

## SUGAR, JAGGERY & CANE

13<sup>th</sup> -18<sup>th</sup> February 2006

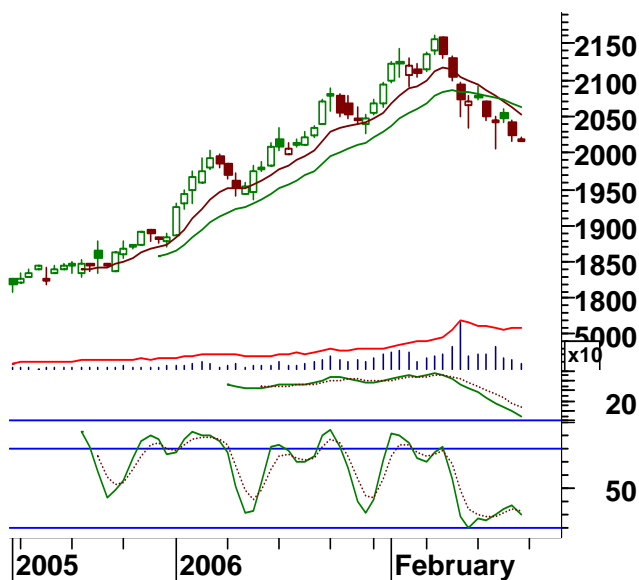
### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Down on Lack of Buying Support
- NCDEX Sugar: Lower; Extended Previous Weakness
- NCDEX Gur: Finished Lower; Near Contract Lows

### Technical Analysis

Commodity: Sugar Grade M  
Exchange: NCDEX  
Perspective: Very Short Term (Weekly)  
Contract: MARCH 2006

The candlesticks formation is indicating a bearish pattern and steady to weak opening. The %K-line after cutting the %D-line from above, moving downwards in the normal region, hinting further downtrend. The MACD as well as its EMA moving sharply downwards in the positive territory, supporting the downtrend in the market. The moving averages are hinting for further downtrend. The open interest remained steady, while the volume of trade declined during this week.



#### Outlook:

At the futures market the sugar futures are expected to trade moderately downwards in the coming week. However, the futures are likely to get supported and may move upwards during the later half of the coming 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>
March	2000	1975	2046	2070

### Technical Analysis

Commodity: Gur (Jaggery)  
Exchange: NCDEX  
Perspective: Very Short Term (Weekly)  
Contract: MARCH 2006

The candlesticks formation is indicating a highly bearish pattern and weak opening. The %K-line as well as the %D-line is moving downwards in the oversold region, hinting further downtrend with possibility of an upward correction. The MACD along with its EMA moving sharply downwards in the negative territory, supporting the weakness. The moving averages are also hinting further downward movement. The open interest has declined, while the volume of trade remained steady during this week.



#### Outlook:

At the futures market the gur futures are likely to witness a downward trade in the coming couple of days. However, the futures are likely to get supported and may move upwards during the later half of the coming 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>
March	564.8	559.9	577.3	582.5

## Market Commentary

### Domestic:

#### **Domestic Sugar Prices Down on Lack of Buying Support**

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

The M grade sugar at the Delhi market was quoted in a lower range of Rs 2010-2050 per quintal in this weekend as against the last week. At the Kolkata market it was available in the range of Rs 2050-2085 per quintal, while at the Muzaffarnagar market it was traded in the range of Rs 2030-2075 per quintal during this week.

The S grade sugar at the Delhi market was offered in a lower range of Rs 1990-2030 per quintal in this weekend. At the Chennai market it was traded in the range of Rs 1960-2025 per quintal, while at the Kolkata market it was available in the range of Rs 2030-2065 per quintal. At the Vashi market it was quoted in the range of Rs 1935-1985 per quintal during this week.

The sugar price has eased from a much higher level on lack of buying support amidst good supply in this week under review. The millers as well as resellers quoted lower as activity was limited at the higher levels. Moreover, the talks of further additional quota release by the Government have also dampened the market sentiments. The Union Government has recently released additional quota of 1.5 lakh MTs of freesale sugar for each of February 2006 and March 2006 last week to contain sugar prices. However, along with the export opportunities to Pakistan, traders are eyeing demand from the bulk consumers in the coming days as mercury has started rising up. Moreover, the international market perspective remained quite promising and global sugar prices are expected to reach further higher levels in the coming months. Amidst such situations,

### News Analysis:

#### **Asian Sugar Market Busy with Huge Demand**

With the international sugar prices at a lower level, the physical market activity has zoomed up in the Asian markets in the recent time. Demand remained higher from countries like Pakistan, Vietnam and Indonesia. Sugar prices remained at record high levels in most of the Asian countries with huge demand-supply mismatch. The Philippines has delayed the plan to import, while China is likely to import from Brazil. Pakistani importers have booked sugar from various origins like Brazil, India and Dubai. Pakistan is likely to import 8 lakh tonnes of sugar this year to bridge the supply gap.

#### **TCP: No Subsidy on Imported Sugar by Pakistan Government**

According to the Trading Corporation of Pakistan (TCP), it would sell imported sugar on no profit no loss basis and the Government would not offer any subsidy to consumers on imported sugar. The TCP has a stock of above 2 lakh tons and it would offload the same to the utility stores and the central supply depot. Recently, the sugar prices at the Pakistani market jumped up to a record Rs 42 per kg. However, the prices has softened thereafter after some imported sugar arrived at the market. However, further downfall below Rs 35 per kg is unlikely, as the imported Indian sugar would cost the same at the Pakistani market. Last week the TCP has issued a tender to import 50000

the sugar prices are likely to remain slightly bearish in the week ahead.

#### **NCDEX Sugar: Lower; Extended Previous Weakness**

At the futures market the sugar futures at the NCDEX started this week at a slightly higher ground. However, the futures traded mostly downwards thereafter through this week under review on increased selling interest. The sugar futures tested this week's low during the mid-week and remained range bound at the lower side for rest of this week. The February contract hovered in the range of 1977.00-1990.00, while the March contract fluctuated in the range of 2015.00-2021.00 during Saturday's trade. The open interest remained steady, while the volume of trade declined during this week as against the last week. The sugar futures are expected to trade moderately downwards in the coming week. However, the futures are likely to get supported and may move upwards during the later half of the coming week.

#### **NCDEX Gur: Finished Lower; Near Contract Lows**

At the futures market the gur futures at the NCDEX witnessed a highly bearish sentiment in this week under review. The gur futures started this week with a bearish note and extended the weakness further to test this week's low at the weekend and the later month futures neared contract lows. The February contract traded in the range of 551.00-560.80, while the March contract fluctuated in the range of 570.40-577.20 during Saturday's trade. The open interest has declined, while the volume of trade remained steady during this week. It is expected that the gur futures would witness a downward trade in the coming couple of days. However, the futures are likely to get supported and may move upwards during the later half of the coming week.

tons of white sugar and recently extended the deadline from 16 Feb to 25 Feb to facilitate bidders. The bids would be opened on 25 February and the shipment would be due within 15 days of the opening of the letters of credit.

#### **Sugar Industry Majors Likely to Invest Rs 1000 Crore in Bihar**

The new sugar industry promotion policy of Bihar has turned up to be a success story with major sugar industry players showing interest to invest worth over Rs 1000 crore. The investments would involve installation of new integrated sugar units as well as capacity expansion of some of the existing units. As per the new policy the subsidy on sugar would be Rs 1.50 per kg in Bihar. The Oudh Sugar Mills, Bajaj Hindusthan, Dhampur Sugars as well as Rajshree Sugar Mills are all in the way to invest in the state. Bihar has 10 operational sugar units at present with a capacity of 37500 TCD. However, the state's share in national sugar output has fallen drastically to around 4 percent, as most of the existing capacity remains idle. Bihar used to have near 1/3rd share of the national sugar production in the 1970s and 1980s.

#### **China Sugar Prices Rising Despite Sell from Reserve**

The sugar price at the Chinese market has skyrocketed even after the Government decided to sell part of its sugar reserve to contain prices. The sugar prices at Chinese

market has touched Yuan 5700 (around \$710) per ton, an increase of around Yuan 3000 per ton compared to same period last year. The Chinese Ministry of Commerce, and National Development and Reform Commission have together sold sugar from the country's reserves in this year to stabilize sugar prices. However, this step has failed to contain the sugar prices significantly. The surge in sugar prices has been attributed to hike in import price along with increased speculative activity at the domestic market. China being a major sugar importer has suffered from the rise in international sugar prices in the recent time.

#### **Sweet Time for Domestic Sugar Companies**

The things have sweetened for Indian sugar companies with worthwhile export deals in this sugar year. The global sugar market is facing a supply shortage and global sugar inventories are projected to decline in 2005-06 for the third consecutive sugar season. Surrounded by countries like Pakistan, Bangladesh and Sri Lanka, all facing huge demand-supply mismatch, India has emerged out as the only Asian country capable of exporting white sugar. Indian sugar companies are already reaching several locations and further deals are likely in the near future. However, with a rising domestic appetite for the sweetener, India would have a marginal exportable surplus in this sugar year. With the end of the European sugar regime following WTO ruling over sugar subsidy cut, increased demand of cane-ethanol in Brazil, drought hit crop in Thailand and China, global sugar prices have surged up in the recent time. With the global sugar prices at a rising trend, Indian sugar companies are finding better realizations on export obligations with higher profit margins.

#### **State-Owned Sugar Mills Suffering from Price War**

The state-owned sugar mills are facing a tough time as nearly 17 state-owned sugar mills shut operations well before the end of the sugarcane season. With the private sugar mills paying incentives over the state advised price (SAP) to ensure adequate cane supply, the state-owned sugar mills forced to shut operations after sticking to the SAP. The sugarcane growers found supply to private mills more lucrative than to corporation or cooperative sugar mills. However, the private sugar mills of Uttar Pradesh have alleged that farmers were supplying cane to mills in the neighbouring states, where higher cane prices were paid. The sugarcane season normally starts from October and lasts till end February to March.

#### **Pakistan Likely to Import 2 Lakh Tons of White Sugar**

According to the Pakistan Commodity Traders Association, the country plans to import around 2 lakh tonnes of white sugar from foreign countries including India to bridge the demand-supply gap. According to the association, bulk of the required sugar would arrive from India within a month and rest from Brazil. Pakistan has produced around 46 million tonnes sugarcane in the sugar year ending November 2005; lower by around 1 million tonnes from the previous year. Recently the Pakistani Government announced that it would import around 50000 tonnes of sugar from India to cap the rising sugar prices in Pakistani market. The Pakistani Government has estimated the sugar production at 3 million tonnes in this season. However, the annual consumption is pegged higher at 3.8 million tonnes. Amidst such situations, the sugar prices have jumped up by around 40 percent in the last couple of months. It has also reported by the Pakistan Commodity Traders Association that two shiploads of 12500 tons each of white sugar from India will reach Karachi port by end of this week, while

another 1800 tons will arrive by rail across the Wagah border.

#### **Gujarat Molasses Industry Facing Tough Time**

The sugarcane by-product molasses is facing a tough time with its export remained banned in Gujarat. Around 3.5-4.5 percent molasses is obtained from each ton of sugarcane. The major part of around 70 percent molasses are consumed by alcohol industry and remaining part by the portable alcohol sector. Earlier, the export of molasses was controlled by the Central Government through export licenses. However, after the decontrol of molasses and alcohol-based industries in 1993, the distribution was handed over to the Industries Commissioner (IC). The Industry Commissioner decides the quantity of molasses to be exported outside the state. The time required for obtaining the permit as well as the quantum allowed to move outside state has created problems in the local industry.

#### **ISMA President: Sugar Prices to Rule Firm**

According to the President of the Indian Sugar Mills Association (ISMA), the domestic sugar market is expected to remain firm in the near-term in line with the rising trend in international sugar prices. The domestic sugar price has increased by around 5 percent over the last 3 months. At the international markets, the raw sugar prices have surged up by over 100 percent within the last few months, while sharp rise was also seen in white sugar prices with shortage of white sugar in the global market. This has in turn providing an excellent opportunity to the Indian producers to increase sugar export with the advantage of being surrounded by large importing countries like Pakistan. Under the advance licence scheme (A.L.S), Indian Government allows export of sugar only against the export obligation related to raw sugar imported. According to the President of ISMA, India is on a threshold of being a major sugar exporter from being a net importer of sugar.

#### **India Likely to Export 5 Lt Sugar in this Season**

According to the domestic sugar industry experts, India's sugar exports are expected to be just around half a million tonne in the current sugar year (October-September). According to the President of Indian Sugar Mills Association (ISMA), India has a re-export obligation of around 2 million tonnes till September 2007. Domestic sugar industry is likely to export around 1 million tonnes by the end of 2006 and rest next year. However, as sugar prices are likely to rise up further in the coming 2-3 years, it is unlikely that domestic sugar export would be higher than half a million tonne. According to the ISMA estimates, in the October-January period, India's white sugar exports under the re-export obligation have been less than 1 lakh tonne with most companies waiting for a price rise in the next 2-3 years.

#### **Sugar at Spot Market:**

##### **Domestic:**

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

Particulars	18-Feb	11-Feb	Change
M 30	2010-2050	2020-2090	-40
S 30	1990-2030	2000-2070	-40
Mill Delivery	1880-1940	1900-1975	-35

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

Particulars	18-Feb	11-Feb	Change
Shyamli	2007	2078	-71
Khatauli	2005	2080	-75
Morna	1975	2040	-65
Deoband	2000	2065	-65
Nanoata	1960	2015	-55
Dhampur	1965	2035	-70

NS-No Sale

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

Particulars	18-Feb	11-Feb	Change
Raskat	420-440	420-450	-10
Chaku	515-545	530-560	-15
Shakkar	520-550	540-560	-10
Khurpa	475-480	500-510	-30
Laddu	500-505	510-515	-10

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

Particulars	18-Feb	11-Feb	Change
Dahiya	1150-1200	1175-1225	-25
Balti Special	1190-1200	1190-1200	-
Number One	1160-1175	1175-1185	-10
Bariya Dara	1140-1150	1160-1170	-20
Dara	1120-1130	1140-1150	-20

**International:****London Daily Price (LDP)**

Particulars	17-Feb	16-Feb	15-Feb	14-Feb	13-Feb
LDP Raw FOB \$/MT	387.1	389.6	380.7	386.6	387.1
LDP Raw CIF \$/MT	432.1	434.6	425.7	428.6	432.1
LDP Raw CIF GBP/MT	248.8	250.6	244.8	246.7	248.5
LDP White FOB \$/MT	438.6	445.5	440	442.1	442.5
London Freight \$/MT	45	45	45	45	45
London Freight GBP/MT	25.5	25.5	25.5	25.5	25.5

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

Note: Exchange remained close on Saturday and Sunday.

**Weather Forecast: (As on 18<sup>th</sup> February 2006)****ALL INDIA WEATHER FORECAST BULLETIN****Weather Outlook**

Baring J&K and Himachal Pradesh, where isolated to scattered rain/snowfall activity is observed under the influence a western disturbance, almost entire country is experiencing mainly dry weather conditions. Prediction suggests that by and large such a situation may continue for another 3-4 days. Isolated thunderstorm activity is also likely over Northeastern states during next couple of days.

Most parts of country continue to witness warmer than normal day and night temperatures for past 2 weeks. During past 24 hours, day temperatures were 6- 8°C above normal over Himachal Pradesh, Uttaranchal and parts of north Rajasthan whereas they were 4-6°C above normal over rest Rajasthan, Gangetic Plains and central India. The prediction suggests that there could be slight fall in day temperatures in NW India during next 2 days, no large change is expected over rest of the places.

Night temperatures were also 6-8°C above normal over west Rajasthan and 4- 6°C above normal over rest Rajasthan, Gangetic Plains, Central India and Northeastern state, during past 24 hours. No large change in the situation is likely during next 3-4 days.

**NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]**

Isolated to scattered rain/snowfall is likely in J&K and Himachal Pradesh and Uttaranchal during next 48 hours. Another western disturbance is expected to affect hilly region beginning from 23rd Feb.

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

Northeastern states and Sub-Himalayan West Bengal may receive isolated rains/thundershowers during next 2 days. Mainly dry weather is likely over rest regions. Slight fall in day temperatures is likely in NE States during next 2 days.

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

Mainly dry weather is likely to prevail during the week.

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

Andaman & Nicobar Islands may receive isolated rain/thundershowers during next 2-3 days. Mainly dry weather is likely to prevail over remaining areas during next 4-5 days.

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

Mainly dry weather is expected to prevail.

**FOREX (As on 18<sup>th</sup> February 2006):**

Foreign Currency	Rs. per unit
1 US \$	44.34
1 Euro	52.79
1 British £	77.16
100 Jap. Yen	37.55

### Port Watch (As on 18<sup>th</sup> February 2006):

Loading of 7,500 MT of sugar is continuing at Mumbai Port on the vessel 'Long An'. Mitsutor agents is handling the vessel.

Tuticorin Port is loading 3,500 MT of sugar on the vessel 'Charaka Jaya Niaga'. St.John agents is handling the vessel.

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