

## SUGAR, & JAGGERY

28 August -02 September, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Market: Weak on Subdued Demand
- NCDEX Sugar: September Quota Release made Bearish Impact
- NCDEX Gur: Exhibited Volatile Trade

### Technical Analysis

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

In the week starting from 28<sup>th</sup> August, Sugar futures on the NCDEX continued to exhibit bearish trend due to lack of demand in the spot and futures market. In the September contract volume and open interest remained hovering in the previous week range. Stochastic exhibited bearish undertone and remained in the oversold region. Prices on all days closed far below the EMA. MACD also exhibited bearish sentiments while hovering in the negative territory. Technicals hint towards weakness to continue.



#### 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	1770	1755	1830	1840

### Technical Analysis

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

The Gur futures exhibited volatile trade during the week starting 28<sup>th</sup> August on Speculative trading. On an average the prices remained in the range of Rs. 537-554. Stochastic exhibited bearish sign while, remaining in neutral region. MACD remains in positive territory and hints towards some firmness in near future. Volume fluctuated while open interest slightly declined as compared to the previous week. Market is expected to remain volatile with slight bearish undertone.



#### Outlook:

Volatile with slight 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	535	525	565	575

## Market Commentary

### Domestic:

#### Spot prices Weak on September Quota Release

The spot sugar market exhibited bearish sentiments amidst moderate demand and comfortable supply scenario in the country. The September quota (14 lakh tons non levy + 1.77 lakh tons levy = total 15.77 lakh tons) has been released by the Government on 1<sup>st</sup> September disproving the rumour that there will be significant slash in the September quota quantity keeping in mind that prices have gone down substantially. But the Government knows it well that before the festival of Deepawali any kind of relaxation in the quantity or export might again inflate the prices of essential commodities. Price scenario will not change much due to the quantity released for the September, as it is sufficient enough to meet the normal as well as the upcoming festive demand. In the light of the coming crushing season, bumper crop harvest prospects, global weak sentiments in sugar sector and strict monitoring of the Government on the prices of the essential commodities besides ban on export would not make it feasible to make any significant upward movement. Thus, the prices will remain hovering in its current range or even may see downward movement. The physical prices this week were around Rs. 1850-1880 per quintal as compared to Rs. 1768 per quintal for the October contract of white sugar on the LIFFE. So, even if the export ban is lifted with immediate effect, Indian exporter will not be able to take advantage of the situation. The opportunity has been lost and they will have to wait and watch the prices to improve in future. On the domestic front, festive demand is seen mid September onwards, and only then can traders expect physical and futures prices to gain. While the current domestic supply scenario is comfortable, the forthcoming elections in Uttar Pradesh could affect sentiments. Crushing season is seen starting from late October/early November.

### News Analysis:

#### September Free Sale Quota Released

The Government has released 14 lakh tonnes of sugar as non-levy quota for the month of September 2006. With a levy quota of 1.77 lakh tonnes released already for distribution in the Public Distribution System, the total sugar available in the month of September 2006 is 15.77 lakh tonnes. The non-levy sugar released for September 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.

#### Two more mills in Sindh Province in Pakistan

According to the Pakistan newspaper "Dawn", the Sindh government has approved for the setting up of the two new sugar mills at Ghotki and Nausharoferoze. It is argued that the growers would be benefited in the area as the monopoly of the other mills will break and the farmers will get the remunerative prices. Further, it would also help curbing the artificial sugar shortage created by the existing mills some time back.

#### NCDEX Sugar: Endless Downward Journey Continues

Sugar futures at the NCDEX continues to exhibit downtrend in the absence of any buying support in all the sugar futures. Perhaps the traders have assessed the severity of the situation in sugar sector. Almost every day, sugar futures are witnessing the contract lowest prices due to intense selling pressure. The prices, which were hovering around 1873-1812, a week earlier slipped down to 1802-1837 in most active September contract during the week under review. Volume and open interest also declined. International prices have also eased due to speculative selling and good crop harvest prospects in India and Brazil. The domestic futures market will continue to witness southward movement in coming days also. However, small corrections can also be visualized some time. But largely futures will remain Bearish.

#### NCDEX Gur: Remained Volatile on Speculative Trading

Gur futures at the NCDEX traded with mixed sentiments due to volatility in demand. Volume fluctuated while open interest declined as compared to previous week. The September contract hovered in the range 537-554 during the week. The spot prices of Raskat did not change much while the "Chaku" prices declined on weak demand in Muzaffarnagar mandi. However, Shakkar prices improved considerably. The new season is going to start in mid October and the futures and spot prices may witness a temporary phase of artificial increase in prices because of price distortion by certain gur traders. The futures players should trade with cautious while assessing the spot market conditions properly.

### Sugar at Spot Market:

#### Domestic:

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

Particulars	02-September	26-August	Change
M 30	1785-1870	1805-1875	-5
S 30	1770-1855	1800-1860	-5
Mill Delivery	1700-1785	1730-1790	-5

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

Particulars	02-September	26-August	Change
Khatauli	1890	1890	-
Deoband	1880	1885	-5
Nanoata	1805	1820	-15

## Jaggery at Spot Market

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

Particulars	02-September	26-August	Change
Raskat	435-450	430-450	-
Chaku	515-550	515-565	-15
Shakkar	625-660	580-620	+40

### International:

#### International Sugar Situation as on 31<sup>st</sup> August 2006

London Daily Price W (\$/MT)	25-Aug	29-Aug	30-Aug	31-Aug
Oct-06	386.0	377.0	368.0	380.0
Dec-06	384.6	374.0	363.3	373.6
Mar-07	370.6	359.9	349.8	359.5
New York Spot No.11 (\$/MT)	-	278.4	268.0	268.0
Oct-06	265.8	261.9	253.9	260.1
Mar-07	281.0	279.5	272.4	279.9
May-07	285.7	285.9	280.6	288.1

### Port Watch (As on 01<sup>st</sup> September 2006):

'Raban I' 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 02<sup>nd</sup> September 2006)

#### Zone-wise weather forecast

NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]: Hilly regions of NW India viz. J&K, H.P. and Uttaranchal are likely to receive fairly widespread rains during next 24-36 Hrs, then scattered to fairly widespread during 5-6 Sept. Rest of the region is expected to receive isolated rains.

EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES: Orissa and Gangetic west Bengal are likely to receive widespread rain with isolated heavy falls during next few days. Jharkhand may experience scattered to fairly widespread rains around 5 Sept. Bihar, East U.P. and NE States are likely to experience scattered rainfall during next 4-5 days.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]: Chhattisgarh and east MP are likely to experience increase in rainfall to widespread during next two days. Vidarbha is likely to have scattered to fairly widespread rains during 5-6 September.

SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]: Coastal A.P. is likely to experience increase in rainfall during next 24-48 Hrs. Rainfall activities over Telangana and Karnataka are likely to increase after 24 hrs. Kerala is likely to experience scattered rains. Isolated rainfall is likely over Rayalseema and Tamilnadu and further to increase from 5 September onward.

WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]: Fairly widespread rainfall is likely over Konkan & Goa in next 24 hours and scattered thereafter. Scattered rainfall over Madhya Maharashtra and Marathwada is likely to increase during next two days. Rainfall activity over north Rajasthan is likely to decrease now.

### FOREX (As on 02<sup>nd</sup> September 2006):

Foreign Currency	Rs. per unit
1 US \$	46.52
1 Euro	59.71
1 British £	88.67
100 Jap. Yen	39.73

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