

## SUGAR, JAGGERY & CANE

4<sup>th</sup> June 2005

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Lower Today
- NCDEX Sugar: Remained Range Bound in Yesterday's Range
- NCDEX Gur: Traded with Strong Sentiment
- NYBOT Sugar: Rallies Up on Fund Buying

### Market Commentary

#### Domestic:

##### Domestic Sugar Prices Remained Lower Today

The domestic sugar market witnessed a moderately weak sentiment today. The sugar prices in the major sugar markets remained mainly lower today. For this week, sugar was traded range bound throughout the major markets.

The M grade sugar at the Delhi market remained unchanged at Rs 1740-1780 per quintal today, while at Muzaffarnagar market it was offered at a lower rate of Rs 1745-1750 per quintal. At the Kolkata market the prices were also lower at Rs 1810-1815 per quintal as against yesterday.

The S grade sugar at the Chennai market continue to remain steady at Rs 1680-1685 per quintal, while at the Kolkata market price was higher at Rs 1670-1675 per quintal. At Delhi market it was offered at a lower price of Rs 1710-1730 per quintal, whereas at Vashi market it was higher at Rs 1770-1775 per quintal. At the Hapur market the sugar was offered steady at Rs 1675-1700 per quintal.

##### NCDEX Sugar: Remained Range Bound in Yesterday's Range

The most active June future at the NCDEX set a session high of 1681.00 today. The June future remained in the yesterday's range and fluctuated in between 1673.00-1681.00 today. The July future hovered in the range of 1687.00-1697.00, whereas August future remained in the range of 1698.00-1709.00.

##### NCDEX Gur: Traded with Strong Sentiment

The most active June gur future at the NCDEX traded with a strong sentiment today. The June future today set the session high at 594.00, higher than yesterday. Moreover the session low was near to yesterday's high. Today the June future fluctuated in an improved range of 591.00-594.00.

#### International:

##### NYBOT Sugar: Rallies Up on Fund Buying

The world raw sugar futures at the New York Board of Trade (NYBOT) rushed to two month highs on Friday as funds covered shorts and bought. Moreover, buying by the trade houses supported the futures as October future came close to 9.00 cents per pound and March contract was even higher than that level. The July future at the NYBOT finished up 21 points at 8.88 cents per pound and the October future settled up 19 points at 8.96 cents per pound.

The volume of trade was heavy and the traders perceived the settlement as good.

#### News Analysis:

##### PSMA Urged Pak Govt to Withdraw Sales Tax on Sugar

The Pakistan domestic sugar prices are increasing continuously for the last few days though the government has asked the sugar industry to reduce prices. The Pakistan Sugar Mills Association (PSMA) has demanded the government to withdraw General Sales Tax (GST) as the only possible way to reduce the sugar prices. The government had been informed that the present sugar prices were not higher as indicated by the cost benefit ratio. The PSMA is ready to sell its stock of sugar to the Trading Corporation of Pakistan (TCP) and the sugar can be released to the market with a subsidy from the government. The domestic sugar production has decreased by 24.30 percent at 3,022,518 metric tonnes during July-April of the current financial year against 3,993,011 metric tonnes in the same period of the last fiscal. According to the PSMA, the sugarcane growers got very high prices for a lower sugarcane crop this year. Consequently, the cost of sugar production increased considerably this season.

##### Vietnam Sugarmills Profited Despite Drought

The Vietnam Ministry of Agriculture and Rural Development (MARD) has revealed that most of the country's sugar mills have profited from the 2004-05 crop. Earlier it was feared that the fluctuating market prices and the recent sharp reductions in sugarcane fields would continue to have an upsetting impact on the domestic sugar industry. The drought has seriously affected the entire industry's output. According to the MARD, 38 of the country's operating sugar mills have produced just 1.1 million tonnes of sugar, 125,000 less than the 2003-04 crop. Keeping the present high demand situation in view, the ministry has forecasted that the country may face a shortage of about 150,000 tonnes of sugar in the latter half of this year.

#### Domestic and International Sugar Outlook:

##### FAO Forecasted High Import of Sugar in India

The Food and Agriculture Organisation (FAO) in its latest Food Outlook journal, has forecasted dull prospects for

sugar production in India. It has reported that this could result in a higher import due to output shortfall. The report highlighted that the sugar prices strengthened in 2004 and early 2005 reflecting a shortfall in supplies. This shortfall is forecasted to continue in 2005, reflecting strong import demand and unfavourable production prospects in India. It has also reported that preliminary harvest returns indicate a continued shortfall in supplies during 2005 largely due to a second consecutive year of unfavourable weather and rising import demand in India.

#### India 2005-06 Sugar Output Likely 17.5-18.2 MT

According to the Indian Sugar Mills Association official, the country's sugar output in 2005-06 crop year (October-September) is forecasted to rise to 17.5-18.2 million tonnes. Depending upon the monsoon condition, the output may touch the upper limit if the monsoon is good or vice-versa. It is also reported that the sugar production in the current year is likely to be marginally less than 13 million tonnes. It is also forecasted that the country's import of raw sugar would be negligible next crop year compared with 1.2-1.3 million tonnes in this year.

#### Govt Announced 1.1 MMT Sugar Sales Quota

The Government of India has announced the sales quota of sugar at 1.1 million metric tons (MMT) for the month of June. The levy quota is announced to be 2.16 lakh metric tons. Together the total sugar available for sale will be 1.316 MMT in the month of June.

#### ED&F Man Forecasted Global Sugar Deficit at 3.2 MMT

The trade house ED&F Man Sugar, in its latest monthly report, has forecasted the world sugar deficit at 3.2 million metric tons (MMT) for the 2004-05 marketing year (October-September). Earlier in February the group had forecasted a deficit of 4.1 MMT. The global output for 2004-05 is forecasted at 143.7 MMT, up from 142.9 MMT in 2003-04. The global consumption is also forecasted higher at 146.9 MMT in 2004-05 from 143.7 MMT in 2003-04.

#### World Sugar Situation - June 2005

According to the recently published World Sugar Situation by the Foreign Agricultural Service, United States Department of Agriculture, the world sugar production for the 2005-06 marketing year is forecasted at 146.3 million tons, raw value, up 4.2 million tons from the revised 2004-05 estimates. Consumption is forecasted at 142.7 million tons, up 2.1 million tons from a year earlier. Exports are forecasted at 46.3 million tons, up 250,000 tons; and ending stocks are forecasted at 34.2 million tons, down 1.6 million tons. Forecast increases in 2005-06 world production and trade are mainly due to higher production in India, up 4.5 million tons; Brazil, up 1.4 million tons; and China, up 800,000 tons. Exports are forecasted to remain relatively even because of reduced shipments from Thailand of 700,000 tons offsetting increased shipments from Brazil of 1.0 million tons. Thailand exports for 2005-06 are forecast at 2.9 million tons. Exports over the previous four years averaged 4.5 million tons. Revisions of the 2004-05 estimates show an increase in beginning stocks of 2.9 million tons. Estimated world production, exports, and consumption for 2004-05 show little change from the November 2004 estimate. Production is placed at 142.1 million tons, exports at 46 million tons, and consumption at 140.6 million tons. Ending stocks are estimated at 35.8 million tons, up 4.1 million tons. Principal country changes in 2004-05 world production since the November estimate are Brazil, up 2 million tons, Australia, down 250,000 tons; and China, down nearly 1.2 million tons and Mexico, up 670,000 tons. Production in Thailand is estimated at 5.2 million tons, down almost 1.3 million tons. Estimated Thailand exports for 2004-05 are now placed at 3.6 million tons, down 1.2 million tons. Production in the EU-25 increased 1.9 million tons to total 21.3 million tons, and exports increased 1.1 million tons, to total 5.5 million tons.

#### World Production, Supply and Distribution of Centrifugal Sugar

##### World Total:

(1000 Metric Tons, Raw Value)

| Year    | Beginning Stock | Production | Imports | Total Supply | Exports | Domestic Consumption | Ending Stocks |
|---------|-----------------|------------|---------|--------------|---------|----------------------|---------------|
| 2001-02 | 39,605          | 134,382    | 39,136  | 213,123      | 41,917  | 134,552              | 36,654        |
| 2002-03 | 36,654          | 148,787    | 40,348  | 225,789      | 46,345  | 138,412              | 41,032        |
| 2003-04 | 41,032          | 142,294    | 40,163  | 223,489      | 45,713  | 138,669              | 39,107        |
| 2004-05 | 39,008          | 142,066    | 41,395  | 222,469      | 46,041  | 140,639              | 35,789        |
| 2005-06 | 35,789          | 146,252    | 41,183  | 223,224      | 46,290  | 142,711              | 34,223        |

Source: FAS, USDA

##### India:

(1000 Metric Tons, Raw Value)

| Year    | Beginning Stock | Production | Imports | Total Supply | Exports | Domestic Consumption | Ending Stocks |
|---------|-----------------|------------|---------|--------------|---------|----------------------|---------------|
| 2001-02 | 11,985          | 20,475     | 100     | 32,560       | 1,130   | 19,760               | 11,670        |
| 2002-03 | 11,670          | 22,140     | 10      | 33,820       | 1,410   | 19,980               | 12,430        |
| 2003-04 | 12,430          | 15,180     | 550     | 28,160       | 250     | 18,810               | 9,100         |
| 2004-05 | 9,100           | 13,770     | 2,000   | 24,870       | 20      | 18,800               | 6,050         |
| 2005-06 | 6,050           | 18,340     | 1,000   | 25,390       | 20      | 19,300               | 6,070         |

Source: FAS, USDA

## Sugar at Spot Market:

### International:

#### London Daily Price (LDP)

| Particulars           | 4-June | 3-June | 2-June | 1-June | 31-May |
|-----------------------|--------|--------|--------|--------|--------|
| LDP RAW FOB \$/MT     | Na     | 194.7  | 193.6  | 194.9  | 195.8  |
| LDP RAW CIF \$/MT     | Na     | 254.7  | 258.6  | 259.9  | 260.8  |
| LDP RAW CIF GBP/MT    | Na     | 140.4  | 142.7  | 143.4  | 143.6  |
| LDP WHITE FOB \$/MT   | Na     | 259.8  | 259    | 260.6  | 261.9  |
| LONDON FREIGHT \$/MT  | Na     | 60     | 65     | 65     | 65     |
| LONDON FREIGHT GBP/MT | Na     | 33     | 36     | 36     | 36     |

Source: London International Financial Futures and Options Exchange (LIFFE)

### Domestic:

#### Spot Price of Sugar at Muzaffarnagar Mandi (Rs. /quintal)

| Date     | Shyamli | Khatauli | Morna | Deoband | Titawi | Nanoata | Tikola |
|----------|---------|----------|-------|---------|--------|---------|--------|
| 04.06.05 | 1735    | 1730     | 1725  | 1727    | 1729   | 1705    | Na     |

#### Spot Price of Sugar at Delhi Mandi (Rs. /quintal)

| Date     | M 30      | S 30      | Mill Delivery | Khand     |
|----------|-----------|-----------|---------------|-----------|
| 04.06.05 | 1740-1780 | 1710-1730 | 1600-1630     | 1670-1690 |

## Jaggery at Spot Market

#### Spot Price of Gur at Muzaffarnagar Mandi (Rs. /40 kg)

| Date     | Raskat  | Chaku   | Laddu | Khurpa padh | Shakkar |
|----------|---------|---------|-------|-------------|---------|
| 04.06.05 | 460-470 | 550-585 | Na    | Na          | 600-620 |

Na: Arrival finished

#### Spot Price of Gur at Hapur Mandi (Rs. /quintal)

| Date     | Dahiya    | Balti Sp | No One | Bariya Dara | Dara |
|----------|-----------|----------|--------|-------------|------|
| 04.06.05 | 1350-1400 | Na       | Na     | Na          | Na   |

Na: Arrival finished

## Weather Forecast (As on 3<sup>rd</sup> June 2005):

### Monsoon Outlook:

At present northern limit of monsoon is passing through 5 Deg. N / 78 Deg. E, 9 N / 82 E, 13 N / 86 E, 16 N / 90 E and 19 N / 94 E.

Flow pattern further suggests that the conditions may become favourable for onset of monsoon over Kerala only after 4-5 days. Advancement of monsoon over NE India is expected to be after 6th June 2005.

NE India is likely to receive monsoonal rains earlier than Kerala.

### Weather Systems:

Plains of NW and central India are likely to be mainly dry.

A north-south oriented trough in the lower level runs from east M.P. to interior Karnataka continues and it may further persist during next 2 days.

A northeast-southwest shear zone in mid troposphere is extending from west central Bay of Bengal to southeast

Arabian Sea with one embedded cyclonic circulation over west central Bay of Bengal off Andhra coast and another over southeast & adjoining east-central Arabian Sea. The shear zone is likely to persist during next 4-5 day around its present position.

A western disturbance is expected to approach north Pakistan and adjoining Jammu & Kashmir area during 6-7 June 2005. Under its influence, the hilly region of NW India may experience isolated to scattered snowfall/rains during the said period.

### Rainfall:

Isolated to scattered snowfall/rain are likely over hilly regions of NW India during 6-7 June 2005.

Isolated to scattered rains/thundershowers are likely over Konkan & Goa, Madhya Maharashtra, North Interior Karnataka, coastal Karnataka and coastal A.P. during next 24-48 Hrs. and over Kerala and NE states during next 3-4 days.

Fairly widespread rainfall is likely over Andaman & Nicobar Islands during next 3-4 days.

Rest regions of the country are likely to be mainly dry.

#### Temperatures:

Day temperature over NW and Central India is likely to rise by about 2 degree C during next 2-3 days.

Heat wave conditions over parts of Bihar, Jharkhand, north coastal Orissa, Vidarbha, Chattisgarh and Sub-Himalayan West Bengal are likely to continue during next 2 days.

#### Port Watch (As on 4<sup>th</sup> June 2005):

Delivery of 34,000 MT of raw sugar is continuing at Tuticorin Port from the vessel 'Paul Oldendroff'. The vessel is being handled by St. John agents.

#### FOREX as on 4<sup>th</sup> June 2005

| Foreign Currency | Rs. per unit |
|------------------|--------------|
| 1 US \$          | 43.55        |
| 1 Euro           | 53.19        |
| 1 British £      | 79.04        |
| 100 Yen          | 40.36        |

#### Technical Analysis

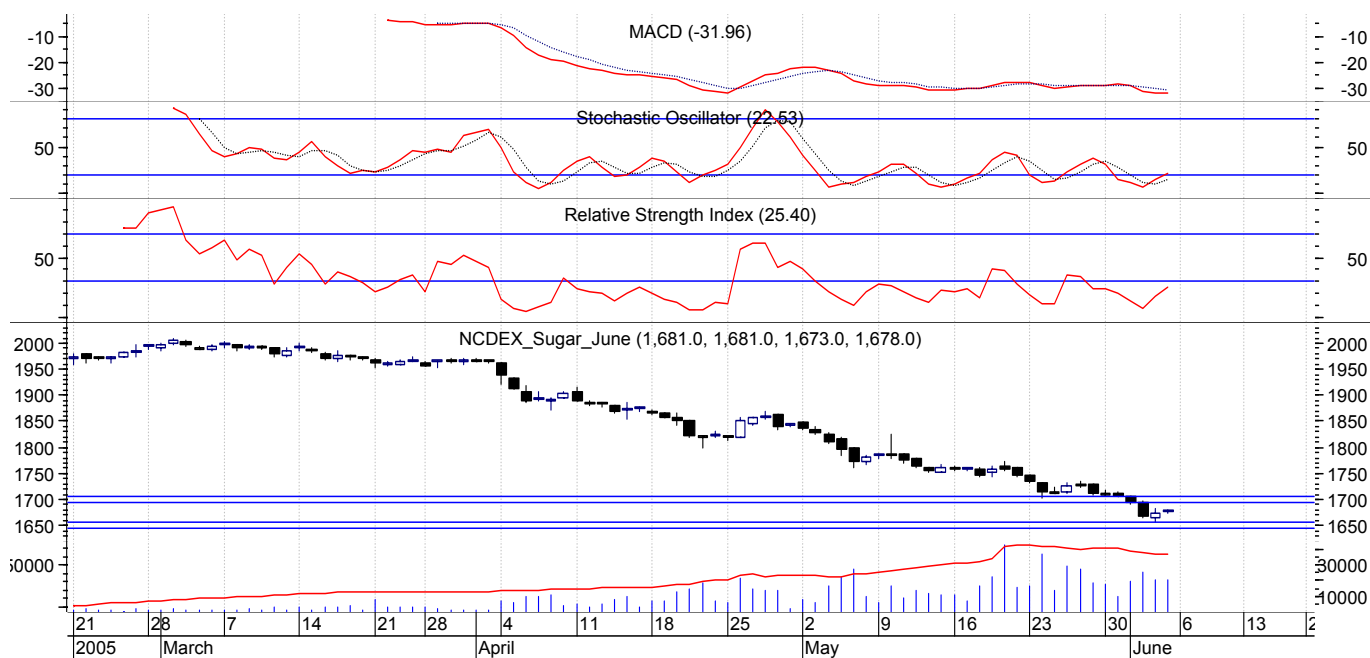
Date: 04.06.05

Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Daily)

Contract: June (Future)



**Candlesticks:** The candlestick pattern is indicating towards a weak bearish pattern. The opening on the next trading day may be on the lower side.

**MACD:** The MACD (5-day) is still lying below its EMA, but started moving upwards in the negative territory.

**Stochastic:** The %K-line after cutting the %D-line from below, moving sharply upwards and entered the normal region.

**Relative Strength Index (RSI):** The RSI (25.40) is moving upwards in the oversold region and about to enter the normal region.

The first resistance level is seen at 1695 and the second at 1706. The first support level is at 1657 and the second at 1645.

Almost all the indicators are pointing towards a moderately strong market sentiment.

#### Outlook:

The indicators are pointing towards a moderately strong market sentiment. It is expected that the future will open at the lower side and the prices may witness some strong sentiment in very short-term period, but will remain mainly range bound.

## Technical Analysis

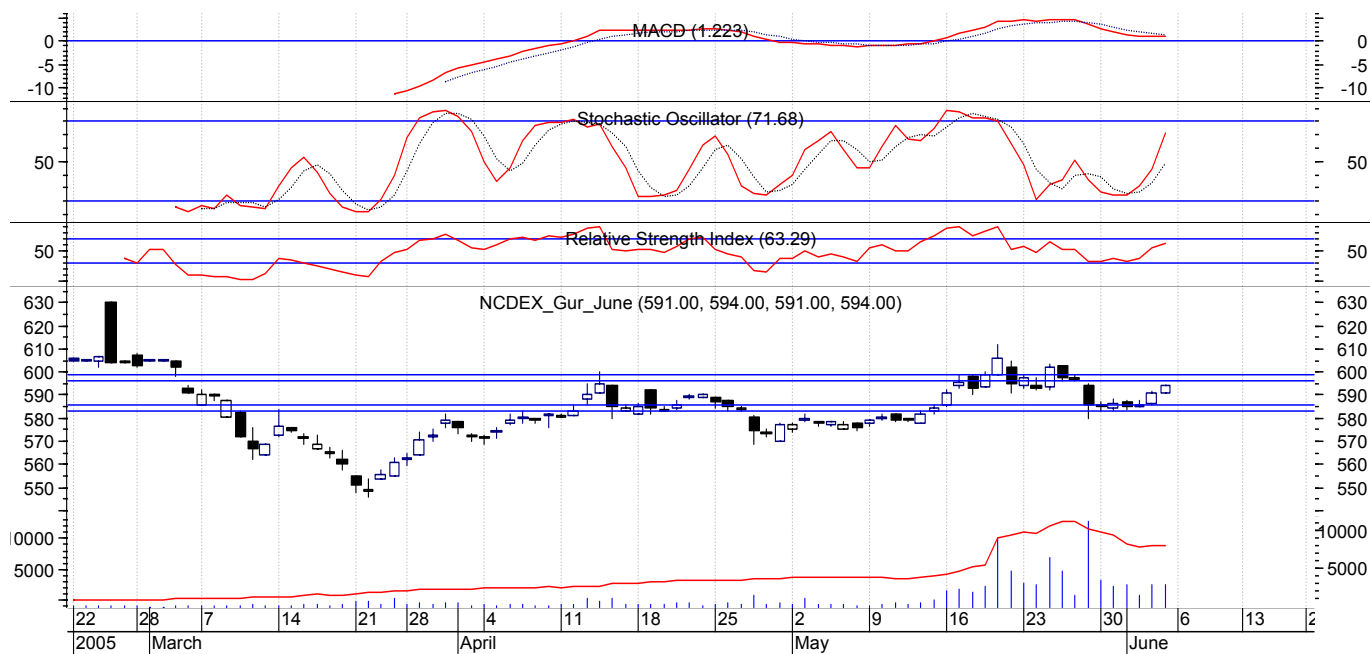
Date: 04.06.05

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Daily)

Contract: June (Future)



**Candlesticks:** The candlestick pattern is indicating towards the bullishness of the market sentiment. The opening in the next day may be on the upper side.

**MACD:** The MACD (5-day) is still lying below its EMA, but moving upwards and about to cut its EMA in the positive territory.

**Stochastic:** The %K-line after cutting the %D -line from below, moving sharply upwards in the normal region.

**Relative Strength Index (RSI):** The RSI (63.29) is moving upwards in the normal region.

The first resistance is seen at 596.1 and next at 598.5 marks. The first support level is at 585.9 and the next 583 marks.

All the indicators are pointing towards a strong market sentiment.

### Outlook:

The indicators are pointing towards the bullishness of the market sentiment. It is expected that the future will open higher in the next trading day and will follow a strong sentiment.

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