

SUGAR, & JAGGERY

27 November - 02 December, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Market Witnessed Weak Sentiments
- NCDEX Sugar: Bullish 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 traded with range bound with weak sentiments during the week under review due to weak physical demand in the market. The sentiments of sugar futures indicate that traders are hopeful for early resumption of sugar export ban, which is still awaited. In December contract, candlestick chart pattern exhibits indecisive market. Technical indicators RSI, MACD and stochastic hint for bears. Prices closed below the 9 days EMA and 18 days EMA. Market is expected to trade range bound following steady to weak opening with possibility of late upwards movement.



Outlook:

Steady to bullish. Buy at lower level. Remain short with caution

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December	1740	1730	1765	1775

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: December 2006

Gur futures were gradually increasing during the week due to strong buying support from lower level. In December contract, Volume increased while Open interest declined slightly. Candlestick pattern indicates bullish market. Prices closed between the 9-days and 18-days EMA, indicating upward market for medium term. Technical indicators RSI, MACD and stochastic hint for bulls. Technical indicators favour the bulls.



Outlook:

Steady to slightly bullish in the coming week. Buy at corrective dips towards support level for medium term.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December	499	496	505	510

Market Commentary

Domestic

Spot Sugar Market observe Weak Demand

Sugar spot market traded with slightly bearish sentiments during the week and sugar spot prices declined in the most of the major trading centers like Kolkata and Muzaffarnagar during the week under review on weak demand while prices at Delhi remain steady in the beginning of the week but slightly eased by the end of the week. Sentiment turned bearish in the spot market over the statement of Agriculture Minister that the government is actively considering lifting ban on export of sugar. However, he said that lifting of ban on export of sugar is likely to be taken up after the winter session of parliament. The Government has released 12 lakh tonnes of sugar as non-levy quota for the month of December 2006 as against 11 lakh tonnes of quota released during the corresponding month last year. The Government has already released 1.67-lakh tonnes levy sugar for distribution in the public distribution system for the month of December 2006. Thus, the total sugar released in the month of December 2006 is 13.67 lakh tonnes. The sugar released for December 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 non-levy sugar quota of 12 lakh MTs released for the month of December 2006 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. Further, In Tamil Nadu the state government has revised state advised price (SAP) of sugarcane to Rs. 222.50 a tonne in addition to the statutory minimum price of Rs. 802.50 a tonne announced by the center totalling Rs 1025 a tonne. In addition there is an incentive price of Rs. 9 a tonne for sugar recovery of every 0.1 percentage point over 9 per cent. In effect, mills will now have to pay farmers over Rs. 1150-1200 per tonne based on the recoveries. Last year it was fixed at Rs. 1014 with an incentive of Rs. 8.80 per tonne for every 0.1 percentage point over 9 per cent recovery, based on the sugar recovery, the price per tonne ranged between Rs. 1014 - Rs. 1128 of each mill in 2005-06. Government estimated sugarcane production in

Tamil Nadu at about 225 lakh tonnes with a sugar production of 24.5 lakh tonnes during 2006-07. Further, Ban on export of sugar is about to enter its sixth month. Government, with a view to control the rising price of this essential commodity banned sugar exports till 31st March 2007. Continuing ban on export of sugar may be capitalized by Thailand where the crushing season is likely to begin in the first week of December. Thailand is the biggest sugar exporting country in Asia with an average annual sugar export of around 4 million tonnes. Thailand's cane and sugar board has revised up its forecast for 2006-07 sugarcane production by 4 percent to 59.78 million tonnes from the July projection of 57.30 million tonnes. The cane crop is expected to be 28 percent higher during 2006-07 as compared to the output of 46.69 million tonnes of sugarcane in 2005-06 crop year. In Brazil the Agriculture Ministry's crop forecasting agency "Conab" has revised the forecast for the sugarcane crop for the year ending April 2007 to 475.7 MMT from an earlier estimate of 471.2 million tons and sugarcane planting grew by 6% to 6.2 million hectares (15.3 million acres) this season. According to Conab mills will turn 242.2 million tonnes of sugarcane into sugar, 183.8 million tonnes in ethanol fuel and remaining 49.7 million tonnes into liquor, animal feed and other products. In UP farmers are eagerly waiting for the announcement of SAP, which is likely to be announce soon. Crushing on the other hand is going on smoothly in Maharashtra and Uttar Pradesh.

Bullish on Export Resumption Hope

Sugar futures on the NCDEX observed narrow range bound trade with steady to slightly bearish tone on week demand during the week. In the most-active December contract tested a high of 1760 and a low of 1741 during the week. The futures traded mostly downwards on increased selling interest. Market hovers in a range of 1760-1741 during the week. MCX December contract traded between Rs. 1780-1848 with increasing volume and open interest but the trading activity remained very thin.

News Analysis:

Government Reduced SAP in Tamil Nadu

In Tamil Nadu government reduced the state advised prices (SAP) of sugarcane from Rs. 1014 to Rs. 802. Sugarcane growers were shocked over the government's decision and a tense situation was prevailing around Kallakurichi where farmers staged a road roko.

Ban on Export of Sugar may be lifted after winter session.

Agriculture Minister Mr. Sharad Pawar said that the government is actively considering lifting ban on export of sugar. He said that the lifting of ban on export of sugar would be taken up after the winter session of parliament. So, in this way we would probably see Indian sugar hitting the offshore markets by next month end.

Government Revised the SAP of Sugarcane in Tamil Nadu

In Tamil Nadu the state government has revised state advised price (SAP) of sugarcane to Rs. 222.50 a tonne in addition to the statutory minimum price of Rs. 802.50 a tonne announced by the center totaling Rs 1025 a tonne. These prices are linked to 9% recovery. In addition there is

an incentive price of Rs. 9 a tonne for sugar recovery of every 0.1 percentage point over 9 per cent. In effect, mills will now have to pay farmers over Rs. 1150-1200 per tonne based on the recoveries. Last year it was fixed at Rs. 1014 with an incentive of Rs. 8.80 per tonne for every 0.1 percentage point over 9 per cent recovery, based on the sugar recovery the price per tonne ranged between Rs. 1014- Rs. 1128 of each mill in 2005-06. Government estimated sugarcane production in Tamil Nadu at about 225 lakh tonnes with a sugar production of 24.5 lakh tonnes during 2006-07. Opening stock according to official estimates is about 6.5 lakh tonnes of sugar as on October 1st.

Continuing Ban on Sugar Export in India may benefit Thailand

Ban on export of sugar is about to enter its sixth month. Government, with a view to control the rising price of this essential commodity banned sugar exports till 31st March 2007. Indian sugar export ban may benefit the sugar industry in Thailand where the crushing season is likely to

begin in the first week of December. This year Thailand is expected to have a bumper sugarcane crop due to good rains. In Asia, Thailand is the biggest sugar exporting country and the average annual sugar export from Thailand is around 4 million tonnes. Importing countries like Indonesia, Sri Lanka and Bangladesh are likely to buy more sugar from Thailand vis-à-vis India. Thailand's cane and sugar board has revised up its forecast for 2006-07 sugarcane production by 4 percent to 59.78 million tonnes from the July projection of 57.30 million tonnes. The cane crop is expected to be 28 percent higher during 2006-07 as compared to the output of 46.69 million tonnes of sugarcane in 2005-06 crop year.

12 Lakh Tonnes of Non-Levy sugar for December

The Government has released 12 lakh tonnes of sugar as non-levy quota for the month of December 2006 as against 11 lakh tonnes of quota released during the corresponding month last year. The Government has already released 1.67-lakh tonnes levy sugar for distribution in the public distribution system for the month of December 2006. Thus, the total sugar released in the month of December 2006 is 13.67 lakh tonnes. The sugar released for December 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 non-levy sugar quota of 12 lakh MTs released for the month of December 2006 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.

Brazil Set to Achieve Record Cane Crop

In Brazil the Agriculture Ministry's crop forecasting agency "Conab" has revised the forecast for the sugarcane crop for the year ending April 2007 to 475.7 MMT from an earlier estimate of 471.2 million tons and sugarcane planting grew by 6 % to 6.2 million hectares (15.3 million acres) this season. According to Conab mills will turn 242.2 million tonnes of sugarcane into sugar, 183.8 million tonnes into ethanol fuel and remaining 49.7 million tonnes into liquor, animal feed and other products.

Sugarcane 2006-07 Output Estimate 314 Million Tons Vs 283 Million Tons

Agriculture Secretary said that the sugarcane output revised to 314 million tons from an earlier projection of 283 million tons during 2006-07. As per the Food Ministry, sugarcane production is expected to around 340 million tons during the year 2006-07. However, the estimates came by the Agriculture Ministry is lower than those arrived by the Food Ministry.

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However, if sugar prices show any abnormal increasing trend, additional releases shall be made.

Sugar at Spot Market:

Domestic:

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

Particulars	02-December	25-November	Change
M 30	1745-1755	1785-1795	-40
S 30	1730-1740	1770-1780	-40
Mill Delivery	1660-1670	1700-1710	-40

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

Particulars	02-December	25-November	Change
Khatauli	1760	1800	-40
Deoband	1760	1800	-40
Nanoata	1715	1750	-35

Jaggery at Spot Market

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

Particulars	02-December	25-November	Change
Raskat	390-400	385-395	-5
Chaku	465-490	450-475	+15
Shakkar	470-490	480-500	-10

Weather Impact: (As on 02nd December 2006)

Weather is fine for the sugarcane crop.

FOREX (As on 02nd December 2006):

Foreign Currency	Rs. per unit
1 US \$	44.67
1 Euro	59.57
1 British £	88.50
100 Jap. Yen	38.60

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