

SUGAR

02nd February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Witnessed Highly Bullish Sentiment
- NCDEX Sugar: Surged Up to Fresh Contract Highs
- Pakistan Sugar Prices at Record High Levels

Sugar Futures - Skyrocketing, Trade Cautiously

Fundamentals

Domestic Sugar Witnessed Highly Bullish Sentiment

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

The domestic sugar market remained highly bullish on Wednesday. Most of the sugar mills quoted much higher prices, however no major activity was reported in the market. The Pakistani Government has recently decided to allow regular sugar import from India and consequently has directed the TCP to float tender for import of 50000 tons of sugar at the earliest from the cheapest and quickest sources, including that of from India. These steps were taken to cap surging sugar prices in Pakistani market and have in turn lifted up the sentiments in our sugar markets. Traders, millers are eyeing further higher levels in the days ahead anticipating good export deals between these two countries. At the international markets, both the raw sugar as well as white sugar futures finished lower on Tuesday as profit booking continues at the higher levels. Amidst such situation, the domestic sugar prices are likely to remain firm in the days ahead.



NCDEX -Sugar Futures	Last Traded	Tuesday Close	Change
February	2079	2051	+28
March	2120	2094	+26

Future Market Happenings:

NCDEX Sugar: Surged Up to Fresh Contract Highs

At the futures market the sugar futures at the NCDEX witnessed a highly bullish sentiment following a firm opening. The near month February future crossed its previous contract high, while the later month sugar futures also tested fresh contract month highs on increased buying support amidst heavy volume of trade. The February future hovered in a much higher range of 2047.00-2081.00 during Wednesday's trade. The open interest as well as volume of trade has increased as against Tuesday. The sugar prices at the spot as well as futures market are expected remain firm with possibility of a downward technical correction in the near future.

Trade Recommendations

Buy NCDEX-February Sugar M near 2075 with **target** of 2100. **Stop loss** at 2063.

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

NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	2061
Support-2	2047
Previous Close	2079
Resistance-1	2099
Resistance-2	2114

International Markets

NYBOT Sugar Down as Profit Booking Continues

The world raw sugar futures at the New York Board of Trade (NYBOT) finished down on profit taking near the contract highs on Tuesday amidst brisk March-May rollover. The NYBOT March future finished 18 points lower at 18.02 cents per pound, while the May future settled 21 points lower at 17.96 cents per pound. The March future opened lower and went downwards through Monday's lows. However, trade buying at the dips supported the futures thereafter and the futures retraced back again to 18.58 cents per pound. Profit taking at the higher levels capped further advances and futures settled in the negative territory in late action. In supportive fundamentals, Trading Corporation of Pakistan is likely to tender for 50000 tons of sugar very soon to curb rising domestic prices.

News Analysis

Pakistan Sugar Prices at Record High Levels

The sugar price at Pakistani market has zoomed up to a record high level of Rs 38 per kg at retail level. Despite the Pakistani government's efforts to cap the surging sugar prices, the ex-factory rates have touched Rs 3550 per quintal. In order to damp the sugar prices the government has recently allowed regular sugar import from India and other neighbouring countries. The government has also directed the Trading Corporation of Pakistan (TCP) to float tender for import of 50000 tons of sugar at the earliest. However, these steps are making no differences in the market at present, where the prices are in a continuous uptrend. Pakistan is facing domestic production shortfall in this season and continuously importing sugar from international destinations to meet the shortfall. Despite taking several measures, the Pakistani government has failed to control domestic sugar prices. Several allegations were made that despite having buffer stock with TCP, it has not been offloaded at proper time to ensure adequate supply. Moreover, large scale hoarding by the sugar mills and illegal practice of forward dealing has make the story much bitter.

Domestic Prices: Delhi

(Rs/qrtl)

Quality	01.02.06	31.01.06	Change
Ready Sugar (M)	2000-2065	1960-2025	+40
Ready Sugar (S)	1980-2040	1940-2000	+40
Mill Delivery	1900-1970	1860-1920	+50
Khandsari	1825-1900	1800-1860	+40
Gur	1300-1500	1300-1500	-
Sulphur	1900-1950	1875-1925	+25

London Daily Spot Prices

Particulars	01-Feb	31-Jan
LDP Raw FOB \$/MT	394	400.10
LDP Raw CIF \$/MT	439	445.10
LDP Raw CIF GBP/MT	247.30	251.30
LDP White FOB \$/MT	423	430
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.

Bihar Likely to Get Investors for New Sugar Mills

The new sugar industry promotion policy of Bihar is resulting in fruitful results with entrepreneurs showing interest in setting up sugar mills in the state. Recently the Agriculture minister asked the Bihar government to set up new mills in the state. Following this, the state government announced a new sugar industry promotion policy with an intention to attract investors. Under the policy, interested entrepreneurs would be given a grant of Rs 10 crore and an additional grant of equal amount for setting up distillery and captive power plant in the state. Moreover, the investors would be exempted from tax on purchase of sugarcane and rebate on stamp duty for land registration. Bihar produced around 27 lakh quintals of sugar during 2004-05 sugar season. At the private sector 9 sugar mills are in operation and 15 state owned sugar mills are closed at present.

International Sugar Futures Prices

International Futures	Last Settlement (31.01.06)	Change
NYBOT-March (c/lb)	18.02	-0.18
LIFFE-March (\$/MT)	424.00	-4.10

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	01.02.06	31.01.06
M 30	Muzaffarnagar	2050-2055	2025-2030
	Delhi	2035-2040	2000-2005
	Kolkata	2070-2075	2055-2060
S 30	Chennai	1980-1985	1915-1920
	Kolkata	2045-2050	2025-2030
	Vashi	1940-1945	1930-1935

Weather Forecast

NORTH Region:

Rain/snow is likely at isolated places over higher reaches of Jammu & Kashmir. Weather will be mainly dry over the rest region.

EAST Region:

Weather will be mainly dry over the region.

SOUTH Region:

Weather will be mainly dry over the region.

WEST 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

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

'Uranus' is expected at Tuticorin Port to load 5,800 MT of sugar. The vessel will be handled by St.John agents.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.15
1 Euro	53.68
1 British £	78.56
100 Jap. Yen	37.68

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.