

SUGAR, & JAGGERY

26 - 30 December, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Sugar Spot Market observed Lacklustre Trade
- NCDEX Sugar: Volatile 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 bearish undertone during the week. The futures traded downward on increased selling pressure and the most-active January contract tested a high of Rs. 1689 and a low of Rs. 1644 during this week. Volume declined from 7990 to 1990 and open interest remains steady during the week. January contract, candlestick chart pattern exhibits slightly bullish sentiment. Technical indicators MACD, RSI and Stochastic indicating bearish market. Closing price is far below the 9 days EMA and the 18 days EMA that indicates the trend will continue. Downward movement is expected in the market.



Outlook:

Prices may remain weak for next week due to higher release of quota and ongoing crushing. Sell at higher level towards resistance level.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December	1635	1629	1688	1697

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.489 during the week. In January contract, Volume increased slightly while Open interest remains steady. Candlestick pattern indicates slightly bearish sentiment. Prices closed below the 9-days and 18-days EMA. Technical indicators RSI, MACD and stochastic hint for bears.



Outlook:

Bullish to slight down in the coming week. Sell at higher level towards resistance level for medium term.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December	483	479	509	512

Market Commentary

Domestic

Spot Sugar Market observed Lacklustre Trade

Sugar spot market observed lacklustre trade during the week under review where the spot prices of sugar eased in the major market like Delhi, Muzaffarnagar and Kolkata during the week amidst weak demand and normal supply. Markets are hoping for entire resumption sugar export as the Food and Agriculture Minister said in the annual general meeting of Vasantdada Sugar Institute that the government will soon allow the export of 10 lakh tonne of sugar under open general licence. The government has asked the industry to produce raw sugar and collectively bring it to the nearest port for refining, so that refined sugar can be produced and directly exported to EU as the government feels that the sugar industry can benefit from the cut in the sugar production in the EU. However, the decision for the same is awaited and any positive news will boost Indian sugar futures sentiments while reverse may bring it in to deep depression. The government has released 41lt of free sale of sugar for the quarter January to march, 2007. Free

News Analysis:

41 Lakh Tonne Free Sale Sugar Released for the Quarter January to March 2007

The Government has released 41 lakh tonnes of free sale sugar for the quarter January to March 2007. For the month of January 2007, the Government has released the free sale sugar quota of 13 lakh tonnes. In addition, a quantity of 1.84 lakh tonnes has been released as levy sugar for distribution under Public Distribution System (PDS). Thus, the total availability of sugar for consumption in the month of January 2007 would be 14.84 lakh tonnes. The sugar released for January 2007 is required to be sold within the month and any unsold quantity at the end of the month would be converted into levy sugar.

The January-March 2007 quota of free sale sugar of 41 lakh tonnes as well as the January 2007 quota of 13 lakh tonnes is expected to maintain the retail prices of sugar at reasonable level. However, if sugar prices show any abnormal increasing trend, additional releases shall be made.

Government Will Soon Allow Export of 10 Lakh Tonne Sugar Under General Licence

The government will soon allow the industry to export 10 lakh tonnes of sugar under open general licence. The center last week had lifted the ban under advance licence scheme and thereby allowed to export 1 million tonne of sugar. The government has asked the industry to produce raw sugar and collectively bring it to the nearest port for refining, so that refined sugar can be produced and directly exported to EU as the government feels that the sugar industry can benefit from the cut in the sugar production in the EU. Food and Agriculture minister made these announcements while addressing the annual general meeting of Vasantdada Sugar Institute. However, he said that the industry would have to meet the EU standards and refine sugar to the level of 45 ICUMSA. He asked the industry to export it even if sugar prices were reduced to Rs 1400 per quintal at ex-mill.

sale quota of 13 lakh tonne is released for the month of January. In addition 1.84lt is released as levy sugar for distribution under Public Distribution System (PDS). Thus the total availability of sugar in the month of January 2007 would be 14.84 lakh tonnes. Prices expected to remain weak for next few weeks due to release of higher sale quota and ongoing crushing. Further, the sugar industries are taking the advantage of futures market by having short position to minimise their losses in spot market as they said to sell sugar at subdued prices in spot.

Volatile on Export Resumption Hope

Sugar futures on the NCDEX observed lacklustre trade with bearish undertone during the week. The futures traded downward on increased selling pressure and the most-active January contract tested a high of Rs. 1689 and a low of Rs. 1644 during this week. Volume declined from 7990 to 1990 and open interest remains steady during the week.

Sugar at Spot Market:

Domestic:

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

Particulars	30-December	23-December	Change
M 30	1655-1675	1670-1695	-20
S 30	1640-1660	1655-1680	-20
Mill Delivery	1570-1590	1585-1610	-20

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

Particulars	30-December	23-December	Change
Khatauli	1675	1685	-10
Deoband	1670	1680	-10
Nanoata	1640	1660	-20

Jaggery at Spot Market

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

Particulars	30-December	23-December	Change
Raskat	375-385	375-390	-5
Chaku	455-480	455-485	-5
Shakkar	480-510	490-510	-

Weather Impact: (As on 30th December 2006)

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

FOREX (As on 30th December 2006):

Foreign Currency	Rs. per unit
1 US \$	44.25
1 Euro	58.38
1 British £	86.68
100 Jap. Yen	37.18

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