

SUGAR

09th February 2006

MAJOR ACTIVITY HIGHLIGHTS

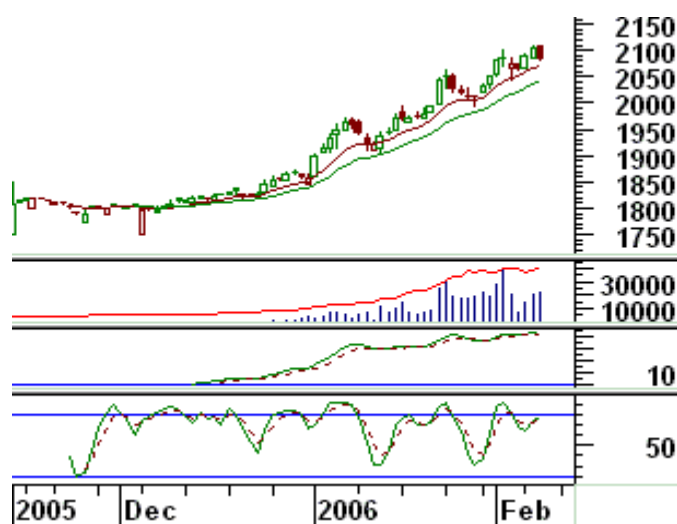
- Domestic Sugar Prices Surged Up on Increased Demand
- NCDEX Sugar: Feb Tested Fresh High but Slid on Profit Taking
- Government Planning to Release Extra Sugar to Control Prices

Sugar Futures - Correction

Fundamentals

Domestic Sugar Prices Surged Up on Increased Demand

The domestic sugar market witnessed a highly bullish sentiment during Wednesday's trade. Demand from the Eastern and Southern states remained much higher and consequently the prices of sugar zoomed up again. Moreover, increased demand from the stockists and higher quotes by the sugar mills have underpinned the uptrend in sugar prices at major physical markets all over India. The Union Government is planning to release extra sugar of around 3-4 lakh tonnes in the market to control the sugar prices. Noteworthy, the February sugar sales quota already released by the Government is at 12 lakh tonnes with an additional 1 lakh tonne quota exclusively for UP-based sugar mills. Along with the already released sugar sales quota, if the Government releases any further sugar in the market, the prices are bound to reverse back in this month. 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. Amidst such situations, the sugar prices are likely to remain stable in the days ahead.



NCDEX -Sugar Futures	Last Traded	Tuesday Close	Change
February	2082	2106	-24
March	2134	2157	-23

Future Market Happenings:

NCDEX Sugar: Feb Tested Fresh High but Slid on Profit Taking

At the futures market the sugar futures at the NCDEX ran into profit taking following a firm opening. The February future tested fresh contract high at the opening session, but went downward thereafter on increased selling pressure. The February future hovered in the range of 2078.00-2110.00, while the March future fluctuated in the range of 2130.00-2159.00 during Wednesday's trade. The open interest as well as volume of trade has increased as against Tuesday. The sugar prices at the futures market are expected to witness a moderately bearish sentiment in the short-term period.

Trade Recommendations

Sell NCDEX-February Sugar M near 2085 with **target** of 2060. **Stop loss** at 2097.

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

NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	2061
Support-2	2043
Previous Close	2082
Resistance-1	2094
Resistance-2	2110

International Markets

NYBOT Sugar Settled Down but Pared Early Slid on Tuesday

The world raw sugar futures at the New York Board of Trade (NYBOT) settled lower on Tuesday after curbing an early slid to below 18.00 cents per pound. The NYBOT March future finished 63 points lower at 18.17 cents per pound, while the May future settled 63 points down at 18.17 cents per pound on Tuesday. The March future opened lower and traded downward on heavy long liquidation by the funds. However, the March future pared almost half of its losses on trade buying and shorts covering in final action. The March-May rollover was brisk ahead of March future expiry in late February. The marker eased from fresh contract and 25-year highs on profit booking at the historical high levels.

London Daily Spot Prices

Particulars	08-Feb	07-Feb
LDP Raw FOB \$/MT	394.00	407.00
LDP Raw CIF \$/MT	439.00	452.00
LDP Raw CIF GBP/MT	251.90	258.40
LDP White FOB \$/MT	427.00	435.50
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

Maharashtra to Produce More Sugar this Season

The Pune zone of Maharashtra, consisting of Satara, Pune and Solapur districts, has crushed around 10 million tonnes of sugarcane so far in this season. The zone has 40 sugar mills with per day crushing capacity of around 1.1 lakh tonnes. The zone has registered highest sugarcane crushing and sugar production so far this year. The sugar prices are at a much higher level attributed to fall in production, increased demand and alternative uses of sugarcane. The recent drought in Amravati and Nagpur zone has resulted in a lower production of sugarcane and consequently the supply remained lower than the demand. Maharashtra has 139 sugar mills with a crushing capacity of around 3.6 lakh tonnes per day in total. It has been reported that these mills have crushed 28.8 million tonnes of sugarcane to produce 33.27 lakh tonnes sugar in this season. Around 101 sugar mills in Maharashtra had crushed 16.3 million tonnes of sugarcane to produce 18.25 lakh tonnes sugar in the last sugar season.

Govt Planning to Release Extra Sugar to Control Prices

According to the Union Agriculture Minister, the government is planning to release atleast 3-4 lakh tonnes of sugar in the market in order to control sugar prices. The sugar prices are at the higher side at present and the government is expected to restore the situation by releasing the extra sugar in the market. According to the minister, the sugar production was expected to be better in the current year than the previous 2-3 years. He expected that India could be among the top sugar producing countries in the world. Government would decide on how much sugar is to be imported and exported depending upon the situation. According to the minister, inconsistency in production is the main reason for our country not getting a good rate for sugar in the world market.

International Sugar Futures Prices

International Futures	Last Settlement (07.02.06)	Change
NYBOT-March (c/lb)	18.17	-0.63
LIFFE-March (\$/MT)	431.00	-10.00

Domestic Prices: Delhi

(Rs/qtl)

Quality	08.02.06	07.02.06	Change
Ready Sugar (M)	2060-2135	2050-2120	+15
Ready Sugar (S)	2045-2115	2035-2100	+15
Mill Delivery	1920-2030	1900-2010	+20
Khandsari	1875-1975	1875-1950	+25
Gur	1300-1500	1300-1500	-
Sulphur	1975-2025	1950-2000	+25

Market Wise Spot Prices:

(Rs/qtl)

Grade	Market	08.02.06	07.02.06
M 30	Muzaffarnagar	2100-2105	2105-2110
	Delhi	2105-2110	2070-2075
	Kolkata	2125-2130	2095-2100
S 30	Chennai	2040-2045	2045-2050
	Kolkata	2090-2095	2070-2075
	Vashi	2010-2015	2000-2005

Weather Forecast

NORTH-WEST Region

Isolated rain/snow likely over higher reaches of Jammu & Kashmir and Himachal Pradesh. Weather will be mainly dry over the rest region.

EAST Region

Weather will be mainly dry over the region.

NORTH-EAST Region

Isolated rain/thundershowers likely over Sub-Himalayan West Bengal & Sikkim and northeastern States on 10th & 11th. Weather will be mainly dry over the rest region.

SOUTH Region

Isolated rain/thundershowers likely over Nicobar Islands. Weather will be mainly dry over the rest region.

WEST Region

Weather will be mainly dry over the region.

CENTRAL Region

Weather will be mainly dry over the region.

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

Port Watch

No latest vessel position is reported today.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.20
1 Euro	52.96
1 British £	77.15
100 Jap. Yen	37.51

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