

## SUGAR, JAGGERY & CANE

08<sup>th</sup>-13<sup>th</sup> May 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Maintained Firm Sentiment
- NCDEX Sugar: Tested 5-Week Lows at the Weekend
- NCDEX Gur: Settled Lower after Reaching Contract Lows

### Technical Analysis

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

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



#### Outlook:

The sugar futures are likely to trade moderately downwards in the coming couple of days. However, the futures may move moderately 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>
June	2040	2025	2080	2095

### Technical Analysis

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

The candlesticks formation is indicating a bearish pattern and steady to weak opening. The %K-line along with the %D-line started moving upward in the oversold region, hinting further downtrend with possibility of an upward technical correction. The MACD along with its EMA moving upwards in the negative territory, indicating short-term strength. The moving averages are hinting further downward movement. The open interest remained steady at the higher side, while the volume of trade was much higher during Friday's trade.



#### Outlook:

The gur futures are expected to witness a downward trade in the coming couple of days. However, the futures are likely to trade slightly upwards during the later half in 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>
June	570.00	567.50	585.50	590.00

## Market Commentary

### Domestic:

#### Domestic Sugar Prices Maintained Firm Sentiment

At the domestic markets sugar prices maintained the firm sentiment during this week ending 13<sup>th</sup> May 2006. Both the prices of 'M' grade as well as 'S' grade sugar were quoted mostly higher early in the week and remained range bound at the weekend.

The M grade sugar at the Delhi market was quoted steady in the range of Rs 2010-2080 per quintal in this week as against the last week. At the Kolkata market it was traded in a moderately lower range of Rs 2040-2065 per quintal, while at the Muzaffarnagar market it was available almost steady in the range of Rs 2035-2060 per quintal during this week.

The S grade sugar at the Delhi market was traded in an unchanged range of Rs 1990-2065 per quintal in this week as against the last week. At the Chennai market it was offered in the range of Rs 1925-1940 per quintal, while at the Kolkata market it was traded in the range of Rs 2025-2040 per quintal. At the Vashi market it was quoted in a higher range of Rs 1960-1975 per quintal during this week.

Demand was reported to be lower at the higher price levels amidst moderate supplies. The spillover weakness from the futures market has also pressurised the physical market sentiments during this week. Notably, the monthly free sale sugar quota for May remain higher year on year and needs to be sold within the month. The Government has also revised upwards the 2005-06 sugarcane crop at 272 million tonnes as against earlier estimates of 266.8 million tonnes. In a supportive activity, Government has allowed 150000 tonnes sugar export to Pakistan by Indian Sugar Exim Corporation (ISEC), wherein ISEC can source sugar from any mill in the country even without re-export obligation. However, it has to be exported through tenders floated by Trading Corporation of Pakistan. Pakistan has issued its ninth 50000 tons sugar import tender, bids of which to be submitted by 20th May. The International Sugar Organisation has recently lowered its forecast for 2005-06

### News Analysis:

#### ISO Revised Downwards 2005-06 Global Sugar Deficit

The International Sugar Organisation (ISO) has revised downwards the 2005-06 global sugar deficit to 0.96 million tons. The lower estimation of global deficit is attributed to increase in global sugar production that is likely to overshadow the increasing global consumption. Earlier in February, ISO pegged global sugar deficit for 2005-06 at 2.22 million tons, lower than 2004-05 sugar deficit at 3.5 million tons. The higher Indian sugar production, better than expected production in Thailand and European Union has lead to lower the 2005-06 sugar deficit. ISO has mentioned that the rising global sugar prices have enhanced the production prospect. However, the import demand in China has slid owing to increased use of alternate sweeteners following the higher global sugar prices. The global import demand is seen adequately covered by rising export availability despite the decline in sugar exports by Brazil in 2005-06. It is also reported that a further expansion in sugar output of Brazil and India along with recovery in production in Thailand, China and Eastern Europe could

global sugar deficit following higher output estimates of India and Brazil. Amidst such situations, sugar prices are likely to remain slightly bearish in the week ahead.

#### NCDEX Sugar: Highly Bearish; Tested 5-Week Lows at Weekend

At the futures market the sugar futures at the NCDEX witnessed a bearish sentiment throughout the week ending 13<sup>th</sup> May 2006. The sugar futures started this week with a positive note and tested this week's high on Monday. However, increased speculative selling has pressurised the futures thereafter. Talks of additional free sale sugar quota for the month of May has kept the sugar bulls under control. Consequently the futures slid to 5-week lows on Saturday. The near-month May contract hovered in the range of 1961.00-1997.00, while the June contract fluctuated in the range of 2062.00-2098.00 during Saturday's trade. The open interest has increased gradually, while the volume of trade remained higher during this week. The domestic sugar futures are likely to trade moderately downwards in the coming couple of days. However, the futures may move moderately upwards during the later half of the week.

#### NCDEX Gur: Settled Lower after Reaching Contract Lows

At the futures market the gur futures at the NCDEX witness a highly bearish sentiment this week ending 13<sup>th</sup> May. The futures started the week with a bearish note and extended the weakness further. The gur futures tested fresh contract month lows during Friday's trade. However, increased buying support at the lower levels curbed some of the losses, but the futures finished the week at a lower ground. The near-month May contract traded in the range of 575.20-582.80, while the June contract fluctuated in the range of 582.00-588.00 during Saturday's trade. The open interest remained steady at the higher side, while the volume of trade was much higher during Friday's trade and remained higher for the rest of the week. The gur futures are expected to witness a downward trade in the coming couple of days. However, the futures are likely to trade slightly upwards during the later half in the coming week.

likely result in levelling the global sugar production in 2006-07 with estimated global consumption. The global sugar consumption is pegged at 150.15 million tons, an increase of nearly 2 percent from the last year.

#### Maharashtra Eyeing Record 2006-07 Sugar Harvest

The sugar production in the state of Maharashtra is expected to reach a record high of 69 lakh tonnes in the coming 2006-07 crushing season. The earlier record was achieved during the 2000-01 sugar season at 67.20 lakh tonnes. However, production slid during 2003-04 and 2004-05 season owing to drought and lower sugar prices. During the 2004-05 sugar season, only 101 mills were operational for an average 60 days gross, against 137 mills for 144 days in 2000-01. However, during the current season as many as 142 sugar mills are in operation with an estimated production of 52 lakh tonnes from 445 lakh tonnes of sugarcane. The average sugar recovery in this season at 11.70 percent is slated to be the highest one so far. In the coming season, 175 sugar mills are expected to crush

around 600 lakh tonnes to produce 69 lakh tonnes with an average recovery of 11.5 percent.

#### Vietnam Association Pegged Sugar Import at 2.5 Lakh Tons

According to the Vietnam Association of Sugar Production (VASP), the country will have to import 2.5 lakh tons of sugar in this year owing to poor performance of this year's sugarcane harvest. It is reported that around 1.5 lakh tons of sugar needs to be imported by August ahead of the mid-Autumn festival, when the demand for sugar usually remains much higher. According to the Association, volatility in sugarcane prices in the last few years and weather adversities lead to diversification from sugarcane, which ultimately resulted in sugar shortage in the country.

#### Sugar at Spot Market:

##### International:

##### London Daily Price (LDP)

Particulars	12-May	11-May	10-May	09-May	08-May
LDP Raw FOB \$/MT	390.2	379.9	380.7	375.2	380.3
LDP Raw CIF \$/MT	432.2	421.9	422.7	417.2	422.3
LDP Raw CIF GBP/MT	227.9	226.3	226.7	224.9	226.3
LDP White FOB \$/MT	499	488.6	487.4	481.5	483.6
London Freight \$/MT	42	42	42	42	42
London Freight GBP/MT	22.5	23	23	23	23

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

Note: Exchange remained close on Saturday and Sunday.

##### Domestic:

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

Particulars	13-May	06-May	Change
M 30	2010-2080	2020-2080	-
S 30	1990-2065	2000-2065	-
Mill Delivery	1900-1960	1910-1960	-

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

Particulars	13-May	06-May	Change
Shyamli	2027	2038	-11
Khatauli	2032	2045	-13
Morna	2005	2010	-5
Deoband	2020	2035	-15
Nanoata	1995	2000	-5
Dhampur	2010	2025	-15

#### Jaggery at Spot Market

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

Particulars	13-May	06-May	Change
Raskat	430-460	426-460	-
Chaku	490-610	520-610	-
Shakkar	540-605	560-585	+20
Khurpa	460-490	510-520	-30
Laddu	490-520	572-585	-65

#### Port Watch (As on 13<sup>th</sup> May 2006):

Mumbai Port is loading 13,200 MT of sugar on the vessel 'Amar'. InterOcean agents is handling the vessel. 'Badalu Valley' has berthed at Mumbai Port and continues to load 3,500 MT of sugar. Sai Freight agents is handling the vessel. Loading of 7,500 MT of sugar is continuing at Mumbai Port on the vessel 'Asha Himani'. Shaan Marine agents is handling the vessel. Mumbai Port is loading 19,800 MT of sugar on the vessel 'Pacific Sun'. JM Baxi agents is handling the vessel. 'Yaad E Mohammed' has berthed at Mumbai Port and continues to load 15,000 MT of sugar. Razvi agents is handling the vessel. Loading of 13,500 MT of sugar is expected at the port on the vessel 'Jaipur'. Shaan Marine agents will be handling the vessel. The port is expected 'Bolan' to load 15,000 MT of sugar. The vessel will be handled by InterOcean agents.

Chennai Port is loading 7,000 MT of sugar on the vessel 'Al Muztuba'. Imperial agents is handling the vessel. The port is expecting 'Taurus' to load 9,000 MT of sugar. The vessel will be handled by InterOcean agents

#### Weather Forecast: (As on 13<sup>th</sup> May 2006)

##### ALL INDIA WEATHER FORECAST BULLETIN

##### MONSOON WATCH

Favourable conditions are building up for Onset of South-west Monsoon over South Andaman Sea and South Bay of Bengal region around 18th or 19th May 2006. The normal date of onset of monsoon over these areas is 20th May. Model predictions indicate gradual increase in lower level wind flow and moisture content supported by persistent rainfall activity over the region beginning from 18th May 2006.

##### WEATHER OUTLOOK

During past 24 hours, fairly widespread rainfall has occurred over West Bengal & Sikkim and northeastern States and at a few places over Bihar, Jharkhand and Orissa resulting in significant fall in day temperatures.

The model forecast suggests that while rainfall activity over NE States may increase during next 24 hours, there may be significant decrease in the activity over the region subsequently. However, the rainfall activity over eastern region e.g. Bihar, Jharkhand, Orissa and East UP may continue for another 3-4 days. Certain areas of Central India viz., Chhattisgarh, East MP and Vidarbha and parts of North Peninsular India viz. North Coastal AP and

Telangana may also receive isolated rains and thundershowers during this period.

The day temperatures continue to remain above 40°C over the plains of northwest India, north Gujarat, central India, interior Maharashtra and interior Andhra Pradesh which are 2-4°C above normal. Heat wave conditions continue to prevail over many parts of Rajasthan, parts of west Haryana and northwest Madhya Pradesh, where day temperatures are still above 45°C. Heat wave conditions over these areas may continue during next 1-2 days.

As indicated, the rainfall activity over Bay Islands may increase as favourable conditions are building up for onset of SW Monsoon over South Andaman Sea and South Bay of Bengal around 18th or 19th.

**NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]**  
J&K, H.P. and Uttaranchal may experience isolated rainfall/snowfall during next 48 hours. Isolated duststorm/thunderstorm may occur over plains during this period.

**EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]**  
Fairly widespread rains are expected over NE States and Sub-Himalayan West Bengal during 24 hours. Thereafter, rainfall activity over these areas may decrease. Orissa, Gangetic West Bengal, East UP, Bihar and Jharkhand may experience isolated rains during next 3-4 days.

**CENTRAL INDIA [MP, CHHATTISGARH, VIDARBHA]**  
Isolated thunderstorm activity is likely over Chhattisgarh, east MP and Vidarbha during next 3-4 days.

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

Isolated to scattered thunderstorm activity is expected over Kerala, coastal Tamil Nadu, south/north interior Karnataka, Bay Islands and Lakshadweep during next 3-4 days. Isolated thunderstorm activity is expected over Telangana, coastal Andhra Pradesh and Rayalaseema. The rainfall activity over Bay islands is expected to increase from 17th May 2006. Andaman & Nicobar, Lakshadweep and Kerala are to experience enhanced rainfall from 17 May 2006.

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

Mainly dry weather conditions are likely to prevail over the region. Isolated duststorm activity is expected in North Rajasthan during next 48 hours.

Source: NCMRWF

**FOREX (As on 13<sup>th</sup> May 2006):**

Foreign Currency	Rs. per unit
1 US \$	45.05
1 Euro	58.04
1 British £	85.36
100 Jap. Yen	40.94

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