

SUGAR, JAGGERY & CANE

17th-22nd April 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Firm on Week; Eyeing Demand
- NCDEX Sugar: Lower on Additional Sugar Quota Concerns
- NCDEX Gur: Bearish; Slid to Test 1-Month Low at Weekend

Technical Analysis

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

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



Outlook:

The sugar futures are likely to trade downwards in the coming week. However, the futures are expected to get supported and may move moderately 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	2025	2005	2083	2100

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 oversold region, hinting upward correction. The MACD moving downwards along with its EMA in the negative territory, supporting the weakness. The moving averages are hinting further downward movement. The open interest as well as the volume of trade remained at the higher side during this week under review.



Outlook:

The gur futures are expected to witness a range bound bearish trade in the coming couple of days. However, the futures are likely to trade moderately upwards thereafter in the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
May	588.90	580.00	611.10	618.80

Market Commentary

Domestic:

Domestic Sugar Prices Firm on Week; Eyeing Demand

The domestic sugar market witnessed mostly a firm sentiment during this week ending 22nd April. Both the prices of 'M' grade as well as 'S' grade sugar were quoted higher as against the previous week. However, the prices eased to some extent at the weekend on talks of additional free sale sugar quota release for April.

The M grade sugar at the Delhi market was quoted in a higher range of Rs 2030-2110 per quintal in this week as against the last week. At the Kolkata market it was offered in the range of Rs 2060-2095 per quintal, while at the Muzaffarnagar market it was traded in the range of Rs 2030-2055 per quintal during this week.

The S grade sugar at the Delhi market was available in a higher range of Rs 2015-2095 per quintal in this week as against the last week. At the Chennai market it was traded in the range of Rs 1930-1940 per quintal, while at the Kolkata market it was offered in the range of Rs 2035-2075 per quintal. At the Vashi market it was quoted in a higher range of Rs 1950-1995 per quintal during this week.

Demand remained higher from the bulk consumers of summer season and with tight supplies, the millers as well as resellers quoted higher price in this week. Market remained supported by overseas demand and recent purchase of 50000 tons white sugar by Trading Corporation of Pakistan from Indian Sugar Exim Corporation at \$491 per ton CNF Karachi. Despite a higher sugar quota released by the Government for April-June quarter, sugar prices have not shown the desired downtrend. The market remained supported by the domestic as well as overseas export demand with the neighbouring countries in urgent need of large quantity of white sugar. However, with possibility of additional free sale sugar quota release by the Government for the month of April, sugar prices are likely to witness a bearish sentiment in the week ahead.

News Analysis:

Agri Minister: Sugar Production to Touch 190 Lakh Tonnes in 2005-06

According to the Agriculture and Food Minister of Government of India, the production of sugar is expected to touch 190 lakh tonnes as against the earlier estimates of 180 lakh tonnes and much higher than the last year output of 120 lakh tonnes. The Agriculture Minister has admitted that the price of sugar in domestic retail market has gone abnormally up at Rs 24-25 per kilo, but was largely confined to Northern region. According to the Minister, the country is expected to export about 3 lakh tonnes of sugar during this year, however, the quantum of that would be reviewed from time to time. The Agriculture Minister had made it clear that no duty free imports will be allowed during the year. Last year, Government allowed import of raw sugar duty free with an obligation to export refined sugar in same quantity by next 24 months of importing in order to meet the domestic shortfalls.

Pakistan Bought 75000 Tons Sugar at \$491 per Ton CNF Karachi

The Trading Corporation of Pakistan (TCP) has awarded 75000 tons of white sugar at \$491 per ton Cost and Freight

NCDEX Sugar: Lower on Additional Free Sale Sugar Quota Concerns

At the futures market the sugar futures at the NCDEX started this week with a positive note and carried the advances further to test this week's high on Tuesday. However, the futures immediately ran into profit booking and slid significantly during Tuesday's trade. The futures traded mostly downwards thereafter on talks of additional free sale sugar quota release for the month of April. The futures tested this week's low on Friday. The near-month May contract hovered in the range of 2055.00-2069.00, while the June contract fluctuated in the range of 2120.00-2137.00 during Saturday's trade. The open interest has increased slightly, while the volume of trade has declined later during this week under review. The sugar futures are likely to trade downwards in the coming week. However, the futures are expected to get supported and may move moderately upwards during the later half of the coming week.

NCDEX Gur: Bearish; Slid to Test 1-Month Low at Weekend

At the futures market the gur futures at the NCDEX started this week with a bearish note. The futures extended the weakness further during this week. The futures slid to test 1-month lows during Saturday's trade. The near-month May contract traded in the range of 594.00-607.00, while the June contract fluctuated in the range of 592.20-601.80 during Saturday's trade. The open interest as well as the volume of trade remained at the higher side during this week under review. The gur futures are expected to witness a range bound bearish trade in the coming couple of days. However, the futures are likely to trade moderately upwards thereafter in the coming week.

Karachi. Out of the total 75000 tons, it has awarded 50000 tons to Indian Sugar Exim Corporation and remaining 25000 tons to a Singapore based firm, both at the same rate. Though the original tender was for 50000 tons, but the quantity was later increased keeping in view the lower bids by these two firms. With this latest purchase, the TCP has so far contracted to purchase 225000 tons white sugar in this year through 4 tenders. Out of this quantity, Indian Sugar Exim Corporation bagged 150000 tons white sugar at \$478, \$473 and \$491 per ton for a quantity of 50000 tons each. The third tender to import 50000 tons sugar was awarded to a Swiss firm at \$505 per ton early last week. Meanwhile, the TCP has floated another 50000 tons white sugar import tender late last week, bids of which to be submitted by 22nd April.

PSMA Considering Pak Govt's Proposal to Cut Sugar Prices

According to the Pakistan Sugar Mills Association (PSMA), it would act in response to Government's proposals on reduction in sugar prices for the common man soon after consulting its zonal chapters. The Pakistan Government

has proposed that the domestic sugar industry should help by contributing 10 percent of available stocks to the Utility Stores Corporation (USC) or by providing cheap sugar directly to the market. The Government would exempt such stocks from the sales tax.

Indonesia Sugar Production in 2006-07 to Increase

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.

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.

Thailand Sugar production to Recover in MY 2007

The United States Department of Agriculture in a latest attaché report for Thailand, has forecasted the country's marketing year (MY) 2007 sugar production to recover in anticipation of bumper sugarcane crops. The increase is attributed to acreage expansion and yield improvement assuming normal weather conditions. Most sugarcane is still used for sugar production as cane/molasses-based ethanol plants are still working out trial runs of sugarcane-based ethanol production. Prices of sugarcane will likely remain at high levels in anticipation of increased domestic and export demand for sugar and molasses. The sugar exports will likely rebound in MY 2007 following more exportable supplies from the anticipated bumper sugarcane crops.

Brazilian Cane Output Pegged at 420 MMT in 2006-07

According to a latest released attaché report by USDA, the Agricultural Trade Office (ATO)/Sao Paulo pegged total Brazilian sugarcane production for (MY) 2006-07 (May-April) at 420 million metric tons (MMT). The 35 MMT increase over MY 2005-06 is attributed to better yields and area expansion. It is reported that most of the increase should come from the Center South region where a total of 370 MMT of sugarcane are likely to be crushed. Sugar export prices should remain highly attractive sustained by

the steady increase in world demand (3.4 MMT per year). In addition, the commitment of the European Union to comply with the World Trade Organization (WTO) decision regarding its sugar regime should create at least an extra 5 MMT market, in coming years. The sugar consumption for MY 2006-07 is forecasted at 10.95 MMT, raw value, up 1.5 percent from 2005-06, reflecting Brazilian population growth and a continued expansion in food processing. Sugar exports for MY 2006-07 are estimated at 19.15 MMT, raw value, up 2.2 MMT from 2005-06.

TCP Tenders for Importing 50000 Tons Sugar

The Trading Corporation of Pakistan (TCP) has invited tenders for importing 50000 tons of white sugar. The tender would be opened on Saturday, 29th April at Karachi. Meanwhile, another import tender would be opened on Saturday, 22nd April at Karachi. Last week, the TCP awarded 75000 tons sugar import tender to Indian Sugar Exim Corporation and a Singapore based firm at \$491 per ton CNF. The TCP had so far contracted to buy 225000 tons of white sugar in this year with most of the imported sugar coming from India at price ranging \$473-491 per ton, CNF Karachi.

Sugar at Spot Market:

Domestic:

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

Particulars	22-Apr	15-Apr	Change
M 30	2030-2110	1985-2065	+45
S 30	2015-2095	1970-2050	+45
Mill Delivery	1925-2000	1865-1955	+45

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

Particulars	22-Apr	15-Apr	Change
Shyamli	2018	2038	-20
Khatauli	2035	2045	-10
Morna	No Sale	No Sale	-
Deoband	2020	2035	-15
Nanoata	1980	1995	+40
Dhampur	2000	2000	-

Jaggery at Spot Market

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

Particulars	22-Apr	15-Apr	Change
Raskat	440-455	425-440	-
Chaku	540-595	525-600	+50
Shakkar	550-585	530-565	-15
Khurpa	530-540	500-515	+15
Laddu	555-560	545-555	+25

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

Particulars	22-Apr	15-Apr	Change
Dahiya	1250-1300	N/A	-
Balti Special	1290-1300	N/A	-
Number One	1275-1285	N/A	-
Bariya Dara	1250-1260	N/A	-
Dara	1225-1240	N/A	-

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

Particulars	21-Apr	20-Apr	19-Apr	18-Apr	17-Apr
LDP Raw FOB \$/MT	377	384.5	389.6	381	Closed
LDP Raw CIF \$/MT	419	426.3	431.6	423	Closed
LDP Raw CIF GBP/MT	235.1	239	241.7	238.8	Closed
LDP White FOB \$/MT	473	482	487	475	Closed
London Freight \$/MT	42	42	42	42	Closed
London Freight GBP/MT	24	24	24	24	Closed

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

Note: Exchange remained close on Saturday and Sunday.

Weather Forecast: (As on 22nd April 2006)**ALL INDIA WEATHER FORECAST BULLETIN****Weather Outlook**

Day temperatures are above 40°C and also above normal by 1-2 °C over Rajasthan, west Madhya Pradesh Vidarbha and parts of Madhya Maharashtra. These warmer temperature regions are likely to extend and prevail over northwest & central India during 3-4 days.

Most parts of the country are likely to continue experiencing mainly dry weather conditions except south peninsula, northeastern states where isolated to scattered rain/thundershowers may continue to occur during next 3-4 days. Rain/thundershowers with isolated squall are likely at a few places over Punjab and Himachal Pradesh and isolated over Jammu & Kashmir and Uttaranchal during

next 48 hrs. The prediction continues to suggest for formation of a low-pressure area in the southeast Bay of Bengal in next 48 Hrs.

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

Isolated rainfall/thundershower is expected over Jammu & Kashmir, Himachal Pradesh, Punjab and Uttaranchal during next 48 Hrs.

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

Isolated to scattered rains are expected over Assam and Sub-Himalayan West Bengal. Isolated rain/thundershowers are likely over rest areas of the region except East UP, Bihar and Jharkhand where mainly dry weather may prevail. Slight increase in rainfall activity is likely over NE States during next 3 days.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

Mainly dry weather is likely over the region.

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

The region is likely to experience isolated rainfall activity during next 4-5 days.

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

Mainly dry weather conditions are likely to prevail.

Source: NCMRWF

FOREX (As on 22nd April 2006):

Foreign Currency	Rs. per unit
1 US \$	45.07
1 Euro	55.61
1 British £	80.33
100 Jap. Yen	38.65

Port Watch (As on 22nd April 2006):

'Amanath Shah' has berthed at Chennai Port and continues to load 15,000 MT of sugar. Imperial agents is handling the vessel. Loading of 15,000 MT of sugar is continuing at Mumbai Port on the vessel 'Bolan'. The vessel is being handled by Interocean agents. Mumbai Port is loading 14,000 MT of sugar on the vessel 'Arihant'. Shaan Marine agents is handling the vessel. The port is expecting 'Pacific Sun' and 'Amar' to load 19,800 MT and 13,200 MT of sugar respectively. JM Baxi and Interocean agents will be handling these vessels.

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