

## SUGAR

10<sup>th</sup> February 2006

### MAJOR ACTIVITY HIGHLIGHTS

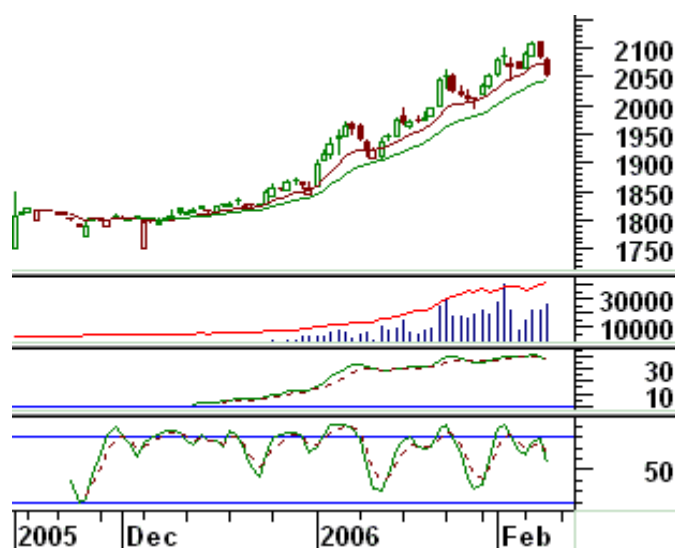
- Domestic Sugar Prices Capped Further Advances
- NCDEX Sugar: Settled Lower on Increased Selling Pressure
- Government Planning to Release Extra Sugar to Control Prices

### Sugar Futures - May Bounce Back

#### Fundamentals

##### Domestic Sugar Prices Capped Further Advances

The domestic sugar market witnessed on an average a bearish sentiment during Thursday's trade. The sugar prices have jumped up in last few days following increased demand from the Eastern and Southern states. However, the market activity was limited at the higher price levels and consequently the millers as well as resellers quoted lower price as against Wednesday. The traders took cautious steps anticipating Government intervention. 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 decline 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	Wednesday Close	Change
February	2050	2084	-34
March	2100	2135	-35

#### Future Market Happenings:

##### NCDEX Sugar: Settled Lower on Increased Selling Pressure

At the futures market the sugar futures at the NCDEX witnessed a bearish sentiment following a weak opening. The futures extended Wednesday's losses and settled lower near to the day's low on increased selling pressure. The February future hovered in the range of 2047.00-2082.00, while the March future fluctuated in the range of 2099.00-2133.00 during Thursday's trade. The open interest as well as volume of trade has increased as against Wednesday. The sugar prices at the futures market are expected to witness a downward trade following a weak opening with possibility of an upward retracement later in the session.

#### Trade Recommendations

**Sell NCDEX-February Sugar M near 2055 with target of 2040. Stop loss at 2062.**

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

##### NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	2037
Support-2	2025
Previous Close	2050
Resistance-1	2067
Resistance-2	2078

### International Markets

#### NYBOT Sugar Retraced Back Again on Trade Buying

The New York Board of Trade (NYBOT) world raw sugar futures retraced back again on Wednesday on trade buying. The March-May rollover was heavy ahead of March expiry in late February. The NYBOT March future finished 63 points higher at 18.80 cents per pound, while the May future settled 61 points higher at 18.78 cents per pound on Wednesday. The March future opened weak and tested Tuesday's low on the opening session on Fund selling. However, trade bought at the dips and along with shorts covering, the market retraced back again. The March future crossed Tuesday's high at 18.60 cents per pound and touched 18.85 cents per pound in final action. The market eased on profit taking for the last few days and showed some strength on Wednesday.

### News Analysis

#### USDA Projected Higher United States Sugar Supply for 2005-06

According to the World Agricultural Supply and Demand Estimates (WASDE) report by the United States Department of Agriculture (USDA), the United States sugar supply for 2005-06 is projected to be higher than the last month's projection. The U.S sugar supply is pegged at 12026 thousand short tons, an increase of 316000 short tons over the last month estimates. It is reported that, higher imports under the tariff rate quota (TRQ) more than offset reduced high-tier sugar imports from Mexico. The shortfall in filling the TRQ is increased 50000 short tons. Production is estimated marginally lower by around 4000 short tons, while the total use is pegged lower by 25000 short tons. The ending stocks are estimated to be higher by 341000 short tons at 1661000 short tons or 16 percent of total use.

### London Daily Spot Prices

Particulars	09-Feb	08-Feb
LDP Raw FOB \$/MT	413.40	394.00
LDP Raw CIF \$/MT	458.40	439.00
LDP Raw CIF GBP/MT	263.20	251.90
LDP White FOB \$/MT	444.50	427.00
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.

#### 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 (08.02.06)	Change
NYBOT-March (c/lb)	18.80	+0.63
LIFFE-March (\$/MT)	443.40	+12.40

### Domestic Prices: Delhi

(Rs/qrtl)

Quality	09.02.06	08.02.06	Change
Ready Sugar (M)	2050-2125	2060-2135	-10
Ready Sugar (S)	2035-2105	2045-2115	-10
Mill Delivery	1920-2010	1920-2030	-20
Khandsari	1875-1975	1875-1975	-
Gur	1300-1500	1300-1500	-
Sulphur	2000-2050	1975-2025	+25

### Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	09.02.06	08.02.06
M 30	Muzaffarnagar	2095-2100	2100-2105
	Delhi	2100-2105	2105-2110
	Kolkata	2100-2105	2125-2130
S 30	Chennai	2040-2045	2040-2045
	Kolkata	2075-2080	2090-2095
	Vashi	2005-2010	2010-2015

## Weather Forecast

### NORTH-WEST Region

Weather will be mainly dry over the region.

### EAST Region

Isolated rain/thundershowers likely over West Bengal & Sikkim and Orissa. Weather will be mainly dry over the rest region.

### NORTH-EAST Region

Isolated rain/thundershowers likely over the region.

### SOUTH Region

Isolated rain/thundershowers likely over Nicobar Island, coastal Tamil Nadu and Coastal Andhra Pradesh. Weather will be mainly dry over the 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 \$	44.14
1 Euro	52.85
1 British £	76.84
100 Jap. Yen	37.24

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