

## SUGAR, JAGGERY & CANE

21<sup>st</sup> July 2005

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Witnessed Mixed Sentiment
- NCDEX Sugar: Down; Cut Back Morning Gains
- NCDEX Gur: Settled Lower Amidst Bearish Trade
- NYBOT Sugar: Down; Retraced Back from 2-Week Lows

### Technical Analysis

**Commodity:** Sugar Grade M

**Exchange:** NCDEX

**Perspective:** Very Short Term (Daily)

**Contract:** AUGUST (Future)

**Candlesticks:** The candlestick formation is pointing towards a bearish market sentiment. The opening in the next day may be on the lower side.

**MACD:** The MACD (5-day) after cutting its EMA from above moving downwards along with its EMA.

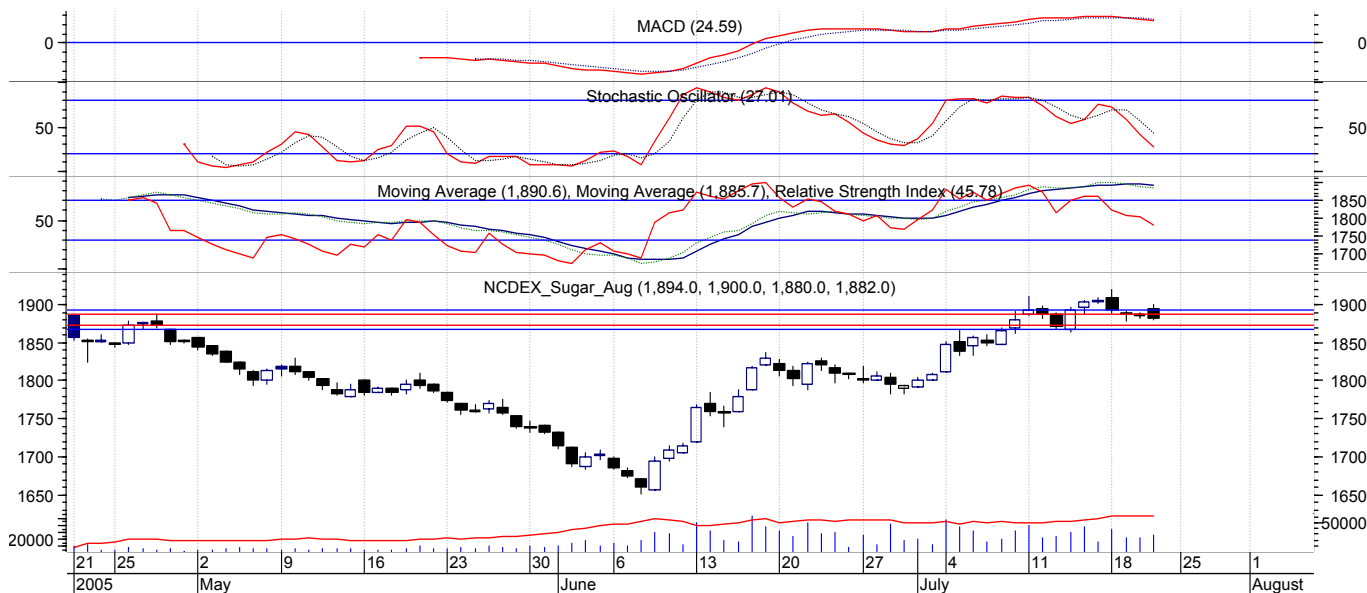
**Stochastic:** The %K-line along with the %D-line moving sharply downwards in the normal region.

**Relative Strength Index (RSI):** The RSI (45.78) is sloping sharply downwards in the normal region.

**Moving Averages (MA):** The 3-day MA after cutting the 5-day MA from above moving downwards along with the 5-day MA.

The open interest as well as the volume of trade has increased.

The first resistance is seen at 1888 mark and the second at 1893 mark. The first support is seen at 1872 mark and the second at 1868 mark.



### Outlook:

All the technical indicators are showing the bearishness in the sugar futures market. As suggested by the candlestick the opening in the next day may be on the lower side. It is expected that the sugar futures will remain bearish in the next day.

### Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
August	1872	1868	1888	1893

## Technical Analysis

**Commodity:** Gur (Jaggery)

**Exchange:** NCDEX

**Perspective:** Very Short Term (Daily)

**Contract:** AUGUST (Future)

**Candlesticks:** The candlestick formation is showing a strong bearish sentiment. The opening in the next day may be on the lower side.

**MACD:** The MACD (5-day) after cutting its EMA from above moving downwards along with its EMA.

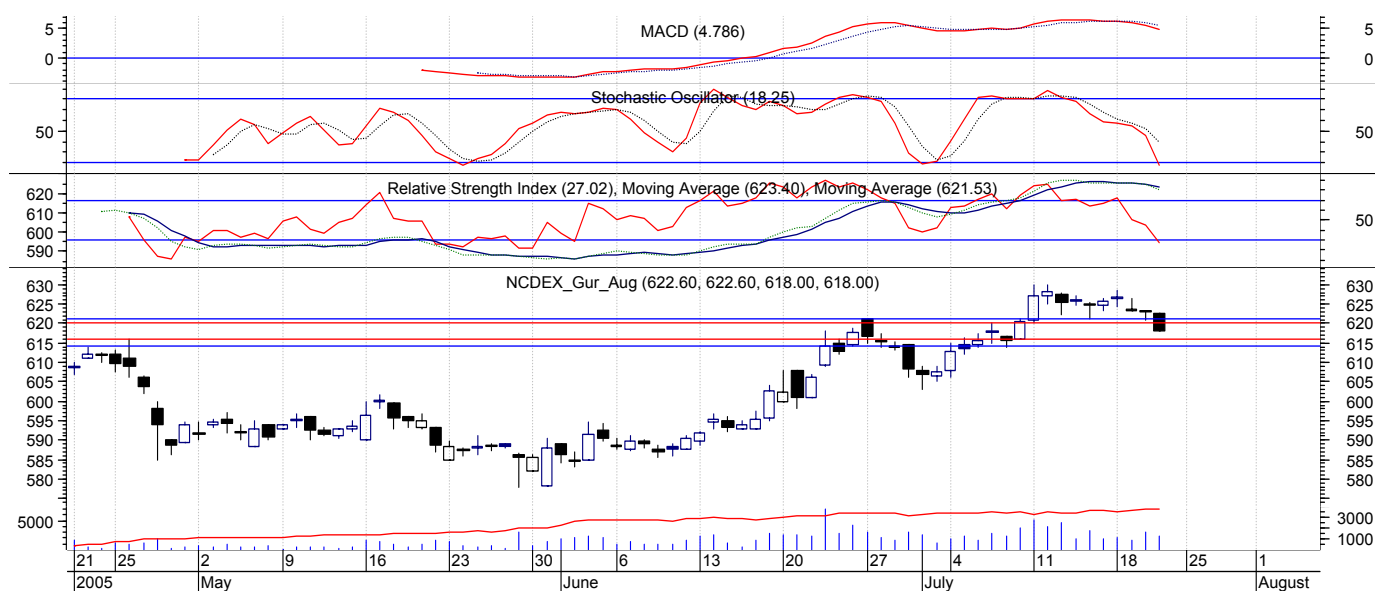
**Stochastic:** The %K-line is moving sharply downwards and it has entered the oversold region. The %D-line is still moving sharply downwards in the normal region.

**Relative Strength Index (RSI):** The RSI (27.02) is slopping sharply downwards and it has entered the oversold region.

**Moving Averages (MA):** The 3-day MA is lying below the 5-day MA, while both are moving downwards.

The open interest is steady while the volume of trade has declined.

The first resistance is seen at 620.1 mark and the second at 621.4 mark. The first support is seen at 615.9 mark and the second at 614.1 mark.



### Outlook:

The technical indicators are pointing towards a strongly bearish sentiment in the gur futures market. As suggested by the candlestick the opening in the next day may be on the lower side. It is expected that the gur futures will remain weak in the next day. However, an upward technical correction is likely in the near future.

### Support and Resistance Levels:

Contract	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
August	615.9	614.1	620.1	621.4

## Market Commentary

### Domestic:

#### Domestic Sugar Prices Witnessed Mixed Sentiment

The domestic sugar market continues to remain range bound with a mixed sentiment today. Both the 'M' and the 'S' grade sugar were quoted on an average slightly changed today as against yesterday.

The M grade sugar at the Delhi market was traded steady at Rs 1850-1880 per quintal today as against yesterday. However, at the Kolkata market it was offered at a lower price of Rs 1905-1910 per quintal, while at the Muzaffarnagar market it was quoted higher at Rs 1865-1870 per quintal today as against yesterday.

The S grade sugar at the Delhi market was quoted marginally changed at Rs 1800-1835 per quintal today as against yesterday. At the Chennai market it was offered steady at Rs 1755-1760 per quintal, while at the Kolkata market it was quoted lower at Rs 1860-1865 per quintal today. However, at the Vashi market it was available at a higher price of Rs 1880-1885 per quintal, while at the Hapur market also it was quoted much higher at Rs 1875-1900 per quintal today as against yesterday.

The sugar prices at the major sugar markets are expected to remain range bound in the next day. Limited trading activity at the spot market amidst lower demand may

pressurise the prices to witness a downtrend in the coming days.

#### NCDEX Sugar: Down; Cut Back Morning Gains

At the futures market the sugar futures continue to trade range bound. The August future at the NCDEX opened higher today and set the day's high at 1900.00, 10 point higher than yesterday's high at the early hours of trade. However, the future remained bearish thereafter and slipped to the day's low at 1880.00. The August sugar future hovered in a wider range of 1880.00-1900.00 during today's trade. It is expected that the sugar futures will witness a bearish sentiment in the next day.

#### International:

#### NYBOT Sugar: Down; Retraced Back from 2-Week Lows

The New York Board of Trade (NYBOT) world raw sugar futures declined to two week lows as the speculators shed longs, but trade buying curbed the decline. The NYBOT October future finished down 11 points at 9.41 cents per pound, while the March future settled down 10 points at 9.53 cents per pound. The world raw sugar futures opened

#### News Analysis:

#### Agri Minister: Decontrol of Sugar Sector Unlikely

According to the Agriculture Minister, decontrol of the sugar sector is unlikely to happen on 1st October as considered earlier. It is reported that the proposal is still under consideration but the present sugar release mechanism is stable and working good. The decontrol of the sugar sector involves removal of the marketing restrictions like levy and free sale quota. Thus there will be no requirement for the mills to deliver 10 percent of their production to the government as levy under the public distribution system (PDS). Moreover, the sugar sector if decontrolled would be free of the release mechanism that applied to the remaining 90 percent free sale sugar. Under the present release mechanism the sugar mills are allowed to sell a given quantum of sugar in a particular month. With the decontrol process not likely from 1st October the Sugar directorate will continue its operation of release of mill wise free sales sugar quota.

#### India Expected to Resume Sugar Export in 2005-06

India is all set to emerge as a sugar exporter as the rise in sugarcane plantation has raised the hope of a bumper crop in the 2005-06 crop year (October-September). The Agriculture Ministry has asked the National Federation of Cooperative of Sugar Factories and the Indian Sugar Mills Association to look into this matter. According to the Agriculture Minister, sugar export can only be possible after meeting the domestic consumption requirement and maintaining the buffer stock. The international sugar market is likely to face a supply shortfall of white sugar in the next year as the European Union's subsidized sugar regime coming to an end. It is expected that the international sugar prices may scale even the \$400 per ton level from the present level of around \$300 per ton. Consequently India can export sugar without relying on any subsidy.

#### Pak Govt Directed TCP to Issue Sugar Import Tender

The Pakistan government has directed the Trading Corporation of Pakistan (TCP) to issue another international tender for import of the second batch of 1 lakh tonnes sugar. The government has directed the TCP to issue the tender within 2 weeks and complete landing of the shipments by 31st August in order to ensure enough domestic supply before the festive season. Moreover, the

#### NCDEX Gur: Settled Lower Amidst Bearish Trade

At the futures market, the gur futures continue to remain bearish today. The August gur future at the NCDEX opened lower today and remained bearish thereafter. The August future set the day's high at 622.60, lower than yesterday's high at the early hours of trade, but slipped to the day's low at 618.00 near to the close. The August gur future at the NCDEX moved in a lower range of 618.00-622.60 during today's trade. It is expected that the gur futures will remain strongly bearish in the next day. However, an upward technical correction is likely in the near future.

on previous day's high but producers sold into it. Moreover, the speculators liquidated and locals sold but trade buying held the October future at 9.49 cents per pound for a while. However, the future went down again through previous day's lows. The October future got support at 9.37 cents per pound on trade buying and the locals also covered shorts at this level.

sugar import through the TCP is meant to check the surging domestic sugar prices. The domestic sugar prices are witnessing a continuous uptrend from the beginning of the year and have touched Rs 32 per kg in the retail market.

#### Kharif Sugarcane Acreage Up 9 Percent on Year

According to the Agriculture Ministry, the shortfall in acreage due to the delay in kharif sowing attributed to the late arrival of the south-west monsoon, is fast making up. It is reported that the overall acreage situation has improved so far. This year's kharif sugarcane acreage is projected to be higher on year as various state governments announcing higher purchase rates of the crop. According to the Food and Agriculture Minister, India is likely to have a sugar surplus in the marketing year beginning October due to an expected bumper sugarcane harvest. It is reported that the government will have to think about sugar exports. The Kharif sugarcane acreage as on yesterday touched 40.85 lakh hectares, up by around 9 percent from 37.39 lakh hectares last year.

#### U.S. Sugar Supply and Use (As on 12.07.2005)

(1000 Short Tons, Raw Value)

Items	2003-04	2004-05	2005-06 Projections	
			June	July
Beginning stocks	1,670	1,897	1,343	1,476
Production	8,649	8,110	8,140	8,152
Imports	1,754	1,729	1,591	1,591
<b>Supply, total</b>	<b>12,073</b>	<b>11,736</b>	<b>11,074</b>	<b>11,219</b>
Exports	288	240	200	200
Deliveries	9,862	10,020	10,115	10,115
Miscellaneous	26	0	0	0
<b>Use, total</b>	<b>10,176</b>	<b>10,260</b>	<b>10,315</b>	<b>10,315</b>
<b>Ending stocks</b>	<b>1,897</b>	<b>1,476</b>	<b>759</b>	<b>904</b>

Source: ERS, USDA

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

(1000 Metric Tons, Raw Value)

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

Source: FAS, USDA

## India Total Production, Supply and Distribution of Centrifugal Sugar

(1000 Metric Tons, Raw Value)

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

Source: FAS, USDA

### Sugar at Spot Market:

#### International:

#### London Daily Price (LDP)

Particulars	21-July	20-July	19-July	18-July	15-July
LDP Raw FOB \$/MT	205	211	207.7	213.8	211.4
LDP Raw CIF \$/MT	260	266	262.7	268.8	266.4
LDP Raw CIF GBP/MT	149	153.1	150.9	154	151.6
LDP White FOB \$/MT	324.7	332	328.5	335	331.5
London Freight \$/MT	55	55	55	55	55
London Freight GBP/MT	31.5	32	31.50	31.5	31.5

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

NA: Exchange remained close on Saturday and Sunday.

#### Domestic:

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

Date	Shyamli	Khatauli	Morna	Deoband	Titawi	Nanoata
21.07.05	1852	1845	NR	1836	1830	1815

NR: Not Reported

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

Date	M 30	S 30	Mill Delivery	Khand
21.07.05	1850-1880	1800-1835	1710-1765	1680-1700

#### Jaggery at Spot Market

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

Date	Raskat	Chaku	Khurpa padh	Shakkar
21.07.05	470-490	610-625	Na	655-700

Na: Arrival finished

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

Date	Dahiya	Balti Sp	No One	Bariya Dara	Dara
21.07.05	1510-1550	Na	Na	Na	Na

Na: Arrival finished

#### Port Watch (As on 21<sup>st</sup> July 2005):

Chennai Port is receiving 21,000 MT of raw sugar from the vessel 'African Jaguar'. The cargo was loaded from Brazil. Intercocean agents is handling the vessel.

#### Weather Forecast (As on 21<sup>st</sup> July 2005):

##### Forecast valid for next 72 hours

**North:** Rain/thundershowers likely at many places over Uttaranchal and Himachal Pradesh, at a few places in East Uttar Pradesh and isolated in the rest region.

**East:** Rain/thundershowers likely at many places over Northeastern States, Bihar, Orissa and West Bengal & Sikkim, at a few places in the rest of the region outside East Madhya Pradesh and Chattisgarh where it may be isolated.

**South:** Rain/thundershowers likely at many places in Andaman and Nicobar Islands, Lakshadweep, Coastal Karnataka and Kerala; at a few places over Interior Karnataka and isolated in the rest region.

**West:** Rain/thundershowers likely at many places over Konkan & Goa and Madhya Maharashtra; at a few places over Marathwada and isolated in the rest region.

#### Outlook for subsequent two days

Ongoing rainfall activity over Northeastern States, Bihar, Sub-Himalayan West Bengal & Sikkim is likely to decrease. It may enhance along West coast of India. Rainfall activity likely to increase over Gangetic West Bengal, Orissa and

north coastal Andhra Pradesh. The subdued rainfall activity likely over remaining parts of the country

#### Warning

Heavy to very heavy rainfall likely at isolated places over Konkan and Goa and Coastal Karnataka. Isolated heavy rainfall also likely over Sub-Himalayan West Bengal & Sikkim and Northeastern States.

#### FOREX (As on 21<sup>st</sup> July 2005):

Foreign Currency	Rs. per unit
1 US \$	43.51
1 Euro	52.84
1 British £	75.82
100 Yen	38.61

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