

## SUGAR, & JAGGERY

17<sup>th</sup> July-22<sup>nd</sup> July, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar: Monsoon cool Sweetener
- NCDEX Sugar: Mixed Sentiments Prevail
- NCDEX Gur: Weak Sentiments

### Technical Analysis

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

The week starting from 17<sup>th</sup> July mixed sentiments and prices showed movements on either side. At the NCDEX August futures, the candlestick pattern exhibits volatility throughout the week. Volume fluctuated sharply while open interest eased. DAV has come closer to MACD in the positive territory. The %K line is below the %D line. EMA remained below the price line underlying some strength in the market. Sugar technical conditions indicate towards consolidation of prices.



#### Outlook:

Market is expected to remain firm, however some profit booking activities can be observed in the initial days of the 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>
August	1887	1878	1940	1956

### Technical Analysis

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

The Gur futures witnessed strong bearish sentiments at the NCDEX. The prices moved in a narrow range. The %K-line made a bearish cross over to %D line and the gap between them widened. DAV made a bearish cross over to MACD. RSI remained in neutral zone. Volume declined significantly while open interest increased under the week under review.



#### Outlook:

Indicators suggest stable sentiments with bearish undertone to prevail in the market in 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>
August	530	523	551	560

## Market Commentary

### Domestic:

#### Monsoon cool Sweetener

In the week starting from 17th July, the domestic sugar markets remained quiet at the major mandis of Delhi, Muzaffarnagar and Kolkata and sugar was offered at comparatively lower prices as against the previous week due to widespread monsoon rainfall in the northwestern India. The stockiest remained away from buying due storage and other associated problems with it during rainy season, and the demand originated only from the retailers to meet out the day-to-day demand. Further, due to traffic disruption on Delhi-Hardwar Highway on account of 'Kanwad-Yatra' also restricted easy movement of the trucks between Muzaffarnagar and Delhi. These appear to be the important reasons why prices are not seeing the up trend despite the beginning of the festive season. The sugar spot ruled at Rs. 1912-1928/quintal in Delhi, at Rs. 1925-1935/quintal at Muzaffarnagar and at Rs. 1940-1954/quintal in Kolkata during the week. The trade is likely to gather momentum in the coming week and prices may witness some upward trend. However, monsoon session is starting from 24th of July in the backdrop of serial blasts in Mumbai, and agitation by opposition as also Left parties on the issue of price rise of the essential commodities. However, Government claims to have controlled the rising prices. Wheat, sugar and pulses are the three commodities whose prices are being closely monitored on a daily basis by the Government to keep inflation in check. Tackling these commodities' prices, and thereby inflation, recently has been a priority for the government as it is politically sensitive. The Government has also released its fourth advanced estimates of food grains production for 2005-06. The sugarcane production estimates are now at 278.39 million tonnes, which are about 5.23 million tonnes higher than the target level. It is to be learnt that the final output during 2004-05 was 237.09 million tonnes. Government is expecting a bumper crop harvest this year. Traders also took some respite with the announcement of the Union Agriculture Minister regarding the intension to lift the ban on export of sugar in coming days. Overall, the week witnessed mixed sentiments.

#### NCDEX Sugar: Futures observed Mixed Sentiments

At the NCDEX sugar futures, sentiments remained volatile whole week, however, at most of the time, it remained hovering between the levels of 1925-1935. Volume also remained fluctuating during the week while open interest slightly declined. Sugar witnessed speculative buying on Monday on the Agriculture Minister's comment that India plans to lift ban on exports of white sugar six months ahead of schedule because of the likely bumper crop of sugar cane and sugar. He further added that the ban on exports by mills that had earlier imported raw sugar without paying

any import taxes may be lifted even before October. The exporters have got some respite on this assurance by the Government as many of them were in obligation to export white sugar by September 2007 against their earlier imports of duty-free raws. In the later days of the week, July futures contract exhibited sharp rise in prices due to end of the contract month on 20th July, as most of the traders squared off their positions and some made rollover from the July contract to other contracts. These two reasons kept the sugar futures making a pendulum movement from 1925-1935 levels. Sugar futures is expected to witness a range bound trade in the coming days with the nearing in of the festive season as more demand in the spot market will emerge which in turn will consolidate the futures market. At the international level, the white sugar prices at the LIFFE October contract declined from \$455/MT to \$446 /MT till Thursday, on the other hand the raw sugar at the Coffee Sugar and Coca Exchange (CSCE) declined from (¢/lb) 15.95 to 15.51 till Thursday. Sugar prices in China, the world's second-largest consumer of the sweetener also fell to an all-time low after a state auction attracted less interest from local buyers, raising concerns of an oversupply. The Chinese government has held eight auctions of sugar from state reserves this year. Buyers all expect sugar prices to be depressed further by more auctions ahead. Global sugar production is poised to rise 0.2 percent in the year through September, erasing an anticipated shortfall. Consumption growth may be limited to 1.1 percent, partly because of increased use of sugar substitutes, especially in Mexico and China. India is expecting to export nearly 2 million tons of refined sugar between late 2006 and 2007. The aim is to cover the breach of the trade decline of the European sugar, after reforms from that continent on this product. Experts believe that India has the potential to partially replace the European Union as a source to supply refined sugar. India, is expecting an excellent sugarcane harvest for the new milling starting October.

#### NCDEX Gur: Followed the Sugar Sentiments

Bearish sentiments were observed during the week under review at the NCDEX Gur futures. Widespread rainfall in the northwestern India kept the Gur market mostly down. The price showed narrow upward movement during the week and remained largely consolidated. The August contract hovered in the range of 534-568 during the week. The Gur futures is expected to trade with steady sentiments with slight bearish undertone.

### News Analysis:

#### Bangladesh to Import 50,000 Tonnes Sugar from Brazil

The government of Bangladesh on 17th July, approved import of 50,000 tonnes of sugar to meet out the country demand during the month of Ramzan. The sugar is to be imported by the Trading Corporation of Bangladesh (TCB)

from Brazil with in 45 days at a cost around TK 200 crore. The imported sugar will cost US\$420 while earlier the bidders claimed up to US\$512 per tonne. At present per kilogram of sugar is being sold at TK 45 in the retail market while in April last the essential was sold TK 60. It is to be

learnt that the Government of Bangladesh has lifted 20 per cent of duties on import of the essential. To reduce the sugar price the government lifted 20 per cent of duties on import of the essential. Following the failure of reducing sugar price despite lifting of the supplementary duty the government in its budget fiscal year 2006-07 imposed a specific tax of Tk 5,000 per ton on import of sugar which is much lower than the current import duty and other levies.

### India to Export 2 Million Tons Sugar

New Delhi, Jul 20 (Prensa Latina) India's trade representatives reported Thursday the country will export nearly 2 million tons of refined sugar between late 2006 and 2007. The aim is to cover the breach of the trade decline of the European sugar, after reforms from that continent on this product. Economists consider India has the potential to partially replace the European Union as a source to supply refined sugar. India, with over one billion inhabitants, had an excellent sugarcane harvest and is expecting a production of nearly 23 million tons for the new milling starting October.

### Ban on Sugar Export Continues

New Delhi (Dow Jones) - Indian Mills are disappointed by what they perceive as delay in easing of ban on sugar exports. As Traders believe that to control the local prices, the government seems to be deliberately delaying resumption of exports. According to Agriculture Minister Sharad Pawar, the cabinet in a crucial meeting on July 20, did not take up the demand on sugar mills to be permitted to export whites in-lieu of having imported duty-free raws. Traders say permits for export of 400,000 tons whites issued earlier by food ministry may lapse if ban not lifted for mills that imported raws without paying import taxes on conditions they will export similar quantity of white sugar within two years of import date. Earlier, on July 16, the Minister had said that India plans to lift ban on exports of white sugar six months ahead of schedule because of the likely bumper crop of sugar cane and sugar. According to industry estimates, these mills still have an obligation to export at least 1.1 million metric tons white sugar by September 2007 against their imports of duty-free raws. This export obligation is in addition to the 880,000 tonnes of whites already estimated to have been exported between October and June. Deals for export of another 125,000 tonnes are in the process of being executed.

### Sugar at Spot Market:

#### Domestic:

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

Particulars	22-July	15-July	Change
M 30	1885-1930	1885-1935	-5.00
S 30	1870-1915	1870-1920	-5.00
Mill Delivery	1800-1845	1800-1850	-5.00

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

Particulars	22-July	15-July	Change
Khatauli	1935	1910	+25
Morna	1865	1870	-5
Deoband	1925	1900	+25
Nanoata	1865	1860	+5

### Jaggery at Spot Market

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

Particulars	22-July	15-July	Change
Raskat	455-465	440-468	-3.00
Chaku	540-570	535-570	-
Shakkar	640-670	650-675	-5.00
Khurpa	NA	NA	-
Laddu	NA	NA	-

### International:

#### International Sugar Situation as on 13 July 2006

London Daily Price W (\$/MT)				
	17-Jul	18-Jul	19-Jul	20-Jul
Aug-06	457.0	458.8	450.0	446.6
Oct-06	453.8	455.4	446.0	443.7
Dec-06	438.0	440.8	433.0	430.9
Mar-07	437.8	439.6	432.6	430.1
New York Spot No.11 (\$/MT)				
Oct-06	355.8	364.8	356.0	356.4
Mar-07	346.1	345.4	338.6	337.5
May-07	356.0	354.2	347.0	345.9
Jul-07	354.4	352.5	345.0	343.9
Jul-07	350.9	348.9	341.0	339.9
Conversion:	Bill			
Selling Rate 1\$ =	46.4	46.7	46.7	46.8

### Port Watch (As on 21<sup>st</sup> July 2006):

Loading of 17,000 MT of sugar is continuing at JN Port on the vessel 'Haz Zhong Men'. Eastern agents is handling the vessel. The port is expecting 'Zara III' to load 17,500 MT of sugar to Karachi. Eastern agents will be handling the vessel. Loading of 21,500 MT of sugar is continuing at Tuticorin Port on the vessel 'Ikan Celar'. St. John agents is handling the vessel. 'Chopal 2' has berthed at Chennai Port and continues to load 5,650 MT of sugar. Chobar agents is handling the vessel. Chennai Port is loading 29,000 MT of sugar on the vessel 'Weston'. Albert agents is handling the vessel. Mumbai Port is loading 6,100 MT of sugar on the vessel 'Lady Kyriaki'. The vessel is being handled by Interocean agents. 'Tong Ji Men' has berthed at Mumbai Port and continues to load 12,000 MT of sugar. Loading of

15,000 MT of sugar is expected at Kolkata Port on the vessel 'Fu Qiang'.

**Weather Impact: (As on 24<sup>th</sup> July 2006)**

**NORTH-WEST INDIA:** Rain/thundershowers are likely at many places over Jammu division of Jammu & Kashmir, Himachal Pradesh, and Uttaranchal and at a few places over the rest region. Rainfall activity likely to increase further during next 2-3 days.

**EAST INDIA:** Rain/thundershowers are likely at many places over Sub-Himalayan West Bengal & Sikkim and at a few places over the rest region. Rainfall activity likely to increase from 26th onwards.

**SOUTH INDIA:** Rain/thundershowers are likely at many places over Andaman and Nicobar Islands; at a few places over Coastal Karnataka and Coastal Andhra Pradesh and isolated over the rest region.

**Weather Impact on Sugarcane:** The ongoing monsoon showers have greatly benefited the sugarcane crop.

**FOREX (As on 24<sup>th</sup> July 2006):**

Foreign Currency	Rs. per unit
1 US \$	46.83
1 Euro	58.17
1 British £	86.61
100 Jap. Yen	40.07

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