

SUGAR

16th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Bearish on Wednesday
- NCDEX Sugar: Settled Near Day's High; Pared Morning Slid
- NYBOT Sugar Marginally Down Amidst March-May Rollover

Sugar Futures - Slight Recovery

Fundamentals

Domestic Sugar Prices Remained Bearish on Wednesday

The domestic sugar market remained bearish during Wednesday's trade. Both the 'M' grade as well as 'S' grade sugar was quoted mostly lower as against Tuesday.

The sugar prices continue to decline further in the domestic sugar market on lack of buying support amidst good supply. The sugar price has eased from a much higher level attained during the last week following Government intervention. 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. 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	Tuesday Close	Change
February	1991	2010	-19
March	2046	2050	-4

Future Market Happenings:

NCDEX Sugar: Settled Near Day's High; Pared Morning Slid

At the futures market the sugar futures at the NCDEX witnessed a bearish sentiment following a weak opening. The sugar futures slid to much lower level at the early hours of trade on increased selling pressure. However, the sugar futures retraced back again on increased buying support at the lower levels and settled near to the day's high in final action. The February contract hovered in the range of 1960.00-2002.00, while the March contract fluctuated in the range of 2006.00-2049.00 during Wednesday's trade. The sugar futures are expected to trade moderately upwards initially following a steady to firm opening and downwards thereafter.

Trade Recommendations

Sell NCDEX-March Sugar M near 2055-2060 with target of 2030, then 2020. **Stop loss** at 2067.

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

NCDEX Sugar M Grade: MARCH Contract

Support-1	2027
Support-2	2010
Previous Close	2046
Resistance-1	2060
Resistance-2	2075

International Markets

NYBOT Sugar Marginally Down Amidst March-May Rollover

The New York Board of Trade (NYBOT) world raw sugar futures settled marginally lower on Tuesday after a mostly choppy session. The NYBOT March contract finished 3 points down at 17.72 cents per pound, while the May contract settled 1 point lower at 17.90 cents per pound. The March contract opened weak, but recovered as trade bought at the lower levels. The market found fund selling at the higher levels and turned around. The futures traded mostly up and down thereafter with fund selling at the higher levels and trade buying at the dips. The March-May rollover was busy ahead of March expiry in the late February. The market has eased from historical higher levels, but seen good enough to reach the highs in the coming month.

News Analysis

Pakistan Likely to Import 2 Lakh Tons of White Sugar

According to the Pakistan Commodity Traders Association, the country plans to import around 2 lakh tonnes of white sugar from foreign countries including India to bridge the demand-supply gap. According to the association, bulk of the required sugar would arrive from India within a month and rest from Brazil. Pakistan has produced around 46 million tonnes sugarcane in the sugar year ending November 2005; lower by around 1 million tonnes from the previous year. Recently the Pakistani Government announced that it would import around 50000 tonnes of sugar from India to cap the rising sugar prices in Pakistani market. The Pakistani Government has estimated the sugar production at 3 million tonnes in this season. However, the annual consumption is pegged higher at 3.8 million tonnes. Amidst such situations, the sugar prices have jumped up by around 40 percent in the last couple of months. It has also reported by the Pakistan Commodity Traders Association that two shiploads of 12500 tons each of white sugar from India will reach Karachi port by end of this week, while another 1800 tons will arrive by rail across the Wagah border.

London Daily Spot Prices

Particulars	15-Feb	14-Feb
LDP Raw FOB \$/MT	380.70	386.60
LDP Raw CIF \$/MT	425.70	428.60
LDP Raw CIF GBP/MT	244.80	246.70
LDP White FOB \$/MT	440.00	442.10
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.

Gujarat Molasses Industry Facing Tough Time

The sugarcane by-product molasses is facing a tough time with its export remained banned in Gujarat. Around 3.5-4.5 percent molasses is obtained from each ton of sugarcane. The major part of around 70 percent molasses are consumed by alcohol industry and remaining part by the portable alcohol sector. Earlier, the export of molasses was controlled by the Central Government through export licenses. However, after the decontrol of molasses and alcohol-based industries in 1993, the distribution was handed over to the Industries Commissioner (IC). The Industry Commissioner decides the quantity of molasses to be exported outside the state. The time required for obtaining the permit as well as the quantum allowed to move outside state has created problems in the local industry.

International Sugar Futures Prices

International Futures	Last Settlement (14.02.06)	Change
NYBOT-March (c/lb)	17.72	-0.03
LIFFE-March (\$/MT)	443.50	-3.50

Domestic Prices: Delhi

(Rs/qrtl)

Quality	15.02.06	14.02.06	Change
Ready Sugar (M)	2010-2065	2010-2075	-10
Ready Sugar (S)	1990-2045	1990-2055	-10
Mill Delivery	1890-1950	1890-1960	-10
Khandsari	1875-1975	1875-1935	-
Gur	1300-1500	1300-1500	-
Sulphur	1980-2000	1970-2010	-10

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	15.02.06	14.02.06
M 30	Muzaffarnagar	2040-2045	2055-2060
	Delhi	2055-2060	2060-2065
	Kolkata	2070-2075	2080-2085
S 30	Chennai	2005-2010	2015-2020
	Kolkata	2045-2050	2060-2065
	Vashi	1955-1960	1975-1980

Weather Forecast

NORTH-WEST Region

Rain/snow likely at many places over higher reaches of Jammu & Kashmir and at a few places over rest Jammu & Kashmir, Himachal Pradesh and Uttaranchal. Isolated rain/thundershowers also likely over the rest region during next 24 hours.

EAST Region

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

NORTH-EAST Region

Rain/thundershowers are likely over at a few places over Assam 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 interior Peninsula are likely to remain 2-4°C below normal.

WEST Region

Weather will be mainly dry over the region. A fall of 2-3°C in Night temperatures is expected over Rajasthan.

CENTRAL Region

Weather will be mainly dry over the region with a fall of 2-3°C in Night temperatures over Madhya Pradesh.

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 \$	44.27
1 Euro	52.74
1 British £	76.82
100 Jap. Yen	37.63

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