

SUGAR, JAGGERY & CANE

10th-15th April 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Maintained Firm Sentiment
- NCDEX Sugar: Slid to Pare Early Surge on Profit Booking
- NCDEX Gur: Settled Lower on Increased Selling Interest

Technical Analysis

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

The candlesticks formation is indicating a bearish pattern and weak opening. The %K-line along with the %D-line moving downward in the normal region, hinting further downward movement. The MACD is moving upwards along with its EMA in the positive territory, supporting the short-term strength in the market. The moving averages are hinting for further upward movement. The open interest has increased, while the volume of trade has declined later during this week under review.



Outlook:

The sugar futures are likely to trade slightly downwards in the coming week. However, the futures are expected 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
May	2035	2020	2115	2130

Technical Analysis

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

The candlesticks formation is indicating a slightly bearish pattern and steady to weak opening. The %K-line after cutting the %D-line from below started moving upward in the normal region, hinting further uptrend. The MACD has made a bearish crossover with its EMA in the positive territory, supporting the weakness. The moving averages are hinting further downward movement. The open interest has declined, while the volume of trade remained at the lower side during this week under review.



Outlook:

The gur futures are expected to witness a range bound trade in the coming couple of days. However, the futures are likely to witness an upward trade 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
May	606.7	600.4	627.4	632.4

Market Commentary

Domestic:

Domestic Sugar Prices Maintained Firm Sentiment

The domestic sugar market witnessed a firm sentiment early in this week under review. However, the prices eased slightly during the mid-week, but recovered back again during the weekend. Both the 'M' grade as well as 'S' grade sugar was quoted on an average higher in this week as against the last week.

The M grade sugar at the Delhi market was quoted in a higher range of Rs 1985-2065 per quintal in this weekend as against the last week. At the Kolkata market it was traded in the range of 2030-2060 per quintal, while at the Muzaffarnagar market it was available in a higher range of Rs 1995-2025 per quintal during this week.

The S grade sugar at the Delhi market was offered in a higher range of Rs 1970-2050 per quintal in this weekend as against the last week. At the Chennai market it was available in the range of Rs 1910-1925 per quintal, while at the Kolkata market it was traded in the range of Rs 2005-2030 per quintal. At the Vashi market it was quoted in a much higher range of Rs 1900-1980 per quintal during this week.

Supplies have improved amidst higher demand and consequently millers as well as resellers quoted steady price at the weekend. Meanwhile, the Government is considering options to impose control on quantity of sugar that individual trader can stock, a practice that was withdrawn few years back. Moreover, the Government may also set the time limit for said stock. Notably, despite a higher sugar quota released by the Government for April-June quarter, sugar prices have not shown the desired downtrend. The market remained underpinned by the overseas export demand with the neighbouring countries in urgent need of large quantity of white sugar. Meanwhile, Pakistan has issued another 50000 tons white sugar import tender. This is the fifth such tender by the Trading Corporation of Pakistan in this year. Amidst such situations,

News Analysis:

USDA: India to Emerge as Net Sugar Exporter in 2005-06 Sugar Year

According to a latest released attaché report by the Foreign Agricultural Services (FAS) of United States Department of Agriculture (USDA), India is set to emerge as a net sugar exporter in marketing year 2005-06 after being an importer for the last two years. Higher domestic production and firm international sugar prices are the major underlying factors as reported by USDA. The USDA has forecasted exports at 1.5 million tons in marketing year 2006-07 assuming domestic prices remain below international sugar prices. The USDA has ruled out the possibility of sugar imports into India, including raw sugar imports under the Advance License Scheme, keeping in view current price ratio between domestic and international prices. It is reported that India has exported about 148000 tons of sugar through February 2006. Most of these exports were to neighbouring markets like Pakistan, Bangladesh, and Sri Lanka, at C&F prices ranging \$440 to \$480 per ton. The sugar exports during marketing year 2005-06 could reach 600000 tons, mostly to neighbouring Pakistan, Bangladesh, and Sri Lanka. Due to a flare-up in international sugar prices, imports of raw sugar under the ALS have slowed since the

sugar prices at the domestic markets are likely to witness a stable sentiment in the week ahead.

NCDEX Sugar: Slid to Pare Early Surge on Profit Booking

At the futures market the sugar futures at the NCDEX started the week with spillover strength of the last weekend and surged up during Monday's trade. The futures extended the rally further to test this week's high on Tuesday. However, the futures immediately ran into profit booking and traded downwards till mid-week. The futures tested this week's low on Thursday. Increased buying support at the lower price levels supported the futures thereafter and the futures recovered most of the losses at the weekend. The near-month April contract hovered in the range of 1926.00-1954.00, while the May contract traded in the range of 2067.00-2087.00 during Saturday's trade. The open interest has increased, while the volume of trade has declined later during this week under review. The sugar futures are likely to trade slightly downwards in the coming week. However, the futures are expected to get supported and may move upwards during the later half of the coming week.

NCDEX Gur: Settled Lower on Increased Selling Interest

At the futures market the gur futures at the NCDEX started this week with a positive note. The gur futures carried the advances further and tested this week's high on Wednesday. However, increased selling interest at the higher levels pressurised the futures thereafter and the futures turned downwards for the rest of the week. The futures tested this week's low on Thursday. The near-month April contract traded in the range of 570.20-583.00, while the May contract fluctuated in the range of 618.20-622.60 during Saturday's trade. The open interest has declined, while the volume of trade remained at the lower side during this week under review. The gur futures are expected to witness a range bound trade in the coming couple of days. However, the futures are likely to witness an upward trade during the later half of the coming week.

start of marketing year 2005-06, with total imports estimated at 50000 tons.

Source: FAS, USDA.

USDA Pegged Lower Australian Sugar Output after Cyclone

According to a latest released attaché report of the USDA, the Australian sugar cane production is forecasted slightly lower for 2006-07 season. The lower estimation is attributed to tropical cyclone Larry that recently hit the sugarcane region of north Queensland and caused damage to crop as well as infrastructure. The exports for 2006-07 are also projected at below average levels and represent a significant decline from the previous year. Earlier expectations of above average export levels are now unlikely to be achieved despite improved export prices received for sugar. The report mentioned that the effect of cyclone Larry is the reduction in raw sugar production in the order of 100000 to 200000 MT, or the equivalent of 17100 hectares of cane. Despite the ferocity of this cyclone, industry sources remain hopeful that much of the cane damaged can be recovered.

Indonesia Sugar Production in 2006-07 to Increase Despite Fundamental Problems

According to a latest released attaché report of the USDA, the sugar industry in Indonesia continues to face a number of fundamental problems. However, the higher floor price set by the government is leading to higher sugarcane production, which is projected to grow to 2.2 million tons in 2006-07. Due to a larger crop, combined with inefficient mills, the mills were strained during the 2005-06 season, leading to a lower recovery rate of 7.2 percent compared to 7.7 percent in 2004-05. Consumption for 2005-06 is forecast to increase to 3.85 million tons, and continue growing in 2006-07 in line with population growth. With expectations for growth in domestic production, imports are also forecast to remain steady at 1.8 million tons.

Mexico 2005-06 Sugar Output Revised Down on Weather Adversities

According to a latest released attaché report by the USDA, the FAS/Mexico estimates production could reach at least 5.75 million metric tons (MMT) raw value assuming normal weather conditions during 2006-07. However, the Mexican sugar industry has not yet set a sugar production estimate for marketing year 2006-07 (October-September). It is reported that the sugar production will also be dependent on timely maintenance of the sugar mills and a timely harvest. Based on official information, sugar production estimates for marketing year 2005-06 were revised downward to 5.62 MMT as weather conditions and rainfall delayed harvesting and lowered cane yields. Mill yields for marketing year 2005-06 are expected to be slightly lower than those of marketing year 2004-05 yields of 11.39 percent. Marketing year 2004-05 sugar production estimates remain unchanged reflecting a record year for sugar production.

Chinese Auctions Unlikely to Contain Sugar Prices in Long Run

According to the Chinese Analysts, the country's decision to auction near 4 lakh tons of white sugar in the coming weeks may cap the continuous uptrend in the short-term, but unlikely to last long if global sugar prices remain high. According to the National Development and Reform Commission (NDRC), the Ministry of Commerce and the Ministry of Finance of China, a total of 368000 tons of reserve white sugar will be sold at four auctions, with each round selling 92000 tons starting next week. The sugar auction is due to output reduction and aimed at stabilizing market supply and prices. Chinese Government has already sold 184000 tons of sugar at two auctions in January in order to contain the surging sugar prices, but failed to get the desired impact.

Russia Sugar Beet Production to Increase in This Season

According to a latest released attaché report by the Foreign Agricultural Services (FAS) of United States Department of Agriculture (USDA), the Russian sugar beet production and refining is set to grow in this season. It is reported that the sugar beet acreage is expected to grow based on higher profitability and because many winter wheat fields will be resown with sugar beets due to the rainless autumn and cold winter. The prices at domestic market are following world prices and are up significantly. According to the report the raw sugar import volumes will depend on import duties. Russia is considering adjustments to its sugar tariff regime to counteract high world prices. Foreign companies

are investing in the sugar processing and substitute industry. The report mentioned that the niche for substitutes is not yet well developed in Russia.

China Sugar Output Pegged at 11.1 MMT in 2006-07

According to the latest attaché report by the USDA, the sugar output of China is estimated at 11.1 million metric tons (MMT), raw value, during the marketing year 2006-07. The estimated production of 2006-07 is higher by 15 percent from the 2005-06 sugar marketing year. Responding to higher sugar prices, cane and beet acreage are forecast to increase by 7 percent over marketing year 2005-06. The sugar import in marketing year 2005-06 is revised to 1.4 MMT from FAS Beijing's previous estimate of 1.3 MMT. It is reported that the wholesale sugar price rose by 50 percent year on year in the beginning of marketing year 2005-06 due to an expected reduction in sugar output. The 2 percent reduction in sugar production in 2005-06 is attributed to the persistent drought in the major cane growing region. The consumption of natural sugar in marketing year 2005-06 is estimated to be lower than the previous year.

Sugar at Spot Market:

Domestic:

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

Particulars	15-Apr	10-Apr	Change
M 30	1985-2065	1980-2050	+15
S 30	1970-2050	1965-2035	+15
Mill Delivery	1865-1955	1850-1940	+15

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

Particulars	15-Apr	10-Apr	Change
Shyamli	2038	1982	+56
Khatauli	2045	2020	+25
Morna	No Sale	No Sale	-
Deoband	2035	2005	+30
Nanoata	1995	1955	+40
Dhampur	2000	No Sale	-

Jaggery at Spot Market

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

Particulars	15-Apr	10-Apr	Change
Raskat	425-440	420-440	-
Chaku	525-600	520-550	+50
Shakkar	530-565	560-580	-15
Khurpa	500-515	490-500	+15
Laddu	545-555	525-530	+25

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

Particulars	15-Apr	10-Apr	Change
Dahiya	N/A	1325-1350	-
Balti Special	N/A	1315-1325	-
Number One	N/A	1310-1320	-
Bariya Dara	N/A	1280-1290	-
Dara	N/A	1275-1285	-

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

Particulars	14-Apr	13-Apr	12-Apr	11-Apr	10-Apr
LDP Raw FOB \$/MT	Closed	373.2	379.2	383	384
LDP Raw CIF \$/MT	Closed	415.2	421.2	425.8	426
LDP Raw CIF GBP/MT	Closed	236.8	239.8	244.2	243.9
LDP White FOB \$/MT	Closed	462.5	460.5	460	457.2
London Freight \$/MT	Closed	42	42	42	42
London Freight GBP/MT	Closed	24	24	24	24

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

Note: Exchange remained close on Saturday and Sunday.

Weather Forecast: (As on 15th April 2006)**ALL INDIA WEATHER FORECAST BULLETIN****Weather Outlook**

During past 24 hours rainfall has occurred at few places over south peninsula, Gangetic West Bengal, Orissa and Chhattisgarh. Isolated showers have also occurred over northeastern states, Andaman Islands, East Madhya Pradesh, Madhya Maharashtra, Marathwada, Punjab, Haryana, south/north interior Karnataka, Jammu & Kashmir, coastal Andhra Pradesh, and Telangana. Chief amounts of rainfall (in cm) reported during past 24 hours include: Jagdalpur- 7, Mysore-5, Bangalore & Balasore-3 each, Champa, Raipur & Mayabandar-2 each.

Under the influence of a fresh western disturbance, scattered to fairly widespread rain/snow activity likely to continue over Jammu & Kashmir and extend subsequently into Himachal Pradesh and Uttaranchal till 18th April 2006. Adjoining plains of NW India viz. Punjab, Haryana and west Uttar Pradesh are also expected to continue with isolated rains/ thundershowers during above period.

As indicated earlier, due to combined impact of easterly wave affecting southern India and western disturbance affecting NW India and moving eastward, entire south peninsular India (viz. Tamil Nadu & Pondicherry, Kerala, Karnataka, and Andhra Pradesh), eastern parts of Central India (viz., East MP, Chhattisgarh), East India (East UP,

Bihar, Jharkhand, Orissa and West Bengal) and NE States, are likely receive enhanced rainfall and thundershower activity during next 2-3 days.

With the result as predicted earlier, day temperatures in these areas have already showing the falling tendencies from today itself and the trend is to continue for next 2-3 days. Predictions suggest that yet another short spell of rain/snowfall activity over Jammu & Kashmir is likely around 21-22April, 2006.

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

Scattered to fairly widespread rains/snow are likely over J&K, Himachal Pradesh and Uttaranchal during next 2-days. Plains of NW India viz. Punjab, Haryana and west Uttar Pradesh are expected to have isolated rains/ thundershowers during the same period. Subsequently, fall in night temperatures with dry weather is expected over the region.

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

Scattered to fairly widespread rain/thundershowers are likely to continue over NE States and West Bengal & Sikkim, Orissa and Jharkhand in coming days. Isolated to scattered thunder shower activity is expected over East UP and Bihar starting from 18th April, 2006

CENTRAL INDIA [MP, CHHATTISGARH, VIDARBHA]

East MP, Chhattisgarh and Vidarbha are likely to experience scattered rains and isolated thundershowers in coming days.

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

Scattered to fairly widespread rains are likely over most parts of the region viz. Tamil Nadu, Kerala, Andhra Pradesh and Karnataka in coming 2-days. Subsequently, isolated to scattered rainfall is expected to continue over Tamil Nadu and Kerala only.

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

Isolated rains are expected in parts of the region during next 2-days only. Subsequently, dry weather conditions are likely to prevail.

Source: NCMRWF

FOREX (As on 15th April 2006):

Foreign Currency	Rs. per unit
1 US \$	45.29
1 Euro	54.85
1 British £	79.38
100 Jap. Yen	38.17

Port Watch (As on 15th April 2006):

Mumbai Port is loading 13,500 MT of sugar on the vessel 'Bunglar Urmil'. JM Baxi agents is handling the vessel. The port is expecting 'Arihant' to load 14,000 MT of sugar. Shaan Marine agents is handling the vessel. Loading of 15,000 MT of sugar is expected at the port on the vessel 'Bolan'. The vessel will be handled by Interocean agents.

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