

SUGAR, JAGGERY & CANE

09th-14th January 2006

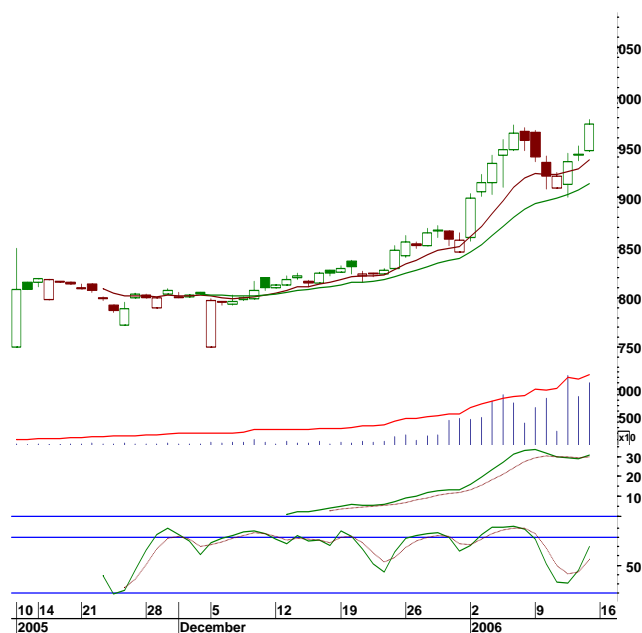
MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Witnessed Bullish Sentiment
- NCDEX Sugar: Tested Fresh Highs after Early Weakness
- NCDEX Gur: Curbed Mid-week Losses During Weekend

Technical Analysis

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

The candlesticks formation is indicating a bullish pattern and firm opening. The %K-line after cutting the %D-line from below, moving upwards in the normal region, hinting further uptrend. The MACD has made a bullish crossover 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 as well as the volume of trade has increased in this week.



Outlook:

At the futures market the sugar futures are expected to witness an upward trade in the coming week. However, the futures are likely to witness some downward correction from the higher levels.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
February	1937	1914	2016	2035

Technical Analysis

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

The candlesticks formation is indicating a bullish pattern and firm opening. The %K-line has made a positive cut with the %D-line and moving upwards in the normal region, hinting further uptrend. The MACD along with its EMA moving upwards, showing the strength in the market. The moving averages are also hinting further uptrend. The open interest has increased while the volume of trade remained at the higher side during this week.



Outlook:

At the futures market the gur futures are likely to witness a firm sentiment during the coming week. However, a downward technical correction is expected during the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
February	591.1	588.4	600.9	603.2

Market Commentary

Domestic:

Domestic Sugar Prices Witnessed Bullish Sentiment

The domestic sugar prices at the physical markets witnessed some downward movement during the first half of this week under review, but retraced back during the weekend. Both the M grade as well as S grade sugar was quoted mostly higher in this week as against the last week.

The M grade sugar at the Delhi market was quoted higher in the range of 1900-1970 per quintal in this week as against the last week. At the Kolkata market it was offered in the range of Rs 1915-1965 per quintal, while at the Muzaffarnagar market it was available in the range of Rs 1900-1955 per quintal during this week.

The S grade sugar at the Delhi market it was offered in a higher range of Rs 1880-1950 per quintal in this week. At the Chennai market it was traded in a higher range of Rs 1780-1795 per quintal, while at the Kolkata market it was offered between Rs 1890-1920 per quintal in this week. At the Vashi market it was quoted 1870-1885 per quintal during this week.

The domestic market is likely to remain strong in the coming week. The domestic sugar market witnessed a bearish sentiment following Government's release of 50000 tons additional free sale sugar quota for Uttar Pradesh based sugar mills during the first half of this week. The step was taken in order to check surging sugar prices throughout the North Indian markets. However, as per the traders' anticipation the additional sugar quota resulted for a short-term bearishness only. The stockists are in full operation and increased demand has lifted up the sugar prices once again during the weekend. However, activity was lower at the higher price levels as the millers are cautious to keep the prices steady. The sugar mills in Northern India are already paying higher sugarcane prices, but growers are asking even more. According to traders the sugar prices may move up further in the days ahead. At the international markets, the world raw sugar future tested contract and 11-year highs, while the white sugar future surged up to a 9-½ year highs during Friday's trade. The

global sugar prices are likely to scale new highs in the days ahead. Amidst such circumstances, the sugar price at the domestic markets is expected to remain strong in the coming days.

NCDEX Sugar: Tested Fresh Highs after Early Weakness

At the futures market the sugar futures at the NCDEX started this week with significant losses. Following the additional sugar sales quota released by the Government, the sugar futures traded downwards till the mid-week. The sugar futures tested this week's low on Thursday. However, buoyed by strong physical market prices and increased buying interest at the lower levels, the sugar futures crossed previous contract highs and tested fresh contract highs during Saturday's trade. The April-2006 contract crossed the April-2005 contract high of 2029.00, made at the beginning of January 2005. The April future tested a fresh high at 2044.00 during Saturday's trade. The January future hovered in the range of 1915.00-1945.00, while the February future fluctuated in a higher range of 1946.00-1978.00 during Saturday's trade. The sugar futures are likely to remain strong in the coming week. However, some downward correction is expected from the higher levels.

NCDEX Gur: Curbed Mid-week Losses During Weekend

At the futures market the gur futures at the NCDEX started this week at a much higher ground, but immediately ran into profit booking. The gur futures tested this week's low on Thursday. However, increased buying support at the lower levels pushed up the futures thereafter. The gur futures curbed some of the early losses during the weekend. However, the gur futures finished the week at a moderately lower level, but with a firm undertone. The February gur future traded in the range of 587.80-595.60 during Saturday's trade. The open interest has increased while the volume of trade remained at the higher side during this week. It is expected that the gur futures would witness a firm sentiment during the coming week with possibility of a downward technical correction.

News Analysis:

Maharashtra Looking Forward for Sugar Export

According to the Maharashtra State Cooperative Sugar Factories Federation, the state is in a position to export around 1.2 million tonnes of sugar during the next two seasons if the Central Government allows doing so. According to the federation, since the European Union (EU) would cut the global export quota and reduce subsidy on sugar by around 36 per cent over the next four years period, there is an opportunity for Maharashtra to export to meet the shortfall of 4 million tonnes. Earlier, Maharashtra contributed 1.1 million tonnes of sugar out of 1.9 million tonnes of sugar that India exported several years back.

USDA Projected Lower U.S. Sugar Supply in 2005-06

According to the United States Department of Agriculture (USDA), the United States (U.S.) sugar supply in 2005-06 is projected at 11710 thousand short tons, raw value, a decline of around 75000 shorts tons from the last December projections. The sugarcane production in Florida and Hawaii is likely to be lower and would offset the increase in Louisiana. The import of sugar is estimated to

be steady at 2770 thousand short tons. The total use of sugar remained unchanged at 10390 thousand short tons. However, the ending stocks are estimated to be lower at 1320 thousand short tons, a decline of 75000 tons. The stock to use ratio is projected at 12.7 percent, lower than the December projection of 13.4 percent.

Sugar Mills Resumes Crushing in Sindh, Pakistan

The sugar mills of the Sindh province of Pakistan have started the sugarcane crushing operations after fixing the sugarcane prices between the Pakistan Sugar Mills Association (PSMA) and Food and Agriculture Minister of Pakistan. The sugarcane growers have also started harvesting operations after the re-start of the sugar mills in the province. It was also decided to remove private zones. The support price of sugarcane would be fixed at Rs 58 per maund. The sugar production of the country is estimated to be around 2.7-2.9 million tons.

ISO Pegged a Higher Global Sugar Deficit in 2005-06

According to the International Sugar Organization (ISO), the global sugar consumption would overshadow global

sugar production by around 1.5-2.0 million tons (MT) in 2005-06. The widening of the demand-supply gap is attributed to a weaker crop in the center-south region of Brazil. Earlier, the ISO pegged the demand-supply gap at 1.0 MT in 2005-06. According to the ISO, the lower than expected sugar production of Brazil, would eventually lead to widen the gap, while the others being almost equal.

Pakistan Likely to Import 6 Lakh Tons Sugar in 2005-06

The Pakistan Government is likely to import around 6 lakh tons of raw sugar through the Trading Corporation of Pakistan (TCP) and the private sector in the days ahead. The Government is expecting a shortfall of the same quantity in this year, which would be met through import to check the surging domestic sugar prices. Pakistan harvested 47 million tonnes of sugarcane last year, which would likely to fall below 46 million tonnes this year.

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IOC and NSCF Signed MoU for Ethanol Supply

The Indian Oil Corporation (IOC) and the National Sugar Cooperative Federation (NSCF) has come into a memorandum of understanding (MoU) for supply of ethanol. Several sugar mills have already supplying ethanol to the IOC as per previous deals. The present MoU between IOC and NSCF would further boost the ethanol-blended petrol supply throughout the country.

U.P Sugar Mill Suspend Operation as Farmers Asked Higher Price

The Ramala sugar mill, based in Uttar Pradesh has shut down, as farmers are demanding higher sugarcane prices. The sugar mills of Uttar Pradesh are already paying higher than State Advised Price (SAP) for sugarcane in order to ensure adequate supply. However, the farmers are asking to raise the sugarcane price to Rs 150 per quintal. Since, farmers are not ready to supply sugarcane at lower prices, the mill has been forced to suspend its operation for the time being.

Punjab Province of Pakistan to Start Cane Crushing

The sugar mills of Punjab province of Pakistan would start sugarcane crushing operations by 15th January and the millers would pay Rs 60 per maund to the sugarcane growers. The sugar mills in the province are on the way to crushing operations, but supply of cane remain tight as the farmers have not yet harvested the crop as per requirement. Some traders are reported to have booked sugar from India at \$385-390 per ton in recent time. However, the arrival of the sugar has been delayed due to problem in transportation. Pakistan is facing sugar shortage in this season and importing it from international sources since beginning of the last year to check the surging sugar prices at the domestic markets. However, the sugar prices in Pakistan's market are still ruling at a much higher level.

Sugar at Spot Market:

International:

London Daily Price (LDP)

Particulars	13-Jan	12-Jan	11-Jan	10-Jan	09-Jan
LDP Raw FOB \$/MT	314.2	312.4	311.7	307.5	313.7
LDP Raw CIF \$/MT	359.2	357.4	356.7	352.5	358.7
LDP Raw CIF GBP/MT	203.4	202.0	203.6	199.3	203.1
LDP White FOB \$/MT	356.5	354.8	352.1	346.1	351.5
London Freight \$/MT	45	45	45	45	45
London Freight GBP/MT	25.5	25.5	26	25.5	25.5

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	14-Jan	07-Jan	Change
Shyamli	1948	1882	+66
Khatauli	1965	1900	+65
Morna	1915	1880	+35
Deoband	1955	1900	+55
Tikola	1930	1890	+40
Dhampur	1920	1885	+35

NS-No Sale

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

Particulars	14-Jan	07-Jan	Change
M 30	1900-1970	1880-1945	+25
S 30	1880-1950	1860-1930	+20
Mill Delivery	1790-1850	1780-1830	+20

Jaggery at Spot Market

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

Particulars	14-Jan	07-Jan	Change
Raskat	440-480	447-480	-
Chaku	550-570	530-560	+10
Shakkar	555-565	555-575	-10
Khurpa	508-514	500-510	+4
Laddu	530-535	530-535	-

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

Particulars	14-Jan	07-Jan	Change
Dahiya	1350-1375	1325-1350	+25
Balti Special	1320-1330	1310-1320	+10
Number One	1300-1310	1290-1300	+10
Bariya Dara	1280-1290	1270-1280	+10
Dara	1240-1255	1240-1250	+5

Port Watch (As on 14th January 2006):

Mumbai Port is loading 10,200 MT of sugar on the vessel 'Nama'. POL agents is handling the vessel.

'Amanath Shah' is expected at Tuticorin Port to load 4,400 MT of sugar. S Albert agents will be handling the vessel.

Weather Forecast: (As on 14th January 2006)**ALL INDIA WEATHER FORECAST BULLETIN****Weather Outlook**

As per the earlier assessment, the movement of a western disturbance towards J&K and adjoining parts of NW India has resulted in to warmer nights and the same conditions are to continue over NW India till 18-19 January 2006. Under its influence, scattered to fairly widespread snowfall over hilly regions of NW India (J & K, Himachal and Uttaranchal) and isolated to scattered rains over adjoining plains of NW India (Punjab, Haryana-including Chandigarh and Delhi, Western Uttar Pradesh, Rajasthan) is expected in coming days. Scattered to fairly widespread rains have been realized over south coastal Tamil Nadu, Kerala, Lakshadweep, NE States, J & K, Himachal, Uttaranchal for the last 24-hrs. Yesterday's depression over the southeast Arabian Sea has moved in predominant west-northwesterly direction during the last 24-hrs and persists as a low pressure area now over the southeast Arabian Sea. It is likely to move in predominant westnorthwesterly direction

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and dissipate gradually. Hence, only an isolated to scattered rainfall activity is now expected over Lakshadweep and Kerala for next 24-48 hrs or so.

NORTH & NORTH NORTHWEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]

Scattered to fairly widespread snowfall/rains is likely over J&K, H.P. and Uttaranchal and isolated rains over adjoining Punjab and Haryana in coming 3- days. Subsequently, cold-wave conditions are likely to set in all over the region.

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

The region is likely to experience mainly dry weather with fog in morning and late evenings particularly over parts of east U.P. and Bihar.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

Mainly dry weather is likely.

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

Kerala and Lakshadweep are likely to receive isolated to scattered rainfall in coming 1-2days. Subsequently, dry weather is likely to prevail.

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

Scattered rainfall activity is expected over Rajasthan for next 2-3days only and mainly dry weather is expected to prevail over rest of the region.

FOREX (As on 14th January 2006):

Foreign Currency	Rs. per unit
1 US \$	44.13
1 Euro	53.40
1 British £	78.18
100 Yen	38.65