

SUGAR, & JAGGERY

11 - 16 December, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Sugar Spot Market observe Lacklustre trade
- NCDEX Sugar: Bullish over 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 observed lacklustre trade with weak sentiment during the week as compared to last week. In this week, futures market started with a weak undertone and remained range bound thereafter. Volume and open interest remains steady during the week. In January contract, candlestick chart pattern exhibits bullish sentiment. Technical indicators MACD and Stochastic favour the bears while RSI favours the bulls. Closing price is far below both the 9 days EMA and the 18 days EMA. Market is expected to remain range bound following steady to firm opening.



Outlook:

Steady to bullish. Buy at major dip towards support level. Remain short with caution

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December	1695	1685	1720	1726

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: January 2006

Gur futures were gradually decreased during the week due to selling pressure from higher level and made contract low at Rs.503 during the week. In December contract, Volume declined marginally and Open interest remains steady. Candlestick pattern indicates bearish market. Prices closed below the 9-days and 18-days EMA. Technical indicators RSI, MACD and stochastic hint for bears.



Outlook:

Bearish to slight up in the coming week. Buy at major dip towards support level for medium term.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December	480	470	516	521

Market Commentary

Domestic

Spot Sugar Market observe Lacklustre trade

Lacklustre trade is going on in the sugar spot markets where the spot prices continues to decline in the major trading centers like Delhi, Muzaffarnagar and Kolkata due to subdued demand during the week. Markets and millers are hoping for the early resumption of sugar export ban as the Food and Agriculture Minister said that the lifting of ban on sugar export is unlikely before December-end while addressing the 72nd annual general meeting of Indian Sugar Mills Association (ISMA). He also said that the Union Cabinet would take the decision but before finalizing cabinet would study the export ban issue as the government's estimates on sugar production differs from the industry estimate. However, the decision for the same is still awaited. Market will pick up as and when government allows sugar export. In UP government has announced the SAP of sugarcane at Rs. 125-130 per qtl (increment of Rs. 10) against the last year's Rs. 115-120 per qtl. Further, the world sugar output for year 2006-07 is forecast to 155.5

million tonnes (raw value) up by 6.4 mt from last year's 149.1 mt as per the Food and Agriculture Organisation (FAO). Internationally, sugar prices have softened over the past five months, when India banned sugar export. The prices declined from \$490 per tonne to \$350 per tonne. The prices are expected to decline further as the crushing season progresses in the producer nations, which making exports less lucrative for India. Crushing is going on smoothly in UP and Maharashtra.

Bullish on Export Resumption Hope

Sugar futures on the NCDEX observed lacklustre trade with weak sentiment during the week as compared to last week. In this week, futures market started with a weak undertone and remained range bound thereafter. The most-active January contract tested a high of Rs. 1720 and a low of Rs. 1697 during this week. Volume and open interest remains steady during the week.

News Analysis:

World Sugar Forecast at 155.5 Million Tonne

As per the Food and Agriculture Organisation (FAO) the world sugar output for the year 2006-07 is forecast to 155.5 million tonnes (raw value) up by 6.4 mt from last year's 149.1 mt. On the other hand sugar production in Europe (EU-25) forecast to decline by 5mt. The world sugar consumption for the current year is up at 152.1 mt as compared to last year's at 149.9 mt as per United Nations agency, reflecting a surplus of 3 mt.

Lifting of Ban on Sugar Export is Unlikely Before December-end

Lifting of ban on sugar export is unlikely before December-end as per the Food and Agriculture Minister while addressing the 72nd annual general meeting of the Indian Sugar Mills Association (ISMA). He said that the Union Cabinet would take the decision. He also stated that the Cabinet would study the export ban issue before finalizing as the government's estimates on sugar production differs from the industry estimate.

Sugar Industry Must Reform, Grab Opportunities: Pawar

Shri Sharad Pawar, Minister of Agriculture, Consumer Affairs, Food and Public Distribution today asked the sugar mills to improve efficiency and spread modern technological tools to farmers to make the fullest use of opportunities thrown up by new developments in food and energy sectors.

Inaugurating the 72nd Annual General Meeting of the Indian Sugar Mills Association (ISMA), Shri Pawar said that sugar industry has the potential to generate 7000 MW of power and of 1.3 billion litre petrol the requirement for which would further go up next year as the government intends to increase 10% doping of ethanol with petrol as against 5% at present. He reminded the industry that countries such as Brazil have exploited this potential while Indian sugar mills have lagged far behind.

Shri Pawar stressed the need for improving efficiency through better management of resources. Sugar mills must help farmers in improving yield and judicious use of water. They must use modern technologies for improving sugar recovery from cane, co-generate power and produce value-added bye-products. They should make use of incentives and facilities such as Sugar Development Fund, he said.

Responding to the demand from ISMA for decontrol of sugar, lifting of ban on sugar exports and increasing the distance for setting up of new units from 15 kms to 25 kms, the Minister asked the industry to analyse these issues in a holistic manner and put forth workable solutions. He assured the industry that the Government would look into the issues keeping in mind the interest of farmers, consumers and the sugar industry

Sugar at Spot Market:

Domestic:

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

Particulars	16-December	09-December	Change
M 30	1685-1700	1725-1755	-55
S 30	1670-1685	1710-1740	-55
Mill Delivery	1600-1615	1640-1670	-55

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

Particulars	16-December	09-December	Change
Khatauli	1700	1750	-50
Deoband	1695	1745	-50
Nanoata	1660	1695	-35

Jaggery at Spot Market

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

Particulars	16-December	09-December	Change
Raskat	485-495	390-400	+95
Chaku	460-485	460-485	-
Shakkar	480-500	480-500	-

FOREX (As on 16th December 2006):

Foreign Currency	Rs. per unit
1 US \$	44.54
1 Euro	58.22
1 British £	87.01
100 Jap. Yen	37.68

Weather Impact: (As on 16th December 2006)

Weather is fine for the sugarcane crop and favours arrivals for crushing.

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