

SUGAR

17th January 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Highly Bullish
- NCDEX Sugar: Profit Booking Curbed Initial Surge
- FAO Projected Global Sugar Prices to Remain Firm

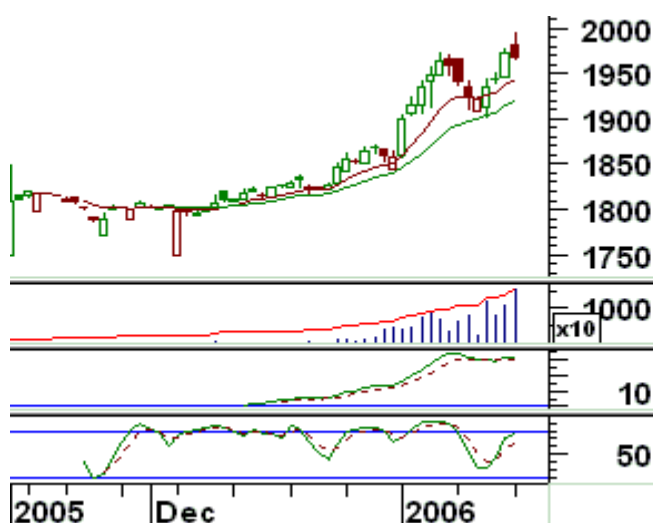
Sugar Futures - Go Long at Corrective Dips

Fundamentals

Domestic Sugar Prices Remained Highly Bullish

The domestic sugar market witnessed a firm sentiment during Monday's trade. The 'M' grade as well as 'S' grade sugar was quoted higher as against Saturday.

The domestic sugar market extended previous advances further with the beginning of this week. Increased demand from the stockists and higher quotes from the millers' side has pushed up the sugar prices at the physical markets. The physical activity was restricted at the higher price levels as the millers are cautious to keep the prices steady. The traders are eyeing on the festivals and marriage season ahead and expect the prices to move up further. The North Indian markets are witnessing increased demand from other states and consequently the prices have jumped up in the Northern markets. At the international markets sugar prices are in a continuous uptrend and according to the FAO, the prices are likely to remain above the 2001-06 average price level. Amidst such circumstances, the sugar price at the domestic markets is expected to remain strong in the days ahead.



NCDEX -Sugar Futures	Last Traded	Saturday Close	Change
January	1934	1941	-7
February	1965	1973	-8

Future Market Happenings:

NCDEX Sugar: Profit Booking Curbed Initial Surge

At the futures market the sugar futures at the NCDEX jumped up following a firm opening at the early hours of trade. However, profit booking at the higher levels capped further advances and the futures traded at the lower side thereafter. The January future hovered in the range of 1925.00-1999.00, while the February future fluctuated in the range of 1963.00-1994.00 during Monday's trade. The open interest as well as volume of trade has increased as against Saturday. The sugar prices at the spot as well as futures market are expected to trade upwards in the next day. However, the sugar futures may witness some initial weakness following a steady to weak opening.

Trade Recommendations

Buy NCDEX-February Sugar M near 1955 with **target** of 1975. **Stop loss** at 1945.

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

NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	1951
Support-2	1942
Previous Close	1965
Resistance-1	1978
Resistance-2	1987

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	16-Jan	13-Jan
LDP Raw FOB \$/MT	331.60	314.20
LDP Raw CIF \$/MT	376.60	359.20
LDP Raw CIF GBP/MT	212.70	203.40
LDP White FOB \$/MT	372.80	356.50
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

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	16.01.06	14.11.06	Change
Ready Sugar (M)		1900-1970	+10
Ready Sugar (S)		1880-1950	+10
Mill Delivery		1790-1850	+10
Khandsari		1700-1730	+5
Gur		1450-1550	-
Sulphur		1780-1820	+10

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	16.01.06	14.01.06
M 30	Muzaffarnagar	1975-1980	1950-1955
	Delhi	1975-1980	1930-1935
	Kolkata	1970-1975	1935-1940
S 30	Chennai	1790-1795	1790-1795
	Kolkata	1920-1925	1890-1895
	Vashi	1885-1890	1880-1885

Weather Forecast

NORTH Region:

Rain /Snow is likely at many places over Jammu & Kashmir, Himachal Pradesh and Uttaranchal. Rain/thundershowers also likely at many places over Punjab and at a few places over Haryana (including Delhi & Chandigarh) and isolated over west Uttar Pradesh. 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 Nicobar Islands. Weather will be mainly dry in the rest region.

WEST Region:

Rain/thundershowers likely at a few places over north Rajasthan. 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 \$	44.26
1 Euro	53.35
1 British £	77.95
100 Jap. Yen	38.63

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