

SUGAR

13th January 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Witnessed Bearish Sentiment
- NCDEX Sugar: Surged Up on Late Speculative-led Buying
- IOC and NSCF Signed MoU for Ethanol Supply

Sugar Futures - Surged Up- Go Long

Fundamentals

Domestic Sugar Prices Witnessed Bearish Sentiment

The domestic sugar market witnessed on an average a weak sentiment on Thursday. The 'M' grade as well as 'S' grade sugar was quoted mostly lower as against Wednesday.

The domestic sugar market witnessed bearish sentiment following Government's release of 50000 tons additional free sale sugar quota for Uttar Pradesh based sugar mills. The step is taken in order to check surging sugar prices throughout the North Indian markets. However, the traders are anticipating that additional sugar quota would result for a short-term bearishness only. The sugar mills are already paying higher prices for sugarcane, but the availability is still limited. The last couple of days registered downtrend as the mills compelled to sell at a lower price. However, some stable movement was seen at the evening session of trade on Thursday. The international market is also firming up with the NYBOT and LIFFE sugar futures finished with gains on Wednesday. The domestic sugar prices would witness some uptrend in the coming days on increased demand during the coming festivals and marriage season.



NCDEX -Sugar Futures	Last Traded	Tuesday Close	Change
January	1905	1889	+16
February	1937	1921	+16

Future Market Happenings:

NCDEX Sugar: Surged Up on Late Speculative-led Buying

At the futures market the sugar futures at the NCDEX witnessed some downward movement following a weak opening at the early hours of trade. The sugar futures traded mostly range bound, but surged up in late speculative-led buying. The January future hovered in the range of 1876.00-1916.00, while the February future fluctuated in the range of 1900.00-1944.00. The open interest as well as the volume of trade has increased as against Wednesday. The sugar prices at the spot as well as futures market are expected to trade moderately upwards following a firm opening with possibility of some downwards movement later in the session.

Trade Recommendations

Buy NCDEX-January Sugar M near 1900 with target of 1920. **Stop loss** at 1892.

NCDEX Sugar M Grade: January Contract

Support-1	1895
Support-2	1885
Previous Close	1905
Resistance-1	1916
Resistance-2	1926

International Markets

NYBOT Sugar Finished Higher on Trade Buying on Wednesday

The New York Board of Trade (NYBOT) world raw sugar futures settled higher on Wednesday on trade buying. However, the futures curbed the early surge in late action on producer selling and some profit taking. The NYBOT March future finished up 5 points at 14.71 cents per pound, while the May future settled 5 points higher at 14.79 cents per pound on Wednesday. The market opened gapped up and March touched 14.91 cents per pound, where it ran into producer selling and some profit taking. The market went downwards and filled the gap. However, the market stayed at a positive territory on trade buying at the lower levels.

London Daily Spot Prices

Particulars	12-Jan	11-Jan
LDP Raw FOB \$/MT	312.40	311.70
LDP Raw CIF \$/MT	357.40	356.70
LDP Raw CIF GBP/MT	202.00	203.60
LDP White FOB \$/MT	354.80	352.10
London Freight \$/MT	45	45
London Freight GBP/MT	25.50	26

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

Note: Exchange remains closed on Saturday and Sunday.

News Analysis

USDA Projected Lower U.S. Sugar Supply in 2005-06

According to the United States Department of Agriculture (USDA), the United States (U.S.) sugar supply in 2005-06 is projected at 11710 thousand short tons, raw value, a decline of around 75000 shorts tons from the last December projections. The sugarcane production in Florida and Hawaii is likely to be lower and would offset the increase in Louisiana. The import of sugar is estimated to be steady at 2770 thousand short tons. The total use of sugar remained unchanged at 10390 thousand short tons. However, the ending stocks are estimated to be lower at 1320 thousand short tons, a decline of 75000 tons. The stock to use ratio is projected at 12.7 percent, lower than the December projection of 13.4 percent.

IOC and NSCF Signed MoU for Ethanol Supply

The Indian Oil Corporation (IOC) and the National Sugar Cooperative Federation (NSCF) has come into a memorandum of understanding (MoU) for supply of ethanol. Several sugar mills have already supplying ethanol to the IOC as per previous deals. The present MoU between IOC and NSCF would further boost the ethanol-blended petrol supply throughout the country.

International Sugar Futures Prices

International Futures	Last Settlement (11.01.06)	Change
NYBOT-March (c/lb)	14.71	+0.05
LIFFE-March (\$/MT)	358.30	+2.10

Domestic Prices: Delhi

(Rs/qrtl)

Quality	12.01.06	11.01.06	Change
Ready Sugar (M)	1880-1945	1890-1960	-15
Ready Sugar (S)	1860-1930	1870-1945	-15
Mill Delivery	1770-1830	1780-1840	-10
Khandsari	1690-1725	1690-1725	-
Gur	1424-1550	1400-1550	-
Sulphur	1780-1810	1780-1810	-

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	12.01.06	11.01.06
M 30	Muzaffarnagar	1915-1920	1920-1925
	Delhi	1910-1915	1910-1915
	Kolkata	1915-1925	1950-1955
S 30	Chennai	1790-1795	1790-1795
	Kolkata	1890-1900	1910-1915
	Vashi	1875-1880	1870-1875

Weather Forecast

NORTH Region:

Isolated to scattered rain /snow is likely over Jammu & Kashmir and Himachal Pradesh from 14th. 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 southern parts of Tamil Nadu and Kerala. Isolated rain/thundershowers likely over rest Tamil Nadu & Pondicherry, Kerala, Andaman & Nicobar Islands and Lakshadweep. Weather will be mainly dry in the rest region.

WEST Region:

Weather will be mainly dry over the region.

Port Watch

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

`Amanath Shah' is expected at Tuticorin Port to load 4,400 MT of sugar. S Albert agents will be handling the vessel.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.15
1 Euro	53.63
1 British £	77.98
100 Jap. Yen	38.75

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