

SUGAR, & JAGGERY

04 - 09 December, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Market Witnessed Weak Sentiments
- 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 traded with range bound with weak sentiments during the week under review on weak physical demand in the market. The sentiments of sugar futures indicate that traders are hopeful for early resumption of sugar export ban, which is still awaited. In December contract, candlestick chart pattern exhibits bearish sentiment. Technical indicators RSI, MACD and stochastic hint for bears. Prices closed below the 9 days EMA and 18 days EMA. Market is expected to trade range bound following weak opening with possibility of late upwards movement.



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	1730	1720	1745	1755

Technical Analysis

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

Gur futures were gradually decreased during the week due to selling pressure from higher level and made contract low at Rs.486 during the week. In December contract, Volume and Open interest declined slightly. Candlestick pattern indicates bearish market. Prices closed between 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	500	510

Market Commentary

Domestic

Spot Sugar Market observe Weak Demand

Spot market prices of sugar declined in the most of the major trading centers like Delhi, Kolkata and Muzaffarnagar during the week under review on weak demand. However, the spot market prices improved slightly by the end of the week due to improved demand and the cabinets meeting on Thursday as the traders are hoping that the cabinet may take some decision on sugar export ban, but no decision is yet taken by the cabinet for the same and it is still awaited. At the time when it is debated on lifting of the ban on sugar exports, the estimate of sugar production between the Food Ministry and Agriculture Ministry, both headed by Mr. Sharad Pawar who is pushing for export, is at variance. As per the Food Ministry the production is estimated at 227 lakh tonnes this year with a domestic consumption of 190 lakh tonne, whereas Agriculture Ministry's estimate is closer to 200 lakh tonnes, which would indicate continuation of ban and in the meanwhile ISMA, a trade body has pegged the production at 230-240 lakh tonnes. There is yet no clear picture with the government itself regarding the sugar production; government seems to be in a state of dilemma. Indushankar sugar factory in Nepal resumed sugarcane crushing. The factory has a crushing capacity of 3000 tonne of sugarcane per day and is expected to crush 3 lakh tonne of sugarcane this year as per the general manager of the factory. Last year the factory production was disrupted due to a dispute over the price rate of sugarcane. However, this year the price of sugarcane would be fixed after the factory resume its production smoothly said the secretary of the sugarcane producer's association. Further, Indonesia may import 2 lakh metric tonne of sugar to fulfil domestic stock shortage from the countries of Asia. The sugarcane suffered on the vagaries of weather in Indonesia as the crop is at maturity stage and weather condition is unfavourable for the crop as per Australian Bureau of Meteorology, this condition will persist until mid-2007 and continue to affect weather in

News Analysis:

Sugar Mills Paid the Outstanding Payment of Rs. 520 Cr to Farmers in Haryana.

As per the Agriculture Minister of Haryana, outstanding payment of about Rs. 520 crore due to farmers have been cleared by the sugar mills in Haryana for cane supplied by them during the last crushing season.

Sugar Factory Resumed Crushing in Nepal.

In Nepal, Indushankar sugar factory resumed sugarcane crushing. This factory has a crushing capacity of 3000 tonne of sugarcane per day and is expected to crush 3 lakh tonne of sugarcane this year as per the General Manager of the factory. Last year the factory production was disrupted due to a dispute over the price rate of sugarcane. However, this year the price of sugarcane would be fixed after the factory resume its production smoothly said the secretary of the Sugarcane Producer's Association.

Indonesia May Import 2 Lakh Metric Tonne of Sugar

To fulfil domestic stock shortage Indonesia may import 2 lakh metric tons of sugar next year. The imports could come from countries in Asia. The sugarcane suffered on the vagaries of weather in Indonesia as the crop is at

Indonesia and that is expected to have more export offers to India. Further, in UP farmers are selling sugarcane to Kolhus and Khandsari units (Gur {Jaggery}) for as low as Rs. 80-90 a quintal compared with the Rs. 110-125 they received last year partly due to uncertainty over the SAP and partly due to farmers finding attractive opportunity in wheat sowing and consequent need to vacate the fields for wheat sowing. In India the Production of ethanol is expected to go up to about 550 million liters during the current year. The Government has decided to blend 5% ethanol with petrol from November 2006, which will create a demand for about 550 million liters during the current year, which in turn will augment ethanol production. Further, concessional loans are provided from Sugar Development Fund (SDF) to the sugar factories to establish facilities for production of ethanol. The percentage of blending has been planned to be increased to 10% in Phase-II, which is expected to generate a demand of about 1200 million liters after one year or so as stated by the Minister of State for Consumer Affairs. This will have a bullish impact on the market as more and more sugar and its by products could be used for the ethanol production. The situation is expected to follow the trend in Brazil where more cane crushing would be diverted to the ethanol production. Crushing is going on smoothly in UP and MH.

Bullish on Export Resumption Hope

Sugar futures on the NCDEX traded bullish ahead of the week on increased buying interest but tumbled at this weekend due to profit booking and selling pressure. In the most-active December contract tested a high of 1767 and a low of 1736 during the week. Market hovers in a range of 1767-1736 during the week with volume declining and open interest remains steady. MCX December contract traded between Rs. 1789-1855 with weak volume and open interest and the trading activity remained very thin.

maturity stage and weather condition is unfavourable for the crop as per Australian Bureau of Meteorology, this condition will persist until mid-2007 and continue to affect weather in Indonesia and that is expected to have more export offers to India

Production of Ethanol Likely to go up.

The Production of ethanol is expected to go up to about 550 million liters during the current year. In the absence of a clear policy on blending of ethanol with petrol, there was no significant production of ethanol during the last three years. The Government has decided to blend 5% ethanol with petrol from November 2006, which will create a demand for about 550 million liters during the current year, which in turn will augment ethanol production. Further, concessional loans are provided from Sugar Development Fund (SDF) to the sugar factories to establish facilities for production of ethanol. The Sugar Development Fund Rules, 1983, provide for sanction of financial assistance to sugar mills for setting up of plants for production of ethanol from molasses/alcohol at concessional rate of interest i.e.2% below the Bank Rate, which effectively comes to 4% per annum at present. The sugar mill is eligible for SDF loan up

to 40% of the eligible project cost, which is to be repaid in eight half yearly equal installments after one year from disbursement. The Government has decided to blend 5% ethanol with petrol with effect from November 2006. The percentage of blending has been planned to be increased to 10% in Phase-II, which is expected to generate a demand of about 1200 million liters after one year or so. This was stated here today by Dr. Akhilesh Prasad Singh, Minister of State for Consumer Affairs, Food and Public Distribution and Agriculture in reply to a question in Lok Sabha.

Sugar Production Estimates Differs Between Food Minister and Agriculture Minister

India had banned sugar exports in July this year to ease domestic supplies and check rising prices. At the time when it is debated on lifting of the ban on sugar exports, the estimate of sugar production between the Food Ministry and Agriculture Ministry, both headed by Mr. Sharad Pawar who is pushing for export, is at variance. As per the Food Ministry the production is estimated at 227 lakh tonnes this year with a domestic consumption of 190 lakh tonne, whereas Agriculture Ministry's estimate is closer to 200 lakh tonnes, which would indicate continuation of ban and in the meanwhile ISMA, a trade body has pegged the production at 230-240 lakh tonnes.

Sugar Output Set to Increase in 2008

India's sugar output is projected at 24 mmt during the marketing year 2007-08 above from an expected 23 million tonnes in 2006-07. Export is projected to go up to 3 million tonnes during the year 2007-08 from an expected 2 million tonnes in the current year as per the managing director of the National Federation of Cooperative Sugar Factories.

In UP Sugarcane Growers are Selling to Kolhus and Khandsari Units

Sugarcane growers in Uttar Pradesh are selling cane to Kolhus and Khandsari units (Gur {Jaggery}) for as low as Rs. 80-90 a quintal compared with the Rs. 110-125 they received last year partly due to uncertainty over the state advised price (SAP) and partly due to farmers finding attractive opportunity in wheat sowing and consequent need to vacate the fields for wheat sowing.

Sugar at Spot Market:

Domestic:

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

Particulars	09-December	02-December	Change
M 30	1725-1755	1745-1755	-
S 30	1710-1740	1730-1740	-
Mill Delivery	1640-1670	1660-1670	-

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

Particulars	09-December	02-December	Change
Khatauli	1750	1760	-10
Deoband	1745	1760	-15
Nanoata	1695	1715	-20

Jaggery at Spot Market

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

Particulars	09-December	02-December	Change
Raskat	390-400	390-400	-
Chaku	460-485	465-490	-5
Shakkar	480-500	470-490	+10

Weather Impact: (As on 09th December 2006)

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

FOREX (As on 09th December 2006):

Foreign Currency	Rs. per unit
1 US \$	44.69
1 Euro	59.84
1 British £	87.33
100 Jap. Yen	38.77

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