

SUGAR

05th January 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Witnessed Firm Sentiment
- NCDEX Sugar: Tested Fresh Contract Highs in Late Action
- Ethanol-blended Petrol Sales Started in Tamil Nadu

Sugar Price to Move Up Further ↑

Fundamentals

Domestic Sugar Prices Witnessed Firm Sentiment

The domestic sugar prices maintained the previous strength. Both the 'M' grade as well as 'S' grade sugar was quoted mostly higher.

The domestic sugar prices are likely to extend the advances further. Moderate buying interest by the stockists in anticipation of a profitable return ahead has pushed up the sugar prices in the last few days. A lower sugar sales quota for the January-March 2006 quarter coupled with a strong global sugar market has lifted up the domestic market sentiments despite a bumper production outlook in 2005-06. The international sugar prices are on a continuous uptrend and likely to move up further in the months ahead. The export of sugar is seen more profitable in the coming months. Under such circumstances, the prices of sugar at the physical as well as futures market are expected to continue the rally.



Future Market Happenings:

NCDEX Sugar: Tested Fresh Contract Highs in Late Action

At the futures market the sugar futures at the NCDEX witnessed some upward movement following a weak opening initially. Profit booking was seen at the higher levels. Consequently the futures turned southwards thereafter and the January future tested day's low at 1863.00. Increased buying interest at such lower price levels pushed up the futures further and the sugar futures set new contract highs in late action. The January future crossed 1900 level and set fresh contract high at 1902 before it finally settled below 1900. The January future hovered in a higher range of 1863.00-1902.00, while the February future fluctuated in the range of 1903.00-1942.00. The volume of trade as well as open interest is seen supporting the market strength.

Trade Recommendations

Buy NCDEX-January Sugar M near 1875-1880 with **target** of 1905, then 1915. **Stop loss** at 1863.

NCDEX Sugar M Grade: January Contract

Support-1	1872
Support-2	1860
Previous Close	1892
Resistance-1	1910
Resistance-2	1920

International Markets

NYBOT Sugar: Settled Down as Producers, Funds Sold

The world raw sugar futures at the New York Board of Trade (NYBOT) settled lower on Tuesday on producers and fund selling. The world raw sugar futures tested 11-year highs last week. The benchmark March future tested 14.89 cents per pound during last Friday's trade. However, the March future finished 50 points lower at 14.18 cents per pound, while the May future settled down 52 points at 14.23 cents per pound on Tuesday. The market opened weak after the long holiday weekend and March future went down to 14 cents per pound at a hurry. However, March future is still technically poised to touch 15 cents per pound level at a near future.

News Analysis

Ethanol-blended Petrol Sales Started in Tamil Nadu

The oil majors of India have started selling of ethanol-blended petrol in Tamil Nadu. The oil major viz. Indian Oil Corporation (IOC), Hindustan Petroleum and Bharat Petroleum have started the much awaited ethanol-blending programme with five per cent ethanol in petrol and is selling in southern districts of Tamil Nadu. The oil companies have earlier tied up with five private sector sugar mills for supply of anhydrous ethanol for the ethanol-blending programme. The oil companies and the sugar mills are looking forward to extend the initiative to entire state of Tamil Nadu, which would require around 5 crore litres of ethanol per annum.

Chinese Auction Likely to Check Surging Sugar Prices

According to the Chinese State Development and Reform Commission and the Ministry of Commerce, the surge in domestic sugar prices is a matter of short-term as 2 lakh tonnes of sugar is likely to be auctioned early in January. According to the Ministry of Commerce, the sugar prices in China have jumped up by around 60 percent or 1000 Yuan (around US\$ 124) during last November as against November 2004. The Ministry of Commerce look forward to the coming auction as it would smoothen sugar supply in domestic markets and curb speculative activities.

London Daily Spot Prices

Particulars	03-Jan	30-Dec
LDP Raw FOB \$/MT	310.40	312.80
LDP Raw CIF \$/MT	355.40	357.80
LDP Raw CIF GBP/MT	205.50	207.70
LDP White FOB \$/MT	341.50	342.50
London Freight \$/MT	45	45
London Freight GBP/MT	26	26

Vietnam Sugar Prices Doubled on Year

According to the Vietnamese ministry of Trade, the price of refined sugar has almost doubled over the last year, an increase of VND 12000-13000 (US\$ 0.75-0.80) per kg. The increase in sugar prices has been attributed to the shortfall in sugar production as well as increase in cost of raw materials. Moreover, the crop damage was also reported after the recent storm. The Ministry of Agriculture and Rural Development has reported that the price of raw materials for sugar production was VND30000-50000 per tonnes higher than that of in November. The Ministry of Trade has estimated the 2005-06 refined sugar production at around 1 million tonnes, a shortage of around 0.2 million tonnes. The sugar price in Vietnam is likely to witness further uptrend with a higher world sugar prices and heavy import taxes on imported goods.

Domestic Prices: Delhi

(Rs/qty)

Quality	04.01.06	03.01.06	Change
Ready Sugar (M)	1870-1910	1860-1900	+10
Ready Sugar (S)	1855-1895	1845-1885	+10
Mill Delivery	1775-1810	1770-1800	+10
Khandsari	1675-1700	1675-1700	-
Gur	1325-1525	1350-1550	-25
Sulphur	1775-1800	1775-1800	-

Market Wise Spot Prices:

(Rs/qty)

Grade	Market	04.01.06	03.01.06
M 30	Muzaffarnagar	1883-1885	1869-1877
	Delhi	1875-1876	1858-1867
	Kolkata	1919-1921	1897-1898
S 30	Chennai	1771-1773	1766-1767
	Kolkata	1876-1880	1865-1868
	Vashi	1851-1853	1840-1842

Weather Forecast

NORTH Region:

Isolated light rainfall/snowfall is likely over higher reaches of Jammu & Kashmir, Himachal Pradesh and Uttaranchal. Weather will be mainly dry over the rest region.

EAST Region:

Weather will be mainly dry over the region.

SOUTH Region:

Rain/thundershowers are likely at a few places over Andaman & Nicobar islands and Coastal Tamil Nadu & Pondicherry and isolated over rest Tamil Nadu, Kerala and Lakshadweep. Weather will be Mainly dry in the rest region.

WEST Region:

Weather will be mainly dry over the region.

Port Watch

'Gao Hua' has berthed at Chennai Port and continues to load 5,000 MT of sugar. Interocean agents is handling the vessel.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.85
1 Euro	54.09
1 British £	78.46
100 Jap. Yen	38.76

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