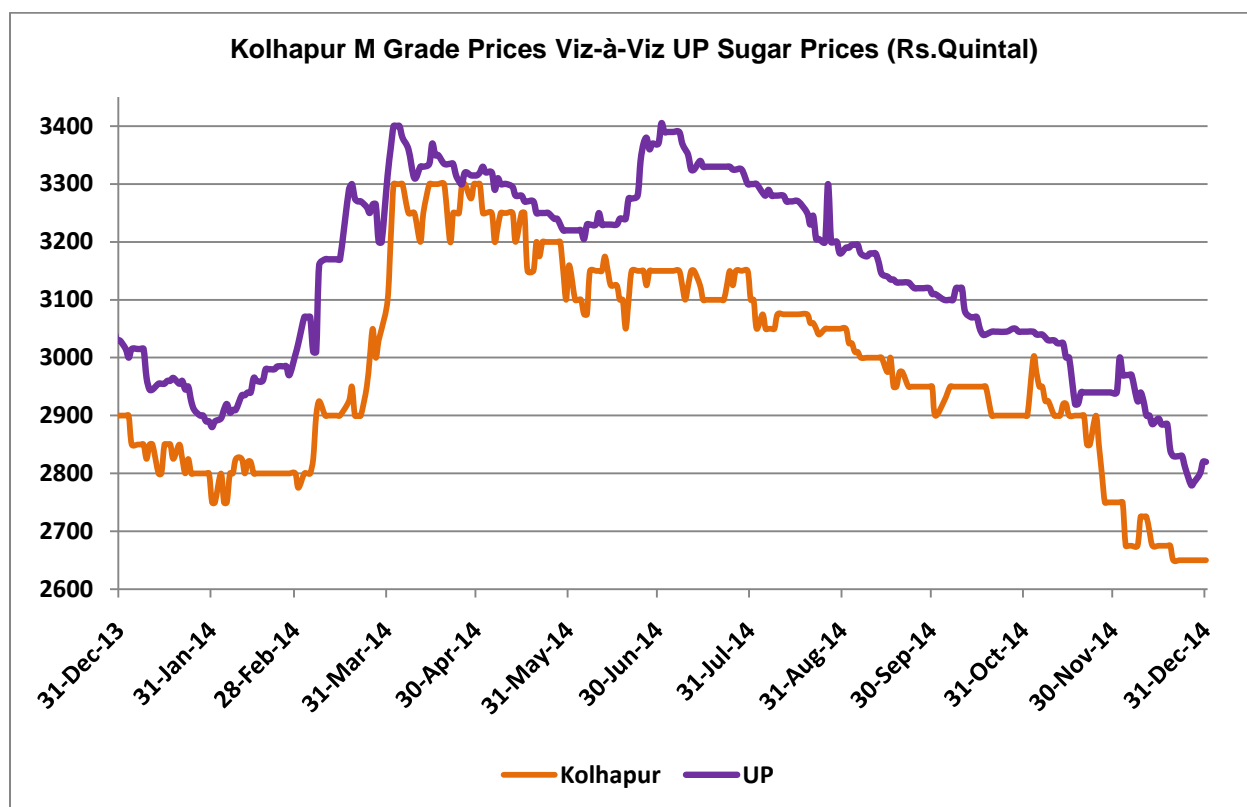


Domestic Market Recap & Price Outlook:

Sugar prices remained subdued, as the market got flooded with excessive supply both from domestic as well as international players while domestic demand continued to be palling. In addition, a recent global fall in crude oil prices led the biggest exporter (Brazil) to divert their cane for sugar production (instead of ethanol) which further landed support to the surplus production.

Notably, prices in key Kolhapur market settled at Rs 2650 per quintal, which was 3.64% lower than the figure achieved last month. Similarly, price for sugar M grade in U.P fell down by 4.08% from Rs 2940 per quintal to Rs 2820 per quintal this month.



Price Outlook:

Sugar prices are currently trading low as the country is going through its peak production time but the situation is expected to turn upside soon as the market expects some positive export initiative by government which could prevent further price deterioration in the industry.

Major Happenings in Domestic Sugar Industry:

- An early start of crushing this season (Oct, 2014- Sep, 2015) led India to produce 42.25 lakh tons of sugar (till 15th Dec, 2014) which was 46.9% higher than the figure achieved last year during the same period. Reportedly, 442 Indian sugar mills participated in the crushing process as against 426 mills last year.
- Crushing operation matched up a speedy recovery with U.P producing 7.94 lakh tons of sugar in 2014-15 (till 15th Dec, 2014) compared to a mere production of 3 lakh tons in 2013-14(till 15th Dec, 2013). Interestingly, 114 sugar mills had participated in the crushing process so far which is the sole reason for higher production this year.
- Maharashtra crushed around 312.7 Lakh MT of sugarcane to produce 32.75 lakh tons of sugar by 31st Dec, 2014 which was 46.5% higher than the sugar produced during the same period last year. With this, the average cane recovery rate in Maharashtra rose to 10.47% compared to 10.22% last year.
- However, it is the state of Karnataka which showed a marginal decline of 0.57 lakh tons in production from 7.57 in 2013-14 (Oct, 1 - Dec, 15) to 7 lakh tons in 2014-15 (Oct, 1 – Dec, 15).
- The govt. of India gave its approval for procurement of ethanol at a rate of Rs 48.50 - 49.50 per liter for blending with petrol. The move is likely to benefit both the millers and cane farmers in the country who can now demand more money for their product.
- The Uttarakhand Govt. had revised its cane SAP from Rs 285/ quintal to Rs 280/ quintal for 2014-15. The change had been primarily made to avoid cane supply from the neighboring state (U.P) who was offered a lower cane SAP (Rs 280/quintal) in comparison.

Raw Sugar Import/Export Opportunity:

Indian indicative raw sugar CIF prices from Brazil quoted at \$476.49 per ton (including 25% import duty) and Indian domestic refined sugar FOB prices quoted at \$428.10 per ton Kolhapur based.

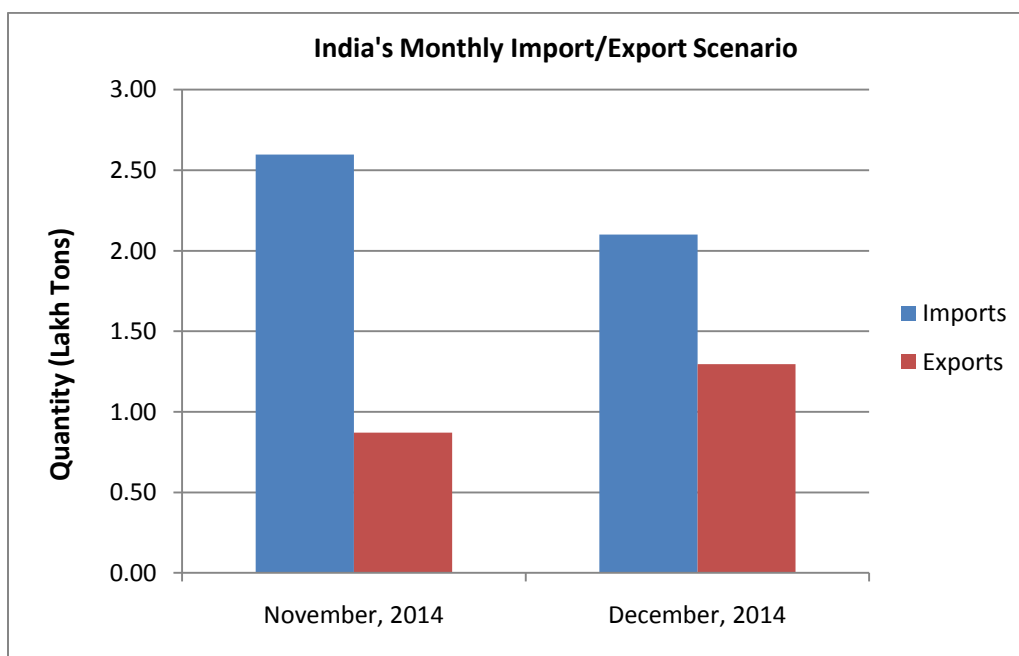
On International front, Brazil sugar FOB prices quoted at \$388.25/ Ton.

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

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.63.42) till 05 th Jan, 2015			
	Brazil	Thailand (100 Icumsa Oct Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$388.25	\$423.35/391.20	\$428.10

Sugar Import and Export Scenario:

India's international trade scenario improved this month as the country exported relatively more sugar in December when compared to the last month. On the contrary, Indian sugar import declined considerably from 2.60 lakh tons in November to 2.10 lakh tons in the month of December.



A depreciating Indian currency led India to export 1.30 lakh tons of sugar in December, 2014 which was 48.9% higher than the exports made last month in November, 2014.

Reportedly, the majority of exports made by India had been to the mid-east countries with Sudan topping the list with a total import of 30.4 thousand tons followed by Iraq and Sri Lanka who imported 20 and 18.3 thousand tons of Indian sugar respectively. Also, the composition of Indian sugar import mainly comprises of white refined sugar.

While a higher domestic supplies against lower demand caused Indian sugar imports to decline by 19.1% from 2.60 lakh tons to 2.10 lakh tons this month.

Sugar Domestic Balance Sheet:

Qty in lakh Ton	Estimated Balance sheet	
	2013-14	2014-15
Opening Sugar stock	58.89	39.94
Estimated sugar production	245	249
Imports(IBIS)	13.86	6.03
Estimated sugar availability	317.75	294.97
Total Export (IBIS)	32.81	2.96
Total Available for domestic consumption (D-E)	284.94	292.02
Estimates sugar consumption	245	250.39
Ending Stock	39.94	41.63

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly-Average)				
Commodity	Centre	Prices (Rs/Qtl)		Change
		31-Dec	29-Nov	
Sugar	Delhi - Grade M	2908	2997	-89
	Delhi - Grade S	2881	2951	-70
	Delhi - Grade L	NA	NA	-
	UP- Khatauli Grade M	2963	3097	-134
	UP- Ramala Grade M	2836	2949	-113
	UP- Dhampur Grade M Ex-Mill	2872	2910	-38
	UP- Dhampur Grade S Ex-Mill	2852	2890	-38
	UP- Dhampur Grade L Ex-Mill	2922	2960	-38
	Mumbai –Grade M	2981	3164	-183
	Mumbai –Grade S	2788	2927	-139
	Kolhapur – Grade M	2683	2888	-205
	Kolhapur – Grade S	2566	2785	-219
	Guhawati – Grade S	2868	3091	-223
	Shillong – Grade S	2886	3105	-219
	Vijayawada – Grade M	3245	3417	-172
	Vijayawada- Grade S	3050	3269	-219
	Nagpur – Grade M	3016	3150	-134
	Nagpur – Grade S	2834	2983	-149
	Kolkata – Grade M	3014	3098	-84
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3035	3161	-126
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	3035	3135	-100
	Chennai - Grade S	2803	2915	-112

Gur Market Scenario and Outlook

Gur prices witness a sharp decline in southern India amid good stock availability in the region and the adjoining areas. It is notable that cane has diverted more towards gur production in Pune and Sangli area of Maharashtra this year.

However, spot market remained buoyant with price rising in major gur markets of Northern India such as Muzaffar Nagar and Hapur driven by winter seasonal demand for the product.

Gur prices in key Muzaffar Nagar market (for Chaku) settled at Rs 2415 per quintal this month which was Rs 4 more than the price quoted last month for the same variety. Similarly, Khurpa and Laddoo varieties also showed an improving trend with their price settling at Rs 2274 & Rs 2456 per quintal this month. The Chaursa and Balti variety of gur in Hapur also improved Rs 41 & 84 per quintal respectively to close at Rs 2208 and Rs 2189 per quintal this month.

Spot Jaggery(Gur) Prices Scenario (Monthly):

Jaggery(Gur) Spot Prices Scenario (Monthly-Average)				
Markets	Variety	31-Dec	29-Nov	Change
Muzaffar Nagar	Chaku	2415	2411	4
	Chaku(Arrival-Sum)	125100	230000	-104900
	Khurpa	2274	2249	25
	Laddu	2456	2398	58
	Rascut	NA	NA	-
Hapur	Chaursa	2208	2167	41
	Balti	2189	2105	84
Maharashtra	Latur(Lal Variety)	2450	2646	-196
Bangalore	Achhu	NA	NA	-
	Mudde	4220	4149	71
Belgaum	Mudde	2737	2735	2
Belthangadi	Yellow (Average)	3135	3237	-102
Bijapur	Achhu	2541	2696	-155
Gulbarga	Other (Average)	2640	2851	-211
Mahalingapura	Penti (Average)	2583	2751	-168
Mandya	Achhu (Medium)	2508	2755	-247
	Kurikatu (Medium)	2240	2375	-135
	Other (Medium)	2285	2423	-138
	Yellow (Medium)	2506	2725	-219
Shimoga	Achhu (Average)	2777	3182	-405

Commodity: Sugar
Contract: Continuous Chart

Exchange: NCDEX

SUGAR Continuous Chart (C1)

Technical Commentary:

- Sugar prices, volume and O.I are rising indicating long build up in the market
- Breach of Rs 2803 level would take the prices up to Rs 2897.
- The last candlestick depicts bullishness in the market.



Strategy: We advise market participants to Buy.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	2500	2650	2745	2897	2990
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	C1 Chart	Buy	Above 2740	2765	2770	2726

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.
- Prices, volume and O.I are declining indicating consolidation in the market.
- Last candlestick depicts bullishness in the market.



Strategy: We advise market participants to Buy

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	C1 Chart	824	910.5	967	1030	1105.5
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	C1 Chart	Buy	Above 965	985	990	953.5

International Focus- Agriwatch

International Scenario

International sugar prices remained subdued amid ample supplies and higher stock availability worldwide. However, medium term prices looks bullish due to overall sugar deficit globally for 2014-15.

International Market News Highlights:

- Brazil's centre south region churned around 0.37 million tons of sugar in the first two weeks of December which was 51.3% less than the figure achieved during second half of November. Meanwhile, Brazilian ethanol industry showed an upsurge this year with the country producing 25.6 billion liters of ethanol till date.
- Brazilian agency, CONAB forecasted central south cane production to 582.9 million tons (2014-15) which is 2.8% less than the previous estimate made by it. Notably, the agency attributed the severe draught weather condition in the country for the estimation cut.
- While, cane association UNICA predicted a production of 567 million tons of sugarcane in Brazil's Central South region for 2014-15; which was 4% higher than its previous estimate of 546 million tons. The up gradation has been primarily made due to an increase in area and productivity in the regions (centre- south Brazil) affected least by the drastic draught.
- On the wake of rising refinery demand, the Indonesian govt. had approved an import quota of 0.6 million tons of raw sugar for the first quarter of 2015-16. The move was largely welcomed by the local refiners and food industry in particular who were affected hard by the supply constraint
- The Australian govt. predicted the country's total sugar production at 4.6 million tons for this marketing year 2014-15. However, the production is projected to decline next year in 2015-16 amidst rising prospects of El Nino weather event during the period.
- Leading trade house Platts Kingsman expects a global sugar deficit of 1-2 million tons in 2014-15 amidst falling global production and steadily rising consumption this year. Similarly, the industry could face a global deficit of above 3 million tons in 2015-16 as the major sugar producer Brazil is most likely to divert its cane towards ethanol production next year.

ICE Raw Sugar Future Market Scenario (Mar'15 Contract):

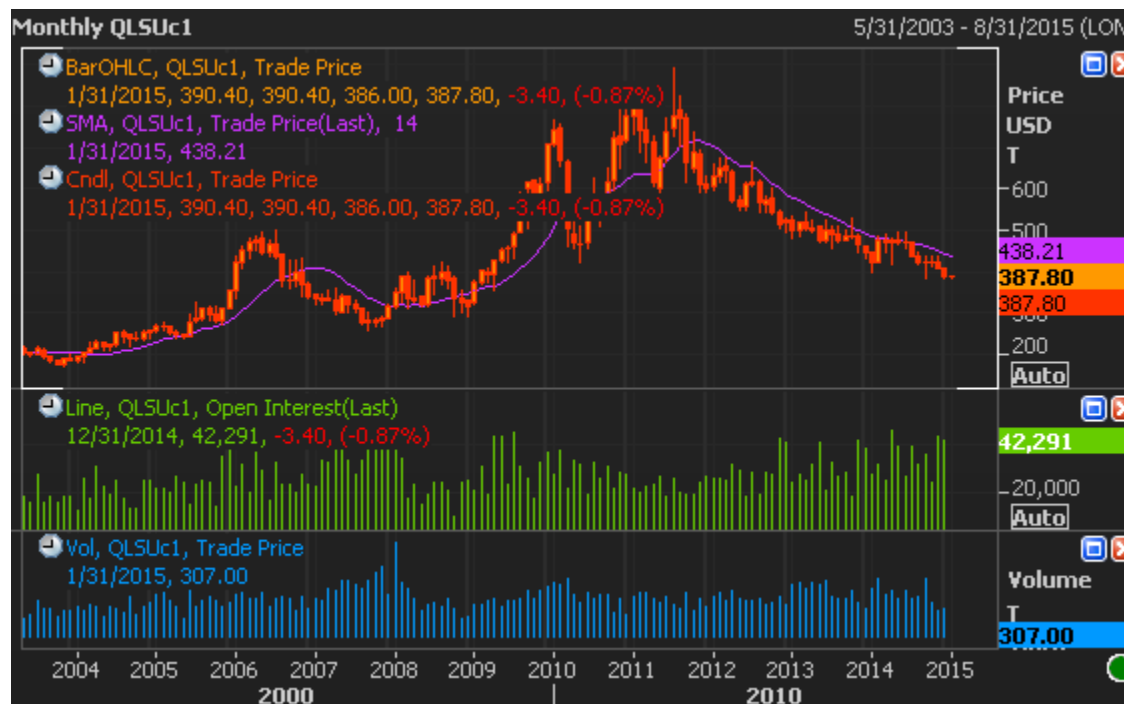


Source: Reuters Eikon

As of **02nd Jan 2015**, ICE Raw sugar prices settled at 14.52 cents per lbs. On monthly chart, 14.19 cents is the immediate support level, breach of the mentioned level would take the prices down to 12.36 which also lying below its support trend line.

On the upper side, 16.22 and 17.71 cents per lbs are the resistance levels.

LIFFE Future Market Sugar Scenario (Mar'15 Contract):



Source: Reuters Eikon

As of **02nd Jan, 2015**, Prices of Refined Sugar London exchange traded at \$387.80 per ton. Here, prices got support at \$372.61 per ton if breach then it could test \$350. On the northward direction, \$418.68 & \$467.05 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	30-Dec-14	28-Nov-14	Change
ICE Sugar #11 (US Cent/lb)	15-Mar	14.61	15.60	-0.99
	15-May	15.01	16.00	-0.99
	15-Jul	15.34	16.20	-0.86
LIFFE Sugar (US \$/MT)	15-Mar	387.10	406.90	-19.8
	15-May	396.60	417.40	-20.8
	15-Aug	408.40	429.00	-20.6

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