

SUGAR, & JAGGERY

12- 17 February, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Market observed Slight Demand
- NCDEX Sugar: Sideways Movement With Firm Bias
- NCDEX Gur: Range Bound With Bearish Sentiment

Technical Analysis

Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: March 2007

Sugar futures on the NCDEX observed sideways movement with firm bias during the week. The most-active March contract tested a low of Rs. 1525 and traded upwards on buying interest and tested a high of Rs. 1550 during the week. Volume fluctuated in the range of 2270-4560 while open interest fluctuated in the range of 16750-18220 during the week. Stocks at NCDEX warehouses decreased to 50 MT as on February 16. On the NCDEX March charts, candlestick pattern shows a possible bullish move. The RSI and Stochastic are in the normal region. MACD is in negative region and rising. Prices closed between both the 9 days and 18 days EMA.

Sugar M Grade 0703(NCSGMH7)2007/02/16 - Daily B:1541.00 A:1544.0
O 1541.00 H 1547.00 L 1540.00 C 1542.00 V 2,270 I 18,220 +3
EMA(9) 1540.4 (18) 1550.9



Outlook:

Prices likely to remain steady to slightly firm due to summer demand from beverage industry coupled with festive demand. 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	1521	1516	1574	1582

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: March 2007

Gur futures were gradually decreased during the week due to selling pressure from higher level and made contract low at Rs.460 during the week. In March contract, Volume fluctuated in the range of 1480-2630, while open interest fluctuated in the range of 16440-17910. Candlestick pattern exhibits bearish sentiment. Prices closed below both the 9-days and 18-days EMA. Technical indicators stochastic, hint for the bears, while MACD and RSI hint for the bulls. Range bound movement is expected in the market.

GUR 0703(NCGURH7)2007/02/16 - Daily B:462.20 A:465.00
O 462.20 H 465.60 L 460.80 C 465.60 V 1,150 I 16,460 +4.2
EMA(9) 468.41 (18) 473.49



Outlook:

Range bound movement is expected in the market for the coming week. 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
January	455	450	480	487

Market Commentary

Domestic

Spot Sugar Market observed Slight Demand

Sugar spot market observed lacklustre trading during the week under review, where the spot prices improved slightly in the major markets like Muzaffarnagar, Delhi and Kolkata amidst slight demand and restricted supply from mills. Ex-factory prices (excluding duty) in Delhi quoted in the range of Rs. 1450-1475, while in Muzaffarnagar it was offered at Rs. 1440-1470 during the week. Increased selling pressure of mills, which was observed during the last week has stopped this week and the mills seem to concentrate on exports as the government continues to issue export permits following the withdrawal of export ban. In order to facilitate exports, Union Government already exempted the quantity of sugar that mills export from levy obligation. However, the move of the government failed to bring cheer for sugar industry because of the continuously falling International sugar prices. In London, White sugar prices (LIFFE) had witnessed record drop from \$ 497/tonne in May'06 to \$ 323/tonne currently and likely to ease further mainly due to India and Brazil having higher export surplus following record production, resulting in global sugar production reaching 160.6 million tonnes as compared to the earlier estimate of 155.5 million tonnes. Indian sugar mills continue to strive to tap the available opportunities in the global markets and most recently a deal for about 13,000 tons of sugar to Iran and Somalia for immediate delivery was concluded in the face of mounting domestic surplus. India's production jumped by 19.5 per cent to 122.56 lakh tonne during October-January period of 2006-07 sugar season against 102.53 lakh tonne in the corresponding period of last year. Maharashtra is leading

News Analysis:

Maharashtra govt. plans bail out for crisis-ridden sugar industry

Maharashtra government offered to consider providing road transport subsidy and sugar recovery drop subsidy to the farmers due to sharp decline in sugar prices and with a view to ensure that the entire sugarcane gets crushed before may end. The government gave indication in this regard at the meeting chaired by Chief Minister. However, the government will have to take prior permission of the state election commission before seeking state Cabinet's approval.

Sri Lanka to Boost Sugar production

The Sri Lankan government, with the hope of increasing production to 50% of annual consumption, which currently amounts to only 10% has taken steps to increase the country's sugar production. The government will launch a project to grow sugarcane on 50000 additional acres in Monragala, Ampara and Badulla districts.

India May Start Exporting of Raw Sugar

India, the world's biggest sugar producer after Brazil is likely to start exports of raw sugar instead of refined white sugar due to slumping world prices, as it is cheaper to produce, and will make export more attractive and profitable. Indian sugar industry is now seriously evaluating viability for export of raw sugar from India, which is at a

with 42.5 lakh tonnes followed by Uttar Pradesh at 38 lakh tonnes and Karnataka at 11 lakh tonnes. Total production is expected to go up to 230-240 lakh tonnes during the current sugar season 2006-07. Thus, millers in Maharashtra and Uttar Pradesh have urged the state government to consider providing transport subsidy, adjustment for drop in sugar recovery and corrective measures like exemption from Purchase Tax, Society Commission and Entry Tax, in order to achieve competitive pricing both for export and domestic markets. On the other hand Indian sugar industry is also considering viability for export of raw sugar, as it is cheaper to produce and will help them to overcome losses. Raw sugar export can currently fetch US \$ 230 per tonne (FOB), which is at a discount of US \$ 80-100 to white sugar quoted presently at \$322 per tonne FOB. The prices are expected to gain some momentum and an upward movement can be seen if government provides industry with some relief to achieve export competitiveness and also resort to buffer stock maintenance to mop up the surplus from the markets.

Sideways Movement With Firm Bias

Sugar futures on the NCDEX observed sideways movement with firm bias during the week. The most-active March contract tested a low of Rs. 1525 and traded upwards on buying interest and tested a high of Rs. 1550 during the week. Volume fluctuated in the range of 2270-4560 while open interest fluctuated in the range of 16750-18220 during the week. Stocks at NCDEX warehouses decreased to 50 MT as on February 16.

discount of US\$80-100 to white sugar and can currently fetch US \$ 230 per tonne FOB.

India's Sugar Output Increases 19.5 per cent

According to the NFCSF (National Federation of Cooperative Sugar Factories) India's production jumped by 19.5 per cent to 122.56 lakh tonne during the October-January period of 2006-07 sugar season against 102.53 lakh tonne in the corresponding period of last year. Maharashtra is leading with 42.5 lakh tonne followed by Uttar Pradesh at 38 lakh tonne and Karnataka at 11 lakh tonne. Total production is expected to go up to 230-240 lakh tonnes during the current sugar season 2006-07.

Stock the Sugar, Save the Sugar Industry

Surplus production, weak price trend coupled with glut in market has forced the sugar sector to seek government refuge. Maharashtra, the leading sugar producing state estimates its production to touch 70 lakh tonnes this year. The state has already crushed 40 million tonnes of cane, producing 4.4 million tonnes of sugar against last year's 3.15 million tonnes of cane. Further the State's co-operative department estimates more than 100% rise in production this year. These figures have already brought the sugar prices to rock bottom level, from 1700 per tonne to 1300 per tonne level. Under such circumstances, the sugar sector in Maharashtra feels that the government could rescue the sugar industry by

mopping up the surplus 5 million tonnes sugar which can help farmers and also stabilize the market. The former FCI Director opines that the decision to buy sugar for buffer stocks will not affect the government finances as it has Rs 2,000 crore lying with it collected towards the sugar development fund.

Sugar at Spot Market:

Domestic:

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

Particulars	16-February	10-February	Change
M 30	1525-1570	1520-1535	+35
S 30	1510-1555	1505-1520	+35
Mill Delivery	1440-1485	1435-1450	+35

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

Particulars	16-February	10-February	Change
Khatauli	1575	1525	+50
Deoband	1570	1525	+45
Nanoata	1530	1500	+30

Jaggery at Spot Market

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

Particulars	16-February	10-February	Change
Raskat	350-365	365-380	-15
Chaku	440-455	450-470	-15
Shakkar	475-485	480-495	-10

Weather Impact: (As on 17th January 2007)

Sugarcane is at its peak harvesting stage in the Maharashtra and Uttar Pradesh. Dry and cool weather prevailing over UP is favourable for harvesting of sugarcane and optimum sugar recovery.

FOREX (As on 17th February 2007):

Foreign Currency	Rs. per unit
1 US \$	44.03
1 Euro	57.84
1 British £	86.86
100 Jap. Yen	36.88

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.