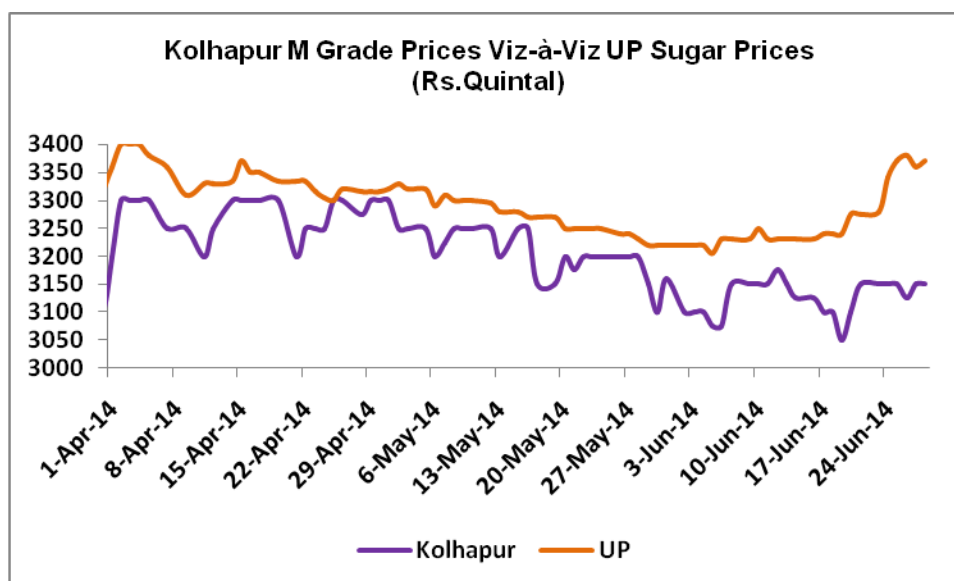


### Domestic Market Recap & Price Outlook:

Sugar prices are moving again in a southward direction. Govt. policies, weak sugar exports due to higher sugar domestic prices and strong rupee and weak sentiments of sugar in International markets drive the prices downwards.

As far as sowing is concerned, higher sowing figures in Maharashtra and Karnataka offset by lower sugarcane sowing in UP.

Meanwhile, late period harvesting by Karnataka mills turn the sugar production figures for 2013-14 to 24.5 from 23.8 million tons. It is notable that this year Karnataka mills done premature harvesting of Adsali crop (18 months crop) which increase the sugar production figures this year.



### Sugar Domestic Price Outlook:

Sugar price are likely to move in a range with weak tone due to weak demand from domestic as well export front. If prices of sugar international market improved then only there is any possibility in increase in prices of sugar in domestic market.

## Major Happenings in Domestic Sugar Industry:

- Market is waiting for some cues from the govt at present. It is notable that govt is trying to curb any hike in commodity prices specially essential commodities like Sugar, Rice etc which ultimately spread bear sentiments.
- Sugar prices normally move in a negative zone in July period historically due to weak demand and moisture condition due to humid conditions.
- Food Ministry has sought approval from Cabinet to end the subsidy for raw sugar exports.
- There are rumors of making buffer stock of 40 lac tons by govt.
- UP millers wants govt to atleast not increase cane prices so that they can reduce losses and can make payments to farmers.
- Sugarcane sowing reached to 4.39 million hectares till 27th June, according to report published by Ministry of Agriculture. Recent sowing figures are lower compared to last year sugarcane sowing which reached at 4.74 million hectares at the same period.
- In a major turnaround, Food and Civil Supplies minister Mr. Ram Vilas Paswan increase sugar import duty to 40% from current 15%. This move will give huge respite to sugar mills. In addition to it, Food minister also assure cash starved mills to provide interest free loan of Rs 4400 crore to make payments of cane arrears to farmers. Govt. will also extend sugar export subsidy on raws of Rs 3300 per ton till September 2014.

## Trade Scenario of Sugar

### Raw Sugar Import Opportunity:

Indian indicative raw sugar CIF prices from Brazil quoted at \$522 per ton (including 40% import duty) and Indian domestic refined sugar FOB prices quoted at \$495 per ton Kolhapur based. Recently, government decide to give Sugar export subsidy on raws to Rs 3300 per ton, which ultimately increase sugar export figures in the year ahead.

On International front, dry weather conditions in Brazil support the sugar prices in International markets and dampens the possibilities of increase in sugar exports from Brazil. Brazil sugar FOB prices are quoting \$480.25/ 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.60.10) till 23 <sup>th</sup> June 2014			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$480.25	-	\$495

## Sugar Import and Export Scenario:

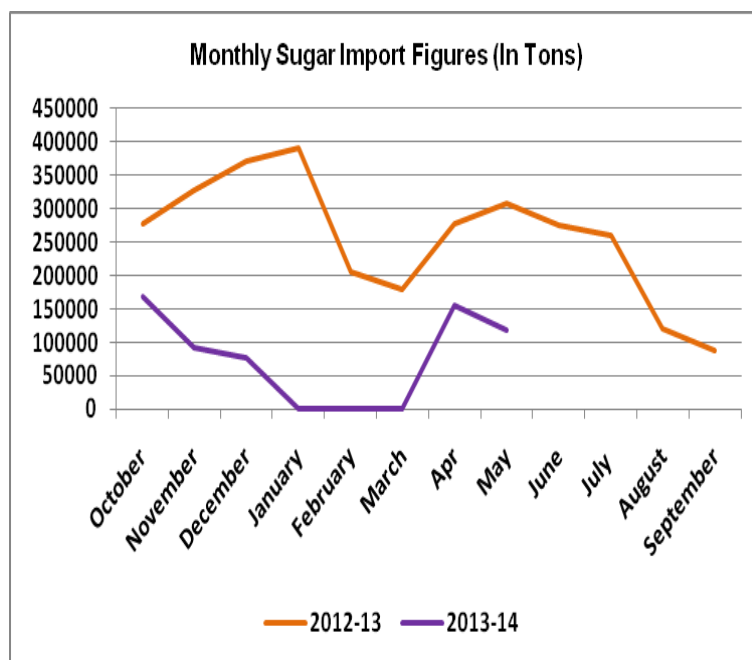
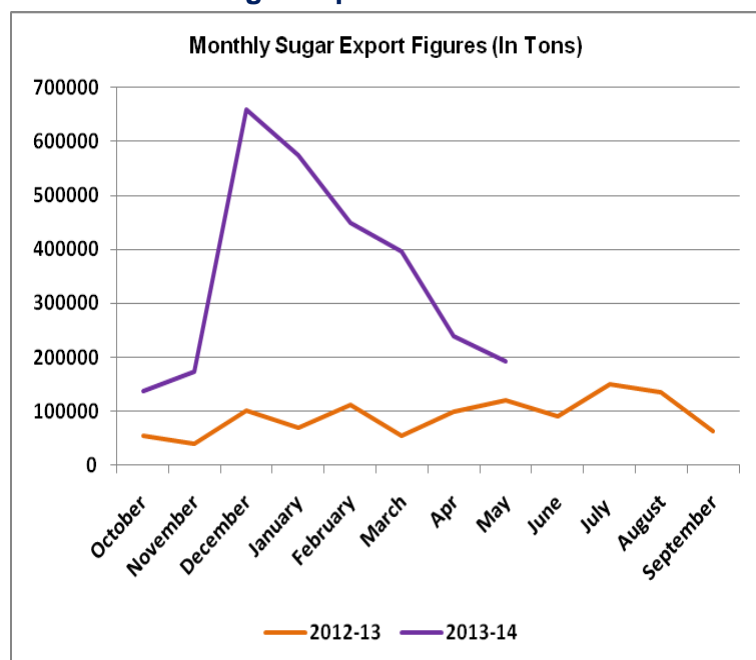
India has become net importer in the marketing year 2012-13 as big refiners like Shree Renuka Sugars take full benefit of lower raw sugar prices in Brazil despite of 15% sugar import duty (on both raws and whites). In addition to it, strong rupee also support the imports.

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 3 million tons from India in 2013-14 marketing year. Till date, India has exported 2.8 million tons of sugar as reported.

## India Sugar Export Scenario:



Indian sugar exports decline M-o-M basis due to continuous supply of sugar by Brazilian mills in global market which remove export parity for Indian exporters. Also, recent sharp rise in domestic sugar prices and strong rupee also the major influencing factors which reduce the sugar shipments M-o-M.

It is notable that India exported around 1.93 lac tons of sugar (both raws and whites) which is up by 62% Y-o-Y but decline by 19% compared to April month sugar exports.

India has exported around 2.8 million tons of sugar till May 2014 which was around 0.65 million tons sugar exported at the same period last year.

As far as sugar imports are concerned, it is increasing from last couple of months due to weak international sugar prices which enable Indian sugar refiners like Shree Renuka sugars, EID Parry to import raw sugar.

In the month of May, India imported around 1.17 lac tons of sugar (mainly raws) which is down by 24% compared to sugar imported in April.

In total, India imported 6.13 lac tons of sugar till May in 2013-14. However, at the same period last year, India imported around 2.33 million tons of sugar (mainly raws).

### **India Sugar Production Scenario:**

India is likely to produce 24.5 million tons of sugar in 2013-14 which is less compared to 25.14 million tons sugar produced in 2012-13.

Crop damage in UP followed by lower sugar recovery in UP led the overall sugarcane and sugar production down this year.

**India produced 23.9 million tons of sugar till 15<sup>th</sup> May 2014.** Lower cane yield and recovery of sugar from cane especially in UP led the production decline.

Also, there are some yield loss in cane reported in Maharashtra which ultimately decrease the sugarcane and sugar. Low sunshine curb the photosynthesis process in sugarcane which ultimately decrease the yield in June-Aug period as reported.

States	Sugar Production (Lac tons)
Maharashtra	77
Uttar Pradesh	64.5
Karnataka	41
Tamil Nadu	11.5
India	239

### Crop Update:

#### **Maharashtra crop scenario:**

Farmers are increasing sugarcane crop in their respective fields by 10-15% as per initial information we gather. Main reason for increase in acreage are good water availability due to ample water in reservoirs and good rainfall.

Meanwhile, despite the fact that mills in Maharashtra paid less cane price y-o-y to farmers, farmers still find cane crop more lucrative than other substitute crops like wheat, jowar, onion etc. especially in south Maharashtra that is known for main sugarcane belt.

#### **Uttar Pradesh Crop Sowing scenario:**

UP region this time likely to surprise as far as cane sowing is concerned for 2014-15. Acreage in Uttar Pradesh for cane likely to decline by 10-15% thanks to mounting last year cane arrears that still are not getting paid to farmers.

Overall India sugarcane acreage likely to remain same with increase in acreage of cane in Maharashtra and Karnataka offset by decline in cane acreage in India's biggest cane growing belt i.e. Uttar Pradesh. However, it is still early to comment on that as cane planting is going to start in Uttar Pradesh.

### **Sugar Domestic Balance Sheet**

Qty in lakh Ton	Estimated Balance sheet	
	2012-13	2013-14
Opening Sugar stock	28.6	58.89
Estimated sugar production	251.4	245
Imports (IBIS)	30.79	10
Estimated sugar availability	310.79	313.89
Total Export (IBIS)	10.90	30
Total Available for domestic consumption (D-E)	299.89	283.89
Estimates sugar consumption	241	245
Ending Stock	58.89	38.89

India is likely to produce 24.5 million tons of sugar in 2013-14 which is lower by 6 lac tons compared to last year.

However, sugar exports likely to pick up in this marketing year due to sugar deficit globally. We estimate India is likely to export around 30 lac tons of sugar.

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

Spot Sugar Prices Scenario Monthly				
Commodity	Centre	Prices (Rs/Qtl)		Change
		June-14	May-14	
Sugar	Delhi - Grade M	3304	3278	26
	Delhi - Grade S	3239	3208	31
	Delhi - Grade L	3358	3325	33
	UP- Khatauli Grade M	3374	3365	9
	UP- Ramala Grade M	3225	3292	-67
	UP- Dhampur Grade M Ex-Mill	3231	3268	-37
	UP- Dhampur Grade S Ex-Mill	3211	3248	-37
	UP- Dhampur Grade L Ex-Mill	3281	3318	-37
	Mumbai –Grade M	3279	3410	-131
	Mumbai –Grade S	3133	3230	-97
	Kolhapur – Grade M	3126	3210	-84
	Kolhapur – Grade S	2990	3065	-75
	Guhawati – Grade S	3299	3375	-76
	Shillong – Grade S	3310	3385	-75
	Vijayawada – Grade M	3571	3590	-19
	Vijayawada- Grade S	3444	3483	-39
	Nagpur – Grade M	3288	3375	-87
	Nagpur – Grade S	3152	3200	-48
	Kolkata – Grade M	3339	3403	-64
	Chennai - Grade S	3091	3152	-61
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3050	3129	-79
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	2998	3178	-180

Spot Sugar Prices Scenario (Weekly)					
Commodity	Centre	Today	Week Ago	Month Ago	Year Ago
		30-May-14	23-May-14	30-Apr-14	30-May-13
Sugar	Delhi - Grade M	3250	3300	3300	3250
	Delhi - Grade S	3200	3200	3250	3200
	Delhi - Grade L	3300	3340	3350	3300
	UP- Khatauli Grade M	3330	3370	3225	3200
	UP- Ramala Grade M	3260	3280	3350	3180
	UP- Dhampur Grade M Ex-Mill	3205	3235	3310	3100
	UP- Dhampur Grade S Ex-Mill	3185	3215	3290	3080

UP- Dhampur Grade L Ex-Mill	3255	3285	3360	3150
Mumbai –Grade M	3322	3366	3476	3238
Mumbai –Grade S	3162	3196	3312	3102
Kolhapur – Grade M	3100	3200	3300	3025
Kolhapur – Grade S	2950	3050	3150	2925
Guhawati – Grade S	3258	3360	3461	NR
Shillong – Grade S	3270	3370	3470	NR
Vijayawada – Grade M	3520	3560	3680	3530
Vijayawada- Grade S	3420	3460	3550	3420
Nagpur – Grade M	3250	3350	3450	NR
Nagpur – Grade S	3100	3150	3300	3230
Kolkata – Grade M	3290	NA	3440	3300
Chennai - Grade S	3050	3100	3225	3075
Ambikapur (Chattisgarh)- Grade M (Without Duty)	3150	3150	3150	3200
Ambikapur (Chattisgarh)- Grade S (Without Duty)	3125	3125	3125	3200

### Gur Market Scenario and Outlook

Gur prices are moving in a range to weak tone last month. Decreasing gap of gur stock position which earlier curb major hike in gur prices. In addition to it, lower sugar prices also make gur sentiments dull last month.

Prices of gur are likely to move in the range with weak tone in the shorter to medium period due to increasing gur stock in the cold storage as expected.

Gur Spot Prices Scenario (Monthly-Average)				
Markets	Variety	June-14	May-14	Change
Muzaffar Nagar	Chaku	3006	3125	-119
	Chaku (Arrival-Sum)	22300	28400	-6100
	Khurpa	2822	2823	-1
	Laddu	3127	3054	73
	Rascut	2699	2373	326
Hapur	Chaurasa	NA	2639	-
	Balti	NA	2849	-

<b>Maharashtra</b>	Latur(Lal Variety)	3000	3015	<b>-15</b>
<b>Bangalore</b>	Achhu	NA	NA	<b>-</b>
	Mudde	3621	3191	<b>430</b>
<b>Belgaum</b>	Mudde	2911	2688	<b>223</b>
<b>Belthangadi</b>	Yellow (Average)	3182	3155	<b>27</b>
<b>Bijapur</b>	Achhu	2708	2772	<b>-64</b>
<b>Gulbarga</b>	Other (Average)	3156	2993	<b>163</b>
<b>Mahalingapura</b>	Penti (Average)	2969	3031	<b>-62</b>
<b>Mandya</b>	Achhu (Medium)	2345	2417	<b>-72</b>
	Kurikatu (Medium)	2200	2200	<b>Unch</b>
	Other (Medium)	2300	2346	<b>-46</b>
	Yellow (Medium)	2273	2352	<b>-79</b>
<b>Shimoga</b>	Achhu (Average)	3400	3671	<b>-271</b>

Spot Jaggery(Gur) Prices Scenario (Weekly)					
Markets	Variety	Today	Week Ago	Month Ago	Year Ago
		30-May-14	16-May-14	30-Apr-14	30-May-13
<b>Muzaffar Nagar</b>	Chaku	2975	3150	2950	3200
	Khurpa(New)	200	2800	2900	3000
	Laddu(New)	2725	3100	3000	3200
	Rascut	2975	2325	2450	NA
<b>Hapur</b>	Chaurasa	2325	NA	NA	NR
	Balti	NA	NA	NA	NR
<b>Maharashtra</b>	Latur(Lal Variety)	NA	3050	3000	3100
<b>Bangalore</b>	Achhu	2900	NA	NR	2900
	Mudde	3200	3100	3000	3000
<b>Belgaum</b>	Mudde	2700	2700	2800	3000
<b>Belthangadi</b>	Yellow (Average)	3200	3200	3200	2800
<b>Bijapur</b>	Achhu	2650	2800	2900	3100
<b>Gulbarga</b>	Other (Average)	3050	3050	2950	2900
<b>Mahalingapura</b>	Penti (Average)	NR	3040	2940	3140
<b>Mandya</b>	Achhu (Medium)	2300	2450	2450	2850
	Kurikatu (Medium)	2200	2200	2200	2500
	Other (Medium)	2350	2350	2350	2550
	Yellow (Medium)	2350	2350	2350	2850
<b>Shimoga</b>	Achhu (Average)	3700	3600	3850	3650



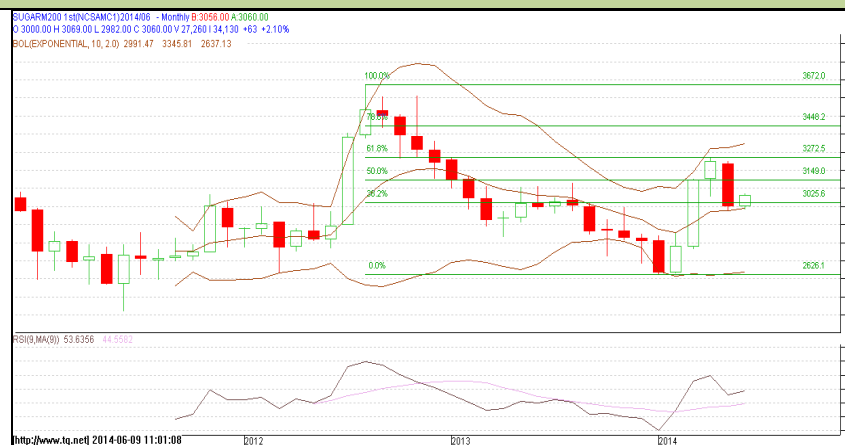
**Commodity: Sugar**  
**Contract: Continuous Chart**

**Exchange: NCDEX**

### SUGAR Continuous Chart (C1)

#### Technical Commentary:

- Prices are showing some upward correction from here and likely to take resistance at Rs 3150-3200.
- Breach of Rs 3200 level would take the prices down to Rs 3372.
- However, overall trend remained downwards.



**Strategy:** We advise market participants to Buy.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	-	2845	2997	3265	3372
Intraday Trade Call			Call	Entry	Call	Entry	T1
Sugar	NCDEX	C1 Chart	Buy	Above 3000	3150	3175	2910

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

**Exchange: NCDEX**

### GUR Continuous Chart (C1)

#### Technical Commentary:

- Gur prices are getting upward correction after sharp decline.
- RSI is moving up near to neutral region.
- Decrease in prices along with increase in OI suggests bearishness in the prices.
- Prices not able to breach 78.6% fibonacci retracement level.
- Last candlestick depicts indecision in the prices.



**Strategy:** Sell

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	C1 Chart	1111	1156	1165	1266	1348
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	C1 Chart	Sell	Below 1230	1200	1185	1245

## International Focus- Agriwatch

### Highlights:

#### Global News in brief

- India Weather & Climate, Crop Updates & News
- Brazil Weather & Climate, Crop Updates, Equivalent Prices, Ethanol Updates, Sugar Exports
- Thailand Weather & Climate, Crop Updates
- Other news & analysis
- Technical Analysis Sugar #5 LIFFE & Sugar #11 NYC

### Global News in brief

- .....and so it happened. June 12<sup>th</sup> 2014, India's government settled on extending the export subsidy, thus providing feed unpaid to farmers in particular to be paid by mills across the country. The price of Rs 3,300/tonne was observed and welcomed through a new administration which looks to right any wrongs pushed through from the prior administration. Furthermore, the government also decided to not extend into 2015. However the export subsidy move was praised by the ISMA Director General, Mr Abinash Verma who said that the move would *"help them [India's domestic industry] sell their surplus sugar and pay the farmers on time in the next season"*.
- The EIA released details of their report, including a forecast in ethanol production into next year, detailed in their June 16<sup>th</sup> 2014 issue. In the report they detailed that, from March 2014 to May 2014 average production levels increased some 2.09% from 907,000 BDP to 926,000 in what was the analysed and subsequently confirmed to be the highest value achieved for this year. The 2015 forecast (s) were also observed; according to the EIA, daily averages are set to increase to 935,000 from the prior forecast in May of 922,000.
- Thai Sugar demand from China and the Middle East and West African regions remained lethargic throughout May and June. In contrast, Brazilian grades remained competitive and in high demand within the same period, as vessels lined up in ports of Santos and other ports which were destined for Chinese shores more than any other country.
- According to *Reuters*, as of June 30<sup>th</sup> 2014, China's national COFCO Corp, the government grains and food produce company who already made strides into the grains sector with the April 2014 joint venture with Noble, amongst a series of other investments and acquisitions this year have, announced that they'll stop selling sugar through an industry-owned marketing body, thus beginning to sell commercial contracts of Australian sugar in-house. The move has been met with a certain degree of scepticism by Australian growers who believe that with the new joint venture; COFCO Corp, MSF Sugar and Wilmar International will limit the transparency in price quotas.
- The company president of Konburi Sugar mentioned in an interview on June 20<sup>th</sup> that the company plans to invest around 4.3 Thai Bhat into an ethanol business activities in a move which has been hailed as a positive relations to help the company expand its business into

alternative energy and reduced its reliance in sugar. The company hopes to expand its business into a new ethanol plant with a production capacity of 12,000 tonnes of cane/day.

## India



### Weather and Climate

As we reported, a number of months ago; the monsoon rains which were predicted by the met office of India finally arrived as of June 2014. Rains advanced through the major producing regions of the country, bringing with them pressure and worries for unprepared farmers and agricultural producers in general. Still we observed that between the first 15 days or so of the month, weather in and throughout India remained below historical averages for this time of the month.

- **Rainfall peaked at 10.15 mm or 69% under and below the historical average for the month.**

The IMD (*Indian Meteorology Department*) released data shortly after the 15<sup>th</sup> of the month conceding that, as of the 15<sup>th</sup> June, official numbers showed that for the 4<sup>th</sup> week running rainfall averages in major producing regions came in below historical averages.

Looking into regional data we can deliver the following values for the major cane and sugar producing regions:

- First two weeks of rainfall in India

#### UTTAR PADESH

For the first 2 weeks rainfall figures showed that coverage of forecasted June monsoon rains delivered only 0.6 mm of rainfall – **96.25% below historical averages**. Individually; western UP for the first 2 weeks showed 0.7 mm of rainfall whilst Eastern UP was slightly higher at 1.2 mm.

#### MAHARAHSTRA

It was a similar story for Maharashtra in terms of significant lagging against historical levels; rainfall reached only 12.28 mm or 78.12% below normal for the first 15 days of June.

#### KARNATAKA

Lows of 29.5 mm were recorded for actual rainfall accumulated for the first unlike UP and Maharashtra, only 59.68% was the lag behind expected rainfall forecasts; still its a large range from forecasted to actual rainfall in percentage terms.

- Second half of the month

### UTTAR PADESH


Gradually rains began to force themselves through to South Western states of India, more than elsewhere. UP was fortunate to offset the soil lack of top level soil moisture sustained in the first two weeks of the month with 12.6 mm- still below historical averages yet only by 21%.

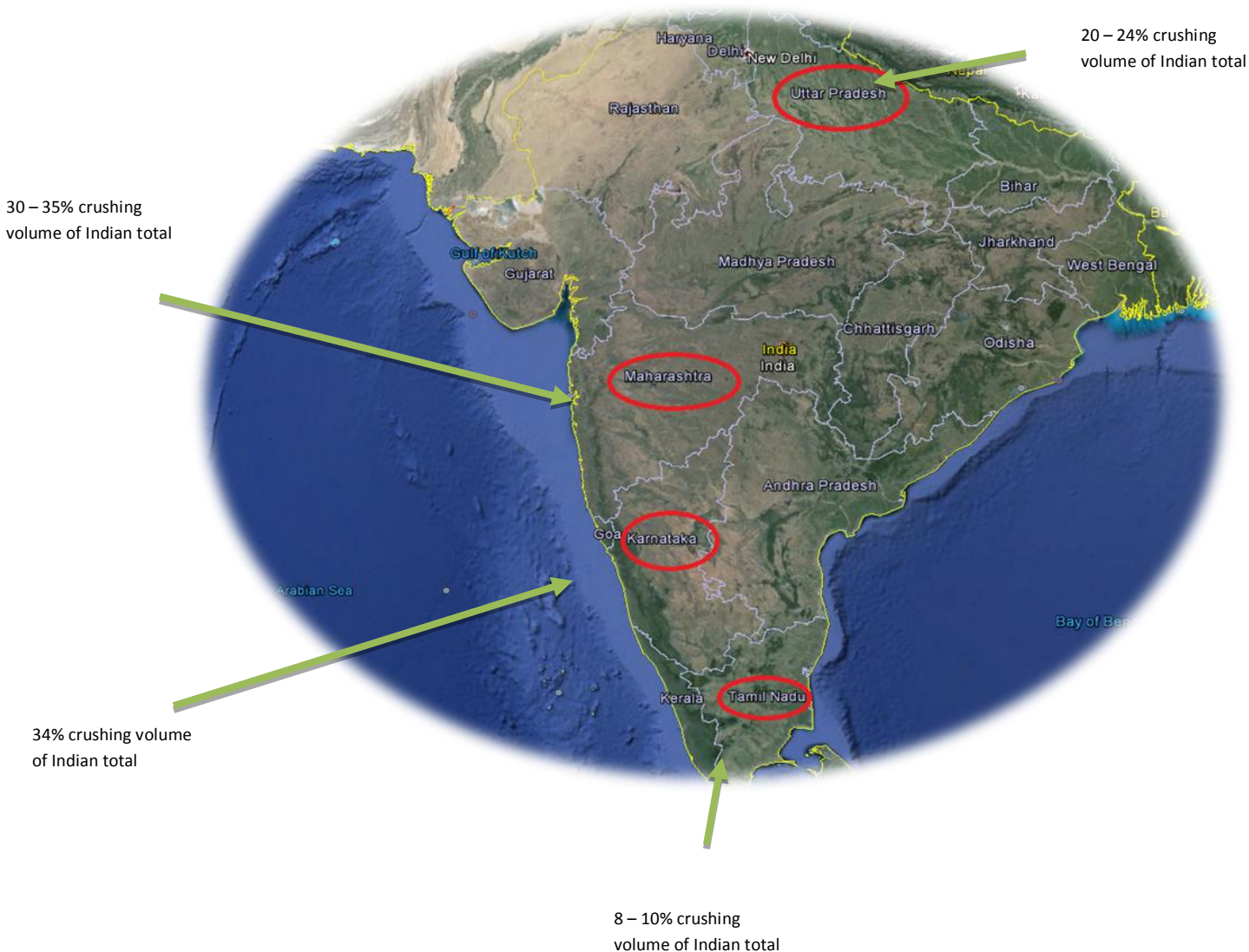
### MAHARAHSTRA

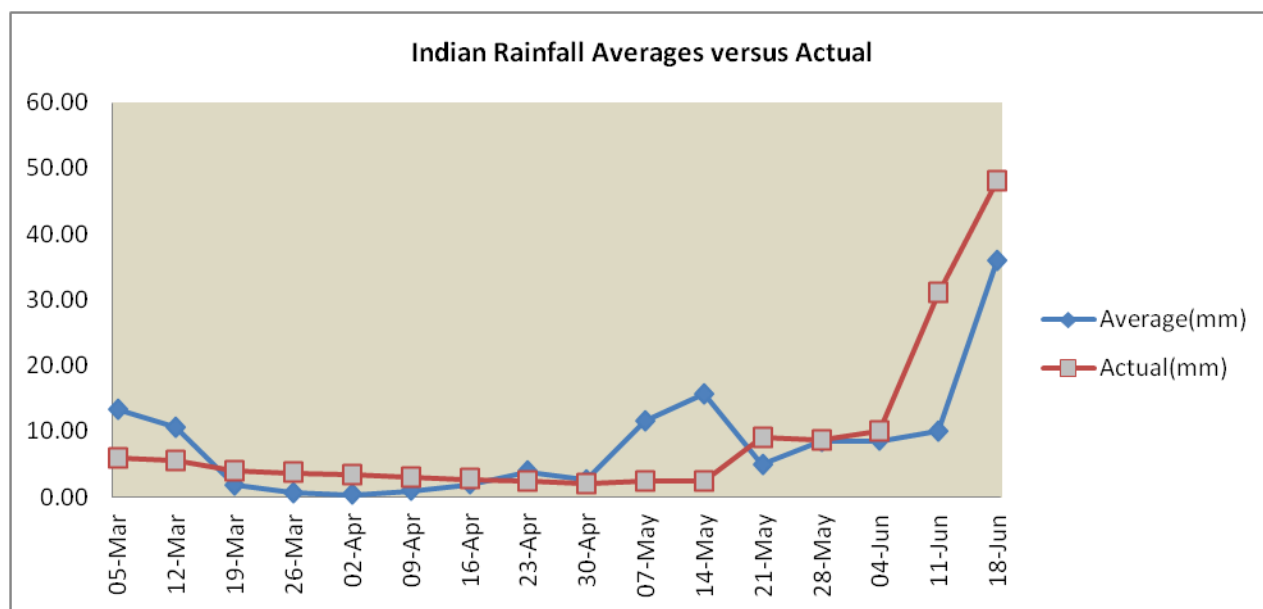
There was a reverse in Maharashtra; from a high of 78.12% below historical averages, we saw those numbers decrease considerably to 19.66%

### KARNATAKA

Where we realised increased levels of rainfall in Maharashtra, we also realised in Karnataka. Perhaps the biggest 2 weeks decline in percentage terms over the main producing regions was felt in Karnataka; from 59368% below historical averages in the first half of the month to a mere 7.36% for the final 2 weeks of June.

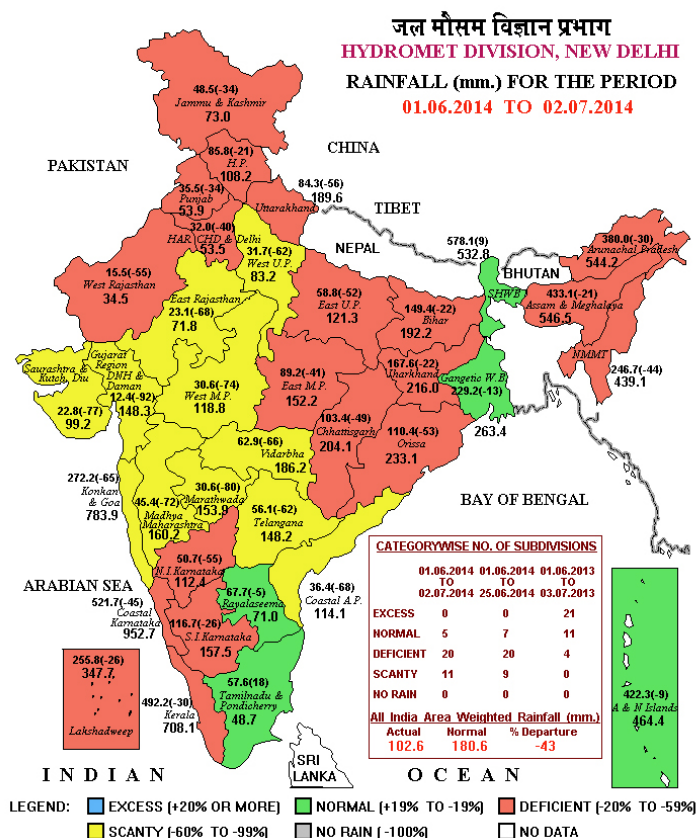
 = main producing states and crushing areas





Investigating deeper into state-wide rainfall levels and accumulation of precipitation we understand that, central regions received in the official monsoon period, less rain than coastal areas. As we can see from the adjacent image, for the Maharashtra area in particular 'scanty' rainfall covered the state more than the other major producing regions. For the second largest producing state, Uttar Pradesh, the overall rainfall was still below what we had expected yet according to the IMD it was considered to be a deficient rather than scanty situation.

We are now entered into a full Monsoon season. As mentioned in the report last month *The IMD have advised farmers to begin sowing crops between May & June to avoid the projected El Niño which could damage crops, shrink yields and unsettle growth periods with cane due to stress*, still we are yet to see the great extent of the Monsoon throughout India. This may present an issue as delays in planting and thus crop and yield levels- thus increasing the importance on crop type rotations.





### **Crop Updates**

Total sugar production as of May 19<sup>th</sup> 2014 came in at just under 24 mmt- a drop of 3.4% from last season's harvest for the same period. In UP, production was down from 2012/13 levels to 6.45 million tons, a decline of 15.98%. Karnataka offset some of the losses occurred in the UP state with an increase on 2012/13 seasonal production figures, the southern state produced 4.2 tons as of May 20<sup>th</sup> 2014 according to the industry sources, revealing an increase of 21.50%. In Maharashtra production for the first 20 days of May came close to that of last season, 7.7 million tons were produced versus 7.98 the season prior. Tamil Nadu production underperformed from the previous season, coming in at 1.17 million tons for May 20<sup>th</sup> 2014 against 1.6 million tons in 2012/13.

#### **UP Sugarcane Crop Update:**

- Uttar Pradesh sugarcane acreage is likely to decline by 15-20% for 2014-15 marketing year. Farmers are unfortunately not showing much interest towards sugarcane this time of the year, its also been driven by the lack of government intervention. Instead of cane, farmers will plant Paddy, Potato, Vegetables, Mentha and Corn which are the substitute crops of sugarcane and remain fairly competitive as crops.

Mainly, farmers are disappointed with the late cane payment by UP mills. It is notable that decreasing sugar prices last year below the cost of production urged some mills to close their operations.

Presently, the crop is only 1.5 to 2 months old right now and getting reaching a height of 1.25-1.50 foot right now depending on the region.

As far as water availability is concerned, it is adequate at present. Farmers are doing some weeding in their respective sugarcane fields.

#### **Karnataka Cane Update:**

- Karnataka sugarcane acreage is increasing unto 4% for the coming marketing year thanks to good water availability in the well and river. Farmers there usually used drip as well as lift irrigation. In Karnataka substitute crops are Pomegranate, Banana, Corn etc.

### **News**

We feel that it's correct to analyse and report the key movements and changes month-by-month within the sugar, cane and ethanol markets as well as the news which contributes to headlines of these key commodities. Over the course of June India's we talking about a series of issues effecting the price(s) of sugar and cane. Yet, only one thing remained amongst all those within the sugar industry.

- The Indian Government had decided, as of Monday 23<sup>rd</sup> June to raise the tax on sugar imports from 15% to 40% - move which will no doubt looked to be stemming toward assistance with strengthening Indian's domestic produce. One of the first to publically speak out about the tax increase was ISMA Director General, Mr Abinash Verma, Mr Verma was full of praise for the move in where the industry would benefit from the decision to favour local produce and furthermore put it at an advantage to that of foreign sugar and cane-based by-products. " A 40 per cent duty on sugar imports would insure that no other nations makes its way into the Indian markets, as we already have about 20-25 lakh tonne surplus sugar with us" mentioned Verma.

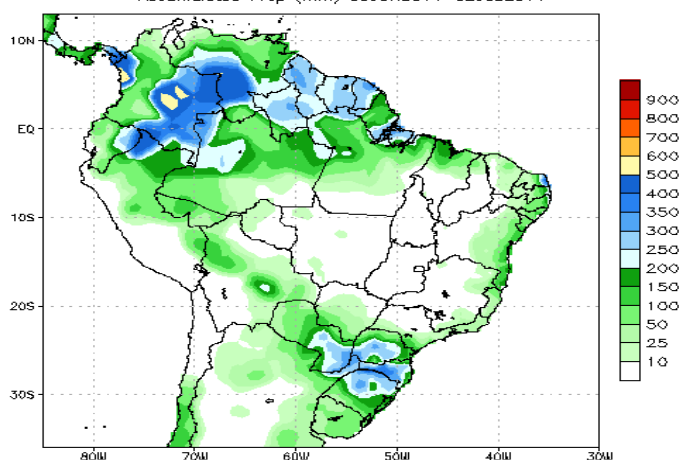
The move comes at the same exact time when the government also decided to extend the sugar incentive of RS 3,300/tonne for exports. There has also been an increase for the ethanol mix into gasoline – an increase from 5% to 10% coupled with 0% interest on loans.

- According to the *ISMA*; Crop sowing with more than 80% of the country lacking to obtain the key levels of rainfall, delayed sowing could possible lead to a decline in crop areas and also yields. In general, farmers and cane producers will leave sowing until ample weather conditions become more apparent.

## **Brazil**



Accumulated Prcp (mm) 03JUN2014–02JUL2014

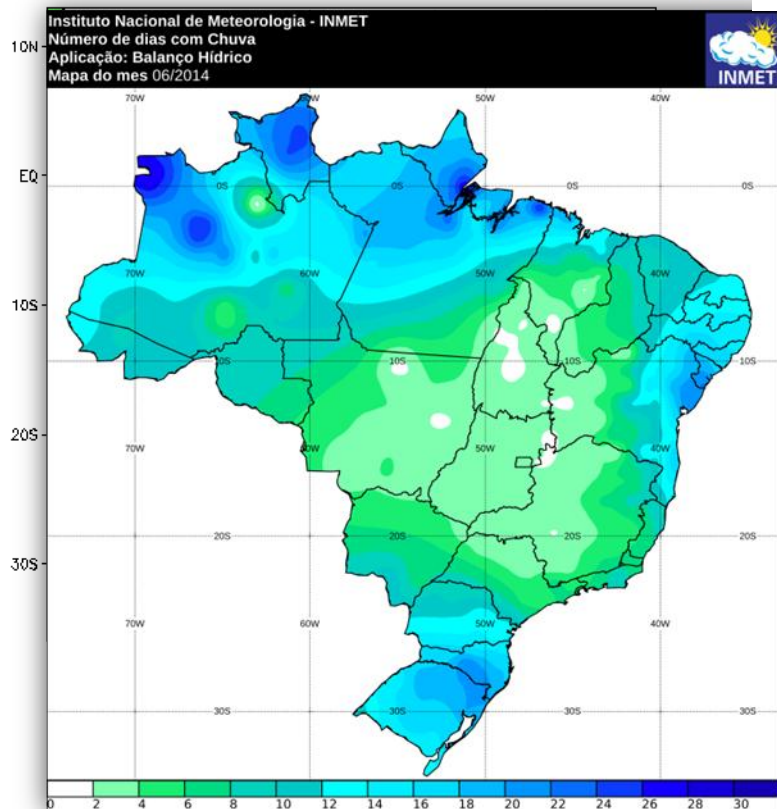


Data Source: CPC Unified (gauge-based & 0.5x0.5 deg resolution) Precipitation Analysis

## **Weather & Climate**

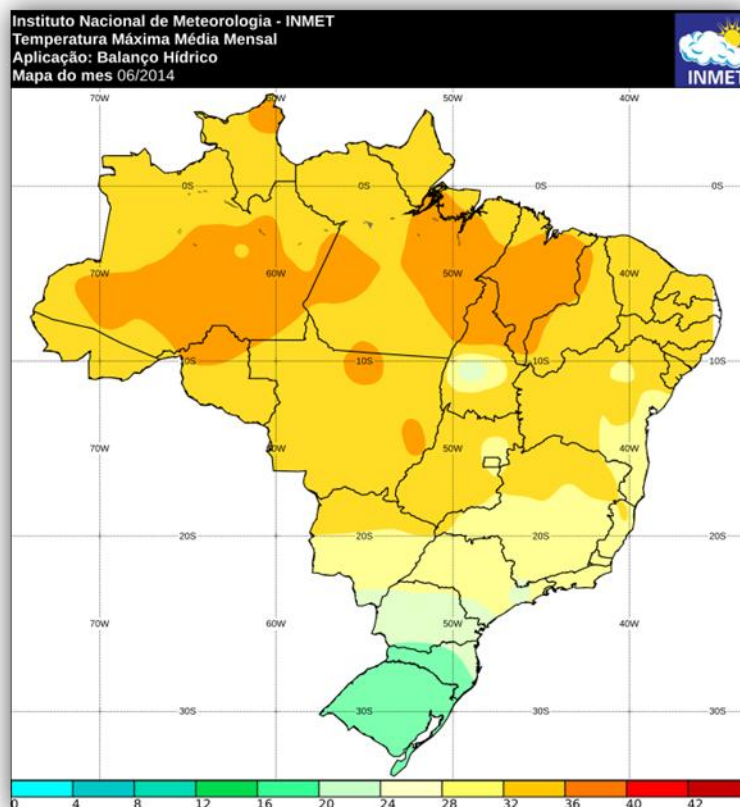
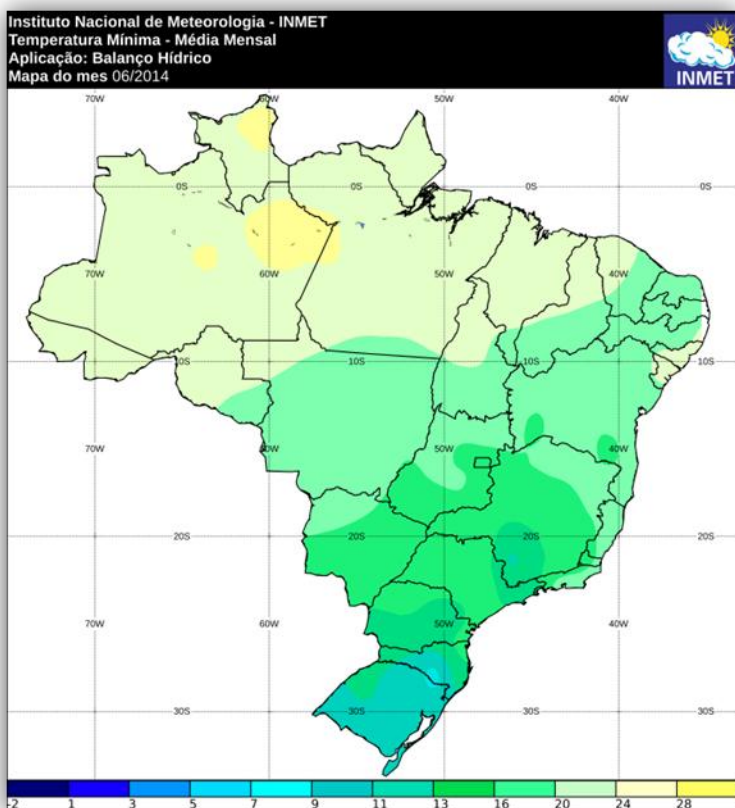
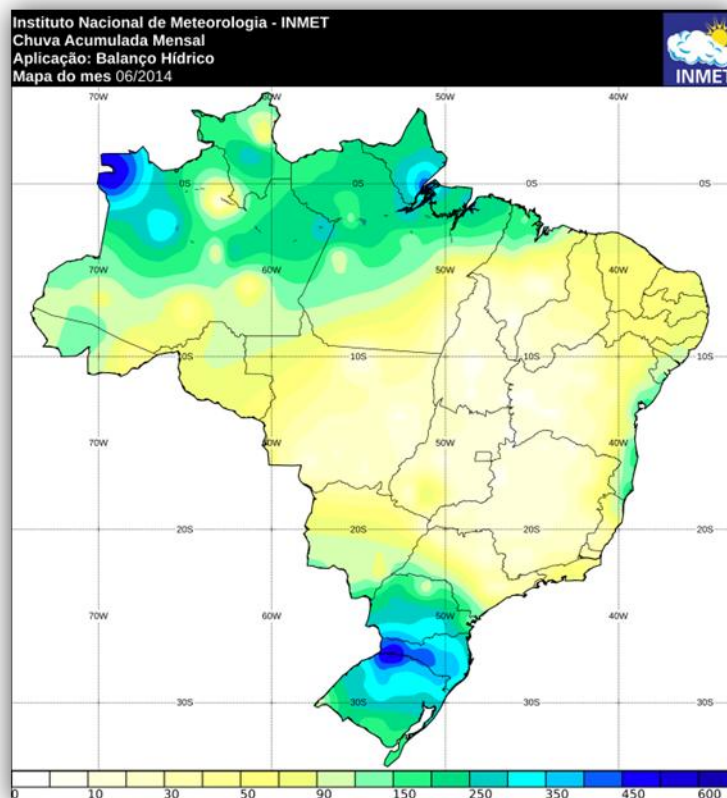
Accumulated precipitation for Brazil over the course of the June 2014 showed Centre-South regions were showing decreases of from those recorded for the month of May. For example, if we look at Mato Grosso in particular- often considered the main producing state within the country- accumulated precipitation went from a spread of 185 mm on average to 250 in June. In contrast, northern states, for example; North-Western areas of Para, where last month accumulated precipitation totalled 250 mm, the month of June allowed us to realize 1 less soil moisture-heavy landscape with accumulated precipitation at 198 mm on average.

Accumulated Prcp (mm) 02MAY2014–31MAY2014



From the *INMET* charts shown, the balance of days with rainfall throughout states such as MG, MT, SP and others were below northern states, where ultimately lesser production, crushing and exports of cane, sugar and ethanol occur. In particular, Eastern Goiás and central Tocantins, witnessed a particularly strange development of weather patterns throughout June (shown in the map in white), in what is currently, as today the start of the winter months for Brazil.

'*Chuva Acumulada Mensal*' or 'Monthly Accumulated Rainfall' was fairly average across the major producing and crushing states throughout the month of June. Both for the Monthly Minimum Temperature and Monthly Maximum Temperature, the gradual seasonal changes which have been witnessed are in-line with the historical averages. For example if we analyse last month's maximum temperature(s), the Goiás, Paraná, São Paulo and Mato Grosso, gradually the maximum temperatures have been descending and thus allowing for further soil moisture to occur in key growth regions. However





considering the last climate forecast published by INPE/INMET from June 30th, the probability of excess rains in the second semester will increase to 75%. If it is then confirmed, the overall quality of sugarcane could decrease whilst the harvest losses will grow as a result, there could even be a possibility that some areas will not be harvested by wet soil conditions.

### **Crop Updates**

- As of June 14<sup>th</sup> increased weed infestation with the sugarcane fields have threatened the overall industrial output and slowdown in crushing from the central- southern regions of Brazil. Amongst analysts on the ground in Sao Paulo and other Centre-south areas, the general consensus is that the lower cane will ultimately transcend into concerns being raised about the overall availability of sugar, particularly within the second half of the marketing year. In particular the first two weeks of the month highlighted increased plant impurities born out of low yields and overall issues with separation of straw and tips, furthermore the input of late ripeners also increased these concerns.
- The El Niño probability rate for El Niño occurrence was increased to 70% by *INMET*.
- Looking forward through to the 25<sup>th</sup> June 2014, UNICA and local producers worked together to monitor cane crushing in the centre of the country; records indicated that throughout the first 2 weeks crushing rose by 8.5% from the previous fortnight to a record 41.37 million tons in what meteorologists called a pickup due to the drier weather earlier within the year.
- For many producers the threat of an El Niño weather surge seems to be at the bottom of the priority pile. The dryness within the centre has created a scenario where the lack of rain is conceding the quality particularly in the last 4 months of the season.
- Looking at year to date figures; crushing totals for the central states and regions such as; São Paulo, Paraná, Goiás, Riberão Preto and Minas Gerais to name a few, they were totalled at 158.85 million tonnes for the beginning 2 weeks of June, sugar production also saw increases from previous figures: at a 4.43% increase from a month prior.
- The current lack of demand for domestic (physical) sugar has taken its toll on the market, still we should be conservative with sentiment values as it is still higher than sugarcane for sugar production. Our personal view here at Agriwatch is that; the downturn trend currently being seen in the market today could potentially find some support from a resurgence of demand, which is what we saw last month.
- Stronger TRS levels over the course of the last 1.5 months have given birth to increased ethanol prices in recent weeks; São Paulo hydrous rose by 0.3% for the last week of June to close the week at R\$ 1.2251 per litre. In contrast anhydrous traded at 1.3405 per litre which was an increase of roughly 0.58%.

## Equivalent Prices

Spot equivalent prices values for the 02<sup>nd</sup>, 17<sup>th</sup> and 30<sup>th</sup> of June 2014 highlighted in Indian wholesale (Vashi) grade to wholesale Brazilian are both indicated in \$ USD per 50kg sack.

Fortnightly price ranges (%) were the following:

- Indian Vashi: **+0.43 through to -1.91%**
- Brazilian Wholesale: **+2.41 through to -1.22%**

As of June 17h 2014	(per 100kg) INR	(per Ton) US\$
Indian Vashi Wholesale Market	3120.65	527.31
	(per 50kg) R\$	(per 50kg) US\$
Crystal Brazilian Sugar Wholesale (Per 50kg) R\$	50.59	22.64

As of June 02nd 2014	(per 100kg) INR	(per Ton) US\$
Indian Vashi Wholesale Market	3107	516.30
	(per 50kg) R\$	(per 50kg) US\$
Crystal Brazilian Sugar Wholesale (Per 50kg) R\$	49.37	22.01

As of June 30th 2014	(per 100kg) INR	(per Ton) US\$
Indian Vashi Wholesale Market	3166.50	527.14
	(per 50kg) R\$	(per 50kg) US\$
Crystal Brazilian Sugar Wholesale (Per 50kg) R\$	49.98	22.74

## Ethanol Updates

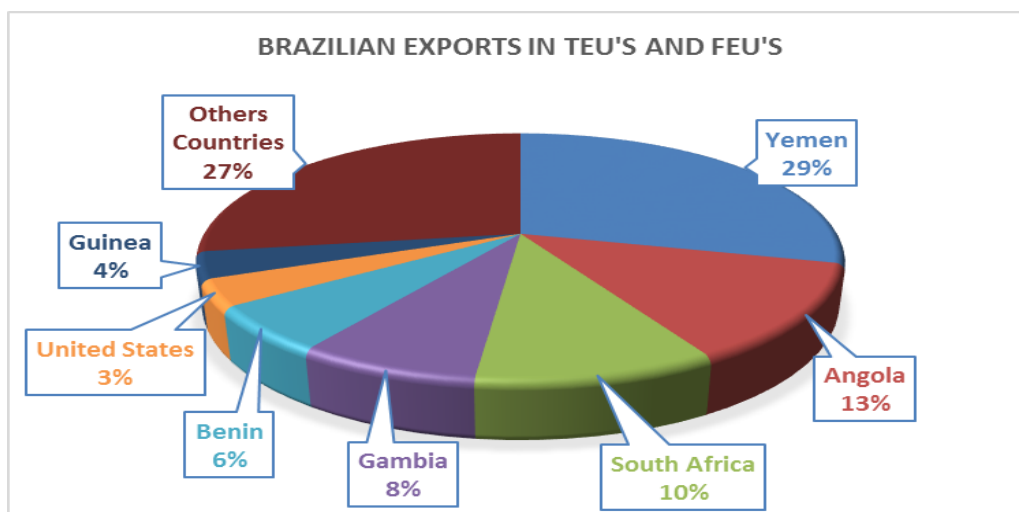
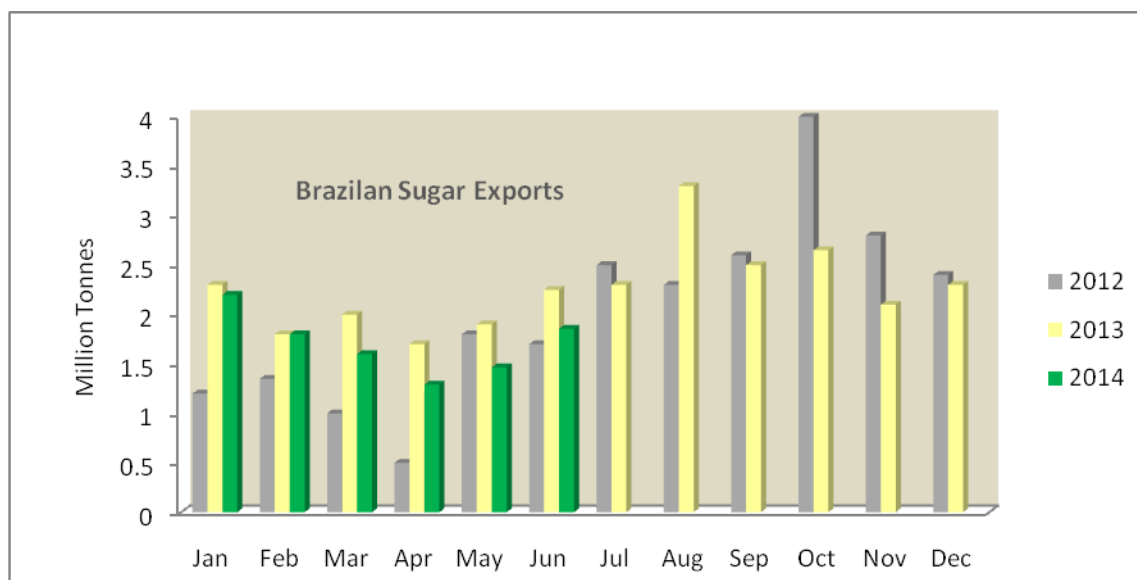
Historical Comparative Prices of Ethanol Blends in Sao Paulo State -Hydrous		
Date	Price (R\$) Litre	Price (USD \$) Litre
23/06 - 27/06/2014	1,2251	0,5545
16/06 - 20/06/2014	1,2216	0,5458
09/06 - 13/06/2014	1,2156	0,5449
02/06 - 06/06/2014	1,2071	0,5319
26/05 - 30/05/2014	1,1939	0,5348
19/05 - 23/05/2014	1,2020	0,5427
12/05 - 16/05/2014	1,1917	0,5380
05/05 - 09/05/2014	1,1871	0,5337
28/04 - 02/05/2014	1,2568	0,5639
21/04 - 25/04/2014	1,3558	0,6077
14/04 - 17/04/2014	1,4193	0,6354
07/04 - 11/04/2014	1,3066	0,5917
31/03 - 04/04/2014	1,3037	0,5752
24/03 - 28/03/2014	1,3881	0,6053
17/03 - 21/03/2014	1,4241	0,6088
10/03 - 14/03/2014	1,4305	0,6066
03/03 - 07/03/2014	1,4368	0,6171
24/02 - 28/02/2014	1,4382	0,6146
17/02 - 21/02/2014	1,4148	0,5944
10/02 - 14/02/2014	1,3805	0,5741
03/02 - 07/02/2014	1,3225	0,5506
27/01 - 31/01/2014	1,2861	0,5306
20/01 - 24/01/2014	1,2837	0,5409
13/01 - 17/01/2014	1,2889	0,5471
06/01 - 10/01/2014	1,2844	0,5395
30/12 - 03/01/2014	1,2835	0,5406

Historical Comparative Prices of Ethanol Blends in Sao Paulo State -Anhydrous		
Date	Price (R\$) Litre	Price (USD \$) Litre
23/06 - 27/06/2014	1,3405	0,6068
16/06 - 20/06/2014	1,3331	0,5956
09/06 - 13/06/2014	1,3245	0,5937
02/06 - 06/06/2014	1,3237	0,5832
26/05 - 30/05/2014	1,3383	0,5995
19/05 - 23/05/2014	1,3347	0,6026
12/05 - 16/05/2014	1,3298	0,6003
05/05 - 09/05/2014	1,4019	0,6303
28/04 - 02/05/2014	1,5176	0,6809
21/04 - 25/04/2014	1,5383	0,6895
14/04 - 17/04/2014	1,5317	0,6857
07/04 - 11/04/2014	1,5299	0,6928
31/03 - 04/04/2014	1,5845	0,6991
24/03 - 28/03/2014	1,5792	0,6886
17/03 - 21/03/2014	1,5977	0,6830
10/03 - 14/03/2014	1,5884	0,6736
03/03 - 07/03/2014	1,5491	0,6653
24/02 - 28/02/2014	1,5447	0,6601
17/02 - 21/02/2014	1,5348	0,6448
10/02 - 14/02/2014	1,5184	0,6315
03/02 - 07/02/2014	1,4917	0,6211
27/01 - 31/01/2014	1,4733	0,6079
20/01 - 24/01/2014	1,4672	0,6182
13/01 - 17/01/2014	1,4606	0,6200
06/01 - 10/01/2014	1,4582	0,6125
30/12 - 03/01/2014	1,4422	0,6074

A less ethanol driven crop last MY has weighed in unto the market coupled with the religious festival of Ramadan where demand from Asian and Middle Eastern economies were predominantly covered with demand purchases throughout the second quarter.

Source: UDOP/Agriwatch Pvt.Ltd

### Sugar Exports



Over the course of the last 3 months (excl June) we can divulge information relating to the main destinations for Brazilian sugar exports via Twenty Foot Equivalent and Forty Foot Equivalent containers:

**Thailand**

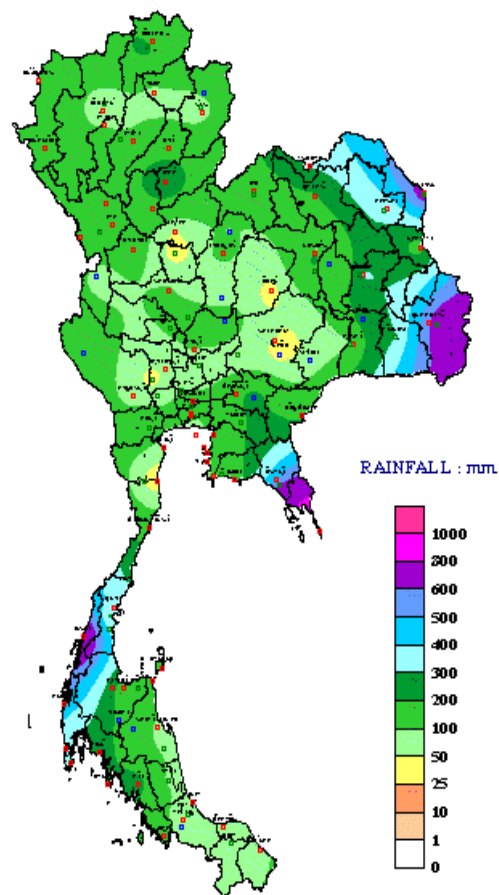


Our view on Thailand is that the dry weather will seriously call into question the resolve and determination of producers, crushers and sugar-relevant government officials as it threatens the 2014/15 crops. Both May and June were below averages slightly for rainfall records, however this somewhat pivotal to Thailand's agricultural climate particularly that they don't have the climatic advantages that both India and Brazil have. We may see El Niño create unfairness unto frequency of rains, between July and late September.

Source: Ministério de Desenvolvimento Indústria e Comércio (MDIC)

**June Monthly Rainfall**

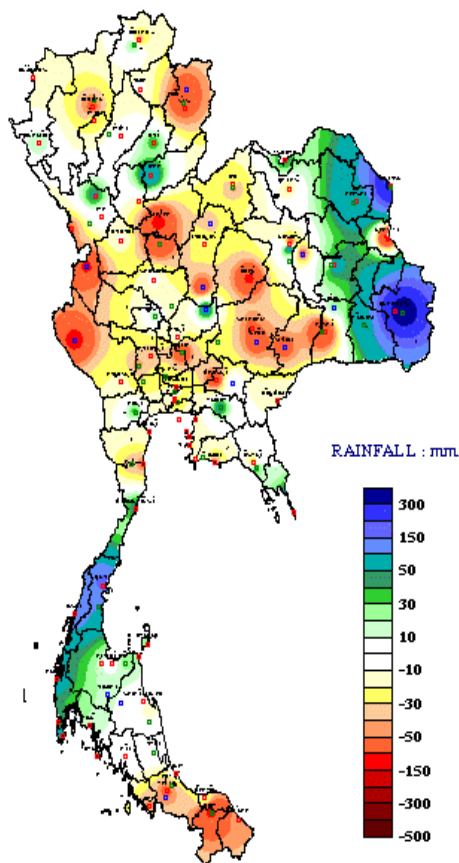
**TOTAL MONTHLY RAINFALL**  
FROM 1-30 มิถุนายน 2014



THAI METEOROLOGICAL DEPARTMENT

**June Departure from Normal**

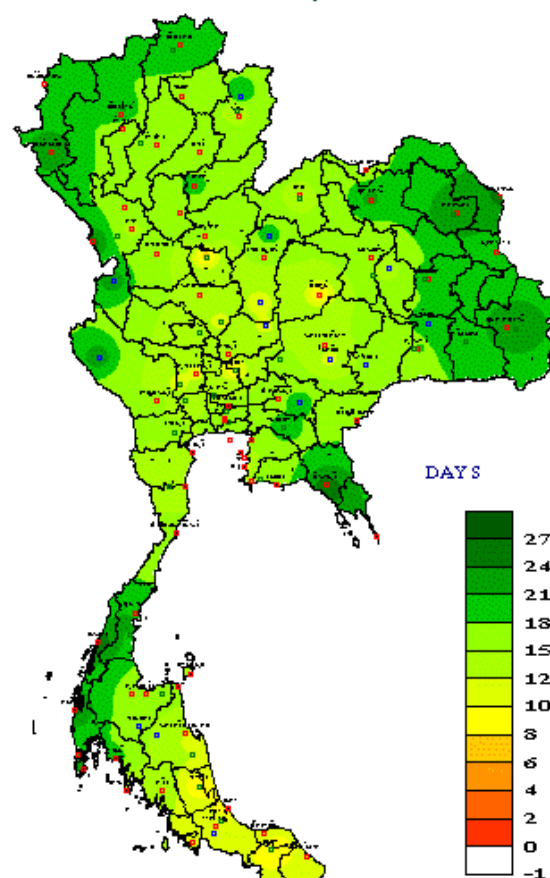
**DEPARTURE FROM NORMAL**  
FROM 1-30 มิถุนายน



THAI METEOROLOGICAL DEPARTMENT

**June Number of Rain days**

**NUMBER OF RAINY DAYS**  
FROM 1-30 มิถุนายน 2014



THAI METEOROLOGICAL DEPARTMENT

Thailand also finished its 2013/14 season on a high despite the slowdown in the last few months of the season due to hot weather and mill closures. Records have shown that 103.67 million tons of cane were crushed, some 3.77% above the previous crop crushing volumes. We also saw a higher sucrose level (often attributed to hotter weather) at 11.30 million tons of sugar being produced versus a 10.3 million ton level from the previous marketing year.

In the first month of this season, new numbers indicated that rainfall was below historical norm. The average rainfall in the country (weighted by sugarcane producing regions) totalled 121.0 mm which was 8.7% lower than expected for this time period.

Let us not forget that despite high levels of sucrose and thus sugar levels and the better year-to-date production levels, at the beginning of the 2013/14 season we were hearing of potential record levels of both sugar production and exports of Tel Quel, raw and rose sugar coming out of Thailand, a sentiment pushed extensively by the government of Thailand. Unfortunately this had been the case. Furthermore Brazilian and Indian grades have traded more competitive in particular with Asian and Middle Eastern clients.

#### **Other News and Analysis**

- June 05<sup>th</sup> 2014; the European Commission has decided to apply another tariff on ethanol imports for the blends that are produced within the USA. As of today the United States ethanol has become a popular for Norway clients. The ethanol which is blended with gasoline has a free of tariff tag on it. The commission will announce officially how much will become their new import tariff.
- As mentioned in the Thailand section; Chinese sugar imports fell by an astounding 37% as of the month of May to 173,217 tons. Brazil however was the biggest country of international sugar exports into Chinese shores this was followed by the Caribbean country of Cuba, and then South Korea.
- Crushing levels in Mexico, a net exporter of sugar mainly into the United States of America, totalled 279,960 tonnes as of the ultimate week of June 2014. It was 44% lower than the week before, still some 11.5% above the volume which was crushed at the same period in 2014. This comes a week before the end of the Mexican 2013/14 season.

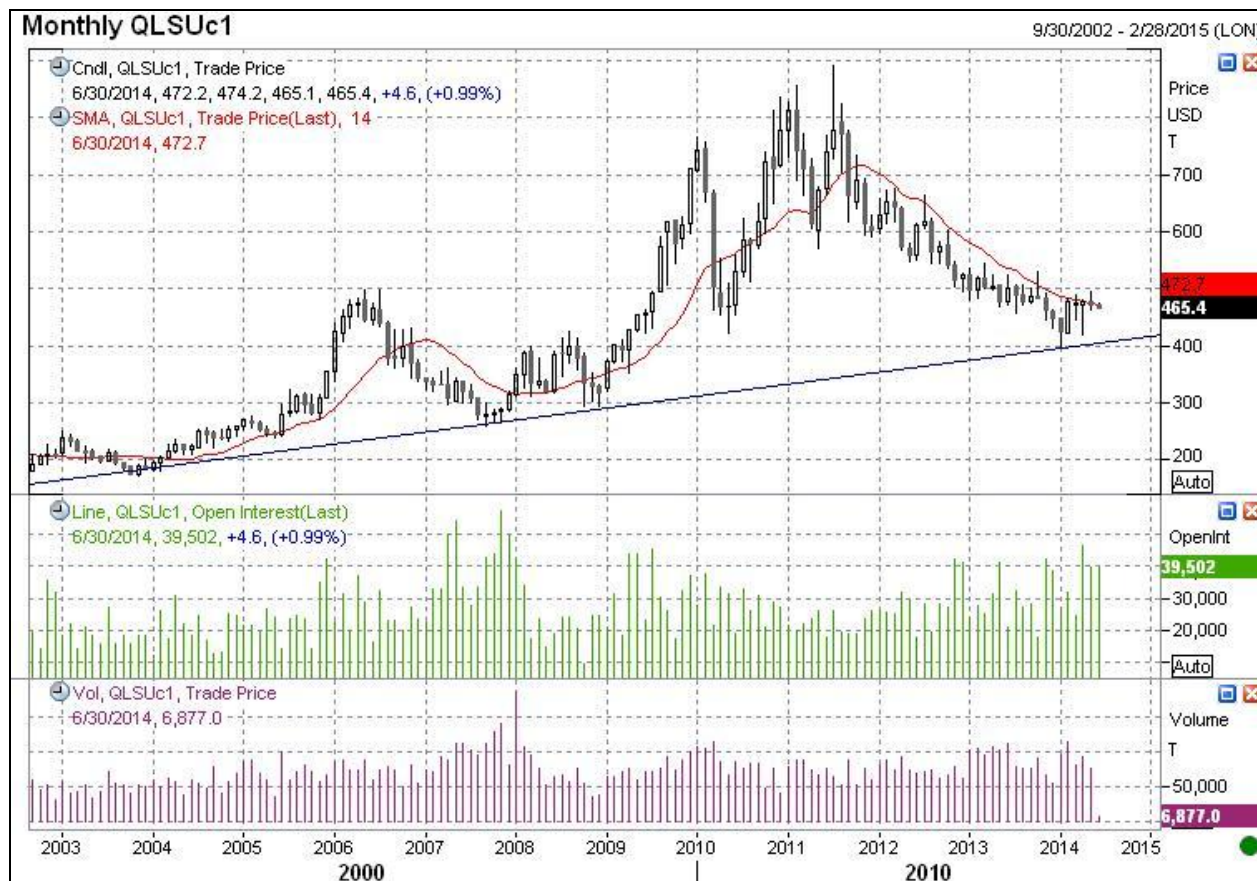
## Technical Futures Sugar 11#

As of **30<sup>th</sup> June 2014** ICE Raw sugar prices settled at 16.85 cents per. Prices are currently hovering at pretty crucial level. On monthly chart, 16.58 cents is the immediate support level, breach of the mentioned level would take the prices down to 16.07 which also lying over its support trend line. On the upper side, 18.46 and 19.75 cents per lbs are the resistance levels.



Source: Reuters Eikon





Source: Reuters Eikon

As of **29<sup>th</sup> June 2014** Prices of Refined Sugar London exchange traded at \$481.1 per ton. Here, prices got support at \$448 per ton if breach then it could test \$399. On the northward direction, \$520 & \$534 per ton are the next resistance levels.

International Sugar Prices (Weekly)				
	Contract Month	27-Jun-14	29-May-14	Change
ICE Sugar #11 (US Cent/lb)	14-Jul	16.85	17.48	-0.63
	14-Oct	18.32	18.31	0.01
	15-Mar	19.49	19.19	0.3
LIFFE Sugar (US \$/MT)	14-Aug	481.1	473	8.1
	14-Oct	486	480.7	5.3
	14-Dec	497.1	491.5	5.6

#### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>  
© 2014 Indian Agribusiness Systems Pvt Ltd.