

SUGAR

04th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Steady at the Higher Levels
- NCDEX Sugar: Settled Down but Pared Morning Slid
- NYBOT Sugar Scaled 25-Year Highs on Trade Buying

Sugar Futures - Technical Correction

Fundamentals

Domestic Sugar Steady at the Higher Levels

The domestic sugar market remained steady during Friday's trade. The 'M' grade as well as the 'S' grade sugar was quoted mostly unchanged at the higher levels as against Thursday.

The domestic sugar market remained steady at the higher levels during Friday's trade. Activity was limited at the present higher levels. However, demand from the Eastern states remained at the higher side. Moreover, the sugar prices at the South Indian markets quoted much higher as the February sugar sales quota remained lower for the Southern states. Indian traders are eyeing export to Pakistan and in another supportive activity the Govt. of Pakistan is likely to allow import of sugar from India via land route. The Trading Corporation of Pakistan is expected to float tender for 50000 tons of sugar very soon. Domestic sugar traders, millers are eyeing further higher levels in the days ahead anticipating good export deals between these two countries. At the international markets, the NYBOT world raw sugar futures raced to a fresh contract and 25-year highs on Thursday. Amidst such situations, the sugar prices are likely to remain firm in the days ahead.



NCDEX -Sugar Futures	Last Traded	Thursday Close	Change
February	2071	2082	-11
March	2115	2121	-6

Future Market Happenings:

NCDEX Sugar: Settled Down but Pared Morning Slid

At the futures market the sugar futures at the NCDEX opened gapped down and tested much lower level at the early hours of trade. However, the futures went upwards thereafter on increased buying interest at the lower price levels. Profit taking at the higher level put pressure on the futures and the futures settled with losses in final action. The February future hovered in the range of 2040.00-2084.00. The open interest remained at the higher side, while the volume of trade has declined as against Thursday. The sugar prices at the spot as well as futures market are expected to trade slightly upwards initially and downwards thereafter.

Trade Recommendations

Sell NCDEX-February Sugar M near 2080 with target of 2060. **Stop loss** at 2090.

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

NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	2049
Support-2	2029
Previous Close	2071
Resistance-1	2081
Resistance-2	2099

International Markets

NYBOT Sugar Scaled 25-Year Highs on Trade Buying

The world raw sugar futures at the New York Board of Trade (NYBOT) surged up on Thursday with the near month March future crossed 19 cents per pound to test a fresh contract and 25-year highs. The trade continues to buy along with some fund buying amidst brisk March-May rollover. The NYBOT March future finished 86 points higher at 19.15 cents per pound, while the May future settled 82 points higher at 19.02 cents per pound on Thursday. The market opened gapped up and the later month future touched fresh highs at the open. The March futures crossed its previous high of 18.82 cents per pound to near 19 cents per pound. However, the market witnessed some profit taking, but retraced back again. The March future crossed the 19 cents per pound level to touch 19.20 cents per pound in late action. The market is seen fundamentally and technically bullish enough to reach further higher levels in the days ahead.

News Analysis

ISMA Urged to Cut Excise Duty on Molasses

The Indian Sugar Mills Association (ISMA) has requested the Union Finance Ministry to classify sugar industry in the priority sector. The request was made in order to facilitate provision of sufficient cash credit limit and timely payment of sugarcane price as required under law. According to ISMA, domestic sugar industry is facing the problem of insufficient bank credit and as a result the payment of sugarcane arrears got delayed. The ISMA has also requested the Ministry to cut down the excise duty on molasses. ISMA has urged to levy excise duty of 8 percent ad-valorem or at Rs 170 per tonne as suggested by the Expert Committee. ISMA has reported that, in 2005-06, the excise duty on molasses was steeply hiked from Rs 500 to Rs 1000 per tonne, which was later reduced to Rs 750 per tonne following representations. The molasses price varies between Rs 1000 to Rs 2000 per tonne. The ISMA has also asked for reintroduction of reduction in special excise duty of Rs 0.30 per litre on ethanol-blended petrol. The reduction was withdrawn in the 2004 budget.

Domestic Prices: Delhi

(Rs/qttl)

Quality	03.02.06	02.02.06	Change
Ready Sugar (M)	2040-2110	2040-2105	+5
Ready Sugar (S)	2020-2085	2020-2080	+5
Mill Delivery	1900-1995	1900-1995	-
Khandsari	1850-1925	1850-1925	-
Gur	1300-1500	1300-1500	-
Sulphur	1950-2000	1925-1975	+25

London Daily Spot Prices

Particulars	03-Feb	02-Feb
LDP Raw FOB \$/MT	423.30	403.20
LDP Raw CIF \$/MT	468.30	448.20
LDP Raw CIF GBP/MT	263.60	252.60
LDP White FOB \$/MT	448	431.80
London Freight \$/MT	45	45
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.

USDA Projects Rise in Global Sugar Prices to Continue

According to the USDA, the rise in sugar prices are likely to continue as supply remained tight despite higher production. Earlier the FAO also projected that increased production would be offset by rising consumption and consequently the current price would stabilize at the higher level. According to the USDA, the world sugar production during 2005-06 marketing year is estimated at 144.2 million tonnes, an increase of 3.3 million tonnes over last year. Global consumption is projected to be higher at 142.8 million tonnes, up 1.7 million tonnes over last year. USDA forecasted the world export market at 47.7 million tonnes, an increase of 1.4 tonnes. The sugar production in India is projected to rise by around 4.2 million tonnes in 2005-06.

International Sugar Futures Prices

International Futures	Last Settlement (02.02.06)	Change
NYBOT-March (c/lb)	19.15	+0.86
LIFFE-March (\$/MT)	447.10	+18.10

Market Wise Spot Prices:

(Rs/qttl)

Grade	Market	03.02.06	02.02.06
M 30	Muzaffarnagar	2075-2080	2065-2070
	Delhi	2065-2070	2060-2065
	Kolkata	2090-2095	2105-2110
S 30	Chennai	2040-2045	2020-2025
	Kolkata	2060-2065	2070-2075
	Vashi	1995-2000	1975-1980

Weather Forecast

NORTH Region:

Weather will be mainly dry over the region.

EAST Region:

Isolated rain/thundershowers likely over northeastern States and Sub- Himalayan West Bengal & Sikkim. Weather will be mainly dry over the rest region.

SOUTH Region:

Isolated rain/thundershowers are likely over Tamil Nadu and Kerala. Weather will be mainly dry in the rest region.

WEST Region:

Weather will be mainly dry over the region.

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

Port Watch

'Uranus' has berthed at Tuticorin Port and continues to load 5,800 MT of sugar. The vessel is being handled by St.John agents. The port is expecting 'Charaka Jaya Niaga' to load 3,000 MT of sugar. St.John agents will be handling the vessel.

Chennai Port is loading 11,600 MT of sugar on the vessel 'Kom'.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.23
1 Euro	53.48
1 British £	78.69
100 Jap. Yen	37.34

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