

### Domestic Market Recap & Price Outlook:

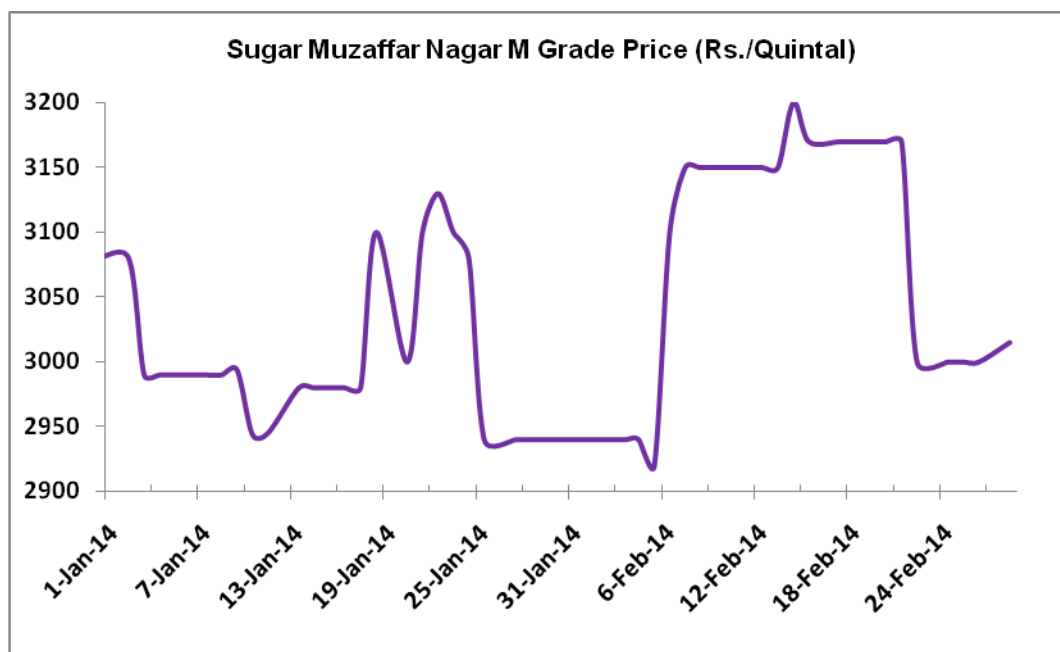
Mixed sentiments were recorded for sugar prices in key markets during last month. Notably, exporters are active in procuring sugar from mills via tender system and small wholesalers prefer to stay away from the markets.

However, recent events like Export subsidy on raw sugar and dry weather conditions in Brazil resulting in crop loss led the prices of sugar up especially in the latter half of the month.

Notably, Millers are trying to get benefits slowly from government. Millers are likely to get export subsidy from government in the coming months which would give some respite to the millers.

Meanwhile, export demand has picked up and Asian sugar buyers like Iran are importing white sugar from India at present.

Indian sugar export (mainly raw sugar) has gone up to nearly 1.3 million tons till Feb 2014 as per reports.



### Sugar Domestic Price Outlook:

Sugar prices are likely to move up in the coming month considering strong sugar demand from the export front. In addition to it, firm sugar sentiments overseas are also likely to support the prices in the medium run.

### Major Happenings in Domestic Sugar Industry:

- India has produced 16.86 million tons of sugar in Oct-Feb period which is 10.63% lower compared to last year. It is notable that Maharashtra has produced 5.71 million tons till Feb this year fell from 6.57 million tons compared to last year same period.
- Sugar recovery fell sharply in UP region due to late start of crushing season this year and uneven rainfall as reported.
- Flood conditions especially in Western UP damaged approximately 4-5% of sugarcane area this year. Higher rainfall after 15<sup>th</sup> June damages the plant crop especially in low lying areas. In addition to it, cold weather conditions in Dec-Jan period also affect the overall recovery from sugarcane in UP as reported.
- India FOB prices are quoted at \$450 per ton. It is notable that Indian sugar export prices are most competitive compared to Thailand and Brazil.
- India has exported around 1.3 million tons of sugar till Feb as reported.
- India has produced 16.86 million tons of sugar in Oct-Feb period which is 10.63% lower compared to last year. It is notable that Maharashtra has produced 5.71 million tons till Feb this year fell from 6.57 million tons compared to last year same period.
- Government today notify Rs 3300/Ton subsidy for raw sugar export
- Rake business of sugar has been reported for Pune at Rs.2660-2680 per quintal as reported.
- Sugar prices surge in International markets considering dry weather conditions in Brazil which ultimately delay the new planting of sugarcane for the next season as reported.
- Sudan was the top importers of Indian Sugar in the month of January followed by Iran and Dubai. On the other hand, highest average FOB quotes received from Jordan and Iran. Total sugar export in the month of Jan-14 is approx 2.94 Lac tonnes.

### Raw Sugar Import Opportunity:

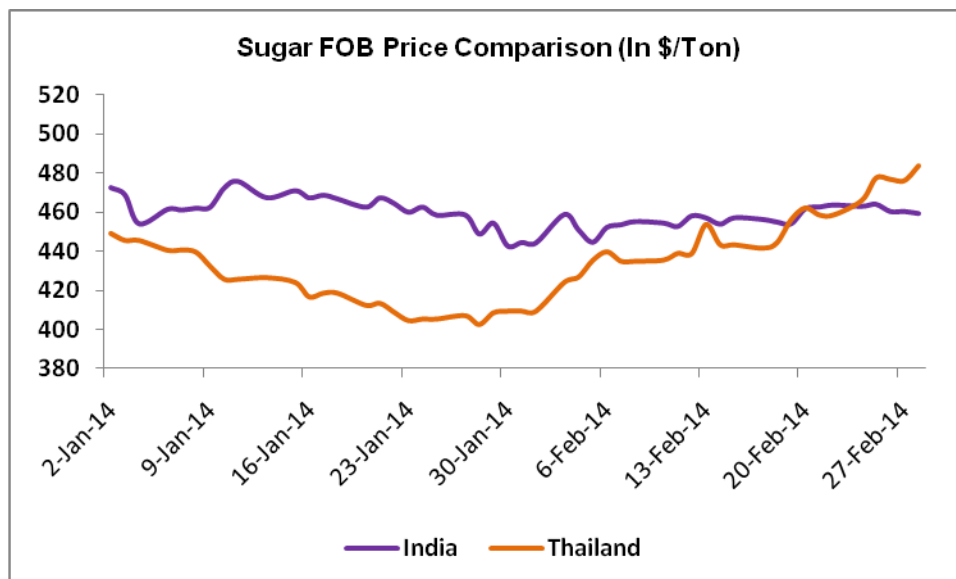
Indian Sugar Export increases M-o-M basis due to increasing sugar export parity thanks to dry weather conditions in Brazil.

Indian indicative raw sugar CIF prices from Brazil quoted at \$533.23 per ton (including 15% import duty) and Indian domestic refined sugar FOB prices quoted at \$459 per ton Kolhapur based. Recently, government provides Sugar export subsidy on raws of Rs 3300 per ton which ultimately gives boost to sugar export in the coming months as expected.

On International front, dry weather conditions in Brazil support the sugar prices in International markets and also dampens the possibilities of increase in sugar exports from Brazil. Brazil sugar FOB prices are quoting \$494/ Ton.

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

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.61.66) till 28 <sup>th</sup> February 2014			
	Brazil	Thailand	India
Comparative Sugar FOB Prices	494	483.5	459



### 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 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 1.2 million tons of sugar in 2012-13 marketing year (Oct-Sept).

However, recent months export figures changed sentiments with huge shipments volumes of sugar have been exported towards various Asian countries like Sri Lanka.

We estimate total sugar exports likely to reach 2.5-3 million tons from India in 2013-14 marketing year. Till date, India has exported 1.3 million tons of sugar as reported.

### India Sugar Production Scenario:

India is likely to produce 24 million tons of sugar in 2013-14 which is less compared to 25.14 million tons sugar produced in 2012-13. Lesser acreage of sugarcane due to crop damage in Karnataka and UP followed by lower sugar recovery in UP led the overall sugarcane and sugar production down this year.

Till date India has produced 16.86 million tons of sugar in Oct-Feb period which is 10.63% lower compared to last year. It is notable that Maharashtra has produced 5.71 million tons till Feb this year fell from 6.57 million tons compared to last year same period.

**Sugar Balance Sheet (Domestic):**

Qty in Lac Ton	2012-13	2013-14*
Opening Sugar stock	28.6	58.89
Estimated sugar production	251.4	240*
Imports (IBIS)	30.79	10
Estimated sugar availability	310.79	308.89
Total Export (IBIS)	10.90	30*
Total Available for domestic consumption (D-E)	299.89	278.89
Estimated sugar consumption	241	246**
Ending Stock	58.89	32.89

**Source: Agriwatch**

**\*Estimated, \*\*Forecast**

**Spot Sugar Prices Scenario (Monthly):**

Spot Sugar Prices Scenario Monthly (Average)				
Commodity	Centre	Prices (Rs/Qtl)		Change
		February-14	January-14	
Sugar	Delhi - Grade M	2965	2939	26
	Delhi - Grade S	2888	2868	20
	Delhi - Grade L	3037	3001	36
	UP- Khatauli Grade M	3093	3003	90
	UP- Ramala Grade M	2898	2908	-10
	UP- Dhampur Grade M Ex-Mill	2941	2944	-3
	UP- Dhampur Grade S Ex-Mill	2921	2924	-3
	UP- Dhampur Grade L Ex-Mill	2991	2994	-3
	Mumbai –Grade M	2933	3024	-91
	Mumbai –Grade S	2775	2826	-51
	Kolhapur – Grade M	2797	2830	-33
	Kolhapur – Grade S	2633	2663	-30
	Guhawati – Grade S	2936	2863	73
	Shillong – Grade S	2953	2881	72
	Vijayawada – Grade M	3217	3297	-80
	Vijayawada- Grade S	3117	3190	-73
	Nagpur – Grade S	2779	2890	-111
	Kolkata – Grade M	3049	3083	-34
	Chennai - Grade S	2788	2806	-18

Spot Sugar Prices Scenario					
Commodity	Centre	Today	Week Ago	Month Ago	Year Ago
		31-Jan-14	24-Jan-14	31-Dec-13	31-Jan-13
Sugar	Delhi - Grade M	2820	2980	2900	3400
	Delhi - Grade S	2800	2900	2920	3360
	Delhi - Grade L	2990	-	3050	3430
	UP- Khatauli Grade M	2940	3080	3080	3400
	UP- Ramala Grade M	2900	2910	2920	3300
	UP- Dhampur Grade M Ex-Mill	2880	2930	2950	NR
	UP- Dhampur Grade S Ex-Mill	2860	2910	2930	NR
	UP- Dhampur Grade L Ex-Mill	2930	2980	3000	NR
	Mumbai –Grade M	2876	2982	3126	3441
	Mumbai –Grade S	2746	2788	2882	3288
	Kolhapur – Grade M	2750	2800	2900	3225
	Kolhapur – Grade S	2550	2650	2750	3125
	Vijayawada – Grade M	2852	2954	3055	NR
	Vijayawada- Grade S	2870	2970	3070	NR
	Nagpur – Grade S	3250	3280	3360	3570
	Kolkata – Grade M	3150	3180	3200	3470
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3000	3100	3200	3450
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	2750	2900	3000	3400
	Chennai - Grade S	3035	3100	3110	NR

### Gur Market Scenario and Outlook

Gur prices moved in a range during the month owing to weak arrivals and moderate demand.

Total around 380000 bags of 40 kg each of gur stored in warehouses presently which are lower by 7000 bags compared to last year same period gur stock position in warehouses.

We expect prices to surge in the coming month amid increase in sugar prices. In addition to it, uneven rainfall specially in North India put constraints to produce gur.

Gur Spot Prices Scenario Monthly (Average)				
Markets	Variety	February-14	January-14	Change
Muzaffar Nagar	Chaku	2626	2557	69
	Chaku (Average Monthly Arrivals)	110000	130000	-20000
	Khurpa	2433	2419	14
	Laddu	2588	2616	-28
	Rascut	2206	2225	-19
Maharashtra	Latur(Lal Variety)	2352	2646	-294
Bangalore	Achhu	NR	3400	-
	Mudde	3026	3289	-263
Belgaum	Mudde	2645	2811	-166
Belthangadi	Yellow (Average)	3048	3045	3
Bijapur	Achhu	2443	2579	-136
Gulbarga	Other (Average)	2659	2850	-191
Mahalingapura	Penti (Average)	2640	2654	-14
Mandya	Achhu (Medium)	2943	2627	316
	Kurikatu (Medium)	2324	2356	-32
	Other (Medium)	2389	2360	29
	Yellow (Medium)	2483	2619	-136
Shimoga	Achhu (Average)	3093	3104	-11

Spot Jaggery(Gur) Prices Scenario					
Markets	Variety	Today	Week Ago	Month Ago	Year Ago
		31-Jan-14	24-Jan-14	31-Dec-13	31-Jan-13
Muzaffar Nagar	Chaku	2913	2550	2750	2650
	Khurpa(New)	2553	2425	2500	2638
	Laddu(New)	2750	2600	2600	2750
	Rascut	2365	2250	2538	NR
Hapur	Chaurasa	2563	2315	2427	NR
	Balti	2280	2200	2350	NR
Maharashtra	Latur(Lal Variety)	2650	2600	2750	2800
Bangalore	Achhu	-	NR	-	3000
	Mudde	3000	3400	3200	3300
Belgaum	Mudde	3600	2900	2900	3000
Belthangadi	Yellow (Average)	3000	3150	3000	3200
Bijapur	Achhu	2500	2600	2930	-
Gulbarga	Other (Average)	-	2850	2950	2830
Mahalingapura	Penti (Average)	2600	2550	2760	3000

<b>Mandya</b>	Achhu (Medium)	2500	2600	2800	2500
	Kurikatu (Medium)	2300	2350	2400	2350
	Other (Medium)	2300	2300	2400	2300
	Yellow (Medium)	2500	2600	2750	2500
<b>Shimoga</b>	Achhu (Average)	3250	3100	3250	2975

**Commodity: Sugar**  
**Contract: Continuous Chart**

**Exchange: NCDEX**

### SUGAR Continuous Chart (C1)

#### Technical Commentary:

- Prices are presently moving in a downward channel and shows some bullishness from last month.
- RSI is moving up to neutral region.
- Last candlestick depicts bullishness.
- However, decrease in prices haven't supported by volume and OI.
- Increase in prices has supported by Volume and OI.
- Breach of Rs 2850 will take the prices upto Rs. 2895/Quintal.



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

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	2645	2716	2780	2945	2980
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	C1 Chart	Buy	Above 2800	2880	2920	2755

**Commodity: Gur**  
**Contract: Continuous Chart**

**Exchange: NCDEX**

### GUR Continuous Chart (C1)

#### Technical Commentary:

- Prices Gur prices are getting upward correction after sharp decline.
- RSI is moving near to neutral region.
- Last candlestick depicts bullishness in the prices.
- Prices are likely to test its next resistance level i.e. 1110 per 40 kg which also lying over 38.2% retracement level.



**Strategy: Buy**

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	C1 Chart	875	944	1075	1155	1200
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	C1 Chart	Buy	Above 1070	1120	1145	1040

## International Sugar Section

### News in brief

- Tuesday 26<sup>th</sup> Feb, traders, speculators and hedge fund managers alike witnessed the *ICE Futures* in the U.S increase margin requirements for a series of its soft commodity products. The 14-year old exchange operator and clearing house located in Atlanta, Georgia raised its Sugar #11 margin requirement by some 21.42% the highest margin increase since prices were seen above the \$21.00 in October 2012. On the back of the news on Tuesday, prices moved lower following a succession of late profit taking by traders, who will now have to raise margin requirement to \$850 from \$700. Going forward, with the anticipation of a fourth successive world surplus of slightly over 4 million MT, backed by more than ample inventories in China & Pakistan will continue to put pressure on prices.
- The *Office of the Cane and Sugar Board* in Thailand have perhaps shone some light unto what it already turning out to be a catastrophic quarter for the international sugar market. According to the secretary –general Thai exports will offset some of the supply and demand imbalances created out of increased Asian demand and a decrease of production from the Americas. At 14.8%, projections for production this crop year would stand at an all time high of 11.5 million tonnes.



- Drought affected Brazilian crops are being realized throughout the international market, coupled with stocks falling also in India, the EU & Mexico. Demand and consumption is forcing more pressure unto global prices as it is expected to grow to 177.1 million tons this season.
- Increased cost of production has hampered farmer incomes as sell prices are trading under that of production.
- Depreciation of 'commodity currencies' such as Indian Rupee & Brazilian Real
- Prices remaining flat for a second consecutive month in Russia, EU(28) & China
- Indian Government introduces an extension unto farmers and sugar mills for settling loans- A government backed approach aimed at increasing the ability for farmers to mitigate against low prices for stock: The scheme enables sugar millers to borrow at 0% interest- lower than the 12% currently being accrued by Indian banks .

### **Sugar International Price Scenario**

The world sugar market continues to experience considerable price volatility. In the international sugar futures market the backend of February began a period of little or no serious surprises.

With the May 14 maturity contracts continuing to show positive levels, this was represented in both London and New York. Stepping back into the first few days of February, we witnessed resistance levels



break at \$16.01 on the 05<sup>th</sup> February (Mar 14 contract) and break levels of \$17.40 shown 3 months prior in November. Since lows of seen in January, the #11 contract has rallied an astonishing 18%, which would suggest that such medium term trending has now passed.

\*Historical chart supplied by *Reuters Eikon*

It's fair to say that the focal point for the recent increase in volatility within the international futures market point to fundamental imbalances relating to supply and demand dynamics.

Since the 11<sup>th</sup> of February the exponential increase in prices were largely due to commercial traders short covering the soft commodity as they worried about the drought in Brazil and the potentiality of 2013/14

crop year loss in production per acreage. Many meteorologists are not ruling out the threat of La Niña activities which would worsen the already widespread crop damage in the world's No 1 sugar producing nation.

### **Technical Futures Sugar 11#**

The *CFTC Commitment of Traders Report* has allowed us to monitor historical performance ratios, and 30-day historical volatility to name a few.

Our focus is on Open Interest. For the nearby contract- being that of March 2014- as of January 31<sup>st</sup> 2014, what we've witnessed in the last month of the sugar #11 contract indicates a clear movement towards the November 2013 levels of \$18 and beyond.

As of **31<sup>st</sup> January 2014**: Volume Registered: 125,304 Open Interest: 361,770 Daily High: \$15.72 Daily Low: \$14.97 and eventually closing at \$15.55. Analysis shows that from daily highs to lows there was a range of 5.01% occurring, leaving it somewhat above the daily average range from Oct 21<sup>st</sup> 2013 to Jan 30<sup>th</sup> 2014 at 1.43%.

To find similar levels of nominal range on daily levels we have to go back to Oct 18<sup>th</sup> 2014 at which point: Volume Registered: 206,685 Open Interest: 495,504 daily high \$20.16 Daily Low: \$18.93 and closing the day on \$19.50. Daily highs to lows showing a range of 6.50% - the second highest percentage range in this #11 contract since 1994 records show- gave birth to the biggest short term bear rally since October 2012.

All indicators being conclusive; the build up of high volatility amplifies risk levels, which creates an extension of stop prices. Levels of increased stop prices opens the doors for much more than just commercial traders to enter the market, and thus decreasing the leverage; All of which have contributed to the Open Interest levels of 361,770 we have seen in Jan 31<sup>st</sup> 2014.

The final technical section remains within the chart. A Jan 31<sup>st</sup> weekly chart suggested an important turnaround in movement or reversal through the advancement of the new \$14.97, together with a continuation of the market trend before closing above the previous session high; a common display of a market which has moved far too quickly- and thus creating a short term bullish rally.

As of **Feb 26<sup>th</sup> 2014** The volatility during the penultimate week of Feb initially sparked fears among traders whom were not long regarding any possibilities of formation liking to that of a double top still earlier within the week.

However, this double top was dispelled on the further strengthening of earnings even during the uptrend of highs through bumps until this point. Consequently, this has led to speculation about the possibility of developing a tendency of high which was seen the week prior.

Nevertheless, this also ended up dispersing front of the perception by the market, through the graphical development of the assets of May/14 both in London and in New York, that what really happened was the movement of five waves of Elliot on these assets.

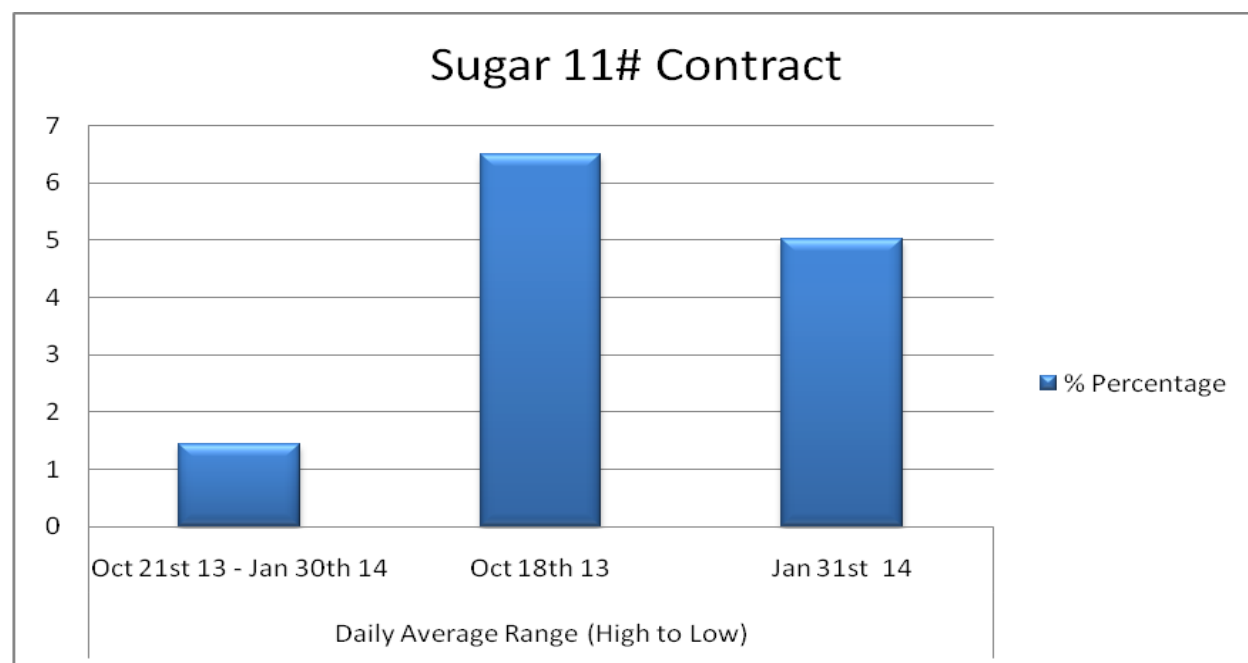
What we expect to see is a normal series of profit taking from its current level of \$16.80 cents for some value line in the Exponential Moving Average 40-day(EMA-40) region at \$16.15 cents. This value conclusively signifies some 50% of the gains from the previous wave and in turn also stands for the accumulation of a large volume of graphic study lines almost overlapping each other. We feel that it can

also imply in this region to support and the increase of \$/16.50 cents is pointing to the two previously which is defined as high a double top.

Conclusively, this important area of accumulation represents a solid support to this new trend of making short-term profits predetermined by the fourth Elliot Wave which developed during the last week of February.



(Sugar Monthly Continuous Chart – LIFFE(US\$/Ton))



## World Markets

### Brazil

Dry weather conditions impacting crops. Normally the wettest period for the summer, January into February months have been severely hampered by La Niña weather conditions across the main farm belt, dry spells which have interrupted the growth cycles of cane production, will more than likely result in immature end stocks.

The shorter in the length the crops are, the more likely we are to see exposure on topsoil resulting in moisture stress.

<b>Brazilian Sugar &amp; Ethanol Values</b>						
Zone	2013/14 Crop			Change (%)		
	Quantity (Per Ton)	(Area Per Hec)	Productivity (Ton/Hec)	Quantity	Area	
North	3,587,000	46,380	77.34	21.29	10.45	
Northeast	53,995,500	1,059,960	50.94	1.93	-2.15	
Center-West	122,484,200	1,680,360	72.89	15.55	11.72	
Southeast	437,137,600	5,436,270	80.41	12.89	3.68	
South	42,645,800	587,820	72.55	7.27	-4.01	
Center South	602,267,600	7,704,450	78.17	13.00	4.68	
Rondônia	194,200	2,970	65.39	55.36	16.02	
Acre	88,900	1,180	75.34	26.46	59.46	
Amazonas	268,400	3,700	72.54	0.71	0.54	
Roraima	-	-	-	-	-	
Pará	809,200	11,900	68.00	16.38	4.02	
Amapá	-	-	-	-	-	
Tocantins	2,226,300	26,630	83.60	23.67	12.98	
Maranhão	2,294,500	39,560	58.00	10.74	-5.58	
Piauí	851,600	15,030	56.66	2.84	1.97	
Ceará	134,500	1,760	76.42	135.96	54.39	
Rio Grande do Norte	2,061,300	54,690	37.69	-8.30	2.00	
Paraíba	5,283,100	122,350	43.18	-1.34	0.38	
Pernambuco	13,351,600	286,030	46.68	-1.65	-8.35	
Alagoas	24,431,000	442,590	55.20	-54.36	-0.70	
Sergipe	2,379,100	44,470	53.50	7.20	2.39	
Bahia	3,208,800	53,480	60.00	4.05	10.02	
Minas Gerais	60,358,800	779,830	77.40	17.70	8.03	
Espírito Santo	3,659,000	65,34	56.00	6.63	5.20	
Rio de Janeiro	1,855,400	39,06	47.50	-2.03	-2.01	
São Paulo	371,264,400	4,552,040	81.56	12.27	3.00	
Paraná	42,572,600	586,400	72.60	7.17	-4.00	
Santa Catarina	-	-	-	-	-	
Rio Grande do Sul	73,200	1,420	51.55	122.49	-8.97	
Mato Grosso do Sul	42,751,500	642,100	68.50	15.68	15.00	
Mato Grosso	17,125,900	237,860	72.00	4.94	1.00	
Goiás	62,606,800	818,390	76.50	18.74	12.74	
Federal District						

With Brazil producing close to 500mt of sugarcane last season, commercial buyers, industry leaders and producers alike will see this recent spell of hot dry weather as a setback in what was described as Brazil record producing year for sugar.

Already União Da Industria de Cana de Açúcar (*UNICA*) - Brazil's sugarcane and ethanol industry association- have reported as of February 25th that up to 40 million tons could be lost as a result of the recent weather events.

Companies have now been forced to revise forecasts for the 2013/14 season. For example, *Coopersucar* have lowered their original forecasting by approximately 5% to 570 million tons.

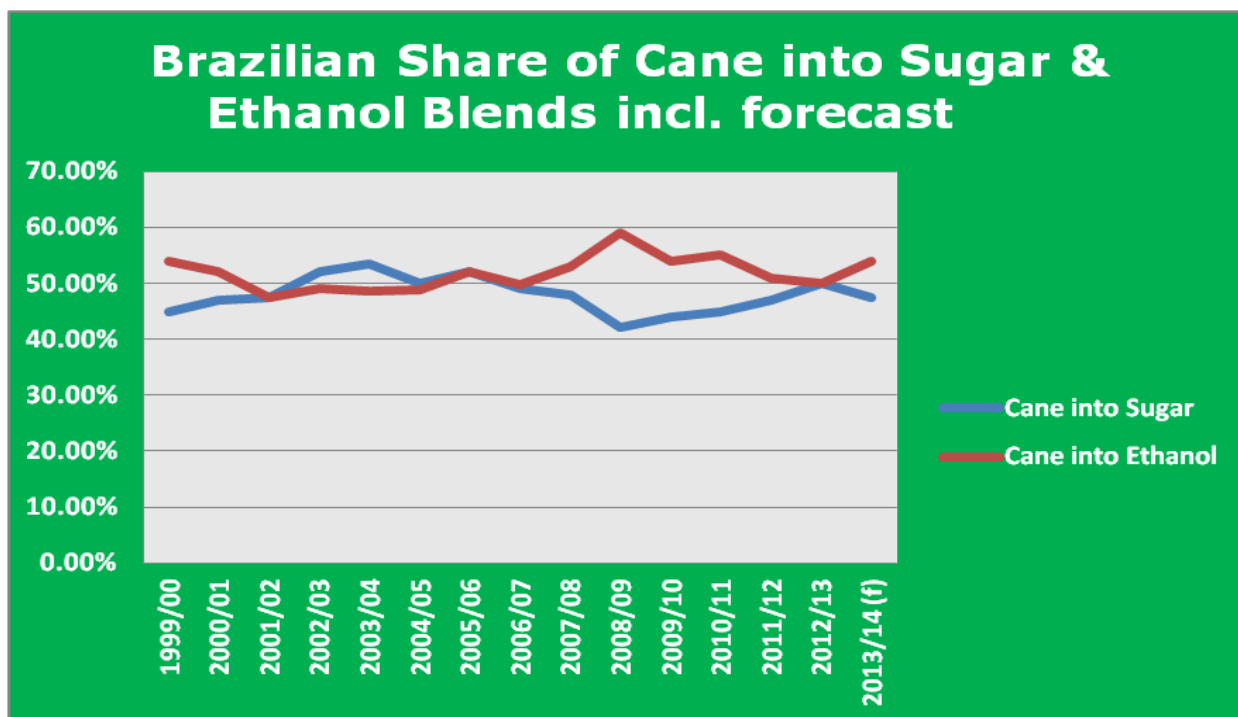
Still, the next crops which Brazil will begin focusing on come the second week of March, quantities of restoration and growth of sugarcane inventories throughout the last two seasons would point solid growth, though now tumbling down in the volume relating to supply dynamics.

Thus, the coming season should be able to produce great levels than prior harvested this is also taking into consideration the initial outlook on losses- we believe that there is still enough time to recover from consecutive plantings, sowings and a recovery of total recoverable sugar.

The cash market in Brazil is also following trends to that of the international futures market: Sales of sugar with low coloration levels, ranging up to ICUMSA 150 selling at a measured rate which many are reading into as justification for the low volatility being shown in the purchases of the highest quality sugar in the South American economy's climate whilst coming up against high volatile international prices.

The Indian ex works prices should increase by around Rs 1.8 to 3.2/kg in the next two quarters. Moreover, for us to witness a surge in the domestic market fundamentals would have to been become drastically under threat from a further decline in production of around 8%.

Exports could perhaps be controlled, as additional an increase of Indian sugar unto the international market would only increase pressure global price movements towards the downside. El Niño weather patterns are being monitored very closely by the Agricultural Minister's office along with the Met Office to determine whether 2009 Monsoon levels are to arrive. The 2009 monsoon destroyed large parts of domestic sugar crops in what was India's most destructive monsoon in over 40 years.



Source: ISO

The currency depreciation of the Real against the US Dollar has perhaps helped the domestic market to accelerate exports into economies within Western Europe and the Middle East in particular.

The decline over the last 8 months has competitiveness within the country's exports, particularly in the soft commodity arena, yet rising costs such as PIS/COFINS taxes, PVU taxes and the added disadvantage of port delays has somewhat moderately offset the export competitiveness.

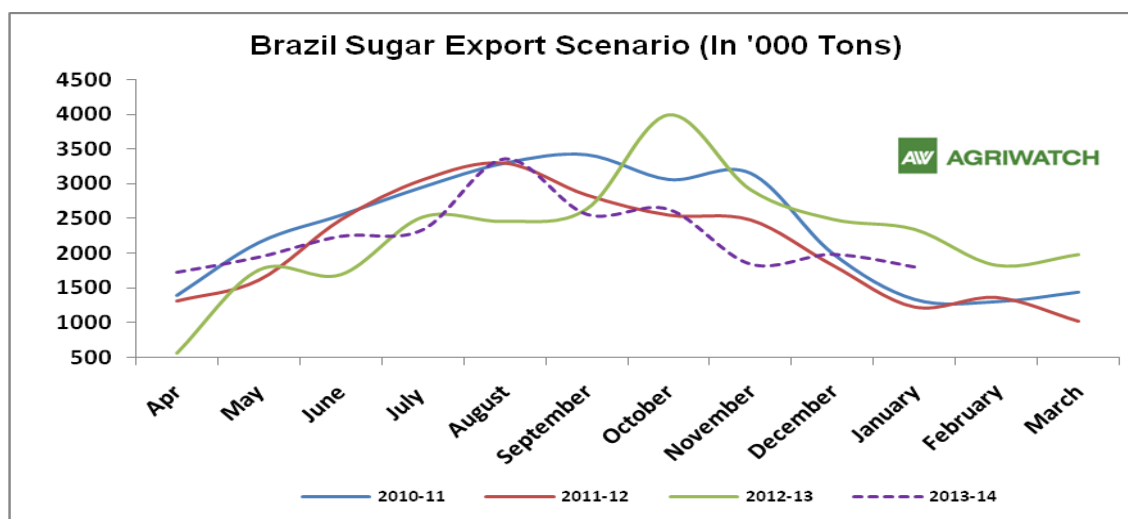
With USD/BRL levels at 2.34 for the end of February, Brazil's BCB is expected to continue its hiking cycle and as a result the Selic rate has risen to 10.75 by 25 basis points on the 26<sup>th</sup> February; supporting our view that USD/BRL rates will increase around 6.9% by the middle of the second qtr this, enabling exports of sugar to benefit from further currency depreciation.

### **Brazil Prices - As of Feb 25<sup>th</sup> 2014**

Parity - Brazilian Domestic/Exports					
	VHP Sugar		Conventional White Crystal		
PVU (\$/Ton)	295.57	321.62	429.77	419.97	
PVU (\$/50kg sack)	14.78	16.08	21.49	21.00	
PVU R\$/50kg sack)	34.77	37.84	50.56	49.41	
<b>Brazilian Equivalent</b> incl local taxes	41.52	45.18	60.37	59.00	
ICUMSA 45 & 150 Refining prices			1.70	1.70	
<b>Refined Price</b>			51.70	51.70	
<b>Brazilian Refined Oscillation and Exports *</b>			-14%	-12%	
** Brazilian Refined and Export Flucuation = Refined Price/Brazilian Equivalent					
PVU= [Average bulk sale price * % sold in bulk] + [Average retail sale price * % sold in retail]					

Source: UNICA, CONAB, COMEX

### **Brazilian Sugar Export Scenario**





Brazil has exported 1.80 million tons of sugar, raw value, in January 2014 down from 2.34 million tons in the previous year.

It is notable that Brazil has exported 22.39 million tons of sugar this year till January which was 23.38 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.

### **EU (28)**

Under the new (Common Agricultural Policy) CAP reforms EU member states have voted and concurred those current sugar quotas should remain where there are until 2016/17. Many authorities and unions are against an EU plan to impose increased fees unto sugar and beet farmers where the average income of such producers falls behind by the annual average by slightly over 50%.

With many conglomerates and cooperatives already up against rising production costs and regulation charges, beet farmers in particular have to bear a total cost of production approximately standing at €20-30 in competitive economies and around €30- 45 in those are considered no competitive.

In the UK in particular, industry experts and agronomist estimated that the 2013 beet crop is to generate 1.3m tonnes of sugar or 13% for the EU nation where recent weather has played havoc for other commodities, yet with the harvest virtually complete for UK beet sugar it was the mild winter condition that has prompted such increases in production forecasting.

Higher production than consumption in the EU over the past year has enabled the member states to begin looking towards the future- making a solid transition from net importer to net exporter if export levels remain high and quotas end.

### **Mexico**

Mexico's 2013/14 production looks set to become depleted by approximately 345,000 MT, leaving it at 6.350 million MT. The USDA in particular seem to have made their estimates very clear by also reduced the country's consumption of 4.406 million MT to 4.306 million MT.

Mexican duties on import and exports to and from the U.S, its biggest trade partner for sugar, are at nil due to requirements under the *North American Free Trade Agreement (NAFTA)*, this will allow for greater imports from the U.S versus international contracts if Mexico's sugar production and consumption become severely imbalanced in the coming months.

### **Thailand**

Early February Thailand elections were seen as pivotal to the world's second largest exporter as potential delays were predicted to cause an unfortunate backlash to sugar producers as talks of government walk-outs and strikes, following a series of anti-government protests in early and mid February.

Fortunately, the Thai production is forecasted at a 9% increase in comparison to the previous season according to the Secretary General for the countries sugar board.

Simultaneously, surges in a export from Thailand were also reported in February to increase more than 22% or 9 million metric tons which wasn't met with much skepticism as millers had be making the transition from the less lucrative rice production and into sugar milling over the past few years.

International Sugar Prices (Weekly)				
	Contract Month	27-Feb-13	31-Jan-14	Change
ICE Sugar #11 (US Cent/lb)	14-Mar	17.44	15.55	1.89
	14-May	18.07	15.76	2.31
	14-Jul	18.08	16.03	2.05
LIFFE Sugar (US \$/MT)	14-Mar	483.5	429.90	53.6
	14-May	487.9	439.20	48.7
	14-Aug	493.0	446.90	46.1

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