

SUGAR, & JAGGERY

09-14 October, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Eases on End of Festive Demand
- NCDEX Sugar: Volatile on Speculative Trading
- NCDEX Gur: Slightly weak on Low Demand

Technical Analysis

Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: November 2006

Sugar futures on the NCDEX observed volatile trading with slightly bearish undertone. The most active November contract hovered in the range of 1775-1809 during the week with increase in volume and open interest. Technical indicators like MACD, Stochastic and RSI favour the bears. Market is likely to remain volatile with downtrends in early days of the week with recovery later on as government is to review the sugar export resumption in the last week of October.



Outlook:

Volatile with weakness in early days and recovery thereafter.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
November	1765	1755	1810	1820

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: November 2006

The Gur futures exhibited mixed sentiments in the week starting 09th October. On an average the prices in the November contract remained in the narrow range of Rs. 504-514 during the week. Volume and open interest both increased during the week. The candlestick pattern, MACD, Stochastic and RSI indicate towards slight weakness in the market.



Outlook:

Steady to slight weakness in the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
November	500	498	518	520

Market Commentary

Domestic:

Spot Sugar Eases on End of Festive Demand

Sugar spot market exhibited lacklustre trade owing to weak demand in the major markets like Delhi, Muzaffarnagar and Kolkata. The major festival demand is almost over, however day-to-day demand is there. The supply condition is comparatively comfortable and from November new sugar will be available in the market. Thus, keeping in mind the domestic demand/supply scenario, the spot sugar prices are expected to largely remain steady with slightly bearish undertone in the coming days. The Pakistan may impose import duty on raw and refined sugar due to the pressure by the domestic sugar industry. On the other hand, Indian government is giving a hint that it may open its export after the festive season is over. If export permission is granted in the review meeting of the Government scheduled to be held in the last October, spot prices will improve in the coming days. Otherwise, they may slightly ease on bumper production estimates. In Uttar Pradesh, State Advised Prices (SAP) of sugarcane is likely to be announced after first week of the November. Most of the mills will also start crushing by that time in UP.

News Analysis:

China sets sugar import quota for '07

China has set its 2007 import quota for sugar at 1.945 million tons, the Ministry of Commerce (MOC) announced Monday. 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.

Source: China Economic Net

World Sugar Strengthen on Gain in Crude Oil Prices

The sugar futures on the LIFFE in London and CSCE in New York improved considerably on speculative buying with the rise in the oil prices. There is speculation that if this trend continues, Brazil may make its mind to divert significant portion of its sugarcane production to the production of ethanol, which will fetch attractive prices to the country. Further, the six OPEC members have agreed to cut the oil production by about 3.4 percent to restrict the downtrend in oil prices. If, Oil prices continue to show up trend, sugar sentiments may improve in the world market as well as in India. It is to be learnt that Indian Sugar Exporters are eagerly waiting for the resumption of the sugar export. The Indian Traders have firm belief that export permission will definitely be granted after Deepawali festival as the major festivals will end in October and if Government wishes that the sugar mills pay the remunerative prices to the cane growers, it will have to lift the ban on export. Only then domestic sugar prices will slightly improve and rest of the compensation will be met through sugar export to the other nations.

NCDEX Sugar: Volatile on Hopes and Fears

On the NCDEX, sideways movement was observed in most of the sugar futures. However, sentiments remained largely positive. Market became bullish on Tuesday on the news that decision on export ban will be taken in October end and all the contracts suddenly improved on speculative buying on this news. Further, the world sugar prices also significantly improved on gain in crude oil prices. If crude prices seem improving in futures, Brazil may divert most of its sugarcane to the production of ethanol rather than sugar. Thus, Brazilian move and Indian Government decision regarding export ban will largely decide the future direction of the NCDEX sugar futures. Till then, futures may remain volatile on the continued hope for export resumption and fear of bumper production. There is expiry of the October contract in the next week and its direction may also affect the futures sentiments.

China Plan to Auction 80,000 MT Raw Sugar from State Reserves

The commerce ministry of the China has a plan to auction about 80,000 MT raw sugar from its state reserve to keep the domestic prices in a reasonable range. There is a supply deficit in the country and the reserve sales would try to balance the domestic price at a level that ensures income to the cane farmers but at the same time preventing the beverage firms from turning to other, cheaper sweeteners. However, according to the traders, the auction would not be of much help as refined sugar from this raw sugar would be available only in November.

World Sugar Production is Expected to Increase: ISO

According to the International Sugar Organization, the World sugar production is expected to be bigger in the season starting from October, and recently lower prices will encourage stock building but won't necessarily lift consumption much. Brazil's center-south and north-northeast both expect record crops. India is forecast to produce a record 23 million to 25 million tons while Pakistan's output should rise to 3.3 million to 3.5 million tons, the ISO said. China has a giant crop of over 11 million tons versus 8.8 million in 2005-06.

Pakistan may Impose Import Duty on Sugar

In Pakistan, sugar import may be restricted and an import duty could be levied on the raw and refined sugar to make domestic sugar industry competitive and profitable and to avoid possible delay in crushing of the sugarcane, which is delayed till the November. The government officials did not disclose the quantum of the duty. However, it is believed that it would be near 15 percent on raw and refined sugar. The sugar mills owners were constantly demanding a decision in this regard as their commercial interests are being hurt because of the cheap import of the sugar. The sugar industry officials said that the country is having sufficient sugar stock to meet the domestic demand and the

cheap import from the neighboring country like India should be avoided. A decision in this regard is likely to be taken soon.

Malaysia Advises Their Sugar Mills To Ensure Adequate Supply Next Year

According to the Malaysian National News Agency, the Malaysian domestic trade and consumer affairs minister has asked the sugar mills in the country to ensure adequate supplies of sugar next year to avoid the shortage of this essential commodity. The minister said that the manufacturers must act now, including sourcing adequate stocks of raw sugar to avoid shortage of this commodity. He however added that sugar shortage problem in the country had been 95 percent resolved after the mills had stepped up their output. It is to be recalled that for the past few months the country was facing problem in this commodity.

US Sugar Supply and Demand Estimates

According to the latest USDA World Agricultural Supply and Demand Estimates the projected 2006/07 U.S. sugar supply is nearly unchanged from last month. Higher beginning stocks and production are offset by lower imports. Production is increased 11,000 short tons, raw value, based on processor estimates compiled by the Farm Service Agency (FSA). Imports are reduced 92,000 tons due to higher shortfall under the tariff rate quota (TRQ) and lower imported sugar in molasses and syrups. Sugar use is unchanged. For 2005/06, total supply is increased 80,000 tons. Production is increased 23,000 tons based on processor estimates compiled by FSA. Imports are increased 57,000 tons, with non-program imports up 50,000 tons and program imports up 7,000 tons. Imports under the re-export program are increased 49,000 tons, while imports under the TRQ and other trade agreements are decreased 42,000 tons. The import changes are mostly from updated reporting by U.S. Customs. Sugar use is unchanged.

USDA Forecast Higher Sugar Production in MY 2006-07

According to the latest released USDA report, Post's forecast MY 2006/07 (October/September) sugar production in India is raised to a record 25.1 million metric tons (raw value basis) on expected higher sugarcane production and lower diversion of cane toward alternative sweeteners. Consumption is raised to 21.0 million tons and exports to 2.0 million tons on improved supplies.

Sugar at Spot Market:

Domestic:

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

Particulars	14-October	07-October	Change
M 30	1785-1870	1795-1885	-15
S 30	1770-1855	1780-1870	-15

Mill Delivery	1700-1785	1710-1800	-15
---------------	-----------	-----------	-----

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

Particulars	14-October	07-October	Change
Khatauli	-	1930	
Deoband	1925	1900	+25
Nanoata	1820	1800	+20

Jaggery at Spot Market

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

Particulars	14-October	07-October	Change
Raskat	405-420	400-420	-
Chaku	425-470	475-520	-50
Shakkar	600-680	600-650	+30

International:

International Sugar Situation as on 13th October 2006

London Daily Price W (\$/MT)	09-Oct	10-Oct	11-Oct	12-Oct
Dec-06	395.00	400.40	392.50	396.80
Mar-07	354.90	361.00	351.00	352.30
May-07	346.00	351.00	342.00	343.00
New York Spot No.11 (\$/MT)	11.91	12.34	11.61	11.82
Mar-07	11.48	11.61	11.09	11.13
May-07	11.66	11.76	11.30	11.30
July-07	11.83	11.89	11.46	11.45

Weather Impact: (As on 14th 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 late October. Bumper crop harvest is expected.

FOREX (As on 13th October 2006):

Foreign Currency	Rs. per unit
1 US \$	45.37
1 Euro	56.71
1 British £	84.14
100 Jap. Yen	37.86

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.