

## SUGAR, JAGGERY & CANE

16<sup>th</sup>-22<sup>nd</sup> August 2005

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Bearish in this Week
- NCDEX Sugar: Down; September Tested 7-Week Lows
- NCDEX Gur: Up Amidst Range Bound Trade
- NYBOT Sugar: Oct Tested 3- ½ Week Low in this Week

### Technical Analysis

**Commodity:** Sugar Grade M

**Exchange:** NCDEX

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

**Contract:** SEPTEMBER (Future)

**Candlesticks:** The candlestick formation is indicating towards a weakly bullish sentiment.

**MACD:** The MACD (5-day) is lying bearishly below its EMA and both are moving downwards in the negative territory.

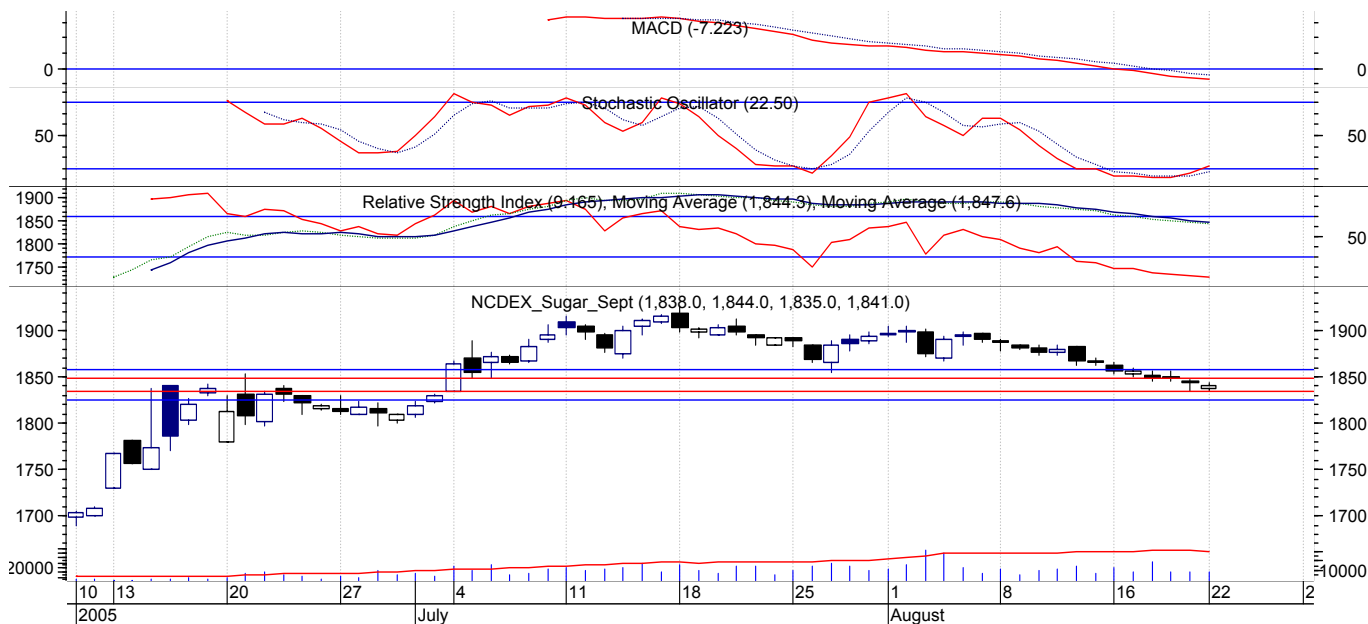
**Stochastic:** The %K-line after cutting the %D-line from below moving upwards in the normal region, while the %D-line is still moving upwards in the oversold region.

**Relative Strength Index (RSI):** The RSI (9.165) is moving downwards in the oversold region.

**Moving Averages (MA):** The 5-day MA is lying above the 3-day MA and both are moving downwards parallel to each other.

The open interest has declined while the volume of trade has increased.

The first resistance is seen at 1848 mark and the second at 1858 mark. The first support is seen at 1835 mark and the second at 1825 mark.



### Outlook:

The technical indicators are showing the bearishness in the sugar futures market. However, as suggested by the candlesticks and the stochastic the sugar futures may witness an upward technical correction in the coming days.

### 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	1835	1825	1848	1858

## Technical Analysis

**Commodity:** Gur (Jaggery)

**Exchange:** NCDEX

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

**Contract:** SEPTEMBER (Future)

**Candlesticks:** The candlestick formation is pointing towards a bearish sentiment.

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

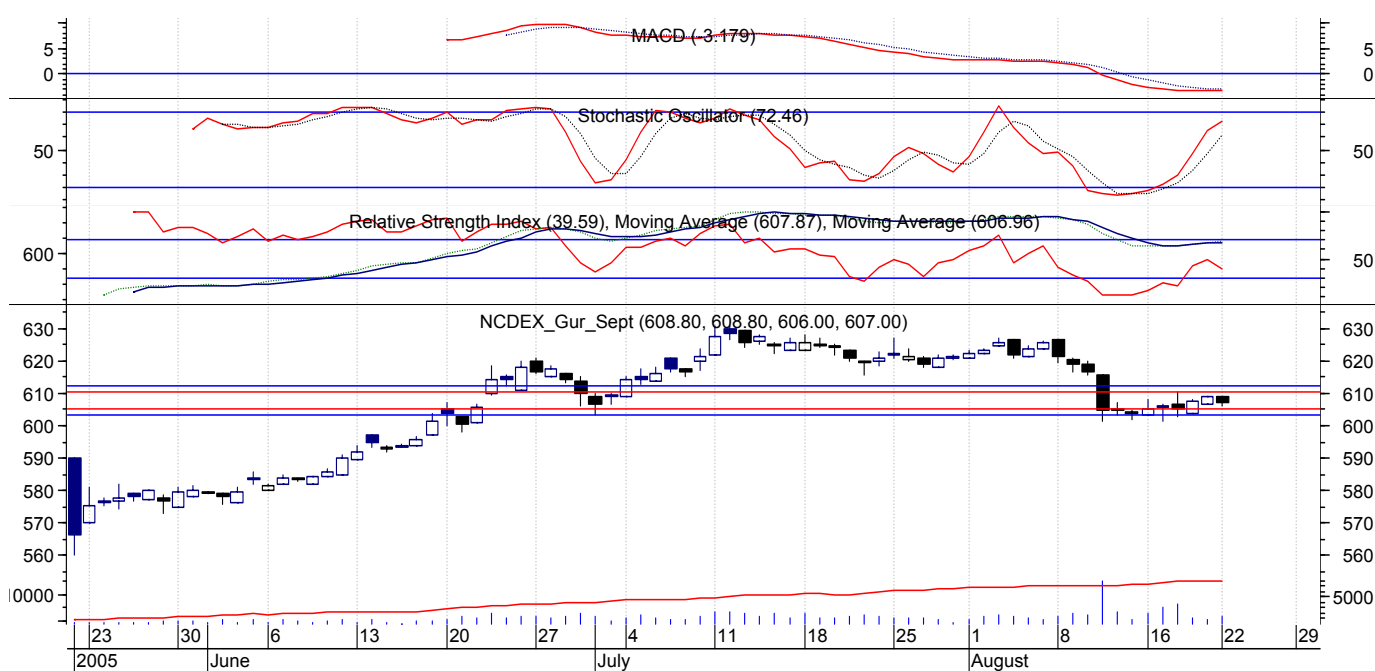
**Stochastic:** The %K-line as well as the %D-line is moving upwards in the normal region.

**Relative Strength Index (RSI):** The RSI (39.59) is moving downwards in the normal region.

**Moving Averages (MA):** The 3-day MA after cutting the 5-day MA from below moving upwards, while the 5-day MA is also moving upwards.

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

The first resistance is seen at 610.2 mark and the second at 612.4 mark. The first support is seen at 605.2 mark and the second at 603.4 mark.



### Outlook:

The technical indicators are showing a mixed trend in the gur futures market. However, a downward technical correction is likely in the coming days.

### 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	605.2	603.4	610.2	612.4

## Market Commentary

### Domestic:

#### Domestic Sugar Prices Remained Bearish in this Week

The domestic sugar prices witnessed a bearish sentiment in this week under review. Both the 'M' as well as the 'S' grade sugar was quoted lower in this week as against last week.

The M grade sugar at the Delhi market was quoted at Rs 1840-1890 per quintal in this week. At the Kolkata market it was offered in the range of Rs 1890-1910 per quintal, while at the Muzaffarnagar market it was available at Rs 1850-1870 per quintal in this week as against last week.

The S grade sugar at the Delhi market was offered at Rs 1830-1880 per quintal in this week. At the Chennai market it was quoted at Rs 1740-1755 per quintal, while at the Kolkata market it was traded in the range of 1840-1875 per quintal in this week. At the Vashi market it was quoted in the range of 1870-1905 per quintal in this week.

The domestic sugar prices in the coming days are likely to remain steady with a bearish undertone. The sugar prices in this week witnessed a continuous downtrend from the higher side to the lower side of the range. The volume of

trade in this week was low as the demand is yet to pick up. The market is having a good stock position and speculative selling by the stockists pressurised the prices in this week. It is expected that the sugar prices may recover to some extent if the demand picks up in the coming week.

#### **NCDEX Sugar: Down; September Tested 7-Week Lows**

At the futures market, the sugar futures remained bearish in this week under review. Increased selling activity amidst thin trading pressurised the prices in this week. The September sugar future at the NCDEX traded with a bearish sentiment throughout the week. The August future tested 7-week lows on Saturday on weak fundamentals and poor support from the market. Today at the futures market the sugar futures extended Saturday's weakness. The September sugar future at the NCDEX opened lower than Saturday's close and set the day's range at the early hours of trade. The September sugar future hovered in the range of 1835.00-1844.00 today. The open interest as well as the

#### **International:**

#### **NYBOT Sugar: Oct Tested 3- ½ Week Low in this Week**

The New York Board of Trade (NYBOT) world raw sugar futures remained bearish in this week under review. The world raw sugar futures went down to 3-½ week lows on Tuesday as funds and speculators sold. However, the futures retraced back from 3-1/2 week lows on Wednesday as trade bought, while the locals and speculators also follow suit. But the futures failed to extend Wednesday's advances and morning gains as producers and locals sold into it on Thursday. On Friday, the world raw sugar future settled marginally higher after paring a morning surge as

#### **News Analysis:**

#### **Kharif Sugarcane Acreage Up 10.55 Percent on Year**

According to the Agriculture Ministry data, the shortfall in kharif sowing is minimal at present. The delay in onset and advancement of south-west monsoon has led to the shortfall in kharif acreage in this year. However, the situation has improved and the kharif sowing is fast picking up. The kharif sugarcane acreage stands at 41.49 lakh hectares till date as against 37.53 lakh hectares last year. The kharif sugarcane acreage in this season so far is higher by 10.55 percent as against the last year. It is expected that the kharif sugarcane acreage would be much higher this season as encouraged by higher cane prices announced by several state governments as well as a higher statutory minimum price (SMP) of sugarcane.

#### **TCP Awarded Tender for 25000 Tonnes of Sugar**

The Trading Corporation of Pakistan (TCP) awarded a tender to United Arab Emirates-based Al-Khaleej for 25000 metric tonnes of refined sugar at \$390 per tonne on Monday. According to the chairman of the TCP, the delivery of the tender would be made within 15 days. Earlier, the same company won the last month's tender for 1-lakh tonnes sugar supply to Pakistan. The Pakistan government decided a couple of month back to import sugar due to declining local production and rising prices at retail level. The government has struck deals for 125000 tonnes of refined sugar till date and likely to finalise another deal for more sugar in this week. According to the chairman of the TCP, it has issued another tender for 50000 tonnes sugar and likely to award the tender by the end of the week. The sugar of Indian origin will be allowed under the tender.

volume of trade was almost steady in this week. It is expected that the sugar futures will remain bearish in the coming week. However, an upward technical correction is likely in the near future as demand is expected to pick up.

#### **NCDEX Gur: Up Amidst Range Bound Trade**

At the futures market the gur futures remained moderately bullish in this week under review. The September gur future at the NCDEX extended previous week's advances in the first few days in this week. However, the futures traded range bound thereafter. The NCDEX September gur future traded bearishly today. The September future fluctuated in the range of 606.00-608.80 during today's trade. The open interest was steady in the higher side, while the volume of trade has declined after an initial surge in this week. It is expected that the gur futures will remain range bound in the coming week. However, a downward technical correction is likely in the near future.

trade sold the October-March spread in rollovers and locals shed longs on Friday. The NYBOT October future finished 1 point higher at 9.68 cents per pound, while the March future settled up 3 points at 9.99 cents per pound. The October future opened lower and tested recent resistance at 9.80-9.81 cents per pound. The October future went down and broke previous day's low at 9.66 cents per pound by a point in late action but managed to settle marginally higher. The market participation was poor in this week due to the summer vacation season.

#### **Brazil Sugar Market Sluggish on Lower Prices**

Brazil sugar market is witnessing thin trading for the last few days as the domestic prices continued to decline and the producers expecting that the prices would retrace back soon. According to the traders the higher prices in the international market restricted the buying activity in the domestic market over the past week. The local traders are anticipating that the domestic prices could rise again given the current production scenario. It has been reported that Iraq has expressed interest in buying Brazilian sugar but the offer price was low. It is expected that the selling could pick up if the Brazilian currency continues to decline. On the other hand, heavy demand for ethanol continues to provide an alternative option for the local millers. It has been estimated by Datagro that the 2005-06 ethanol production may reach 15.31 billion liters, higher by 12.6 percent than the previous year. Though the exports of ethanol to the United States remained limited this year, but Brazil continues to expand its ethanol exports into new markets.

#### **UNICA: Brazil's Center-South Cane Harvest Up 22%**

According to the Sao Paulo Sugarcane Producers' Association (UNICA), the dry weather condition during the month of July has helped boosting up Brazil's center-south sugarcane harvest. The domestic millers have harvested 160.2 million metric tons (MMT) from the 2005-06 sugarcane crop till 1st August. This is a significant increase from 134 MMT harvested up to 16th July and 22 percent higher than 131.8 MMT during the same time in 2004. The dry weather condition has also enhanced the average sugar levels for sugarcane. The total recoverable sugar per ton of sugarcane averages 136.18 kilograms so far this

year as against 132.55 kilograms last year. It is also reported that the millers continue to direct more sugarcane into ethanol fuel production than sugar in this season. The sugar production till 1st August stands at 9.9 million tons, up 18.3 percent from the same period last year. However, during the same period ethanol production has increased by 31.4 percent and figured at 6.4 billion liters.

### U.S. Sugar Supply and Use (As on 12.08.2005)

(1000 Short Tons, Raw Value)

Items	2003-04	2004-05	2005-06 Projections	
			July	August
Beginning stocks	1,670	1,897	1,476	1,448
Production	8,649	8,052	8,152	7,991
Imports	1,754	1,769	1,591	1,661
<b>Supply, total</b>	<b>12,073</b>	<b>11,718</b>	<b>11,219</b>	<b>11,100</b>
Exports	288	240	200	200
Deliveries	9,862	10,030	10,115	10,115
Miscellaneous	26	0	0	0
<b>Use, total</b>	<b>10,176</b>	<b>10,270</b>	<b>10,315</b>	<b>10,315</b>
<b>Ending stocks</b>	<b>1,897</b>	<b>1,448</b>	<b>904</b>	<b>785</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	22-Aug	19-Aug	18-Aug	17-Aug	16-Aug
LDP Raw FOB \$/MT	213.4	211.9	218.3	214.3	215
LDP Raw CIF \$/MT	266.4	259.9	266.3	262.3	263
LDP Raw CIF GBP/MT	148.3	144.8	147.6	145.3	145.4
LDP White FOB \$/MT	321	319.3	324	318	318
London Freight \$/MT	53	48	48	48	48
London Freight GBP/MT	29.5	26.5	26.5	26.5	26.5

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)

Particulars	22-Aug	20-Aug	19-Aug	18-Aug	17-Aug	16-Aug
Shyamli	1842	1847	NA	1842	1852	1852
Khatauli	1845	1843	NA	1850	1855	1855
Morna	1805	1805	NA	1805	1815	1820
Deoband	1830	1836	NA	1840	1847	1847
Titawi	1830	1838	NA	1845	1850	1850
Nanoata	1795	1795	NA	1795	1803	1810

NA: Not Available

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

Particulars	22-Aug	20-Aug	19-Aug	18-Aug	17-Aug	16-Aug
M 30	1840-1885	1845-1885	1845-1885	1850-1890	1850-1885	1845-1880
S 30	1830-1875	1835-1875	1835-1875	1840-1880	1840-1870	1835-1870
Mill Delivery	1705-1770	1705-1770	1705-1770	1710-1770	1710-1770	1710-1770
Khand	1680-1700	1680-1700	1680-1700	1680-1700	1680-1700	1680-1700

### Jaggery at Spot Market

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

Particulars	22-Aug	20-Aug	19-Aug	18-Aug	17-Aug	16-Aug
Raskat Cold	470-485	470-495	470-495	470-490	470-490	470-490
Chaku Cold	605-624	605-625	605-625	600-622	600-620	600-620
Shakkar Cold	670-700	670-700	670-700	680-700	670-700	670-700

Cold: Cold Storage

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

Particulars	22-Aug	20-Aug	19-Aug	18-Aug	17-Aug	16-Aug
Dahiya	1615-1665	1615-1665	1625-1675	1630-1680	1630-1680	1625-1675

MC: Market Closed

### Port Watch (As on 19<sup>th</sup> August 2005):

Delivery of 43,300 MT of sugar is continuing at Chennai Port from the vessel 'Venetico Breeze'. Interoccean agents is handling the vessel. The port is expecting 'New Concord' to deliver 25,000 MT of raw sugar. The vessel will be handled by Interoccean agents.

Tuticorin Port is expecting 'Jag Rani' to discharge 38,000 MT of raw sugar. St.John agents will be handling the vessel.

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

#### ALL INDIA WEATHER FORECAST

##### Monsoon Outlook for next week

An upper air cyclonic circulation over central Uttar Pradesh persists and is extending up to 0.9 km above sea level.

Another upper air cyclonic circulation that was lying over Gangetic West Bengal and adjoining Jharkhand earlier now lies over Bihar and neighbourhood and extends up to mid-tropospheric levels. During past 24 hours fairly widespread rainfall with isolated heavy falls occurred over Assam & Meghalaya, Arunachal Pradesh, West Bengal & Sikkim, Orissa, Chhattisgarh, Haryana (including Delhi), East Uttar Pradesh and Konkan & Goa. Scattered showers also occurred over Bihar, Jharkhand and Madhya Maharashtra. Axis of monsoon trough passes through Ferozepur, Ambikapur, Kanpur, Gaya, Dhanbad, Kolkata and thence southwards into westcentral Bay of Bengal.

Under this scenario, the fairly widespread rainfall activity with isolated heavy showers over many parts of east and Central India viz., Orissa, Gangetic West Bengal, Jharkhand, East Uttar Pradesh, East Madhya Pradesh and Chhattisgarh, and NE regions except Arunachal Pradesh, may continue for next 4-5 days. Scattered to fairly widespread rainfall activity is expected over Bihar, Konkan

& Goa, Gujarat, Vidarbha, Karnataka, Telangana and coastal Andhra Pradesh. Isolated rainfall activity is expected over Marathwada, Madhya Maharashtra, Rayalseema and Kerala during the next week.

**NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]**  
Isolated rains are only expected over the region during the period.

**EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]**

Fairly widespread rainfall activity with isolated heavy showers over Orissa, Gangetic West Bengal, Jharkhand, East Uttar Pradesh and NE regions except Arunachal Pradesh. Isolated rainfall activity is expected over Bihar, Sub-Himalayan West Bengal & Sikkim and Arunachal Pradesh.

**CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]**

Chattisgarh and Madhya Pradesh regions are expected to receive fairly widespread rainfall activity with isolated heavy showers. Vidarbha is likely to receive scattered to fairly widespread rains.

**SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]**

Scattered to fairly widespread rainfall is expected over Karnataka, Telangana, Coastal Andhra Pradesh and Andaman & Nicobar Islands. Isolated showers are expected over rest of the regions.

**WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]**

Konkan & Goa and Gujarat are likely to receive scattered to fairly widespread rains during the period. Isolated to scattered rainfall is expected over the rest of the regions.

### FOREX (As on 22<sup>nd</sup> August 2005):

Foreign Currency	Rs. per unit
1 US \$	43.59
1 Euro	53.06
1 British £	78.35
100 Yen	39.56

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