

SUGAR, JAGGERY & CANE

30th January-04th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Higher in this Week
- NCDEX Sugar: Eased from Contract Highs at the Weekend
- NCDEX Gur: Finished Lower on Bearish Fundamentals

Technical Analysis

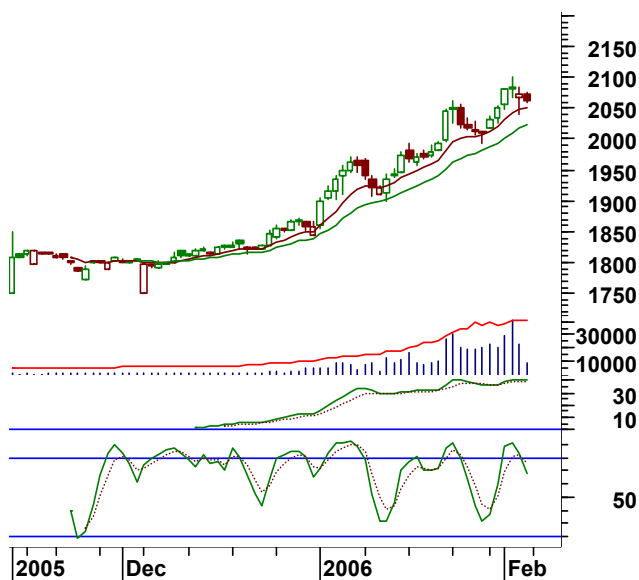
Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: FEBRUARY (Future)

The candlesticks formation is indicating a slightly bearish pattern and steady opening. The %K-line after cutting the %D-line from above moving downwards in the normal region, hinting further downtrend. The MACD has made a bearish crossover with its EMA in the positive territory, supporting the downtrend in the market. The moving averages are hinting for further uptrend. 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 upwards in the coming week. However, the futures are likely to get resisted and may move downwards on profit taking at the higher levels.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
February	2048	2023	2099	2115

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: FEBRUARY (Future)

The candlesticks formation is indicating a bearish pattern and weak opening. The %K-line has made a negative crossover with the %D-line and moving downwards in the normal region, hinting further downtrend. 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 as well as the volume of trade has declined during this week.



Outlook:

At the futures market the gur futures are likely to witness an upward trade in the coming couple of days. However, the futures are likely to get resisted and may move 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
February	575.2	572.0	581.4	584.2

Market Commentary

Domestic:

Domestic Sugar Prices Remained Higher in this Week

The domestic sugar market witnessed a highly bullish sentiment during this week under review. The prices of both the 'M' grade as well as the 'S' grade sugar was quoted much higher as against the last week.

The M grade sugar at the Delhi market it was quoted in a higher range of Rs 2025-2095 per quintal in this weekend as against the last week. At the Kolkata market it was offered in a higher range of Rs 2035-2110 per quintal, while at the Muzaffarnagar market it was available in a higher range of Rs 2005-2080 per quintal during this week.

The S grade sugar at the Delhi market it was traded in a higher range of Rs 2010-2075 per quintal in this weekend. At the Chennai market it was offered in a higher range of Rs 1905-2045 per quintal, while at the Kolkata market it was available in the range of Rs 2015-2080 per quintal. At the Vashi market it was quoted higher between Rs 1905-2000 per quintal during this week.

The domestic sugar market witnessed a highly bullish sentiment during this week under review. The prices jumped up during this week and reached its highest level during the mid-week. However, the prices eased from Thursday's higher level at the weekend. As activity was limited at the higher price levels, the millers as well as the resellers quoted lower price. However, the sugar prices at the South Indian markets remained at higher level as the February sugar sales quota remained lower for the Southern states. Indian traders are eyeing export to Pakistan and in another supportive activity the Govt. of Pakistan is likely to allow import of sugar from India via land route. The Trading Corporation of Pakistan is expected to float tender for 50000 tons of sugar very soon. Domestic sugar traders, millers are eyeing further higher levels in the days ahead anticipating good export deals between these two countries. At the international markets, the NYBOT world raw sugar futures rallied to a fresh contract and 25-year highs on Friday. Amidst such situations, the sugar

News Analysis:

Pak Likely to Open Wagah Border for Sugar Import

The Pakistani Government is likely to allow import of sugar from India through land border crossing in order to save time for quick supply. The Wagah border may be opened up for the same purpose. The Pakistani government has also asked the Pakistan Railways to allocate wagons for sugar import from India. Earlier, sugar trade between these two countries used to take place through Wagah border before the import of sugar from India was banned in 2001. The ban was lifted up during 2005 in order to tackle domestic supply shortage in Pakistani market. However, at that time Indian sugar was not allowed to come in overland. Following this, the marginal quantity of Indian sugar that Pakistani traders ordered failed to reach its destination in full. Pakistan is facing severe sugar shortage in this season and consequently the sugar price at the retail market has reached record high levels. With the global sugar prices at historical highs, India came out as the closest and cheapest source of sugar import. With a plan to import 50000 tons of sugar, the trading Corporation of Pakistan would float a tender soon.

prices are likely to maintain a firm position in the days ahead.

NCDEX Sugar: Eased from Contract Highs at the Weekend

At the futures market the sugar futures at the NCDEX started this week with a positive note following a week of bearish trade. Increased buying support at the lower levels has underpinned the uptrend in sugar futures in this week under review. The near month February future crossed Rs 2100 per quintal level, while the later month sugar futures also tested fresh contract month highs on increased buying support amidst heavy volume of trade on Thursday. However, the futures ran into immediate profit taking at these higher levels and slid to settle in negative territory. The February future hovered in the range of 2060.00-2075.00, while the most active April future traded in the range of 2142.00-2157.00 during Saturday's trade. The sugar futures have eased from Thursday's contract highs. The open interest as well as volume of trade has increased in this week as against the last week. The sugar prices at the spot as well as futures market are expected to trade with a firm sentiment in the coming week. However, a downward correction is likely from the higher levels.

NCDEX Gur: Finished Lower on Bearish Fundamentals

At the futures market the gur futures at the NCDEX started this week with a positive note and tested this week's high on Monday. However, the futures failed to extend the advances further and traded mostly Rangebound thereafter. The gur futures slid significantly during the weekend and tested this week's low at the weekend. The February future traded in the range of 579.20-583.60, while the March future fluctuated in the range of 592.60-598.20 during Saturday's trade. The open interest as well as the volume of trade has declined during this week. It is expected that the gur futures would witness some upward trade in the coming couple of days. However, the futures are likely to get resisted and may move downwards during the later half of the coming week.

USDA Projects Rise in Global Sugar Prices to Continue

According to the USDA, the rise in sugar prices are likely to continue as supply remained tight despite higher production. Earlier the FAO also projected that increased production would be offset by rising consumption and consequently the current price would stabilize at the higher level. According to the USDA, the world sugar production during 2005-06 marketing year is estimated at 144.2 million tonnes, an increase of 3.3 million tonnes over last year. Global consumption is projected to be higher at 142.8 million tonnes, up 1.7 million tonnes over last year. USDA forecasted the world export market at 47.7 million tonnes, an increase of 1.4 tonnes. The sugar production in India is projected to rise by around 4.2 million tonnes in 2005-06.

NYBOT Sugar Rallyed to Fresh Contract, 25-Year Highs

The New York Board of Trade (NYBOT) world raw sugar futures surged up to a fresh contract and 25-year highs on Friday. However, profit booking pared the initial race, but the futures settled with gains. The NYBOT March future finished 15 points higher at 19.30 cents per pound, while the May future settled 24 points higher at 19.26 cents per pound on Friday. The market opened gapped up and the

March future raced to 19.73 cents per pound on trade and fund buying. However, profit taking at the higher levels pressurised the futures and the March future tested 19.25 cents per pound in late action. The market is seen technically and fundamentally bullish enough to test 20 cents per pound in the days ahead.

ISMA Urged to Cut Excise Duty on Molasses

The Indian Sugar Mills Association (ISMA) has requested the Union Finance Ministry to classify sugar industry in the priority sector. The request was made in order to facilitate provision of sufficient cash credit limit and timely payment of sugarcane price as required under law. According to ISMA, domestic sugar industry is facing the problem of insufficient bank credit and as a result the payment of sugarcane arrears got delayed. The ISMA has also requested the Ministry to cut down the excise duty on molasses. ISMA has urged to levy excise duty of 8 percent ad-valorem or at Rs 170 per tonne as suggested by the Expert Committee. ISMA has reported that, in 2005-06, the excise duty on molasses was steeply hiked from Rs 500 to Rs 1000 per tonne, which was later reduced to Rs 750 per tonne following representations. The molasses price varies between Rs 1000 to Rs 2000 per tonne. The ISMA has also asked for reintroduction of reduction in special excise duty of Rs 0.30 per litre on ethanol-blended petrol. The reduction was withdrawn in the 2004 budget.

Bihar Likely to Get Investors for New Sugar Mills

The new sugar industry promotion policy of Bihar is resulting in fruitful results with entrepreneurs showing interest in setting up sugar mills in the state. Recently the Agriculture minister asked the Bihar government to set up new mills in the state. Following this, the state government announced a new sugar industry promotion policy with an intention to attract investors. Under the policy, interested entrepreneurs would be given a grant of Rs 10 crore and an additional grant of equal amount for setting up distillery and captive power plant in the state. Moreover, the investors would be exempted from tax on purchase of sugarcane and rebate on stamp duty for land registration. Bihar produced around 27 lakh quintals of sugar during 2004-05 sugar season. At the private sector 9 sugar mills are in operation and 15 state owned sugar mills are closed at present.

UP State-mills Not to Provide Incentives to Cane Growers

The Uttar Pradesh Government has ruled out the possibility of providing incentives to sugarcane growers by the state owned sugar mills. It has been reported that the cooperative as well as state owned sugar mills would not provide any incentives to the sugarcane growers. The private sugar mills are paying incentives of around Rs 15 per quintal to the growers in order to ensure adequate supply. However, the cooperative and the state owned sugar mills would follow the state advised price (SAP) announced by the Uttar Pradesh Government.

Pakistan Sugar Prices at Record High Levels

The sugar price at Pakistani market has zoomed up to a record high level of Rs 38 per kg at retail level. Despite the Pakistani government's efforts to cap the surging sugar prices, the ex-factory rates have touched Rs 3550 per quintal. In order to damp the sugar prices the government has recently allowed regular sugar import from India and other neighbouring countries. The government has also directed the Trading Corporation of Pakistan (TCP) to float tender for import of 50000 tons of sugar at the earliest. However, these steps are making no differences in the market at present, where the prices are in a continuous

uptrend. Pakistan is facing domestic production shortfall in this season and continuously importing sugar from international destinations to meet the shortfall. Despite taking several measures, the Pakistani government has failed to control domestic sugar prices. Several allegations were made that despite having buffer stock with TCP, it has not been offloaded at proper time to ensure adequate supply. Moreover, large scale hoarding by the sugar mills and illegal practice of forward dealing has made the story much bitter.

Pak Govt Asked TCP to Float Tender to Import 50000 Tons Sugar

In a recently held meeting of the high-level Pakistani Government officials, the Trading Corporation of Pakistan (TCP) has been directed to float tender for import of 50000 tons of sugar at the earliest from the cheapest and quickest sources, including that of from India. The meeting also decided to open the road link from India for the import of sugar. The meeting was held to tackle rising sugar prices in the country. The meeting also decided to hold meetings with the governments of provinces and cane commissioners to check large-scale unregistered buying of sugar cane. The TCP has been asked to continue importing sugar and offload the imported sugar in the market as soon as it arrives. The meeting also decided to open the road link from India for the import of sugar. The Pakistan Railways will also be asked to allocate wagons for the import of sugar from India.

Sugar at Spot Market:

International:

London Daily Price (LDP)

Particulars	03-Feb	02-Feb	01-Feb	31-Jan	30-Jan
LDP Raw FOB \$/MT	423.3	403.2	394	400.1	405.9
LDP Raw CIF \$/MT	468.3	448.2	439	445.1	450.9
LDP Raw CIF GBP/MT	263.6	252.6	247.3	251.3	255.4
LDP White FOB \$/MT	448	431.8	423	430	430.9
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	04-Feb	28-Jan	Change
M 30	2025-2095	1940-2000	+95
S 30	2010-2075	1920-1980	+95
Mill Delivery	1880-1980	1840-1910	+70

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

Particulars	04-Feb	28-Jan	Change
Shyamli	2068	NS	-
Khatauli	2070	1980	+90
Morna	2020	1960	+60
Deoband	2055	1970	+85
Nanoata	2010	NS	-
Dhampur	2030	1950	+80

NS-No Sale

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

Particulars	04-Feb	28-Jan	Change
Raskat	440-470	440-470	-
Chaku	530-560	530-565	-5
Shakkar	560-570	555-565	+5
Khurpa	500-510	510-515	-5
Laddu	525-530	520-525	+5

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

Particulars	04-Feb	28-Jan	Change
Dahiya	1275-1300	1300-1325	-25
Balti Special	1230-1250	1250-1260	-10
Number One	1220-1230	1230-1240	-10
Bariya Dara	1200-1215	1210-1225	-10
Dara	1175-1190	1190-1200	-10

Weather Forecast: (As on 04th February 2006)**ALL INDIA WEATHER FORECAST BULLETIN****Weather Outlook**

Most parts of the country except parts of NE states and south peninsular India are experiencing mainly dry weather conditions. Such a situation may continue for another 3-4 days. Most parts of the country continue to witness above normal day and night temperatures.

The predictions suggest fall in night temperature over North and Central India during next 24 hours. Northeastern parts

of the country may also experience fall in day and night temperatures during next 2 days.

A weak western disturbance is likely approach NW India by 7th February, which may cause isolated rainfall/snowfall in hilly region of NW India. Under its influence, there could be slight rise in night temperatures over NW India beginning from 7th February 2006.

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

Night temperatures are expected to fall by 1-2 deg C during next 24 hours. Another western disturbance is likely to approach NW India by 7th Feb. 2006 causing isolated rain/snowfall in hilly region beginning from 7th Feb.

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

The region is likely to experience mainly dry weather during next 5 days except isolated rains in Arunachal Pradesh, Assam, Sub-Himalayan West Bengal & Sikkim during next 24 hours. The region may experience fall in day and night temperatures during next 2 days.

CENTRAL INDIA [MP, CHHATTISGARH, VIDARBHA]

Mainly dry weather is likely to prevail. Slight fall (1-2 Deg C) in night temperature is expected during next 24 hours.

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

South Tamil Nadu is likely to receive isolated rain during next 24 hours. Remaining parts may experience mainly dry weather condition.

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

Mainly dry weather is expected to prevail. Night temperatures are likely to fall by 1-2 deg C during next 2 days.

Port Watch (As on 04th February 2006):

'Uranus' has berthed at Tuticorin Port and continues to load 5,800 MT of sugar. The vessel is being handled by St.John agents. The port is expecting 'Charaka Jaya Niaga' to load 3,000 MT of sugar. St.John agents will be handling the vessel.

Chennai Port is loading 11,600 MT of sugar on the vessel 'Kom'.

FOREX (As on 04th February 2006):

Foreign Currency	Rs. per unit
1 US \$	44.15
1 Euro	53.06
1 British £	77.81
100 Yen	37.12

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