

SUGAR

14th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Steady on Monday
- NCDEX Sugar: Settled Near Day's Low in Final Action
- ISMA: Sugar Prices to Rule Firm in This Sugar Season

Sugar Futures - Slight Downtrend Likely

Fundamentals

Domestic Sugar Prices Remained Steady on Monday

The domestic sugar market remained on an average steady with a mixed sentiment at the start of this week. The sugar prices have eased from a much higher levels attained during the last week. In order to contain free sale sugar prices at the open market the Union Government has released an additional quota of 1.5 lakh MTs of freesale sugar for each of February 2006 and March 2006 on Friday. It has also planned that the unsold/unlifted freesale sugar during the month would be converted into levy sugar. These steps are likely to cap further advances in sugar prices and create a bearish scenario in the short-term. 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 in the days ahead.

NCDEX Sugar M Grade: MARCH Contract



NCDEX -Sugar Futures	Last Traded	Saturday Close	Change
February	2022	2025	-3
March	2073	2071	+2

Future Market Happenings:

NCDEX Sugar: Settled Near Day's Low in Final Action

At the futures market the sugar futures at the NCDEX witnessed a moderately bullish sentiment following a firm opening at the early hours of trade. However, the futures settled lower near to the day's low in final action. The February contract hovered in the range of 2022.00-2040.00, while the March contract fluctuated in the range of 2072.00-2090.00 during Monday's trade. The open interest has declined, while the volume of trade remained slightly higher. The sugar futures are expected to witness a moderately downward trade with possibility of an upward retracement later in the session.

Trade Recommendations

Sell NCDEX-March Sugar M near 2075 with **target** of 2050. **Stop loss** at 2087.

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

NCDEX Sugar M Grade: MARCH Contract

Support-1	2050
Support-2	2030
Previous Close	2073
Resistance-1	2099
Resistance-2	2120

International Markets

NYBOT Sugar

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

London Daily Spot Prices

Particulars	13-Feb	10-Feb
LDP Raw FOB \$/MT	387.10	392.20
LDP Raw CIF \$/MT	432.10	437.20
LDP Raw CIF GBP/MT	248.50	250.20
LDP White FOB \$/MT	442.50	430.50
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

ISMA President: Sugar Prices to Rule Firm

According to the President of the Indian Sugar Mills Association (ISMA), the domestic sugar market is expected to remain firm in the near-term in line with the rising trend in international sugar prices. The domestic sugar price has increased by around 5 percent over the last 3 months. At the international markets, the raw sugar prices have surged up by over 100 percent within the last few months, while sharp rise was also seen in white sugar prices with shortage of white sugar in the global market. This has in turn providing an excellent opportunity to the Indian producers to increase sugar export with the advantage of being surrounded by large importing countries like Pakistan. Under the advance licence scheme (A.L.S), Indian Government allows export of sugar only against the export obligation related to raw sugar imported. According to the President of ISMA, India is on a threshold of being a major sugar exporter from being a net importer of sugar.

India Likely to Export 5 Lt Sugar in this Season

According to the domestic sugar industry experts, India's sugar exports are expected to be just around half a million tonne in the current sugar year (October-September). According to the President of Indian Sugar Mills Association (ISMA), India has a re-export obligation of around 2 million tonnes till September 2007. Domestic sugar industry is likely to export around 1 million tonnes by the end of 2006 and rest next year. However, as sugar prices are likely to rise up further in the coming 2-3 years, it is unlikely that domestic sugar export would be higher than half a million tonne. According to the ISMA estimates, in the October-January period, India's white sugar exports under the re-export obligation have been less than 1 lakh tonne with most companies waiting for a price rise in the next 2-3 years.

International Sugar Futures Prices

International Futures	Last Settlement (10.02.06)	Change
NYBOT-March (c/lb)	17.66	-0.48
LIFFE-March (\$/MT)	437.30	+2.80

Domestic Prices: Delhi

(Rs/qrtl)

Quality	13.02.06	11.02.06	Change
Ready Sugar (M)	2020-2090	2020-2090	-
Ready Sugar (S)	2000-2070	2000-2070	-
Mill Delivery	1900-1975	1900-1975	-
Khandsari	1875-1935	1875-1950	-15
Gur	1300-1500	1300-1500	-
Sulphur	1980-2020	1980-2030	-10

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	13.02.06	11.02.06
M 30	Muzaffarnagar	2065-2070	2065-2070
	Delhi	2075-2080	2065-2070
	Kolkata	2080-2085	2080-2085
S 30	Chennai	2020-2025	2020-2025
	Kolkata	2055-2060	2060-2065
	Vashi	1975-1980	1975-1980

Weather Forecast

NORTH-WEST Region

Rain/snow likely at a few places over Jammu & Kashmir and isolated over Himachal Pradesh. Isolated rain/thundershowers also likely over Punjab and Haryana. 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 are likely over Assam and Arunachal Pradesh. 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

'Yaad E Mostafa' has berthed at Tuticorin Port and continues to load 10,000 MT of sugar. St. John agents is handling the vessel.

The port is expecting 'Charaka Jaya Niaga' to load 3,500 MT of sugar. St. John agents will be handling the vessel.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.26
1 Euro	52.68
1 British £	77.14
100 Jap. Yen	37.54

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