

SUGAR, & JAGGERY

August 14-19, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Market: Spot Sugar Weak on Flat Demand
- NCDEX Sugar: Stays Strongly Bearish
- NCDEX Gur: Weak on Lower Demand

Technical Analysis

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

In the week starting from 14th August, Sugar futures on the NCDEX exhibited slight volatile trade with overall bearish undertone. The candlestick patterns reflect a continued downtrend in sugar futures. Volume increased while 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 moved parallel to it. EMA remained above the price line hinting weak sentiments in the market. RSI also remained below to its average line. Technically market is weak but the contract is now in oversold region, some due corrections cannot be overruled.



Outlook:

Market is likely to remain bearish in the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
September	1860	1850	1895	1915

Technical Analysis

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

The Gur futures exhibited steady sentiments during the week starting 14th August. On an average the prices remained in the range of Rs. 526-535.8. The %K-line moved parallel to %D line indicating steady sentiments, however it remained above to it. DAV also ruled along the MACD in the negative territory. RSI also remained flat and hovered near to its average line. Volume and open interest increased as compared to previous week. Market is expected to remain stable with slight bearish undertone.



Outlook:

Indicators suggests towards steady sentiments with bearish undertone in the Gur futures market.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
September	515	510	535	540

Market Commentary

Domestic:

Spot Sugar: Weak on Flat Demand

The domestic sugar markets exhibited bearish sentiments due to flat demand as the major national and religious festivals ended in the week under review starting 14th August. Thus, the festive demand is over and the sugar domestic market is now meeting only the day-to-day consumption demand. The retailers appear in no mood to make even very little stockpile amidst continuous downfall in the sugar prices. The data reveal this picture more clearly. The sugar spot prices, which were hovering at around Rs. 1932, 1937 and 1972 at Delhi, Muzaffarnagar and Kolkata before the imposition of ban on sugar export on 4th July, came down substantially at Rs. 1907, 1916 and 1930 respectively at these places. The decision of ban was taken to curb the spiraling prices of essential commodity at that time by the Central Government and it succeeded in its attempt but the traders became hopeless who were rather bullish on the firm global market prices. The downtrend is continuing with little chance of reversal under present circumstances. The bulk demand will only appear in the late September and early October to meet the festive demand of "Deepawali". Before that period no major increase in demand is expected. The production prospects are bright; the Uttar Pradesh, which is main sugarcane producing state, will witness Assembly Election in the early months of the next year. To take advantage of elections, the strong sugarcane growers lobby in the western Uttar Pradesh may pressurize the state government for better return of their produce. Since sugarcane is a politically sensitive commodity, the mills will have immense pressure to offer attractive prices than they can afford in the light of the falling domestic and international sugar prices and their enhanced crushing capacity. The sugar companies will find it difficult to offer the desired cane prices if international prices continue its downtrend, as export will become less attractive to them. Further, it appears that the Government will allow the sugar export only after the "Deepawali" festival to avoid the price rise in this essential commodity. Thus the prices are likely to remain weak in the coming days. Sugar industry is having some hope of getting benefit as the 5% blending of ethanol may become mandatory for auto-fuel across the country from October 1. Sugar industry estimates forecast for a surplus of the ethanol stock of 680 million tons after meeting out all the user industry demand in the sugar year 2006-07 (October -September). The

settlement price negotiation is going on between sugar industry and petroleum industry.

NCDEX Sugar: Stays Strongly Bearish

The futures trade on the expectation and sentiments; the sugar futures is trading with a strong bearish undertone these days as there appears no reason to become bullish in this sector right now. The world sugar prices are moving southwards due to lower demand and the higher world output production estimates. The LIFFE white sugar contracts and New York raw sugar contracts are trading at lower levels and the trend is continuing. The Brazilian sugar and ethanol market is also trading with weak sentiments as the big companies, which hoarded the stock earlier, are finding it difficult to offload their stock at the current low prices and demand. The neighbor country Pakistan is also suffering from the problem of plenty as the private millers and importers finding it difficult to sell their stock till mid November because the Trading Corporation of Pakistan is preparing to bring significant part of its buffer stock in the market to maintain the prices. In these circumstances, the crushing may get delayed in Pakistan and the farmers may face problems in disposing off their produce at reasonable prices as the countries like India where crushing starts around mid October will have significant impact on prices. The current international scenario, the present spot market condition and the discouraging domestic future conditions in sugar sector have greatly affected the sugar futures sentiments. The futures at NCDEX traded between (Rs/qttl) 1872-1899 during the week, which was trading on 1890-1925 levels a week earlier. The August contract ended on 18th of August and squaring off in this contract added to the bearish sentiments of the futures. The bearish trend is expected to continue in coming days also, until and unless some positive news breaks this trend, which is hardly expected.

NCDEX Gur: Weak on Lower Demand

Gur futures at the NCDEX traded steady with bearish sentiments on weak demand. Volume and open interest increased as compared to previous week. The September contract hovered in the range of it remained hovering 526-535.8 during the week. The demand will remain more or less steady with no major change from the previous week.

News Analysis:

Pakistan May Witness Delayed Crushing

Sugar Industry of Pakistan fears delay in crushing if the Trading Corporation of Pakistan (TCP) continues to release sugar from its buffer stock in the open market to keep prices in check. It is to be learnt that the Pakistan Industry is currently having a stock of about 800,000 tonnes and about 150,000 tons is with commercial importers. On the other hand the TCP is also having a buffer stock of about 800,000 tonnes and it releases about 50,000 tonnes of sugar monthly. Any increase in the released quantity by the TCP will add to the woes of the sugar industry, as it would find it difficult to dispose off the stock before the new crushing season, which is normally started by mid

November. Under such circumstance, the crushing will get delayed by 31 December. India is expecting a bumper crop in the new sugar year, which will start by October this year. The more production will further bring down the sugar prices, which in turn will also affect the Pakistan Industry. The Brazil is also having difficulties in disposing off its ethanol stock. Under such circumstances, the farmers will face a problem in disposing off their produce at reasonable prices. Therefore, the industry people have urged the timely start of crushing season and conveyed their request that TCP must hold stocks as buffer stocks instead of disposing of them now and so as to avoid putting the industry, importers and growers in trouble.

More Supply Adversely affects Brazil Market

The Brazil sugar and ethanol prices have weakened due to global downtrend in the sugar prices. The LIFFE white sugar and the New York raw sugar prices have gone down considerably, consequently affecting the Brazilian sugar and ethanol market, which have also dropped down. Analysts in Brazil believe that enough sugar is available in world market and the market is waiting for buyers, as there is very little demand. However, the worst sufferers are the big companies who hoarded the sugar in the expectation that the prices will rise significantly. These companies are getting trouble in disposing off their sugar. The traders in Brazil believe that the situation will improve around January to April, which is the inter-harvest period for sugarcane in Brazil.

Sugar at Spot Market:

Domestic:

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

Particulars	19-August	12-August	Change
M 30	1840-1890	1855-1905	-5
S 30	1825-1885	1840-1890	-5
Mill Delivery	1755-1815	1770-1820	-5

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

Particulars	19-August	12-August	Change
Khatauli	1925	1930	-5
Deoband	1915	1920	-5
Nanoata	1865	1870	-5

Jaggery at Spot Market

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

Particulars	19-August	12-August	Change
Raskat	420-450	440-470	-20
Chaku	510-555	530-565	-10
Shakkar	600	620-665	-65

International:

International Sugar Situation as on 11th August 2006

London Daily Price W (\$/MT)	11-Aug	15-Aug	16-Aug	17-Aug
Oct-06	409.0	384.0	390.5	380.0
Dec-06	409.0	383.5	388.9	378.8
Mar-07	390.5	365.5	372.0	365.5
New York Spot No.11 (\$/MT)	305.5	289.9	294.5	281.9
Oct-06	294.5	281.9	278.8	268.9
Mar-07	308.6	296.3	293.6	283.5
May-07	310.8	300.0	296.7	286.8

Port Watch (As on 18th August 2006):

'Marine Blue' is expected at Kandla Port to load 16,000 MT of SBM to Vietnam. Another vessel, 'Be Gae Bong' is also expected at the port to load 8,000 MT of SBM to Vietnam. Shantilal agents will be handling these vessels. The port is expecting 'Young Xiang 9' to load 10,300 MT of SBM to Vietnam. The vessel will be handled by Seaworld agents.

Weather Impact: (As on 18th August 2006)

Zone-wise weather forecast

NORTH & NORTH-WEST INDIA

J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP] J&K, Himachal Pradesh and Uttaranchal are likely to experience scattered during 23-26 August 06. Isolated to scattered rains over the region during next 3-4 days.

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 48 hrs. Scattered to fairly widespread rainfall is likely over NE States.

CENTRAL INDIA

[MP, CHATTISGARH, VIDARBHA]

Fairly widespread to widespread rainfall with isolated very heavy rains are likely over Chattisgarh during next 24-48 Hrs.

SOUTH INDIA

[TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]

Scattered to fairly widespread rainfall is likely over Coastal Karnataka and north interior Karnataka during next 48 Hrs. Scattered over Coastal Andhra Pradesh, Telangana during next 2-3 day. Ongoing rainfall activities over Kerala are likely to continue during next 3-4 days. Isolated rainfall is likely over Rayalseema and Tamilnadu during next 4-5 days.

WEST INDIA

[MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]

Fairly widespread to widespread with isolated heavy rainfall are likely over Rajasthan, north Gujarat and Konkan & Goa during next 24-36 Hrs. Scattered rainfall is likely over Marathwara and Madhya Maharashtra and during next 2-3

FOREX (As on 18th August 2006):

Foreign Currency	Rs. per unit
1 US \$	46.47
1 Euro	59.53
1 British £	87.39
100 Jap. Yen	40.13

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