

SUGAR, & JAGGERY

02-07 October, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Prices Improves on Hike in Selling Prices by the Millers
- NCDEX Sugar: Volatile on Speculative Trading
- NCDEX Gur: Volatile with Bullish Undertone

Technical Analysis

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

On the NCDEX, sugar futures remained volatile due to speculative trading in the week starting from 3rd October. On Tuesday Futures market witnessed speculative buying then on Wednesday and Thursday market observed profit booking resulting in bearish sentiments to prevail. However, again on Friday and Saturday, speculative buying pushed market prices at higher levels and futures market closed with positive sentiments. The most active November contract hovered in the range of 1774-1808 during the week with no major change in volume and open interest with respect to previous week. MACD, Stochastic and RSI exhibited steady to bullish sentiments. Market is likely to remain volatile with slight bullish undertone in the coming days.



Outlook:

Volatile with slightly bullish undertone.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
November	1770	1765	1820	1830

Technical Analysis

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

The Gur futures exhibited bullish undertone on speculative buying in the week starting 03rd October. On an average the prices in the November contract remained in the narrow range of Rs. 500.4-513.2. Volume and open interest both increased as compared to the previous week. The candlestick pattern, MACD, Stochastic and RSI favours the Bulls. Futures prices are expected to remain range bound with bullish undertone during the coming week.



Outlook:

Steady to bullish undertone on good buying support in spot market

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
November	502	498	520	523

Market Commentary

Domestic:

Spot Prices Improve on Hike in Selling Prices by the Millers

Spot sugar prices improved during the very first week of the October as mills offered their stock on higher prices in the market amidst ongoing festive demand. However, buyers are not interested in stockpiling, as crushing season is likely to start very soon and new sugar will be available in the market by start of November. Some mills in Maharashtra have started crushing. Sharp rise in spot price is not expected but current market price will continue to prevail for the coming week as Deepawali and Eid festivals are approaching. Few traders doubt about the mismatch between allotted quota for the mills and the actual stock availability with these mills as they suspect that some mills have already offloaded much more than their allotted quota at higher prices well before the start of the crushing season due to fear of price fall and continuation of export ban, and now do not have physical quantity equal to their allotment. This unfair trade practice have adversely affected the market price behaviour and now the 16 lakh tons of sugar allotted for the October month is available only on the papers and not physically in the market. Thus, spot prices are unlikely to see any sharp downfall in the coming days.

NCDEX Sugar: Volatile on Speculative Trading

On the NCDEX, sugar futures remained volatile with slight bearish undertone throughout the week. However, on

Monday, prices suddenly shoot up on strong price support from the spot market on the back increased selling prices by the millers and ongoing festive demand. However, higher prices could not sustain on profit booking and lack of buying support in later days and market observed range bound volatile movement with slightly bearish undertone. The most active November contract hovered in the range of 1774-1808 during the week with no major change in volume and open interest with respect to previous week. Festive demand continues, so futures and spot sentiments are likely to improve in the coming week. World market sentiments have also improved during the week. Due to profit booking volatility will continue to remain there in the futures market, but overall, sentiments are likely to improve.

NCDEX Gur: Volatile with bullish Undertone

Gur futures on the NCDEX traded with steady to bullish undertone on good speculative buying support during the week under review. The spot prices of Raskat, Chaku and Shakkar improved in the Muzaffarnagar. The new gur has start arriving in the mandis. Owing to improved quality of the new gur, traders expect to get premium prices for new gur.

News Analysis:

Sugar Production Estimates in Major Countries for MY 06/07

Brazilian sugarcane production for MY 06/07 is estimated at 418 mmt, down 2 mmt from the initial forecast, but up 8 percent from MY 2005/06 due to area expansion and improved weather conditions. Sugar production for MY 2006/07 is projected at 30.85 mmt, raw value, up 15 percent relative to previous season, while exports are estimated at 19.55 mmt. Total ethanol production is projected at 16.61 billion liters. Ethanol domestic consumption for MY 2006/07 has been revised downward to 13.25 billion liters due to the decrease in the ethanol blend in gasoline and reduced demand due to higher prices. Ethanol exports are projected to increase to 3.1 billion liters, up 500 million liters from 200/06, due to unexpectedly strong exports to the US in mid-2006.

Australia Sugar production for 2006/07 is forecast at 4.95 MMT (IPS), down from last year's level and from Post's previous forecast. Reduced cane area, due to the effects of the smut outbreak and cyclone Larry, has effectively reduced the supply of cane while heavy rainfall has lowered CCS content.

Dominican sugar production for MY 2006 to 500,000 metric tons due to lower yields than anticipated. According to official data, sugar imports will rise to over 70,000 MT as domestic consumption remains stable at 330,000 metric tons. The U. S. sugar import quota for the Dominican Republic is the single largest country allocation and reached over 250,000 in 2006.

Chinese sugar output for marketing year 2006/07 is forecast to reach 11.15 million metric tons (MMT), 12

percent higher than the previous year. Higher sugar prices led to increased acreage for sugar cane and beet and expanded sugar production. To prevent the price from rising further, the government released 1.2 MMT of sugar from state reserves in the first nine months in 2006. Industry sources estimate that starch sweetener use in the food processing and beverage sector will grow by 20 percent in 2006, reaching 3.5 MMT of sugar equivalent.

Philippine raw sugar production in crop year 2005/06 reached 2.14 MMT, about 6 percent higher than previous forecast as a result of favorable prices and an increase in US sugar quota allocation. Total raw sugar production is forecast to increase to 2.24 MMT in CY 2006/07.

Thailand sugar production forecasts for MY 2007 have been increased to 6.3 million tons, driven largely by good weather conditions and government-controlled domestic prices set by Thailand's Cane and Sugar Board.

South Africa: After producing about 21 million tons of sugar cane during the 2005/06 milling season, production is expected to reach 21.4 million tons this year. Sugar production amounted to 2.6 million tons raw value in 2005/06 but is expected to decline to 2.5 million tons in 2006/07. Exports exceeded 1.2 million tons in 2005/06 and are likely to reach this target again this year. Export prices increased dramatically last year and are holding up well so far this season. Coupled with a weakening SA Rand, industry income can only improve.

Source: USDA

Simbhaoli Sugar Mills Commisions New Ethanol Plant

Simbhaoli Sugar Mills Ltd has commissioned its new ethanol plant at Chilwaria in Uttar Pradesh. It worth around Rs25-crore and an installed capacity of 60 kilo litres per day. Thus, including this new plant, the company's total ethanol production capacity is now about 150 Kilolitres per day. The company plans to enhance this capacity to 180 Kilolitres per day by March 2007. It is worth mentioning that this company is one of the largest producers of ethanol today and supplies about 11 million litres of ethanol to Oil giants such as Indian Oil and BPCL in Uttar Pradesh and Haryana.

UP Sets Sugar Production Target at 73 Lakh Tons in MY2006-07

The Uttar Pradesh, which is the largest sugar producing state, is expected to produce about 73 lakh tons of sugar this marketing year 2006-07. This year, about 134 sugar mills are expected to crush about 760 lakh tons of sugarcane. The total area under sugarcane is about 26.61 lakh ha. The state authorities have made all the necessary arrangement for the availability of adequate quantity of sugarcane to sugar mills. Besides it, high yielding and improved varieties of seeds will also be made available to sugarcane cultivators for winter sugarcane sowing by the state administration.

China sets sugar import quota for '07

According to China Economic Net, the country has set its 2007 import quota for sugar at 1.945 million tons, the Ministry of Commerce (MOC) announced it. Any company with a good customs, foreign exchange, tax and quality control record can apply for a share of the quota, but 70 percent will be reserved for state-owned companies, according to the announcement. To qualify, non-state-owned firms must have a daily output of over 600 tons, registered capital of more than 10 million yuan (1.25 million U.S. dollars) and annual sales of over 200 million yuan.

Sugar at Spot Market:

Domestic:

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

Particulars	07-October	30-September	Change
M 30	1805-1910	1795-1885	+25
S 30	1790-1895	1780-1870	+25
Mill Delivery	1720-1825	1710-1800	+25

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

Particulars	07-October	30-September	Change
Khatauli	1930	1890	+40
Deoband	1900	1865	+35
Nanoata	1800	1775	+25

Jaggery at Spot Market

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

Particulars	07-October	30-September	Change
Raskat	400-420	420-435	-15
Chaku	475-520	520-540	-20
Shakkar	600-650	610-635	+15

International:

International Sugar Situation as on 27th September 2006

London Daily Price W (\$/MT)	02-Oct	03-Oct	04-Oct	05-Oct	06-Oct
Dec-06	370.70	367.50	375.00	377.50	382.00
Mar-07	341.90	330.50	336.50	339.00	341.90
May-07	337.50	327.00	331.80	333.50	334.50
New York Spot No.11 (\$/MT)	12.02	11.59	11.46	11.58	11.51
Mar-07	11.32	10.89	11.16	11.14	11.07
May-07	11.50	11.12	11.35	11.35	11.32
July-07	11.53	11.21	11.43	11.48	11.51

Weather Impact: (As on 07th October 2006)

Weather is suitable for the sugarcane crop in most of the growing regions and the crop is in good condition. Harvesting will pick up in October. Bumper crop harvest is expected.

FOREX (As on 07th October 2006):

Foreign Currency	Rs. per unit
1 US \$	45.60
1 Euro	57.47
1 British £	85.34
100 Jap. Yen	38.32

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