

## SUGAR, JAGGERY & CANE

05<sup>th</sup> June-10<sup>th</sup> June, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar: Bearish Sentiments continued
- NCDEX Sugar: Prices observed Range bound Trading
- NCDEX Gur: Week 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 bearish pattern indicating a lack of interest among buyers in June futures contract, which is likely to continue in this week also. However, the %K-line is moving upward after bullish crossover to % D-line in neutral zone indicating bullish market sentiments. However, moving averages are indicating downtrend.



#### Outlook:

NCDEX June Sugar contracts are expected to move slightly upward but will hover in a very narrow range 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	1930	1915	1970	1985

### Technical Analysis

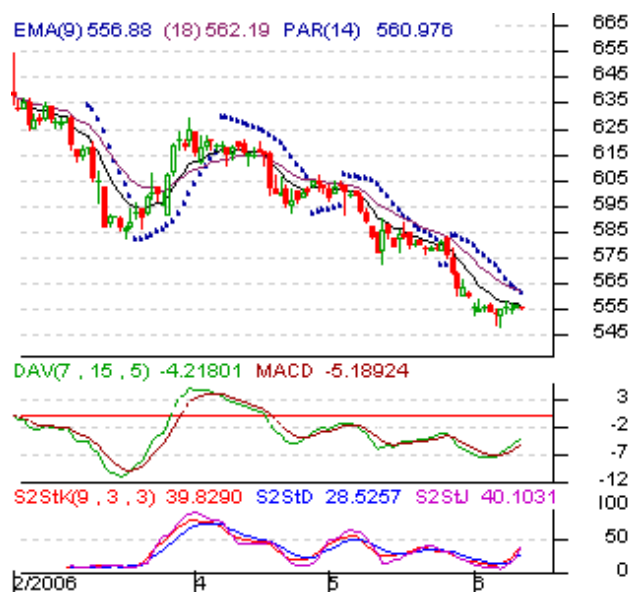
Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: JUNE 2006

Bearish trend is indicated by the candlestick pattern in this week. %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 and open interest declined continuously in the week.



#### 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	555	550	570	578

## Market Commentary

### Domestic:

#### Domestic Sugar Prices Stuck in Narrow Range

The domestic sugar market witnessed narrow range trade during the week starting June 5, 2006. Lacklustre demand amidst moderate supplies kept the market quiet for the whole week. However, spot market prices remained higher as compared to futures market whole week. The futures traders are finding the physical market more lucrative, as is evident from huge withdrawal of stock from the commodity exchange warehouses within a short span of time. The Govt. has released 13-lakh tonnes sugar as the free sale quota for this month and directed sugar mills to sell the said quantity within the month. Also, to undertake the permitted exports, the STC can source the sugar from mills even without re-export obligation under Advance License Scheme (ALS). This is likely to support the domestic industry that is estimated to be surplus in production. In the international market, the International Sugar Organization as well as Food and Agriculture Organization have recently reported that global sugar prices are likely to stay firm near the present level. However, rainfall in the sugarcane growing regions would be beneficial to the crop and may enhance productivity leading to bearish sentiments in the market.

#### NCDEX Sugar Recovers on declining stocks

Domestic sugar futures at the NCDEX witnessed a moderately upward trade during the week starting June 5, 2006. The futures started with spill over strength from the last weekend and traded on the upper side thereafter. However, the futures prices are still ruling far below the physical market prices that have led to significant withdrawal of stock from warehouses. The declining stock in the exchange may now act as a supportive factor for the futures prices, which has started the upward journey. The NCDEX June contract hovered in the range of Rs. 1,915-1,955 per quintal during the week

while the July contract fluctuated in the range of Rs.1, 945-1,983 per quintal during week ending 10<sup>th</sup> June. The volume and open interest have declined considerably with the near month schedule to go off the board on June 20, 2006. With the nearing of the June contract exodus and most importantly the declining sugar stock of the exchange, sugar futures are likely to remain highly volatile in the coming week.

Sugar futures will not see steep downward movement despite the good crop harvest expectation as export are likely to increase due to sugar shortage in the neighbour countries and higher demand for ethanol making. Domestic sugar prices are likely to remain stable, however they may observe a global correction. In short term the domestic prices may show slight weakness in near future on bearish sentiments from the International Sugar Organization. In India, the harvest may rise to 22 million metric tonne in the year to April 2007 compared with 19 million tonne a year earlier.

#### 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 5<sup>th</sup> June 2006. The futures moved in a small range amidst little interest among the traders. The volume and open interest declined significantly during this week. The June contract traded in the range of 548.00-558.00 in this week. Last three days of the week observed some buying interest in the market. The gur futures are expected to follow the sugar pattern 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 allows STC to Export 1.5 lakh tons Sugar

The Union Government has allowed the State Trading Corporation of India (STC) to export 1.5 lakh tonnes of sugar. This is over and above the 1.5 lakh tonnes already allocated to Indian Sugar Exim Corporation Ltd (ISEC) for sales to the Trading Corporation of Pakistan (TCP). Though the conditions set for both the STC and ISEC are quite similar, the former can export sugar to worldwide destinations unlike ISEC, wherein it has to be through the TCP tenders. However, both the STC and ISEC can source sugar from mills without re-export obligation under Advance License Scheme (ALS). During the current 2005-06 season (October-September), the country has so far contracted 9 lakh tonnes of sugar exports, with actual shipments amounting to around 7.3 lakh tonnes. ISEC, on its own, has till now bagged six tenders from the TCP for export of 3.5 lakh tonnes at prices ranging \$473-518 per tonne CNF Karachi.

For supplying the 3.5 lakh tonnes to TCP, ISEC would be using the 1.5 lakh tonnes sugar released to it outside the

re-export obligation of mills. For the remaining, it has already sourced 1 lakh tonnes from Dhampur Sugar Mills against its re-export obligation and different quantities from other mills, including GMR Industries and NCS Sugars. With low domestic production and record-high sugar prices, Pakistan is importing sugar continuously from the beginning of 2005 and removed the ban on sugar import from India August of last year.

#### Pakistan to Import 8 Lakh Tons Sugar through TCP

The Government of Pakistan has decided to import 8 lakh tonnes of sugar through the Trading Corporation of Pakistan (TCP). The Pakistan Government would provide a subsidy of Rs 5.2 billion to the TCP. The Government preferred not to purchase sugar from local mills at Rs 38 per kg and sell it at Rs 27 per kg anticipating emergence of any scam. As a consequence, the Government would provide subsidy to TCP that would sale the imported sugar to the Utility Stores at a lower rate, so that the common

man get it at Rs 27 per kg. The local sugar millers are requesting the Government to purchase sugar from them with the subsidy, as the cost of imported sugar are estimated to be the same as of the local mills at Rs 38 per kg. However, purchasing sugar from the local mills might results into immediate shortage in the market and can result into higher prices. The Government has decided to let the local sugar mills to sell at the local markets so that immediate market requirements are met to some extent.

#### ISO: Refined Sugar Competition to be Higher in Long Run

The International Sugar Organization (ISO) in a latest report mentioned that rising white sugar refining capacity in a variety of countries is expected to increase competition in the long term. The ISO reported that countries ranging from Egypt and Yemen to India and Bangladesh have built new refineries as well as expanded existing capacities. As a consequence, the supply of white sugar in the Middle Eastern countries and Asia could be excessive over the long term despite the pulling out of sizeable quantity of sugar by the European Union (EU). The ISO reported that the white sugar premium rose in May following a World Trade Organization (WTO) ruling over EU sugar export regime. Under the WTO ruling the EU is likely to cut exports to 1.3 million metric tons (MMT) in 2006-07, sharply lower from the 7 MMT exported in the last season. The report mentioned that as a consequence it has become more profitable to refine the raw sugar at the destination.

#### Sugar at Spot Market:

##### Domestic:

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

Particulars	10-June	03-June	Change
M 30	1990-2020	1990-2020	-
S 30	1975-2005	1975-2005	-
Mill Delivery	1900-1930	1900-1930	-

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

Particulars	10-June	03-June	Change
Shyamli	NS	NS	
Khatauli	2013	2017	-4
Morna	1981	1985	-4
Deoband	2005	2007	-2
Nanoata	1968	1970	-2
Dhampur	1983	1985	-2

#### Jaggery at Spot Market

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

Particulars	10-June	03-June	Change
Raskat	420-450	425-455	-5
Chaku	500-595	500-600	-5
Shakkar	520-590	520-600	-10
Khurpa	510-520	510-530	-10
Laddu	530-550	530-555	-5

#### Port Watch (As on 9<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 13,300 MT of sugar is continuing at Mumbai Port on the vessel 'Win Moony'. Interocean agents is handling the vessel. Mumbai Port is loading 6,100 MT of sugar on the vessel 'Lady Kyrianki'. 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 10<sup>th</sup> June 2006)

Day temperatures over plains of northwest India, Uttar Pradesh and central India are likely to remain around 42-44°C. Dust raising winds will prevail over some parts of northwest India. There are no signatures of the revival of southwest monsoon during next 4-5 days. Sugarcane crop will need some protective irrigation if it continues to remain dry and hot for the next few days.

#### FOREX (As on 10<sup>th</sup> June 2006):

Foreign Currency	Rs. per unit
1 US \$	45.85
1 Euro	57.90
1 British £	84.43
100 Jap. Yen	40.20

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