

SUGAR & JAGGERY

11-16 June 2007

MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Market Weak
- NCDEX Sugar Traded Sideways with Bullish Undertone
- NCDEX Gur: Traded Range-bound with Bullish Undertone

Technical Analysis

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

NCDEX Sugar contracts traded bearish during the week following a firm opening. July contract opened at Rs. 1322/mtl, traded down to test a low of Rs. 1274/mtl and closed at Rs. 1286/mtl. with considerable improvement in volumes traded and marginal improvement in the open interest. Prices closed below 9 Day and 18 Day EMA. Trend line gives a bearish signal. RSI is almost flat in neutral region. MACD and Stochastic are moving down in oversold region. These indicate a clearly bearish market. Stochastic exhibits chances of trend reversal in the coming few days. So it is recommended to confirm the trend.

Sugar M Grade 0707(NCSGMN7)2007/06/16 - Daily B:1295.00 A:1287.00
O 1283.00 H 1287.00 L 1274.00 C 1286.00 V 15,480 I 53,790 +4
EMA(9) 1301.8 (18) 1309.8



Outlook:

Prices are expected to remain range-bound. Sell on rallies towards resistance.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
July	1266	1246	1314	1342

Technical Analysis

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

NCDEX Gur traded weak with a bullish undertone during the week. July contract opened weak at Rs. 556.4/40kg, traded bullish in a range to test a high of Rs. 563 before closing at Rs. 558.4. Volume dipped considerably, while open interest improved marginally during the week. June contract opened at Rs. 541.6, traded in the range of Rs. 540-548 and closed at Rs. 545. Prices closed above the 9 and 18 Day EMAs. MACD is rising in the neutral region, and gives a bullish crossover, while RSI is declining in the neutral region. Stochastic is also declining in the neutral region. Market is expected to trade up in the coming week.

GUR 0707(NCGURN7)2007/06/16 - Daily B:549.40 A:550.00
O 559.00 H 559.00 L 548.00 C 549.00 V 9,980 I 18,660 -9.4
EMA(9) 556.93 (18) 556.57



Outlook:

Market is expected to trade up. Buy on corrective dips..

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
July	556	553	562	566

Market Commentary

Domestic

Spot Sugar Market Prices Tumbled

Sugar spot prices tumbled during the week on subdued trading activity and poor demand against ample supply from mills offloading their stocks. The spot prices in Delhi dipped initially from Rs. 1305-1350/qrtl (ex-mill prices) to Rs. 1285-1330/qrtl and then improved to close at the previous prices. Markets witnessed subdued trading activity. Monsoon has dampened the retail and wholesale demand for sugar. Market is awaiting govt.'s decision on bail out package and additional buffer stock. The prices are expected to improve in the short term once the sops intended for the sugar industry are sanctioned by the Cabinet. However, owing to bumper productions in the major sugar producing countries, no major uptrend in prices is expected in the medium to

News Analysis:

India to have sugar reserve for export

India plans to set aside a reserve of sugar exclusively earmarked for exports, to ensure a consistent supply into global markets for the next few years. This would imply that the buyers aren't wary of making long-term contracts for sugar purchases from India.

Thrust Shifting Towards Exports Of Raw Sugar

India's focus is gradually shifting towards raw sugar trade in which it has inherent advantages. The absence of the chemical Daxtran in India's raw sugar enables it to fetch a significant premium over the contracts on New York Board of Trade. In wake of a large local surplus, it makes sense to reduce production costs and export raws. Both voyage time and freight costs will put India at an advantage compared to exporters in Brazil or Thailand.

Sugar Industry moots inclusion of ethanol under Central Sales Tax

The sugar industry has urged the govt. to amend the list of goods under the Central Sales Tax, 1956 to include ethanol. Under the Central Sales Tax, ethanol would attract a duty of 3% and no additional taxes. This would make ethanol transportation easier across the country, boosting ethanol blending with petrol.

ISEC in raw sugar supply pact with millers

The Indian Sugar Exim Corporation has tied up with sugar factories for supply of over 6 lakh tonnes of raw sugar for exports next season starting October. ISEC is trying to increase exports of raw sugar to countries in the Middle East to curb falling prices in the domestic market.

Mandated ethanol mix in gasoline in Brazil up to 25%

Brazil will raise the mandated ethanol mix in gasoline to 25% from 23% from July 1, 2007. This will call for an additional 400 million litres of cane ethanol from the new crop. Brazil's industry will divert more cane to ethanol this year, with ethanol output likely to rise to 12%.

India starts ethanol production from sweet sorghum

First plant for commercial production of sweet sorghum has started functioning in Andhra Pradesh, implemented jointly by the ICRISAT and Rusni Distilleries. This will not affect the food security as the seeds could still be used as grain.

long term. Indian sugar mills reeling under problems of plenty have failed to compensate cane farmers and this is likely to divert cultivation area to more profitable oilseeds and pulses.

Sugar Futures Traded Bearish

NCDEX Sugar contracts traded bearish during the week following a firm opening. July contract opened at Rs. 1322/qrtl, traded down to test a low of Rs. 1274/qrtl and closed at Rs. 1286/qrtl. with considerable improvement in volumes traded and marginal improvement in the open interest. June contract opened at Rs. 1221/qrtl, traded in the range of Rs. 1217-1230/qrtl, before closing at Rs. 1230/qrtl.

Sugarcane acreage likely to be lower next season

Due to falling sugar prices and accumulating cane arrears, the farmers are shifting to more profitable crops like cotton and pulses. The area under sugarcane sown so far is lower at 4.40 million ha, down from 4.54 million ha last year.

Domestic:

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

Particulars	16-June	9-June	Change
M 30	1390-1430	1390-1435	-5.00
S 30	1375-1415	1375-1420	-5.00
Mill Delivery	1305-1345	1305-1350	-5.00

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

Particulars	16-June	9-June	Change
Khatauli	1410	1435	-25.00
Deoband	1405	1430	-25.00
Nanoata	1375	1395	-20.00

Jaggery at Spot Market

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

Particulars	16-June	9-June	Change
Raskat	465-470	465-475	-5.00
Chaku	540-580	530-565	+15.00
Shakkar	600-670	580-650	+20.00

Weather Impact: (As on 16th June 2007)

Monsoon has hit the southern tracts of the country and is expected to cast its spell in Maharashtra in a few days. Rains in Maharashtra tend to interfere with the crushing of sugarcane as well as sugar exports. Also, they dampen retail and wholesale demand as it becomes difficult to store sugar in bulk during rains.

FOREX (As on 16th June 2007):

Foreign Currency	Rs. per unit
1 US \$	40.57
1 Euro	54.21
1 British £	80.22
100 Jap. Yen	32.85

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