

SUGAR

07th January 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Moving Northwards
- NCDEX Sugar: Settled Up, Tested Fresh Contract Highs
- New Sugar Industry Promotion Policy for Bihar

Sugar Futures -Rally to Continue...

Fundamentals

Domestic Sugar Prices Moving Northwards

The domestic sugar market witnessed a highly bullish sentiment. The 'M' grade as well as 'S' grade sugar was quoted mostly higher.

The domestic sugar market is likely to extend the advances further in the coming days. According to the traders the prices may move up further during the mid-January on account of festivals and marriage demand. Though there was no significant buying activity at the physical markets but the stockists are in operation for a profitable returns ahead. Despite a bumper domestic production outlook, the domestic market has turned in favour of the bulls following a lower sugar sales quota coupled with rising global sugar prices. The NYBOT benchmark March world raw sugar future tested 11-year high after Brazil cut back its production estimates. Thailand is importing sugar to check surging domestic prices, while Pakistan, China selling reserve stock with a similar view. The domestic sugar companies are finalising deals to export sugar to Pakistan, Bangladesh with a good return.



Future Market Happenings:

NCDEX Sugar: Settled Up, Tested Fresh Contract Highs

At the futures market the sugar futures at the NCDEX witnessed a highly bullish sentiment following a firm opening. The sugar futures rallied to fresh contract highs for all the contracts. The January future settled higher above the 1900 level, while the March future crossed the crucial 2000 level. The January future hovered in a higher range of 1910.00-1935.00, while the February future fluctuated in the range of 1947.00-1972.00. The open interest as well as volume of trade remained at the higher side, supporting the strength in the market.

Trade Recommendations

Buy NCDEX-January Sugar M near 1930 with **target** of 1945-1950. **Stop loss** below 1920.

NCDEX Sugar M Grade: January Contract

Support-1	1919
Support-2	1910
Previous Close	1927
Resistance-1	1945
Resistance-2	1958

International Markets

NYBOT Sugar Settled Mixed after Testing 11-Year Highs

The New York Board of Trade (NYBOT) world raw sugar futures finished marginally lower in the near month future and higher in later month futures on Thursday. The world raw sugar future opened gapped up and touched a fresh contract high as well as 11-year highs on a hurry. The benchmark March future finished 2 points lower at 14.85 cents per pound, while the May future settled 1 point up at 14.91 cents per pound. The futures tested the highs within the first half an hour of trade, but eventually the gap was filled on profit booking and trade selling. The March future went downwards 17 points, but got supported as trade and speculators bought in final action and the March future recovered again to settle with marginal loss.

London Daily Spot Prices

Particulars	06-Jan	05-Jan
LDP Raw FOB \$/MT	315.30	315.70
LDP Raw CIF \$/MT	360.30	360.70
LDP Raw CIF GBP/MT	205.50	206.10
LDP White FOB \$/MT	346.90	347.20
London Freight \$/MT	45	45
London Freight GBP/MT	26	26

News Analysis

New Sugar Industry Promotion Policy for Bihar

The Bihar Government has announced a new sugar industry promotion policy with a package of lucrative incentives like tax concessions and benefits to the investors to attract investment in sick sugar industry in the state. The incentives would be given to the entrepreneurs for setting up new sugar mills, co-generation power plants and distillery units as well as helping revival of the non-operational sugar units. The new sugar policy would provide tax exemption on purchase of sugarcane for five years from the date of new ventures starting commercial production. The state government would also provide 10 percent subsidy or Rs 2 crore, whichever is less, on the total investment for purchase of equipments, total reimbursement of excise duty on production of sugar for five years, besides tax exemption on stamp duty and registration on purchase of land for setting up the plant. The incentives would also cover the existing 9 sugar mills of the state, if they expand their functional units.

Trading Corporation of Pakistan Offload Sugar Stock to Check Rising Prices

The trading Corporation of Pakistan (TCP) has sold around 31000 metric tons (MT) of imported sugar to domestic traders at a price of Rs 26000 per MT. According to the TCP, it has received 221 applications for the said quantity against the tender of 50000 MT issued on December last and the bidding was held at its head office. The TCP would continue to offload imported sugar in the domestic market as a measure to check the rising prices of the essential commodity and to ensure adequate supply at the domestic markets. The TCP has imported around 2.5 lakh MT sugar as per the directive of the Economic Coordination Committee (ECC) of the cabinet. The TCP has also reported that the remaining 19000 MT of imported sugar would be sold soon.

Domestic Prices: Delhi

(Rs/qtl)

Quality	06.01.06	05.01.06	Change
Ready Sugar (M)	1880-1940	1870-1915	+25
Ready Sugar (S)	1860-1925	1855-1900	+25
Mill Delivery	1780-1830	1775-1810	+20
Khandsari	1680-1710	1675-1700	+10
Gur	1350-1550	1325-1525	+25
Sulphur	1780-1805	1775-1800	+5

Market Wise Spot Prices:

(Rs/qtl)

Grade	Market	06.01.06	05.01.06
M 30	Muzaffarnagar	1930-1935	1911-1914
	Delhi	1910-1915	1881-1890
	Kolkata	1935-1945	1930-1932
S 30	Chennai	1775-1780	1775-1778
	Kolkata	1890-1895	1887-1889
	Vashi	1855-1860	1857-1860

Weather Forecast

NORTH Region:

Weather will be mainly dry over the region.

EAST Region:

Weather will be mainly dry over the region.

SOUTH Region:

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

WEST Region:

Weather will be mainly dry over the region.

Port Watch

Mumbai Port is expecting 'Nama' to load 10,200 MT of sugar. POL agents will be handling the vessel.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.66
1 Euro	53.98
1 British £	78.33
100 Jap. Yen	38.47

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