

## SUGAR, & JAGGERY

10<sup>th</sup> July-15<sup>th</sup> July, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar: Slack Demand throughout the Week
- NCDEX Sugar: Bullish on Export Relaxation
- NCDEX Gur: Steady Sentiments

### Technical Analysis

Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: August 2006

The week starting from 10<sup>th</sup> July witnessed firm sentiments and prices showed upward movement. At the NCDEX August futures the candlestick pattern indicates that speculative buying kept the prices high on account of the government's assurance to give some relief on export conditions. Volume declined considerably while open interest remained almost same as against previous week. DAV has moved away from MACD. The %K line has also moving upward crossing % D line. Sugar technical conditions indicate towards firm sentiments.



#### Outlook:

Market is towards consolidation and may witness steady to bullish sentiments 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>
July	1907	1891	1960	1971

### Market Commentary

### Technical Analysis

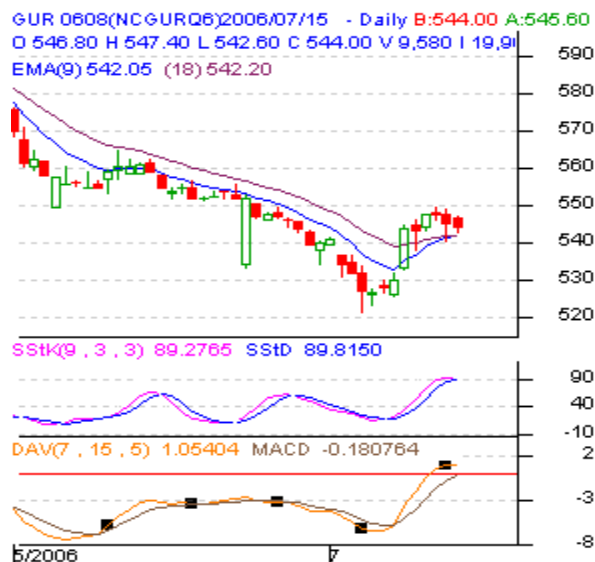
Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: August 2006

The Gur futures witnessed steady sentiments at the NCDEX. The prices moved in a narrow range. The %K-line has just touched the % D line and likely to make a bearish crossover. DAV remained away from MACD throughout the week. Volume and open interest declined slightly under the week under review.



#### Outlook:

Range bound trading may be witnessed in the coming week. However, market may see some upward movement 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>
July	541	535	565	572

## Domestic:

### Domestic Sugar: Slack Demand

Trading was calmer in the sugar spot market at the major mandis of Delhi, Muzaffarnagar and Kolkata where prices were quoted lower as against the previous week. Sugar spot ruled at Rs. 1908-1920/qrtl in Delhi, at Rs. 1918-1925/qrtl in Muzaffarnagar and at Rs. 1968-1975/qrtl in Kolkata during the week starting from 10th July. The desired demand, which can trigger the prices, is still not there, as it appears that buyers are expecting that prices may further go down in the coming days despite the upcoming festive season and good monsoon rainfall which has given some respite from the hot summer. It is argued that the monsoon session of the parliament is going to start from 24th of July and will last till 10th of August. The Opposition parties are fully prepared to condemn the ruling congress party on this issue. The government strict monitoring and psychological pressures upon the traders during this period will not allow the sugar prices to go up in the coming days. The supply scenario seems to be good enough in the next market season (October 06-September 07) as the area planted under sugarcane is about 1.75 lakh ha more than the previous year till date, the monsoon seems to be normal as far as sugarcane is concerned, various sugar mills are expending their existing crushing capacity besides the installment of the new sugar units in the various parts of the country. The Indian sugar mills have sought an easing of the recently imposed ban on sugar exports to enable them to export white sugar against earlier imports of duty-free raw sugar. Sugar mills have been clamoring for a total opening up of exports in wake of what they claim to be ample local supplies and rising output. Vinay Kumar, managing director of the National Federation of Cooperative Sugar Factories said that we expect exports of at least 2.0 million tons of whites as the country was expecting a bumper sugar output of over 22 million tons in the year of September 2007 because of bumper crop harvest prospects. The International Sugar Organization, or ISO, in its market report for June said India is on course to become a major force in the white sugar export market in 2006-07. This issue is under consideration of Cabinet Committee on Prices, which may give some

relaxation in the sugar export condition after evaluating the claimed production projections and world demand and supply scenario in the coming months in the light of the facts that the global prices have become more attractive to the Indian exporters and they claim that they are in a position to fulfil the demand gap.

### NCDEX Sugar: Futures towards Consolidation

Sugar futures at the NCDEX exhibited signs of steady improvement in the prices as most of the active contracts traded on highs in the week under review. The most active August contract increased from a low of 1870 to a high of 1904 till Thursday. However, at the same time the volumes significantly declined while the open interest remained almost at the same levels. The futures market is hopeful of the good demand in the upcoming festival season and the likely export demand in the coming months as the millers hope that Government may consider some relaxation in sugar export. The sugar futures may witness slightly bullish sentiments if some respite is given to the exporters by the government otherwise it will hover in a range bound fashion. At the international level, the white sugar prices at the LIFFE also increase from \$479.5/MT to \$482.8/MT till Thursday on the other hand the raw sugar at the Coffee Sugar and Cocoa Exchange (CSCE) declined from (¢/lb) 16.46 to 16.27 till Thursday. The world sugar market is still very hot in terms of price movement as the supplies are expected to remain tight in near futures.

### NCDEX Gur: Followed the Sugar Sentiments

The gur futures at the NCDEX witnessed weak trading activities during the week starting 10<sup>th</sup> July 2006. The price showed narrow upward movement during the week and remained largely consolidated. The August contract hovered in the range of 532-544 in the week under review. Range bound trading with slight bullish sentiments is expected in the next week.

## News Analysis:

### U.S. Sugar Supply Rises

Supplies of sugar in the United States will be larger than originally thought during the 2006-07 season, according to the latest outlook from the USDA's World Agricultural Outlook Board. Projected 2006-07 U.S. sugar supply is increased 157,000 short tons, raw value, from last month, due to higher beginning stocks and production. Processor projections compiled by the Farm Service Agency put 2006-07 production at 8.35 million tons, up 115,000 tons from last month's projection. Sugar use is unchanged. For 2005-06, total supply is increased 42,000 tons. Production is reduced 28,000 tons, while imports are raised 70,000 tons mainly due to lower shortfall in filling the tariff rate quota (TRQ). The shortfall in filling the TRQ is decreased 60,000 tons and stands at 180,000 tons. Total use is unchanged.

### Malaysia May Import Raw Sugar from China

To meet out the demand and overcome sugar shortage in the domestic market, Malaysia Government is considering sourcing raw sugar from China. Malaysian Domestic Trade and Consumer Affairs Minister Shafie Apdal said his ministry would discuss the matter with the Malaysian International Trade and Industry Ministry. If the purchase price is lower than the open market price, Malaysia will consider importing raw sugar from China. The country is facing a shortage of sugar supplies triggered by several problems, including higher prices of raw sugar on the international market. Malaysian sugar refineries are reported to currently also import raw sugar from Australia and Brazil, with the contracts running up to the year 2008.

**Brazil Refined Sugar Market Fires Up, As Raws Slip Behind**  
SAO PAULO (Dow Jones)--Traders on Brazil's sugar and ethanol market this week said business for refined sugar was booming, the raws market was paralyzed, and the country's domestic ethanol market had heated up, as distributors and gas stations sought to stock ethanol, pushing up prices. A principal factor for the increased business was believed to be India's ban last week on white sugar exports. However, trading for the country's raw sugar market, or VHP, has been lackluster this week, as buyers continued to veer away from closing deals due to high prices, said traders. "Nothing happened - there's no interest from end buyers," said a Sao Paulo trader, noting that he believed that the volume of July shipments this year would be smaller than a year ago. On the domestic ethanol market, meanwhile, ethanol prices continued to pick up this week, with anhydrous ethanol quoted at 1.10 Brazilian reals per liter, with taxes, at the Sao Paulo mill gate. Meanwhile, hydrous ethanol was quoted at BRL1.08 to BRL1.11 per liter, slightly higher than a week ago. Buyers, including distributors and gas stations, are buying more because as prices rise, they want to stock up for the future, in case prices rise further. It is believed that prices could fall in the next few weeks as speculation stopped. Trading was calmer, however, on the ethanol export market this week, as some traders suggested that Brazil had already filled up all of its ethanol tankers for July delivery, and others said they were still getting offers for August delivery. On the domestic sugar market, a 50-kilogram bag of 150 icumsa slipped this week to BRL50.44 (with tax ex-mill), down from the BRL50.94 registered last week. On the whites export market, color 150 icumsa for prompt delivery on Wednesday was quoted at \$68 to \$70 per ton above the New York October contract, compared to \$55 per ton above the October contract last week. Icumsa is a numerical grading system of white sugar, wherein lower numbers show higher-quality, whiter sugar. Color 150 icumsa makes up 80% of trading on the domestic market with color 100 icumsa comprising the balance.

### Sugar at Spot Market:

#### Domestic:

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

Particulars	15-July	8-July	Change
M 30	1885-1935	1905-1935	-
S 30	1870-1920	1890-1920	-
Mill Delivery	1800-1850	1820-1850	-

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

Particulars	15-July	8-July	Change
Khatauli	1910	1860	+50
Morna	1870	1850	+20
Deoband	1900	1845	+55
Nanoata	1860	1860	-

### Jaggery at Spot Market

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

Particulars	15-July	8-July	Change
Raskat	440-468	410-425	+43
Chaku	535-570	515-570	-
Shakkar	650-675	580-665	+10
Khurpa	NA	NA	-
Laddu	NA	NA	-

#### International:

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

London Daily Price W (\$/MT)	10-Jul	11-Jul	12-Jul	13-Jul
Aug-06	479.5	482.8	482.8	486.1
Oct-06	476.0	478.0	472.8	476.9
Dec-06	471.5	473.5	467.8	471.9
Mar-07	457.9	459.3	453.6	457.1
New York Spot No.11 (\$/MT)	383.3	386.2	383.1	379.6
Oct-06	362.8	365.3	358.6	362.0
Mar-07	371.0	374.4	367.7	370.5
May-07	369.7	371.0	366.6	369.0
Jul-07	365.3	366.4	362.4	364.6
Conversion: Bill				
Selling Rate 1\$ =	46.1	45.1	46.2	46.2

### Port Watch (As on 14<sup>th</sup> July 2006):

Chennai Port is loading 29,000 MT of sugar on the vessel 'Weston'. Albert agents is handling the vessel. The port is expecting 'Chopal' to load 5,650 MT of sugar. Kandla Port is loading 14,000 MT of sugar to Karachi on the vessel 'Adrekni'. 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 17,000 MT of sugar is expected at the port on the vessel 'Haz Zhong Men'. Eastern agents will be handling the vessel. Loading of 6,500 MT of sugar is continuing at Mumbai Port on the vessel 'Asha Himani'. The vessel is being handled by Mitsutor agents. Mumbai Port is loading 6,100 MT of sugar on the vessel 'Lady Kyriaki'. The vessel is being handled by Intercean agents. 'Tong Ji Men' has berthed at Mumbai Port and continues to load 12,000 MT of sugar. Mumbai Port is loading 8,500 MT of sugar on the vessel 'Dai Hong Dan'. Parekh agents is handling these vessels. 'Dae Gax Bong' is expected at Tuticorin Port to load 8,500 MT of suagr. The vessel will be handled by St.John agents. Loading of 21,500 MT of sugar is expected at the port on the vessel 'Huan Selar'. SAC agents will be handling the vessel. Loading of 15,000 MT of sugar is expected at Kolkata Port on the vessel 'Fu Qiang'.

### Weather Impact: (As on 16<sup>th</sup> July 2006)

Southwest monsoon further advanced into Delhi, most parts of West Uttar Pradesh and some more parts of Haryana on 9th July. It further advanced into remaining parts of Haryana & Punjab and some more parts of Rajasthan on 10th and most parts of East Rajasthan and some more parts of West Rajasthan on 11th. The northern limit of monsoon as on 11th July passed through Udaipur, Ajmer, Churu and Sri Ganganagar. Ongoing rainfall activity over Western Himalayan Region and adjoining Plains of Northwest India is likely to continue during 1st half of the week and decrease significantly thereafter. Scattered heavy to very heavy falls are likely over Kerala and Coastal Karnataka during 1st half of the week which is likely to extend into Konkan & Goa and Madhya Maharashtra during 2nd half. Fairly widespread rainfall with isolated heavy falls is likely over Uttar Pradesh, West Bengal & Sikkim, Bihar and Jharkhand during the week. Scattered rainfall activity likely to continue over remaining parts of the country. A low-pressure area is likely to form over northwest Bay of Bengal off Orissa coast around 16th. This is likely to increase rainfall activity over Orissa, Chhattisgarh and Madhya Pradesh during 2nd half.

**Weather Impact on Sugarcane:** Sugarcane crop has greatly benefitted from this rainfall and it will have a positive impact on the production of sugarcane.

### FOREX (As on 17<sup>th</sup> July 2006):

Foreign Currency	Rs. per unit
1 US \$	46.20
1 Euro	58.40
1 British £	84.83
100 Jap. Yen	39.78

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