

## SUGAR

19<sup>th</sup> January 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Steady with Bearish Undertone
- NCDEX Sugar: Slightly Down Amidst Range Bound Trade
- NYBOT Sugar Rallied to Contract, 11-Year Highs on Tuesday

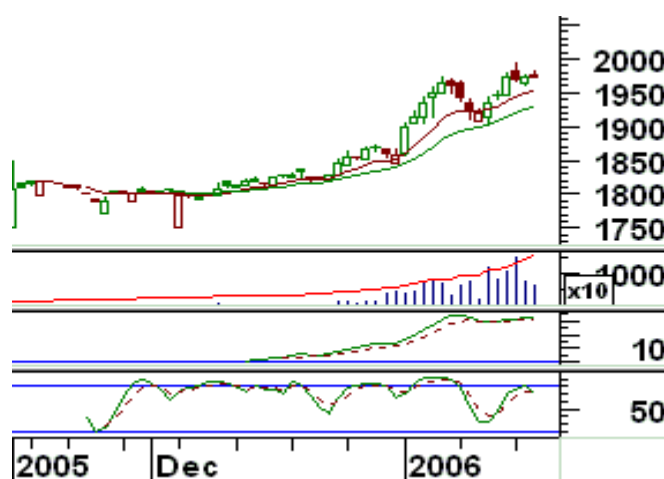
### Sugar Futures - Go Long at Dips

#### Fundamentals

##### Domestic Sugar Prices Steady with Bearish Undertone

The domestic sugar market remained on an average range bound with a mixed sentiment during Wednesday's trade. The 'M' grade as well as 'S' grade sugar was quoted mostly steady as against Tuesday.

The domestic sugar market remained mostly steady with a bearish undertone. The surge in sugar prices during the last few days is attributed to speculative buying at the futures market. Moderate selling by the retailers has kept the sugar prices within Tuesday's range. However, the market is eyeing on the coming marriage season demand and the sugar prices at the physical markets may go up further in the days ahead. At the international markets the sugar prices are in a continuous uptrend with the NYBOT world raw sugar futures settled at contract and 11-year highs, while the LIFFE white sugar future touched 9-1/2 year highs on Tuesday. Recently FAO has projected that the global sugar prices would remain above the 2001-04 average price level. With a firm global sugar market outlook, the domestic sugar market is expected to remain strong in the days ahead.



NCDEX -Sugar Futures	Last Traded	Tuesday Close	Change
January	1935	1941	-6
February	1970	1972	-2

#### Future Market Happenings:

##### NCDEX Sugar: Slightly Down Amidst Range Bound Trade

At the futures market the sugar futures at the NCDEX witnessed a range bound trade following a firm opening. The futures moved side-ways for the maximum time and settled with some losses in final action. The January future hovered in the range of 1928.00-1947.00, while the February future fluctuated in the range of 1969.00-1981.00 during Wednesday's trade. The open interest has increased, while the volume of trade has declined during Wednesday's trade. The sugar prices at the spot as well as futures market are expected to trade slightly downwards following a steady to weak opening initially and upward thereafter.

#### Trade Recommendations

**Buy** NCDEX-February Sugar M near 1965 with target of 1990. **Stop loss** at 1953.

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

#### NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	1957
Support-2	1946
Previous Close	1970
Resistance-1	1991
Resistance-2	2000

## International Markets

### NYBOT Sugar Rallied to Contract, 11-Year Highs

The New York Board of Trade (NYBOT) world raw sugar futures settled at a contract and 11-year high on Tuesday as trade and funds continued buying. However, the funds did some profit taking at the higher levels. The market opened gapped up following the strength in the London white sugar market, where the white sugar futures touched 9-1/2 year highs on Tuesday. The NYBOT March future finished 30 points higher at 15.57 cents per pound, while the May future settled 32 points higher at 15.63 cents per pound. The March future touched early high, while the later month futures tested fresh contract month highs on late buying support. The market is seen fundamentally and technically strong, and traders are eyeing 16.27 cents per pound as a medium-term target for the near month futures.

## 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).

## London Daily Spot Prices

Particulars	18-Jan	17-Jan
LDP Raw FOB \$/MT	340	333.30
LDP Raw CIF \$/MT	385	378.30
LDP Raw CIF GBP/MT	217.80	214.70
LDP White FOB \$/MT	374.40	372
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.

### 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 (17.01.06)	Change
NYBOT-March (c/lb)	15.57	+0.30
LIFFE-March (\$/MT)	378.10	+2.50

## Domestic Prices: Delhi

(Rs/qtl)

Quality	18.01.06	17.01.06	Change
Ready Sugar (M)	1890-1960	1890-1960	-
Ready Sugar (S)	1880-1940	1880-1940	-
Mill Delivery	1780-1840	1780-1840	-
Khandsari	1700-1730	1700-1730	-
Gur	1450-1550	1450-1550	-
Sulphur	1780-1820	1780-1820	-

## Market Wise Spot Prices:

(Rs/qtl)

Grade	Market	18.01.06	17.01.06
M 30	Muzaffarnagar	1970-1975	1970-1975
	Delhi	1965-1970	1960-1965
	Kolkata	1965-1970	1965-1970
S 30	Chennai	1825-1830	1810-1815
	Kolkata	1930-1935	1925-1930
	Vashi	1890-1895	1885-1890

### Weather Forecast

#### **NORTH Region:**

Rain /Snow is likely at many places over Jammu & Kashmir and Himachal Pradesh and at a few places in Uttaranchal, isolated rain/thundershowers also likely over Punjab, Haryana during next 24 hours. 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

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 \$	44.51
1 Euro	53.77
1 British £	78.40
100 Jap. Yen	38.48

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