

SUGAR, JAGGERY & CANE

30th August-5th September 2005

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Weak in this Week
- NCDEX Sugar: Remained Bearish in This Week
- NCDEX Gur: Up; September Nears Contract High
- NYBOT Sugar Weekly Review: Higher after Hurricane

Technical Analysis

Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: SEPTEMBER (Future)

The candlestick formation is pointing towards a bearish pattern. The %K-line after cutting the %D-line from above moving sharply downwards in the oversold region, indicating possibility of a technical correction. The RSI is also in the oversold region. The open interest as well as the volume of trade has declined in this week.



Outlook:

The technical indicators are showing a weak sentiment in the coming 1-2 days, but an upward technical correction is likely in the mid-week.

Support and Resistance Levels:

| Contract Month | Support Level | | Resistance Level | |
|----------------|-----------------|-----------------|------------------|-----------------|
| | 1 st | 2 nd | 1 st | 2 nd |
| August | 1831 | 1826 | 1851 | 1859 |

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: SEPTEMBER (Future)

The candlestick formation is showing a highly bullish pattern. The %K-line is moving upwards and about to enter the overbought region. The RSI is also in the overbought region, indicating possibility of downward technical correction. The MACD is also supporting the strength. The open interest as well as the volume of trade has increased.



Outlook:

The technical indicators are showing a bullish sentiment in the coming 1-2 days, but a downward technical correction is expected in the mid-week.

Support and Resistance Levels:

| Contract Month | Support Level | | Resistance Level | |
|----------------|-----------------|-----------------|------------------|-----------------|
| | 1 st | 2 nd | 1 st | 2 nd |
| August | 623.4 | 621.0 | 629.2 | 631.0 |

Market Commentary

Domestic:

Domestic Sugar Prices Remained Weak in this Week

The domestic sugar prices witnessed a bearish sentiment in this week under review. Both the 'M' grade as well as the 'S' grade sugar were quoted lower in this week as against the last week.

The M grade sugar at the Delhi market was quoted at the lower side of the range of Rs 1835-1890 per quintal in this week. At the Kolkata market it was offered at Rs 1880-1900 per quintal, while at the Muzaffarnagar market it was available at a lower range of Rs 1835-1850 per quintal in this week as against the last week.

The S grade sugar at the Delhi market was quoted lower at Rs 1820-1875 per quintal in this week as against the last week. At the Chennai market it was offered at Rs 1730-1740 per quintal, while at the Kolkata market it was available steady at Rs 1840-1850 per quintal in this week. At the Vashi market it was offered lower at Rs 1835-1875 per quintal in this week as against the last week.

The sugar prices at the domestic markets are expected to remain range bound with a slight uptrend in the coming week. The domestic sugar prices remained mostly weak in this week under review on poor demand amidst a good stock position. The Government has allowed export of white sugar against imported raw sugar under the Advance License Scheme. Moreover, the Government has exempted those factories from the levy obligation of 10 percent of their total production. Consequently, the sugar prices are likely to recover in the coming days.

International:

NYBOT Sugar Weekly Review: Higher after Hurricane

The New York Board of Trade (NYBOT) world raw sugar futures witnessed new highs after the Hurricane Katrina. The NYBOT world raw sugar futures rallied to new contract highs in March and later months on Thursday following a surge in major commodities due to hurricane Katrina. The trade and funds bought the March future, while the commercials sold into it. However, the March future retraced back to a new contract high and continued to advance to 10.75 cents per pound. But the producer selling capped the move. The market sentiment was very strong amidst heavy volume trade and strength in other commodities. Before the prolonged holiday weekend the

News Analysis:

Kharif Sugarcane Acreage Up 10.8 Percent on Year

The kharif 2005-06 sowing is nearing its completion and the shortfalls in major crop acreage is fast making up. The kharif sugarcane acreage stands at 4.1 million hectares so far as against 3.7 million hectares last year. The kharif 2005-06 sugarcane acreage has gone up by 10.8 percent on year consequent upon higher purchasing prices announced by several state governments as well as higher statutory minimum prices set by the cabinet. The normal area under kharif sugarcane is 4.3 million hectares.

NCDEX Sugar: Remained Bearish in This Week

At the futures market the sugar futures remained mostly weak in this week under review. The sugar futures at the NCDEX extended previous week's weakness and started the week with a negative note. The September sugar future tested previous week's low on Saturday on higher selling activity amidst a thin trade. Today the sugar futures traded with a strong sentiment following a firm opening and the September future set the day's high at 1845.00 at the early hours of trade. However, higher selling activity capped the move and the future settled near to the day's low. The September sugar future hovered in the range of 1832.00-1845.00 during today's trade. The open interest as well as the volume of trade was mostly lower in this week. It is expected that the sugar futures would remain range bound with a bearish undertone in the next day but an upward technical correction is likely in the coming days.

NCDEX Gur: Up; September Nears Contract High

At the futures market the gur futures witnessed a highly bullish sentiment in this week under review. The September gur future at the NCDEX remained on an average weak in the first few days of this week under review and tested this week's low on Tuesday. However, the futures consolidated around the mid-week and finished higher on Saturday. Today the September gur future at the NCDEX traded with a highly bullish sentiment and nears the contract month high at the early hours of trade. The September future fluctuated in a much higher range of 622.80-630.20 today. The open interest as well as the volume of trade increased in this week. It is expected that the gur futures would remain mostly strong in the coming week. However, a downward technical correction is likely in the mid-week.

world raw sugar futures settled firm on Friday after curbing early losses as the trade and funds bought and shorts covered. The CRB Index reached its highest level in 25 years on Friday, with strength in metals and other markets, before setting back. The NYBOT October future finished up 1 point at 10.11 cents per pound, while the March future settled up 2 points at 10.66 cents per pound. The market turned down on producer selling and busy rollovers, but the October future held above 10.00 cents per pound and recovered on trade and fund buying. In supportive physical market activities, Pakistan is looking for 50000 tons of white sugar on Tuesday and Iraq would be shopping for 100000 tons.

Govt Released 12 Lakh Tonnes Free Sale Sugar

The Government has released 12 lakh tonnes of sugar as quota for indigenous free sale for the month of September 2005. In addition to the free sale sugar quota, the Government has also released 2.16-lakh tonnes sugar as levy quota for the month of September. With the levy quota the total availability of sugar for domestic consumption in the month of September would be 14.16 lakh tonnes. It has been reported that the Ministry of Consumer Affairs, Food and Public Distribution is monitoring the availability and

price of sugar in the country and with enough stock of sugar in hand is in a position to release further substantial quantities additionally if required.

Govt to Allow White Sugar Export Under A.L. Scheme

The Government has decided to allow export of white sugar against the raw sugar imported this year under the Advance License (A.L.) Scheme. According to the minister of Agriculture, Consumer Affairs, Food and Public Distribution, the ministry has initiated a number of measures for improving the health of sugar industry. It has been reported that release orders under for free sale sugar will be given to those factories that have imported raw sugar under Advance License Scheme and have export obligation to fulfill. Such factories will also be exempted from the levy obligation of 10 percent of their total production. According to the minister, the export obligation will be on 'grain to grain' basis, on imports after October 1, 2005. This decision has been taken keeping in mind the better production prospects next season (2005-06) and also the fact that about 24 lakh tonnes of raw sugar had already been imported so far. The facility of export obligation on raw sugar import on Advance License Scheme has been on 'ton-to-ton' basis and not on 'grain-to-grain' basis till October 1, 2005. According to the minister, the system of sugar release mechanism should continue until the prices sustained and settled around Rs 1600 per quintal.

Brazil 2005-06 Cane Harvest Projected at 440 MMT

According to the Brazil's National Commodities Supply Corporation (CONAB), the country's 2005-06 (May-April) sugarcane harvest is estimated at 440.02 million metric tons (MMT), 397.1 MMT of which would be used for sugar and ethanol production. The present estimates by the CONAB is 2.3 percent lower than the 450.2 MMT estimated in June. According to the latest estimates the amount of sugarcane dedicated to sugar and ethanol production would decline slightly from 401.3 MMT to 397.1 MMT. The reduction in the country's cane crop is attributed to the dry weather in Brazil's main producing regions. Brazilian sugar production projected at 27.2 MMT, up from 26.6 MMT in the 2004-05 harvest. CONAB estimated that 219.2 MMT of sugarcane will be dedicated to sugar production. Brazilian ethanol production is seen topping 17 billion liters this season, slightly higher than the 16.8 billion liters produced in 2004-05. It has been projected that 177.9 MMT of sugarcane will be dedicated to ethanol production.

Brazil Physical Sugar Market Steady; Futures High

The physical sugar market activities in Brazil remained steady for the last couple of days amidst strong future prices. The demand for ethanol made from sugarcane is witnessing a continuous uptrend and the export of sugar also remained at the higher side. The exports of white sugar are expected to increase in the coming weeks as a result of high premiums in recent weeks. According to the Foreign Trade Secretariat, August refined sugar exports totaled 843700 tons, significantly higher than the 567000 tons shipped during the same period last year and higher than the 665000 tons registered in July. With the surging oil prices the demand for ethanol is seen increasing in the coming days.

Sugar at Spot Market:

International:

London Daily Price (LDP)

| Particulars | 05-Sept | 02-Sept | 01-Sept | 31-Aug | 30-Aug |
|-----------------------|---------|---------|---------|--------|--------|
| LDP Raw FOB \$/MT | 222.4 | 220 | 219.8 | 221.6 | 217.2 |
| LDP Raw CIF \$/MT | 275.4 | 273 | 272.8 | 274.6 | 270.2 |
| LDP Raw CIF GBP/MT | 149.1 | 148.7 | 150.9 | 154.1 | 151.4 |
| LDP White FOB \$/MT | 338.5 | 337.3 | 338.9 | 339.5 | 335.9 |
| London Freight \$/MT | 53 | 53 | 53 | 53 | 53 |
| London Freight GBP/MT | 29 | 29 | 29.5 | 29.5 | 29.5 |

Source: London International Financial Futures and Options Exchange (LIFFE)

Note: Exchange remained close on Saturday and Sunday.

Domestic:

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

| Particulars | 05-Sept | 03-Sept | 02-Sept | 01-Sept | 31-Aug | 30-Aug |
|-------------|---------|---------|---------|---------|--------|--------|
| Shyamli | NS | 1819 | 1822 | 1835 | 1830 | NS |
| Khatauli | NS | 1820 | 1825 | 1840 | 1835 | 1835 |
| Morna | NS | 1790 | 1795 | 1805 | 1795 | 1800 |
| Deoband | NS | 1820 | 1822 | 1832 | 1828 | 1820 |
| Titawi | NS | 1818 | 1821 | NS | 1822 | 1825 |
| Nanoata | NS | 1775 | 1780 | 1785 | 1775 | 1782 |

NS: No Sale

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

| Particulars | 05-Sept | 03-Sept | 02-Sept | 01-Sept | 31-Aug | 30-Aug |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|
| M 30 | 1835-1880 | 1835-1880 | 1835-1880 | 1840-1885 | 1845-1890 | 1850-1890 |
| S 30 | 1820-1865 | 1820-1865 | 1820-1865 | 1825-1870 | 1830-1875 | 1835-1875 |
| Mill Delivery | 1685-1745 | 1695-1750 | 1695-1750 | 1700-1760 | 1700-1760 | 1700-1765 |
| Khand | 1675-1695 | 1675-1690 | 1675-1690 | 1680-1700 | 1680-1700 | 1680-1700 |

Jaggery at Spot Market

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

| Particulars | 05-Sept | 03-Sept | 02-Sept | 01-Sept | 31-Aug | 30-Aug |
|--------------|---------|---------|---------|---------|---------|---------|
| Raskat Cold | 470-495 | 465-485 | 468-485 | 470-490 | 465-485 | 475-490 |
| Chaku Cold | 595-630 | 595-625 | 595-625 | 610-630 | 605-625 | 610-635 |
| Shakkar Cold | 700-760 | 700-750 | 700-750 | 700-750 | 700-750 | 680-725 |

Cold: Cold Storage

Spot Price of Gur at Hapur Mandi (Rs. /quintal)

| Particulars | 05- Sept | 03- Sept | 02- Sept | 01- Sept | 31- Aug | 30- Aug |
|-------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Dahiya | 1650- 1700 | 1600- 1650 | 1600- 1650 | 1600- 1650 | 1600- 1650 | 1625- 1675 |

Port Watch (As on 05th September 2005):

No vessel position is reported today.

Weather Forecast: (As on 04th September 2005)

ALL INDIA WEATHER FORECAST

Monsoon Outlook

During past 24 hours, rainfall activity has further increased over Peninsula and East coast of India, Madhya Pradesh, East Uttar Pradesh, Bihar Sub-Himalayan West Bengal & Sikkim and northeastern States. Yesterday's upper air cyclonic circulation over Coastal Andhra Pradesh and adjoining westcentral Bay of Bengal has moved westward inland and now lies over Telangana and adjoining areas.

The anti-cyclonic circulation over NW India continues to persist and the area under its influence is likely to increase to the east slowly during the week leading to the retreat of summer monsoon from some more parts of NW India. Present conditions indicate that scattered to fairly widespread rainfall likely over Kerala, Karnataka, Konkan & Goa, south Gujarat, Maharashtra, Uttaranchal, sub-Himalayan West Bengal, Bihar and Northeast India for next 3-4 days with the persistence of an east-west shear zone across south-peninsular India and north-south trough runs from northeastern states to the system over Telangana through Jharkhand and Chhattisgarh.

A cyclonic circulation is likely to form within the existing east-west shear zone over west central Bay of Bengal around 7th Sept., 2005. Following to the formation of the system, rainfall activity is likely to increase over the south coastal Andhra Pradesh also in addition to the Kerala, Karnataka, Konkan & Goa regions. Further, with the likely continuance of northsouth trough from NE India, scattered to fairly widespread rainfall activity is also expected to continue over south Gujarat, Maharashtra, east Madhya Pradesh and Chattisgarh.

Zone-wise weather forecast for next 5 days

NORTH & NORTH NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]
Mainly dry weather is likely to prevail over most parts of the region during next 3-4 days except over Uttaranchal where scattered rains are expected.

EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]

Scattered rainfall activity is likely over Sub-Himalayan West Bengal & Sikkim, North Bihar and NE States during next 3-4 days. Isolated rains are likely over rest areas of the region.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

Scattered to fairly widespread rainfall activity is likely over the region for next 3-4 days. The rainfall activity over Chattisgarh and East Madhya Pradesh may increase after 48 hours.

SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]

Scattered to fairly widespread rainfall activity is expected over the region during next 4-5 days except Andhra Pradesh where the rainfall is likely to increase only beyond 7th September 2005. Kerala and coastal Karnataka are likely to receive isolated heavy rainfall during the period.

WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]

Konkan & Goa, Madhya Maharashtra, Marathwada are likely to experience scattered to fairly widespread rains during next 4-5 days. Konkan & Goa is likely to receive isolated heavy rainfall during this period. Remaining parts of the region are expected to experience mainly dry weather during this period.

FOREX (As on 05th September 2005):

| Foreign Currency | Rs. per unit |
|------------------|--------------|
| 1 US \$ | 43.74 |
| 1 Euro | 54.94 |
| 1 British £ | 80.75 |
| 100 Yen | 40.01 |

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.