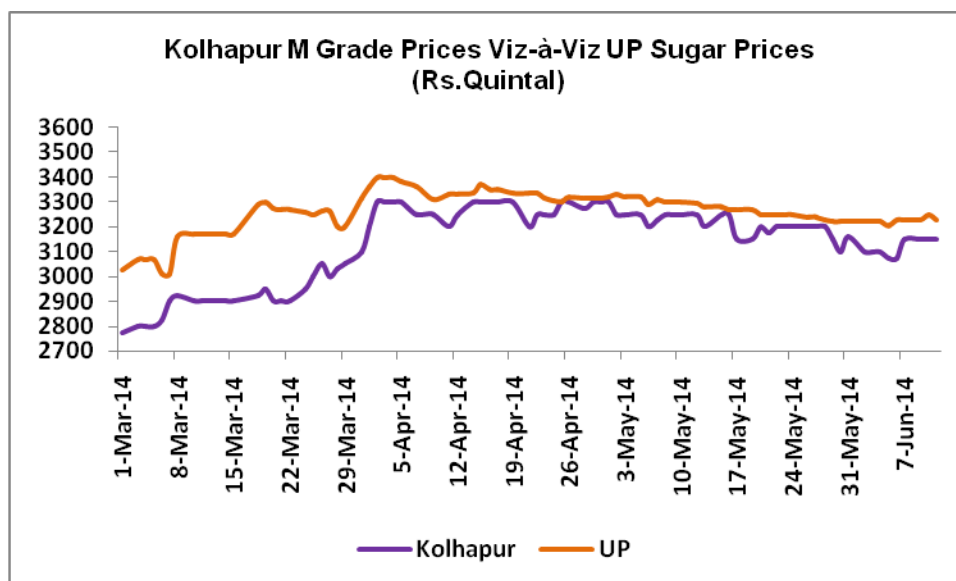


Sugar Price Trend and Outlook:

Sugar prices declined last week in key spot markets owing to weak demand and tight supplies from mills.

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.



Price Outlook:

Prices of sugar seems bearish at the moment due to lesser import enquiry from buyers. Markets are seeking some clarity from the govt. about export import policies which would decide the price direction further.

News Highlights:

- Central govt. is trying to restore its decision to give the incentive on raw sugar exports to Rs 3300 per ton which govt earlier lower down to Rs 2770 per ton for exports during April and May.
- India has imported around 6 lac ton of sugar till May 2014 starting from October 2014.
- A rake business loaded with sugar has been reported from Belgaum to Delhi at FOR 3315 per quintal as reported.
- Govt. might increase ethanol blending into petrol to 15% from 5% currently. It is notable that if decision implemented than it would help mills to cover losses and able to make pending payments to farmers. Apart from it, govt also likely to consider industry demand to increase in import duty upto 40% from existing 15%.
- India is offering 100 ICUMSA sugar at \$500-510 per ton FOB basis, according to London based sugar trader.

Raw Sugar Import Opportunity:

Indian indicative raw sugar CIF prices from Brazil quoted at \$522 per ton (including 15% import duty) and Indian domestic refined sugar FOB prices quoted at \$500-510 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 \$470.50/ 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.59.39) till 9 th June 2014 | | | |
|---|---------|---|--------------------|
| | Brazil | Thailand (100 Icumsa Dec Contract/45 Icumsa Spot) | India (100 Icumsa) |
| Comparative Sugar FOB Prices | \$456.5 | - | \$500-510 |

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 23.9 million tons of sugar till 15th 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 |
|---------------|------------------|
| Maharashtra | 77 |
| Uttar Pradesh | 64.5 |
| Karnataka | 41 |
| Tamil Nadu | 11.5 |
| | |
| India | 239 |

Sowing 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 Import and Export Scenario:

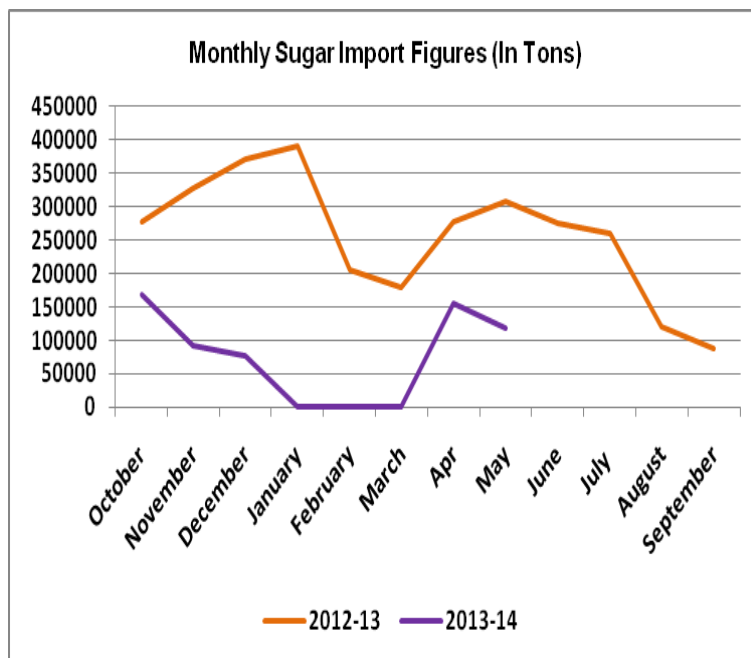
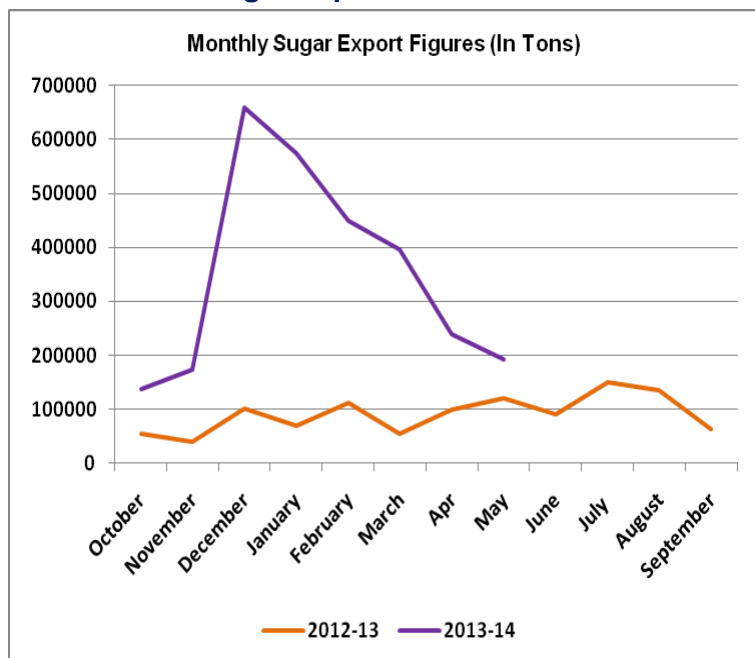
India has become net importer in the marketing year 2012-13 as big refiners like Shree Renuka Sugars take full benefit of lower raw sugar prices in Brazil despite of 15% sugar import duty (on both raws and whites). In addition to it, strong rupee also support the imports.

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).

Spot Sugar Prices Scenario (Weekly)

| Spot Sugar Prices Scenario (Weekly) (Average) | | | | |
|---|---|-------------------|-------------------|--------|
| Commodity | Centre | 31th May-6th June | 24th May-30th May | Change |
| Sugar | Delhi - Grade M | 3242 | 3261 | -19 |
| | Delhi - Grade S | 3180 | 3208 | -28 |
| | Delhi - Grade L | 3294 | 3303 | -9 |
| | UP- Khatauli Grade M | 3332 | 3357 | -25 |
| | UP- Ramala Grade M | 3257 | 3270 | -13 |
| | UP- Dhampur Grade M Ex-Mill | 3207 | 3215 | -8 |
| | UP- Dhampur Grade S Ex-Mill | 3187 | 3195 | -8 |
| | UP- Dhampur Grade L Ex-Mill | 3257 | 3265 | -8 |
| | Mumbai –Grade M | 3260 | 3352 | -92 |
| | Mumbai –Grade S | 3139 | 3179 | -40 |
| | Kolhapur – Grade M | 3102 | 3175 | -73 |
| | Kolhapur – Grade S | 2950 | 3021 | -71 |
| | Guhawati – Grade S | 3258 | 3330 | -72 |
| | Shillong – Grade S | 3270 | 3341 | -71 |
| | Vijayawada – Grade M | 3503 | 3527 | -24 |
| | Vijayawada- Grade S | 3403 | 3427 | -24 |
| | Nagpur – Grade M | 3250 | 3325 | -75 |
| | Nagpur – Grade S | 3100 | 3133 | -33 |
| | Kolkata – Grade M | 3312 | 3328 | -16 |
| | Chennai - Grade S | 3050 | 3083 | -33 |
| | Ambikapur (Chattisgarh)- Grade M (Without Duty) | 3100 | 3150 | -50 |
| | Ambikapur (Chattisgarh)- Grade S (Without Duty) | 3075 | 3125 | -50 |

| Spot Sugar Prices Scenario (Weekly) | | | | | |
|-------------------------------------|-----------------------------|----------|-----------|-----------|----------|
| Commodity | Centre | Today | Week Ago | Month Ago | Year Ago |
| | | 6-Jun-14 | 30-May-14 | 6-May-14 | 6-Jun-13 |
| Sugar | Delhi - Grade M | 3260 | 3250 | 3255 | 3245 |
| | Delhi - Grade S | 3220 | 3200 | 3185 | 3190 |
| | Delhi - Grade L | 3325 | 3300 | 3305 | 3300 |
| | UP- Khatauli Grade M | 3350 | 3330 | 3400 | 3235 |
| | UP- Ramala Grade M | 3260 | 3260 | 3300 | 3180 |
| | UP- Dhampur Grade M Ex-Mill | 3220 | 3205 | 3290 | 3100 |

| | | | | |
|--|------|------|------|------|
| UP- Dhampur Grade S Ex-Mill | 3200 | 3185 | 3270 | 3080 |
| UP- Dhampur Grade L Ex-Mill | 3270 | 3255 | 3340 | 3150 |
| Mumbai –Grade M | 3242 | 3322 | 3466 | 3306 |
| Mumbai –Grade S | 3122 | 3162 | 3292 | 3106 |
| Kolhapur – Grade M | 3075 | 3100 | 3200 | 3050 |
| Kolhapur – Grade S | 2925 | 2950 | 3100 | 2950 |
| Guhawati – Grade S | 3233 | 3258 | 3410 | NR |
| Shillong – Grade S | 3245 | 3270 | 3420 | NR |
| Vijayawada – Grade M | 3500 | 3520 | 3650 | 3580 |
| Vijayawada- Grade S | 3400 | 3420 | 3530 | 3440 |
| Nagpur – Grade M | 3250 | 3250 | 3450 | NR |
| Nagpur – Grade S | 3100 | 3100 | 3300 | 3240 |
| Kolkata – Grade M | 3320 | 3290 | 3400 | 3390 |
| Chennai - Grade S | 3050 | 3050 | 3175 | 3100 |
| Ambikapur (Chattisgarh)- Grade M (Without Duty) | 3050 | 3150 | 3150 | 3100 |
| Ambikapur (Chattisgarh)- Grade S (Without Duty) | 3025 | 3125 | 3125 | 3100 |

Gur Market Scenario and Outlook

Prices of gur declined last week despite of lower arrivals in gur markets. Falling sugar prices also becomes the major factor which drive the gur prices downwards.

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 | 31th May-6th June | 24th May-30th May | Change |
| Muzaffar Nagar | Chaku | 2994 | 3057 | -63 |
| | Chaku (Arrival) | 600 | 3400 | -2800 |
| | Khurpa | 2706 | 2740 | -34 |
| | Laddoo | 2996 | 3000 | -4 |
| | Rascut | 2315 | 2358 | -43 |
| Hapur Maharashtra | Chaursa | NA | NA | - |
| | Balti | NA | NA | - |
| | Latur(Lal Variety) | 2933 | 2992 | -59 |
| Bangalore | Achhu | NR | NR | - |
| | Mudde | 3450 | 3200 | 250 |
| Belgaum | Mudde | 2900 | 2768 | 132 |
| Belthangadi | Yellow (Average) | 3210 | 3200 | 10 |
| Bijapur | Achhu | 2688 | 2700 | -12 |
| Gulbarga | Other (Average) | 3158 | 3017 | 141 |
| Mahalingapura | Penti (Average) | 2890 | 2960 | -70 |
| Mandya | Achhu (Medium) | 2300 | 2380 | -80 |
| | Kurikatu (Medium) | 2200 | 2200 | Unch |
| | Other (Medium) | 2300 | 2350 | -50 |
| | Yellow (Medium) | 2338 | 2360 | -22 |
| Shimoga | Achhu (Average) | 3430 | 3480 | -50 |

| Spot Jaggery(Gur) Prices Scenario (Weekly) | | | | | |
|--|--------------------|----------|-----------|-----------|----------|
| Markets | Variety | Today | Week Ago | Month Ago | Year Ago |
| | | 6-Jun-14 | 30-May-14 | 6-May-14 | 6-Jun-13 |
| Muzaffar Nagar | Chaku | 3063 | 2975 | 3025 | 3250 |
| | Khurpa(New) | NA | 200 | 2950 | 3075 |
| | Laddu(New) | 2700 | 2725 | 3038 | 3150 |
| | Rascut | 3000 | 2975 | 2375 | NA |
| Hapur | Chaursa | 2313 | 2325 | 2600 | NR |
| | Balti | NA | NA | 2750 | NR |
| Maharashtra | Latur(Lal Variety) | NA | NA | 3000 | 3150 |
| Bangalore | Achhu | 2950 | 2900 | NR | 2900 |

| | | | | | |
|----------------------|-------------------|------|------|------|------|
| | Mudde | NA | 3200 | 3200 | 3000 |
| Belgaum | Mudde | 3500 | 2700 | NR | 2800 |
| Belthangadi | Yellow (Average) | 3000 | 3200 | NR | 2750 |
| Bijapur | Achhu | NR | 2650 | 2450 | 3100 |
| Gulbarga | Other (Average) | NR | 3050 | 3050 | 2950 |
| Mahalingapura | Penti (Average) | 3300 | NR | 3140 | 3140 |
| Mandya | Achhu (Medium) | NR | 2300 | 2400 | 2800 |
| | Kurikatu (Medium) | NR | 2200 | 2200 | 2500 |
| | Other (Medium) | NR | 2350 | 2350 | 2550 |
| | Yellow (Medium) | NR | 2350 | 2350 | 2800 |
| Shimoga | Achhu (Average) | NR | 3700 | 3600 | 3575 |

Commodity: Sugar
Contract: July

Exchange: NCDEX
Expiry: July 20, 2014

SUGAR (Weekly July Contract Chart)



Technical Commentary:

- Prices are showing weakness on charts.
- Prices are likely to test its next support level i.e. Rs 2890 in the coming week.
- Sugar prices are hovering near to neutral region.
- Last candlestick depicts bearishness.

Strategy: Sell

| Weekly Supports & Resistances | | | S2 | S1 | PCP | R1 | R2 |
|-------------------------------|-------|------|-------------|------------|------|------|------|
| Sugar | NCDEX | July | 2770 | 2890 | 3022 | 3118 | 3334 |
| Weekly Trade Call | | | Call | Entry | T1 | T2 | SL |
| Sugar | NCDEX | July | Sell | Below 3058 | 3028 | 3015 | 3074 |

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 bullishness in the prices in the coming week.

Strategy: Buy

| Weekly Supports & Resistances | | | S2 | S1 | PCP | R1 | R2 |
|-------------------------------|-------|------|------|------------|--------|------|------|
| Gur | NCDEX | July | 1126 | 1147 | 1193.5 | 1230 | 1241 |
| Weekly Trade Call | | | Call | Entry | T1 | T2 | SL |
| Gur | NCDEX | July | Buy | Above 1176 | 1196 | 1206 | 1164 |

International Scenario

International sugar prices traded weak last week in ICE as well as in LIFFE considering over supply of sugar by Brazil in global market. Meanwhile, various mills in Brazil are 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:

- As of May 30th 2014 the tensions between Mexican imports of sugar, U.S regulators and mills took a formidable step towards North American free trade discussions. In total, Domino Foods, Imperial Sugar & Louis Dreyfus raised their prices for refined sugar by 1/3 on the back of tighter supplies and the likelihood of duties being imposed onto Mexican importers. The increase will be felt across the US sugar industry not to mention throughout North American free-trade arenas, as the price was increased \$37 per (cwt) or 37 cents per pound through to September 30th 2015.
- The Australian ethanol industry have been dealt a hammer-blow to profits going into 2015 as the government announced during the 4th week of May 2014 that they'll eliminate its production subsidy in a decision made during its 2014-15 budget. The Biofuels Association of Australia has expressed their disappointment calling it detrimental and negative for its industry.
- The global sugar deficit statistics which we analysed and reported on during our March report look to be voiced by other organisations other than us here at Agriwatch Pvt. According to the *Food and Agricultural Organization of the United Nations* (FAO), the world is heading for its first sugar deficit in more than 4 years. A jump of 15% looks to be playing out before the end of the year supported by one of the driest seasons in Brazil- a country accounting for 58% of global sugar exports and 30% of global sugar production- along with a slowdown in Thailand production, the third largest producer after Brazil and India.

| International Sugar Prices (Weekly) | | | | |
|-------------------------------------|----------------|----------|-----------|--------|
| | Contract Month | 5-Jun-14 | 29-May-14 | Change |
| ICE Sugar #11 (US Cent/lb) | 14-Jul | 16.83 | 17.48 | -0.65 |
| | 14-Oct | 17.66 | 18.31 | -0.65 |
| | 15-Mar | 18.71 | 19.19 | -0.48 |
| LIFFE Sugar (US \$/MT) | 14-Aug | 460.1 | 473 | -12.9 |
| | 14-Oct | 468.7 | 480.7 | -12 |
| | 14-Dec | 479.5 | 491.5 | -12 |

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

Technical Commentary:

- Sugar prices are showing trend reversal on weekly chart.
- Prices are presently hovering at \$460 till 6th June and one can take a short position from here with a target of \$450

| International Sugar Futures Price Projection | | | |
|--|----------------|---------------|------------------------------------|
| | Contract Month | Present Quote | Expected Price level for next week |
| LIFFE Sugar (US \$/MT) | Aug'14 | 460.1 | 450 |

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

Technical Commentary:

- ICE raw sugar futures are trading in a range.
 - Last candlestick depicts indecision 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 | 16.83 | 16.5 |

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