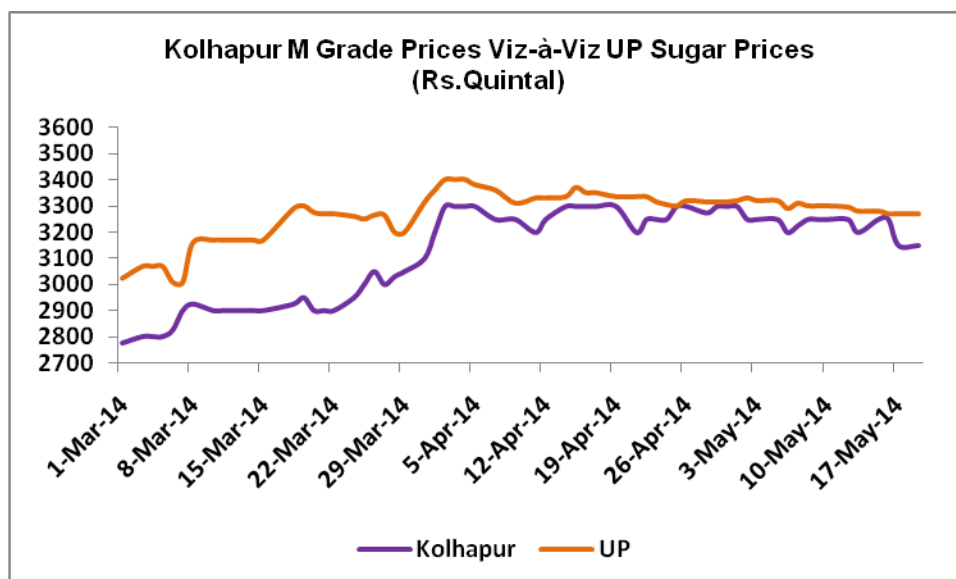


Sugar Price Trend and Outlook:

Sugar prices declined in key markets during last week. Rumors of closing the trading of essential commodities on Futures platform, strong rupee and weak international sugar sentiments led the prices down.

In addition to it, higher sugar production than expectation for 2013-14 also depress the prices of sugar in domestic market.

It is notable that Karnataka mills produced 4.2 million tons of sugar in 2013-14 marketing year which earlier estimated at 3.3 million tons by various trade houses.



Price Outlook:

Outlook of sugar not looking strong now with weak demand from domestic as well as from International front. In addition to it, govt. also tried to curb any hike in sugar prices by reducing raw sugar export subsidy on raw sugar.

News Highlights:

- NCDEX launched sugar contract, which will be available for October onwards contracts and is aligned with the global market so that industry can protect itself from volatility in prices.
- Weak demand of sugar and oversupply of sugar by mills led the prices down in UP as reported.
- India produced 23.9 million tons of sugar till 22nd May 2014 down from 24.7 million tons sugar produced at same period last year. Out of total sugar production, Maharashtra, UP and Karnataka produced 7.7 million tons, 6.45 million tons and 4.1 million tons respectively.
- Maharashtra cane area is likely to increase for the next marketing year 2014-15 due to good water availability and timely remuneration by mills to farmers.
- India is likely to produce 24.8 million tons of sugar in 2013-14 which is much higher compared to ISMA production estimate i.e. 23.8 million tons, according to USDA.

- Government cut export subsidy on raw sugar shipments to Rs 2277 per quintal during two months ended May this year. Earlier, govt. fixed export subsidy on raw sugar at Rs 3300 per ton for February-March of this year and it was decided that the rates would be reviewed in every two months. Recent move spread disappointment among sugar industry trade houses as lower international sugar prices and strong rupee already remove the export parity of Indian sugar into International markets as reported.
- Sugarcane area planted in MY 2014/15 is forecast to decline to 5.03 million hectares from 5.12 million hectares in the current year.

Raw Sugar Import Opportunity:

Indian indicative raw sugar CIF prices from Brazil quoted at \$519.80 per ton (including 15% import duty) and Indian domestic refined sugar FOB prices quoted at \$520 per ton Kolhapur based. Recently, government cuts Sugar export subsidy on raws to Rs 2277 per ton, which ultimately depress sugar export figures.

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 \$471.75/ 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.58.69) till 21 th May 2014			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$471.75	\$482.20/\$450-460	\$520-530

India Sugar Production Scenario:

India is likely to produce 24.8 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 23.15 million tons of sugar till 15th April 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.

Spot Sugar Prices Scenario (Weekly)

Spot Sugar Prices Scenario (Weekly) (Average)				
Commodity	Centre	17th May-23th May	10th May-16th May	Change
Sugar	Delhi - Grade M	3300	3283	17
	Delhi - Grade S	3207	3205	2
	Delhi - Grade L	3345	3329	16
	UP- Khatauli Grade M	3380	3390	-10
	UP- Ramala Grade M	3280	3288	-8
	UP- Dhampur Grade M Ex-Mill	3214	3362	-148
	UP- Dhampur Grade S Ex-Mill	3194	3342	-148
	UP- Dhampur Grade L Ex-Mill	3264	3412	-148
	Mumbai –Grade M	3398	3438	-40
	Mumbai –Grade S	3192	3258	-66
	Kolhapur – Grade M	3179	3240	-61
	Kolhapur – Grade S	3050	3090	-40
	Guhawati – Grade S	3360	3400	-40
	Shillong – Grade S	3370	3410	-40
	Vijayawada – Grade M	3567	3612	-45
	Vijayawada- Grade S	3467	3508	-41
	Nagpur – Grade M	3350	3380	-30
	Nagpur – Grade S	3150	3200	-50
	Kolkata – Grade M	3385	3453	-68
	Chennai - Grade S	3113	3155	-42
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3192	3200	-8
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	3167	3175	-8

Spot Sugar Prices Scenario (Weekly)					
Commodity	Centre	Today	Week Ago	Month Ago	Year Ago
		23-May-14	16-May-14	23-Apr-14	23-May-13
Sugar	Delhi - Grade M	3300	3310	3340	3280
	Delhi - Grade S	3200	3220	3285	3235
	Delhi - Grade L	3340	3350	3400	3320
	UP- Khatauli Grade M	3370	3400	3520	3225
	UP- Ramala Grade M	3280	3280	3300	3190
	UP- Dhampur Grade M Ex-Mill	3235	3360	3330	3100

UP- Dhampur Grade S Ex-Mill	3215	3340	3310	3080
UP- Dhampur Grade L Ex-Mill	3285	3410	3380	3150
Mumbai –Grade M	3366	3436	3502	NR
Mumbai –Grade S	3196	3256	3312	NR
Kolhapur – Grade M	3200	3250	3250	3050
Kolhapur – Grade S	3050	3100	3100	2950
Guhawati – Grade S	3360	3410	3410	NR
Shillong – Grade S	3370	3420	3420	NR
Vijayawada – Grade M	3560	3600	3680	3500
Vijayawada- Grade S	3460	3500	3550	3400
Nagpur – Grade M	3350	3350	3450	NR
Nagpur – Grade S	3150	3150	3300	3250
Kolkata – Grade M	NA	3450	3430	3320
Chennai - Grade S	3100	3125	3275	3100
Ambikapur (Chattisgarh)- Grade M (Without Duty)	3150	3200	3200	3200
Ambikapur (Chattisgarh)- Grade S (Without Duty)	3125	3175	3275	3200

Gur Market Scenario and Outlook

Prices of gur declined last week due to higher arrivals in gur markets from last couple of weeks. Market was surprised by huge arrivals of gur from last couple of weeks.

Total around 1061000 bags of 40 kg each of gur stored in warehouses presently which are lower compared to 1233000 bags stored last year at same period in warehouses. Out of total gur stocks, 560000 bags of Chaku, 61000 bags of Rascut, 202000 bags of Papdi and 23000 bags of Khurpa gur stored in cold storages. It is notable that lower gur stock stored in cold storages would support the prices of gur in the medium term.

With increasing gur stock position in the cold storages, prices are likely to take some downward correction as expected.

Spot Jaggery (Gur) Prices Scenario (Weekly)

Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)				
Markets	Variety	17th May-23th May	10th May-16th May	Change
Muzaffar Nagar	Chaku	3084	3238	-154
	Chaku (Arrival)	11100	4200	6900
	Khurpa	2778	2888	-110
	Laddoo	3067	3116	-49
	Rascut	2306	2450	-144
Hapur Maharashtra	Chaurasa	2675	2682	-7
	Balti	2938	2969	-31
	Latur(Lal Variety)	3050	3050	Unch
Bangalore	Achhu	NR	NR	-
	Mudde	3183	3125	58
Belgaum	Mudde	2640	2533	107
Belthangadi	Yellow (Average)	3170	3100	70
Bijapur	Achhu	2854	2854	Unch
Gulbarga	Other (Average)	2963	2986	-23
Mahalingapura	Penti (Average)	3000	3066	-66
Mandya	Achhu (Medium)	2450	2450	Unch
	Kurikatu (Medium)	2200	2200	Unch
	Other (Medium)	2350	2350	Unch
	Yellow (Medium)	2350	2350	Unch
Shimoga	Achhu (Average)	3650	4050	-400

Spot Jaggery(Gur) Prices Scenario (Weekly)					
Markets	Variety	Today	Week Ago	Month Ago	Year Ago
		23-May-14	16-May-14	16-Apr-14	16-May-13
Muzaffar Nagar	Chaku	3150	Closed	2725	3200
	Khurpa(New)	2800	Closed	2550	2803
	Laddu(New)	3100	Closed	2825	3038
	Rascut	2325	Closed	2250	2813
Hapur	Chaurasa	NA	Closed	2350	NR
	Balti	NA	Closed	2338	NR
Maharashtra	Latur(Lal Variety)	3050	3050	3000	3075

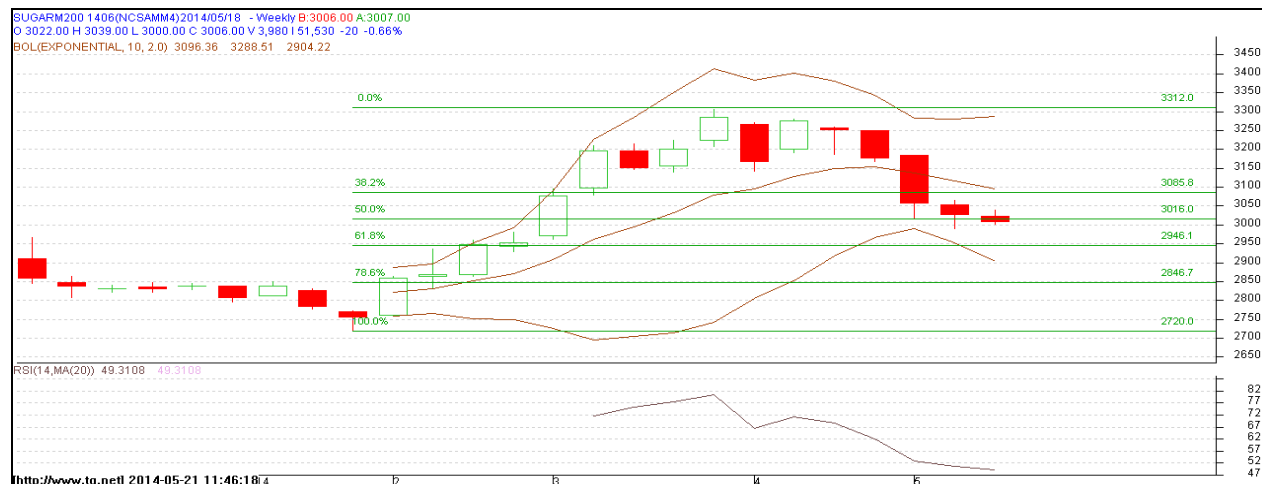


Bangalore	Achhu	NA	NR	NR	3000
	Mudde	3100	3200	3100	3200
Belgaum	Mudde	2700	2500	NR	3000
Belthangadi	Yellow (Average)	3200	3100	NR	3500
Bijapur	Achhu	2800	2800	2800	3000
Gulbarga	Other (Average)	3050	2800	2700	3000
Mahalingapur a	Penti (Average)	3040	3040	2880	3600
Mandya	Achhu (Medium)	2450	2450	2600	2950
	Kurikatu (Medium)	2200	2200	2200	2450
	Other (Medium)	2350	2350	2450	2500
	Yellow (Medium)	2350	2350	2500	2850
Shimoga	Achhu (Average)	3600	3700	3400	3700

Commodity: Sugar
Contract: June

Exchange: NCDEX
Expiry: June 20, 2014

SUGAR (Weekly June Contract Chart)



Technical Commentary:

- Prices are showing weakness on charts.
- Prices are likely to test its next support level i.e. Rs 2950 in the coming week.
- Sugar prices are hovering near to neutral region.
- Market had booked profits at higher levels.
- Last candlestick depicts bearishness.

Strategy: Sell

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	June	2846	2946	3016	3085	3312
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	June	Sell	Below 3020	2970	2950	3050

Commodity: Gur
Contract: July

Exchange: NCDEX
Expiry: July 20, 2014

GUR (July Weekly Chart)



Technical Commentary:

- Gur prices are still moving in an uptrend as chart depicts.
- However, RSI is hovering at neutral region.
- Last candlestick depicts bearishness in the prices in the coming week.

Strategy: Sell

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	July	1126	1147	1188.5	1230	1241
Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	July	Sell	Below 1190	1170	1160	1204

International Scenario

International sugar prices declined sharply in ICE as well as in LIFFE considering over supply of sugar by Brazil in global market. Various mills in Brazil as closing down for the current season as Brazilian govt curb fuel price hike concerning rising inflation rate.

With over production of sugar and lesser demand of fuel urge Brazilian millers to sell sugar in the global markets to get some capital and minimize their losses.

Brazil Cane & Sugar Production Estimates By Various Trade Houses

	Sugarcane (In Million Tons)		Sugar (In Million Tons)	
	2013-14	2014-15	2013-14	2014-15
UNICA	596	596	34.3	34.3
CONAB	602	613	34.7	35.9
Datagro	596	574.6	34.3	33.2
Platts	596.3	585	34.3	34
Bioagencia	596	575	34.3	33.4
Archer Consulting	596	575.5	34.3	32.8
Copersucar	596	570	34.3	32
Sucden	596	586	34.3	34.3
F.O.Licht	596	575	34.3	31.1
Canaplan	596	577	34.3	-

International Market News Highlights:

- Thai raw sugar premium eased to \$10 per ton down from \$15 per ton traded last week.
- Datagro raises its outlook for a world sugar supply deficit to 2.46 million tons for 2014-15 from a previous forecast at 1.61 million tons.
- Scarce monthly exports from Thailand have prompted the casual opening of cane entries for Brazilian and southern Asian such as Indian and Pakistan across to international buyers. April and March saw the figures in the low thousands for monthly exports across to China from Thailand as they struggle to combat against the threat of weather and climate inconsistency which has somewhat hampered what was once predicted to be a “record year” for both cane crushing and sugar exports. In March in particular, according to *The Office of Cane and Sugar Board (OCSB)*, only 6,500 of raw Thai sugar was exported into the world’s second largest importer of sugar compared to 290,000 tonnes from Brazil. In our view, Thailand sugar (raw) prices are still competitive versus Indian and Brazilian counterparts, yet where we seem to see a loss mounting for the South East Asian country is within the quality of cane and subsequently sugar produced. With the halting of a crushing process halfway through March, and a lower yield p/acreage resulting in lesser TRS levels seems to be the ultimate factor when discussing current competitive price outcomes versus Brazil and India.

- As of the 25th April 2014, Bunge Ltd announced via their Brazilian head, Pedro Parente that they are in the process of securing a new route for the sole purpose of grains and sugar. Being in the ethanol sector for some 7 years, Bunge see this as a step in the right direction since the hike in international prices and a subsidy within gasoline mandates from the Brazilian government reduced the competitiveness of their primary ethanol business.
- The president of UNICA, Elizabeth Farina has openly criticized the governments' handling of easily accessible credit lines for those larger corporations who are already storing up to 8% of ethanol each year such as distilleries, large companies focused on the commercialization of ethanol whom are signed as member of the ANP (*Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*), explaining that such lines of credit are fundamental to allow feasibility across areas such as cane plantations and the recovering of productive from within them for locals, which will also guarantee a balance of food and energy growth within the internal and external marketplace.
- Cargill, one of the world's most experienced and profitable privately held commodity companies, has reportedly it will be joining its sugar and ethanol trading businesses with Brazilian giant *Copersucar*, which is to be led by the firms' head of sugar business. Traders and analysts believe that with this joint venture, it will create the world's largest overall sugar trading business without too much of a financial burden unto either entity.
- Due to a rally in world prices, government legislations and increased demand which have also made it more profitable for millers in the country, India has been able to increase its exports into nations such as Iran, winning tenders and a further business from the usual front-runner Brazil. In the last 4 months, the Asian nation has completed some 315,000 tonnes of raw Indian sugar across to their Middle Eastern neighbors.

International Sugar Prices (Weekly)				
	Contract Month	22-May-14	15-May-14	Change
ICE Sugar #11 (US Cent/lb)	14-Jul	17.38	18.2	-0.82
	14-Oct	18.21	18.86	-0.65
	15-Mar	19.13	19.58	-0.45
LIFFE Sugar (US \$/MT)	14-Aug	469.6	493.4	-23.8
	14-Oct	478.2	495.4	-17.2
	14-Dec	489.7	503.6	-13.9

LIFFE Future Market Sugar Scenario (Aug'14 Contract):



Technical Commentary:

- Sugar prices are showing trend reversal on weekly chart.
- Prices are presently hovering at \$469.6 till 22nd May and one can take a short position from here with a target of \$457

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Aug'14	469.6	457

ICE Raw Sugar Future Market Scenario (July'14 Contract):

Technical Commentary:

- ICE raw sugar futures are trading in a range.
 - Last candlestick depicts bearishness in the market.
 - Breach of 17.05 level would take the prices down to 16.5 cents/Lb.
- Strategy: Sell at current levels.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	July'14	17.38	17.05

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