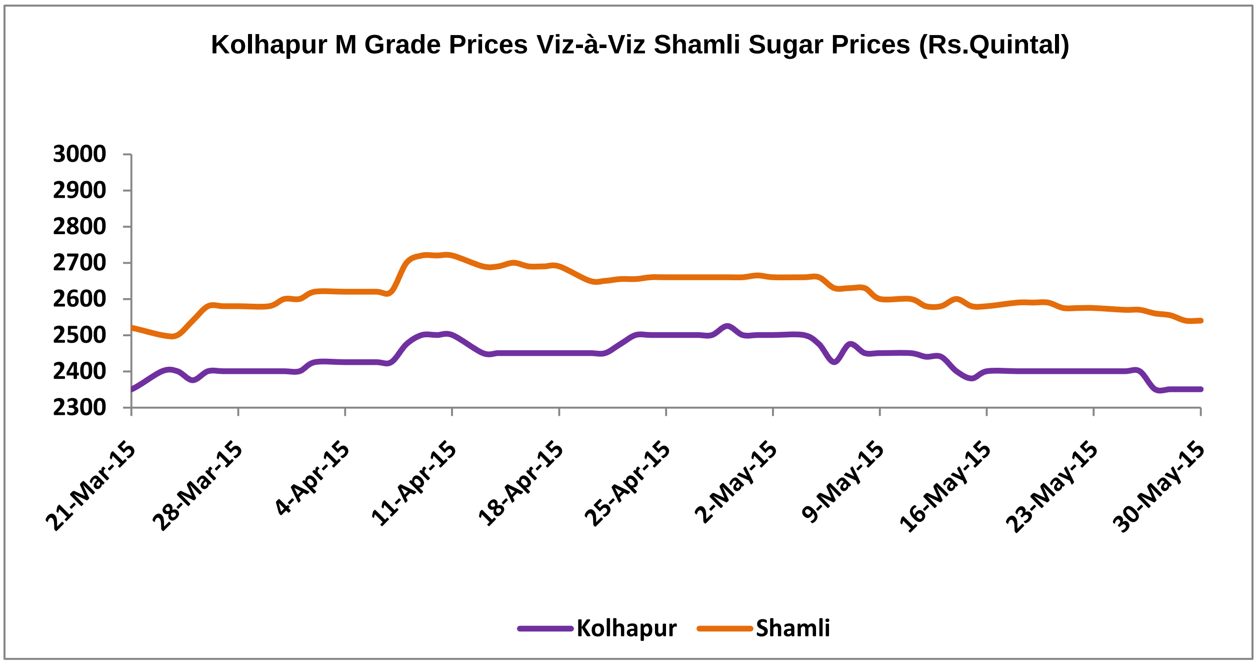
Sugar Price Trend and Outlook:

Sugar prices continued to decline this week amid surplus sugar production (both in domestic as well as international market) and a sluggish domestic demand.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 2367 per quintal this week compared to Rs 2400 per quintal the previous week. Meanwhile, sugar prices for the same variety/grade in Shamli district fell by 1.03% from Rs 2583 per quintal last week to Rs 2556 per quintal this week.



Price Outlook:

Sugar prices are expected to improve in the week ahead as the onset of summer season will trigger the domestic demand.

News Highlights:

- 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. ensures that the matter will 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).

- India had produced 273.7 lakh tons of sugar in 2014-15 (1st Oct, 20014 – 30th Apr, 2015) which was 14.3% higher than the production made last year in 2013 -14 (1st Oct, 2013 – 30th Apr, 2014).

- A record sugar production of 103.5 lakh tons has been made in Maharashtra this year, 2014 -15 (till 30th Apr, 2015) as against 77.14 lakh tons last year during the same interval. An increase in cane area and yield per hectare in the state could be cited responsible for the surge.

- Sugar production rose by 7.8% in U.P which produced 70.15 lakh tons of sugar in 2014-15 (1st Oct, 20014 – 30th Apr, 2015) compared to 65.08 lakh tons in 2013 -14(1st Oct, 2013 – 30th Apr, 2014). The state also saw a surge in sugarcane recovery rate this year from 9.29% in 2013-14 to 9.54% in 2014-15.

- 25 sugar mills in Karnataka had churned around 47 lakh tons of sugar in 2014 -15 (till 30th Apr, 2015) compared to 41.19 lakh tons of sugar in 2013 -14 (till 30th Apr, 2014) when only two mills were engaged in the crushing operation.

- A negative production (sugar) trend could be seen in Tamil Nadu this year, which produced only 9 lakh tons of sugar in 2014 -15 (till 30th Apr, 2015) compared to 11.02 lakh tons in 2013 -14 (till 30th Apr, 2014).

- 11.35 lakh tons of sugar was produced in Gujarat this marketing year (1st Oct, 2014 – 30th Apr, 2015) which was 3.4% less than the production made last year during the same interval.

- Crushing operation had came to an end in Andhra Pradesh & Telengana, which collectively produced 8.8 lakh tons of sugar in 2014 -15 (1st Oct, 2014 – 30th Apr, 2015) compared to 10.01 lakh tons in 2013- 14(1st Oct, 2013 – 30th Apr, 2014).

- Sugar production rose 12.8% in Uttarakhand this season, with the state producing 3.25 lakh tons of sugar in 2014 -15(1st Oct, 2014 – 30th Apr, 2015) relative to 2.88 lakh tons in 2013 -14 (1st Oct, 2013 – 30th Apr, 2014). With these figures, the state marked an end to the crushing operation for this season.

- With a production decline of 0.68 lakh tons, Bihar ended up the crushing operation for marketing year 2014- 15. Notably, the state produced 5.23 lakh tons of sugar in 2014 -15 (1st Oct, 2014 – 30th Apr, 2015) as against 5.91 lakh tons sugar in 2013 -14 (1st Oct, 2013 – 30th Apr, 2014).

- Crushing operation ended in Punjab with the state producing 5.25 lakh tons of sugar in 2014 -15 (1st Oct, 2014 – 30th Apr, 2015) as against 4.69 lakh ton in 2013 -14 (1st Oct, 2013 – 30th Apr, 2014).

- M.P had produced 4 lakh tons of sugar in 2014 -15 (01st Oct, 2014 - 30th Apr, 2015) compared to 3.64 lakh tons of sugar last year during the corresponding period. Around 12 sugar mills this year had participated in the crushing operation so far compared to 10 sugar mills last year.

- The Indian Sugar Mills Association (ISMA) revisited India' sugar production estimate to around 28 million tons this marketing year i.e. 2014 -15.

- 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 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.

India's Sugar Production Scenario Up to 15th May, 2015:

States	Sugar Produced (Lakh Tons)	
	2014-15	**2013-14**
Maharashtra	104.4	77.2
Uttar Pradesh	70.8	65.1
Karnataka	48.8	41.2
Tamil Nadu	9.8	11.5
Gujarat	11.4	11.8
All India	**278.5**	**240.0**

Raw Sugar Import/Export Opportunity:

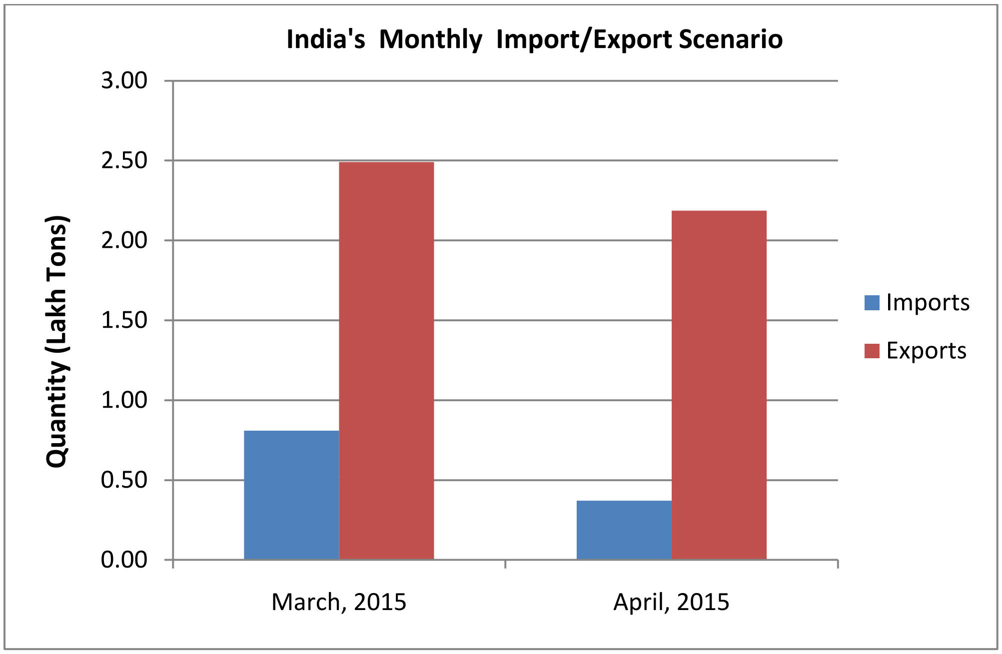
Indian indicative raw sugar CIF prices from Brazil quoted at $441.94 per ton (including 40% import duty) and Indian domestic refined sugar FOB prices quoted at $378.18 per ton Kolhapur based.

On International front, Brazil sugar FOB prices quoted at $337.75/ 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.63.62) till 01st June, 2015			
	Brazil	**Thailand (100 Icumsa Aug Contract/45 Icumsa Spot)**	**India (100 Icumsa)**
Comparative Sugar FOB Prices	$337.75	$369.65/347.40	$378.18

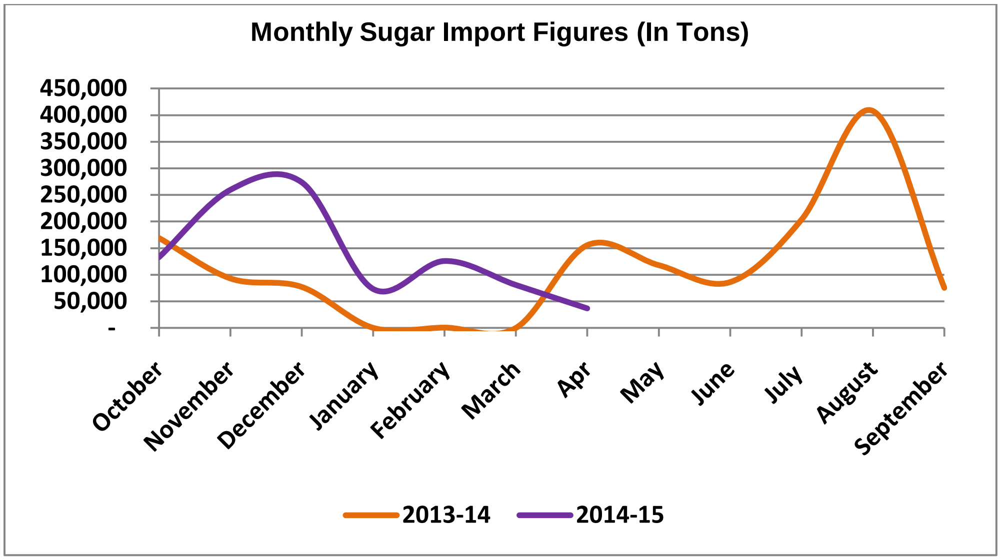
Sugar Import and Export Scenario:

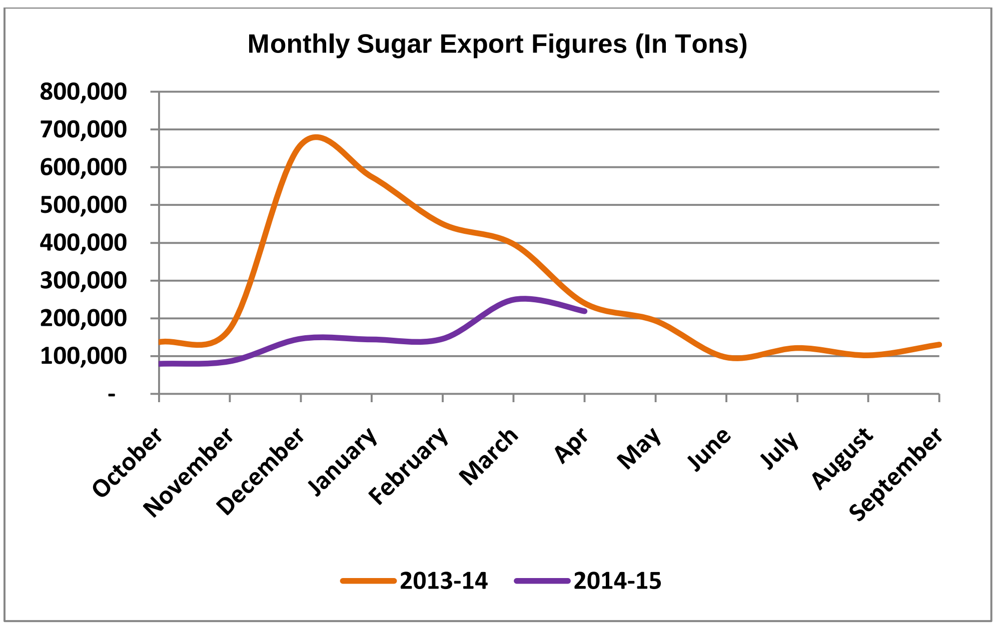
Ample stock position in the physical market and higher supply from mills both in domestic and international market,restricted efficient sugar trade in India causing a lower sugar import and exports during the month.



Lack of import parity in trade with Brazil and a sluggish global demand caused India to import only 0.37 lakh tons of sugar in April, 2015 compared to 0.81 lakh tons in March, 2015.

Notably, the country mainly imports raw sugar from Brazil which got refined here and is then re-exported to the neighboring countries thereon. However, with the recent govt. withdrawal of 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 sugar import prospects are expected to shrink down further.





On the other hand, a weak Brazilian Real and falling crude prices allowed Brazil to dump its excessive sugar produce into the world market, making India uncompetitive to export. As a result, India exported 2.19 lakh tons of sugar in April, 2015 which was 12.2% lower than the sugar exported last month in March, 2015 An y-o-y comparison also shows that the country exported relatively larger quantity (2.40 lakh tons) of sugar last year in April, 2014.

Spot Sugar Prices Scenario (Weekly)

Spot Sugar Prices Scenario (Weekly) (Average)				
Commodity	Centre	23th May to 29th May 2015	16th May to 22th May 2015	Change
Sugar	Delhi - Grade M	2613	2656	-43
	Delhi - Grade S	2543	2598	-55
	UP- Khatauli Grade M	2666	2690	-24
	UP- Ramala Grade M	NA	2610	-
	UP- Dhampur Grade M Ex-Mill	2565	2588	-23
	UP- Dhampur Grade S Ex-Mill	2545	2568	-23
	UP- Dhampur Grade L Ex-Mill	2615	2638	-23
	Mumbai –Grade M	2733	2755	-22
	Mumbai –Grade S	2537	2571	-34
	Kolhapur – Grade M	2375	2400	-25
	Kolhapur – Grade S	2275	2300	-25
	Guhawati – Grade S	2573	2598	-25
	Shillong – Grade S	2595	2620	-25
	Vijayawada – Grade M	2848	2893	-45
	Vijayawada- Grade S	2761	2793	-32
	Nagpur – Grade M	NA	NA	-
	Nagpur – Grade S	2550	2583	-33
	Kolkata – Grade M	2715	2738	-23
	Chennai - Grade S	2466	2475	-9
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3035	3035	Unch
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	3035	3035	Unch

Spot Sugar Prices Scenario (Weekly)					
Commodity	Centre	Today	Week Ago	Month Ago	Year Ago
		29-May-15	22-May-15	29-Apr-15	29-May-14
Sugar	Delhi - Grade M	2610	2650	2740	3250
	Delhi - Grade S	2570	2550	2670	3200
	UP- Khatauli Grade M	2645	2675	NA	3330
	UP- Ramala Grade M	NA	2560	NA	3260
	UP- Dhampur Grade M Ex-Mill	2540	2580	NA	3210
	UP- Dhampur Grade S Ex-Mill	2520	2560	NA	3190
	UP- Dhampur Grade L Ex-Mill	2590	2630	NA	3260
	Mumbai –Grade M	2726	2742	2772	3346
	Mumbai –Grade S	2516	2560	2596	3172
	Kolhapur – Grade M	2350	2400	2525	3150
	Kolhapur – Grade S	2250	2300	2425	2975
	Guhawati – Grade S	2548	2598	2725	3284
	Shillong – Grade S	2570	2620	2745	3295
	Vijayawada – Grade M	2800	2880	2960	3520
	Vijayawada- Grade S	2740	2780	2860	3420
	Nagpur – Grade M	NA	NA	NA	3300
	Nagpur – Grade S	2550	2550	2650	3100
	Kolkata – Grade M	2720	2730	NA	3290
	Chennai - Grade S	2450	2475	3035	3050
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3035	3035	3035	3150
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	3035	3035	2500	3125

Gur Market Scenario and Outlook

Mixed sentiments were recorded in spot gur market with prices rising in some market while declining in other.

The, Chaku variety of gur from key Muzaffarnagar market fell by Rs 61 per quintal from Rs 2619/quintal last week to Rs 2558/quintal this week. While the prices of Khurpa and Ladoo variety rose by Rs 94 & Rs 217 per quintal to reach at Rs 2425 & Rs 2725 per quintal this week.

The Mudde variety from Bangalore fell by Rs 58/quintal from Rs 4066/quintal to Rs 4008/quintal this week. However, the same variety of gur rose by Rs35/quintal from Rs 2340/quintal in Belgaum.

Spot Jaggery (Gur) Prices Scenario (Weekly)

Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)				
Markets	**Variety**	**23th May to 29th May 2015**	**16th May to 22th May 2015**	**Change**
Muzaffar Nagar	Chaku	2558	2619	**-61**
	Chaku (Arrival)	5600	11800	**-6200**
	Khurpa	2425	2331	**94**
	Laddoo	2725	2508	**217**
	Rascut	NA	NA	**-**
Hapur	Chaursa	NA	NA	**-**
	Balti	NA	NA	**-**
Maharashtra	Latur(Lal Variety)	NA	NA	**-**
BANGALORE	Mudde	4008	4066	**-58**
Belgaum	Mudde	2375	2340	**35**
Belthangadi	Yellow (Average)	NA	NA	**-**
Bijapur	Achhu	NA	NA	**-**
Gulbarga	Other (Average)	2513	2517	**-4**
Mahalingapura	Penti (Average)	2461	2455	**6**
Mandya	Achhu (Medium)	2516	2500	**16**
	Kurikatu (Medium)	2300	2316	**-16**
	Other (Medium)	2350	2400	**-50**
	Yellow (Medium)	2466	2466	**Unch**
Shimoga	Achhu (Average)	2650	2670	**-20**

Spot Jaggery(Gur) Prices Scenario (Weekly)					
Markets	Variety	Today	Week Ago	Month Ago	Year Ago
		29-May-15	22-May-15	29-Apr-15	29-May-14
Muzaffar Nagar	Chaku	2583	2525	2400	NA
	Khurpa	2500	2375	2430	NA
	Laddu	2763	2388	2663	NA
	Rascut	NA	NA	NA	NA
Hapur	Chaursa	NA	NA	NA	NA
	Balti	NA	NA	NA	NA
Maharashtra	Latur(Lal Variety)	NA	NA	NA	NA
BANGALORE	Mudde	4050	4075	3700	3200
Belgaum	Mudde	2400	2300	NA	NA
Belthangadi	Yellow (Average)	NA	NA	NA	NA
Bijapur	Achhu	NA	NA	NA	2650
Gulbarga	Other (Average)	2640	2545	2525	3050
Mahalingapura	Penti (Average)	2450	2470	2647	NA
Mandya	Achhu (Medium)	2500	2500	2450	2300
	Kurikatu (Medium)	2300	2300	2300	2200
	Other (Medium)	2300	2400	2400	2350
	Yellow (Medium)	2450	2500	2450	2350
Shimoga	Achhu (Average)	2650	2650	2700	3700

Commodity: Sugar
Contract: July

Exchange: NCDEX
Expiry: July 20, 2015

SUGAR (July Weekly Chart)

Technical Commentary:

- Sugar prices are falling while volume and O.I surged up for the week.
- RSI is hovering into a neutral zone.
- Last candlestick depicts bearishness in the market.

Strategy: Buy

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	July	2140	2200	2270	2360	2400
Weekly Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Sugar	NCDEX	July	**Buy**	Above 2265	2315	2340	2235

International Scenario

International sugar prices remained subdued amid ample supplies and higher current stock availability worldwide.

International Market News Highlights:

- As per the UNICA report, Brazil's centre south region had churned around 0.39 MT of sugar in first half of Apr, 2015 compared to 0.42 MT of sugar during the same period a year ago. (Brazil Churned 0.39 MT Of Sugar In first Half Of April, 2015).

- The Australian Bureau of Meteorology signaled the climatic indicators pointing towards the possibility of an expected El Nino this year. Notably, an El Nino if occurred could hamper sugar production worldwide causing excessive rainfall in Southern America while no or minimal rains in Asia.

- The U.S. Department of Agriculture, forecasted Brazilian sugarcane production to 648 million tons in 2015-16 amid surge in production area and yield per hectare.

- 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.

International Sugar Prices (Weekly)				
Contract Month		28-May-15	22-May-15	Change
ICE Sugar #11 (US Cent/lb)	15-Jul	11.94	12.49	-0.55
	15-Oct	12.27	12.85	-0.58
	16-Mar	13.65	14.06	-0.41
LIFFE Sugar (US $/MT)	15-Aug	347.4	356.9	-9.5
	15-Oct	348.2	359.4	-11.2
	15-Dec	354.4	366	-11.6

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

Technical Commentary:

- LIFE future market trends downward for the week.
- The last candlestick depicts bearishness in the market.
  Strategy: Sell at 346 with a target of 336.

International Sugar Futures Price Projection			
	Contract Month	**Present Quote**	**Expected Price level for next week**
LIFFE Sugar (US $/MT)	**Aug'15**	346	336

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

Technical Commentary:

- ICE raw sugar futures are trending downwards.
- Last candlestick depicts bearishness in the market.
  Strategy: Sell at 11.90 with target of 11.60

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	July'15	11.90	11.60