

SUGAR, JAGGERY & CANE

19th June-24th June, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar: Bearish Undertone Governs
- NCDEX Sugar: Import moves Check Futures Prices
- NCDEX Gur: Continues to Ease as Sugar Futures Slips

Technical Analysis

Commodity: Sugar Grade M
Exchange: NCDEX
Perspective: Very Short Term (Weekly)
Contract: JULY 2006

Candlestick formation shows the weak undertone in the July futures contract. Stochastic are moving upwards. The gap between DAV and MACD further widened indicating a bearish trend. %K line is below the % D line in the neutral zone. Volume and open interest declined significantly during the week with the downward movement of futures prices which suggests that market is in consolidation phase and it is expected that it will hover in a range bound manner in the coming week.



Outlook:

NCDEX July Sugar contracts will hover in a narrow range with weak undertone.

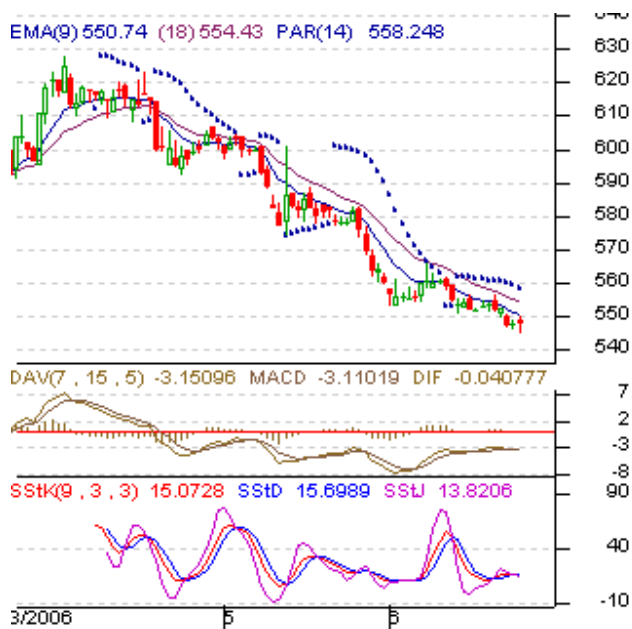
Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
June	1858	1819	1940	1960

Technical Analysis

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

Weak sentiments can be witnessed from the candlestick formation on July Gur futures. Range bound trading with bearish undertone was observed during the week under review. The %K-line is above the % D line in the neutral region indicating a slightly bullish sentiments in medium term. The DAV has made a bullish cross over to MACD. Volume increased while open interest declined during the week.



Outlook:

The July Gur futures are also likely to trade lacklustre trade during the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
June	541	534	555	560

Market Commentary

Domestic:

Bearish Undertone Govern Spot Sugar

Domestic sugar markets exhibited weak sentiments during the week beginning June 19, with prices in Delhi, Kolkata and Muzaffarnagar being range bound. Demand did not pick up, with market players expecting a further fall in the spot as well as futures prices as sugar mills appear to be in a hurry to offload the allotted June quota. The mills' action was also guided by the fact that payments are due to farmers for the next sugar season that begins in October. To add their woes, the Government announced that it might allow private players to import sugar to curb prices. Sugar production, which was expected to touch 191 lakh tonnes during 2005-06, is seen spurting to 230 lakh tonnes during 2006-07. Since annual domestic consumption is around 180 lakh tonnes, the excess stock could force the government to allow increased exports after the festival season in October. Acreage under sugarcane this year is put at about 44.15 lakh ha as on June 12, as against 41.26 lakh ha in same period last year, with major increase in states like Tamil Nadu (up to 49.4 per cent), Punjab (up to 30.2 percent), Andhra Pradesh (up 19.1 percent), Karnataka (up 10.5 percent), Bihar (up 8.7 percent) and Maharashtra (up 4 percent). The normal area is 43 lakh ha. Thus, domestic market appears to be struggling with a problem of plenty. Given such circumstances and with the July free sale quota set to be announced, it is unlikely that sugar prices will move up.

NCDEX Sugar: Import Moves Check Sugar Futures Prices

Sugar futures on the NCDEX witnessed very weak sentiments as the sugar futures prices tested month lowest price during the week under review. Spot market too did not support the futures market sentiments and the government intervention and remedial steps to curb the prices of

News Analysis:

Sugar: Indian Govt. allow Duty free Import to Curb Price Hike

In a significant move on June 22, 2006, the Cabinet Committee on Prices discussed about the price hike of the essential commodities and took some preventive measures to curb it. The Government has eased the terms and conditions for import of wheat, sugar and pulses. So far as sugar is concerned the Finance Minister Mr. P. Chidambaram said that the Cabinet has decided to import of sugar under Tariff Rate Quota Principle (TRQ), before September 30, 2006, which is the end of current season, and before the start of next crushing season. The tariff rate and quantity will be decided later and announced shortly. It is to be learnt that India is expecting a bumper output this year and in next year too. The domestic sugar prices are now low and are cheaper than global prices. The sugar import in the present scenario does not seem practicable as it is not economic feasible even at the zero import duty. The domestic sugar prices are around Rs. 19/kg and the world sugar prices are much higher than the domestic prices. The whole picture will become more clear after the announcement of the detailed terms and conditions for the sugar import. It appears that the government has sent a message to the hoarder that it would not allow them to create artificial sugar shortage situation in India as was

essential commodities also compelled the futures traders to remain on bearish front. Though the international prices are hinting the good future prospects as the increased demand for the biofuel will increase in the coming days which interns will stabilize the sugar prices and will not allow them to further down. But the current domestic sugar futures scenario is not likely to change in coming days as July free sale quota is also going to be announced shortly. The NCDEX July Sugar contract hovered in the range of 1862-1944 while the August contract fluctuated in the range of 1875-1972 during the week ending 24 June 2006. The current trend is expected to continue in the coming week too. At the International front, the raw sugar futures in New York may reach the highest average price in at least 20 years by the December quarter, as demand for ethanol rises. According to the U.S. Department of Agriculture the Global demand for the sweetener may rise 1.3 percent to a record 145.7 million tons in the year starting Oct. 1. In another development, Brazil, who is world leader in ethanol production, is diverting about 50 percent of its cane crop to make ethanol, up from about 48 percent in 2003,

NCDEX Gur: Followed the Sugar Sentiments

The gur futures at the NCDEX also witnessed lacklustre trade during the week starting 19th June 2006. Small range bound trading was observed during whole week as traders are interested to offload their existing stock in the expectation of further downward movement in prices as the gur prices also follow the sugar prices trend. The volume increased while open interest declined during the week under review. The July contract hovered in the range of 542-556 in this week. If next week may witness a range bound trade amidst weak sentiments.

observed in Pakistan where the prices shoot up due to hoarding. The government would not at all hesitate to take this measure despite a bumper sugar output, forecast at close to 19.5 million tonnes in the year ending September 2006.

Global Sugar Futures Rose to 3-Week High

Global sugar futures rose to 3-week highs on speculation that supply from EU will decline in the third quarter. For the year starting July 06, EU sugar production is likely to be cut by 13.6% or 2.5 million tons. The exports from EU are slowing down, raising concerns of shortage of white sugar in the coming Autumn. Strength in crude oil prices that has boosted the demand for ethanol and the recent discovery of smut disease in some sugarcane farms in Queensland (Australia) are likely to support the rising global sugar prices.

Bio-fuel: Bright Future Prospects:

The ethanol-blended gasoline across the country would be made available from the beginning of the sugar-marketing year in 2006/07 i.e. from October 2006. This would require about 600 million liters of ethanol to blend with gasoline at 5%. In the later stage Government has plan to increase this

ratio up to 10%. The sugar mills, which are interested in setting up ethanol production, will be offered subsidized loans. The government's ethanol policy has led to 120 distilleries modifying their plants to include ethanol production, and these have a total capacity of over 1.2 billion liters per year. Industry sources estimate that this is enough to meet the estimated ethanol demand for the five percent blending ratio with gasoline. If India has to adopt a ten percent ethanol blending program, production capacities need to be enhanced by expanding the molasses based ethanol plants, and by setting up sugarcane juice-based production facilities as about 1258 million liters of ethanol would be required to attain this limit of 10%. Reliance is planning to open three sugar factories in Maharashtra in the near future. This company will enjoy economies of scale and comparative cost advantage, as the produced ethanol will be blended with petrol at its own petrol pumps all over India.

Sugar Hoarding: Notices against 33 Sugar Mills in Pakistan

The Monopoly Control Authority (MCA) of Pakistan is taking a serious notice against 33 sugar mills owners for hoarding. The officials said that 2.9 million tons of sugar production was reported till the end of May, 2006, but market supply of sugar was only about 1.7 million tons thus hoarding of about 1.2 million tons. It resulted in the sugar scarcity and sharp price rise in the Pakistan. It is believed that strong action may be taken against these sugar mills for creating the artificial shortage of sugar in the country and misleading the Government. The Government is also in the mood to ensure complete elimination of cartels and hoardings of pulses, cement, sugar and other kitchen items. Government has urged upon the sugar mills to lower the sugar price and bring stocks to the market, as this would be better for them and the consumers as well.

Sugar at Spot Market:

Domestic:

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

Particulars	24-June	17-June	Change
M 30	1885-1925	1940-1970	-45.00
S 30	1870-1910	1925-1955	-45.00
Mill Delivery	1800-1840	1860-1890	-50.00

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

Particulars	24-June	17-June	Change
Khatauli	1925	1962	-37
Morna	1892	1935	-43
Deoband	1915	1952	-37
Nanoata	1918	1930	-12

Jaggery at Spot Market

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

Particulars	24 June	17-June	Change
Raskat	410-425	435-465	-40
Chaku	515-570	550-585	-15
Shakkar	580-665	600-675	-10
Khurpa	NA	NA	-
Laddu	NA	NA	-

International:

London Daily Price (LDP)

Particulars	23-June	22-June	21-June	20-June	19-June
LDP Raw FOB \$/MT	346.8	355.4	343.7	331.4	328.3
LDP Raw CIF \$/MT	388.8	397.4	385.7	373.4	370.3
LDP Raw CIF GBP/MT	213.1	216.0	209.2	202.8	200.5
LDP White FOB \$/MT	478.8	486.8	477.0	463.0	458.3
London Freight \$/MT	42	42	42	42	42
London Freight GBP/MT	23.0	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 23rd June 2006):

Loading of 12,500 MT of sugar is continuing at Tuticorin Port on the vessel 'Continent 4'. St.John agents is handling the vessel. The port is expecting 'Long Grow' to load 5,700 MT of sugar. The vessel will be handled by St. John agents. 'Al Jaber' has berthed at Chennai Port and continues to load 15,000 MT of sugar. Albert agents is handling the vessel. Mumbai Port is expecting 'Dai Hong Dan' to load 8,500 MT of sugar. Parekh agents is handling the vessel. Kandla Port is expecting 'Adrekni' to load 14,000 MT of sugar to Karachi. Eastern agents will be handling the vessel.

Weather Impact: (As on 23rd June 2006)

During this week, there was no further advancement of monsoon. However, southwest monsoon revived on 20th with increase in the rainfall activity over south peninsula. Northeastern States experienced fairly widespread rainfall with isolated heavy falls on many days during the week. Conditions are favourable for further advance of the southwest monsoon into remaining parts of Maharashtra and adjoining areas during 1st half of the week starting from 26th June 2006. Enhanced rainfall activity with scattered heavy to very heavy falls is likely along the west coast and over northeastern states. Scattered to fairly

widespread rainfall activity likely over interior Peninsula and east India and adjoining central India. Isolated rain/thunderstorms accompanied with squall also likely over northwest India. Weather conditions seem to be favourable for sugarcane.

FOREX (As on 23rd June 2006):

Foreign Currency	Rs. per unit
1 US \$	46.20
1 Euro	58.12
1 British £	84.57
100 Jap. Yen	39.86

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.