

SUGAR

21st February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Extended Previous Weakness
- NCDEX Sugar: Remained Weak on Increased Selling Interest
- Largest Sugar Refinery in West Bengal by Shree Renuka Sugars

Sugar Futures - Likely to Retrace Back

Fundamentals

Domestic Sugar Prices Extended Previous Weakness

The domestic sugar market extended previous weakness further on Monday. Both the 'M' grade as well as 'S' grade sugar was quoted on an average lower as against last weekend.

The sugar price has eased from a much higher level on lack of buying support amidst good supply. The millers as well as resellers quoted lower as activity was limited at the higher levels. Moreover, the talks of further additional quota release by the Government have also dampened the market sentiments. The Union Government has recently released additional quota of 1.5 lakh MTs of freesale sugar for each of February 2006 and March 2006 last week to contain sugar prices. However, along with the export opportunities to Pakistan, traders are eyeing demand from the bulk consumers in the coming days as mercury has started rising up. Moreover, the international market perspective remained quite promising and global sugar prices are expected to reach further higher levels in the coming months. Amidst such situations, the sugar prices are likely to remain slightly bearish.

NCDEX Sugar M Grade: MARCH Contract



NCDEX -Sugar Futures	Last Traded	Saturday Close	Change
March	2006	2019	-13
April	2067	2081	-14

Future Market Happenings:

NCDEX Sugar: Remained Weak on Increased Selling Interest

At the futures market the sugar futures at the NCDEX witnessed a downward trade following a weak opening. The February contract registered highest loss ahead of its expiry today. The February contract finally settled at Rs 2010.15 per quintal, much higher than its last traded price of Rs 1920.00 per quintal. The February contract hovered in the range of 1910.00-1986.00, while the March contract fluctuated in the range of 2001.00-2017.00. The sugar futures are expected to move slightly downwards following a steady to weak opening at the early hours of trade with possibility of some upward movement later.

Trade Recommendations

Buy NCDEX-March Sugar M near 2000 with **target** of 2015, then 2025. **Stop loss** at 1992.

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

NCDEX Sugar M Grade: MARCH Contract

Support-1	1987
Support-2	1976
Previous Close	2006
Resistance-1	2015
Resistance-2	2027

International Markets

NYBOT Sugar

The New York Board of Trade (NYBOT) remained closed on Saturday and Sunday.

London Daily Spot Prices

Particulars	17-Feb	16-Feb
LDP Raw FOB \$/MT	387.10	389.60
LDP Raw CIF \$/MT	432.10	434.60
LDP Raw CIF GBP/MT	248.80	250.60
LDP White FOB \$/MT	438.60	445.50
London Freight \$/MT	45.00	45.00
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

TCP: No Subsidy on Imported Sugar by Pakistan Government

According to the Trading Corporation of Pakistan (TCP), it would sell imported sugar on no profit no loss basis and the Government would not offer any subsidy to consumers on imported sugar. The TCP has a stock of above 2 lakh tons and it would offload the same to the utility stores and the central supply depot. Recently, the sugar prices at the Pakistani market jumped up to a record Rs 42 per kg. However, the prices has softened thereafter after some imported sugar arrived at the market. However, further downfall below Rs 35 per kg is unlikely, as the imported Indian sugar would cost the same at the Pakistani market. Last week the TCP has issued a tender to import 50000 tons of white sugar and recently extended the deadline from 16 Feb to 25 Feb to facilitate bidders. The bids would be opened on 25 February and the shipment would be due within 15 days of the opening of the letters of credit.

Largest Sugar Refinery in West Bengal by Shree Renuka Sugars

The Shree Renuka Sugars Limited has kicked off the largest sugar refinery in West Bengal on Saturday. The refinery, the first of its kind in West Bengal, would be set up with an investment of Rs 250 crore. The unit would be in operation from March 2007 with a production capacity of 2000 tonnes per day. The company would import raw sugar for refining and would meet the requirements of the Eastern region. The refinery would also eye on the export markets of Bangladesh, Myanmar and Indonesia. The Shree Renuka Sugars Limited operates 4 sugar mills in the state of Maharashtra and Karnataka.

International Sugar Futures Prices

International Futures	Last Settlement (17.02.06)	Change
NYBOT-March (c/lb)	17.33	-0.13
LIFFE-March (\$/MT)	438.90	+2.50

Domestic Prices: Delhi

(Rs/qrtl)

Quality	20.02.06	18.02.06	Change
Ready Sugar (M)	2010-2040	2010-2050	-10
Ready Sugar (S)	1990-2020	1990-2030	-10
Mill Delivery	1870-1930	1880-1940	-10
Khandsari	1870-1970	1870-1970	-
Gur	1300-1500	1300-1500	-
Sulphur	1960-1990	1960-1990	-

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	20.02.06	18.02.06
M 30	Muzaffarnagar	2010-2015	2035-2040
	Delhi	2015-2020	2035-2040
	Kolkata	2025-2030	2050-2055
S 30	Chennai	1930-1935	1960-1965
	Kolkata	2000-2005	2030-2035
	Vashi	1915-1920	1935-1940

Weather Forecast

NORTH-WEST Region

Isolated rain/snow likely over higher reaches of Jammu & Kashmir. Mainly Dry weather over the rest region. Day temperatures are likely to remain 5-7°C above normal over the region.

EAST Region

Rain/thundershowers likely over Sub- Himalayan West Bengal & Sikkim. Weather will be mainly dry over the rest region. Night temperatures over the region are likely to remain 4-6°C above normal.

NORTH-EAST Region

Rain/thundershowers are likely at a few places over Assam & Meghalaya and isolated over the rest region.

SOUTH Region

Isolated rain/thundershowers likely over Nicobar Islands. Weather will be mainly dry over the rest region. Night temperatures over the Peninsula are likely to remain near normal, though the day temperatures could remain 2-3°C above normal.

WEST Region

Weather will be mainly dry over the region. Day and Night temperatures over Rajasthan and Gujarat are likely to remain above normal by 4-7°C above normal.

CENTRAL Region

Weather will be mainly dry over the region. Day and night temperatures over Madhya Pradesh and Chhattisgarh are likely to remain significantly above normal.

Overall, favourable weather conditions are prevailing over sugarcane areas of North and South India.

Port Watch

'Ocean Venture' has berthed at Tuticorin Port and is continuing to 6,360 MT of sugar. The vessel is being handled by St.John agents. Tuticorin Port is expecting 'Rainbow Spring' to load 20,200 MT of sugar. Parekh agents will be handling the vessel.

Loading of 7,500 MT of sugar is continuing at Mumbai Port on the vessel 'Long An'. Mitsutor agents is handling the vessel.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.43
1 Euro	53.17
1 British £	77.49
100 Jap. Yen	37.58

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