

SUGAR

20th January 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Witnessed Stable Sentiment
- NCDEX Sugar: Marginally Higher Amidst Side-ways Trade
- NYBOT Sugar Settled Up on Wednesday as Trade Continued Buying

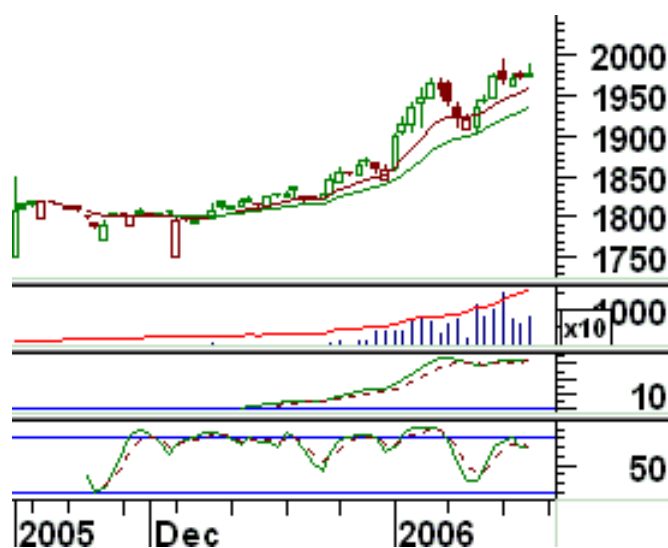
Sugar Futures - Go Long at Dips

Fundamentals

Domestic Sugar Prices Witnessed Stable Sentiment

The domestic sugar market witnessed range bound trade with a stable sentiment during Thursday's trade. The 'M' grade as well as 'S' grade sugar was quoted on an average steady as against Wednesday.

The domestic sugar market remained steady at the higher levels for the last couple of days. Millers are cautious to keep the prices under control in order to avoid Government's intervention and consequently the sugar prices have halted at the higher levels for the time being. However, the coming marriage season demand can once again push up the sugar prices at the physical markets. At the international markets sugar prices continue to rally upwards and likely to cross \$400 per MT in the coming months. The NYBOT world raw sugar future settled up at contract and 11-year high, while the LIFFE white sugar future reached 9-1/2 year high on Wednesday. The world raw sugar futures are expected to cross 16 cents per pound in the near-term. The FAO has projected that the global sugar prices to remain above the 2001-04 average price level with global consumption surpassing the production. Amidst such situations, the domestic sugar market is likely to remain firm in the days ahead.



NCDEX -Sugar Futures	Last Traded	Wednesday Close	Change
January	1941	1936	+5
February	1978	1971	+7

Future Market Happenings:

NCDEX Sugar: Marginally Higher Amidst Side-ways Trade

At the futures market the sugar futures at the NCDEX witnessed an upward trade following a firm opening at the early hours of trade. However, the futures traded mostly range bound thereafter and settled with some gains in final action. The January future hovered in the range of 1938.00-1957.00, while the February future fluctuated in the range of 1972.00-1989.00 during Thursday's trade. The open interest as well as volume of trade has increased in later month futures during Thursday's trade. The sugar prices at the spot as well as futures market are expected to trade moderately upwards following a steady to firm opening with possibility of some initial weakness.

Trade Recommendations

Buy NCDEX-February Sugar M near 1970 with **target** of 1990. **Stop loss** at 1960.

Do not carry-forward the position until the next day.

NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	1963
Support-2	1948
Previous Close	1978
Resistance-1	1994
Resistance-2	2009

International Markets

NYBOT Sugar Settled Up on Wednesday as Trade Continued Buying

The world raw sugar futures at the New York Board of Trade (NYBOT) settled higher after testing contract and 11-year highs on increased trade buying. The NYBOT March future finished 13 points higher at 15.70 cents per pound, while the May future settled 5 points higher at 15.68 cents per pound on Wednesday. The futures opened gapped up once again, but immediately ran into producer selling and some profit booking. The March future turned southwards but stayed in the positive territory as trade bought. The March future retraced back in late action and tested the early high again. The market is seen technically and fundamentally strong with the traders anticipating the futures to cross 16.00 cents pound in the near-term.

London Daily Spot Prices

Particulars	19-Jan	18-Jan
LDP Raw FOB \$/MT	339.50	340
LDP Raw CIF \$/MT	384.50	385
LDP Raw CIF GBP/MT	219	217.80
LDP White FOB \$/MT	371.50	374.40
London Freight \$/MT	45	45
London Freight GBP/MT	25.50	25.50

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

Note: Exchange remains closed on Saturday and Sunday.

News Analysis

Bangladesh Sugar Industry Asks for Import Tariff Cut

Bangladesh is witnessing spiralling sugar prices this season as a result of supply squeeze. The import of sugar has become uneconomical with the global sugar prices at historical highs. Moreover, high import tariff and strict enforcement of pre-shipment inspection has depressed the local sugar importers. The retail sugar price at the local markets has jumped up over Taka 50 per kg (Above Rs 33 per kg). The sugar import in Bangladesh has to go through 74 per cent duty and various taxes and fees. According to the Bangladesh Wholesale Sugar Merchant Association, the government should cut down sugar import tariff to at least about 23 per cent in order to curb the rising sugar prices. During July-December 2005, Bangladesh has imported around 2.3 lakh tonnes sugar, sharply down from around 5.5 lakh tonnes during the same period previous year. The annual sugar demand of the country is around 12 lakh tonnes, while the production fluctuates around 1.5-2 lakh tonnes. (100 Bangladesh Taka = 66.86 Indian Rupees).

Indonesian Firm to Import Thai Sugar

The Indonesian firm PT Perusahaan Perdagangan Indonesia (PPI) is likely to import sugar from Thailand in order to meet domestic supply shortage. Indonesia is witnessing a sugar supply shortfall in various regions especially in Sumatra. The first consignment of imported sugar is expected to reach Indonesia by next week. It has been reported that an Indian firm also offered sugar, but the PPI preferred to import sugar of Thailand origin.

International Sugar Futures Prices

International Futures	Last Settlement (18.01.06)	Change
NYBOT-March (c/lb)	15.70	+0.13
LIFFE-March (\$/MT)	379.10	+1.00

Domestic Prices: Delhi

(Rs/qty)

Quality	19.01.06	18.01.06	Change
Ready Sugar (M)	1900-1960	1890-1960	-
Ready Sugar (S)	1880-1940	1880-1940	-
Mill Delivery	1780-1840	1780-1840	-
Khandsari	1690-1725	1700-1730	-5
Gur	1450-1550	1450-1550	-
Sulphur	1770-1810	1780-1820	-10

Market Wise Spot Prices:

(Rs/qty)

Grade	Market	19.01.06	18.01.06
M 30	Muzaffarnagar	1970-1975	1970-1975
	Delhi	1965-1970	1965-1970
	Kolkata	1990-1995	1965-1970
S 30	Chennai	1840-1845	1825-1830
	Kolkata	1945-1950	1930-1935
	Vashi	1900-1905	1890-1895

Weather Forecast

NORTH Region:

Isolated rain /Snow is likely over Jammu & Kashmir, Himachal Pradesh and Uttaranchal. Weather will be mainly dry over the rest region.

EAST Region:

Isolated rain/thundershowers likely over northeast Assam and Arunachal Pradesh Weather will be mainly dry over the rest region.

SOUTH Region:

Isolated rain/thundershowers are likely over Nicobar Islands. Weather will be mainly dry in the rest region.

WEST Region:

Weather will be mainly dry over the region.

Port Watch

`Amanath Shah' has berthed at Tuticorin Port and continues to load 4,400 MT of sugar. S Albert agents is handling the vessel.

Mumbai Port is loading 10,200 MT of sugar on the vessel `Nama'. POL agents is handling the vessel.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.36
1 Euro	53.70
1 British £	78.17
100 Jap. Yen	38.52

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