

SUGAR, & JAGGERY

06-11 November, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Lacklustre Physical Trade on Poor Demand
- NCDEX Sugar: Volatile on Export Resumption Hope
- NCDEX Gur: Volatile Trade on Speculative Trading

Technical Analysis

Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: December 2006

Sugar futures on the NCDEX largely remained steady to slightly bullish on speculation over sugar export permission. On 9th November, trade turned volatile due to cabinet meeting to discuss this issue. But against all expectation, the government deferred the decision on lifting of the ban on sugar export, which discouraged the futures players. But futures again recovered and traded with steady to positive sentiments, as hope continues for early export resumption. In December contract, volume and open interest slightly declined. MACD and RSI favour the bulls while Stochastic hints towards moderate weakness in the market. Closing prices are hovering above the EMA. Technically, market seems steady to bullish for the coming week.



Outlook:

Steady to bullish. Buy on major dips

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December	1750	1740	1800	1820

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: December 2006

The Gur futures exhibited volatile trade with slight bearish undertone during the week ending 11th November. Hapur and Muzaffarnagar mandis witnessed significant arrivals of gur, which also affected the futures market sentiments adversely. In December contract, prices fell down during the week. Volume and Open interest both increased. Technical indicators favour the bears.



Outlook:

Steady to slightly weak in the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December	509	505	525	530

Market Commentary

Domestic

Spot Sugar Market observe Weak Demand

Subdued trading activities are going on in the sugar spot market at major trading centres like Delhi and Muzaffarnagar where prices have slightly eased due to weak demand. The deferred decision on sugar export has adversely affected spot market sentiments and increased the worry of the cane farmers who were expecting lucrative returns from their crop, as they are to spare sugarcane fields at the earliest for wheat sowing which has bullish outlook. Distress selling at the lower prices will harm the cane farmers. UP government has yet not declared the State Advised prices for sugarcane, which are supposed to remain between 120-150/quintal. In Maharashtra, untimely rains in Nashik district have made significant losses to the sugarcane crop. On the other hand, farmers continue to agitate over MSP issue for sugarcane. Crushing is getting delayed, as mills are not receiving enough cane for crushing.

News Analysis:

Sugar Promotion Policy's Validity Extends by One Year in Uttar Pradesh

The Uttar Pradesh government has extended the validity period the new sugar industry promotion policy till March 2008. The validity was ending in March next year. The existing promotion policy has brought significant investment in the sugar industry in UP. The policy provides tax benefits to the new entrants in the sugar industry. The tax benefits include exemption from the trade tax on molasses, central sales tax and exemption from the administrative fee imposed by the state government. The validity extension assumes great significance in the light of the fact that about 18 new sugar mills are proposed to be set up in the UP in the next financial year. The poor power generation situation of the Uttar Pradesh will significantly improve as the power purchase agreement between the sugar mills and UP Power Corporation have been signed. Thus in many terms, the continuation of this policy will benefit the state and sugar mills.

Violent Protest by Sugarcane Farmers in Maharashtra over MSP issue

Sugarcane Farmers in many parts of the Maharashtra became violent and refused to sell their produce to the sugar co-operatives dominated by the Congress and Nationalist Congress Party over the demand for increase in MSP of sugarcane. The farmers' organizations are demanding a Minimum Support Price of Rs. 2,200 per tonne of sugarcane. However, the sugar mills feel this demand infeasible as crushing is yet to start and they are suspicious about the recovery percentage of the sugar. To get the desired production mills are to continue crushing for about 4 months without stop. In the light of the ban on sugar export, high price unlikely to be offered by the sugar mills. Further, the agitation process has delayed the production process. There are reports that in Maharashtra, production losses may reach about 15 % this crushing season. The violent protest by the Maharashtra farmers and political pressure by the strong Uttar Pradesh Sugarcane Farmers association will pressurize Central government to lift ban soon. The Union Agricultural

Volatile on Export Resumption Hope

NCDEX sugar futures traded with positive sentiments over the hint that export may be permitted very soon. On 9th November, trade turned volatile due to cabinet meeting to discuss this issue. But against all expectation, the government deferred the decision on lifting of the ban on sugar export, which discouraged the futures players. But futures again recovered and traded with steady to positive sentiments, as hope continues for early export resumption. Thus, major downtrend is not expected and range bound movement will continue in the sugar futures market till any positive news hit the market. In most active December contract, volume and open interest slightly declined. Technical indicators suggest steady to slightly bullish sentiments to prevail in the coming week.

Minister, Mr. Sharad Pawar has already favoured the lifting the export ban soon. Thus, in the light of the above facts, it appears that Government may rethink over this issue very soon.

Decision on Sugar Export Ban Deferred

Indian Government has deferred the decision on lifting the sugar export ban. No reason was cited for this. It appears that finance ministry want to control inflation and just to improve its statistics, it is against the export permission. The sugarcane farmers will suffer from this delay. However, sooner or later they will have to lift the ban. Indian Government will lift the ban at the time when it will neither benefit the sugar mills nor the farmers.

Show Cause Notice for Four Sugar Mills in UP

The food ministry has issued show cause notice to the 4 sugar mills as these were found to have sold sugar in excess of the allotted non-levy quota. The names of the sugar mills were not disclosed. There were reports of the violation of the sugar control order by the various sugar mills in Uttar Pradesh and food ministry sent an inspection team to verify the physical stocks available the mills. The allegation made by the traders found to be corrects in some cases and November free sale quota was also withheld for some mills. The ministry has also decided to conduct random inspection on the mills on a regular basis so that such kind of incidences can be avoided in future.

Un seasonal Rain Hit Sugarcane Crop in Nashik

The heavy rains and hailstorms in Nashik district of Maharashtra has made a significant damage to the sugarcane crop besides other crops. The rains have caused problems for the standing healthy cane, which was ready for harvesting. Sugar factories are worried over it. They have suggested the farmers to immediately harvest the remaining crop so that crushing may be started. Maharashtra farmers are demanding higher MSP from the government and the talks between the mills owners and farmers did not resulted in any positive conclusion. It is fear that if the crushing get delayed, mills will have to run their

plants till May, which may significantly reduce the recovery percentage and may not reach the expected target of sugar production. Recent rains have also added to the problems of the Maharashtra Farmers and sugar mills.

Sugar at Spot Market:

Domestic:

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

Particulars	11-November	04-November	Change
M 30	1815-1885	1825-1925	-40
S 30	1800-1870	1810-1910	-40
Mill Delivery	1730-1800	1740-1840	-40

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

Particulars	11-November	04-November	Change
Khatauli	-	-	-
Deoband	1895	1870	+25
Nanoata	-	1835	

Jaggery at Spot Market

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

Particulars	11-November	04-November	Change
Raskat	400-405	400-410	-5
Chaku	402-490	460-510	-20
Shakkar	470-495	480-520	-25

International:

International Sugar Situation as on 08th November 2006

London Daily Price W (\$/MT)	03-Nov	06-Nov	07-Nov	08-Nov
Dec-06	400.80	407.00	401.90	404.50
Mar-07	361.50	371.50	367.10	375.00
May-07	357.00	366.50	362.10	370.80
Aug-07	350.50	359.00	355.50	364.00
New York Spot No.11 (\$/MT)	11.99	12.24	12.31	12.44
Mar-07	11.31	11.75	11.58	11.96
May-07	11.50	11.90	11.74	12.07
July-07	11.52	11.92	11.78	12.06

Weather Impact: (As on 11th November 2006)

Weather is fine as far as sugarcane crop is concerned. Harvesting is going on in major sugarcane growing areas.

FOREX (As on 10th November 2006):

Foreign Currency	Rs. per unit
1 US \$	44.69
1 Euro	57.47
1 British £	85.44
100 Jap. Yen	38.04

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