

SUGAR, JAGGERY & CANE

06th-11th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Eased on Additional Quota
- NCDEX Sugar: Slid from Contract Highs to 2-Week Lows
- NCDEX Gur: Down; Traded with Bearish Sentiment

Technical Analysis

Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: MARCH 2006

The candlesticks formation is indicating a trend reversal pattern and steady to firm opening. The %K-line along with the %D-line moving downwards in the normal region, hinting further downtrend. The MACD as well as its EMA moving sharply downwards in the positive territory, supporting the downtrend in the market. The moving averages are hinting for further downtrend. The open interest as well as the volume of trade registered its highest level during this week.



Outlook:

At the futures market the sugar futures are expected to trade moderately downwards in the coming week. 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
March	2028	2001	2100	2131

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: MARCH 2006

The candlesticks formation is indicating a bearish pattern and weak opening. The %K-line has made a positive crossover with the %D-line and moving upwards in the normal region, hinting further uptrend. The MACD along with its EMA moving sharply downwards in the negative territory, supporting the weakness in the market. The moving averages are also hinting further downward movement. The open interest has increased, while the volume of trade remained steady during this week.



Outlook:

At the futures market the gur futures are likely 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
March	583.9	579.8	594.2	598.0

Market Commentary

Domestic:

Domestic Sugar Prices Eased on Additional Quota

The domestic sugar market witnessed a highly bullish sentiment at the first few days of this week under review. However, eventually the prices eased and finished the week with no significant gain or loss. Both the 'M' grade as well as 'S' grade sugar was quoted on an average steady at the weekend as against the last week.

The M grade sugar at the Delhi market was quoted in a slightly lower range of Rs 2020-2090 per quintal in this weekend as against the last week. At the Kolkata market it was offered in the range of 2075-2130 per quintal, while at the Muzaffarnagar market it was traded in the range of Rs 2060-2110 per quintal during this week.

The S grade sugar at the Delhi market it was available in the range of Rs 2000-2070 per quintal in this weekend. At the Chennai market it was offered in the range of Rs 2020-2050 per quintal, while at the Kolkata market it was traded in the range of Rs 2060-2095 per quintal. At the Vashi market it was quoted in the range of Rs 1975-2015 per quintal during this week.

The sugar prices at the domestic markets jumped up at the first couple of days of this week under review and reached its highest level during the mid-week. However, eventually the sugar prices eased from those higher levels attained during the first half of this week. The Union Government has released an additional quota of 1.5 lakh MTs of freesale sugar for each of February 2006 and March 2006 on Friday. It has also planned that the unsold/unlifted freesale sugar during the month would be converted into levy sugar. The additional sugar quota is released to contain freesale sugar prices in the open market and likely to cap further advances in sugar prices. However, along with the export opportunities to Pakistan, traders are eyeing demand from the bulk consumers in the coming days as mercury has started rising up. Moreover, the international market perspective remained quite promising and global

News Analysis:

India Likely to Export 5 Lt Sugar in this Season

According to the domestic sugar industry experts, India's sugar exports are expected to be just around half a million tonne in the current sugar year (October-September). According to the President of Indian Sugar Mills Association (ISMA), India has a re-export obligation of around 2 million tonnes till September 2007. Domestic sugar industry is likely to export around 1 million tonnes by the end of 2006 and rest next year. However, as sugar prices are likely to rise up further in the coming 2-3 years, it is unlikely that domestic sugar export would be higher than half a million tonne. According to the ISMA estimates, in the October-January period, India's white sugar exports under the re-export obligation have been less than 1 lakh tonne with most companies waiting for a price rise in the next 2-3 years.

ISMA President: Sugar Prices to Rule Firm

According to the President of the Indian Sugar Mills Association (ISMA), the domestic sugar market is expected to remain firm in the near-term in line with the rising trend in international sugar prices. The domestic sugar price has increased by around 5 percent over the last 3 months. At the international markets, the raw sugar prices have surged

sugar prices are expected to reach further higher levels in the coming months. Amidst such situations, the sugar prices are likely to remain stable with a bearish undertone in the week ahead.

NCDEX Sugar: Slid from Contract Highs to 2-Week Lows

At the futures market the sugar futures at the NCDEX started this week with a highly bullish sentiment and extended the advances further. The sugar futures tested fresh contract highs on Tuesday on increased buying support amidst heavy volume of trade. However, the futures eased from the contract highs on increased selling pressure in anticipation of Government intervention. The sugar futures traded continuously downward thereafter amidst release of additional sugar by the Government. The futures tested 2-week low at the weekend and finished the week with significant losses. The February contract hovered in the range of 2001.00-2031.00, while the March contract fluctuated in the range of 2035.00-2078.00 during Saturday's trade. The open interest as well as volume of trade remained at the higher side in this week as against the last week. The sugar prices at the spot as well as futures market are expected to trade range bound with a bearish undertone in the coming week.

NCDEX Gur: Down; Traded with Bearish Sentiment

At the futures market the gur futures at the NCDEX traded mostly range bound downwards during this week under review. The February contract traded in the range of 570.00-573.80, while the March contract fluctuated in the range of 589.40-592.60 during Saturday's trade. The open interest has increased, while the volume of trade remained steady during this week. It is expected that the gur futures would witness some 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.

up by over 100 percent within the last few months, while sharp rise was also seen in white sugar prices with shortage of white sugar in the global market. This has in turn providing an excellent opportunity to the Indian producers to increase sugar export with the advantage of being surrounded by large importing countries like Pakistan. Under the advance licence scheme (A.L.S), Indian Government allows export of sugar only against the export obligation related to raw sugar imported. According to the President of ISMA, India is on a threshold of being a major sugar exporter from being a net importer of sugar.

Govt Releases Additional Quota of 1.5 Lt of Freesale Sugar

The Department of Food & Public Distribution has released an additional quota of 1.5 lakh MTs of freesale sugar for February 2006. Along with this additional quota, the total quota released for February 2006 is 14.5 lakh MTs. It has also been decided that the entire quota for the month of February 2006 must be sold by February 28, 2006. The Department of Food & Public Distribution has also decided to increase the March quota of freesale sugar from 12.50 lakh MTs to 14 lakh MTs., that is, additional quota for March 2006 would be 1.50 lakh MTs. It has also been decided that the entire quota for the month of March 2006

must be sold by March 31, 2006. The unsold/unlifted freesale sugar during the month would be converted into levy sugar. For this purpose administrative arrangements are also planned for inspection of sugar mills in case of complaint of short sale of sugar. These steps are expected to help in containing the prices of freesale sugar in the open market. The Government may also release additional freesale sugar, if required.

Source: PIB

TN Govt Directed Private Sugar Mills to Pay SAP

According to recently passed order of the Tamil Nadu state Government, the private sugar mills are directed to pay the State Advised Price (SAP) for sugarcane. The private sugar mills were considering themselves out of the SAP and were paying around Rs 1010 per tonne to the sugarcane growers of the state. However, the recent order ensured that the sugarcane growers of the state would gain by around Rs 50-100 per tonne of sugarcane. The state Government has fixed the SAP that each private sugar mill would have to pay to the farmers. The price ranges between Rs 1014-Rs 1128 per tonne. The minimum ensured price is Rs 1014 per tonne of sugarcane with 9 percent sugar recovery. The mills would have to pay additional Rs 8.80 per tonne for every 0.1 percent increase in sugar recovery.

USDA Projected Higher United States Sugar Supply for 2005-06

According to the World Agricultural Supply and Demand Estimates (WASDE) report by the United States Department of Agriculture (USDA), the United States sugar supply for 2005-06 is projected to be higher than the last month's projection. The U.S sugar supply is pegged at 12026 thousand short tons, an increase of 316000 short tons over the last month estimates. It is reported that, higher imports under the tariff rate quota (TRQ) more than offset reduced high-tier sugar imports from Mexico. The shortfall in filling the TRQ is increased 50000 short tons. Production is estimated marginally lower by around 4000 short tons, while the total use is pegged lower by 25000 short tons. The ending stocks are estimated to be higher by 341000 short tons at 1661000 short tons or 16 percent of total use.

Maharashtra to Produce More Sugar this Season

The Pune zone of Maharashtra, consisting of Satara, Pune and Solapur districts, has crushed around 10 million tonnes of sugarcane so far in this season. The zone has 40 sugar mills with per day crushing capacity of around 1.1 lakh tonnes. The zone has registered highest sugarcane crushing and sugar production so far this year. The sugar prices are at a much higher level attributed to fall in production, increased demand and alternative uses of sugarcane. The recent drought in Amravati and Nagpur zone has resulted in a lower production of sugarcane and consequently the supply remained lower than the demand. Maharashtra has 139 sugar mills with a crushing capacity of around 3.6 lakh tonnes per day in total. It has been reported that these mills have crushed 28.8 million tonnes of sugarcane to produce 33.27 lakh tonnes sugar in this season. Around 101 sugar mills in Maharashtra had crushed 16.3 million tonnes of sugarcane to produce 18.25 lakh tonnes sugar in the last sugar season.

RBI: Domestic Sugar Prices to Remain Firm

According to the Third Quarter Review 2005-06 by the Reserve Bank of India, sugar prices are likely to remain firm. According to the report, the sugar prices firmed up

during September-December 2005 reflecting declining global sugar inventories. It has been reported that although global production in 2005-06 season (October-September) is expected to increase led by record harvest in Brazil and a recovery in India, higher global sugar consumption especially from the developing countries of the Far East and Latin America and declining stocks in China and India are likely to keep sugar prices firm in the coming months. RBI has attributed the firmness in domestic sugar prices as par with international trends. RBI has estimated that, although sugarcane output in the country is estimated to be higher during 2005-06, depleting stocks coupled with higher export prices are expected to keep domestic prices firm.

Source: Macroeconomic and Monetary Developments - Third Quarter Review 2005-06, RBI

TCP Invited Bids for 50000 Tons Sugar

The Trading Corporation of Pakistan (TCP) has invited bids from foreign suppliers for supply of 50000 metric tons white refined crystal sugar in bags (in break bulk) to import from India with five per cent More or Less Seller's Option (MOLSO). The shipment would be due in March and the bids have to be submitted by 16th February. The Pakistan Government has also allowed sugar import by road at the Wagah border, where it would be unloaded and re-loaded on either side of the border. The Commerce Ministry was also directed to contain the constant increase in price of the essential commodity, which had already touched record high level in the retail market. In order to keep check the surging sugar prices, the Pakistani Government has recently allowed regular import of sugar from India.

Sugar at Spot Market:

International:

London Daily Price (LDP)

Particulars	10-Feb	09-Feb	08-Feb	07-Feb	06-Feb
LDP Raw FOB \$/MT	392.2	413.4	394.0	407.0	416.7
LDP Raw CIF \$/MT	437.2	458.4	439.0	452.0	461.7
LDP Raw CIF GBP/MT	250.2	263.2	251.9	258.4	263.2
LDP White FOB \$/MT	430.5	444.5	427.0	435.5	453.2
London Freight \$/MT	45	45	45	45	45
London Freight GBP/MT	25.5	25.5	25.5	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 Delhi Mandi (Rs. /quintal)

Particulars	11-Feb	04-Feb	Change
M 30	2020-2090	2025-2095	-5
S 30	2000-2070	2010-2075	-5
Mill Delivery	1900-1975	1880-1980	-5

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

Particulars	11-Feb	04-Feb	Change
Shyamli	2078	2068	+10
Khatauli	2080	2070	+10
Morna	2040	2020	+20
Deoband	2065	2055	+10
Nanoata	2015	2010	+5
Dhampur	2035	2030	+5

NS-No Sale

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

Particulars	11-Feb	04-Feb	Change
Raskat	420-450	440-470	-20
Chaku	530-560	530-560	-
Shakkar	540-560	560-570	-10
Khurpa	500-510	500-510	-
Laddu	510-515	525-530	-15

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

Particulars	11-Feb	04-Feb	Change
Dahiya	1175-1225	1275-1300	-75
Balti Special	1190-1200	1230-1250	-50
Number One	1175-1185	1220-1230	-45
Bariya Dara	1160-1170	1200-1215	-45
Dara	1140-1150	1175-1190	-40

Weather Forecast: (As on 11th February 2006)**ALL INDIA WEATHER FORECAST BULLETIN****Weather Outlook**

Baring J&K and Himachal Pradesh where isolated light rain/ snowfall activity is expected during next couple of days in association with an approaching weak western disturbance, the entire country may continue to experience mainly dry weather situation for another 3-4 days. Most parts of the country are witnessing above normal day temperatures. These are 6-8 deg C above normal over Jammu & Kashmir, Rajasthan, Uttaranchal, Himachal

Pradesh, 4-6 deg C above normal over Punjab, Haryana, Gujarat and 2-4 deg. C above normal over Uttar Pradesh, Madhya Pradesh, Bihar, Chhattisgarh and northeastern states. Large parts of Northwest India have registered rise in night temperatures by 1-2deg. C during past 24 hours. These are above normal by 4-6 deg C over West Rajasthan, Saurashtra & Kutch, West Madhya Pradesh and parts of Vidarbha, 2-4 deg C above normal over remaining parts of northwest India, Gangetic plains and northeastern states.

With the approach of western disturbance, the night temperatures over northwest India are likely to increase further by 1-2 deg C during next 2 days followed by a fall by about 2-3 deg C.

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

Increase in night temperatures by about 1-2°C during next 2-days and a likely fall of 2-3°C subsequently. Isolated rainfall/snowfall is likely over J&K and H.P. during next 2-3 days.

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

Northeastern states may receive isolated rains/thundershowers during next 48 hours.

CENTRAL INDIA [MP, CHHATTISGARH, VIDARBHA]

Mainly dry weather is likely to prevail during next 4-5 days.

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

Mainly dry weather is likely to prevail during next 3-days except over Andaman & Nicobar islands where some isolated showers are expected.

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

Mainly dry weather is expected to prevail.

Port Watch (As on 11th February 2006):

‘Yaad E Mostafa’ is expected at Tuticorin Port to load 10,000 MT of sugar. St. John agents will be handling the vessel.

FOREX (As on 11th February 2006):

Foreign Currency	Rs. per unit
1 US \$	44.12
1 Euro	52.37
1 British £	77.00
100 Jap. Yen	37.49

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