

SUGAR, JAGGERY & CANE

26th June-1st July, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar: Range bound with Bearish Undertone
- NCDEX Sugar: Towards Consolidation
- NCDEX Gur: Weak Trading Activities

Technical Analysis

Commodity: Sugar Grade M

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: JULY 2006

The week starting from 26th June witnessed a mixed sentiments and the market is moving towards consolidation. Candlestick formation shows mixed sentiments in the July futures contract. Upward movement of stochastic continued and the gap between DAV and MACD further widened reflecting that though market is bearish but proceeding towards consolidation. %K line is above the % D line in the neutral zone. Volume remained highly fluctuating while open interest remained largely stable during the week.



Outlook:

The July futures market is expected to move in a range bound fashion with no sharp movement in either direction.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
June	1871	1865	1910	1925

Technical Analysis

Commodity: Gur (Jaggery)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: JULY 2006

The Gur futures witnessed weak sentiments at the NCDEX. Range bound trading with bearish undertone was observed during the week under review. The %K-line is above the % D line in the neutral region indicating a slightly bullish sentiments in medium term. The DAV has made a bearish cross over to MACD. Volume significantly while open interest marginally declined during the week.



Outlook:

Range bound trading activities might be seen with weak sentiments in the coming week.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
June	535	530	547	553

Market Commentary

Domestic:

Domestic Sugar: Mixed Sentiments Witnessed

The domestic sugar markets witnessed mixed sentiments during the week starting 26th June 2006. During first few days of the week, the demand in the Delhi, Muzaffarnagar and Kolkata markets remained weak due to end week of the sale of June free sale quota. The supply was more than enough to meet the prevailing demand. The market remained in the state of 'wait and watch' for the July free sale quota release announcement by the Government. There were worries among the traders and bulk buyers that it may release more quantity of free sale quota to keep the prices under control, which in turn may result in further downward movement of the wholesale price. This uncertainty forced the spot market to witness a lacklustre trade during the week under review. On June 28, 2006, the Centre released 40-lakh tonnes of sugar as free sale quota for the July-September quarter, which appears to be a rational one to make a decent demand-supply equilibrium in the domestic market. However, at the same time the Government will have to remain vigil to curb any price distortion intensification by the speculators and hoarders. The market welcomed the move and revived as good trading activities were observed on Thursday. The price increased significantly in almost all the domestic markets after the quota uncertainty vanished. The spot market is likely to gain further momentum as the coming months are festive months and the sugar demand will increase in August and September. The latest released sugarcane acreage estimates indicate the planting under 44.55 lakh ha (1.75 lakh ha higher than last year) till now. The weather appears to be normal as far as sugarcane is concerned and will not have any negative effect on the output. The sugar-crushing season is likely to start from October, and the millers have to offload their existing stock before this time period besides making necessary cash arrangement for making dues to sugarcane farmers in crushing season. Sugar companies want to keep farmers in sound financial health as they are expanding capacity and require adequate supplies of cane. Many sugar factories have been giving fertilizers and other inputs as gifts to the cane growers to procure higher supplies. Government has allowed duty free import till September if prices do not control. The cluster of all these factors will restrict the sharp upward movement of sugar prices and the spot sugar prices will hover in a narrow range in the coming period. International sugar

prices are still higher than domestic markets and the sugar industry is hopeful to witness a good export opportunity in near futures.

NCDEX Sugar: 'July-September' Quota Release Give Respite

Sugar futures on the NCDEX remained bearish due to lacklustre trade during the week under review, however, it reacted sharply on 29 June 2006 after the announcement of the release of quarterly quota order by the Government and volume increased significantly and sudden upward movement of price was observed due to enthusiastic buying activities. The NCDEX July Sugar contract hovered in the range of 1887-1908 while the August contract fluctuated in the range of 1900-1919 during Thursday. This positive sentiment will further sustain in near future is to be seen as the current circumstances do not allow the futures market to witness a sharp upward movement because the Government is not going to allow them to artificial hike in the prices. At the international front, the fungal disease cane smut could pose a significant threat to Australia's \$A2 billion sugar industry as it was found in the state of Queensland in Australia. It is to be learnt that nearly Australia's entire sugarcane crop is grown in Queensland and northern New South Wales. The London Daily prices of Raws FOB and Raw CIF have increased slightly and ranged between \$342 to \$350.1 for FOB and \$384.4-392.1 for CIF at LIFFE due to increased demand at the international level. Prices are expected to remain on higher side in the international markets due to weak supply and stable demand.

NCDEX Gur: Followed the Sugar Sentiments

The gur futures at the NCDEX witnessed a downward trade during the week starting 26th of June 2006. Little trading activities took place as the volumes declined significantly. The prices showed downward movement during the initial days but tried to consolidate afterwards. The July contract hovered in the range of 536-550 in this week. The coming week will also remain almost same as was observed in this week and narrow range bound trade may be witnessed.

News Analysis:

No TRQ for Sugar

Finance Ministry in a notification (No.63/2006-Customs) has made it clear that there is no TRQ regime for sugar at present. The notification, dated June 23, specifies "Nil" import duty for white sugar (tariff lines '1701 91 00' and '1701 99 90'), with the added proviso that this rate would not be applicable on or after October 1, 2006. In other words, from the next crushing season (October-September), the import duty would revert to 60 per cent. Earlier, following the meeting of Cabinet Committee on Prices (on 22nd June 2006), Finance Minister informed that the proposal to allow sugar imports under the TRQ principle had been approved. However, he did not mention the

specific quantity under TRQ, but informed a time limit upto 30th Sept 2006 for Nil duty. The CCP decision was seen not feasible by the sugar industry as global prices (London white sugar spot price) are ruling at around \$480-485 per ton, making the landed cost of imported sugar above Rs 24 per kg even with nil import duty. With the issue of the notification, the Government has temporarily shelved the TRQ principle of sugar import as of now.

40-Lakh Tonnes Free Sale Quota Released for Next Quarter

The India Government has released 40 lakh tons of sugar as free sale quota for the next quarter i.e. for July to

September quarter. The break up of this quantity includes 12-lakh tonnes for July, 13-lakh tonnes for August and 15-lakh tonnes for September. The total quantity i.e 40 lakh tons is more than last year's quota by about 5 lakh tons for the corresponding period. A One-lakh tonnes of free sale sugar is to be released as festival quota for September. The near month festive season will see the good sugar demand and the released quantity appears to be rational to keep prices at consumers' reach.

Sugar Supply will not Hamper in Pakistan Markets - PSMA

In a meeting with Dr Salman Shah, adviser to the Prime Minister on Finance, a delegation of the Pakistan Sugar Mills Association (PSMA) assured the government of restoring normal supply of sugar and finish its stocks by October 31. The delegation informed the government the latest situation on sugar stocks of 1.03 million tons held by sugar industry at mid-June 2006. These stocks are supposed to be enough for couple of months to meet the domestic demand. The members said the sugar imported by the Trading Corporation of Pakistan (TCP) may be retained as a buffer or strategic stocks to overcome unforeseen situation. PSMA members informed that the crop for season 05-06 depleted to 44.30 million tonnes for 05-06 season from 47.24 million tons of 04-05 and 53.81 million tonnes in 03-04. In line with it sugarcane crushing dropped to 30.17 million tons from 32.1 million tons and 45 million tons of the preceding two years. Sugar production from sugarcane slumped to 2.69 million tons from 2.92 million tons and four mills tons of the preceding two seasons. Going season 2005-06 was led by unprecedented high sugarcane price on average at about Rs 80/40 kgs, and in some cases still more. The PSMA delegation commended government timely procurement of sugar and its supply through network utility stores enabling easy access to communication. Sugar industry representatives also urged for a sound policy formulation, which would firmly and persistently augment sugar production and the country may not face such situation time and again.

Ethanol Prices Remained Attractive in Brazil

Brazil, the world's no. one producer and exporter of sugar, as well as world's leading cane ethanol producer and exporter is enjoying the attractive ethanol prices as the prices of the ethanol on the export market are high for the several weeks due to good demand and the domestic market is also somewhere between stable and growing. According to Dow Jones news sources Brazil's ethanol prices at the Sao Paulo mill gate jumped an average of 2.3% for hydrous ethanol this week, and 3.9% for anhydrous ethanol due in part to heightened prices on the export market. Anhydrous ethanol prices this week were quoted for an average of nearly 1.03 Brazilian reals (\$0.47) per liter, compared to BRL0.99 (\$0.44) the week before, without taxes. The prices are about 36% higher than the roughly BRL0.75 per liter registered at the same period a year ago. Hydrous ethanol prices this week were quoted for an average of nearly BRL0.88 per liter (\$0.40), compared to BRL0.86 (\$0.38) a week ago, or 35% higher than the BRL0.65 per liter registered in the same week in 2005.

Sugar at Spot Market:

Domestic:

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

Particulars	1-July	24-June	Change
M 30	1905-1920	1885-1925	-5.0
S 30	1890-1905	1870-1910	-5.0
Mill Delivery	1820-1835	1800-1840	-5.0

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

Particulars	1-July	24-June	Change
Khatauli	1890	1925	-35.0
Morna	1885	1892	-7.0
Deoband	1845	1915	-70.0
Nanoata	1890	1978	-88.0

Jaggery at Spot Market

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

Particulars	1-July	24 June	Change
Raskat	430-460	410-425	+35
Chaku	545-575	515-570	-5
Shakkar	650-660	580-665	-5
Khurpa	NA	NA	-
Laddu	NA	NA	-

International:

London Daily Price (LDP)

Particulars	30-June	29-June	28-June	27-June	26-June
LDP Raw FOB \$/MT	350.1	349.9	347.0	351.4	342.4
LDP Raw CIF \$/MT	392.1	391.9	389.0	393.4	384.4
LDP Raw CIF GBP/MT	213.8	216.2	213.6	215.8	211.1
LDP White FOB \$/MT	474.5	477.5	477.6	483.2	474.0
London Freight \$/MT	42	42	42	42	42
London Freight GBP/MT	23.0	23.0	23.0	23.0	23.0

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

Note: Exchange remained close on Saturday and Sunday.

Port Watch (As on 30th June 2006):

Loading of 12,500 MT of sugar is continuing at Tuticorin Port on the vessel 'Continent 4'. St. John agents is handling the vessel. Mumbai Port is loading 8,500 MT of sugar on the vessel 'Dai Hong Dan'. Parekh agents is handling the vessel. Kandla Port is expecting 'Adrekn' to load 14,000 MT of sugar to Karachi. Eastern agents will be handling the vessel. Loading of 26,260 MT of sugar is expected at the port on the vessel 'El Tango' to Karachi. Tristar agents will be handling the vessel. 'Young Xiang 9' is expected at the port to load 13,000 MT of sugar to Karachi. ACT agents will be handling the vessel. The port is expecting 'Zara III' to load 17,500 MT of sugar to Karachi. Eastern agents will be handling the vessel.

Weather Impact: (As on 30th June 2006)

The monsoon flow over Arabian sea and Bay of Bengal is likely to remain strong during the week leading to its further advance into north Gujarat, south Rajasthan, most parts of central India, Uttar Pradesh, Uttaranchal, Himachal Pradesh, Jammu & Kashmir and adjoining parts of Punjab & Haryana during first 2-3 days of the week. Monsoon may cover most parts of the country including Delhi during the later half of the week. Fairly widespread rains with isolated heavy to very heavy falls are likely over Gangetic West Bengal, Orissa, Jharkhand and north Coastal Andhra Pradesh during 1st half of the week. As the system is likely to move west-northwest-wards across central India during rest of the week,

the rainfall activity over central India, Maharashtra and Telangana is likely to be fairly widespread with isolated heavy to very heavy falls. The sugarcane crop which is in growth stage in the north-western Uttar Pradesh will get immense benefit of this monsoon rainfall as it will reduce the irrigation requirement which in turn will result in to cost reduction besides making a favourable environment for growth and development of the crop.

FOREX (As on 30th June 2006):

Foreign Currency	Rs. per unit
1 US \$	46.08
1 Euro	58.54
1 British £	84.45
100 Jap. Yen	44.16

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