

SUGAR

11th January 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Witnessed Firm Sentiment
- NCDEX Sugar: Settled Lower Amidst Side-ways Trade
- ISO Pegged a Higher Global Sugar Deficit in 2005-06

Sugar Futures - Technical Correction- Go Short

Fundamentals

Domestic Sugar Prices Witnessed Firm Sentiment

The domestic sugar market witnessed mostly stable sentiment. The 'M' grade as well as 'S' grade sugar was quoted on an average steady at the higher levels.

The domestic sugar market is expected to maintain the firm sentiment in the days ahead. The demand for sugar is likely to increase during the coming festivals and marriage season during mid-January. However, supply remained at the higher side, keeping the uptrend of the prices at a check. Sellers are away from market at the lower price levels. At the international market the NYBOT March world raw sugar future settled lower on Monday after it tested 11-year high last week.

NCDEX -Sugar Futures	Last Traded	Saturday Close	Change
January	1911	1924	-13
February	1936	1957	-21



Future Market Happenings:

NCDEX Sugar: Settled Lower Amidst Side-ways Trade

At the futures market the sugar futures at the NCDEX witnessed a bearish trade following a weak opening. The sugar futures traded mostly side-ways for maximum time period. However, the futures finished with losses on increased selling pressure. The January future hovered in a lower range of 1884.00-1913.00, while the February future fluctuated in a lower range of 1908.00-1941.00. The open interest as well as volume of trade increased marginally as against Monday.

Trade Recommendations

Sell NCDEX-January Sugar M near 1895 with **target** of 1880. **Stop loss** at 1902.

NCDEX Sugar M Grade: January Contract

Support-1	1875
Support-2	1868
Previous Close	1892
Resistance-1	1899
Resistance-2	1905

International Markets

NYBOT Sugar Settled Down on Late Fund Selling

The New York Board of Trade (NYBOT) world raw sugar futures finished lower on profit taking by the funds and speculators on Monday. Last week the world raw sugar futures surged up to 11-year highs. The NYBOT March future finished lower 28 points at 14.60 cents per pound, while the May future settled 31 points lower at 14.66 cents per pound on Monday. The futures opened at a lower gap, but retraced back on some buying support. The March future tested its old resistance at 14.89 cents per pound and went down from there as funds liquidated in final action. Despite the correction, the market seems fundamentally well balanced.

London Daily Spot Prices

Particulars	10-Jan	09-Jan
LDP Raw FOB \$/MT	307.50	313.70
LDP Raw CIF \$/MT	352.50	358.70
LDP Raw CIF GBP/MT	199.30	203.10
LDP White FOB \$/MT	346.10	351.50
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

ISO Pegged a Higher Global Sugar Deficit in 2005-06

According to the International Sugar Organization (ISO), the global sugar consumption would overshadow global sugar production by around 1.5-2.0 million tons (MT) in 2005-06. The widening of the demand-supply gap is attributed to a weaker crop in the center-south region of Brazil. Earlier, the ISO pegged the demand-supply gap at 1.0 MT in 2005-06. According to the ISO, the lower than expected sugar production of Brazil, would eventually lead to widen the gap, while the others being almost equal.

Maharashtra Looking Forward for Sugar Export

According to the Maharashtra State Cooperative Sugar Factories Federation, the state is in a position to export around 1.2 million tonnes of sugar during the next two seasons if the Central Government allows doing so. According to the federation, since the European Union (EU) would cut the global export quota and reduce subsidy on sugar by around 36 per cent over the next four years period, there is an opportunity for Maharashtra to export to meet the shortfall of 4 million tonnes. Earlier, Maharashtra contributed 1.1 million tonnes of sugar out of 1.9 million tonnes of sugar that India exported several years back.

International Sugar Futures Prices

International Futures	Last Settlement (09.01.06)	Change
NYBOT-March (c/lb)	14.60	-0.28
LIFFE-March (\$/MT)	351.00	-6.70

Domestic Prices: Delhi

(Rs/qtl)

Quality	10.01.06	09.01.06	Change
Ready Sugar (M)	1880-1950	1880-1945	+5
Ready Sugar (S)	1860-1935	1860-1930	+5
Mill Delivery	1780-1830	1780-1830	-
Khandsari	1680-1710	1680-1710	-
Gur	1375-1575	1350-1550	+25
Sulphur	1780-1805	1780-1805	-

Market Wise Spot Prices:

(Rs/qtl)

Grade	Market	10.01.06	09.01.06
M 30	Muzaffarnagar	1920-1925	1920-1925
	Delhi	1910-1915	1910-1915
	Kolkata	1955-1960	1955-1960
S 30	Chennai	1785-1790	1780-1785
	Kolkata	1915-1920	1910-1915
	Vashi	1875-1880	1870-1875

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:

Isolated Rain/thundershowers are likely over Andaman & Nicobar Islands, Tamil Nadu & Pondicherry, 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.

`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 \$	44.38
1 Euro	53.49
1 British £	78.35
100 Jap. Yen	38.74

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