

## SUGAR, JAGGERY & CANE

29<sup>th</sup> May-03 June, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar: Bearish Sentiments continued
- NCDEX Sugar: Prices observed Moderately Bullish Sentiments
- NCDEX Gur: Down: Slightly Bearish Market Sentiments

### Technical Analysis

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

The candlesticks formation is indicating a slightly bullish pattern after a weak opening. The %K-line is moving upward after bullish crossover to % D-line in neutral zone indicating bullish market sentiments. The MACD along with its EMA moving upward, indicating bullish sentiments in the market in medium term. However, moving averages are indicating downtrend.



#### Outlook:

NCDEX June Sugar contracts are expected to move slightly bullish in the next 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	1887	1861	1971	1997

### Technical Analysis

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

The candlesticks formation is indicating a bearish trend during the week. The %K-line after cutting the %D-line from above moving downward in the normal region, hinting further downward movement. The DAV is approaching to its MACD and likely to have bullish crossover. Volume declined continuously in the week while open interest largely remains steady.



#### Outlook:

The June Gur futures are likely to remain bearish 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	552	548	569	574

## Market Commentary

### Domestic:

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

Domestic sugar prices witnessed a range bound trade with a stable sentiment in this week starting 29th May 2006. The prices eased slightly during the first couple of days, but mostly stuck within a narrow range for rest of the week. On the Saturday market showed some sign of reversal. The delay in release of June free sale quota also contributed to limited trading activity. However, the Government has released 13 lakh tonnes as free sale quota for June on Thursday. The Government has directed the mills to sell the entire quota within the month. Notably, Government has earlier extended the validity period of May free sale quota upto 10th June for Maharashtra sugar mills only. The sharp downtrend in the sugar futures during the week also kept the physical market activity limited. The early advancement of the Southwest monsoon is expected to be beneficial for the sugarcane crop of different growth stages. Meanwhile, Government is planning to have an import tariff rate quota (TRO) of 1 million tonne sugar against a lower duty of 20 percent (from prevailing 60 percent) and an unchanged countervailing duty of Rs 850/tonne. Contrary to the Government planning, the USDA has recently reported that India might export 1.2 million tons in 2006-07, an increase of 9 lakh tons from 2005-06. At the global market the raw sugar futures at the NYBOT as well as the white sugar futures at the LIFFE are witnessing a downward trade amidst concerns of Brazilian exports. The exports from Brazil are expected to improve as the Brazilian currency 'Real' started declining, thereby increasing the profit margin of the exporters as the global sugar trade is denominated by the United States dollar. The European Union has informed that it is complying the WTO ruling. The USDA has mentioned that should the EU comply with its WTO commitments, it would no longer be a net exporter of sugar.

The M grade sugar at the Delhi market was quoted lower at Rs 1900-1950 per quintal in this weekend as against the last week. At the Kolkata market it was offered in a lower range of Rs 2011-2017 per quintal, while at the

Muzaffarnagar market it was traded in a lower range of 1987-2012 per quintal during this week. The S grade sugar at the Delhi market was traded in a marginally lower range of Rs 1970-2035 per quintal at the weekend as against the last week. At the Chennai market it was available in a lower range of Rs 1900-1911 per quintal, while at the Kolkata market it was offered in a lower range of Rs 1991-1996 per quintal. At the Vashi market also it was quoted in a lower range of Rs 1920-1942 per quintal during this week. Cool weather amidst wide rainfall in the north India kept the physical demand lower. Bulk consumers also not supported the market

#### NCDEX Sugar: Tested Fresh Contract Month Lows

At the futures market the sugar futures at the NCDEX witnessed a sharply downward trade during the week starting 29th May 2006, which improved in the last trading day of the week giving the sign of improvement in the next week. Increased selling interest has pressurised the futures throughout the week. The near-month June contract hovered in the range of 1913-1994, while the July contract fluctuated in the range of 1927-2055 during the week ending 3rd June 2006. The open interest has increased, while the volume of trade was at the lower side during this week. The domestic sugar futures are likely to trade with a Bullish sentiment in the coming week.

#### NCDEX Gur: Down; Tested Fresh Contract Month Lows

At the futures market the gur futures at the NCDEX witnessed a mixed sentiments during this week starting 29th May 2006. The futures moved in a narrow range amidst thin volume of trade initially which continued to decline whole week. Open Interest remained steady during this week. The June contract traded in the range of 556.00-563.00 in this week. Last three days of the week observed some buying interest in the market. The gur futures are expected to witness an upward trade in the coming couple of days. However, the futures are likely to move downwards during the first half of the coming week.

### News Analysis:

#### Govt Released 13 Lakh Tonnes as June Freesale Quota

Government has released 13 lakh tonnes of sugar as quota of indigenous free sale for the month of June 2006 towards free sale quota for all sugar mills in the country. With a levy quota release of 1.55 lakh tonnes for June 2006, the total availability of sugar for the current month would be 14.55 lakh MTs. The Government would also convert such quantities of free sale quota sugar into levy sugar, which the sugar mills do not sell during June 2006, as per the Release Order, issued in this regard. With enough stocks in hand, the Government would not hesitate in releasing further quantities of sugar in case requirement so demands.

#### TCP Purchase 50000 tons white sugar

Pakistan has bought 50000 tons white sugar from Dubai-based Al-Khaleej Sugar Company at \$470 per ton. This is the 11th sugar purchase contract by the Trading Corporation of Pakistan (TCP). With the latest purchase,

TCP has so far contracted to buy 775000 tons of white sugar in this year.

#### Vietnam Sugar Prices Higher on Lower Output

Sugar prices in Vietnam have surged up on lower production of sugarcane as well as sugar this season. According to the Vietnam Ministry of Planning and Investment (MPI), domestic sugarcane prices have nearly doubled over the same period of last year. The Vietnam Ministry of Trade has reported that the retail price of sugar is fluctuating within VND 11000-12500 per kg and the prices are likely to stay at the higher levels in June as well. The domestic demand is higher for the summer season. The Vietnam Sugar Association has reported that only 37 sugar plants are operational now and the sugar production is estimated at 9.7 lakh tons from the 2005-06 crop. The consumption is forecasted at 13.5 lakh tons, leaving a shortage of 3.8 lakh tons for the year. Earlier, the Ministry of Trade has given licenses to various enterprises to import

3 lakh tons of sugar to meet the shortage. However, surging world sugar prices have discouraged the domestic importers to import the huge quantity and the total quantity to be imported is pegged at only 1.5 lakh tons by the end of this year.

(1000 Viet nam Dong = 2.87 India Rupees)

### Sugar at Spot Market:

#### Domestic:

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

Particulars	03-June	29-May	Change
M 30	1990-2050	2000-2060	-10
S 30	1970-2035	1980-2045	-10
Mill Delivery	1860-1905	1870-1915	-10

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

Particulars	03-June	29-May	Change
Shyamli	NS	NS	
Khatauli	2017	2005	+12
Morna	1985	1955	+30
Deoband	2007	1980	+27
Nanoata	1970	1950	+20
Dhampur	1985	1975	+10

### Jaggery at Spot Market

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

Particulars	03-June	29-May	Change
Raskat	425-455	425-450	+5
Chaku	500-600	500-610	-10
Shakkar	520-600	540-590	+10
Khurpa	510-530	500-530	-
Laddu	530-555	525-540	+15

### International:

#### London Daily Price (LDP)

Particulars	02-June	01-June	31-May	30-May	29-May
LDP Raw FOB \$/MT	334.9	337.3	350.8	350.1	Close
LDP Raw CIF \$/MT	376.9	379.3	392.8	392.1	Close
LDP Raw CIF GBP/MT	201.8	203.2	209	208.6	Close
LDP White FOB \$/MT	447	443	454	451	Close
London Freight \$/MT	42	42	42	42	Close
London Freight GBP/MT	22.5	22.5	22.5	22.5	Close

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

Note: Exchange remained close on Saturday and Sunday.

#### Port Watch (As on 03<sup>th</sup> June 2006):

'Ikan Selar' has berthed at Chennai Port and continues to load 18,000 MT of sugar. Merchants agents is handling the vessel. Loading of 23,108 MT of sugar is continuing at Chennai Port on the vessel 'Worada Naree'. Imperial agents is handling the vessel. Loading of 13,300 MT of sugar is continuing at Mumbai Port on the vessel 'Win Moony'. Interocean agents is handling the vessel. 'Yong Xiang' has berthed at Mumbai Port and continues to load 13,000 MT of sugar. JM Baxi agents is handling the vessel. Mumbai Port is loading 6,100 MT of sugar on the vessel 'Lady Kyrianki'. Mumbai Port is loading 15,000 MT of sugar on the vessel 'Bolan'. The vessel is being handled by Interocean agents. The port is expecting 'Chitral' to load 15,000 MT of sugar. Interocean agents will be handling these vessels. Kandla Port is expecting 'Zara III' to load 17,000 MT of sugar to Karachi. Eastern agents will be handling the vessel.

#### Weather Impact: (As on 03<sup>rd</sup> June 2006)

Prevailing rainfalls in parts of sugarcane growing regions would be beneficial for the sugarcane crop. On the one hand it would help in avoiding moisture stress thus reducing the irrigation requirement, on the other, it will reduce the severity of top shoot borer infestation, thus creating a favourable production environment.

#### FOREX (As on 03<sup>rd</sup> June 2006):

Foreign Currency	Rs. per unit
1 US \$	45.68
1 Euro	58.98
1 British £	85.95
100 Jap. Yen	40.88

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