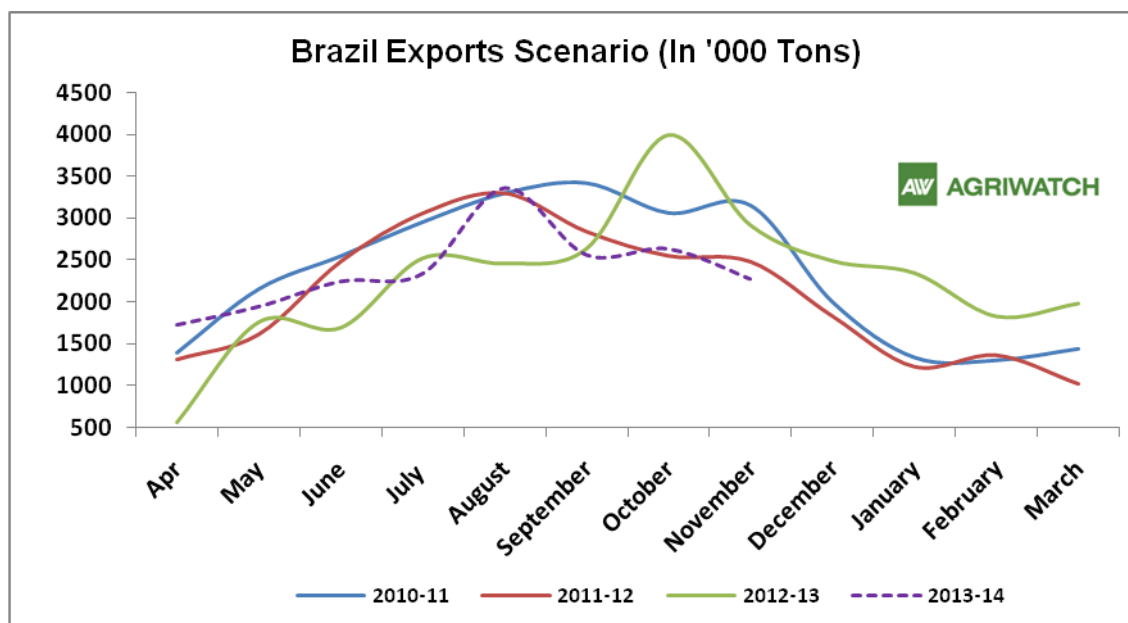
**Middle East Countries:** Countries like Saudi Arabia, UAE, and Syria have increased their sugar purchase. These countries also installed refineries in their respective regions and always interested buying raw sugar. Major markets of these countries are Thailand and India.

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

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

- ISO sees sugar surplus would end in 2014-15 considering lower output by major sugar producers.
- Thai raw sugar premium lifted up to 100 points over ICE raw sugar futures this week which was 60-90 points last week. Heavy rainfall delay the Thai sugar crushing season 2013-14 by two weeks become the main reason for increase in Thai raw sugar premium.
- Brazil center south region have crushed 38.8 million tons of cane till mid Oct which is 7.3% higher compared to cane crushed by mills at last year same period. Higher cane crushing data becomes the major influencing factor for decline in sugar prices in International exchanges.
- Global sugar surplus will squeeze in the long term, according to various analyst consensus attending the Global Grains conference in Geneva. Despite of higher sugar production overall, expected higher demand from emerging markets would offset the impact of sugar surplus.
- Global sugar surplus pegged at 4.4 million tons for 2013-14 by FO Litch that is less from previous year surplus i.e. 8.4 million tons. It is notable that higher sugar surplus for this year become the major influencing factor which curb any hike in prices.
- Philippines typhoon likely to cut 150000 tons of domestic raw sugar output this year, according to news sources. However, still there are enough sugar stock which would fulfill the domestic sugar demand.

### **Brazilian Sugar Export Scenario**





Brazil has exported 2.26 million tons of sugar, raw value, in November 2013 marginally down from 2.91 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 19.04 million tons of sugar this year till November which was 18.54 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-Nov-13	31-Oct-13	Change
ICE Sugar #11 (US Cent/lb)	14-Mar	17.15	18.32	-1.17
	14-May	17.24	18.19	-0.95
	14-Jul	17.30	18.05	-0.75
LIFFE Sugar (US \$/MT)	13-Dec	455.00	483.30	-28.3
	14-Mar	462.90	488.30	-25.4
	14-May	468.80	493.10	-24.3

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



### (Monthly Chart)

#### Technical Commentary:

- ICE raw sugar futures are moving downwards as chart depicts.

- Last candlestick depicts bearishness.
- However, decrease in prices has not supported by volume and OI.

International Sugar Futures Price Projection (Monthly)			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'14	17.15	16.30

### LIFFE Sugar Future Market Monthly Scenario (March Contract Chart):



(Mar 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 \$440 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)	Mar'14	462.90	445

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