

SUGAR, JAGGERY & CANE

12th June-17th June, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar: Weak Trend Continued
- NCDEX Sugar: Bears Overcome the Bulls
- NCDEX Gur: Obedient Follower of Sugar

Technical Analysis

Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: JULY 2006

Candlesticks are indicating bearish pattern. The July contract started with weak opening today. Stochastic are moving upwards. Moving averages are still showing further downtrend. MACD has made a bullish crossover with its EMA in negative region. The futures are likely to trade slightly downwards in near future.

Sugar M Grade 0607(NCDEX) 2006/06/17 - Daily B:1944.00

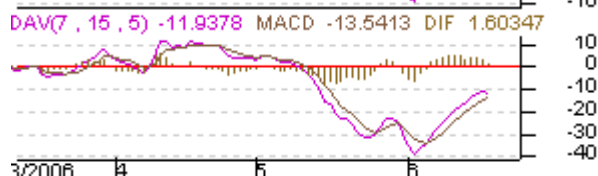
O 1960.00 H 1961.00 L 1945.00 C 1945.00 V 4,340 I

EMA(9) 1961.1 (18) 1977.3 PAR(14) 1967.83



SStk(9, 3, 3) 62.2985 SStD 62.5127 SStJ 61.8701

DAV(7, 15, 5) -11.9378 MACD -13.5413 DIF 1.80347



Outlook:

NCDEX July Sugar contracts are expected to trade in a range bound with bearish undertone next week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
June	1932	1917	1972	1980

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: JULY 2006

Candlesticks are suggesting weak sentiments in the Gur futures. A very range bound trade was observed during the week under review. The %K-line after cutting the %D-line from above moving downward in the normal region, hinting further downward movement. The DAV is approaching to its MACD and likely to have bullish crossover. Volume and open interest declined whole week.

GUR 0607(NCDEX) 2006/06/17 - Daily B:552.00 A:552.40

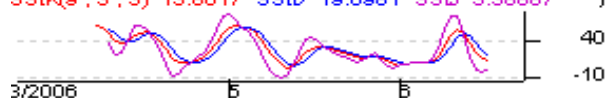
O 551.40 H 552.60 L 551.20 C 551.80 V 3,650 I 15

EMA(9) 555.29 (18) 559.63 PAR(14) 561.353



DAV(7, 15, 5) -3.65206 MACD -3.69626 DIF 0.044208

SStk(9, 3, 3) 13.8617 SStD 19.0981 SStJ 3.38887



Outlook:

The July Gur futures are also likely to witness a very narrow range bound trading amidst poor demand in the futures market.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
June	545	538	556	560

Market Commentary

Domestic:

Domestic Sugar Prices Trapped in Narrow Range

Sugar prices in the most of the domestic markets declined during the week starting 12th June 2006. At the Delhi and Muzaffarnagar markets it was offered at low prices amidst lackluster demand from the bulk buyers. Domestic stocks were reported to be good and the millers are to sell the entire allotted quota within the month of June. The recent industry estimation of sugar output in 2005-06 is about 19.5 million tones, over the latest Govt estimates of 19.1 million tones. The latest sowing progress of sugarcane this season is about 44.15 lakh ha as on 12th June, as against 41.26 lakh ha same period last year. Normal area under sugarcane is 43 lakh ha. Increase in acreage under cane in percentage over last year in the states like Tamil Nadu is about 49.4%, Punjab 30.2%, AP 19.1%, Karnataka 10.5%, Bihar 8.7%, Maharashtra 4.0 % (as of 12th June 2006). All these factors are indicative of the good production prospects of sugar in near future. Further, the concern of the government and opposition over the sharp prices rise of various commodities and the likely remedial step to curb it, has also compelled the stockiest to ease the market supply and bring market price down. The next sugar year will start from October, the sugar mills are short in money supply and they will have to make cash payments to the farmers at the time of cane purchase from them. These mills are selling their sugar in open market to arrange the money for the future. Keeping all these factors in mind, sugar prices are expected to hover in a narrow range with a bearish undertone in near future. At the international level, the latest released report on World Agricultural Supply and Demand Estimates (WASDE) by the USDA, the projected 2006/07 U.S. sugar supply is lowered from last month, due to lower beginning stocks. Sugar use is unchanged. Ending stocks are lowered 48,000 tons. For 2005/06, total supply is increased slightly. LIFFE White Sugar futures slid to 7-session lows on concerns over China sugar auctions. According to the National Development and Reform Commission of China, the country would sell 552000 metric tons of white sugar through public auctions between June-September 2006 to keep domestic prices of sugar within the reach of the common man. The Prices for domestic sugar at China reached an all-time high earlier this year, following a drought in the southern provinces of Yunnan and Hainan that reduced this year's output by 3.9 per cent to 8.82 million tons, the area planted with sugar crops also decreased by about 80 square kilometers last year. The International Sugar Organization report said that China's sugar consumption will grow at a rate "significantly higher

News Analysis:

Pakistan: Rejection of bids to Import 50,000 T of Sugar

The Trading Corporation of Pakistan (TCP) has rejected all bids for import of 50,000 tonnes of refined sugar due to very high bid prices. Earlier TCP was aiming to buy this amount of sugar for July/August shipment and has issued the tender on June 3. The Chairman of TCP, Mr. Zamil Ansari told the media that they negotiated with the bidders to bring the prices down but they refused, consequently the TCP had to reject all the bids in the tender as bid prices were too high. The corporation has yet to decide when it would hold the next tender. In another move at Islamabad the

than the world average" and that its domestic sugar industry is "not expected to be able to meet the projected growth in sugar use".

NCDEX Sugar: Declined on Weak Demand

Sugar futures on the NCDEX witnessed mixed sentiments with an overall bearish undertone during the week under review. The July futures followed the previous week trend amidst lackluster demand and speculative selling at the futures market. The July sugar contract hovered in the range of Rs.1935-1975, while the August contract fluctuated at 1951-1991 during the week started from 12th July 2006. The overall bearish sentiment of the commodity futures was supposed to be influenced by the weak stock market position at the national and international markets. Futures market is struggling with the short money supply situation and traders are avoiding aggressive buying in the futures market. Further, the attractive sugar spot prices as compared to futures market also attributed to thin trade in the sugar futures and the prices remained highly volatile throughout the week, indicating indecisiveness in the sugar futures. At the international market the Sugar prices on China's futures market fell sharply this week as the government announced that it would auction 552,000 tons, mostly from its reserve stocks, to stabilize prices. The immediate effect of the china announcement was also noticed on the LIFFE White Sugar futures, which slid to 7-session lows on concerns over China sugar auctions. Sugar also fell as oil prices dropped to a two-week low in New York on expectations a government report will show U.S. gasoline supplies are growing and can meet summer driving demand.

NCDEX Gur: Followed the Sugar Sentiments

The gur futures at the NCDEX witnessed a downward movement during this week starting 12th June 2006. The futures moved in a small range due to weak demand in the futures market. The volume and open interest declined significantly during this week under review and no sign of trend reversal is seen. The July contract hovered in the range of 551.2-559.6 in this week. The gur futures are expected to follow the sugar pattern in the coming couple of days. However, the futures are likely to move downwards during the first half of the coming week.

Monopoly Control Authority (MCA) imposed a penalty of Rs 10, 000 on 20 sugar mills for submission of incomplete data and a penalty of Rs 20, 000 on six sugar mills for not submitting information on stocks and a penalty of Rs 40,000 on six sugar mills for not submitting data nor appearing before it to explain the reasons for holding back sugar stocks that led to shortage of sugar in the sugar crisis period. Taking notice of consistent increase in the price of sugar after September 2005, the MCA started to monitor, on a fortnightly basis, the production, lifting and ex-factory price of sugar, along with cane price and cane crushed. This information was collected directly from the mills and

from Pakistan Sugar Mills Association (PSMA) in fortnightly statements.

China Release 552,000 tonnes Sugar in Domestic Market to Stabilize Prices

The Govt. of China is releasing 552,000 tonnes of sugar on the market to curb the rising prices. Sugar prices in China started to rise last November and hit a record high of 5,300 yuan a ton in early February. Around one third of the total supply will be taken from the state reserve and the rest will be imported from Cuba. The Cuban sugar would be auctioned after being processed in China. China's sugar will be sold from government stockpiles over four months at a rate of 92,000 tons a month. The minimum price for the lots was set at 3,800 yuan (\$474.75) a ton. Due to short supply and soaring international prices, sugar prices have risen in China since the end of last year, squeezing industries using sugar. Since April, China has put 600,000 tons of the state sugar reserve on to the domestic market. It should be learnt that most of the domestic sugar refineries have shut down and are awaiting the new production year, which begins in October.

World Sugar Outlook Positive

This year the sugarcane output and the diversion of cane to alcohol would be critical factor to guide the world sugar prices. The growing interest in ethanol as a biorenewable energy source and the European Union sugar regime reform will also affect considerably the sugar price worldwide. Other factors such as adverse climatic conditions in Brazil, expectations of reduced production from Cuba, Pakistan, Bangladesh and Thailand, forecasts of a deficit in the world supply/demand balance, stronger prices in commodity markets generally; and increases by the US in the tariff-rate quota as a result of devastating hurricanes indicate for a positive outlook. Global demand for sugar will continue to grow, as an additional 32 million tonnes are required to satisfy global demand in the next 10 years at the current rate of consumption. Thus the world sugar markets would remain supported strongly by continued global tightness and the diversion of cane to alcohol would perhaps be even more critical this year than ever before.

Sugar at Spot Market:

Domestic:

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

Particulars	17-June	10-June	Change
M 30	1940-1970	1990-2020	-50
S 30	1925-1955	1975-2005	-50
Mill Delivery	1860-1890	1900-1930	-40

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

Particulars	17-June	10-June	Change
Khatauli	1993	2013	-20
Morna	1965	1981	-16
Deoband	1990	2005	-15
Nanoata	1948	1968	-20
Dhampur	1966	1983	-17

Jaggery at Spot Market

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

Particulars	17-June	10-June	Change
Raskat	435-465	420-450	+15
Chaku	550-585	500-595	-10
Shakkar	600-675	520-590	+85
Khurpa	NA	510-520	-
Laddu	NA	530-550	-

International:

London Daily Price (LDP)

Particulars	16-June	15-June	14-June	13-June	12-June
LDP Raw FOB \$/MT	335.8	330.7	325.4	326.3	338.4
LDP Raw CIF \$/MT	377.8	372.7	367.4	368.3	380.4
LDP Raw CIF GBP/MT	203.7	201.6	199.3	199.8	206.4
LDP White FOB \$/MT	463.0	453.3	445.5	444.5	455.3
London Freight \$/MT	42	42	42	42	42
London Freight GBP/MT	22.5	22.5	22.5	22.5	22.5

Source: London International Financial Futures and Options Exchange (LIFFE)

Note: Exchange remained close on Saturday and Sunday.

Port Watch (As on 16th June 2006):

Loading of 13,1255 MT of sugar is continuing at Tuticorin Port on the vessel 'Amar'. St.John agents is handling the vessel. Al Jaber' is expected at Chennai Port to load 15,000 MT of sugar. Albert agents will be handling the vessel.

Weather Impact: (As on 16th June 2006)

Estimates suggest that the probability for the 2006 South-West monsoon season rainfall over the country as a whole to be deficient (below 90% of LPA) is only 22%. Largely dry weather conditions are likely to prevail over plains of Northwest and adjoining central India. Strong dust raising

winds likely over Northwest India with heat waves over some parts. The day temperature over rest of plains of northwest India, Uttar Pradesh and adjoining Madhya Pradesh are prevailing between 41-43°C. They are likely to increase further with possibility of development heat waves in some of these areas. Under the influence of western disturbance, J&K, H.P. and Uttranchal are likely to receive isolated rainfall/snowfall during next 3-4 days. Few protective irrigations will be required if dry weather continues to prevail in sugarcane growing areas.

FOREX (As on 16th June 2006):

Foreign Currency	Rs. per unit
1 US \$	45.92
1 Euro	58.08
1 British £	85.11
100 Jap. Yen	40.06

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