

SUGAR, & JAGGERY

08 - 13 January, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Market observed Weak Demand
- NCDEX Sugar: Range Bound With Slightly Bearish Sentiment
- NCDEX Gur: Range Bound With Bearish Sentiment

Technical Analysis

Commodity: Sugar Grade M
Exchange: NCDEX
Perspective: Very Short Term (Weekly)
Contract: February 2007

Sugar futures on the NCDEX observed weak sentiment with bearish undertone during the week. The most-active February contract tested a high of Rs. 1610 and traded downwards during the week on increased selling pressure at higher level and tested a low of Rs. 1565. Volume increased from 2530 to 9780 and open interest increased from 10930 to 12700 during the week. February contract, candlestick chart pattern exhibits bearish sentiment. Technical indicators Stochastic and MACD favour the bulls while RSI hints for the bears. Closing price is far below the 9 days EMA and the 18 days EMA that indicates the trend will continue.

Sugar M Grade 0702(NCSGMG7)2007/01/13 - Daily B:1568.00 A:1569.00
O 1573.00 H 1576.00 L 1560.00 C 1567.00 V 2,790 I 13,200 -4
EMA(9) 1589.5 (18) 1616.7



Outlook:

Prices may remain weak for next week due to ongoing crushing as well as mills is quoting lower prices. 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
February	1556	1550	1621	1630

Technical Analysis

Commodity: Gur (Jaggery)
Exchange: NCDEX
Perspective: Very Short Term (Weekly)
Contract: February 2007

Gur futures were gradually decreased during the week due to selling pressure from higher level and made contract low at Rs.472 during the week. In February contract, Volume increased significantly while open interest remains steady. Candlestick pattern exhibits slightly bullish sentiment. Prices closed below the 9-days and 18-days EMA, which indicates the trend will continue. Technical indicators stochastic, MACD hints for the bears and RSI hint for bulls. Range bound movement is expected in the market.

GUR 0702(NCGURG7)2007/01/13 - Daily B:474.40 A:475.20
O 473.20 H 475.20 L 472.00 C 475.20 V 490 I 3,060 +1.2
EMA(9) 484.10 (18) 491.31



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
January	467	460	498	502

Market Commentary

Domestic

Spot Sugar Market observed Weak Demand

Sugar spot market observed weak sentiment during the week under review and the spot market prices of sugar declined in the majority of markets like Delhi, Muzaffarnagar and Kolkata on weak physical demand. Mills were quoting lower prices in the market, which also affected the spot market sentiment during the week. The ex-mill price in Delhi declined from Rs. 1525 to Rs. 1495 per qtl (without duty) this week. After a long wait the government on Thursday completely lifted the ban on sugar export with immediate effect, taking into account higher domestic production and a comfortable buffer stock. As India is likely to produce 23 - 24 million tonnes during current sugar season, which would lead to a surplus of 33,00,000 tonnes in the market. The proposal for lifting of ban was piloted by Union Agriculture Minister and it was discussed at the Cabinet Committee on Pricing (CCP) and as per the Finance Minister; exports will be regulated through export-released order. The Union Agriculture Minister also stated that the Indian sugar exports are competitive and the government is studying the option of giving export subsidies as the Indian sugar prices are above the Liffe price levels, making Indian export less lucrative. However, Indian sugar may not be very price-competitive in the global market such as Gulf countries, Africa, Sri Lanka and

News Analysis:

India to Emerge as Largest Producer of Sugar in the World

As per the Ministry of Agriculture the country has produced 275 lakh tonnes of sugar and the requirements are between 185 and 190 lakh tonnes. The present scenario may facilitate to make the country as largest producer of sugar in the world.

Higher Production Expected this Year in Pakistan

In Pakistan, sugar output is expected to around 3.5 million tonne with carryover stock (6,00,000 tonne) of last year. The output in the current season has already touched 4,00,000 tonne. Pakistan follows October-September sugar season like India. Last year, it produced around 2.5 million tonne of sugar against a demand for 3.8 million tonne forcing it to lift 4-year ban on imports from India due to the rising sugar prices and imported 200000 tonne from India. However, the situation is different this year. India's export market is likely to shrink to that extent.

Sugar export activity commences

India is likely to export 100000 tonne of sugar under advance license scheme (ALS) between US \$ 335 to \$ 347 a tonne, for which contracts are currently being finalized.

Government Planning to Lift the Ban on Export of Sugar

The government is planning to lift the ban on export of sugar. The cabinet committee on prices (CCP) will soon consider a formal proposal for the same. It is based on the estimates of bumper production this year, which will lead to a 33,00,000 tonnes surplus in the market. The proposal for

Bangladesh as these countries are now importing sugar at \$ 350 to \$ 370 per tonne C&F and the Indian exporters who are having advance license have made a beginning in this direction by finalizing contracts for about 100,000 tonnes at US\$ 335 - 347 per tonne FOB. Further, In Pakistan, sugar output is expected to around 3.5 million tonne with carryover stock (6,00,000 tonne) of last year. The output in the current season has already touched 4,00,000 tonne. Last year, it produced around 2.5 million tonne of sugar against a demand for 3.8 million tonne forcing it to lift 4-year ban on imports from India due to the rising sugar prices and imported 2,00,000 tonne from India. However, the situation is different this year. India's export market is likely to shrink to that extent. Continued crushing pace all over India is likely to keep the sentiments subdued in the following weeks also.

Range Bound With Slightly Bearish Sentiment

Sugar futures on the NCDEX observed weak sentiment with bearish undertone during the week. The most-active February contract tested a high of Rs. 1610 and traded downwards during the week on increased selling pressure at higher level and tested a low of Rs. 1565. Volume increased from 2530 to 9780 and open interest increased from 10930 to 12700 during the week.

lifting of ban has been piloted by Union Agriculture Minister. Indian sugar may not be very price-competitive in the global market such as Gulf countries, Africa, Sri Lanka and Bangladesh as these countries are now importing sugar at \$ 350 to \$ 370 per tonne C&F. However, with global prices slightly improving Indian sugar exports will pick up, as Indian exporters have made a beginning in this direction by finalizing contracts for about 100,000 tonnes at US\$ 335 - 347 per tonne FOB.

Government Lifts Ban on Sugar Export

The government on Thursday completely lifted the ban on sugar export with immediate effect, taking into account higher domestic production and a comfortable buffer stock. The proposal was discussed at the Cabinet Committee on Pricing (CCP) and as per the Finance Minister; exports will be regulated through export-released order.

Sugar at Spot Market:

Domestic:

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

Particulars	13-January	06-January	Change
M 30	1555-1580	1585-1620	-40
S 30	1540-1565	1570-1605	-40
Mill Delivery	1470-1495	1500-1535	-40

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

Particulars	13-January	06-January	Change
Khatauli	1590	1625	-35
Deoband	1590	1625	-35
Nanoata	1540	1610	-70

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

Particulars	13-January	06-January	Change
Raskat	370-385	375-390	-5
Chaku	460-487	460-495	-8
Shakkar	495-505	490-515	-10

Weather Impact: (As on 13th January 2007)

Weather is fine for harvesting of sugarcane crop and favours arrivals for crushing.

FOREX (As on 13th January 2007):

Foreign Currency	Rs. per unit
1 US \$	44.28
1 Euro	57.20
1 British £	86.66
100 Jap. Yen	36.80

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