



# Trade Research Report

## Sugar, Jaggery & Cane

### MARKET TRENDS, HIGHLIGHTS AND RECOMMENDATIONS

**Periodicity: DAILY**

**Date: 2<sup>nd</sup> June 2005**

#### Highlights:

- **Domestic Sugar Prices Extended Weakness**
- **NCDEX Sugar: Down, Sets New Contract Low**
- **NCDEX Gur: Slightly Higher But Remained Range Bound**
- **NYBOT Sugar: Lower; Trade Buying Curbs Slide**
- **Thailand Sugar: Lower Amidst Quiet Trade**

---

### Market Commentary

#### **Domestic:**

- **Domestic Sugar Prices Extended Weakness**

The domestic sugar market extended previous day's weakness today also. But the prices are following a range bound movement for the last few weeks.

The M grade sugar at the Delhi market remained lower at Rs 1730-1770 per quintal, while Muzaffarnagar market it was quoted lower at Rs 1755-1760 per quintal. At the Kolkata market the prices were slightly higher at Rs 1810-1815 per quintal as against yesterday.

The S grade sugar at the Chennai market was traded at a higher price of Rs 1680-1685 per quintal, while at the Kolkata market price remained unchanged at Rs 1765-1770 per quintal. At Delhi market it was offered at a lower price of Rs 1725-1745 per quintal, whereas at Vashi market it was down at Rs 1765-1770 per quintal. At the Hapur market the sugar was offered steady at Rs 1675-1725 per quintal.

- **NCDEX Sugar: Down, Sets New Contract Low**

The most active June future at the NCDEX remained highly bearish today and set a fresh contract month low at 1665.00. The June future hovered in a much lower range of 1665.00-1696.00 during today's trade. The July future was also lower at a range between 1678.00-1705.00, whereas the August future moved in the lower range of 1688.00-1713.00. At the futures market it is expected that the price will remain strongly weak in the coming days.

- **NCDEX Gur: Slightly Higher But Remained Range Bound**

The most active June gur future at the NCDEX traded marginally higher today but remained within yesterday's range. The June future today set the session high at 587.60, same as yesterday. However the lower level was higher as against yesterday's low. Today the June future fluctuated in a narrow range of 585.20-587.60.

## **International:**

### ➤ **NYBOT Sugar: Lower; Trade Buying Curbs Slide**

The world raw sugar futures settled lower at the New York Board of Trade (NYBOT) on Wednesday, but cut down the fund led drop to one week lows after trade buying supported the futures. The July future at the NYBOT finished down 8 points at 8.68 cents per pound and October future settled down 7 points at 8.80 cents per pound. The range was decided within the first hour of trade. The volume of trade was good also but the settlement was not seemed well by the traders. According to the traders funds and small speculators were net short 13,000 lots at the close. It is expected that the futures would decline further on lack of any supportive physical news to push up the futures.

### ➤ **Thailand Sugar: Lower Amidst Quiet Trade**

Thailand physical sugar premiums were lower today on lack of fresh demand amidst quiet trade. At present there is no buyers for the Thailand sugar. China has sold sugar from state reserve and not ready to import sugar at present. Moreover, the availability of exportable domestic sugar is also limited. Today the Thailand raw sugar premiums for June-July shipment were quoted lower at 1.42 cents per pound, FOB Bangkok, against the New York Board of Trade's (NYBOT) July contract. Thailand white sugar premiums for June shipment were also offered lower today at \$42 per ton, FOB Bangkok, to the London International Financial Futures and Options Exchange's (LIFFE) August contract. Meanwhile, the July contract at the NYBOT settled lower at 8.68 cents per pound and the August future at the LIFFE finished down at \$243.60 per ton.

## **News Analysis:**

### **A.P. Govt Approved Rs 277 crore for Sugar Factories**

The Andhra Pradesh state government has sanctioned Rs 277 crore for modernisation of sugar factories in the State and Rs 12 crore for repairs. A total of Rs 60 crore has been sanctioned for Tummapala factory at Anakapalli. According to the Tourism and Sugar minister, a requisition to clear the salary bill of employees of all sugar factories in the State totalled at Rs 3 crore, has been sent to the Finance Department and the Andhra Pradesh Cooperative Bank would make the payments soon.

### **Brazil Sugar Export in May Up at 1.84 MMT**

Brazil, the world's largest producer and exporter of sugar, has exported a total of 1.84 million metric tons (MMT) sugar in May this year. According to the Foreign Trade Secretariat of Brazil, this is a 123 percent jump over export of 823,000 tons sugar in May, 2004. In April this year, the export of sugar totalled 1.08 MMT. The raw sugar exports touched 1.18 MMT in May, an increase of 160 percent over the same month in last year and substantially higher than the April figure of 579,400 tons. The refined sugar exports in May was 659,200 tons, up by 79 percent from May, 2004 figure and also higher than 502,500 tons sugar exported in April this year.

### **Thailand Sugarcane Crop Estimated Down at 46.6 MMT**

According to Thailand government official, the country's sugarcane production in the 2005-06 crop year is projected to decline by 2.5 percent to 46.6 million metric tons

(MMT) as a result of the recent drought. In the 2004-05 crop year, the country produced 47.8 MMT of sugarcane and 5.2 MMT of sugar which were lower than the previous crop year also as a result of drought. The present crop estimates are supposed to be revised before the harvest season begins in the November.

### **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)

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

Source: FAS, USDA

#### **India:**

(1000 Metric Tons, Raw Value)

<b>Year</b>	<b>Beginning Stock</b>	<b>Production</b>	<b>Imports</b>	<b>Total Supply</b>	<b>Exports</b>	<b>Domestic Consumption</b>	<b>Ending Stocks</b>
<b>2001-02</b>	11,985	20,475	100	32,560	1,130	19,760	11,670
<b>2002-03</b>	11,670	22,140	10	33,820	1,410	19,980	12,430
<b>2003-04</b>	12,430	15,180	550	28,160	250	18,810	9,100
<b>2004-05</b>	9,100	13,770	2,000	24,870	20	18,800	6,050
<b>2005-06</b>	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	2-June	1-June	31-May	30-May	28-May
LDP RAW FOB \$/MT	193.6	194.9	195.8	Na	Na
LDP RAW CIF \$/MT	258.6	259.9	260.8	Na	Na
LDP RAW CIF GBP/MT	142.7	143.4	143.6	Na	Na
LDP WHITE FOB \$/MT	259	260.6	261.9	Na	Na
LONDON FREIGHT \$/MT	65	65	65	Na	Na
LONDON FREIGHT GBP/MT	36	36	36	Na	Na

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
02.06.05	1737	1741	1725	1733	1735	1708	Na

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

Date	M 30	S 30	Mill Delivery	Khand
02.06.05	1730-1770	1725-1745	1625-1670	1650-1685

## **Jaggery at Spot Market**

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

Date	Raskat	Chaku	Laddu	Khurpa padh	Shakkar
02.06.05	470-480	570-600	Na	Na	640-650

Na: Arrival finished

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

Date	Dahiya	Balti Sp	No One	Bariya Dara	Dara
02.06.05	1350-1400	Na	Na	Na	Na

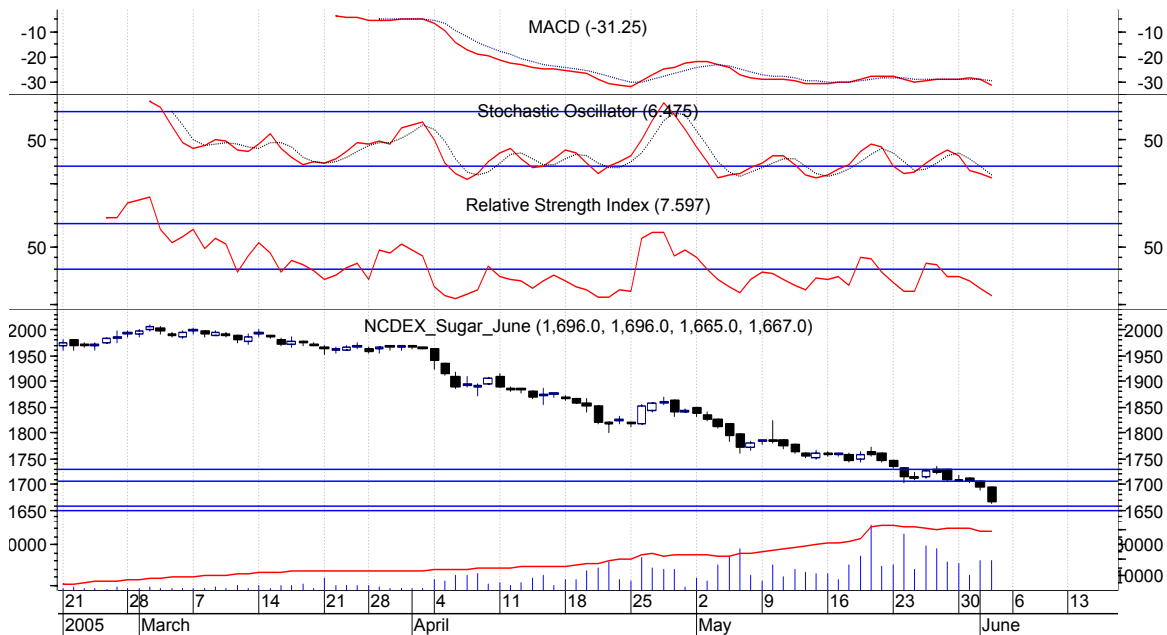
Na: Arrival finished

## Technical Analysis

**Commodity: Sugar Grade M**  
**Exchange: NCDEX**  
**Perspective: Very Short Term (Daily)**  
**Contract: June (Future)**

**Date: 02.06.05**

### NCDEX JUNE Contract



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

**MACD:** The MACD (5-day) after cutting its EMA, moving sharply downwards, a bearish indication.

**Stochastic:** The %K-line after cutting the %D-line, moving downwards in the oversold region.

**Relative Strength Index (RSI):** The RSI (7.59) is moving downwards and it is lying in the oversold region.

The first resistance level is seen at 1707 and the second at 1730. The first support level is at 1660 and the second at 1650.

All the indicators are pointing towards highly bearish market sentiment. The open interest is on an average steady but the volume is decreasing constantly.

### **Outlook:**

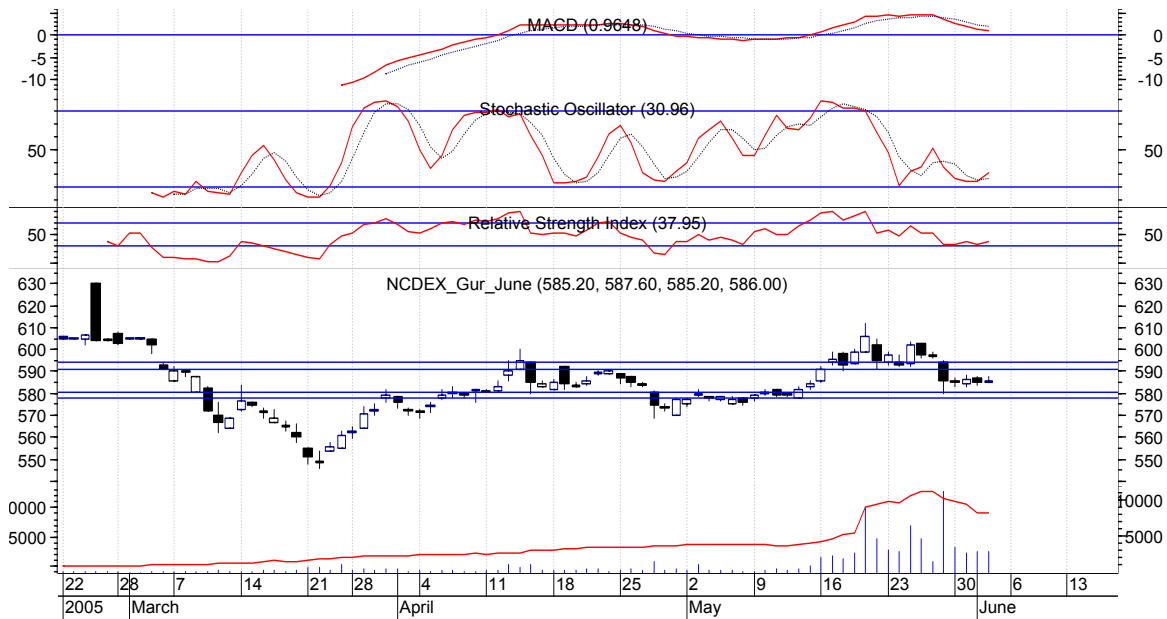
**The indicators are pointing towards a strongly bearish market sentiment. It is expected that the future will open at the lower side and the prices will become much weaker in the next day.**

## Technical Analysis

**Commodity: Gur (Jaggery)**  
**Exchange: NCDEX**  
**Perspective: Very Short Term (Daily)**  
**Contract: June (Future)**

**Date: 02.06.05**

NCDEX JUNE Contract



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

**MACD:** The MACD (5-day) after cutting its EMA from above going downwards in the positive territory and it is about to touch the horizontal line.

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

**Relative Strength Index (RSI):** The RSI (37.95) has changed its direction and started moving upwards in the normal region.

The first resistance is seen at 591.2 and next at 594.1 marks. The first support level is at 580.2 and the next 577.8 marks.

Almost all the indicators are pointing towards the bearishness of the market sentiment. However, the stochastic is indicating an opposite trend.

### **Outlook:**

**The indicators are pointing towards a weak market sentiment. It is expected that the futures will follow a bearish pattern in the next day. However as suggested by the stochastic and the candlesticks, the futures may show some bullish sentiment, thereby leading to a range bound trade.**

### **Port Watch (As on 2<sup>nd</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.

### **Weather Forecast (As on 2<sup>nd</sup> June 2005):**

#### **Medium range weather forecast for period during 2 – 6 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.



## FOREX as on 2<sup>nd</sup> June 2005

Foreign Currency	Rs. per unit
1 US \$	43.76
1 Euro	53.50
1 British £	79.35
100 Yen	40.37

### Disclaimer

This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment)

If a customer of an affiliate of IASL receives this report, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate.

This document is for **private circulation only** and may not be reproduced in whole or in part for any purpose without written permission.

Use of data and information contained in this report is at your own risk.

Please visit us at [www.agriwatch.com](http://www.agriwatch.com)

Registered Office: E 12, Greater Kailash I, New Delhi 110 048

Telefax: (011) 2628 3336

Copyright Ó 2002 **Indian Agribusiness Systems Pvt Ltd.**

\*\*\*\*\*END\*\*\*\*\*