

SUGAR, JAGGERY & CANE

22nd-29th May 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Witnessed Bearish Sentiment
- NCDEX Sugar: Extended Previous Weakness Further
- NCDEX Gur: Down; Tested Fresh Contract Month Lows

Technical Analysis

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

The candlesticks formation is indicating a highly bearish pattern and weak opening. The %K-line along with the %D-line started moving upwards in the oversold region, hinting further downtrend with possibility of an upward technical correction. The MACD along with its EMA moving sharply downwards in the negative region, supporting the weakness. The moving averages are also indicating further downtrend. The volume of trade as well as open interest has declined as against the previous week.



Outlook:

The sugar futures are likely to witness some downward movement in the coming couple of days. However, the futures may move upwards in 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
June	1930	1900	1980	2000

Technical Analysis

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

The candlesticks formation is indicating a trend reversal pattern and steady to weak opening. The %K-line after cutting the %D-line from above moving downward in the normal region, hinting further downward movement. The MACD along with its EMA moving downwards in the negative territory, indicating short-term weakness. The moving averages are hinting further downward movement. The open interest as well as the volume of trade has declined during this week.



Outlook:

The gur futures are expected to witness an upward trade in the coming couple of days. However, the futures are likely to move moderately 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
June	555.00	550.00	574.50	581.80

Market Commentary

Domestic:

Domestic Sugar Prices Witnessed Bearish Sentiment

Domestic sugar prices witnessed a bearish sentiment in the week starting 22nd May 2006. Both the 'M' grade as well as 'S' grade sugar was quoted lower as against the previous week.

The M grade sugar at the Delhi market was quoted lower at Rs 2000-2060 per quintal in this weekend as against the last week. At the Kolkata market it was offered in a lower range of Rs 2010-2020 per quintal, while at the Muzaffarnagar market it was traded in a lower range of 1990-2020 per quintal during this week.

The S grade sugar at the Delhi market was traded in a marginally lower range of Rs 1980-2045 per quintal at the weekend as against the last week. At the Chennai market it was available in a lower range of Rs 1895-1915 per quintal, while at the Kolkata market it was offered in a lower range of Rs 1990-2000 per quintal. At the Vashi market also it was quoted in a lower range of Rs 1900-1925 per quintal during this week.

Physical demand of sugar was reported to be lower with the weather being cool amidst rainfalls in various parts of Northern India. The demand from the bulk consumers was virtually nil at present. However, demand from the Eastern region was the only supportive feature that kept the prices ticking near the lower levels. Supplies were higher mainly due to the large free sale quota for the month of May. Traders are now eyeing the allocation of June free sale quota as in some state like Maharashtra significant quantity of the May quota is yet to be sold. Another feature that supported the market is the continuous performance of Indian firms in bagging sugar export tender to Pakistan this year. Pakistan is continuously importing refined sugar from international destinations and more than half of the quantity came from India. According to Pakistan Sugar Mills Association the sugar shortfall in the next sugar year

News Analysis:

USDA: Global Sugar Ending Stock to Decline in MY 2006-07

The United States Department of Agriculture in its latest World Sugar Situation report forecasted the world sugar production for marketing year (MY) 2006-07 at 149.2 million tons, raw value, up 4.6 million tons from the revised 2005-06 estimates. The global consumption is forecasted at 145.7 million tons, up 1.9 million tons from a year earlier. Global exports are forecasted at 47 million tons, down 1.8 million tons; and ending stocks are forecasted at 30.9 million tons, down 58,000 tons. The USDA reported that the global ending stocks have declined, year on year, for the fourth consecutive years. The increase in forecast in 2006-07 world production and trade are attributed mainly to higher production in Brazil at 30.3 million tons, up 3.2 million tons, India at 22.3 million tons, up 2 million tons, China at 11.1 million tons, up 1.5 million tons, and Thailand at 6.2 million tons, up 1.4 million tons. However, production in the EU is forecasted to decline by 5.4 million tons, from 21.8 million tons. The report mentioned that the decline in EU production is in response to the reforms coming into effect in June.

though expected to be lower than this year's 1.32 million tonnes, but would again leave the country searching for sugar in the global market. Much of the import is likely from India as in case of this year amidst a higher production outlook in India for the coming year. The USDA has recently reported that India might export 1.2 million tons in 2006-07, an increase of 9 lakh tons from 2005-06.

NCDEX Sugar: Extended Previous Weakness Further

At the futures market the sugar futures at the NCDEX remained bearish in this week starting 22nd May 2006. The futures tested fresh contract month lows on Monday amidst increased selling interest. The futures traded mostly range bound at the lower levels thereafter with some buying support at the lower price levels. The near-month June contract hovered in the range of 1958.00-1994.00, while the July contract fluctuated in the range of 2021.00-2055.00 during Monday's trade. The volume of trade as well as open interest has declined as against the previous week. The domestic sugar futures are likely to witness some downward movement in the coming couple of days. However, the futures may move upwards in the later half of the coming week.

NCDEX Gur: Down; Tested Fresh Contract Month Lows

At the futures market the gur futures at the NCDEX witnessed a downward trade during this week starting 22nd May 2006. The futures moved in a narrow range amidst thin volume of trade initially. However, increased selling interest has pressurised the futures thereafter and the futures slid to test fresh contract month lows. The near-month June contract traded in the range of 560.00-570.00, while the July contract fluctuated in the range of 562.00-570.20 during Monday's trade. The open interest as well as the volume of trade has declined during this week. The gur futures are expected to witness an upward trade in the coming couple of days. However, the futures are likely to move downwards during the later half of the coming week.

USDA: Global Sugar Export to Decline on EU Reforms

The United States Department of Agriculture in its latest World Sugar Situation report mentioned that the lower production estimates for EU in 2006-07 would reduce exports by 5.6 million tons to 1.6 million tons. The reduced EU exports are the principal reason for the forecast decline in world exports. The report stated that should the EU comply with its WTO commitments, it would no longer be a net exporter of sugar. Exports from Brazil are forecasted at 19.1 million tons, an increase of 2.2 million tons. Thailand is forecasted to export 3.9 million tons, an additional 1 million tons from the previous year. The report also mentioned that India might export 1.2 million tons, an increase of 900,000 tons from last year. Exports from Australia are forecast at 3.9 million tons down by 400,000 tons due to storm damage.

Global Sugar Prices Fall on Brazil Currency Concerns

The London white sugar prices are witnessing a downtrend for the last couple of months on concerns over exports by Brazil. The weakness in Brazilian currency, Real, has spurt up the speculation that the Brazilian exporters would ship

more to enjoy the premium as global sugar trade is denominated by dollar. Consequently the number of export shipments from Brazil is likely to increase in the coming days. The International Sugar Organization (ISO) has recently pegged global sugar deficit at 0.966 million tons for the marketing year ending September. The decline in global deficit is largely attributed to increase in sugar production in Brazil and India. The sugar production in Brazil is expected to increase to 30.3 million tons from 27.7 million tons. The London LIFFE August white sugar contract settled at \$465.50 per ton, down \$16 per ton from the previous settlement on Wednesday.

2 Lakh Tonnes of Damaged Sugar to be Released

The fate of around 2 lakh tonnes of damaged sugar with the 50 cooperative sugar factories in Maharashtra is likely to be decided soon. The Maharashtra sugar commissioner has received concerned release order for 18 cooperative sugar mills, with such stock amounting around 70000 tonnes. Notably, the stock is reported to be of around 5 years old. The PF commissioner's office had seized the entire stock, as the mills had not deposited their statutory dues in time. Owing to the poor financial performance, these mills have been closed by this time. These sugar mills bears the interest burden for the carried over stock. However, after the recent release order, these sugar mills can sell the stock to pay off the burden.

Pakistan to Face Another Year of Sugar Shortage

According to the Pakistan Sugar Industry and Trade officials, the country's sugar production in the next sugar year is likely to fall short of demand by around 0.9 million tons. According to the Pakistan Sugar Mills Association, the sugar shortfall in the next sugar year though expected to be lower than this year's 1.32 million tonnes, but would again leave the country searching for sugar in the global market. Faced by the problem of domestic shortage and consequent surge in sugar prices, Pakistan removed a 4-year ban on import of sugar from India during August last year. Since then, about half of the imported sugar came from India into the country. The higher returns from sugar this year has encouraged the farmers to devote more area under cane and consequently the sugar output in the next season is estimated to increase. However, the growth in domestic demand is likely to offset the increment and force the country to continue importing refined sugar from international destinations. Much of the import is likely from India as in case of this year amidst a higher production outlook in India for the coming year. The Indian sugar production is expected to grow by around 16 percent in the coming year to above 22 million tons, from an expected 19.1 million tons in 2005-06.

Sugar at Spot Market:

Domestic:

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

Particulars	29-May	20-May	Change
M 30	2000-2060	2010-2075	-15
S 30	1980-2045	1990-2060	-15
Mill Delivery	1870-1915	1890-1940	-25

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

Particulars	29-May	20-May	Change
Shyamli	NS	NS	-
Khatauli	2005	2000	+5
Morna	1955	1965	-10
Deoband	1980	1985	-5
Nanoata	1950	1955	-5
Dhampur	1975	1980	-5

Jaggery at Spot Market

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

Particulars	29-May	20-May	Change
Raskat	425-450	425-455	-5
Chaku	500-610	460-615	-5
Shakkar	540-590	540-580	+10
Khurpa	500-530	480-505	+25
Laddu	525-540	525-533	+7

International:

London Daily Price (LDP)

Particulars	26-May	25-May	24-May	23-May	22-May
LDP Raw FOB \$/MT	351.4	354.1	359.8	359.1	356.5
LDP Raw CIF \$/MT	393.4	396.1	401.8	401.1	398.5
LDP Raw CIF GBP/MT	210	211.6	213.3	212.9	212.5
LDP White FOB \$/MT	460.5	469	478.5	483	485
London Freight \$/MT	42	42	42	42	42
London Freight GBP/MT	22.5	22.5	22.5	22.5	22.5

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

Note: Exchange remained close on Saturday and Sunday.

Port Watch (As on 29th May 2006):

'Beirut' has berthed at Chennai Port and continues to load 18,000 MT of sugar. Albert agents is handling the vessel. The port is loading 14,000 MT of sugar on the vessel 'Taurus'. The vessel is being handled by Intercean agents. Loading of 'Worada Naree' is expected at the port to load 23,108 MT of sugar. Imperial agents will be handling the vessel.

Tuticorin Port is loading 12,000 MT of sugar on the vessel 'Am Nok Gang'. St.John agents is handling the vessel.

'Santha Barbara' has berthed at Tuticorin Port and is continuing to load 20,000 MT of sugar. St.John agents is handling the vessel.

Loading of 10,688 MT of sugar is continuing at Mumbai Port on the vessel 'Rainbow Spring'. JM Baxi agents is handling the vessel. Mumbai Port is loading 15,000 MT of sugar on the vessel 'Bolan'. The vessel is being handled by Interocean agents. Loading of 13,500 MT of sugar continues at the port on the vessel 'Jaipur'. Shaan Marine agents is handling the vessel. The port is expecting 'Lady Kyriaki' and 'Chitral' to load 6,100 MT and 15,000 MT of sugar respectively. Loading of 13,300 MT of sugar is expected at Mumbai Port on the vessel 'Win Moony'. Interocean agents will be handling these vessels.

Loading of 10,688 MT of sugar is expected at Mundra Port on the vessel 'Khaipur'. Interocean agents will be handling the vessel.

Weather Impact: (As on 29th May 2006)

Rainfalls in parts of sugarcane growing regions would be beneficial for the sugarcane crop. Conditions became favourable for further advance of southwest monsoon over north Konkan including Mumbai around 1st June.

FOREX (As on 29^h May 2006):

Foreign Currency	Rs. per unit
1 US \$	45.97
1 Euro	58.58
1 British £	85.51
100 Jap. Yen	40.93

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