

SUGAR, & JAGGERY

August 07-12, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Market: Sugar Weak as Festive Demand Eases
- NCDEX Sugar: Export Hopes Crushed
- NCDEX Gur: Steady on Range Bound Trade

Technical Analysis

Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: September 2006

In the week starting from 07th August, Sugar futures on the NCDEX exhibited weak sentiments. The candlestick pattern reflected bearish sentiments. Volume declined while open interest slightly increased during the week under review in September Contract. DAV remained below the MACD in the negative territory. The %K line remained below the %D line in the oversold region. 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, but some technical correction may take place as it has already reached the oversold region.



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	1875	1865	1915	1922

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: September 2006

The Gur futures exhibited steady sentiments during the week under review. On an average the prices remained in the range of Rs. 527-536. The %K-line moved parallel to %D line indicating steady sentiments. 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 remained low as compared to previous week. Technical hints towards steady sentiments with bearish undertone.



Outlook:

Indicators suggests towards steady sentiments in the Gur futures market.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
September	520	515	537	543

Market Commentary

Domestic:

Domestic Market: Sugar Weak as Festive Demand Eases

The spot sugar markets exhibited lacklustre trade on meagre demand, as with the end of the religious festival "Raksha Bandhan", the bulk festive demand of sugar came to halt in the week under review starting 07 August. The average spot prices, which were hitherto ruling at Rs. 1927, 1946 and 1955 at Delhi, Muzaffarnagar and Kolkata mandis till last week, came down substantially to the level of Rs. 1922, 1932 and 1947 respectively at these places. Traders say that the demand is stable and the declining spot prices are partially guided by the futures bearish sentiments. Further, the market also remains closed on the national and religious holidays and the trading activities slowdown on these days. The mills therefore, offload the stock at comparatively lower prices ahead of these holidays so as to avoid problem of plenty in the last days of the months. This is also one of the major reasons of the declining spot prices. The demand is expected to remain stable in the near future. The sugarcane-growing region of the country has received good monsoon shower till now which has enhanced the good production prospects. Most of the sugar mills are expending their crushing capacity to take advantage of the sugar export as the demand across the globe is expected to remain good amidst tight global production. Indian exporters are eyeing on the Government to grant permission for the same with the start of the next sugar-marketing season starting from the October 2006.

NCDEX Sugar: Export Hopes Crushed

The sugar futures market went in deep depression as traders lost all the hopes of taking advantage of the current global demand and prices through sugar export, with the notification of the DGFT regarding permission to only cases specific sugar exports. Their despair is now reflected in the futures market prices, which continued to trade bearish after this decision. At the NCDEX, in the most active September sugar contract, the average futures prices (Rs/quintal) came down between 1906-1917 this week, as against 1936-1955 during last week. However, volume and open interest slightly increased. The futures is likely to

exhibit same trend in the coming days as well, because spot market will not receive any significant demand due to end of the major religious festival. On 8th August, the Directorate General of Foreign Trade (DGFT) in its notification announced to lift the restriction on sugar export to Bhutan, which was earlier imposed by a notification in this regard on 04 July 2006. This notification is not going to give any significant relief to the sugar exporters. The September free sale quota is also about 15 lakh tons, sufficient for the domestic demand. The September futures prices are unlikely to see major up trend under these circumstances until some favourable news on the part of Government of India comes in. However, from October onwards, the record harvest may compel Government to lift the ban on overseas shipments of sugar and the export quantity may rise up to three times in the light of the world demand. At the same time, it is also worth mentioning that the weather has been good enough in the other south East Asian countries and the good crop harvest prospects in the importing countries have spread a little nervousness among the sugar exporters. The major importing countries like Indonesia, Vietnam and Pakistan have hinted to import less sugar due to their increased production estimates. The global sugar prices have fallen in these days primarily because of increased global sugar supplies as farmers from Brazil to Russia increased plantings to benefit from high prices. In the Brazil the cane-derived ethanol stock have increased substantially and caused storage problems also. Infact, the falling sugar market price have encouraged the Brazilians to produce ethanol rather than sugar.

NCDEX Gur: Weak on Lower Demand

Gur futures at the NCDEX traded with steady sentiments with slight bearish undertone on steady demand. Volume largely fluctuated and open interest showed declining trend. The September contract hovered in the range of it remained hovering 527-536 at most of the time. The demand is expected to remain steady in the coming week.

News Analysis:

2006 sugar output to be more than forecast - ISO

According to the International Sugar Organization, the World sugar production is forecasted to be higher this year due to favourable weather conditions in the Indian sugarcane growing areas. Global output is estimated at 150.6 million metric tons in the 12 months through Sept. 30, up from a May estimate of 149.2 million tons and exceeding demand of 149.7 million tons. Due to previous years shortfall, the world sugar prices have been attractive to the traders. It was traded 52 percent high in London in the last one year. The Indian sugar production this year is also expected at 19.4 million tons, up from a May estimate of about 19 million tons. The prices may sustain as dry weather damages the cane crop in Brazil, the world's biggest grower.

USDA Projected 2006/07 U.S. Sugar estimates

Sugar supply is increased 630,000 tons, raw value, from last month, due to higher beginning stocks and imports. Imports are increased 480,000 tons based on increased tariff rate quota (TRQ) imports; high-tier imports are reduced 50,000 tons. The TRQ increase is based on USDA's July 27, 2006, announcement of sugar program provisions. Sugar use is unchanged. For 2005/06, total supply is increased 150,000 tons. Production is reduced 31,000 tons based on processor estimates compiled by the Farm Service Agency. Additional imports under the TRQ are increased 105,000 tons, comprising 70,000 tons of the announced global refined sugar TRQ, 25,000 tons of the 2006/07 raw sugar TRQ, and 10,000 tons of specialty sugar. High-tier sugar imports are increased 75,000 tons, as most of the increase has already entered. Sugar use is unchanged.

Vietnam: No Sugar imports for remainder of the year

According to the Vietnam Government, it will not import additional sugar in the second half of 2006. The country is having enough stock of about 500,000 tonnes of sugar, to meet the domestic requirement for the rest of the year. Domestic sugar producers expect to increase output in the 2006-07 sugarcane crop to 1.25 million tonnes and acreage under cultivation with sugarcane nationwide to 290,000 hectares, 25,000 hectares more than in the 2005-2006 crop.

Sugar at Spot Market:

Domestic:

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

Particulars	12-August	05-August	Change
M 30	1855-1895	1885-1935	-40
S 30	1840-1880	1870-1920	-40
Mill Delivery	1770-1810	1800-1850	-40

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

Particulars	12-August	05-August	Change
Khatauli	1930	1945	-15
Morna	1880	1900	-20
Deoband	1920	1935	-15
Nanoata	1870	1890	-20

Jaggery at Spot Market

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

Particulars	12-August	05-August	Change
Raskat	440-470	440-465	+5
Chaku	530-565	435-500	+65
Shakkar	620-665	620-660	+5

International:

International Sugar Situation as on 11th August 2006

London Daily Price W (\$/MT)	07-Aug	08-Aug	09-Aug	10-Aug
Oct-06	431.0	426.2	425.9	419.0
Dec-06	427.0	422.8	423.9	420.0
Mar-07	406.0	402.0	401.9	399.5
New York Spot No.11 (\$/MT)	329.3	317.4	324.8	316.8
Oct-06	314.6	308.4	309.5	306.2
Mar-07	326.7	319.6	321.8	319.4
May-07	327.3	320.9	324.9	321.6

Port Watch (As on 11th August 2006):

'Han Zhong Men' is expected at Kandla Port to load 17,000 MT of sugar to Karachi. Eastern agents will be 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 12th August 2006)

Zone-wise weather forecast

NORTH & NORTH-WEST INDIA: Isolated rainfall is likely over Punjab, Uttaranchal, Haryana and west U.P. during next 48 Hrs. The region is likely to experience scattered to fairly widespread rains during 14-16 August 06 except west U.P. where it is likely to be scattered.

EAST AND NE INDIA: Fairly wide spread to widespread rainfall with isolated heavy to very rains is likely over Orissa, Jharkhand and Gangetic West Bengal during 2-3 days. East UP and Bihar is likely to receive scattered rainfall during next 2 days and increase thereafter.

CENTRAL INDIA: Ongoing scattered rainfall activity is likely during next 2 days **then it may increase from 14th Aug.**

SOUTH INDIA: Fairly widespread rain with isolated heavy falls is likely over Karnataka and scattered to fairly wide spread rains over Andhra Pradesh during next 48 Hrs. Coastal A.P. is expected to have fairly widespread to widespread rains during next 2-3 days. Ongoing rainfall activities over Kerala are likely to enhance from 14 August, 06 Isolated to scattered rainfall is likely over Tamilnadu during 4-5 days.

WEST INDIA: Fairly widespread with isolated heavy rainfall over Konkan & Goa may continue to occur during next 2 days and then reduce. The region is likely to receive increased rainfall from 15 August. Rainfall activities over Gujarat, East Rajasthan, Marathwada and Madhya Maharashtra are likely to continue for next 24-48 Hrs. and reduce thereafter. Rainfall is again expected to increase from 15 August. West Rajasthan may experience scattered rains in next 24-36 Hrs.

FOREX (As on 12th August 2006):

Foreign Currency	Rs. per unit
1 US \$	46.50
1 Euro	59.17
1 British £	88.13
100 Jap. Yen	39.98

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