

## SUGAR, JAGGERY & CANE

01<sup>st</sup>-06<sup>th</sup> May 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Firm on Higher Demand
- NCDEX Sugar: Slid from 2-Week Highs on Profit Booking
- NCDEX Gur: Range Bound after Paring Early Rally to 2-Week Highs

### Technical Analysis

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

The candlesticks formation is indicating a slightly bullish pattern and steady to firm opening. The %K-line after cutting the %D-line from above, moving downwards in the normal region, hinting further downward movement. The MACD along with its EMA moving almost flat in the negative region, supporting the weakness in the market. The moving averages are also indicating further downward movement. The open interest remained almost steady at the higher side, while the volume of trade has declined in this week.



#### Outlook:

The sugar futures are likely to trade moderately upwards during the first half of the coming week. However, the futures may move downwards 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>
May	2025	2012	2078	2095

### Technical Analysis

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

The candlesticks formation is indicating a slightly bearish pattern and steady to weak opening. The %K-line has made a bearish crossover with the %D-line and moving downward in the normal region, hinting further downtrend. 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 has declined to a steady level, while the volume of trade was higher during the first half of the week and declined thereafter.



#### Outlook:

The gur futures are expected to witness a downward trade in the coming couple of days. However, the futures are likely to trade moderately 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>
May	600.20	596.00	614.30	618.00

## Market Commentary

### Domestic:

#### Domestic Sugar Prices Remained Firm on Higher Demand

At the domestic markets sugar prices remained firm during the week ending 6<sup>th</sup> May. Both the prices of 'M' grade as well as 'S' grade sugar were quoted higher as against the previous week.

The M grade sugar at the Delhi market was quoted in a higher range of Rs 2020-2080 per quintal in this week as against the last week. At the Kolkata market it was available in the range of Rs 2060-2075 per quintal, while at the Muzaffarnagar market it was offered in the range of Rs 2030-2055 per quintal during this week.

The S grade sugar at the Delhi market was traded in a higher range of Rs 2000-2065 per quintal in this week as against the last week. At the Chennai market it was available in a slightly higher range of Rs 1935-1945 per quintal, while at the Kolkata market it was offered in the range of Rs 2030-2040 per quintal. At the Vashi market it was quoted in a higher range of Rs 1950-1965 per quintal during this week.

Sugar prices firmed up early in the week on speculations following delay of May free sale quota release by the Government as well as higher demand from the bulk consumers of summer season and retailers. However, Government released 14.5 lakh tonnes as free sale sugar quota for the month of May 2006 as against 11 lakh tonnes released during the same month of last year. Moreover, with the release of 1.54 lakh tonnes of levy sugar, the total availability of sugar would be 16.04 lakh tonnes for May 2006. The Government has also notified that the entire quantity of non-levy sugar released for May is required to be sold within the month and any unsold quantity at the end of the month would be converted into compulsory levy sugar. Following the release of the monthly quota, further rise in sugar prices was capped but with higher demand prices hover around the higher side. Government is closely monitoring the domestic price situation and likely to intervene in case of any unwarranted price rise. Meanwhile, according to the Chief Director of Sugar, Government is

### News Analysis:

#### Government to Decide on Sugar Export Amidst Bumper Production Outlook

According to the Chief Director of Sugar, Government is likely to take a decision regarding sugar export early next week as sugar production during the current season is revised upwards at 191 lakh tonnes. Sugar factories should take advantage of the prevailing higher global sugar prices, while the domestic sugar prices are at a reasonable level. The major 10 sugar producing states of India have revised production estimates for this season. India could export sugar to countries like Pakistan, Sri Lanka, Bangladesh, Nepal and Indonesia. It is reported that 1 lakh tonnes of sugar has already exported to Pakistan, while another 50000 tonnes are yet to be shipped to Pakistan. According to the MD of Maharashtra Rajya Sahakari Sakhar Sangh, a meeting in New Delhi on 9th May would decide on the fiscal benefits and the subsidy schemes for the ethanol sector. Government has assured the sugarcane producers and ethanol manufacturers that from October 2006, it will be mandatory for all states to dope petrol with 5 percent

likely to take a decision regarding sugar export soon as sugar production during the current season is revised upwards at 191 lakh tonnes. Amidst such situations, sugar prices are likely to remain mostly steady in the week ahead.

#### NCDEX Sugar: Slid from 2-Week Highs on Profit Booking

At the futures market the sugar futures at the NCDEX witnessed a firm sentiment during the first half of this week ending 6<sup>th</sup> May. The futures registered sharp gains during Tuesday's trade following buoyant physical market. The futures reached a 2-week high on Wednesday, but immediately ran into profit booking. The futures traded mostly downwards thereafter on increased selling interest. The near-month May contract hovered in the range of 2031.00-2047.00, while the June contract fluctuated in the range of 2109.00-2123.00 during Saturday's trade. The open interest remained almost steady at the higher side, while the volume of trade has declined in this week. The sugar futures are likely to trade moderately upwards during the first half of the coming week. However, the futures may move downwards during the later half of the coming week.

#### NCDEX Gur: Range Bound after Paring Early Rally to 2-Week Highs

At the futures market the gur futures at the NCDEX witness sharp decline at the start of this week ending 6<sup>th</sup> May. However, increased buying interest at the lower price levels supported the futures thereafter. The gur futures curbed the initial weakness and tested a 2-week high on Wednesday. However, profit taking capped further advances and the futures mostly traded range bound downwards thereafter. The near-month May contract traded in the range of 606.60-609.00, while the June contract fluctuated in the range of 599.00-601.00 during Saturday's trade. The open interest has declined to a steady level, while the volume of trade was higher during the first half of the week and declined thereafter. The gur futures are expected to witness a downward trade in the coming couple of days. However, the futures are likely to trade moderately upwards during the later half in the coming week.

ethanol, which would be further raised to 10 percent by October 2007.

#### Government Released 14.5 Lakh Tonnes of Freesale Sugar for May

Government has released 14.5 lakh tonnes of non-levy sugar in the market as quota for the month of May 2006 as compared to 11 lakh tonnes released in the same period of the previous year. A quantity of 1.54 lakh metric tonnes of levy sugar has also been released for distribution under the Public Distribution System. Thus, the total availability of sugar for the month of May 2006 would be 16.04 lakh tonnes.

The sugar released for May, 2006 is required to be sold within the month and any unsold quantity at the end of the month would be converted into levy sugar.

Source: Press Release, Ministry of Food & Civil Supplies, Consumer Affairs and Public Distribution

### Government Keeping Close Watch on Rise in Domestic Sugar Prices

The Central Government has informed that it is keeping a close vigil on the rise in sugar prices at the domestic markets. Government would take immediate steps to contain any unusual price rise over Rs 2100 per quintal. In order to keep the price of the essential commodity at a comfortable level, Government has released 14.5 lakh tonnes as free sale sugar quota for the month of May 2006, much higher than 11 lakh tonnes released during May 2005. With the release of 1.5 lakh tonnes as levy quota, the total availability of sugar would be 16.04 lakh tonnes for the month of May.

### Vietnam Sugar Prices Spiralling Despite Import

The rise in sugar prices in Vietnam markets following the shortage in sugarcane production is likely to continue further despite the Government's decision to allow sugar imports. According to the Ministry of Agriculture and Rural Development, domestic sugar mills can only purchase 7.1 million tonnes of sugarcane from the current crop during this season, lower by 2.5 million tonnes as against the last season. The Ministry has attributed the decline in sugarcane production to the reduction of acreage under sugarcane by 20000 hectares in this year. Consequently, sugarcane prices have surged up from VND 400 per kg to record VND 720 per kg. It is reported that domestic sugar mills could only produce 970000 tonnes of sugar for the year, well short of the estimated demand of 13.5 million tonnes. Following the huge demand-supply mismatch, sugar prices jumped up by VND 500-1000 per kg to VND 13000 per kg during April. In order to contain the spiralling sugar prices as well as to meet the domestic shortage, Government allowed import of sugar by domestic enterprises but higher global sugar prices have restricted the enterprises to import only limited quantity of sugar from foreign suppliers.

1000 Vietnam Dong (VND) = 2.8 India Rupees (INR) approx.

### China to Increase State Sugar Reserve in this Year

China Government is likely to increase state sugar reserve of processed raw sugar by additional 6 lakh tonnes during this year. In order to control over surging sugar prices the Government of China has taken several steps including auction of state reserve sugar in recent time. The sugar prices jumped up in China during this year following decline in domestic sugar production due to natural disasters and firm global sugar prices. The National Development and Reform Commission and the Ministries of Commerce and Finance have recently asked all concerned local Governments to strengthen management over sugar wholesale and futures market to avoid undue speculation and hoarding. Following the auction sugar from state reserve and announcement of increment in state sugar reserve the sugar prices in local markets have declined.

### Sugar at Spot Market:

#### Domestic:

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

Particulars	06-May	29-Apr	Change
M 30	2020-2080	2000-2060	+20
S 30	2000-2065	1985-2045	+20
Mill Delivery	1910-1960	1890-1950	+10

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

Particulars	06-May	29-Apr	Change
Shyamli	2038	No Sale	-
Khatauli	2045	2020	+25
Morna	2010	1965	+45
Deoband	2035	2010	+25
Nanoata	2000	1955	+45
Dhampur	2025	No Sale	-

### Jaggery at Spot Market

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

Particulars	06-May	29-Apr	Change
Raskat	426-460	430-455	+5
Chaku	520-610	520-585	+25
Shakkar	560-585	570-590	-5
Khurpa	510-520	535-545	-25
Laddu	572-585	550-560	+15

### International:

#### London Daily Price (LDP)

Particulars	05-May	04-May	03-May	02-May	28-Apr
LDP Raw FOB \$/MT	374.8	381.2	388.2	384.3	370.8
LDP Raw CIF \$/MT	416.8	423.2	430.2	426.3	412.8
LDP Raw CIF GBP/MT	225.2	230.1	234	232.3	228.1
LDP White FOB \$/MT	477	481.7	488.6	485	475.2
London Freight \$/MT	42	42	42	42	42
London Freight GBP/MT	23	23	23	23	23.5

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

Note: Exchange remained close on Saturday and Sunday.

### Weather Forecast: (As on 06<sup>th</sup> May 2006)

#### ALL INDIA WEATHER FORECAST BULLETIN

#### Weather Outlook

During past 24 hrs. rainfall/thundershowers activity has occurred at a few places over Assam, Arunachal Pradesh, Sub-Himalayan West Bengal & Sikkim, south Tamil Nadu, Kerala and Lakshadweep and at isolated places over Chhattisgarh, Jharkhand, Gangetic West Bengal and Interior Karnataka.

Predictions suggest that the rainfall activity over NE states and Sub-Himalayan West Bengal may increase further and may become fairly widespread during next 3-4 days. There could be isolated heavy rainfall activity in the region. The rainfall activity over south peninsular India may continue for another 5 days. Under the influence of weak western disturbance, there may be isolated rain/ snowfall during 7-9 May 2006 over hilly region of NW India especially in J&K and Himachal Pradesh. Rest areas in the country may experience mainly clear sky condition and may remain dry during this period.

The day temperatures are above 42°C over Rajasthan and 40-42°C over Punjab, Haryana, Uttar Pradesh, Madhya Pradesh, Interior Maharashtra and northern parts of Andhra Pradesh. Predictions indicate further rise in day temperatures in some of these areas during next 3-4 days. The day temperatures are expected to cross 45 deg C mark in certain areas in extreme West Rajasthan. Other parts of Rajasthan, parts of West Madhya Pradesh and south UP may also experience day temperatures touching 44 deg C mark during this period. This situation may cause development of Moderate Heat wave condition in certain pockets of west (Rajasthan and Gujarat), Northwest and Central India in coming 4 days.

There are also indications of further fall in day temperatures over NE States and south peninsular India due to continued rainfall activity.

**NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]**  
Mainly dry weather during next 2 days. Isolated to scattered rains/ snowfall is likely over J&K, Himachal Pradesh and Uttaranchal and isolated duststorm/ thundershower activity over Punjab, Haryana, west U.P. during 7-9 May 2006.

**EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]**  
Scattered to fairly widespread rains are expected over NE States and Sub-Himalayan West Bengal. Coastal Orissa, Gangetic West Bengal, Bihar and Jharkhand may experience isolated rains during next 3-4 days.

**CENTRAL INDIA [MP, CHHATTISGARH, VIDARBHA]**  
Occasional 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 the region especially Kerala, southern parts of Karnataka, south Rayalaseema, south coastal Andhra Pradesh and Tamil Nadu during next 3-4 days.

#### **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 on 7th and 8th May.

Source: NCMRWF

#### **FOREX (As on 06<sup>th</sup> May 2006):**

Foreign Currency	Rs. per unit
1 US \$	44.86
1 Euro	57.11
1 British £	83.40
100 Jap. Yen	39.84

#### **Port Watch (As on 06<sup>th</sup> May 2006):**

'Wise King' has berthed at Mumbai Port and continues to load 20,000 MT of sugar. InterOcean 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. Mumbai Port is loading 19,800 MT of sugar on the vessel 'Pacific Sun'. JM Baxi agents is handling the vessel.

The port is expecting 'Amar' to load 13,200 MT of sugar. Loading of 6,500 MT of sugar is expected at the port on the vessel 'Lady Kyriaki'. InterOcean agents will be handling these vessels. 'Badalu Valley' is expected at the port to load 3,500 MT Of sugar. Sai Freight agents is handling the vessel.

Chennai Port is expecting 'Al Muztuba' to load 7,000 MT of sugar. Imperial agents will be handling the vessel.

#### **Disclaimer**

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.