

## SUGAR

08<sup>th</sup> February 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Sugar Prices Moved Upward on Increased Demand
- NCDEX Sugar: Surged Up to Test Fresh Contract Highs
- NYBOT Sugar Settled Down Amidst March-May Rollovers

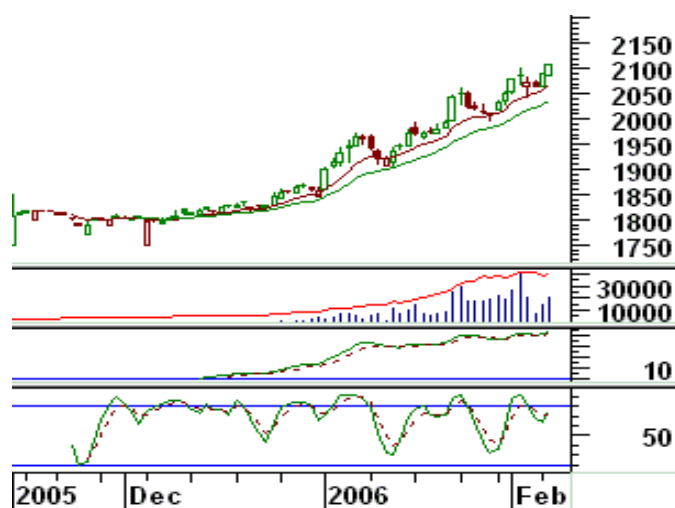
### Sugar Futures - Higher Levels Eyed; TCP Notified Tender

#### Fundamentals

#### Domestic Sugar Prices Moved Up on Increased Demand

The domestic sugar market surged up during Tuesday's trade. Both the 'M' grade as well as 'S' grade sugar was quoted much higher as against Monday.

The domestic sugar market extended previous advances further. Despite limited activity at the higher levels, the millers as well as resellers quoted higher prices in line with higher demand from Eastern and Southern states. Pakistan has formally invited bids from foreign suppliers for supply of 50000 metric tonne, five per cent More or Less Seller's Option (MOLSO) white refined crystal sugar in bags (in break bulk) to import from India. The shipment would be due in March and the bids have to be submitted by 16<sup>th</sup> February. The Government of India has also notified that it has no objection if Indian millers successfully bid for exporting sugar to Pakistan. Along with the export opportunities, traders are eyeing demand from the bulk consumers in the coming days. Amidst such situations, the sugar prices are likely to remain firm in the days ahead.



NCDEX -Sugar Futures	Last Traded	Monday Close	Change
February	2109	2089	+20
March	2157	2134	+23

#### Future Market Happenings:

#### NCDEX Sugar: Surged Up to Fresh Contract Highs

At the futures market the sugar futures at the NCDEX extended previous advances further following a firm opening. The February future crossed Rs 2100 per quintal level to test a fresh contract high at the close, while the later month futures also tested fresh contract month highs on increased buying support. The February future hovered in the range of 2085.00-2109.00, while the March future fluctuated in the range of 2135.00-2160.00 during Tuesday's trade. The open interest as well as volume of trade has increased as against Monday. The sugar prices at the spot as well as futures market are expected to remain firm. However, a downward correction is expected from the higher levels.

#### Trade Recommendations

**Sell** NCDEX-February Sugar M near 2115 with **target** of 2090. **Stop loss** at 2127.

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

#### NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	2089
Support-2	2077
Previous Close	2109
Resistance-1	2116
Resistance-2	2131

### International Markets

#### NYBOT Sugar Settled Down Amidst March-May Rollovers

The New York Board of Trade (NYBOT) world raw sugar futures settled lower on Monday on brisk March-May rollovers with only 3-weeks left for March future expiry. The July future as well as the later month futures tested new contract highs, but finished down on Monday. The market tested fresh contract and 25-year highs on last Friday. The March future finished 50 points down at 18.80 cents per pound, while the May future settled 46 points lower at 18.80 cents per pound on Monday. The March future opened gapped down, but retraced back on trade buying. However, heavy rollover from March to May future and consequently liquidation of March longs resulted in a downward trade. The March future slid to touch 18.60 cents per pound in late action. After the recent rally, the correction is seen good for the market.

### News Analysis

#### RBI: Domestic Sugar Prices to Remain Firm

According to the Third Quarter Review 2005-06 by the Reserve Bank of India, sugar prices are likely to remain firm. According to the report, the sugar prices firmed up during September-December 2005 reflecting declining global sugar inventories. It has been reported that although global production in 2005-06 season (October-September) is expected to increase led by record harvest in Brazil and a recovery in India, higher global sugar consumption especially from the developing countries of the Far East and Latin America and declining stocks in China and India are likely to keep sugar prices firm in the coming months. RBI has attributed the firmness in domestic sugar prices as par with international trends. RBI has estimated that, although sugarcane output in the country is estimated to be higher during 2005-06, depleting stocks coupled with higher export prices are expected to keep domestic prices firm.

Source: Macroeconomic and Monetary Developments - Third Quarter Review 2005-06, RBI

### Domestic Prices: Delhi

(Rs/qrtl)

Quality	07.02.06	06.02.06	Change
Ready Sugar (M)	2050-2120	2025-2095	+25
Ready Sugar (S)	2035-2100	2010-2075	+25
Mill Delivery	1900-2010	1880-1980	+30
Khandsari	1875-1950	1850-1920	+30
Gur	1300-1500	1300-1500	-
Sulphur	1950-2000	1925-1975	+25

### London Daily Spot Prices

Particulars	07-Feb	06-Feb
LDP Raw FOB \$/MT	407.00	416.70
LDP Raw CIF \$/MT	452.00	461.70
LDP Raw CIF GBP/MT	258.40	263.20
LDP White FOB \$/MT	435.50	453.20
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.

### TCP Invited Bids for 50000 Tons Sugar

The Trading Corporation of Pakistan (TCP) has invited bids from foreign suppliers for supply of 50000 metric tons white refined crystal sugar in bags (in break bulk) to import from India with five per cent More or Less Seller's Option (MOLSO). The shipment would be due in March and the bids have to be submitted by 16<sup>th</sup> February. The Pakistan Government has also allowed sugar import by road at the Wagah border, where it would be unloaded and re-loaded on either side of the border. The Commerce Ministry was also directed to contain the constant increase in price of the essential commodity, which had already touched record high level in the retail market. In order to keep check the surging sugar prices, the Pakistani Government has recently allowed regular import of sugar from India.

### International Sugar Futures Prices

International Futures	Last Settlement (06.02.06)	Change
NYBOT-March (c/lb)	18.80	-0.50
LIFFE-March (\$/MT)	441.00	-10.30

### Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	07.02.06	06.02.06
M 30	Muzaffarnagar	2105-2110	2075-2080
	Delhi	2070-2075	2055-2060
	Kolkata	2095-2100	2080-2085
S 30	Chennai	2045-2050	2045-2050
	Kolkata	2070-2075	2060-2065
	Vashi	2000-2005	1980-1985

### 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.

#### **NORTHEAST Region**

Weather will be mainly dry over the region.

#### **SOUTH Region**

Isolated rain/thundershowers likely over south Tamil Nadu. 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

Tuticorin Port loaded 3,000 MT of sugar on the vessel 'Charaka Jaya Niaga'. St.John agents handled the vessel.

### FOREX

Foreign Currency	Rs. per unit
1 US \$	44.27
1 Euro	53.01
1 British £	77.43
100 Jap. Yen	37.23

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