

SUGAR, & JAGGERY

03rd July-07th July, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar: Mixed Sentiments amidst Lacklustre Trade
- NCDEX Sugar: Dips on Export Ban
- NCDEX Gur: Remained Slightly Bullish

Technical Analysis

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

The week starting from 3rd July witnessed a mixed sentiments and the market moved towards consolidation. At the NCDEX July futures, the candlestick pattern indicates that the selling pressure kept the market to hover in range bound pattern. Volume and open interest declined considerably. EMA is above the price line. DAV is moving parallel to the MACD though maintaining narrow distance. The %K line, after crossing the % D line from above, is moving down and the gap between them has increased. Sugar technical conditions indicate towards weakness in the market.



Outlook:

Sharp technical corrections are not expected. The market will remain range bound in the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
July	1865	1860	1888	1893

Technical Analysis

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

The Gur futures witnessed slightly bullish sentiments at the NCDEX. The buying pressure kept the market a little bit high during the week starting from 3rd July. 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 bearish cross over to MACD. Volume and open interest declined considerably during the week under review.



Outlook:

The Gur futures is likely to witness range bound trading in the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
July	538	532	549	554

Market Commentary

Domestic:

Spot Sugar: Stable Sentiments

The domestic sugar price scenario improved slightly from the previous week as the supply scenario is crystal clear among the trading community because the millers have got the details about their individual allotted free sale quota which is to be brought in to market for sale between July - September quarter. The demand also improved in the week starting 3rd July from the retailers as the spot prices have shown some stability and are not likely to witness sharp upward or downward movement. The sugar spot price (Rs/qrtl) at the Delhi was quoted between Rs. 1900-1934/qrtl, at Muzaffarnagar (1920-1940) and Kolkata (1965-1975) during the week under review. The traders believe that at ground level the country is not having huge stock of sugar as is propagated and it is just enough to meet the domestic current normal demand. If the sugar/sugar cane production in the next crushing season (October 06- September 07) is adversely affected due to any reason then the country may face the acute shortage of sugar. The neighboring countries are also facing the severe shortage of sugar. World sugar prices are going up due to global shortage and increased demand for ethanol and main sugar producing countries like Brazil seems to be interested in diverting the sugar to ethanol production to earn more profit and meet the US demand for ethanol. Over all, if any adverse production situation comes in future India will have no option but to accept high prices of sugar, which may become out of reach of the common man as is currently observed in the case of some pulses and wheat. The traders' apprehension seem to be justified as the Government has banned on export of white sugar till 31 March 2007 to augment supply and keep essential prices in check. It is to be recalled that earlier Government allowed the private players to import sugar at Zero import duty but it did not work because it was economically unprofitable. Under current circumstances the spot prices are likely to hover in a range bound pattern and the sharp movement on either side is not likely. However, the political agitations time to time may shake their confidence for some time but largely market is in the phase of consolidation of prices. So far sugarcane planting has taken place on about 44.55 lakh hectares which is about 1.75 lakh ha higher than last year). The weather conditions are normal till date for the sugarcane crop.

NCDEX Sugar: Futures Scramble on Ban on Export

Sugar futures at the NCDEX witnessed weak sentiments in the week under review. The futures market, which

welcomed the last week free sale quota announcement by way of upward movement in prices, appeared directionless and confused this week due to recent political happenings and Government's decisions. Futures remained weak on the fear of more regulatory steps as the Congress president Sonia Gandhi asked Chief Ministers of party-ruled states to regulate forward trading in essential commodities to curb excessive speculation. On 5th July, the futures market reacted sharply to the suddenly came news of the notification to ban the sugar export till 31 March 2007. The news turned in to a disaster for the Sugar Futures as the prices broke all the support levels beyond all expectations and could not revived back properly. The NCDEX July Sugar contract hovered in the range of 1852-1901 while the August contract fluctuated in the range of 1862-1919 on that day. The futures markets have become very sensitive to the Government move and mood and traders are trading very cautiously as is clear from the decline in the volume of the trade in the week, which has considerably declined. At the international level, London white sugar Oct contract increased up to 2.1% at \$480/ton, highest in 7-weeks on Wednesday on news on India's ban on sugar export until March 2007 to curb domestic prices. London white sugar futures are trading higher following Wednesday's gains and has tested fresh contract highs for all actively traded months. August contract set contract high at \$498.90/ton, crossing previous high of \$487.50/ton. The market remained underpinned by India's decision to ban sugar exports as a means of controlling inflation. Supplies of world Sugar continue to remain tight, with the International Sugar Organization reporting that global demand could exceed production by nearly 1 million tons this year. Continued strong demand for cane-based ethanol, especially in Brazil, is among the leading reasons for the shortfall.

NCDEX Gur: Followed the Sugar Sentiments

The gur futures at the NCDEX witnessed mixed trading activities during the week starting 3rd July 2006. The price showed narrow upward movement during the week and remained largely consolidated. The July contract hovered in the range of 530-544 in the week under review. Range bound trading is expected in the next week.

News Analysis:

India Bans Sugar Exports Until March 2007 To Curb Prices

India banned sugar exports until the end of the current financial year on March 31, 2007, to keep local prices in check, in a notification yesterday. The ban is applicable to all sugar export deals in which a letter of credit has been opened on or after June 22, 2006, the notification said. Only Indian mills that import duty-free raw sugar, on the condition that an equivalent quantity of white sugar will be shipped out in two years, are allowed to export sugar. An

exception has been made for Indian Sugar Exim Corp. and State Trading Corp. (512531.BY)'s export of 300,000 tons. Late last month the government also lifted the import duty on sugar to try to push down local prices. Local prices have been high despite the rise in output to an estimated 19.2 million tons in the current marketing year, from around 13 million tons in 2004-05. Sugar, along with pulses and wheat, are three commodities whose prices are being closely monitored by the federal government to keep

inflation in check. India's central bank expects inflation between 5% and 5.5% in the current financial year to March 2007. India's food ministry is seeking a relaxation of a ban on sugar exports to allow mills that earlier imported duty-free raws to ship out white sugar, a senior government official said Wednesday. "Concessions have been sought from the Cabinet as many mills are under obligation to export whites because they imported raw sugar without paying any customs duty," the official told Dow Jones Newswires. The federal government has banned exports under all deals for which the letter of credit was opened on or after June 22, 2006.

Sugar: Current Asian Scenario

Asian sugar supplies are expected to rise in future due to bigger-than-expected crops in Thailand and India, while major buyer Vietnam cuts back on new purchases. The Vietnam Sugar and Sugarcane Association has asked the trade ministry to stop handing out sugar import quotas because domestic stocks and smuggled sugar were more than enough to meet domestic demand. About 450,000 tonne of white sugar had been smuggled into Vietnam so far this year. One kg of smuggled sugar, often Thai brought through Cambodia, is sold at 8,000 dong (\$0.50) per kg, compared with around 10,400 dong per kg for domestically refined sugar. The Vietnamese government approved the import of 150,000 tonne of sugar in March, but no deals have been made, traders said, pointing to the impact of smuggled sugar. Thailand, Asia's largest sugar exporter, has had good rains in the past few months, fuelling predictions of a bigger-than-expected cane crop in 2006/07, which runs from October to September. Traders and millers expect around 55 million tonne of cane this year due to favourable weather and attractive prices. Thailand produced 46.68 million tonne of cane in the current year. Thai exporters and traders are under pressure to sell in a bid to cut storage costs during periods of slack demand. India's sugar output is expected to rise to 22-23 million tonne in the 2006-07 crop year (October-September), up from 19.2 million tonne in the current season. India's sugar exports in the marketing year ending in September, is expected at close to one million tonne, mainly to Pakistan, Bangladesh and Sri Lanka. Another country, Philippines will cancel a plan to import an extra 30,000 metric tons of sugar as domestic production is expected to decline less than expected. Production in the crop year ending august is expected to fall less than 1 percent from last year's 2.15 million metric tons.

Sugar: Bangladesh can Import Sugar Originating in Third Countries

Although India has banned on the export on sugar, pulses and wheat, Bangladesh can still import the sugar from India, which originates in any third country. It is argued that the ban will be effective only on the commodities produced domestically in India. The business sources said that the ban would not interrupt the export of products, which were earlier, imported to India from any third country. By making use of the third country provision, Bangladesh can import sugar from India, which the Indian importers procured from countries like Brazil, Thailand or elsewhere. It is to be learnt that besides producing sugar domestically, India also

imports raw sugar from different countries and after refining it; the exports are made of finished sugar to other countries. Bangladesh Officials made it clear that the decision of the Indian government to stop export of wheat, sugar and pulses to other countries will not have any negative impact on the Bangladesh market.

World: Sugar to Rise

According to the Organization for Economic Cooperation and Development (OECD) the Sugar prices will rise into next year as lower European Union (EU) output contributes to a fourth straight global production shortfall. Raw sugar prices will average US\$385.80 (US\$1 = RM3.65) a tonne in the marketing year that starts September 1, the Paris-based OECD said yesterday in a joint report with the Food and Agriculture Organization of the UN. Raw sugar futures in New York have climbed 81 per cent in the past year. Sugar prices have increased as the EU scales back beet production, paving the way for imports to soar by more than 75 per cent by 2015, according to the report. The EU is cutting guaranteed sugar prices to farmers to comply with a World Trade Organization ruling last year." World prices are projected to increase further in 2006/2007 as global consumption exceeds production for a fourth year in a row," the report said. "Beyond 2006, sugar prices are expected to decline as global sugar production increases in response to the period of high prices." Prices for white, or refined, sugar also will rise, the report said, averaging US\$418.90 a tonne in the year beginning September 1. White sugar in London has risen 75 per cent in the past year, averaging US\$373.74. Still, by the 2015/2016 marketing year, raw sugar will be down to US\$263.50 a tonne and white sugar to US\$307.50, according to the report. Prices have also gained on speculation more cane, especially in Brazil, will be used to make ethanol for motor fuel. Brazil's sugar exports are forecast to rise 4 per cent a year into 2015, down from an annual growth rate of 12 per cent between 1996 and 2005, according to the report. Brazil's exports also may slow as more land is devoted to producing beef or oilseeds, said Loek Boone- kamp, head of the trade and markets division at OECD's agriculture division in Paris.

Sugar at Spot Market:

Domestic:

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

Particulars	8-July	1-July	Change
M 30	1905-1935	1905-1920	+15.0
S 30	1890-1920	1890-1905	+15.0
Mill Delivery	1820-1850	1820-1835	+15.0

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

Particulars	8-July	1-July	Change
Khatauli	1860	1890	-30.0
Morna	1850	1885	-35.0
Deoband	1845	1845	-
Nanoata	1860	1890	-30.0

Jaggery at Spot Market

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

Particulars	8-July	1-July	Change
Raskat	430-460	410-425	+35
Chaku	425-460	515-570	-110
Shakkar	625-650	580-665	-15
Khurpa	NA	NA	-
Laddu	NA	NA	-

International:

International Sugar Situation as on 6 July 2006

London Daily Price W (\$/MT)	3-Jul	4-Jul	5-Jul	6-Jul
Aug-06	469.1	472.0	489.6	490.0
Oct-06	467.6	470.0	488.6	489.0
Dec-06	462.7	466.1	483.6	484.0
Mar-07	450.5	455.1	470.0	469.7
New York Spot No.11 (\$/MT)	377.4	*	388.8	394.8
Oct-06	366.4	*	375.2	378.3
Mar-07	373.4	*	381.3	384.9
May-07	372.1	*	379.8	382.7
Jul-07	368.3	*	375.4	377.6

Conversion: Bill
Selling Rate 1\$ = 45.9 45.9 45.9 46.1
* Holiday

Port Watch (As on 7th July 2006):

'Young Xiang 9' has berthed at Kandla Port and continues to load 13,000 MT of sugar to Karachi. ACT agents is handling the vessel. Loading of 26,260 MT of sugar is continuing at Kandla Port on the vessel 'El Tango' to Karachi. Tristar 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. The port is expecting 'Zara III' to load 17,500 MT of sugar to Karachi. Eastern agents will be handling the vessel. Mumbai Port is loading 6,100 MT of sugar on the vessel

'Lady Kyriaki'. The vessel is being handled by Interocean agents. 'Tong Ji Men' has berthed at Mumbai Port and continues to load 12,000 MT of sugar. Mumbai Port is loading 8,500 MT of sugar on the vessel 'Dai Hong Dan'. Parekh agents is handling these vessels. Loading of 6,500 MT of sugar is expected at the port on the vessel 'Asha Himani'. The vessel will be handled by Mitsutor agents. 'Nama' has berthed at Tuticorin Port and continues to load 13,125 MT of sugar. St.John agents is handling the vessel. Loading of 15,000 MT of sugar is expected at Kolkata Port on the vessel 'Fu Qiang'. Chennai Port is expecting 'Weston' to load 29,000 MT of sugar. The port is expecting 'Chopal' to load 5,650 MT of sugar.

Weather Impact: (As on 7th July 2006)

North-western India: Rain/thundershowers are likely at many places over Himachal Pradesh and Uttaranchal and at a few places over the rest region including Delhi. Isolated squall likely over the region.

East India: Rain/thundershowers are likely at most places over Sub-Himalayan West Bengal & Sikkim, Bihar and East Uttar Pradesh; at many places over the rest region outside Orissa where it may be isolated.

South India: Rain/thundershowers are likely at many places over Coastal Karnataka and at a few places over Kerala. It may be isolated over the rest region.

West India: Rain/thundershowers are likely at a few places over Konkan & Goa and isolated over the rest region. Isolated thundersquall over Rajasthan.

Central India: Rain/thundershowers are likely at a few places over north Chhattisgarh and East Madhya Pradesh and isolated over the rest region.

Weather Impact on Sugarcane: Sugarcane crop will be benefited from the monsoon rains, as it will reduce the irrigation requirements. The good monsoon rainfall will definitely increase the productivity.

FOREX (As on 7th July 2006):

Foreign Currency	Rs. per unit
1 US \$	45.93
1 Euro	58.89
1 British £	84.89
100 Jap. Yen	40.29

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