

SUGAR

24th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Slightly Up on Increased Buying
- NCDEX Sugar: Up; Extended Previous Advances Further
- PSMA Urged Pakistan Govt to Import 9 Lakh Tonnes Sugar

Sugar Futures -Uptrend to Continue

Fundamentals

Domestic Sugar Prices Slightly Up on Increased Buying

The domestic sugar market witnessed a firm sentiment on Thursday. Both the 'M' grade as well as 'S' grade sugar was quoted on an average higher as against Wednesday.

The sugar prices edged up on Thursday following increased buying interest at the physical markets. Mills are contracting forward deals for the coming month at a higher price and consequently the prices went upwards during Thursday's trade. However, supply remained at the higher side with the mills having enough free sale sugar quota for this month and yet to sell the same. However, traders as well as millers hope that Government would extend the time to sale/lift free sale sugar quota for the month of February, which is directed to be sold/lifted only by this month end. The February sugar sale quota is a record amount of 14.5 lakh tonnes and Government at the time of release, has directed that unsold/unlifted free sale sugar would be converted into levy sugar. Traders are eyeing the outcome of TCP tender of 50000 tons by this month end. Moreover, the demand from bulk consumers is likely to pick up in the coming days. Meanwhile, the NYBOT raw sugar futures are at 2-week highs, while the LIFFE white sugar futures are near contract highs after the recent setback.

NCDEX Sugar M Grade: MARCH Contract



NCDEX -Sugar Futures	Last Traded	Wednesday Close	Change
March	2047	2038	+9
April	2120	2106	+14

Future Market Happenings:

NCDEX Sugar: Up; Extended Previous Advances Further

At the futures market the sugar futures at the NCDEX witnessed an upward trade following a weak opening. The futures traded with a bullish sentiment on increased speculative buying interest. The March contract hovered in the range of 2034.00-2056.00, while the most active April contract fluctuated in the range of 2108.00-2129.00. The open interest has increased, while the volume of trade remained lower as against Wednesday. The sugar futures are likely to trade moderately upwards following a steady to firm opening. However, some late downward movement is likely on profit taking at higher levels.

Trade Recommendations

Buy NCDEX-March Sugar M near 2045 with **target** of 2060, then 2070. **Stop loss** at 2037.

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

NCDEX Sugar M Grade: MARCH Contract

Support-1	2035
Support-2	2021
Previous Close	2047
Resistance-1	2070
Resistance-2	2083

International Markets

NYBOT Sugar Surged Up to 2-Week Highs on Fund Buying

The world raw sugar futures at the New York Board of Trade (NYBOT) surged up once again on Wednesday on trade and fund buying. The NYBOT March contract finished 58 points up at 18.26 cents per pound, while the active May contract settled 59 points higher at 18.41 cents per pound on Wednesday. The market opened gapped up as funds bought along with the trade continuing its recent buying activity. The May contract surged up in late session, but capped the advances as commercials sold and speculators took profit. The market is seen technically and fundamentally good after the recent setback due to March liquidation. With increased physical market activities, further higher levels are eyed in the coming days.

News Analysis

Indian Sugar Factories Urged Open Market Sale of Ethanol

According to the All India Distilleries Association, the proposal to allow the sugar factories to sell ethanol in the open market is under consideration of the Central Government. The decision to blend ethanol in petrol was taken by the Government few years back. After the Government decision, sugar factories have produced sufficient quantity of ethanol to meet the demand, but with contradictions over pricing policies most of the stocks are lying idle at present. The Indian oil companies have entered into an agreement with the Akhil Bharatiya Sakhar Sangh for purchase of ethanol and tenders from ethanol producers in Uttar Pradesh, Haryana and Punjab. Tenders are now likely to be finalized with sugar factories from Maharashtra, Gujarat, Andhra Pradesh and Karnataka. It has been reported that the sugar factories expect pricing of ethanol at Rs 22.50 per litre.

Domestic Prices: Delhi

(Rs/qrtl)

Quality	23.02.06	22.02.06	Change
Ready Sugar (M)	2010-2050	2005-2035	+15
Ready Sugar (S)	1990-2030	1985-2015	+15
Mill Delivery	1870-1940	1865-1925	+15
Khandsari	1870-1970	1860-1960	+10
Gur	1300-1500	1300-1500	-
Sulphur	1960-1990	1960-1990	-

London Daily Spot Prices

Particulars	23-Feb	22-Feb
LDP Raw FOB \$/MT	410.10	395.30
LDP Raw CIF \$/MT	455.10	440.30
LDP Raw CIF GBP/MT	259.40	252.80
LDP White FOB \$/MT	460.50	446.00
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.

PSMA Urged Pakistan Govt to Import 0.9 MT Sugar

The Pakistan Sugar Mills Association (PSMA) has asked the Pakistan Government to import around 0.9 million tons to meet the domestic requirements and contain surging sugar prices. The PSMA has held the Government as well as the sugarcane growers responsible for the recent spurt in sugar prices at the domestic markets. It has also warned that the sugar stock of the country would dry up in the coming two months and consequently would worsen the sugar crisis. The PSMA has informed that the price of sugar has reached Rs 45 per kg as a result of increased sugarcane price of Rs 110 per 40 kg in the recent time.

International Sugar Futures Prices

International Futures	Last Settlement (22.02.06)	Change
NYBOT-May (c/lb)	18.41	+0.59
LIFFE-May (\$/MT)	456.50	+14.10

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	23.02.06	22.02.06
M 30	Muzaffarnagar	Closed	1990-1995
	Delhi	2005-2010	2005-2010
	Kolkata	2055-2060	2040-2045
S 30	Chennai	1890-1895	1910-1915
	Kolkata	2035-2040	2020-2025
	Vashi	1920-1925	1910-1915

Weather Forecast

NORTH-WEST Region

Isolated to scattered rain/snow likely over Jammu & Kashmir. It is likely to increase from 25th and extend into Himachal Pradesh. Mainly Dry weather over the rest region.

EAST Region

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

NORTH-EAST Region

Rain/thundershowers are likely at a few places over Assam & Meghalaya and Arunachal Pradesh during next 1-2 days. Mainly dry weather over the rest region.

SOUTH Region

Isolated rain/thundershowers likely over Nicobar Islands. Weather will be mainly dry over the rest region. Day & night temperatures likely to remain near normal.

WEST Region

Weather will be mainly dry over the region. Day and Night temperatures likely to remain markedly above normal over many parts of the region.

CENTRAL Region

Weather will be mainly dry over the region. Day temperatures are likely to remain 5-7° C above normal over the region.

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

Port Watch

'Rainbow Spring' has berthed at Tuticorin Port and is continuing to deliver 10,832 MT of sugar. The vessel is being handled by St.John agents.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.56
1 Euro	53.07
1 British £	77.76
100 Jap. Yen	37.92

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