

SUGAR

18th January 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Witnessed Bearish Sentiment
- NCDEX Sugar: Settled Marginally Higher on Tuesday
- FAO Projected Global Sugar Prices to Remain Firm

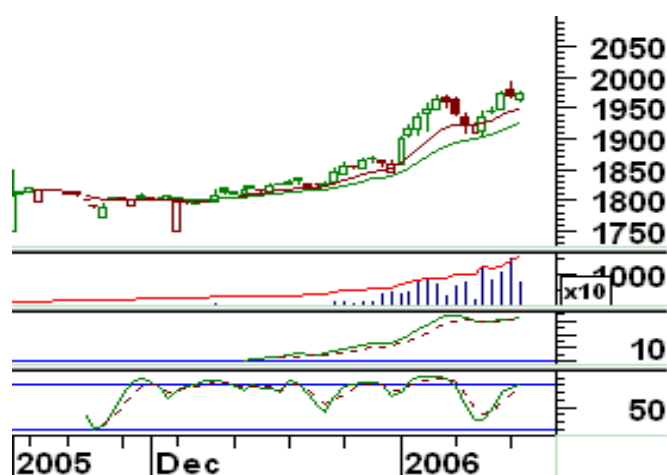
Sugar Futures - Go Long at Corrective Dips

Fundamentals

Domestic Sugar Prices Witnessed Bearish Sentiment

The domestic sugar market witnessed a bearish sentiment during Tuesday's trade. The 'M' grade as well as 'S' grade sugar was quoted lower as against Monday.

The domestic sugar market failed to extend previous advances further. Increased selling by the retailers has pressurised the sugar prices at the physical markets. Moreover, the millers have also quoted lower as the activity remained restricted at the higher price levels. The traders are eyeing on the festivals and marriage season ahead and expect the prices to move up further. The North Indian markets have witnessed increased demand from other states and consequently the prices have jumped up in the Northern markets during the last few days. At the international markets sugar prices are in a continuous uptrend and according to the FAO, the prices are likely to remain above the 2001-04 average price level. Amidst such circumstances, the sugar price at the domestic markets is expected to remain firm in the days ahead.



NCDEX -Sugar Futures	Last Traded	Monday Close	Change
January	1939	1940	-1
February	1973	1968	+5

Future Market Happenings:

NCDEX Sugar: Settled Marginally Higher on Tuesday

At the futures market the sugar futures at the NCDEX witnessed a range bound trade with a bearish undertone following a weak opening at the early hours of trade. However, supported by moderate buying interest, the futures finished with some gains. The January future hovered in the range of 1908.00-1950.00, while the February future fluctuated in the range of 1958.00-1976.00 during Tuesday's trade. The open interest has increased, while the volume of trade has declined during Tuesday'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 initially with possibility of some downward movement later.

Trade Recommendations

Buy NCDEX-February Sugar M near 1965 with **target** of 1985. **Stop loss** at 1955.

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

NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	1949
Support-2	1928
Previous Close	1973
Resistance-1	1991
Resistance-2	2011

International Markets

NYBOT Sugar:

The New York Board of Trade (NYBOT) remained closed on Monday.

International Sugar Futures Prices

International Futures	Last Settlement (13.01.06)	Change
NYBOT-March (c/lb)	15.27	+0.55
LIFFE-March (\$/MT)	374.00	+16.10

London Daily Spot Prices

Particulars	17-Jan	16-Jan
LDP Raw FOB \$/MT	333.30	331.60
LDP Raw CIF \$/MT	378.30	376.60
LDP Raw CIF GBP/MT	214.70	212.70
LDP White FOB \$/MT	372	372.80
London Freight \$/MT	45	45
London Freight GBP/MT	26	25.50

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

Note: Exchange remains closed on Saturday and Sunday.

News Analysis

FAO Projected Global Sugar Prices to Remain above 2001-2004 Average

The global sugar prices are on a continuous uptrend and according to the Food and Agriculture Organisation (FAO), the sugar prices would further increase as world sugar consumption overshadows the global production. The global sugar prices have increased by around 35 percent during the last year and the trend is likely to continue in the present season as well. The FAO has forecasted the world sugar production during the 2005-06 (October-September) season at 147.8 million tonnes raw sugar equivalent, an increase of around 3.7 per cent from the last season. The world sugar consumption during the current season is projected at 148 million tonnes. The increase in production is as a result of record harvest of Brazil and a bumper production in India. According to the FAO forecast, the world sugar prices would remain above the 2001-2004 average level with an estimated supply shortfall in 2005-06 season and diminishing stock in China, India, and the Russian Federation.

FAO Projected Indian Sugar Output in 2005-06 at 18.5 MT

According to the Food and Agriculture Organisation (FAO), India has reduced its sugar stock as a result of a lower harvest during 2004-05 season at 13.9 million tonnes (MT) as compared to 14.6 MT during 2003-04 season. However, the production is likely to recover during the current season and FAO projected the sugar production at 18.5 MT in 2005-06. The increase in sugar production is attributed to higher acreage under sugarcane crop following improved price realization. The sugarcane producing regions like Karnataka, Gujarat and Uttar Pradesh have received a good monsoon last year. The sugar production in Uttar Pradesh is forecasted at 6.5 MT, while in Maharashtra the production is likely to recover at 4 MT during 2005-06 season. The FAO has projected that despite an increase in domestic production, India would import sugar to meet domestic consumption and inventory demand in 2005-06.

Source: FAO

Domestic Prices: Delhi

(Rs/qrtl)

Quality	17.01.06	16.11.06	Change
Ready Sugar (M)	1890-1960	1900-1970	-10
Ready Sugar (S)	1880-1940	1880-1950	-10
Mill Delivery	1780-1840	1790-1850	-10
Khandsari	1700-1730	1700-1730	-
Gur	1450-1550	1450-1550	-
Sulphur	1780-1820	1780-1820	-

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	17.01.06	16.01.06
M 30	Muzaffarnagar	1970-1975	1975-1980
	Delhi	1960-1965	1975-1980
	Kolkata	1965-1970	1970-1975
S 30	Chennai	1810-1815	1790-1795
	Kolkata	1925-1930	1920-1925
	Vashi	1885-1890	1885-1890

Weather Forecast

NORTH Region:

Rain /Snow is likely at most places over Jammu & Kashmir and Himachal Pradesh and at many places over Uttaranchal during next 24 hours and at a few places thereafter. Rain/thundershowers also likely at many places over Punjab and at a few places over Haryana (including Chandigarh) and isolated over Delhi and West Uttar Pradesh during next 24-48 hours. Weather will be mainly dry over the rest region.

EAST Region:

Weather will be mainly dry over the region.

SOUTH Region:

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

WEST Region:

Rain/thundershowers likely at a few places over north Rajasthan during next 24 hours. Weather will be mainly dry over the rest 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 \$	44.31
1 Euro	53.73
1 British £	78.30
100 Jap. Yen	38.53

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