

SUGAR

30th January 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Bearish
- NCDEX Sugar: Slightly Higher; Pared Early Slid
- Pakistan Allowed Regular Import of Sugar from India

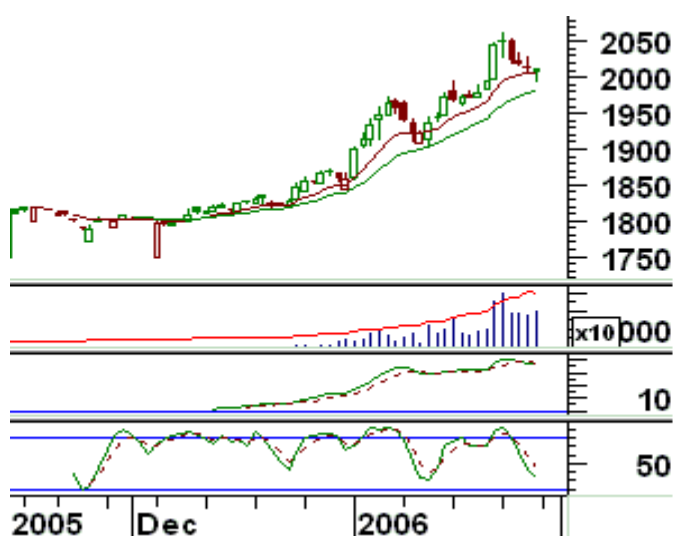
Sugar Futures - Slightly Up; Pak Allowed Regular Sugar Import from India

Fundamentals

Domestic Sugar Prices Witnessed Bearish Sentiment

The domestic sugar market witnessed on an average a weak sentiment at the weekend. The 'M' grade as well as 'S' grade sugar was quoted mostly lower as against Friday.

The domestic sugar market remained bearish following the February sugar sales quota release by the Government. The Government has released 12 lakh tonnes free sale sugar quota for the month of February 2006. In addition to this, 1 lakh tonnes of sugar would be released only for UP based sugar mills in February. The step is taken to cap surging sugar prices at the North Indian markets. For the last couple of days, the market turned southwards anticipating a higher quota release by the Government to tackle the rising sugar prices. The extra quota for the UP based mills is likely to create a bearish environment. However, in a supportive activity, the Government of Pakistan has decided to allow regular sugar import from India as a measure to check surging sugar prices at the Pakistani market. Under such situations, the sugar prices at the spot as well as futures market are likely to witness a firm sentiment in the short-term.



| NCDEX -Sugar Futures | Last Traded | Friday Close | Change |
|----------------------|-------------|--------------|--------|
| February | 2012 | 2011 | +1 |
| March | 2047 | 2044 | +3 |

Future Market Happenings:

NCDEX Sugar: Slightly Higher; Pared Early Slid

The domestic sugar prices witnessed a bearish sentiment during Saturday's trade. At the Delhi, Muzaffarnagar and Kolkata market it was quoted lower as against Friday. At the futures market the sugar futures at the NCDEX witnessed a downward trade following a weak opening at the early hours of trade. However, the futures settled near to the day's high on increased buying support at the lower price levels. The February future hovered in the range of 1992.00-2013.00 during Saturday'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 with possibility of some downward movement later.

Trade Recommendations

Buy NCDEX-February Sugar M near 2010 with **target** of 2030. **Stop loss** at 2000.

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

NCDEX Sugar M Grade: FEBRUARY Contract

| | |
|----------------|------|
| Support-1 | 1994 |
| Support-2 | 1979 |
| Previous Close | 2012 |
| Resistance-1 | 2025 |
| Resistance-2 | 2040 |

International Markets

NYBOT Sugar Rallied to Fresh Contract, 24-Year Highs

The New York Board of Trade (NYBOT) world raw sugar futures settled higher on Friday but trimmed an early surge to contract and 24-year highs on profit taking. The NYBOT March future finished 13 points higher at 18.61 cents per pound, while the May future settled 15 points higher at 18.49 cents per pound. The March future witnessed some downward movement at the opening session, but recovered as trade, locals and speculators bought at the dips. The March future surged up to touch its previous contract high at 18.75 cents per pound and tested 18.82 cents per pound. The later month futures also tested fresh contract month highs. Profit taking at the higher levels curbed some of the gains in final action. However, the futures remained strong both technically and fundamentally.

London Daily Spot Prices

| Particulars | 27-Jan | 26-Jan |
|-----------------------|--------|--------|
| LDP Raw FOB \$/MT | 403 | 395.70 |
| LDP Raw CIF \$/MT | 448 | 440.70 |
| LDP Raw CIF GBP/MT | 252 | 246.90 |
| LDP White FOB \$/MT | 430 | 420.50 |
| 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

Pakistan Allowed Regular Import of Sugar from India

The Government of Pakistan has decided to start regular import of sugar from neighbouring countries including India, impose 15 percent tax of export of gur and double the quantity of sugar supply to utility stores corporation. These steps were taken in order to cap the surging sugar prices at the domestic market. The sugar prices at the domestic markets have crossed Rs 35 per kg in recent time. These measures were taken in an inter-ministerial meeting, presided over by Adviser to Prime Minister on Finance. The meeting attributed the steep and sudden rise in sugar prices to shortage of sugar at the domestic market and hike in global sugar prices. The Trading Corporation of Pakistan (TCP) has been directed to explore import of enough quantity of sugar periodically throughout the year from neighbouring countries, including India, to replenish their stock.

Sugar Industry Alleged Oil Companies for not Lifting Ethanol

The domestic sugar industry has alleged that the oil companies would fall short of the target to lift 475 million litres of ethanol from the sugar mills in the current fiscal. According to the recent ethanol-blending programme of the Government, auto fuel oils needs to be blended with 5 percent ethanol in 9 states and 4 union territories. Earlier it was estimated that the sugar industry would supply 475 million litres of ethanol during 2005-06 to the oil companies. However, as per the allegation of the sugar industry, it has enough stock of ethanol and despite a low contracted price of Rs 18.75 per litre, the oil companies are delaying in lifting of ethanol.

International Sugar Futures Prices

| International Futures | Last Settlement (27.01.06) | Change |
|-----------------------|-------------------------------|--------|
| NYBOT-March (c/lb) | 18.61 | +0.13 |
| LIFFE-March (\$/MT) | 437.50 | +2.00 |

Domestic Prices: Delhi

(Rs/qttl)

| Quality | 28.01.06 | 27.01.06 | Change |
|-----------------|-----------|-----------|--------|
| Ready Sugar (M) | 1940-2000 | 1950-2010 | -10 |
| Ready Sugar (S) | 1920-1980 | 1930-1990 | -10 |
| Mill Delivery | 1840-1910 | 1860-1930 | -20 |
| Khandsari | 1750-1800 | 1725-1775 | +25 |
| Gur | 1400-1550 | 1450-1600 | -50 |
| Sulphur | 1825-1875 | 1800-1850 | +25 |

Market Wise Spot Prices:

(Rs/qttl)

| Grade | Market | 28.01.06 | 27.01.06 |
|-------|---------------|-----------|-----------|
| M 30 | Muzaffarnagar | 2000-2005 | 2010-2015 |
| | Delhi | 1990-1995 | 2005-2010 |
| | Kolkata | 2030-2035 | 2045-2050 |
| S 30 | Chennai | 1905-1910 | 1900-1905 |
| | Kolkata | 2010-2015 | 2015-2020 |
| | Vashi | 1900-1905 | 1915-1920 |

Weather Forecast

NORTH Region:

Rain/snow is likely at many places over Jammu & Kashmir and Himachal Pradesh; at a few places over Uttaranchal. Isolated rain/thundershowers also likely over Punjab and north Rajasthan. 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 coastal Tamil Nadu and Kerala. Weather will be mainly dry in the rest region.

WEST Region:

Weather will be mainly dry over the region.

Port Watch

No latest vessel position is reported.

FOREX

| Foreign Currency | Rs. per unit |
|------------------|--------------|
| 1 US \$ | 44.01 |
| 1 Euro | 53.37 |
| 1 British £ | 78.03 |
| 100 Jap. Yen | 37.52 |

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