

SUGAR

20th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Down on Lack of Buying Support
- NCDEX Sugar: Witnessed Bearish Sentiment at the Weekend
- TCP: No Subsidy on Imported Sugar by Pakistan Government

Sugar Futures - May Recover after Early Weakness

Fundamentals

Domestic Sugar Prices Down on Lack of Buying Support

The domestic sugar market remained bearish at the weekend. Both the 'M' grade as well as 'S' grade sugar was quoted on an average steady to lower as against Friday.

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	Friday Close	Change
February	1984	1991	-7
March	2017	2024	-7

Future Market Happenings:

NCDEX Sugar: Witnessed Bearish Sentiment at the Weekend

At the futures market the sugar futures at the NCDEX witnessed a downward trade following a weak opening. The futures fluctuated within a narrow range amidst thin volume of trade. The February contract hovered in the range of 1977.00-1990.00, while the March contract fluctuated in the range of 2015.00-2021.00 during Saturday's trade. The open interest remained steady at the higher side, while the volume of trade has declined as against Friday. The sugar futures are expected to trade moderately downwards following a steady to weak opening initially with possibility of some upward movement later in the session.

Trade Recommendations

Buy NCDEX-March Sugar M near 2005-2010 with **target** of 2025, then 2035. **Stop loss** at 1998.

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

NCDEX Sugar M Grade: MARCH Contract

Support-1	2000
Support-2	1985
Previous Close	2017
Resistance-1	2035
Resistance-2	2050

International Markets

NYBOT Sugar Down; March Liquidation Brisk

The world raw sugar futures at the New York Board of Trade (NYBOT) settled down on Friday. The March contract finished 13 points lower at 17.33 cents per pound, while the May contract settled 4 points lower at 17.59 cents per pound on Friday. The near month March contract opened lower, while the May and July contract witnessed a higher opening. The market went downwards at the mid-session, but held above Thursday's lows as trade bought. With the trade buying at the lower levels and short covering by locals, the market retraced back again and pared most of its early losses. The market has eased from 25-year highs on mostly liquidations in March contract ahead of its expiry in late February. The physical market activity has zoomed up with the decline in world sugar prices in the recent week. In supportive fundamentals, the world sugar inventories are projected to decline in 2005-06 for the third consecutive sugar season.

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.

Asian Sugar Market Busy with Huge Demand

With the international sugar prices at a lower level, the physical market activity has zoomed up in the Asian markets in the recent time. Demand remained higher from countries like Pakistan, Vietnam and Indonesia. Sugar prices remained at record high levels in most of the Asian countries with huge demand-supply mismatch. The Philippines has delayed the plan to import, while China is likely to import from Brazil. Pakistani importers have booked sugar from various origins like Brazil, India and Dubai. Pakistan is likely to import 8 lakh tonnes of sugar this year to bridge the supply gap.

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	18.02.06	17.02.06	Change
Ready Sugar (M)	2010-2050	2010-2060	-10
Ready Sugar (S)	1990-2030	1990-2040	-10
Mill Delivery	1880-1940	1890-1950	-10
Khandsari	1870-1970	1870-1970	-
Gur	1300-1500	1300-1500	-
Sulphur	1960-1990	1975-2000	-10

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	18.02.06	17.02.06
M 30	Muzaffarnagar	2035-2040	2035-2040
	Delhi	2035-2040	2050-2055
	Kolkata	2050-2055	2065-2070
S 30	Chennai	1960-1965	1980-1985
	Kolkata	2030-2035	2045-2050
	Vashi	1935-1940	1940-1945

Weather Forecast

NORTH-WEST Region

Rain/snow likely at a few places over Jammu & Kashmir and Himachal Pradesh and isolated over Uttaranchal. Mainly Dry weather over the rest regions. Night temperatures are likely to remain significantly above normal. Day temperatures are likely to fall by 2-3°C during next 2-3 days.

EAST Region

Isolated rain/thundershowers is likely over Sub-Himalayan West Bengal & Sikkim. Weather will be mainly dry over the rest region. Day & night temperatures over the region are likely to remain 2-5°C above normal.

NORTH-EAST Region

Rain/thundershowers are likely over at a few places over Assam & Meghalaya and Arunachal Pradesh 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.

WEST Region

Weather will be mainly dry over the region. Day and Night temperatures over Rajasthan and Gujarat are likely to remain significantly above normal for the next 2-3 days.

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

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

Tuticorin Port is loading 3,500 MT of sugar on the vessel 'Charaka Jaya Niaga'. St.John agents is handling the vessel.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.34
1 Euro	52.79
1 British £	77.16
100 Jap. Yen	37.55

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