

## SUGAR, & JAGGERY

31<sup>st</sup> July-05<sup>th</sup> August, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Market: Sugar Firm on Stable Demand
- NCDEX Sugar: Volatile on Government Move
- NCDEX Gur: Mixed Sentiments

### Technical Analysis

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

In the week starting from 31<sup>st</sup> July, Sugar futures on the NCDEX stayed range bound, amidst volatile trade during some days. The candlestick pattern exhibits volatility on higher side on two days due to Government announcement on export relaxation. Volume saw large fluctuation while open interest declined during the week under review in August Contract. DAV remained below the MACD in the positive territory bearish sentiments. The %K line further moved down ward after making a bearish crossover to %D line. EMA remained above the price line suggesting weakness in the market. RSI also remained below to its average line. Sugar technical indicators hints towards weak market sentiments in near future.



#### Outlook:

Market is 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>
September	1907	1893	1925	1932

### Technical Analysis

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

The Gur futures exhibited mixed sentiments during the week under review. On an average the prices remained in the range of Rs. 535-542. The %K-line remained above the %D line indicating slight bullish sentiments. DAV ruled above the MACD in the negative territory. RSI remained in neutral zone above its average line. Volume fluctuated significantly while open interest slightly declined Technical hints towards steady sentiments with slight bullish undertone.



#### Outlook:

Indicators suggests towards firm sentiments in the Gur futures market.

#### 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	536	530	550	560

## Market Commentary

### Domestic:

#### Domestic Market: Firm on Stable Demand

The spot sugar market remained largely firm as against previous week amidst good trading activities at the major mandis of northern India due to ongoing festival season. The sugar spot prices were offered in the range of Rs.1925-1928 and Rs. 1944-1952 per quintal at Delhi and Muzaffarnagar in the week starting July31, which are significantly higher as compared to the previous week levels in these mandis. However, at Kolkata mandi the prices hovered in the range of Rs.1950-1962 per quintal due to weak demand. The Government has released 13 lakh tonnes of sugar as non-levy quota for the month of August, 2006. With a levy quota of 1.65 lakh tonnes released already for distribution in the Public Distribution System, the total sugar available in the month of August 2006 is 14.65 lakh tonnes. Traders believe that the allotted quantity seems to be more than enough to meet the festive and normal demand of the current month. Thus the spot prices are expected to remain in the current price range with no major deviation from it. In another significant move, the Cabinet Committee on Economic Affairs on Thursday fixed the Statutory Minimum Price (SMP) of sugarcane for the 2006-2007 sugar season at Rs.80.25 quintal for a basic recovery rate of 9 per cent subject to a premium of Rs.0.90 for every 0.1 percentage point increase in the recovery above that level. The SMP of sugarcane is fixed on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP). The announced SMP is just 0.94% higher than the previous year SMP which was Rs.79.50/qlt. It is to be learnt that Mills in Uttar Pradesh paid over Rs.130-140/quintal for cane to farmers in the current marketing year (October 05-September 06) along with the incentives like free seeds and fertilizers etc. Mills are expending their crushing capacity and some new mills are being set up, there is a clamor for sugarcane, which will result in to higher prices to be paid to the farmers than the government set-SMP. India's sugar output in the next marketing year is projected at 22-23 million tons up from around 19.4 million tons in 2005-06.

#### NCDEX Sugar: Remained Volatile on Government Move

The sugar futures at the NCDEX exhibited a range bound trade amidst hopes and disappointment on the Government statements and notifications which made it volatile time to time leading to abrupt rise in prices which could not sustain on that levels due to profit booking and again returned to their average range, but at the same time made the market more volatile. The most active August contract remained in the range of 1935-1945 but soured to the level of 1968 on 31 July, on the press release of the Government that sugar stock which was taken out of sugar mills before June 22,

### News Analysis:

#### Govt Releases 13 Lt of Sugar as Non-levy for August

The Government has released 13 lakh tonnes of sugar as non-levy quota for the month of August, 2006. With a levy quota of 1.65 lakh tonnes released already for distribution in the Public Distribution System, the total sugar available in the month of August 2006 is 14.65 lakh tonnes. The non-

2006 and which is in transit will be allowed to be exported. Then on 02nd August the free sale quota for this month was released which lasted some bearish impact on the futures market. Again on 03rd August, market became bullish for few minutes on a notification released by Directorate General of Foreign Trade (DGFT) stating that sugar export will only be allowed in specifically permitted cases by DGFT. Other conditions remain same i.e. the sugar export is still prohibited and only in few cases permission will be granted by the DGFT. When the market understood the meaning of the notification, it again came in the bearish mood and traded at the levels mentioned above. No further significant price rise is expected as the current allotment of free sale quota is sufficient enough, further, September free sale quota is also about 15 lakh tons, the domestic demand is more or less same, export is permitted partially, bumper crop harvest is expected, crushing season is coming nearer and Government is in no mood to bless the sugar traders in the ongoing monsoon session as sugar comes under essential commodities and any significant price rise may create great trouble to the Government. At the international level, Brazil's July ethanol exports topped 500 million liters, more than double the volume shipped abroad in the same month a year ago. The Brazilian local traders and analysts in recent weeks have talked about fierce U.S. demand for Brazilian ethanol this season due to the U.S. elimination of the gasoline additive methyl tertiary butyl ether, or MTBE, a known groundwater contaminant. Adding to the demand, U.S. gasoline consumption generally jumps in the months of June, July and August as the country's summer driving season gets underway. The Liffe October white sugar down by 2.1 % on Wednesday owing to speculative selling prompted by a drop to a seven-month low in Nybot world raw sugar futures and some origin selling. Prices dropped in both the Liffe and Nybot sugar markets despite strong crude oil prices. Crude oil strength is seen encouraging more ethanol production from Brazil's sugar cane crop. However, fresh sugar supplies from Brazil's harvest continue to make their way into the world pipeline.

#### NCDEX Gur: Bearish Sentiments

Gur futures at the NCDEX traded with mixed sentiments with bullish undertone on steady demand. Volume largely fluctuated and open interest showed declining trend. The August contract hovered in the range of it remained hovering 535-542 at most of the time. Firm sentiments are expected in the coming week on good demand.

levy sugar released is required to be sold within the month and any unsold quantity at the end of the month would be converted into levy sugar. With enough stocks in hand, the Government would not hesitate in releasing further quantities in case prices tend to increase.

### Govt to Allow Export of Sugar Stocks in Transit

A press release issued by the Ministry of Consumer Affairs, explained that the sugar stock, which was taken out of sugar, mills before June 22, 2006 and which is in transit will be allowed to be exported. The production of sugar during the sugar year 2004-05(October-September) is estimated at 130 lakh tonnes. Government has issued a notification on June 23, 2006 allowing import of refined sugar at zero duty without quantitative restrictions. Export of white sugar from the country has been banned to augment better availability.

### DGFT issues Notification on Export Relaxation

A notification no.25 (RE-06)/2004-2009 dated 2nd August 2006 regarding amendment in sugar export was issued by DGFT. The notification explains that the sugar export will still remain prohibited "Unless specifically permitted for export by DGFT". It means that exporters would be allowed to honour only those export deals, which had been contracted before June 22, when the government announced the ban on export of essential commodities, including sugar, wheat and pulses.

### SMP of Sugarcane for 2006-07 Approved

The Cabinet Committee on Economic Affairs on Thursday fixed the Statutory Minimum Price of sugarcane for the 2006-2007 sugar season at Rs.80.25 quintal for a basic recovery rate of 9 per cent subject to a premium of Rs.0.90 for every 0.1 percentage point increase in the recovery above that level.

### Sugar at Spot Market:

#### Domestic:

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

Particulars	05-August	29-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	05-August	29-July	Change
Khatauli	1945	1950	-5
Morna	1900	1895	+5
Deoband	1935	1940	-5
Nanoata	1890	1890	-

### Jaggery at Spot Market

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

Particulars	05-August	29-July	Change
Raskat	440-470	440-465	+5
Chaku	530-565	435-500	+65
Shakkar	620-665	620-660	+5
Khurpa	NA	NA	-
Laddu	NA	NA	-

### International:

#### International Sugar Situation as on 04<sup>th</sup> August 2006

London Daily Price W (\$/MT)	31-Jul	01-Aug	02-Aug	03-Aug
Oct-06	439.5	441.7	432.5	432.6
Dec-06	437.2	437.8	428.1	429.2
Mar-07	422.6	420.5	408.1	408.6
New York Spot No.11 (\$/MT)	343.0	341.0	333.3	328.0
Oct-06	328.7	328.4	320.3	314.8
Mar-07	338.6	338.6	331.3	326.0
May-07	338.4	338.8	331.3	325.8

### Port Watch (As on 04<sup>th</sup> August 2006):

'Ryu Gyong' has berthed at Chennai Port and continues to load 12,000 MT of sugar. Albert 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 04<sup>th</sup> August 2006)

Heavy rainfall is likely at a few places over Telangana, Vidrabha and Marathawada. Isolated heavy rainfall also likely over Madhya Maharashtra, Konkan, north Coastal Andhra Pradesh, south Chhattisgarh and Jammu division of Jammu & Kashmir. Weather has been good enough so far for the sugarcane crop as it has received enough water during the ongoing monsoon showers.

### FOREX (As on 04<sup>th</sup> August 2006):

Foreign Currency	Rs. per unit
1 US \$	46.51
1 Euro	59.96
1 British £	88.81
100 Jap. Yen	40.70

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