

## SUGAR, & JAGGERY

August 21-26, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Market: Weak on Disappeared Demand
- NCDEX Sugar: Testing lowest levels on desperate selling
- NCDEX Gur: Improved on Increased Demand

### Technical Analysis

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

In the week starting from 21<sup>st</sup> August, Sugar futures on the NCDEX continued to exhibit bearish trend due to intense selling pressure. Volume and open interest declined during the week under review in September Contract. DAV remained below the MACD in the negative territory. The %K line ruled below the %D line in the oversold region and came close to it. EMA remained far above the price line hinting weak sentiments in the market. RSI also remained below to its average line. Technically market is weak.



#### Outlook:

Market is expected to exhibit bearish undertone.

#### 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>
September	1810	1790	1860	1870

### Technical Analysis

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

The Gur futures exhibited firm sentiments during the week starting 21<sup>st</sup> August on increased demand. On an average the prices remained in the range of Rs. 523-554. The %K-line moved upward to %D line indicating improved sentiments. DAV also ruled above the MACD and entered in positive territory. RSI also remained above to its average line. Volume remained fluctuating with upward bias while open interest slightly declined as compared to previous week. Market is expected to remain firm in coming week.



#### Outlook:

Improved sentiments are expected to remain 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>
September	535	525	565	575

## Market Commentary

### Domestic:

#### Spot sugar weak on disappeared demand

The physical sugar markets continued its bearish trend, which started as a consequence of the ban on sugar export in early July of this year. In the absence of major demand and amply supply the prices are not getting any chance to see upward movement. In the week under review starting 21st August, it hovered in the range of 1875-1902, 1883-1910 and 1908-1925 at Delhi, Muzaffarnagar and Kolkata, substantially lower from the previous week at these places. The physical market prices are guided by the futures market sentiments, which are exhibiting selling interest, as the sugar scenario at the national and international level is pessimistic due to higher supply and weak demand. The bumper crop harvest prospects, elections in the Uttar Pradesh in early months of the next year, weak international market, no permission for sugar export till next financial year are major reasons for the current down trend in the sugar spot and futures market which are perhaps having long lasting effect. Further, Indian exporters lost the opportunity to get better prices realization by export due to Government decision regarding banning on sugar export. The domestic demand is likely to emanate before the start of the string of holy festivals, which are to be celebrated from October to November this year. Crushing will also start from mid October and last till January, next year. The sugar Industry is expecting sugar prices to retrace back from the present slide after the end of the festivals, as they are very much optimistic about the removal of ban on export after this period. Few Industry officials have also urged the Prime Minister to decontrol sugar immediately and drop the ban order on export of sugar as prices have come down substantially lower and the dealers in sugar business have received heavy losses. The industry has also cautioned that delayed permission in sugar export will enable the major players like Brazil and Thailand to capture the Indian export destinations which in long term may harm Indian Industry interests. Over all, the coming week is going to be different in no way from the trade scenario in the week under review.

#### NCDEX Sugar: Testing lowest levels on desperate selling

The sugar futures at the NCDEX exhibited strong bearish undertone, as majority of the players seemed interested in selling their positions. The prices, which were hovering around 1872-1899, a week earlier slipped down to 1829-1860 in most active September contract during the week under review in the absence of any significant buying

interest. Volume, open interest and traded value in sugar futures has also come down considerably during this week indicating the declining interest of the futures trader in this commodity due to more government intervention. World prices have also seen southward movement both in LIFFE white sugar and New York raw sugar due to speculative selling. The global sugar production is expected to be high in the current season on account of a bumper crop in Brazil. On the other hand India is also expecting the same in the next sugar season, which is starting from October this year. Given the fact that in future the ethanol demand for blending in fuel will rise due to hike in crude oil prices and geopolitical uncertainty in gulf countries, the sugar companies are busy in modernization and expansion of their existing plants for realization of better price from the increased bio-fuel demand. To take a step forward, Bajaj Hindustan, the biggest Indian Sugar Company has plan to invest \$500 million in Brazil to exploit the comparative cost advantage and increase its share in the global ethanol market. Indian sugar industry is expecting good days ahead after the November, as they are optimistic of getting relief in export ban. Further, the 5% blending of ethanol will become mandatory from October, which will also give some support to the industry, which hitherto is passing through a bad phase as far as sugar economics is concerned. The futures market trend for the next week does not seem much enthusiastic and likely to exhibit its current pattern.

#### NCDEX Gur: Improved on Increased Demand

Gur futures at the NCDEX traded with firm sentiments on increased demand. Volume increased while open interest declined as compared to previous week. The September contract hovered in the range of it remained hovering 523-554 during the week. The market is likely to remain firm in the coming week. In the spot market also, prices remained firm on improved demand and "chaku" and "shakkar" were offered at higher prices in Muzaffarnagar mandi. However, recent rains in Gujarat and Rajasthan have adversely affected the supply of Gur from Muzaffarnagar. Further, due to on going electricity problems in the Muzaffarnagar, the gur quality deteriorated in cold storages. The spot market is likely to improve as the conditions normalizes in Gujarat and Rajasthan, as they are the major gur consuming states from Muzaffarnagar.

### News Analysis:

#### Domestic Sugar Industry Eyeing Export from New Season

Domestic sugar industry is anticipating sugar prices to retrace back from the present slide in the new season starting October. Amidst a record harvest outlook, industry is optimistic that the Central Government would lift the presently imposed ban on sugar export till the end of the financial year. According to the president of the Indian Sugar Mills Association (ISMA), this year's production is estimated to reach 230 lakh tonnes and the consumption around 190 lakh tonnes. India has an export obligation of 20 lakh tonnes of sugar, out of which 9 lakh tonnes have already been exported. The industry is optimistic that after the festive season, Government may lift the ban and the

prices may stabilise thereafter. Meanwhile, the Sattur Chamber of Commerce and Industry has urged the Prime Minister to decontrol sugar immediately and drop the ban order on export of sugar. In a letter addressed to the Prime Minister, the Chamber Secretary has pointed out that at a time when the country produced sugar in excess of domestic consumption; the Government has stopped export of sugar and allowed for the import of sugar. As a result, sugar price has come down to Rs 17650 from Rs 21000 per tonne. According to the Chamber Secretary, dealers in sugar business have to meet a huge loss due to the downfall in sugar prices in the recent time. Moreover, the downtrend in the market has also hit sugar production. At

present, first grade cane Jaggery is ruling at Rs 20 per kg, while sugar costs lower at Rs 18 per kg. He has also mentioned that if sugar is decontrolled, there would be a boost in sugar production and a good volume of revenue would be generated from the sugar sector. The Chamber Secretary has also cautioned that any failure to decontrol the domestic sugar industry would enable Thailand and Brazil to enter the market affecting the interest of the Indian sugar industry.

#### Bajaj Hindustan: Plan to Invest in Brazil

The India's biggest sugar company is planning to exploit the opportunities in the Brazil, which is the largest sugar producer in the world. This group plans to invest about \$500 million in Brazil. The company intends to acquire mills in South America to increase its sugar and ethanol base to meet the future demand in the world market.

#### Sugar Consumption Declines in Bangladesh

Due to high sugar prices in the recent months, the sugar consumption has reduced significantly. The sugar prices increased to the level of Tk 70/kg during last few months from Tk 30, causing a lot of problems to the country people. But due to reduction in the import tariff, the prices declined to the level of Tk 46 during recent past. The common man believe that during the coming Holy month Ramzan, the prices may again shoot up as the think that certain syndicate is active in sugar business which can take benefit of the increased demand during the month of Ramzan.

#### Sugar at Spot Market:

##### Domestic:

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

Particulars	26-August	19-August	Change
M 30	1805-1875	1840-1900	-25
S 30	1800-1860	1825-1885	-25
Mill Delivery	1730-1790	1755-1815	-25

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

Particulars	26-August	19-August	Change
Khatauli	1890	1925	-35
Deoband	1885	1915	-30
Nanoata	1820	1865	-45

#### Jaggery at Spot Market

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

Particulars	26-August	19-August	Change
Raskat	430-450	420-450	-
Chaku	515-565	510-555	+10
Shakkar	580-620	600	+20

#### International:

#### International Sugar Situation as on 26<sup>th</sup> August 2006

London Daily Price W (\$/MT)	18-Aug	21-Aug	23-Aug	24-Aug
Oct-06	383.0	378.0	387.0	383.6
Dec-06	382.0	377.0	385.6	383.1
Mar-07	368.5	363.5	370.5	368.0
New York Spot No.11 (\$/MT)	279.5	280.6	288.5	288.1
Oct-06	268.5	267.6	273.5	271.1
Mar-07	283.0	282.6	289.0	288.3
May-07	286.8	287.0	292.9	292.1

#### Port Watch (As on 25<sup>th</sup> August 2006):

'Han Zhong Men' has berthed at Kandla Port and continues to load 17,000 MT of sugar to Karachi. Eastern agents is handling the vessel. 'Al Jaber' is expected at Kandla Port to load 15,000 MT of sugar to Karachi. Tristar agents will be handling the vessel.

#### Weather Impact: (As on 26<sup>th</sup> August 2006)

##### Zone-wise weather forecast

NORTH & NORTH-WEST INDIA [J&K, HP, UTTRANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]: Isolated to scattered rainfall is likely over the region.

EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]: Widespread rainfall with isolated heavy fall is likely over Orissa Gangetic West Bengal and Jharkhand during next 2 days. Bihar and East U.P may likely to experience scattered to fairly widespread rainfall during next 3-4 days. Scattered to fairly widespread rainfall is likely over NE States during next 4-5 days.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]: widespread rainfall with isolated heavy to very heavy rains is likely over Chhattisgarh and Madhya Pradesh during 29-31 August. Scattered to fairly widespread rains is expected over Vidharbha during next 4-5 days.

SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP] · Rainfall activities over Coastal A.P. Telangana, Karnataka and Kerala are likely to increase after 24 hrs. · Isolated rainfall is likely over Rayalseema and Tamilnadu during next 4-5 days.

WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]: Ongoing fairly widespread rainfall activities over Konkan & Goa is likely to continue. · Scattered rainfall is likely over Marathwara and Madhya Maharashtra. Rainfall activity over Rajasthan and Gujarat may increase after 3-4 days.

#### FOREX (As on 26<sup>th</sup> August 2006):

Foreign Currency	Rs. per unit
1 US \$	46.42
1 Euro	59.20
1 British £	87.62
100 Jap. Yen	39.58

#### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at

<http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.