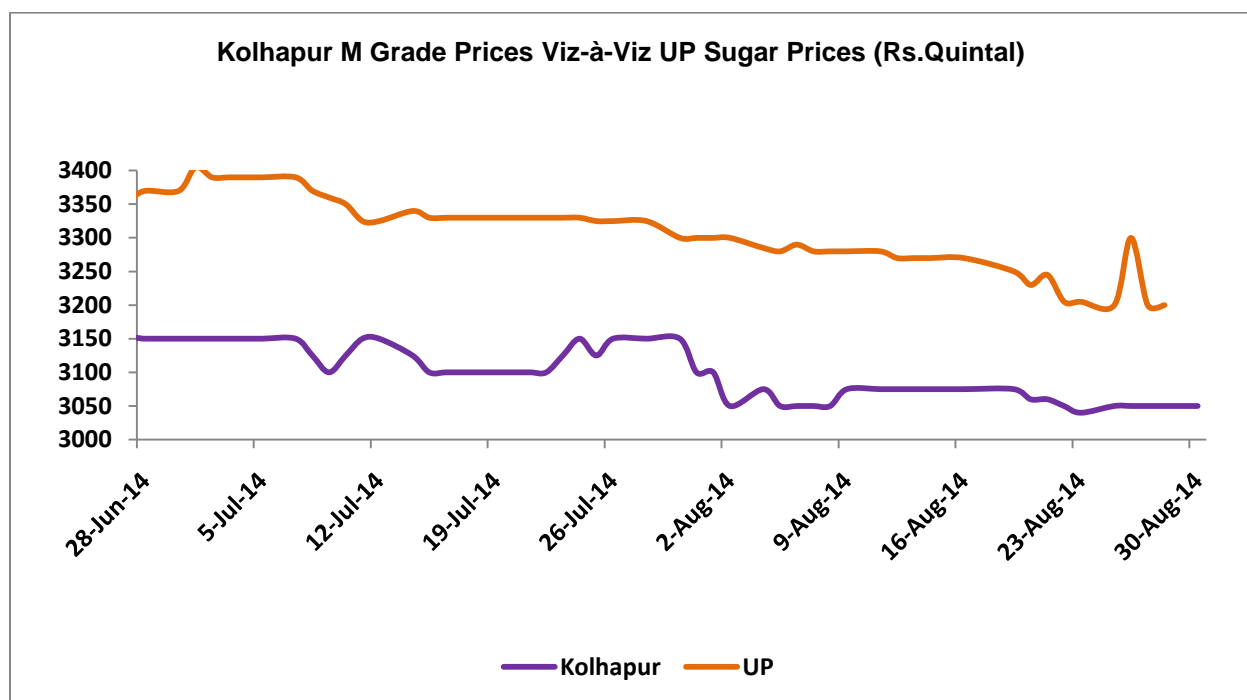


Domestic Market Recap & Price Outlook:

Sugar industry remained dormant with prices declining marginally in the month. Higher Indian sugar production estimates for 2014-15 and weak international sugar prices were the major influencing factors driving the prices down for the period.

In addition to it, panic selling of sugar by UP millers to make the last year's cane payments to farmers also led the prices down.

However, prices are expected to improve marginally in the month ahead amidst proximity to the forthcoming festive season in the country and threat of crushing suspension by U.P millers during the same period.



Price Outlook:

Sugar prices are currently moving in a range with weaker tone due to lackluster trade. However, upcoming festive demand likely to increase sugar prices in the medium term as expected.

Major Happenings in Domestic Sugar Industry:

- Raw sugar export subsidy has been raised by 2.1% from Rs 3300 per tons (June-July) to Rs 3371 per tons for August-September, 2014. The scheme came into implementation amidst soaring pressure for sugar export from India (due to rupee depreciation) and falling interest among millers who were suffering losses due to a mismatch between selling and procurement cost.
- A major dispute out surged between sugar and food department in Uttarakhand over the purchase of sugar at a discount for ration-card holders. Reportedly, cabinet had announced the purchase at a rate of Rs32/kg, which was fully disowned by the govt. millers who were asking for higher prices for their product.
- CACP advocated a 4.3% rise in FRP (to Rs 230/quintal) for sugarcane possessing an average recovery rate of 9.5% for the cropping year 2015-16. It is notable, that the current FRP for cane yield has been fixed at Rs220/quintal (for 9.5% average recovery) and Rs243/quintal (for 10.5% average recovery) for 2014-15 seasons.
- Confronting to the states' plea, centre is planning to refrain itself from fixing sugar prices for PDS (which long remained unchanged at Rs13.5/kg) in the country. Notably, the difference between RIP and the ex-mill price (maximum to Rs 32 per/kg) was given as a subsidy to the states, which pan out insufficient when market prices are on hike.

Crop Updates

Maharashtra:

- Cane quality is presently good with ample rainfall especially in South Maharashtra.
- Also good agricultural practices on cane (like proper implementation of fertilizers, crop rotation) by farmers this year support the cane yield and recovery.
- We also find an increase in Adsali (18 month crop) this year compared to prior year which generally gives very good yield as well as recovery which is beneficial for both millers and farmers.

Uttar Pradesh:

- Crop is presently in a good state with ample amount of artificial irrigation facilities available in UP.
- Also, less rainfall this year in the major growing regions is likely to boost the cane yield for the coming marketing year. It is notable that excess rainfall in UP increase the possibilities of diseases and also increase the water logging situation in low lying areas.
- Presently, crop is in Elongation phase and cane millers are presently expecting good cane yield. If rainfall happens in Mid Sept-October month then it will also boost the sucrose content in cane as reported.

Tamil Nadu:

- Three new variety sugarcane seed Co0403, Co06027, and Co06030 had been developed by the Sugarcane Breeding Institute (SBI), Coimbatore to enhance cane productivity in the area. The variety has been tested well across the nation and is found fruitful in almost all the regions.

Raw Sugar Import Opportunity:

Indian indicative raw sugar CIF prices from Brazil quoted at \$521.8 per ton (including 25% import duty) and Indian domestic refined sugar FOB prices quoted at \$504.6 per ton Kolhapur based. Recently, government decide to give Sugar export subsidy on raws to Rs 3371 per ton, which ultimately increase sugar export figures in the year ahead.

On International front, Brazil sugar FOB prices quoted at \$448.75/ Ton.

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

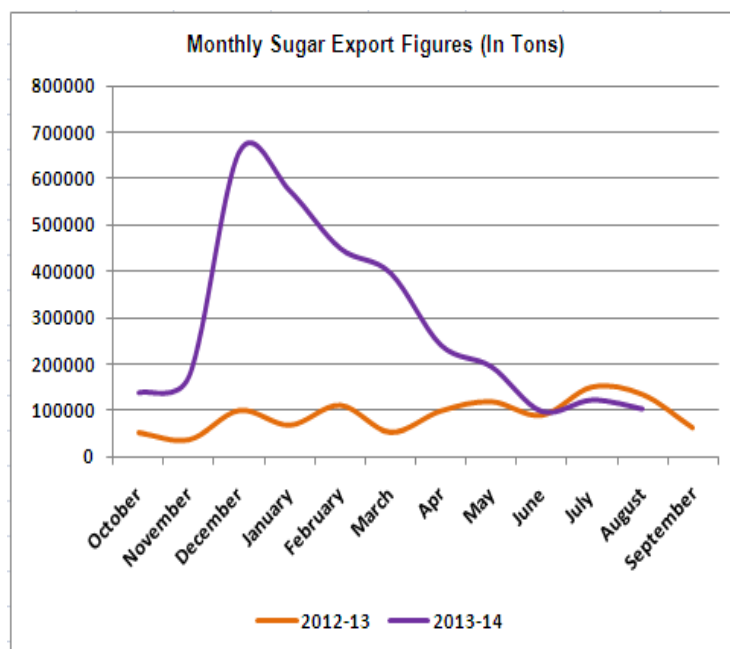
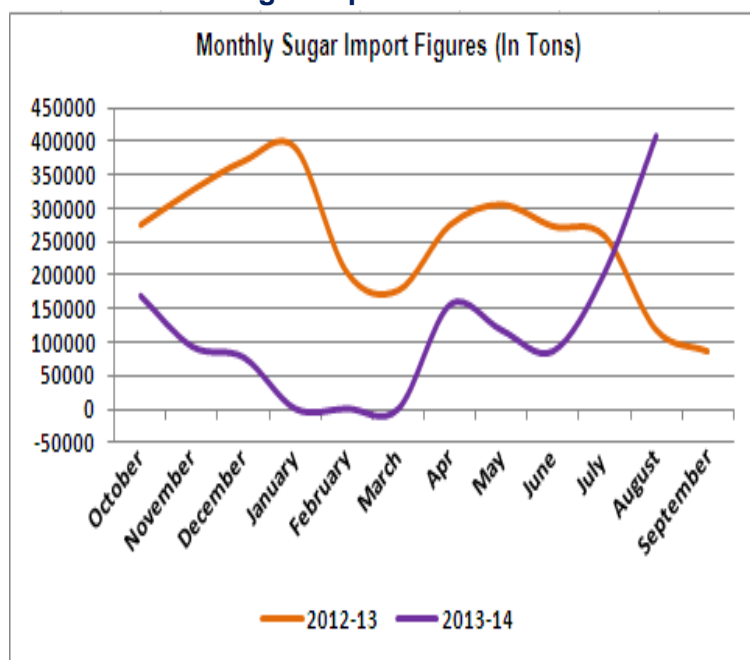
Indicative Sugar FOB Prices (USD/MT) (\$=Rs.60.44) till 5 th Sep 2014			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$448.75	\$429.10/425.60	\$504.6

Sugar Import and Export Scenario:

India emerged out as the major sugar importer marking a total imports of 4.07 lac tons this month, which was 240% higher than the level achieved last year in August.

A depreciating Indian currency and EID Parry to sugar import together contributed their bit for the mass purchase made. However, as for now, India had imported a total of 13.10 lac tons of sugar in 2013-14; which is much lower in comparison to the figure achieved last year i.e. 29.91 lac tons.

India Sugar Export Scenario:



On the other hand, lower comparative competitiveness in production and higher domestic consumption resulted into a fall in export from 1.21 lacs tons last month to 1.02 lacs tons in August. It is notable that majority of the export made had been to the Mid-East countries with Sudan topping the list with an import of 23.6 thousand tons.

However, the picture is different when it comes to the total export made in 2013-14, where India's exported around 31.4 lac tons of sugar compared to 10.2 lac tons in 2012-13.

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	13.11
Estimated sugar availability	310.79	317
Total Export (IBIS)	10.90	31.45
Total Available for domestic consumption (D-E)	299.89	285.55
Estimated sugar consumption	241	245
Ending Stock	58.89	40.55

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 32 lac tons of sugar by the end of 2013-14

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly-Average)				
Commodity	Centre	Prices (Rs/Qtl)		Change
		30-Aug	31-Jul	
Sugar	Delhi - Grade M	3288	3383	-95
	Delhi - Grade S	3205	3293	-88
	Delhi - Grade L	NA	3365	-
	UP- Khatauli Grade M	3350	3432	-82
	UP- Ramala Grade M	3237	3309	-72
	UP- Dhampur Grade M Ex-Mill	3243	3319	-76
	UP- Dhampur Grade S Ex-Mill	3223	3299	-76
	UP- Dhampur Grade L Ex-Mill	3293	3369	-76
	Mumbai –Grade M	3334	3339	-5
	Mumbai –Grade S	3178	3187	-9
	Kolhapur – Grade M	3061	3128	-67
	Kolhapur – Grade S	2957	2991	-34
	Guhawati – Grade S	3265	3300	-35
	Shillong – Grade S	3277	3311	-34
	Vijayawada – Grade M	3548	3605	-57
	Vijayawada- Grade S	3448	3473	-25
	Nagpur – Grade M	3350	3350	Unch
	Nagpur – Grade S	3150	3181	-31
	Kolkata – Grade M	3347	3354	-7
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3145	3162	-17
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	3135	3136	-1
	Chennai - Grade S	3098	2988	110

Gur Market Scenario and Outlook

Gur prices witness sharp decline due to good stock availability in the Maharashtra markets. It is notable that cane has diverted more towards gur production in Pune and Sangli area this year. In addition to it, market participants is expecting early arrivals of gur for the next marketing year which drive the prices southwards in the medium term.

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.

Spot Jaggery(Gur) Prices Scenario (Monthly):

Jaggery(Gur) Spot Prices Scenario (Monthly-Average)				
Markets	Variety	30-Aug	31-Jul	Change
Muzaffar Nagar	Chaku	2941	3037	-96
	Chaku(Arrival-Sum)	NA	NA	-
	Khurpa	2800	2916	-116
	Laddu	3032	3173	-141
	Rascut	2755	2908	-153
Hapur	Chaurasa	NA	NA	-
	Balti	NA	NA	-
Maharashtra	Latur(Lal Variety)	3197	3131	66
Bangalore	Achhu	NA	NA	-
	Mudde	4034	3718	316
Belgaum	Mudde	2876	2902	-26
Belthangadi	Yellow (Average)	3400	3302	98
Bijapur	Achhu	2987	2897	90
Gulbarga	Other (Average)	3171	3189	-18
Mahalingapura	Penti (Average)	3024	3007	17
Mandya	Achhu (Medium)	2719	2446	273
	Kurikatu (Medium)	2355	2284	71
	Other (Medium)	2574	2356	218
	Yellow (Medium)	2711	2400	311
Shimoga	Achhu (Average)	3450	3452	-2

Commodity: Sugar
Contract: Continuous Chart

Exchange: NCDEX

SUGAR Continuous Chart (C1)

Technical Commentary:

- Sugar prices are falling and are expected to crawl down near a range Rs2800-2950.
- Breach of Rs 2940 level would take the prices down to Rs 2830.
- Thus, the overall trend remained downwards.



Strategy: We advise market participants to Sell.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	2830	2940	3034	3130	3265
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	C1 Chart	Sell	Below 3035	2915	2895	3105

Commodity: Gur
Contract: Continuous Chart

Exchange: NCDEX

GUR Continuous Chart (C1)

Technical Commentary:

- Gur prices are trending downwards.
- RSI is moving up near to neutral region.
- Price and volume are declining whereas O.I increases for the month.
- Last candlestick depicts bearishness in the market.



Strategy: Sell

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	C1 Chart	1111.5	1156	1128.5	1275.5	1300.5
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	C1 Chart	Sell	Below 1130.5	1062	1012.5	1170.5

International Focus- Agriwatch

International Scenario

International sugar prices remained weak due to dry weather spell in Brazil which increased the pace of cane harvesting which gives market a short term bear hint. However, medium term prices looks bullish due to overall sugar deficit globally.

International Market News Highlights:

- Brazilian cane production estimate for center-south region declined 6% from 580 million tons to 546 million tons for 2014-15. Fluctuating weather condition coupled with lengthening of intra-harvest period could be cited responsible for the change in estimation.
- Sugar floor prices in Indonesia had been raised up to a level of Rp 8,500 per kilogram from the previous level of Rp 8,250 per kilogram in May. The news comes as a great relief to the local farmers who could now expect a greater remuneration for their yield. Moreover, the govt. had also adopted a stricter distribution policy to avert any leakages out of imported raw sugar in the country.

- In an attempt to increase sugar production in Thailand, govt. is planning to expand the area under cane cultivation by allocating more state-owned land towards the crop and suggesting a crop switch to the farmers. The plan is also expected to boost sugar production by approximately 1 million tons for cropping season 2015-16.
- With a 29% surge in import, Indonesia is likely to emerge as the top raw sugar importer in the world by 2015. Moreover, import shipment of 3.6 million metric tons of sugar to the country is expected in 2015 as compared to 2.8 million tons this year.
- Future as well as spot sugar market in China is expected to trend low amid huge stock inventory accumulation within the country accompanied by a large production worldwide.

Technical Futures Sugar 11#

As of 1st Sep 2014, ICE Raw sugar prices settled at 15.49 cents per lbs. On monthly chart, 15.20 cents is the immediate support level, breach of the mentioned level would take the prices down to 13.70 which also lying over its support trend line.

On the upper side, 18.27 and 19.77 cents per lbs are the resistance levels.



Source: Reuters Eikon



Source: Reuters Eikon

As of **1st Sep 2014** Prices of Refined Sugar London exchange traded at \$464.7 per ton. Here, prices got support at \$395.5 per ton if breach then it could test \$383. On the northward direction, \$495.4 & \$546 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	29-Aug-14	31-Jul-14	Change
ICE Sugar #11 (US Cent/lb)	14-Oct	15.49	16.46	-0.97
	15-Mar	17.44	18.25	-0.81
	15-May	17.88	18.46	-0.58
LIFFE Sugar (US \$/MT)	14-Oct	423.1	437.70	-14.6
	14-Dec	438.9	452.60	-13.7
	15-Mar	457.4	471.00	-13.6

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