

SUGAR, & JAGGERY

18 - 23 December, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Sugar Spot Market observed Weak Physical Demand
- NCDEX Sugar: Volatile 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 observed lacklustre trade with bearish undertone during the week. The futures prices declined during the week mainly due to the selling pressure. The most-active January contract tested a high of Rs. 1733 and a low of Rs. 1679 during this week. Volume decreased from 10730 to 2190 and open interest remains steady during the week. In January contract, candlestick chart pattern exhibits bearish sentiment. Technical indicators MACD, RSI and Stochastic favours for the bears. Closing price is below the 9 days EMA and the 18 days EMA. Market is expected to trade downward following a steady to weak with possibility of slight late upward movement.



Outlook:

Range bound till the government completely lifts the ban on sugar export. Sell at higher level towards resistance level.

Support and Resistance Levels:

| Contract Month | Support Level | | Resistance Level | |
|----------------|-----------------|-----------------|------------------|-----------------|
| | 1 st | 2 nd | 1 st | 2 nd |
| December | 1665 | 1658 | 1740 | 1750 |

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: January 2006

Gur futures were gradually decreased during the week due to selling pressure from higher level and made contract low at Rs.497 during the week. In January contract, Volume declined significantly and Open interest remains steady. Candlestick pattern indicates slightly bullish market. Prices closed below the 9-days and 18-days EMA. Technical indicators RSI, MACD and stochastic hint for bulls.



Outlook:

Bullish to slight down in the coming week. Sell at higher level towards resistance level for medium term.

Support and Resistance Levels:

| Contract Month | Support Level | | Resistance Level | |
|----------------|-----------------|-----------------|------------------|-----------------|
| | 1 st | 2 nd | 1 st | 2 nd |
| December | 493 | 488 | 510 | 516 |

Market Commentary

Domestic

Spot Sugar Market observed Weak Demand

Spot market prices of sugar continue to ease in the major trading centers like Delhi, Kolkata and Muzaffarnagar amidst weak demand and normal supply during the week under review. However, spot market prices recovered slightly on Wednesday on improved demand as well as government's decision over lifting of ban on sugar under ALS. The Union Cabinet has lifted the ban only for raw sugar imported under the advance license scheme (ALS). Around 1 million tonne of raw sugar imported under ALS will now be re-exported as refined sugar. However, the entire lifting of ban on export of sugar is still awaited and as per Farm Minister government will first review the sugar balance then any decision will be taken by the government and it will take 10-15 days time to review the sugar stock. In the mean time statement came by the Commerce and Industry Minister that the government will review lifting of ban on export of sugar completely in another 1-2 months. There is no clear picture, how much time government will take for the same and the government's estimate differs from the industry estimate. Market will pick up as and when government completely removes the ban. Further, Cabinet has declared SMP of sugarcane for the 2007-08 season at Rs. 81.18 per qtl linked to a basic recovery of 9 per cent

News Analysis:

Government Lifts Export Ban for Raw Sugar Under ALS

Union Cabinet on Monday lifted the ban on sugar export. However, the ban has been lifted at present only for raw sugar imported under the advance license scheme (ALS) earlier. Around 1 million tonne of raw sugar imported under ALS will now be re-exported as refined sugar, based on the government's decision to open up exports. This is one of the reasons given to argue for a general lifting of the ban rather than just for ALS sugar. The government is likely to allow the export of another 1 million tonnes of sugar in addition to the 1mt under ALS, after a review of the price situation in the domestic market.

Government Will Review Lifting of Ban on export of sugar in 1-2 months

As per the Commerce and Industry Minister, the government will review lifting of ban on export of sugar completely in another 1-2 months. However, the government had permitted export of sugar under advance licences on Monday. The government has projected the sugar output to be at least 227 lakh tonnes, while the industry has pegged it at 230 lakh tonnes during the year 2006-07. The domestic consumption is pegged at 190 lakh tonnes and opening stock of about 40 lakh tonne and this would leave surplus to 77-80 lakh tonne during the current season.

Indonesia's Sugarcane Production Could Suffer a Drop of 12% in 2007

As per the Secretary General of the Indonesian Sugar Experts Association, Indonesia's sugarcane production next year could suffer a drop of 12 percent resulting in a sugar shortage of about 500,000 tons. The drought this year affected almost all of the country and this dry season is expected to continue in 2007. If sugar consumption

subject to a premium of Rs.0.90 for every 0.1 percentage point increase in the recovery above that level against the current seasons of Rs. 80.25 per qtl. However, the Centre's SMP has lost much of its relevance in recent times due to states independently fixing their own cane prices. In current season, UP has declared a price range of Rs. 125-130 per qtl, while Tamil Nadu has been pegged at Rs. 102.50 for 9 per cent recovery. In Indonesia, as per the Secretary General of the Indonesian Sugar Experts Association, the sugarcane production in 2007 could suffer a drop of 12 per cent resulting in a sugar shortage of about 5 lakh tonne. The drought this year affected almost all the country and this dry season is expected to continue in 2007 and if the sugar consumption reaches to 2.6 million tonne, then Indonesia will face a deficit of 5 lakh tonne.

Volatile on Export Resumption Hope

Sugar futures on the NCDEX observed lacklustre trade with bearish undertone during the week. The futures prices declined during the week mainly due to the selling pressure. The most-active January contract tested a high of Rs. 1733 and a low of Rs. 1679 during this week. Volume decreased from 10730 to 2190 and open interest remains steady during the week.

reaches to 2.6 million tonne, then Indonesia will face a deficit of 5 lakh tonne, Sugar production this year increased by 60,000 tons to 2.30 million tons from 2.24 million tons in 2005.

SMP of Sugarcane Payable by Sugar Factories of 2007-08 Sugar Season

The Cabinet Committee on Economic Affairs, on the recommendations of Commission for Agricultural Costs and Prices (CACP), today gave its approval for fixing the SMP of sugarcane for the 2007-08 sugar season at Rs.81.18 per quintal for a basic recovery rate of 9 per cent subject to a premium of Rs.0.90 for every 0.1 percentage point increase in the recovery above that level.

Source: PIB

Sugar at Spot Market:

Domestic:

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

| Particulars | 23-December | 16-December | Change |
|---------------|-------------|-------------|--------|
| M 30 | 1670-1695 | 1685-1700 | -5 |
| S 30 | 1655-1680 | 1670-1685 | -5 |
| Mill Delivery | 1585-1610 | 1600-1615 | -5 |

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

| Particulars | 23-December | 16-December | Change |
|-------------|-------------|-------------|--------|
| Khatauli | 1685 | 1700 | -15 |
| Deoband | 1680 | 1695 | -15 |
| Nanoata | 1660 | 1660 | - |

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

| Particulars | 23-December | 16-December | Change |
|-------------|-------------|-------------|--------|
| Raskat | 375-390 | 485-495 | -105 |
| Chaku | 455-485 | 460-485 | - |
| Shakkar | 490-510 | 480-500 | +10 |

Weather Impact: (As on 23rd December 2006)

Weather is fine for the sugarcane crop and favours arrivals for crushing.

FOREX (As on 23rd December 2006):

| Foreign Currency | Rs. per unit |
|------------------|--------------|
| 1 US \$ | 44.37 |
| 1 Euro | 58.28 |
| 1 British £ | 86.86 |
| 100 Jap. Yen | 37.28 |

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.