

## SUGAR, & JAGGERY

05- 10 February, 2007

### MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Market observed Weak Demand
- NCDEX Sugar: Range Bound With Slightly Bearish Sentiment
- NCDEX Gur: Range Bound With Bearish Sentiment

### Technical Analysis

Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: March 2007

Sugar futures on the NCDEX observed narrow range bound trade with bearish undertone during the week. The most-active March contract tested a high of Rs. 1557 and traded downwards on increased selling pressure and tested a low of Rs. 1515 during the week. Sugar futures are in deep depression. Volume fluctuated in the range of 2800-6900 while open interest remained steady during the week. On the NCDEX March charts, candlestick pattern shows a possible bullish move. The RSI and Stochastic are in the oversold region. MACD is in negative region and rising. Prices closed far below both the 9 days and 18 days EMA, which indicates that downtrend will continue.

Sugar M Grade 0703(NCSGMH7)2007/02/10 - Daily B:1527.00 A:1530.00  
O 1521.00 H 1532.00 L 1518.00 C 1530.00 V 3,110 I 17,910 +9



### Outlook:

Prices may remain steady to slightly weak due to Increased selling pressure of mills and higher release of free sale quota. Sell at higher level towards resistance level.

### Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
February	1505	1495	1574	1582

### Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: March 2007

Gur futures were gradually decreased during the week due to selling pressure from higher level and made contract low at Rs.466 during the week. In March contract, Volume and open interest declined significantly. Candlestick pattern exhibits slightly bullish sentiment. Prices closed below both the 9-days and 18-days EMA. Technical indicators stochastic, MACD and RSI hint for the bulls. Range bound movement is expected in the market.

GUR 0703(NCGURH7)2007/02/10 - Daily B:469.60 A:470.00  
O 468.00 H 471.60 L 467.40 C 469.60 V 1,260 I 18,460 +3.4



### Outlook:

Range bound movement is expected in the market for the coming week. Sell at higher level towards resistance level.

### Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
January	460	455	484	487

## Market Commentary

### Domestic

#### Spot Sugar Market observed Weak Demand

Increased supply from mills against poor offtake by stockists and bulk consumers depressed the spot market prices of sugar at major trading centers during the week under review. Ex-factory prices in Uttar Pradesh have dropped from their June '06 levels of Rs 1850 to around Rs 1380/mtl and in Tamil Nadu from Rs 1800 to Rs 1400/ mtl. Interestingly, ex-factory realization in Maharashtra has dropped to Rs. 1285-1290 per mtl, against the levy price of Rs. 1,338 per mtl offered by government. Internationally, white sugar prices, which dipped to \$320 a tonne, has recovered to \$341 in the beginning of the week due to decline in sugar supply from European Union which brightened domestic sugar industry to export sweetener. However, the prices tumbled at \$335 in the middle of the week on concern that increased export from Thailand will add to global surplus coupled with the world's biggest importer, Russia, likely to cut sugar import due to good domestic output. Meanwhile, the Government further eased restrictions for mills to export sugar to increase the liquidity of sugar mills and enable them to pay cane farmers on time. It has decided to provide incentives to industry such as the sugar meant for export would be exempted from the levy obligation and the quantity of sugar released for export would be treated as advance non levy (free sale) release that is to be adjusted in the free sale stocks of the sugar factories after a period of 12 months. However, the above incentives would not be applicable to exports under preferential quota. The incentives would be given on export of sugar made during the period 3.1.2007 to 2.7.2007 under Advance License Scheme and 23.1.2007 to 22.7.2007 for

exports under Open General License. The government has cleared the export order of around 3 lakh tonnes of sugar in which a 2.10 lakh tonne is under ALS and rest is under the open general licence for which India has signed several contracts for sugar export at \$320-325 a tonne FOB. The sugar will be shipped to Indonesia, Middle East, Djibouti, Dubai, Pakistan, Yemen, Sri Lanka and Bangladesh. Moreover, the Food Ministry has forwarded a proposal to the Union Cabinet on creating a buffer stock of 2 million tonnes of sugar for a year. The move comes in the wake of glut in domestic sugar market as sugar production for the year 2006-07 is estimated at 23-24 million tonnes with a carry over stock 40 lakh tonne. The government's decision to provide exports incentives and creating a buffer stock may provide some support to falling sugar prices. Further, NCDEX and MCX have raised the limit on open positions for near month sugar contracts. At member level, the open position limits for Sugar-M and Sugar-S contracts will be 7,500 metric tonnes (MT) and at client level these limits will be 2,500 MT. The changes in open interest have come to effect from February 2, 2007.

#### Range Bound With Slightly Bearish Sentiment

Sugar futures on the NCDEX observed narrow range bound trade with bearish undertone during the week. The most-active March contract tested a high of Rs. 1557 and traded downwards on increased selling pressure and tested a low of Rs. 1515 during the week. Sugar futures are in deep depression. Volume fluctuated in the range of 2800-6900 while open interest remained steady during the week.

### News Analysis:

#### Thailand Sugar Export May Increase This Year

Thailand the world's third-largest exporter of sugar after Brazil and Australia, could export as much as 5 million tonne of sugar this year, compared with an average 3.75 million tones in the last five years, as the Asian demand for sugar is growing at 3% a year.

#### Incentives For Sugar Export

The Government has relaxed ban on export of sugar and has allowed export of sugar under Advance License Scheme and Open General License with effect from 3.1.2007 and 23.1.2007, respectively. However, the international prices of sugar are low, thus making export of sugar from India uneconomic. Therefore, the Government has decided to give following incentives to sugar factories to undertake export of sugar which would increase their liquidity enabling them to pay cane price to sugarcane farmers in time:

- The sugar meant for export would be exempted from the levy obligation.
- The quantity of sugar released for export would be treated as advance non levy (free sale) releases to be adjusted in the free sale stocks of the sugar factories after a period of 12 months.

However, the above incentives would not be applicable to exports under preferential quota. Further, the incentives

would be given on export of sugar made during the period 3.1.2007 to 2.7.2007 under Advance License Scheme and 23.1.2007 to 22.7.2007 for exports under Open General License. Source: PIB

### Sugar at Spot Market:

#### Domestic:

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

Particulars	10-February	03-February	Change
M 30	1520-1535	1565-1595	-60
S 30	1505-1520	1550-1580	-60
Mill Delivery	1435-1450	1480-1510	-60

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

Particulars	10-February	03-February	Change
Khatauli	1525	1600	-75
Deoband	1525	1600	-75
Nanoata	1500	1560	-60

### Jaggery at Spot Market

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

Particulars	10-February	03-February	Change
Raskat	365-380	365-390	-10
Chaku	450-470	455-480	-10
Shakkar	480-495	490-500	-5

### FOREX (As on 12th February 2007):

Foreign Currency	Rs. per unit
1 US \$	44.10
1 Euro	57.40
1 British £	86.12
100 Jap. Yen	36.15

### Weather Impact: (As on 12th January 2007)

Sugarcane is at its peak harvesting stage in the Maharashtra and Uttar Pradesh. Dry and cool weather prevailing over UP is favourable for harvesting of sugarcane and optimum sugar recovery.

#### 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.