

SUGAR, & JAGGERY

24th July-29th July, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sweet Festive Season Seen
- NCDEX Sugar: Export Ban Stays, Market Volatile
- NCDEX Gur: Bearish Sentiments

Technical Analysis

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

The week starting from 24th July witnessed mixed sentiments, albeit on the higher side. At the NCDEX August futures, the candlestick pattern exhibited slight volatile movement in the week but it largely remained in the range of Rs. 1935-1945. Volume declined significantly while open interest eased slightly. DAV and MACD largely remained flat in the positive territory indicating firm sentiments in medium term. The %K line made a bearish crossover to %D line. EMA remained below the price line underlying strength in the market. RSI also remained above to its average line. Sugar technical indicators hints towards firm sentiments.



Outlook:

Market is likely to remain firm in the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
August	1927	1923	1959	1965

Technical Analysis

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

The Gur futures maintained its bearish sentiments in the week under review. The prices moved in a narrow range. The %K-line remained below the %D line hinting towards weak sentiments. DAV also remained below the MACD in the negative territory. RSI remained in neutral zone. Volume declined considerably while open interest eased slightly. Technical hints towards steady sentiments with bearish undertone.



Outlook:

Indicators suggests towards stable sentiments in the Gur futures market.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
August	535	530	542	550

Market Commentary

Domestic:

Domestic Market: Sweeter Festive Season

The domestic sugar markets started to trade steady to firm with the start of the festive season this week. The sugar spot prices remained higher as compared to previous week at the major mandis at Delhi, Muzaffarnagar and Kolkata where it varied in the range of Rs. 1917-1930, Rs. 1937-1949 and Rs. 1937-1960 per quintal, respectively in the week under review starting from 24th July. The spot prices were substantially higher than previous week due to the increase demand from the confectioners and sweet makers these days. The increased demand is likely to continue further in the coming days also and the sugar prices are expected to remain on the up side. The weather remained a matter of concern for the traders as widespread rains in northwestern India whole week disrupted movement of truck carrying the sugar from their source to destination and it also affected the trading activities to certain extent. However, these ongoing monsoon showers have greatly benefited the sugarcane crop as it has met its water requirement at the critical growth stage and the chances of good harvests have increased manifold. It has also reduced the irrigation cost to the farmers. It is to be learnt that irrigation form a major component in cost of production of sugarcane and the current monsoon showers have greatly reduced this cost, thus, benefiting the farmers in great way. The July free sale quota is nearing toward end, as it was just enough to meet the normal monthly demand, and the sugar companies are in a better position to take full advantage of the current increased festive demand in the market, so prices are likely to remain firm in the coming days. If August quota remains same and Government does not make any change in its previously allotted quantity then traders can expect remunerative prices in the near futures. On the other side, Monsoon session is going on in the Parliament and the opposition parties are making much noise over the spiralling in of the prices of the essential commodities. However, according to a latest press release by the Government of India, the prices of sugar have come down by Re. 1 in most of the cities as compared to previous week. However, it appears to be a remote possibility that prices will move down further in the light of the on going festive season.

News Analysis:

Pakistan Planning To Keep Sugar Imports Duty Free

Pakistan plans to keep sugar imports duty free for another year to avoid any price spiral as the current sugarcane crop won't meet domestic demand as the crop in 2006-07 is expected to be between 46 and 50 million tons, whereas the country needs a harvest of over 50 million tons to meet its annual sugar demand. Ashfaq Hassan Khan, economic adviser to the finance ministry, told Reuters that the government would retain its "zero-rated import duty" on refined and raw sugar for now. "The crop size would weigh on our decision regarding the imposition of the import duty, but this is for sure that we are not going to touch the duty structure this year," Mr Khan said. "We don't want to have a situation like last year, when less output created a supply

NCDEX Sugar: Export Ban Stays, Market Volatile

The NCDEX sugar futures exhibited mixed sentiments in the week under review, as it traded high as compared to the previous week, while it remained volatile as Government of India made it clear that it is in no hurry to consider the issue of relaxation of export ban till the end of this financial year. Earlier, the Union Agriculture Minister Mr. Sharad Pawar hinted that the ban might be lifted even well before the October. It was his assurance, which gave the sugar futures a new high of the month on Tuesday, and it touched the level of 1958. However, it could not sustain for long and settled at far below this level. The market is yet not very much confident as could be seen from the profit booking activities wherever it rises. Also the volume and open interest has significantly declined from the previous week levels indicating towards the volatility in the market. However, the firm sentiments of the spot market will definitely positively influence the futures market sentiments and the futures are expected to trade on higher levels as compared to the current levels of 1930-1950. At the international level, the sugar prices are expected to remain firm in medium to long term as the global demand for ethanol will increase and the countries like Brazil have shown their intention to divert its production towards ethanol to take advantage of higher prices and capture US market. India has a golden opportunity to take full advantage of global sugar shortage and higher world sugar prices in the light of its expected increased production in the next sugar year (October 06-September07).

NCDEX Gur: Bearish Sentiments

Gur futures at the NCDEX traded with bearish undertone and trade remained lacklustre throughout the week as volume and open interest declined considerably. Low demand in the spot market amidst rainy week affected badly the gur futures and it remained hovering 535-541 at most of the time. Stable sentiments are expected in the coming week.

crisis in the country," he added. "But we would only consider any hike in import duty if the output improved."

USDA ANNOUNCES FISCAL YEAR 2006 AND 2007 SUGAR PROGRAM PROVISIONS

The U. S. Department of Agriculture today announced sugar program provisions for the remainder of this fiscal year (FY) and for FY 2007 concerning administration of the tariff rate quotas (TRQ's) and the domestic allotment program. The summery includes

- An increase in the FY 2006 refined sugar TRQ of 100,000 short tons raw value (STRV).

- An increase in the FY 2006 specialty sugar TRQ of 9,921 STRV.
- Establishing the FY 2007 raw sugar TRQ at 1,481,497 STRV, which is 250,000 STRV above the World Trade Organization (WTO) Agreement required minimum of 1,231,497 STRV.
- Establishing the FY 2007 refined and specialty sugar TRQ at 62,832 STRV, 38,581 STRV above the WTO Agreement required minimum of 24,251 STRV.
- In accordance with the North American Free Trade Agreement (NAFTA), permitting duty-free entry of 275,578 STRV (250,000 metric tons) raw or refined Mexican sugar during FY 2007, and at least 192,904 STRV (175,000 metric tons) from October 1, 2007 through December 31, 2007.
- The FY 2006 Overall Allotment Quantity (OAQ) remains at 9,350,000 STRV and the FY 2007 OAQ is set at 8,750,000 STRV.

2007-2008 Sugar Outlook

The July World Agriculture Supply and Demand Estimates (WASDE) Report clearly indicates that total sugar production from 2006 crop sugar beets and sugarcane along with carry-in stocks will not be sufficient to meet domestic use requirements and provide for rebuilding ending stocks to reasonable levels. Additional imported sugar thus will be required, over and above the minimum WTO TRQ import quantities.

2007 Raw Sugar TRQ

USDA today sets the FY 2007 raw sugar TRQ at 1,481,497 STRV, which is 250,000 STRV above the WTO Agreement minimum. Considering the current market situation, increased sugar use and refiners' needs for additional flexibility in acquiring and processing raw sugar, the FY 2007 raw sugar TRQ will be allowed early entry beginning August 7, 2006 and no shipping patterns will be established. Country allocations will be announced subsequently by USTR.

Sugar at Spot Market:

Domestic:

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

Particulars	29-July	22-July	Change
M 30	1905-1935	1885-1930	+5.00
S 30	1890-1920	1870-1915	+5.00
Mill Delivery	1820-1850	1800-1845	+5.00

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

Particulars	29-July	22-July	Change
Khatauli	1950	1935	+15
Morna	1895	1865	+30
Deoband	1940	1925	+15
Nanoata	1890	1865	+25

Jaggery at Spot Market

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

Particulars	29-July	22-July	Change
Raskat	440-465	440-468	-3.00
Chaku	435-500	535-570	-70.00
Shakkar	620-660	650-675	-5.00
Khurpa	NA	NA	-
Laddu	NA	NA	-

International:

International Sugar Situation as on 13 July 2006

London Daily Price W (\$/MT)	24-Jul	25-Jul	26-Jul	27-Jul
Oct-06	451.1	448.5	441.8	438.5
Dec-06	437.9	445.7	439.0	435.6
Mar-07	437.4	431.9	424.7	420.7
New York Spot No.11 (\$/MT)	358.6	356.4	352.3	340.3
Oct-06	343.4	337.5	331.7	325.6
Mar-07	351.6	346.1	340.2	335.2
May-07	349.2	343.7	338.8	334.2
Conversion: Bill				
Selling Rate 1\$ =	46.7	46.8	46.8	46.7

Port Watch (As on 27th July 2006):

Kandla Port is loading 17,500 MT of sugar to Karachi on the vessel 'Zara III'. Eastern agents is will be handling the vessel. 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. 'Ryu Gyong' is expected at Chennai Port to load 12,000 MT of sugar. Albert agents will be handling the vessel.

Weather Impact: (As on 28th July 2006)

The weather remained fine as good monsoon rainfall was received by major sugar cane growing states like UP and Maharashtra. Sugarcane crop has been greatly benefited by this rainfall and traders can expect a good crop harvest this year.

FOREX (As on 28th July 2006):

Foreign Currency	Rs. per unit
1 US \$	46.67
1 Euro	59.49
1 British £	87.01
100 Jap. Yen	40.67

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