

SUGAR, JAGGERY & CANE

02nd-07th January 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Surged Up in this Week
- NCDEX Sugar: Rallied to Fresh Contract Month Highs
- NCDEX Gur: Witnessed a Rangebound Bearish Trade

Technical Analysis

Commodity: Sugar Grade M
Exchange: NCDEX
Perspective: Very Short Term (Weekly)
Contract: JANUARY (Future)

The candlesticks formation is indicating a bearish pattern and weak opening. The %K-line has as well as the %D-line is moving downwards in the overbought region, hinting further downtrend. The MACD is moving upwards along with its EMA in the positive territory, supporting the strength in the market. The moving averages are also hinting for further uptrend. The open interest has declined, while the volume of trade remained at the higher side in this week.



Outlook:

At the futures market the sugar futures are expected to witness a downward trade in the coming couple of days. However, the futures are likely to get supported and may move upwards during the later half of the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
January	1890	1880	1933	1941

Technical Analysis

Commodity: Gur (Jaggery)
Exchange: NCDEX
Perspective: Very Short Term (Weekly)
Contract: JANUARY (Future)

The candlesticks formation is indicating a weakly bullish pattern and steady to weak opening. The %K-line after cutting the %D-line from below moving slightly upwards in the normal region, hinting slight uptrend. The MACD along with its EMA moving downwards in the positive region, showing the weakness in the market. The moving averages are also hinting further downtrend. The open interest as well as the volume of trade has declined in this week.



Outlook:

At the futures market the gur futures are likely to witness a range bound trade with a bearish undertone in the coming week. However, the futures are likely to trade downwards during the later half of the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
January	574.2	572.6	579.9	581.2

Market Commentary

Domestic:

Domestic Sugar Prices Surged Up in this Week

The domestic sugar prices at the physical markets witnessed a highly bullish sentiment in this week as against the last week. Both the 'M' grade as well as 'S' grade sugar was quoted much higher in this week under review.

The M grade sugar at the Delhi market was offered at a much higher price of Rs 1880-1945 per quintal in this week as against the last week. At the Kolkata market it was quoted in a higher range of Rs 1875-1965 per quintal, while at the Muzaffarnagar market it was traded in a higher range of Rs 1845-1940 per quintal during this week.

The S grade sugar at the Delhi market was quoted in a higher range of 1860-1930 per quintal in this week as against the last week. At the Chennai market it was available in the range of Rs 1755-1780 per quintal, while at the Kolkata market it was traded at a higher price of Rs 1855-1915 per quintal in this week. At the Vashi market also it was offered at a much higher price of Rs 1820-1865 per quintal during this week.

The domestic market is likely to witness a firm sentiment in the coming week. Traders are eyeing the coming festivals and marriage season demand during the mid-January and expecting the prices to move up further during the period. Though there was no significant buying activity at the physical markets but the stockists are in operation for a profitable returns ahead. Despite a bumper domestic production outlook, the domestic market has turned in favour of the bulls following a lower sugar sales quota coupled with rising global sugar prices. The NYBOT benchmark March world raw sugar future tested 11-year high after Brazil cut back its production estimates. Thailand is importing sugar to check surging domestic prices, while Pakistan, China selling reserve stock with a similar view. The domestic sugar companies are finalising deals to export sugar to Pakistan, Bangladesh with a good return.

News Analysis:

Maharashtra Likely to Witness Record Sugar Recovery

The sugarcane crushing in the state of Maharashtra is likely to be around 41 million tonnes during the current sugar season 2005-06 (October-September). Around 138 sugar mills are in operation and have crushed around 20 million tonnes of sugarcane to produce around 2.15 million tonnes of sugar so far. According to the Chairman of the Maharashtra State Co-operative Sugar Factories Federation Ltd, this year 37 more sugar mills have crushed an additional 8.2 million tonnes of sugarcane. The increase in sugarcane as well as sugar production is attributed to excellent and widespread rains and increased interest of the farmers towards sugarcane. The recovery rate during the current season is projected to be a record high at 11.75 percent as against the present average recovery rate of 10.76 percent. Higher recovery is reported from the districts of Kolhapur, Sangli and Satara. It has been reported that due to increase in recovery rate the sugar production of the state may increase to 4.8-5 million tonnes during this season.

Ethanol-blended Petrol Sales Started in Tamil Nadu

The oil majors of India have started selling of ethanol-blended petrol in Tamil Nadu. The oil major viz. Indian Oil Corporation (IOC), Hindustan Petroleum and Bharat Petroleum have started the much awaited ethanol-blending

Amidst such circumstances the sugar prices at the physical market are expected to remain firm in the coming week.

NCDEX Sugar: Rallied to Fresh Contract Month Highs

At the futures market the sugar futures at the NCDEX witnessed a highly bullish sentiment during this week under review. The sugar futures started this week at a much higher territory and extended the advances further on increased buying support. The rally continued till the weekend and the January future tested fresh contract month high on Friday. Profit taking at the higher levels capped further advances and the futures settled lower on Saturday. However, the sugar futures gained significantly during this week. The January sugar future hovered in the range of 1916.00-1933.00 during Saturday's trade. The open interest has declined, while the volume of trade remained at the higher side in this week. The sugar futures are expected to witness a downward trade in the coming couple of days. However, the futures are likely to get supported and may move upwards during the later half of the coming week.

NCDEX Gur: Witnessed a Rangebound Bearish Trade

At the futures market the gur futures at the NCDEX started this week with slight gains but failed to carry forward it. The gur futures traded mostly weak thereafter. The gur futures registered significant losses during Tuesday and Wednesday. The futures traded mostly range bound with a bearish undertone thereafter and tested this week's low on Saturday. The January gur future traded in the range of 576.00-579.00 during Saturday's trade. The open interest as well as the volume of trade has declined in this week. The gur futures are likely to witness a range bound trade with a bearish undertone in the coming week. However, the futures are likely to trade downwards during the later half of the coming week.

programme with five per cent ethanol in petrol and is selling in southern districts of Tamil Nadu. The oil companies have earlier tied up with five private sector sugar mills for supply of anhydrous ethanol for the ethanol-blending programme. The oil companies and the sugar mills are looking forward to extend the initiative to entire state of Tamil Nadu, which would require around 5 crore litres of ethanol per annum.

Uttar Pradesh Sugar Mills Paying Incentives to Ensure Supply

The private sugar mills in Western Uttar Pradesh are providing incentives to the farmers in order to secure their sugarcane requirements. The Uttar Pradesh state government has fixed the state advised price (SAP) for sugarcane at Rs 115 per quintal. However, the private sugar mills are paying more to ensure adequate supply. While, some mills are paying higher sugarcane price by Rs 13 per quintal, some others are offering other incentives like Urea, DAP etc. Consequently, the cooperatives and corporation sugar mills are facing inadequate sugarcane supply at the state advised price. The private mills are blaming the sugar mills of Uttaranchal and Haryana for paying Rs 15-20 per quintal above the state advised prices and as a result the sugar mills of Uttar Pradesh is offering higher incentives to stop cane supply outside the state.

New Sugar Industry Promotion Policy for Bihar

The Bihar Government has announced a new sugar industry promotion policy with a package of lucrative incentives like tax concessions and benefits to the investors to attract investment in sick sugar industry in the state. The incentives would be given to the entrepreneurs for setting up new sugar mills, co-generation power plants and distillery units as well as helping revival of the non-operational sugar units. The new sugar policy would provide tax exemption on purchase of sugarcane for five years from the date of new ventures starting commercial production. The state government would also provide 10 percent subsidy or Rs 2 crore, whichever is less, on the total investment for purchase of equipments, total reimbursement of excise duty on production of sugar for five years, besides tax exemption on stamp duty and registration on purchase of land for setting up the plant. The incentives would also cover the existing 9 sugar mills of the state, if they expand their functional units.

CONAB Pegged Brazil's 2005-06 Sugarcane at 436.8 MT

The National Commodities Supply Corporation of Brazil (CONAB) has pegged the 2005-06 (May-April) sugarcane crop at 436.8 million tons (MT). CONAB has earlier forecasted the 2005-06 sugarcane crop at 440 MT in August 2005. The decline in sugarcane production is attributed to the dry weather in northeastern Brazil. The domestic sugar production is projected at 26.7 MT in 2005-06 as against 26.6 MT last season, while the ethanol production is pegged at 17 billion litres in 2005-06 compared to 16.8 billion litres in 2004-05. According to CONAB estimation, over 178 MT sugarcane would be devoted to produce ethanol during 2005-06.

Chinese Auction Likely to Check Surging Sugar Prices

According to the Chinese State Development and Reform Commission and the Ministry of Commerce, the surge in domestic sugar prices is a matter of short-term as 2 lakh tonnes of sugar is likely to be auctioned early in January. According to the Ministry of Commerce, the sugar prices in China have jumped up by around 60 percent or 1000 Yuan (around US\$ 124) during last November as against November 2004. The Ministry of Commerce look forward to the coming auction as it would smoothen sugar supply in domestic markets and curb speculative activities.

Vietnam Sugar Prices Doubled on Year

According to the Vietnamese ministry of Trade, the price of refined sugar has almost doubled over the last year, an increase of VND 12000-13000 (US\$ 0.75-0.80) per kg. The increase in sugar prices has been attributed to the shortfall in sugar production as well as increase in cost of raw materials. Moreover, the crop damage was also reported after the recent storm. The Ministry of Agriculture and Rural Development has reported that the price of raw materials for sugar production was VND30000-50000 per tonnes higher than that of in November. The Ministry of Trade has estimated the 2005-06 refined sugar production at around 1 million tonnes, a shortage of around 0.2 million tonnes. The sugar price in Vietnam is likely to witness further uptrend with a higher world sugar prices and heavy import taxes on imported goods.

Trading Corporation of Pakistan Offload Sugar Stock to Check Rising Prices

The trading Corporation of Pakistan (TCP) has sold around 31000 metric tons (MT) of imported sugar to domestic traders at a price of Rs 26000 per MT. According to the TCP, it has received 221 applications for the said quantity against the tender of 50000 MT issued on December last

and the bidding was held at its head office. The TCP would continue to offload imported sugar in the domestic market as a measure to check the rising prices of the essential commodity and to ensure adequate supply at the domestic markets. The TCP has imported around 2.5 lakh MT sugar as per the directive of the Economic Coordination Committee (ECC) of the cabinet. The TCP has also reported that the remaining 19000 MT of imported sugar would be sold soon.

Sugar at Spot Market:

Domestic:

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

Particulars	07-Jan	02-Jan	Change
Shyamli	1882	1848	+34
Khatauli	1900	1875	+25
Morna	1880	1835	+45
Deoband	1900	1865	+35
Tikola	1890	1857	+33
Dhampur	1885	NS	-

** Old stock, NS-No Sale

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

Particulars	07-Jan	02-Jan	Change
M 30	1880-1945	1845-1885	+60
S 30	1860-1930	1825-1865	+65
Mill Delivery	1780-1830	1700-1770	+60

Jaggery at Spot Market

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

Particulars	07-Jan	02-Jan	Change
Raskat	447-480	445-480	-
Chaku	530-560	530-555	+5
Shakkar	555-575	555-565	+10
Khurpa	500-510	515-520	-10
Laddu	530-535	530-535	-

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

Particulars	07-Jan	02-Jan	Change
Dahiya	1325-1350	1325-1350	-
Balti Special	1310-1320	1300-1310	+10
Number One	1290-1300	1285-1295	+5
Bariya Dara	1270-1280	1260-1275	+5
Dara	1240-1250	1240-1250	-

International:

London Daily Price (LDP)

Particulars	06-Jan	05-Jan	04-Jan	03-Jan	02-Jan
LDP Raw FOB \$/MT	315.3	315.7	302.7	310.4	-
LDP Raw CIF \$/MT	360.3	360.7	347.7	355.4	-
LDP Raw CIF GBP/MT	205.5	206.1	198.1	205.5	-
LDP White FOB \$/MT	346.9	347.2	333.5	341.5	-
London Freight \$/MT	45	45	45	45	-
London Freight GBP/MT	26	26	26	26	-

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

Note: Exchange remained close on Saturday and Sunday.

Weather Forecast: (As on 07th January 2006)

ALL INDIA WEATHER FORECAST BULLETIN

Weather Outlook

At present, a western disturbance lies over north Pakistan. It is likely to move in eastnortheastward direction causing isolated to scattered snowfall in hilly regions of J&K and H.P. during next 24-48 Hrs.

Model prediction suggests that another western disturbance is likely to approach J&K and adjoining areas of NW India around 9th January 2006. Under its influence parts of NW India viz. J&K, H.P., Uttaranchal and adjoining plains of Punjab and Haryana are likely to experience snowfall and rain during 9-10 January.

Under the influence of easterly wave Andaman & Nicobar, south coastal Tamil Nadu, Kerala and Lakshadweep are likely to receive scattered rainfall during next 48 Hrs. and then during 9-10 January.

NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]
Hilly regions of NW India viz. J&K and Himachal Pradesh are likely to receive isolated to scattered snowfall/rains during next 24-48 hours. Scattered to fairly wide spread snowfall/rains is likely over J&K, H.P. and Uttaranchal and isolated to scattered rainfall over adjoining Punjab, Haryana, Delhi and west U.P. during 9-10 January 2006.

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

Mainly dry weather may prevail over the region during next 4-5 days.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

Region is likely to experience mainly dry weather condition. There may be slight fall in night temperatures by 2-3 deg C over the region during next 3 days.

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

Scattered rainfall is likely over Andaman & Nicobar islands, Tamil Nadu, Kerala and Lakshadweep during next 2 days and then during 9-10 January 2006.

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

Mainly dry weather is expected to prevail except isolated rainfall over north Rajasthan during 9- 10 January 2006.

Port Watch (As on 07th January 2006):

Mumbai Port is expecting 'Nama' to load 10,200 MT of sugar. POL agents will be handling the vessel.

FOREX (As on 07th January 2006):

Foreign Currency	Rs. per unit
1 US \$	44.66
1 Euro	54.23
1 British £	79.08
100 Yen	39.02

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