

SUGAR

14th January 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Higher on Friday
- NCDEX Sugar: Settled Higher on Moderate Buying Support
- U.P Sugar Mill Suspend Operation as Farmers Asked Higher Price

Sugar Spot Prices Firming Up

Fundamentals

Domestic Sugar Prices Remained Higher on Friday

The domestic sugar market witnessed a strong sentiment on Friday. The 'M' grade as well as 'S' grade sugar was quoted higher as against Thursday.

The domestic sugar market remained strong after witnessing a bearish sentiment for the last couple of days. The market sentiment turned in favour of the bears after the Government's release of 50000 tons additional free sale sugar quota for Uttar Pradesh based sugar mills. The step was taken in order to check surging sugar prices throughout the North Indian markets. However, increased demand from the stockists pushed up the prices again in the physical markets. Moreover, the millers were quoting higher prices after quoting at lower levels for the last 1-2 days. Traders are anticipating the prices to move up further as demand is likely to catch up in the festival and marriage season ahead. At the international market, the world raw sugar future settled higher, while the white sugar futures witnessed some decline during Thursday's trade. The domestic sugar price is likely to remain firm in the days ahead.



NCDEX -Sugar Futures	Last Traded	Thursday Close	Change
January	1913	1905	+8
February	1941	1936	+5

Future Market Happenings:

NCDEX Sugar: Settled Higher on Moderate Buying Support

At the futures market the sugar futures at the NCDEX witnessed an upward trade following a firm opening. The futures tested day's high at morning session of trade with some buying support. However, the futures remained range bound thereafter and finished at the lower side. The January future hovered in the range of 1905.00-1927.00, while the February future fluctuated in the range of 1937.00-1951.00. The open interest as well as volume of trade remained lower than Thursday. It is expected that the sugar futures would trade moderately downwards initially following a steady opening with possibility of late upward movement.

Trade Recommendations

Sell NCDEX-January Sugar M near 1915 with target of 1900. Stop loss at 1922.

NCDEX Sugar M Grade: January Contract

Support-1	1898
Support-2	1889
Previous Close	1913
Resistance-1	1920
Resistance-2	1929

International Markets

NYBOT Sugar Marginally Up as Trade Buying Lends Support

The New York Board of Trade (NYBOT) world raw sugar futures settled marginally higher on Thursday as the trade houses continued buying. The NYBOT March future finished up 1 point at 14.72 cents per pound, while the May future settled 2 points higher at 14.81 cents per pound on Thursday. The futures opened with a positive note with trade buying, but fund and speculator selling capped further advances and the futures entered into negative territory. The futures found some buying support at the lower levels and retraced back again in final action. The market activity remained thinner than a couple of weeks back.

London Daily Spot Prices

Particulars	13-Jan	12-Jan
LDP Raw FOB \$/MT	314.20	312.40
LDP Raw CIF \$/MT	359.20	357.40
LDP Raw CIF GBP/MT	203.40	202.00
LDP White FOB \$/MT	356.50	354.80
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

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.

U.P Sugar Mill Suspend Operation as Farmers Asked Higher Price

The Ramala sugar mill, based in Uttar Pradesh has shut down, as farmers are demanding higher sugarcane prices. The sugar mills of Uttar Pradesh are already paying higher than State Advised Price (SAP) for sugarcane in order to ensure adequate supply. However, the farmers are asking to raise the sugarcane price to Rs 150 per quintal. Since, farmers are not ready to supply sugarcane at lower prices, the mill has been forced to suspend its operation for the time being.

International Sugar Futures Prices

International Futures	Last Settlement (12.01.06)	Change
NYBOT-March (c/lb)	14.72	+0.01
LIFFE-March (\$/MT)	357.90	-0.40

Domestic Prices: Delhi

(Rs/qtl)

Quality	13.01.06	12.01.06	Change
Ready Sugar (M)	1890-1960	1880-1945	+15
Ready Sugar (S)	1870-1940	1860-1930	+10
Mill Delivery	1780-1840	1770-1830	+10
Khandsari	1690-1725	1690-1725	-
Gur	1450-1550	1425-1550	-
Sulphur	1780-1810	1780-1810	-

Market Wise Spot Prices:

(Rs/qtl)

Grade	Market	13.01.06	12.01.06
M 30	Muzaffarnagar	1940-1945	1915-1920
	Delhi	1925-1930	1910-1915
	Kolkata	1925-1930	1915-1925
S 30	Chennai	1790-1795	1790-1795
	Kolkata	1895-1900	1890-1900
	Vashi	1875-1880	1875-1880

Weather Forecast

NORTH Region:

Isolated to scattered rain /snow is likely to commence over Jammu & Kashmir and Himachal Pradesh from tomorrow which may subsequently increase and extend into Uttaranchal. Isolated to scattered rain/thundershowers likely over Punjab and Haryana from 15th. Weather will be mainly dry over the rest region.

EAST Region:

Weather will be mainly dry over the region.

SOUTH Region:

Isolated rain/thundershowers likely over south Tamil Nadu, Kerala and Lakshadweep. Weather will be mainly dry in the rest region.

WEST Region:

Isolated rain/thundershowers likely over north Rajasthan from 15th. 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 \$	44.26
1 Euro	53.35
1 British £	77.95
100 Jap. Yen	38.63

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