

## SUGAR, JAGGERY & CANE

23<sup>rd</sup>-29<sup>th</sup> August 2005

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Mostly Steady in this Week
- NCDEX Sugar: Up; Pared Early Losses in this Week
- NCDEX Gur: Witnessed Strong Sentiment in this Week
- NYBOT Sugar Weekly Review: Mixed; March Nears High

### Technical Analysis

**Commodity:** Sugar Grade M

**Exchange:** NCDEX

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

**Contract:** SEPTEMBER (Future)

**Candlesticks:** The candlestick formation is showing a slight weakness in the sugar futures.

**MACD:** The MACD (5-day) after cutting its EMA from below moving upwards, but still lying bearishly in the negative territory.

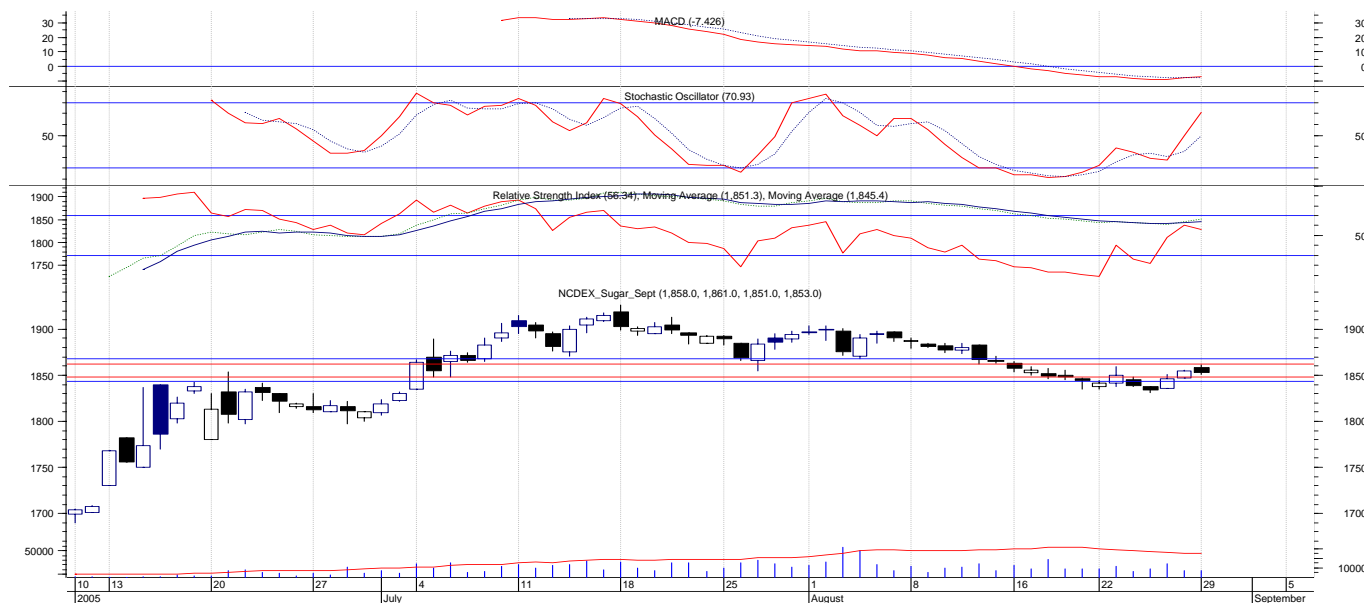
**Stochastic:** The %K-line after cutting the %D-line from below moving sharply upwards in the normal region, while the %D-line is also moving upwards in the normal region.

**Relative Strength Index (RSI):** The RSI (56.34) 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 moving almost flat.

The open interest as well as the volume of trade was almost steady in this week.

The first resistance is seen at 1862 mark and the second at 1867 mark. The first support is seen at 1848 mark and the second at 1843 mark.



### Outlook:

The technical indicators are showing a moderate strength in the sugar futures market. The sugar futures are likely to remain slightly weak in the next day, but it is expected to witness a range bound trade from the mid-week.

### 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	1848	1843	1862	1867

## Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: SEPTEMBER (Future)

**Candlesticks:** The candlestick formation is pointing towards a short-term trend reversal pattern.

**MACD:** The MACD (5-day) after cutting its EMA from below moving upwards.

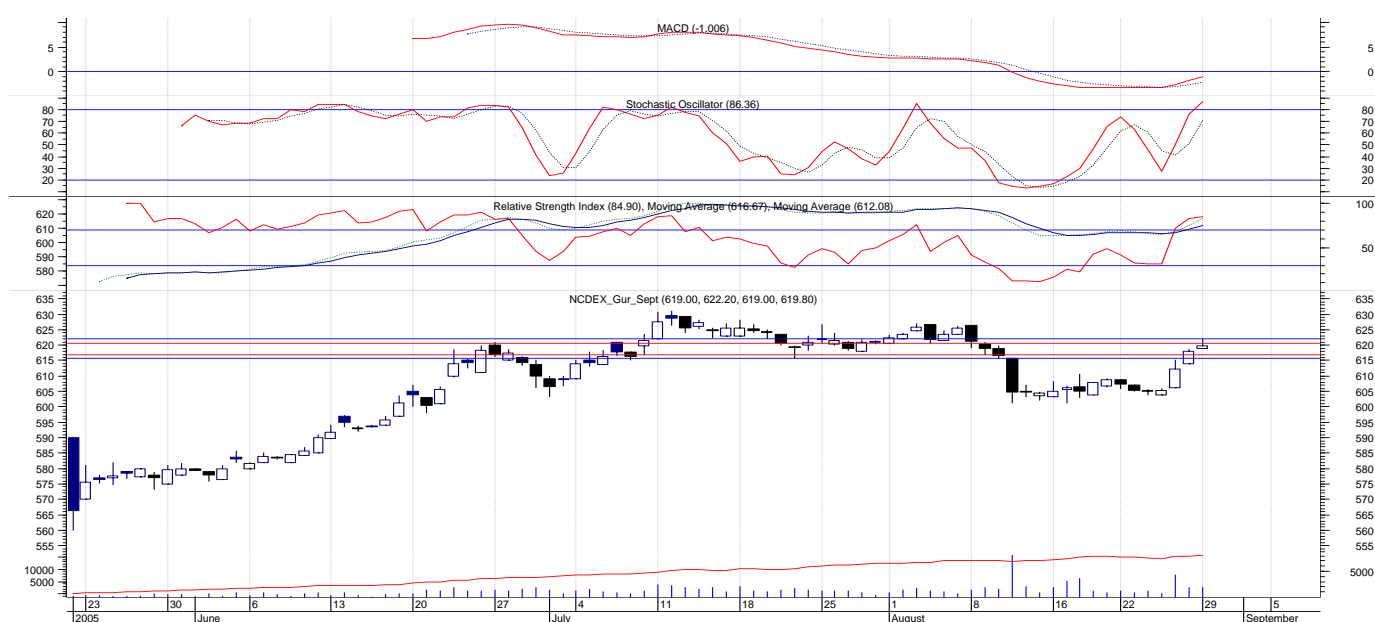
**Stochastic:** The %K-line as well as the %D-line is moving upwards, while the %K-line has entered the overbought region.

**Relative Strength Index (RSI):** The RSI (84.90) is moving upwards in the overbought 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 in this week.

The first resistance is seen at 620.6 mark and the second at 622.2 mark. The first support is seen at 616.8 mark and the second at 615.6 mark.



### Outlook:

The technical indicators are showing the strength in the gur futures market. It is expected that the gur futures will remain weak in the coming 1-2 days on technical correction, but likely to recover from the mid-week.

### 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	616.8	615.6	620.6	622.2

## Market Commentary

### Domestic:

#### Domestic Sugar Prices Mostly Steady in this Week

The domestic sugar prices remained mostly steady in this week under review. Both the 'M' grade as well as 'S' grade sugar was quoted on an average unchanged in this week as against the last week. However, some improvement is seen today on increased buying activity by the stockists.

The M grade sugar at the Delhi market was offered at Rs 1840-1890 per quintal in this week. At the Kolkata market it was quoted at Rs 1895-1905 per quintal, while at the

Muzaffarnagar market it was available at the range of Rs 1845-1855 per quintal in this week as against the last week.

The S grade sugar at the Delhi market was quoted at Rs 1825-1875 per quintal in this week as against the last week. At the Chennai market it was available at Rs 1730-1745 per quintal, while at the Kolkata market it was offered in the range of Rs 1840-1850 per quintal in this week. At the Vashi market it was quoted at Rs 1840-1870 per quintal in this week as against the last week.

The sugar prices at the domestic market are likely to witness some recovery on improved demand in the coming days. The domestic sugar prices remained mostly unchanged in the week under review amidst thin trade. However, the prices went up today on increased demand from the stockists. The volume of trade was on the lower side for the last few days, while the supply remained at the higher side. The Government is expected to issue a notification in this week for the release of sugar for export to Pakistan. Moreover, the kharif sugarcane crop is facing adverse climatic condition in parts of Uttar Pradesh. Consequently, the prices may went up a little further in the coming week, but likely to consolidate around the present level.

#### **NCDEX Sugar: Up; Pared Early Losses in this Week**

At the futures market, the sugar futures witnessed a mixed sentiment in this week under review. The sugar futures at the NCDEX started the week with a positive note, but failed to extend the early gains. The September future broke previous week's low on Thursday on increased selling activity amidst a thin trade. However, the futures retraced back again on Friday on speculative buying and remained

bullish thereafter. Today at the futures market the sugar futures extended Saturday's gain but curbed the gains in final action. The September sugar future tested the day's high at 1861.00 at the morning session of trade on higher buying activity, but curbed the gain to settle near to the day's low at the final action. The open interest as well as the volume of trade was mostly steady in this week. It is expected that the sugar futures will remain slightly weak in the coming 1-2 days but likely to recover from the mid-week.

#### **NCDEX Gur: Witnessed Strong Sentiment in this Week**

At the futures market the gur futures remained strong in this week under review. The September gur future at the NCDEX remained mostly weak in the first few days in this week. However, the futures traded with a bullish sentiment thereafter. The NCDEX September gur future tested this week's high today. The September future fluctuated in the range of 619.00-622.20 during today's trade. The open interest as well as the volume of trade was slightly higher in this week. It is expected that the gur futures will remain mostly strong in the coming week after a short technical correction in the coming 1-2 days.

#### **International:**

##### **NYBOT Sugar Weekly Review: Mixed; March Nears High**

The New York Board of Trade (NYBOT) world raw sugar futures witnessed mixed sentiment in this week under review. The futures remained weak for the first couple of days on speculative selling and brisk October-March rollovers. However, the world raw sugar future surged up on Wednesday as trade houses bought and speculators and locals follow suit. The March and May future gaped up on the open following a surge in the London futures market. The March future neared its contract high on Wednesday. The strength in the London whites market encouraged buying in the NYBOT, particularly in the March future. The trade houses bought in the October-March spread and the March future crossed earlier peaks at 10.08 and 10.18 cents per pound and went up 28 points in final action. The March future came within 15 points of its contract high at 10.34 cents per pound on Wednesday. The market opened higher on Thursday but not with much strength as producer

selling and switch selling limited the move. The October future broke Wednesday's low but trade buying pared the decline. The October future retraced back again as the locals covered shorts and funds bought. The March future rose 8 points on the day to 10.26 cents per pound, 8 points from its contract high but ran into more selling. However, the world raw sugar futures settled higher on Friday on trade buying and short covering. The NYBOT October future finished up 3 points at 9.76 cents per pound, while the March future settled 5 points higher at 10.19 cents. The futures went down in the morning session on early selling pressure. However, the futures retraced back again as trade buying provided support and locals covered shorts. Moreover, speculators and arbitrageurs also did some buying as London market strengthened. The October future went up 6 points and March was up 7 points on the day, but the futures could not reach Thursday's highs and cut down gains in final action.

#### **News Analysis:**

##### **Kharif Sugarcane Acreage Up 9.47 Percent on Year**

According to the latest released Agriculture Ministry data, the shortfall in kharif sowing is on a decrease 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 at present. The kharif sugarcane acreage stands at 41.05 lakh hectares so far as against 37.50 lakh hectares last year. The kharif sugarcane acreage in this season so far is higher by 9.47 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.

##### **Govt Likely to Release Sugar for Export to Pakistan**

The Union Food Ministry is all set to issue a notification on release of sugar for exports to Pakistan, while Pakistan is likely to ease its sugar import tender norms allowing delivery of consignments at the Attari border. The domestic

sugar mills have an obligation to export 15 lakh tonnes against import of raw sugar. The mills have imported to overcome the problems of sugarcane shortage consequent upon a lower crop during the current sugarcane year (October, 2004-September, 2005). It has been reported that keeping on view of the export obligations, the Government would notify the sugar release order soon. The Government has released 34 lakh tonnes of sugar under the free-sale quota for the mills during the July-September quarter of the current season. It has been reported that Trading Corporation of Pakistan (TCP) may relax its tender norms by allowing delivery at the Attari border. During the earlier three tenders the TCP had sought quotations for delivery at Karachi.

##### **TCP Awarded Sugar Import Tender to U.S. Company**

The Trading Corporation of Pakistan (TCP) awarded an import tender of 25000 metric tons (MT) of refined sugar to a United States based company at \$324 per MT. It has been reported that the U.S. company Worldwide Resources would make the shipments by end-September and this

sugar is likely to reach the Karachi port by October. The U.S. company would supply sugar of Brazilian origin. Earlier last week, the TCP awarded a tender to import 25000 MT of sugar to a UAE based company at \$390 per MT. According to the Chairman of the TCP, another tender to import 25000 MT of sugar will open in the last week of August. Pakistan has been importing sugar from other countries since the beginning of this year to meet a domestic shortfall in sugar output.

#### Brazil Physical Sugar Market Quiet; Futures Higher

The sugar market activities in Brazil remained quiet for the last couple of days despite a surge in the futures prices yesterday. The sales levels are significantly lower than the beginning of this month though there has been some buying from Pakistan. The Brazilian traders are expecting more buying in the coming weeks from China as the country is reported to have low stocks. Moreover, sales activities are likely to increase to the Middle Eastern countries before the month long festive season. However, higher freight prices are anticipated to lower export activities to some extent. It has been reported that the availability of white sugar at the domestic markets are limited as the millers continue to produce more ethanol than sugar. It has been estimated that the millers are diverting around 53 percent of the sugarcane crop to ethanol production on strong domestic demand and sustained exports.

#### 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	29-Aug	26-Aug	25-Aug	24-Aug	23-Aug
LDP Raw FOB \$/MT	NA	213.8	219.4	210.5	209.4
LDP Raw CIF \$/MT	NA	266.8	272.4	263.5	262.4
LDP Raw CIF GBP/MT	NA	147.7	151.1	147	146.1
LDP White FOB \$/MT	NA	327	329.9	319	316.5
London Freight \$/MT	NA	53	53	53	53
London Freight GBP/MT	NA	29.5	29.5	29.5	29.5

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

Note: Exchange remained close on Saturday and Sunday.

##### Domestic:

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

Particulars	29-Aug	27-Aug	26-Aug	25-Aug	24-Aug	23-Aug
Shyamli	1832	1832	1829	1829	NS	1832
Khatauli	1840	1835	1835	1837	1837	1842
Morna	1799	1800	1797	1800	1803	1805
Deoband	1835	1830	1830	1827	1828	1827
Titawi	1830	1827	1822	1830	1830	1830
Nanoata	1784	1790	1780	1790	1795	1795

NS: No Sale

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

Particulars	29-Aug	27-Aug	26-Aug	25-Aug	24-Aug	23-Aug
M 30	1850-1890	1840-1885	1840-1885	1840-1885	1840-1885	1840-1885
S 30	1835-1875	1825-1870	1825-1870	1825-1870	1825-1870	1825-1870
Mill Delivery	1700-1765	1695-1760	1695-1760	1695-1760	1695-1760	1695-1760
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	29-Aug	27-Aug	26-Aug	25-Aug	24-Aug	23-Aug
Raskat Cold	475-490	460-470	460-470	460-470	460-470	470-485
Chaku Cold	610-635	600-615	595-615	595-615	600-615	605-625
Shakkar Cold	680-725	650-700	650-700	650-700	650-700	670-700

Cold: Cold Storage

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

Particulars	29-Aug	27-Aug	26-Aug	25-Aug	24-Aug	23-Aug
Dahiya	1625-1675	1625-1675	1625-1675	1625-1675	1625-1675	1625-1675

**Port Watch (As on 29<sup>th</sup> August 2005):**

Delivery of 51,000 MT of raw sugar is expected at Chennai Port from the vessel 'Sun Bulker' shortly. The vessel will be handled by InterOcean 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 28<sup>th</sup> August 2005)****ALL INDIA WEATHER FORECAST****Monsoon Outlook**

The South-west monsoon continues to be in break phase with seasonal monsoon trough lying close to the foothills of Himalayas. The rainfall activity is confined to NE States, Sub-himalayan West Bengal & Sikkim and parts of SE Peninsular India. Mainly dry weather prevails over most parts of the country.

Yesterday's upper air cyclonic circulation extending between 1.5 & 4.5 km above sea level over Tamil Nadu & neighbourhood now lies over Kerala and neighbourhood

between 2.1 & 4.5 km above sea level and is moving away westwards. This is likely to cause moderate rainfall activity over extreme southwest Peninsular India during next 48 hours.

Yesterday's western disturbance as an upper air cyclonic circulation extending upto 2.1 km above sea level over north Pakistan and adjoining Jammu & Kashmir is moving away northeastwards.

The model predictions suggest no improvement in the situation and hence poor chances of revival of monsoon flow during next 3-4 days. Under this scenario, enhanced rainfall activity over northeastern States, Sub-Himalayan West Bengal & Sikkim, north Bihar & South peninsular India and sub-due rainfall activity over rest regions of the country is expected during next 3-4 days.

**Zone-wise weather forecast for next 5 days**

**NORTH & NORTH NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]**  
Mainly dry weather is likely to prevail over most parts of the region except over hilly areas where isolated rainfall is expected during next 24 hours.

**EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]**  
Fairly widespread rainfall activity with isolated heavy showers are likely to continue over sub-Himalayan West Bengal & Sikkim and NE States during next 3 days.

**CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]**  
Isolated rainfall activity is likely over entire region for next 2-3 days.

**SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]**  
Scattered rainfall activity is expected over south peninsular India viz. Tamil Nadu, Coastal Karnataka, South Interior Karnataka and Kerala during next 24 hours. Thereafter isolated rainfall is expected over the region.

**WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]**  
Konkan & Goa, Madhya Maharashtra, Marathwada, Gujarat region and SE Rajasthan are likely to experience isolated scattered rains during next 2-3 days. Remaining parts of the region are expected to experience mainly dry weather during next 3 days.

**FOREX (As on 29<sup>th</sup> August 2005):**

Foreign Currency	Rs. per unit
1 US \$	43.78
1 Euro	53.99
1 British £	79.09
100 Yen	39.69

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