

SUGAR, JAGGERY & CANE

20th-25th February 2006

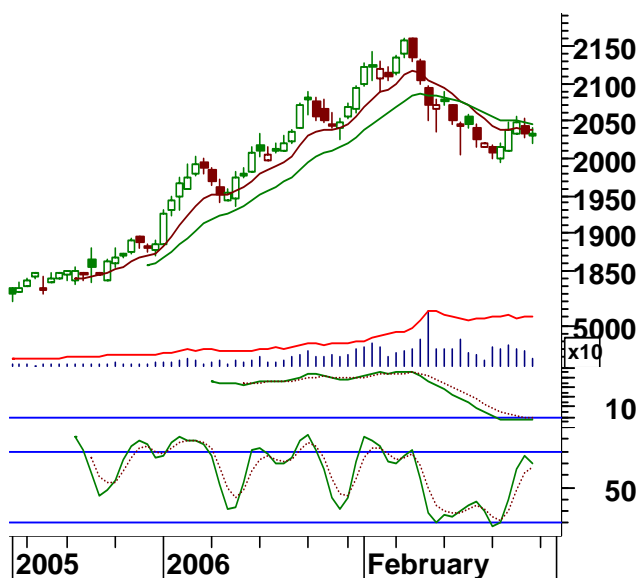
MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Steady at Lower Levels
- NCDEX Sugar: Retraced Back Again on Speculative Buying
- NCDEX Gur: Tested Contract Lows, Range Bound at the Weekend

Technical Analysis

Commodity: Sugar Grade M
Exchange: NCDEX
Perspective: Very Short Term (Weekly)
Contract: MARCH 2006

The candlesticks formation is indicating a bullish pattern and steady to firm opening. The %K-line is moving downwards, while the %D-line is still moving upwards in the normal region, hinting further uptrend. The MACD as well as its EMA moving downwards in the negative territory, supporting the weakness in the market. The moving averages are hinting for further uptrend. The open interest remained steady at the higher levels, while the volume of trade has increased moderately in this week.



Outlook:

The sugar futures are expected to witness an upward movement in the first half of the coming week. However, the futures are likely to get resisted and may move downwards during the later half of the coming week.

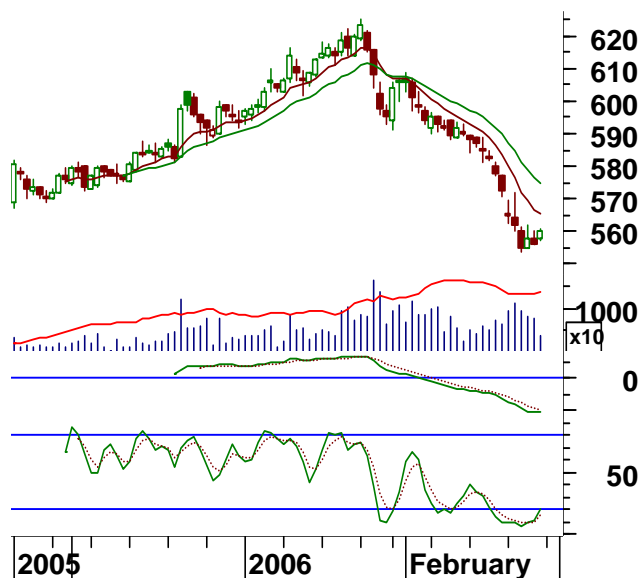
Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
March	2015	1995	2065	2085

Technical Analysis

Commodity: Gur (Jaggery)
Exchange: NCDEX
Perspective: Very Short Term (Weekly)
Contract: MARCH 2006

The candlesticks formation is indicating a bullish pattern and steady to firm opening. The %K-line after cutting the %D-line from below moving upwards in the oversold region, hinting an upward technical correction. The MACD along with its EMA moving downwards in the negative territory, supporting the weakness. The moving averages are also hinting further downward movement. The open interest remained steady at the lower side, while the volume of trade has declined during this week.



Outlook:

The gur futures are expected to witness some recovery 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
March	554.1	550.0	566.4	570.8

Market Commentary

Domestic:

Domestic Sugar Prices Steady at Lower Levels

The domestic sugar market remained bearish during the first half of this week under review. However, some recovery was seen during the later half and consequently the 'M' grade as well as 'S' grade sugar was quoted on an average steady at the lower side in this week under review as against the last week.

The M grade sugar at the Delhi market was quoted in a lower range of Rs 2010-2050 per quintal in this weekend as against the last week. At the Kolkata market it was traded in the range of Rs 2025-2060 per quintal, while at the Muzaffarnagar market it was available in the range of Rs 1990-2015 per quintal during this week.

The S grade sugar at the Delhi market was offered in a lower range of Rs 1990-2030 per quintal in this weekend. At the Chennai market it was traded in the range of Rs 1890-1940 per quintal, while at the Kolkata market it was available in the range of Rs 2000-2040 per quintal. At the Vashi market it was quoted in the range of Rs 1900-1935 per quintal during this week.

The domestic sugar prices remained steady at the lower side after mid-week following moderate buying interest at the physical markets. Mills are contracting forward deals for the coming month at a higher price and consequently the downtrend in sugar prices came to a halt. However, supply remained at the higher side with the mills having enough free sale sugar quota for this month and yet to sell the same. Traders as well as millers hope that Government would extend the time to sale/lift free sale sugar quota for the month of February. The February sugar sale quota is a record amount of 14.5 lakh tonnes and Government at the time of release, has directed that unsold/unlifted free sale sugar would be converted into levy sugar. Traders are eyeing the outcome of TCP tender of 50000 tons by this month end. Moreover, the demand from bulk consumers is likely to pick up in the coming days. Meanwhile, the NYBOT raw sugar futures are at 2-week highs, while the LIFFE white sugar futures are near contract highs after the recent setback due to liquidation of March contract. Global sugar

News Analysis:

ISMA President: Sugar Prices Likely to Increase by 5-7 Percent

According to the President of Indian Sugar Mills Association (ISMA), the domestic sugar prices are expected to rise by around 5-7 percent in the next few months owing to higher sugarcane prices and firm international trend. With the domestic sugar prices remaining lower than the global sugar prices, export opportunities are seen increasing in the coming days. The sugarcane prices have gone up to Rs 150 per tonne as compared to Rs 107 per tonne last season and consequently would result in higher sugar prices. The ISMA has reportedly informed the Union Agriculture Ministry that rise in domestic sugar prices neither as a result of domestic market forces nor short selling by sugar mills. The rise in domestic sugar prices is attributed to the firm international market trend. The surge in global sugar prices is a result of end of European sugar regime and consequently lower global sugar supply. As a result the global sugar prices have surpassed the domestic sugar prices, creating huge

prices are supported by projected decline in global sugar inventories during 2005-06 for the third consecutive sugar season. Amidst such situations, the sugar prices are likely to remain range bound with a bearish undertone in the week ahead.

NCDEX Sugar: Retraced Back Again on Speculative Buying

At the futures market the sugar futures at the NCDEX started this week at the negative territory following a week of continuous bearish trade. However, the sugar futures got immediate buying support at these lower levels and started moving upwards thereafter. Increased speculative buying has underpinned the uptrend in sugar futures prices in this week. The near month March contract hovered in the range of 2021.00-2041.00, while the most active April contract fluctuated in the range of 2090.00-2112.00 during Saturday's trade. The open interest remained steady at the higher levels, while the volume of trade has increased moderately in this week as against the last week. The sugar prices at the futures market are expected to witness some upward movement in the first half of the coming week. However, the futures are likely to get resisted and may move downwards during the later half of the coming week.

NCDEX Gur: Tested Contract Lows, Range Bound at the Weekend

At the futures market the gur futures at the NCDEX extended previous weakness further in this week under review and traded with a highly bearish sentiment. The gur futures tested fresh contract month lows in this week under review. However, the futures got supported at the lower levels and traded mostly range bound at the weekend. The March contract traded in the range of 557.00-560.80, while the April contract fluctuated in the range of 589.00-598.00 during Saturday's trade. The open interest remained steady at the lower side, while the volume of trade has declined during this week. It is expected that the gur futures would witness some recovery 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.

opportunity to export sugar. The sugarcane acreage in 2006-07 sugar season is also likely to go up as farmers are realizing better returns from growing sugarcane. The domestic sugar production in 2006-07 season is likely to be higher at around 20 million tonnes as compared to an estimated production of 18 million tonnes in 2005-06.

Sugar Industry Facing Logistic Problems for Export to Pakistan

The domestic sugar industry is planning to work out alternate way to export sugar to Pakistan as lack of railway wagons are creating problems to the domestic exporters. The alternate way to export sugar through sea route would cost additional \$25-30 per tonne to the domestic exporter. Pakistan is facing a severe sugar crisis in this season and looking to import sizeable quantity of sugar to contain surging sugar prices at the domestic markets. The Indian Sugar Exim Corporation (ISEC) is likely to bid for an upcoming 50000 tonnes sugar import tender by the Trading Corporation of Pakistan (TCP). Meanwhile, the Union

Agriculture Ministry is likely request the Railways to provide more wagons for supplying sugar to Pakistan and thereby helping domestic companies to fulfill their export obligations.

Indian Sugar Factories Urged Open Market Sale of Ethanol

According to the All India Distilleries Association, the proposal to allow the sugar factories to sell ethanol in the open market is under consideration of the Central Government. The decision to blend ethanol in petrol was taken by the Government few years back. After the Government decision, sugar factories have produced sufficient quantity of ethanol to meet the demand, but with contradictions over pricing policies most of the stocks are lying idle at present. The Indian oil companies have entered into an agreement with the Akhil Bharatiya Sakshar Sangh for purchase of ethanol and tenders from ethanol producers in Uttar Pradesh, Haryana and Punjab. Tenders are now likely to be finalized with sugar factories from Maharashtra, Gujarat, Andhra Pradesh and Karnataka. It has been reported that the sugar factories expect pricing of ethanol at Rs 22.50 per litre.

Largest Sugar Refinery in West Bengal by Shree Renuka Sugars

The Shree Renuka Sugars Limited has kicked off the largest sugar refinery in West Bengal on Saturday. The refinery, the first of its kind in West Bengal, would be set up with an investment of Rs 250 crore. The unit would be in operation from March 2007 with a production capacity of 2000 tonnes per day. The company would import raw sugar for refining and would meet the requirements of the Eastern region. The refinery would also eye on the export markets of Bangladesh, Myanmar and Indonesia. The Shree Renuka Sugars Limited operates 4 sugar mills in the state of Maharashtra and Karnataka.

EU to Reduce Sugar Output for Marketing Year 2006-07

The top agricultural officials of the European Union (EU) have proposed a one-off cut in EU sugar production by about 17 percent for the 2006-07 sugar marketing year. The EU Agriculture Commissioner has proposed the production of sugar to be cut by a maximum of 3 million metric tons and a minimum of 2 million metric tons. Under WTO rulings, the EU agreed in last November to curb the minimum sugar price by 36 percent over coming 4 years. The sugar prices would be cut by 20 percent with the start of this marketing year from 1st July. According to the European Commission, the one-off cut would be around 2.5 million tons and the Commission would decide in March on dividing the same among the member states. The member states have a total sugar output quota of 17.4 million metric tons.

Indonesia Sugar Production Seen Higher in 2006

The sugar production of Indonesia is expected to rise from 2.3 million tons in 2005 to around 2.5-2.6 million tons in 2006. The increase is attributed to a favourable business environment for the last few years. According to the president of the state-run plantation company PTPN XI, the sugar production is increasing over the last few years as a result of increased sugarcane production with rising sugar prices. Sugar production in Indonesia registered its lowest level of 1.6 million tons in 1999 as a result of lower sugar prices. However, increasing return from the commodity in subsequent years has motivated the growers to bring more acreage under sugarcane and follow modern technologies.

PSMA Urged Pakistan Govt to Import 0.9 MT Sugar

The Pakistan Sugar Mills Association (PSMA) has asked the Pakistan Government to import around 0.9 million tons to meet the domestic requirements and contain surging sugar prices. The PSMA has held the Government as well as the sugarcane growers responsible for the recent spurt in sugar prices at the domestic markets. It has also warned that the sugar stock of the country would dry up in the coming two months and consequently would worsen the sugar crisis. The PSMA has informed that the price of sugar has reached Rs 45 per kg as a result of increased sugarcane price of Rs 110 per 40 kg in the recent time.

NYBOT and MCX Signed MoU for Mutual Benefit

The New York Board of Trade (NYBOT) and the Multi Commodity Exchange of India Limited (MCX) has signed a Memorandum of Understanding (MoU) to cooperate each other for mutual benefit to both the exchanges. The NYBOT is the premier exchange in trading soft commodities like sugar and cotton. The NYBOT and the MCX would work together to cooperate each other and develop business opportunities, which would benefit the producers, users as well as investors involved in the process. This in turn, likely to help Indian sugar and cotton industry to hedge their price risk in an efficient manner.

Sugar at Spot Market:

Domestic:

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

Particulars	25-Feb	18-Feb	Change
M 30	2010-2050	2010-2050	-
S 30	1990-2030	1990-2030	-
Mill Delivery	1870-1945	1880-1940	+5

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

Particulars	25-Feb	18-Feb	Change
Shyamli	No Sale	2007	-
Khatauli	2005	2005	-
Morna	1950	1975	-25
Deoband	2000	2000	-
Nanoata	1930	1960	-30
Dhampur	1975	1965	+10

Jaggery at Spot Market

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

Particulars	25-Feb	18-Feb	Change
Raskat	420-445	420-440	+5
Chaku	515-545	515-545	-
Shakkar	540-550	520-550	-
Khurpa	475-480	475-480	-
Laddu	495-500	500-505	-5

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

Particulars	25-Feb	18-Feb	Change
Dahiya	1100-1150	1150-1200	-50
Balti Special	1160-1170	1190-1200	-30
Number One	1140-1150	1160-1175	-25
Bariya Dara	1125-1130	1140-1150	-20
Dara	1100-1110	1120-1130	-20

International:**London Daily Price (LDP)**

Particulars	24-Feb	23-Feb	22-Feb	21-Feb	20-Feb
LDP Raw FOB \$/MT	392.4	410.1	395.3	383.2	379.9
LDP Raw CIF \$/MT	437.4	455.1	440.3	428.2	424.9
LDP Raw CIF GBP/MT	250.2	259.4	252.8	245.5	243.8
LDP White FOB \$/MT	445.0	460.5	446.0	438.0	435.0
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.

Weather Forecast: (As on 25th February 2006)**ALL INDIA WEATHER FORECAST BULLETIN****Weather Outlook**

A western disturbance of moderate intensity is currently affecting the NW India. Under its influence, light to moderate rain/snowfall has occurred at many places over Jammu & Kashmir and Himachal Pradesh and at a few places over Uttaranchal. Light rain/ thundershowers have also occurred at a few places over Punjab, Haryana and north Rajasthan. The system is expected to move away within next 24 hours. Under the impact of prevailing western disturbance, day and night temperatures over northwest India have fallen by 2-3° C. Due to relatively cold northwesterly winds which are likely to prevail during next 2-3 days, the night temperatures are likely to fall further by

2-3° C over northwest India and adjoining Gangetic Plains. Day temperatures remained 5-7° C above normal over East Rajasthan, Gangetic Plains and central India; they were 3-5 ° C above normal over the rest parts of the country outside peninsula where they were above normal by 2-3° C. NE States and Sub-Himalayan West Bengal may continue to receive isolated thundershowers during next 3-4 days. Under the influence of an easterly wave, south Tamil Nadu & Pondicherry and Kerala are likely to receive isolated to scattered thundershowers for 2 days.

NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]
Isolated to scattered rain/snowfall is likely in J&K, H.P., and Uttaranchal during next 24 hours. Slight fall in night temperatures is likely during next 2 days over the region.

EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]
Northeastern states and Sub-Himalayan West Bengal may receive isolated rains/thundershowers during next 2 days. Mainly dry weather is likely over rest regions.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]
Mainly dry weather is likely to prevail.

SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]
Isolated to scattered rainfall activity over Bay Islands, coastal Tamil Nadu & Pondicherry and Kerala in next 2 days. Mainly dry weather is likely to prevail over remaining areas.

WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]
Mainly dry weather is expected to prevail.

Source: NCMRWF

FOREX (As on 25th February 2006):

Foreign Currency	Rs. per unit
1 US \$	44.36
1 Euro	52.69
1 British £	77.44
100 Jap. Yen	37.95

Port Watch (As on 25th February 2006):

'Rainbow Spring' has berthed at Tuticorin Port and is continuing to deliver 10,832 MT of sugar. The vessel is being handled by St.John agents.

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