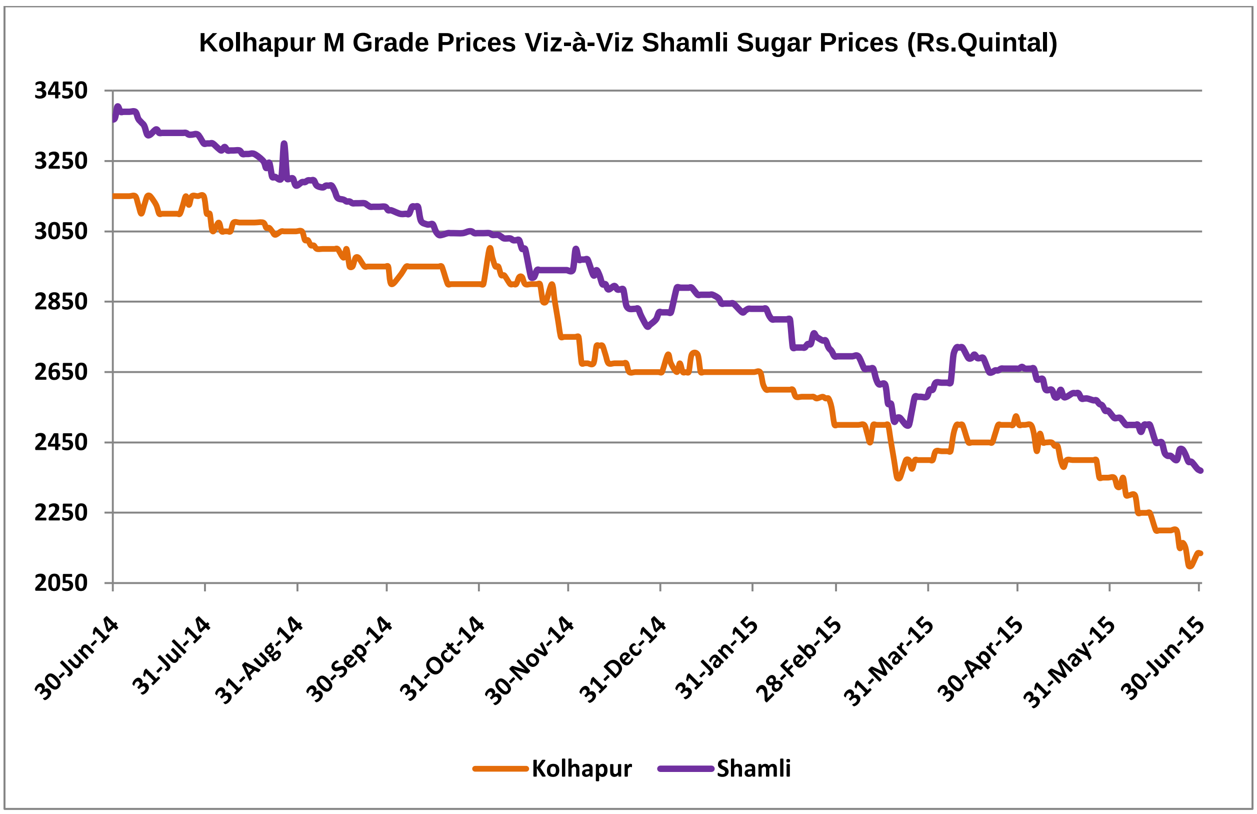
Domestic Market Recap & Price Outlook:

Sugar prices continued to decline this month amid surplus sugar production (both in domestic as well as international market) and a sluggish domestic demand. In addition, the rising govt. pressure for timely payment of pending cane arrears further compels the domestic sugar millers to make distress sale of their product. Meanwhile, reports of higher sugar production estimates this marketing year on persistent supplies from millers further inserted downward pressure on prices.

Furthermore, a favorable cane harvest weather in top producer Brazil, allowed hurdle free cane processing in the region adding on to the surplus sugar stock of the country.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 2224 per quintal this month compared to Rs 2419 per quintal in the month of May. Similarly, sugar prices for 'M-31' variety/grade in Shamli district fell by 5.38% from Rs 2596 per quintal in May to Rs 2456 per quintal in the month of June.



Price Outlook:

Sugar prices are expected to improve a little amid seasonal and festive demand during the period while an excessive sugar surplus will cap the gain.

Major Happenings in Domestic Sugar Industry:

- The Karnataka govt. had put forth a proposal to the centre asking for a subsidy of Rs 900 crore which could be utilized for meeting up the pending cane arrears by local sugar millers in the state.

- The Telengana govt. is expected to impose entry tax on sugar import as the neighboring states such as Karnataka, Maharashtra and Tamil Nadu are dumping their excessive sugar onto the state leading to a further fall in local sugar prices.

- The Cabinet Committee on Economic Affairs (CCEA) announced interest free loan worth Rs 6000 crore to the Indian sugar millers who had accrued pending cane arrears to the local farmers in the country.

- India had produced 279.6 lakh tons of sugar in current session, 2014-15 (1st Oct, 2014 – 31st May, 2015) which was 16.25% higher than the production made last year during the same interval.

- A record sugar production of 104.75 lakh tons had been made by Maharashtra this year (1st Oct, 2014 – 31st May, 2015) followed by U.P which produced 70.9 lakh tons of sugar during the same period.

- The third largest sugar producer, Karnataka had produced about 48.99 lakh tons of sugar this year in 2014-15 (till 31st May, 2015).

- Sugar production declined by 15.3% in Tamil Nadu which produced 10 lakh tons of sugar till 31st May, 2015 relative to a production of 11.8 lakh tons last year.

- The Sugar Commissioner in Maharashtra had issued auction order against five mills in the state for not making pending payment as per the fair and remunerative prices (FRP) under the Revenue Recovery Code (RRC).

- Sugar mills in U.P are proposing to scrap cane area allocation scheme, under which mills were required to make compulsory cane procurement from the assigned reserve area even when running in losses. In reply, the state govt. has ensured that the matter be discussed, once the crushing season ends. In addition, the closure notification also needs to be given in advance so that farmers could opt for alternative crop during the period.

- The Indian govt. removed excise duty of 12.36% on supply of ethanol meant for blending with petrol to the OMCs (Oil Marketing Companies).

- In a bid to support local cane farmers, Indian govt. raised sugar import duty from 25 per cent to 40 per cent. In addition, the govt. had withdrawn the “duty free raw sugar import authorization scheme", under which Indian refiners could import duty free raw sugar from abroad with the sole condition of re exporting the refined sugar from the country.

- The Indian govt. liberalized sugar exporting norms under preferential quota systems (wherein limited quantity of sugar exported at a lower tariff rate) to European Union (CXL quota) and the US (TRQ quota). Until now, only ISEC (Indian Sugar Exim Corporation) used to export the preferential quota sugar to EU and U.S, availing a lower tariff rate for the exports made, however with the new policy announced, anyone from the industry could export preferential sugar share to the concerned market.

- As per a report issued by U.S. Department of Agriculture, India is expected to produce 29 MMT of sugar in MY 2015-16 (1st Oct, 2015 – 30th Sep, 2016) and is likely to emerge as a net sugar exporter during the period.

Indian Sugar Production Scenario Up to 31st May, 2015:

States	Sugar Produced (Lakh Tons)	
	2014-15	**2013-14**
Maharashtra	104.8	-
Uttar Pradesh	70.9	-
Karnataka	48.9	-
Tamil Nadu	10.0	-
All India	**279.6**	**240.5**

Total India & State wise Sugarcane Price (Rs/Ton):

State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
India (FRP)	1298	1391	1450	1700	2100	2200
UP	2300	2050	2400	2800	2800	2800
Maharashtra	2264	2000	1800-2050	2100-2500	-	-
Punjab	2080	2120	2200	2400	2800	2850
Haryana	2450	2150	2210	2710	2950	3050
Gujarat	2450	1500-1700	-	2500	-	-
Andhra Pradesh	1885	1800-2000	2000	2500	2600	-
Karnataka	2400	1740	2000	2400	2500	2500
Tamil Nadu	1663	1948	2100	2350	2650	2650

Raw Sugar Import/Export Opportunity:

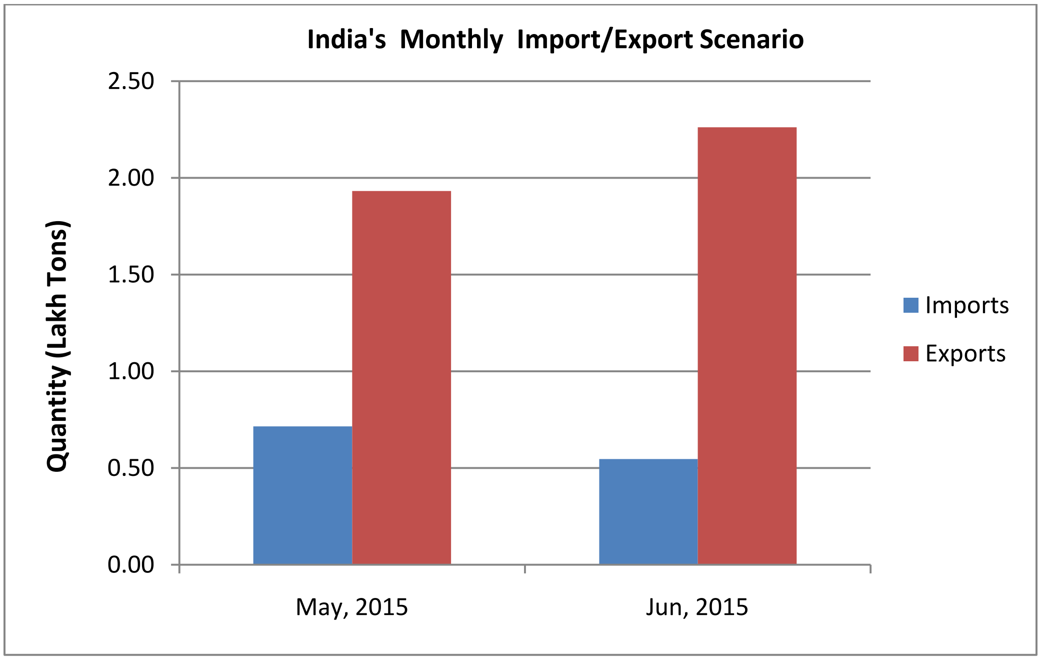
Indian indicative raw sugar CIF prices from Brazil quoted at $428.34 per ton (including 40% import duty) and Indian domestic refined sugar FOB prices quoted at $340.38 per ton Kolhapur based.

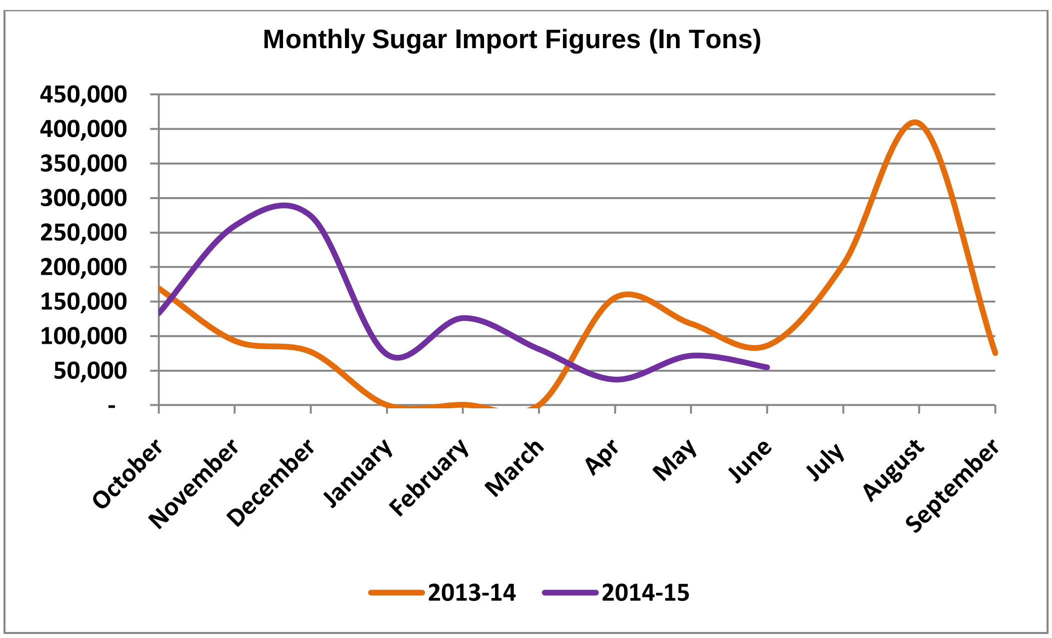
On International front, Brazil sugar FOB prices quoted at $347.25/ Ton.
Comparative sugar FOB prices from various sugar sourcing countries to India, are mentioned in the table below:

Indicative Sugar FOB Prices (USD/MT) ($=Rs.63.37) till 03rd July, 2015			
	Brazil	Thailand (100 Icumsa Aug Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	$347.25	$377.00/370.10	$340.38

Sugar Import and Export Scenario:

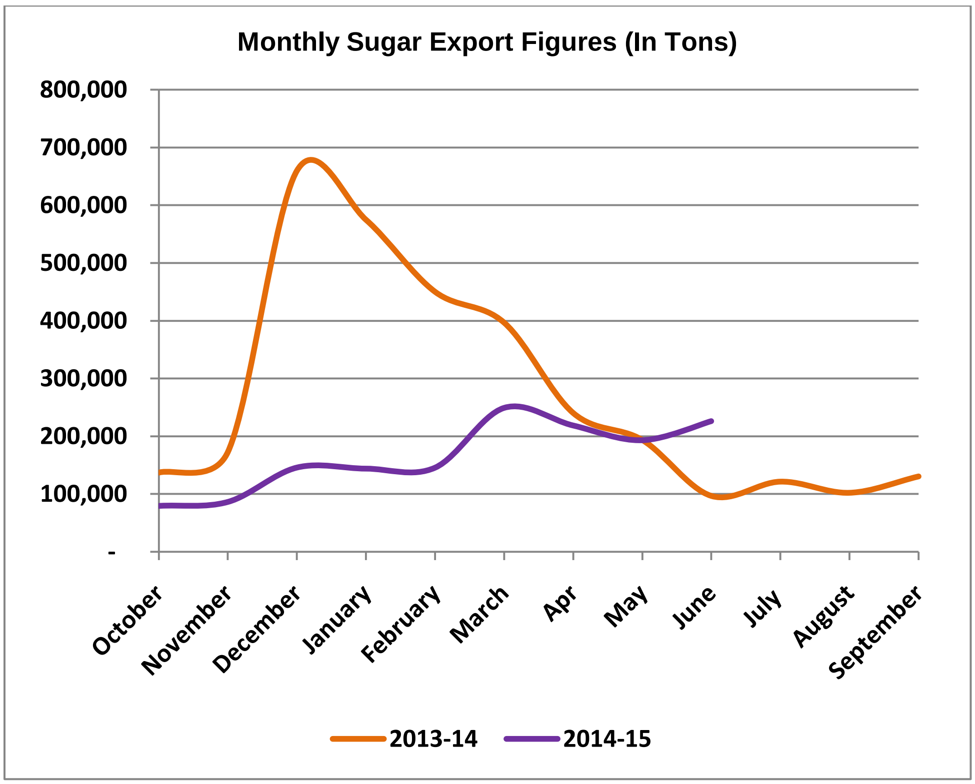
Indian sugar trade scenario improved this month as the country exported 2.26 lakh tons of sugar (second highest in MY 2014-15) compared to 0.55 lakh tons of imports (second lowest in MY 2014-15) during the same period.





Lack of import parity in trade with Brazil (due to huge Indian production and lower prices) and a lower domestic demand caused India to import only 0.55 lakh tons of sugar in Jun, 2015 compared to 0.72 lakh tons sugar in May, 2014. An Y-o-Y comparison also shows that the country's sugar import has declined by 36% from 0.86 lakh tons in June, 2014.

Besides govt. appraisal of import duty from 25 per cent to 40 per cent had also been an important factor for slowdown in sugar imports by the country. In addition, the govt. had also withdrawn the "duty free raw sugar import authorization scheme", under which Indian refiners could import duty free raw sugar from abroad with the sole condition of re exporting the refined sugar from the country.



On the other hand, a depreciating Indian currency and rising international demand (mainly from the mid-east countries due to holy festivity of Ramadan) helped India to export 2.26 lakh tons of sugar in Jun, 2015 which was 134% higher than the sugar exported last year in Jun, 2014.

It is notable that majority of the exports made during the month had been to the Mid-East countries with U.A.E topping the list (with an import of 49.2 thousand tons) which was followed by Sudan and Somalia who imported 36.5 and 27.7 thousand tons of sugar respectively.

Sugar Domestic Balance Sheet:

	Estimated Balance sheet	
Qty in lakh Ton	**2013-14**	**2014-15**
Opening Sugar stock	58.89	39.94
Estimated sugar production	245	280
Imports(IBIS)	13.86	11.56
Estimated sugar availability	317.75	331.51
Total Export (IBIS)	32.81	15.49
Total Available for domestic consumption (D-E)	284.94	316.01
Estimates sugar consumption	245	250.39
Ending Stock	39.94	65.62

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario Monthly (Average)				
Commodity	Centre	30-Jun-15	30-May-15	Change
Sugar	Delhi - Grade M	2518	2658	-140
	Delhi - Grade S	2465	2588	-123
	Delhi - Grade L	NA	NA	-
	UP- Khatauli Grade M	2535	2700	-165
	UP- Ramala Grade M	2491	2631	-140
	UP- Dhampur Grade M Ex-Mill	2452	2598	-146
	UP- Dhampur Grade S Ex-Mill	2432	2578	-146
	UP- Dhampur Grade L Ex-Mill	2502	2648	-146
	Mumbai –Grade M	2641	2752	-111
	Mumbai –Grade S	2362	2573	-211
	Kolhapur – Grade M	2224	2408	-184
	Kolhapur – Grade S	2121	2308	-187
	Guhawati – Grade S	2416	2607	-191
	Shillong – Grade S	2441	2628	-187
	Vijayawada – Grade M	2745	2905	-160
	Vijayawada- Grade S	2685	2810	-125
	Nagpur – Grade M	2464	NA	-
	Nagpur – Grade S	2412	2590	-178
	Kolkata – Grade M	2531	2739	-208
	Chennai - Grade S	2330	2474	-144
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	2835	3035	-200
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	2835	3035	-200

Gur Market Scenario and Outlook:

Mixed sentiments were recorded in gur spot market this month with price rising in some markets while declining in others.

Prices in key Muzaffarnagar market for Khurpa and Laddu variety rose by Rs 141 & Rs 195 per quintal to reach at Rs 2499 and Rs 2800 per quintal respectively. Similarly, price of Mudde variety from Bangalore rose by Rs 205 per quintal from Rs 3998 per quintal to Rs 4203 per quintal this month.

On the contrary, the Penti (Average) variety of gur from Mahalingapura declined by Rs 80 per quintal from Rs 2490 per quintal in May, 2015 to Rs 2410 per quintal in Jun, 2015. The Achhu (Medium) variety from Mandya too declined from Rs 2496 per quintal to Rs 2435 per quintal this month.

Spot Jaggery (Gur) Prices Scenario (Monthly):

Gur Spot Prices Scenario Monthly (Average)				
Markets	**Variety**	**June-15**	**May-15**	**Change**
Muzaffar Nagar	Chaku	2572	2566	6
	Chaku (Arrival-Sum)	1250	43000	-41750
	Khurpa	2499	2358	141
	Laddu	2800	2605	195
	Rascut	2633	NA	-
Hapur	Chaursa	NA	NA	-
	Balti	NA	NA	-
Maharashtra	Latur(Lal Variety)	NA	NA	-
BANGALORE	Mudde	4203	3998	205
Belgaum	Mudde	2410	2432	-22
Belthangadi	Yellow (Average)	NA	2070	-
Bijapur	Achhu	NA	NA	-
Gulbarga	Other (Average)	2542	2522	20
Mahalingapura	Penti (Average)	2410	2490	-80
Mandya	Achhu (Medium)	2435	2496	-61
	Kurikatu (Medium)	2274	2304	-30
	Other (Medium)	2324	2375	-51
	Yellow (Medium)	2446	2482	-36
Shimoga	Achhu (Average)	2730	2683	47

Commodity: Sugar
Contract: Continuous Chart

Exchange: NCDEX

SUGAR Continuous Chart (C1)

Technical Commentary:

- Sugar prices and O.I are falling while volume surges up for the month.
- Also RSI is hovering in a neutral zone.
- The last candlestick depicts bearishness in the market.

Strategy: We advise market participants to Sell.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	2000	2020	2150	2250	2360
Intraday Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Sugar	NCDEX	C1 Chart	**Sell**	Below 2155	2075	2035	2203

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:

- As per a report issued by U.S. Department of Agriculture, Australia is expected to produce 4.8 million tons of sugar in MY (2015-16).
- Due to various trade restrictions imparted by govt., Indonesia is expected to import only 2.95 million tons of raw sugar in 2014-15. While, the country is forecasted to produce around 2.1 million tons of plantation white sugar during the same period.
- Thailand, the second largest sugar exporter in the world; had exported two lakh tons of sugar in first half of April, 2015 together with 1 .4 million tons of sugar in the first quarter of year 2015.
- Sugar production in Thailand is expected to rise to 11.4 MT in 2015-16 amid government's agricultural restructuring program which will provide more financial support to the domestic farmers in the country.
- Brazilian govt. crop supply agency, CONAB forecasted country's total sugar production at 37.35 MT for MY 2015-16 (1st Apr, 2015 – 31st Mar, 2016) which was approximately 5% higher than the sugar produced by Brazil in 2014-15.
- The Thailand govt. is planning to seek policy change in Cane and Sugar Act, which confined only one sugar factory to be located within 80kms of range within the country. Thus, the step is expected to enhance sugar production capacity of Thailand by facilitating more sugar mills within the nation.
- The International Sugar Organization (ISO) expects global sugar deficit of two million tons in 2015-16 (1st Oct- 30th Sep) as against a less than one million tons sugar surplus forecast for current season, 2014-15 (1st Oct- 30th Sep).
- Market expert, F.O.Licht, predicted Brazilian Centre South region to crush 580 million tons of sugarcane in 2015-16 (1st Apr, 2015 – 31st Mar, 2016) to produce around 31.8 million tons of sugar by the season end.

Impact of Rainfall on Sugarcane Crop in Major Growing Areas:

				Production ('000 tons)		
States	Normal Yield (Kg/Ha)	Normal Area('000 ha)	Rainfall status as on 20th Jun, 2015	5 year Average production	2015-16 (Normal Expected Production)	Sugar production below normal rain (les than 5% or 5-10%)
Andhra Pradesh	79352	1.40	138%	15263	14580	14700
Bihar	50980	2.56	-38%	12583	13642	13171
Gujarat	69735	1.83	131%	12872	13178	13221
Haryana	73197	0.87	-20%	7271	6479	6484
Karnataka	89716	3.55	-27%	38362	36600	36481
Maharashtra	81280	8.71	35%	78668	94896	88697
Punjab	70467	0.77	-34%	5923	4970	4906
Tamil Nadu	105207	2.73	28%	33951	35777	35458
Uttar Pradesh	59417	18.18	-48%	130234	133728	133561
Uttarakhand	59637	0.74	-77%	6334	5872	5846
Others	877870	1.28		9341	10193	10049
Grand Total	70111	42.61	-5%	350564	364382	362356

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

Source: Reuters Eikon

As of **03rd Jul 2015,** ICE Raw sugar prices settled at 12.28 cents per lbs. On monthly chart, 11.8 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 11.50 cent per lbs.

On the upper side, 12.57 and 13.60 cents per lbs are the resistance levels.

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

Source: Reuters Eikon

As of **03rd Jul, 2015,** Prices of Refined Sugar London exchange traded at $370.3per ton. Here, prices got support at $340.8 per ton. A breach could test $317.1 per ton. On the northward direction, $381.5 & $408.0 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	30-Jun-15	30-May-15	Change
ICE Sugar #11 (US Cent/lb)	15-Jul	12.28	11.98	0.30
	15-Oct	12.47	12.28	0.19
	15-Mar	13.76	13.59	0.17
LIFFE Sugar (US $/MT)	15-Aug	370.3	347.8	22.5
	15-Oct	364.6	348	16.6
	15-Dec	364.2	354.2	10.0