

SUGAR

09th January 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Higher
- NCDEX Sugar: Settled Lower on Profit Taking
- Maharashtra Likely to Witness Record Sugar Recovery

Sugar Futures - Go Long at Corrective Dips

Fundamentals

Domestic Sugar Prices Remained Higher

The domestic sugar market witnessed a firm sentiment. The 'M' grade as well as 'S' grade sugar was quoted on an average steady to higher.

The domestic market is likely to continue the uptrend in the coming days. Traders are eyeing the coming festivals and marriage season demand during the mid-January and expecting the prices to move up further during the period. The sugar mills are quoting higher prices and reported to have trading at the futures market. The demand and supply situation remained tightly balanced and the demand from the stockists are picking up. At the international market the NYBOT benchmark March world raw sugar future settled higher on Friday with October future testing fresh high.

NCDEX -Sugar Futures	Last Traded	Friday Close	Change
January	1921	1928	-7
February	1955	1964	-9



Future Market Happenings:

NCDEX Sugar: Settled Lower on Profit Taking

At the futures market the sugar futures at the NCDEX witnessed slight upward movement following a firm opening at the early hours of trade. However, the futures turned southwards on profit taking at the higher levels and finished with losses. The January future hovered in the range of 1916.00-1933.00, while the February future fluctuated in the range of 1947.00-1970.00. The sugar futures remained mostly within Friday's range. The open interest as well as volume of trade remained lower as against the last couple of days.

Trade Recommendations

Buy NCDEX-January Sugar M near 1910 with **target** of 1930. **Stop loss** below 1900.

NCDEX Sugar M Grade: January Contract

Support-1	1904
Support-2	1895
Previous Close	1921
Resistance-1	1935
Resistance-2	1945

International Markets

NYBOT Sugar Settled Up; Oct Tested Fresh High

The world raw sugar futures at the New York Board of Trade (NYBOT) settled higher on Friday with the October future testing fresh contract high. However, the near month futures remained within Thursday's range. The NYBOT March future finished 3 points higher at 14.88 cents per pound, while the May future settled 6 points higher at 14.97 cents per pound. The October future touched a new high at 14.54 cents per pound at the open. The trade, locals as well as speculators bought at the early hours of trade, but eventually buying dried up and profit taking was seen. The benchmark March future went down during the mid-session, but held above the Thursday's low and traded in the range of 14.82-15.10 cents per pound.

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

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

Note: Exchange remains closed on Saturday and Sunday.

News Analysis

Maharashtra Likely to Witness Record Sugar Recovery

The sugarcane crushing in the state of Maharashtra is likely to be around 41 million tonnes during the current sugar season 2005-06 (October-September). Around 138 sugar mills are in operation and have crushed around 20 million tonnes of sugarcane to produce around 2.15 million tonnes of sugar so far. According to the Chairman of the Maharashtra State Co-operative Sugar Factories Federation Ltd, this year 37 more sugar mills have crushed an additional 8.2 million tonnes of sugarcane. The increase in sugarcane as well as sugar production is attributed to excellent and widespread rains and increased interest of the farmers towards sugarcane. The recovery rate during the current season is projected to be a record high at 11.75 percent as against the present average recovery rate of 10.76 percent. Higher recovery is reported from the districts of Kolhapur, Sangli and Satara. It has been reported that due to increase in recovery rate the sugar production of the state may increase to 4.8-5 million tonnes during this season.

CONAB Pegged Brazil's 2005-06 Sugarcane at 436.8 MT

The National Commodities Supply Corporation of Brazil (CONAB) has pegged the 2005-06 (May-April) sugarcane crop at 436.8 million tons (MT). CONAB has earlier forecasted the 2005-06 sugarcane crop at 440 MT in August 2005. The decline in sugarcane production is attributed to the dry weather in northeastern Brazil. The domestic sugar production is projected at 26.7 MT in 2005-06 as against 26.6 MT last season, while the ethanol production is pegged at 17 billion litres in 2005-06 compared to 16.8 billion litres in 2004-05. According to CONAB estimation, over 178 MT sugarcane would be devoted to produce ethanol during 2005-06.

International Sugar Futures Prices

International Futures	Last Settlement	Change
NYBOT-March (c/lb)	14.88	+0.03
LIFFE-March (\$/MT)	357.70	+3.20

Domestic Prices: Delhi

(Rs/qtl)

Quality	07.01.06	06.01.06	Change
Ready Sugar (M)	1880-1945	1880-1940	+5
Ready Sugar (S)	1860-1930	1860-1925	+5
Mill Delivery	1780-1830	1780-1830	-
Khandsari	1680-1710	1680-1710	-
Gur	1350-1550	1350-1550	-
Sulphur	1780-1805	1780-1805	-

Market Wise Spot Prices:

(Rs/qtl)

Grade	Market	07.01.06	06.01.06
M 30	Muzaffarnagar	1935-1940	1930-1935
	Delhi	1920-1925	1910-1915
	Kolkata	1960-1965	1935-1945
S 30	Chennai	1775-1780	1775-1780
	Kolkata	1910-1915	1890-1895
	Vashi	1860-1865	1855-1860

Weather Forecast

NORTH Region:

Isolated rain/snow likely over higher reaches of Jammu & Kashmir. 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 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	54.23
1 British £	79.08
100 Jap. Yen	39.02

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