

SUGAR

23rd February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Steady on Wednesday
- NCDEX Sugar: Settled Up on Increased Speculative Buying
- Sugar Factories Urged Govt for Open Market Sale of Ethanol

Sugar Futures -Uptrend to Continue

Fundamentals

Domestic Sugar Prices Remained Steady on Wednesday

The domestic sugar market witnessed a stable sentiment on Wednesday. Both the 'M' grade as well as 'S' grade sugar was quoted on an average steady as against Tuesday.

The sugar prices remained steady on Wednesday after remaining bearish for the last few days. The supply remained at the higher side, while moderate buying support was seen at the physical markets. The millers are having enough free sale sugar quota for this month and yet to sell the same. Consequently, the millers as well as resellers quoted lower price for the last few days. However, traders as well as millers hope that Government would extend the time to sale/lift free sale sugar quota for the month of February, which is directed to be sold/lifted only by this month end. The February sugar sale quota is a record amount of 14.5 lakh tonnes and Government at the time of release, has directed that unsold/unlifted free sale sugar would be converted into levy sugar. Traders are eyeing the outcome of TCP tender of 50000 tons by this month end. Moreover, the demand from bulk consumers is likely to pick up in the coming days.

NCDEX Sugar M Grade: MARCH Contract



NCDEX -Sugar Futures	Last Traded	Tuesday Close	Change
March	2034	2014	+20
April	2102	2076	+26

Future Market Happenings:

NCDEX Sugar: Settled Up on Increased Speculative Buying

At the futures market the sugar futures at the NCDEX witnessed an upward trade following a weak opening. The futures traded with a bullish sentiment on increased speculative buying interest and settled much higher amidst good volume of trade. The March contract hovered in the range of 2010.00-2047.00, while the most active April contract fluctuated in the range of 2068.00-2121.00. The open interest as well as the volume of trade has increased as against Tuesday. The sugar futures are likely to trade upwards following a steady to firm opening. However, some late downward movement is likely on profit taking at higher levels.

Trade Recommendations

Buy NCDEX-March Sugar M near 2025-2030 with **target** of 2050, then 2060. **Stop loss** at 2012.

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

NCDEX Sugar M Grade: MARCH Contract

Support-1	2016
Support-2	1995
Previous Close	2034
Resistance-1	2059
Resistance-2	2080

International Markets

NYBOT Sugar Settled Higher as Trade Bought on Tuesday

The New York Board of Trade (NYBOT) world raw sugar futures settled higher on Tuesday after a long holiday weekend. The NYBOT March contract finished 35 points higher at 17.68 cents per pound, while the active May contract finished 23 points higher at 17.82 cents per pound on Tuesday. The March contract opened higher on trade buying at the opening session. However, the market eased on fund selling after the initial gains. Trade continued to provide support and as the locals covered shorts, the market retraced back again to cross morning highs in final action. The March contract is due to expire on February end. The physical market activity remained busy with the recent setback in global sugar prices.

News Analysis

Sugar Factories Urged Open Market Sale of Ethanol

According to the All India Distilleries Association, the proposal to allow the sugar factories to sell ethanol in the open market is under consideration of the Central Government. The decision to blend ethanol in petrol was taken by the Government few years back. After the Government decision, sugar factories have produced sufficient quantity of ethanol to meet the demand, but with contradictions over pricing policies most of the stocks are lying idle at present. The Indian oil companies have entered into an agreement with the Akhil Bharatiya Sakkar Sangh for purchase of ethanol and tenders from ethanol producers in Uttar Pradesh, Haryana and Punjab. Tenders are now likely to be finalized with sugar factories from Maharashtra, Gujarat, Andhra Pradesh and Karnataka. It has been reported that the sugar factories expect pricing of ethanol at Rs 22.50 per litre.

London Daily Spot Prices

Particulars	22-Feb	21-Feb
LDP Raw FOB \$/MT	395.30	383.20
LDP Raw CIF \$/MT	440.30	428.20
LDP Raw CIF GBP/MT	252.80	245.50
LDP White FOB \$/MT	446.00	438.00
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.

NYBOT and MCX Signed MoU for Mutual Benefit

The New York Board of Trade (NYBOT) and the Multi Commodity Exchange of India Limited (MCX) has signed a Memorandum of Understanding (MoU) to cooperate each other for mutual benefit to both the exchanges. The NYBOT is the premier exchange in trading soft commodities like sugar and cotton. The NYBOT and the MCX would work together to cooperate each other and develop business opportunities, which would benefit the producers, users as well as investors involved in the process. This in turn, likely to help Indian sugar and cotton industry to hedge their price risk in an efficient manner.

International Sugar Futures Prices

International Futures	Last Settlement (21.02.06)	Change
NYBOT-May (c/lb)	17.82	+0.23
LIFFE-May (\$/MT)	442.40	+7.40

Domestic Prices: Delhi

(Rs/qrtl)

Quality	22.02.06	21.02.06	Change
Ready Sugar (M)	2005-2035	2005-2035	-
Ready Sugar (S)	1985-2015	1985-2015	-
Mill Delivery	1865-1925	1865-1925	-
Khandsari	1860-1960	1860-1960	-
Gur	1300-1500	1300-1500	-
Sulphur	1960-1990	1960-1990	-

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	22.02.06	21.02.06
M 30	Muzaffarnagar	1990-1995	1990-1995
	Delhi	2005-2010	2005-2010
	Kolkata	2040-2045	2025-2030
S 30	Chennai	1910-1915	1915-1920
	Kolkata	2020-2025	2005-2010
	Vashi	1910-1915	1915-1920

Weather Forecast

NORTH-WEST Region

Isolated rain/snow likely to commence over Jammu & Kashmir from 23rd, which is likely to increase from 24th and extend to Himachal Pradesh. Isolated rain/thundershowers also likely over Punjab. Mainly Dry weather over the rest region.

EAST Region

Isolated rain/thundershowers likely over Sub-Himalayan West Bengal & Sikkim. Weather will be mainly dry over the rest region. Day temperatures are likely to remain 4-6°C above normal.

NORTH-EAST Region

Rain/thundershowers are likely at a few places over Assam & Meghalaya and Arunachal Pradesh during next 1-2 days. Mainly dry weather over the rest region.

SOUTH Region

Isolated rain/thundershowers likely over Nicobar Islands. Weather will be mainly dry over the rest region. Day & night temperatures to remain near normal.

WEST Region

Weather will be mainly dry over the region, except isolated rain/thundershowers likely over northwest Rajasthan on 25th. Day and Night temperatures likely to remain significantly above normal over many parts of Rajasthan.

CENTRAL Region

Weather will be mainly dry over the region. Day temperatures are likely to remain 6-8° C above normal over northwest Madhya Pradesh and 4-6° C over rest region.

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

Port Watch

'Rainbow Spring' has berthed at Tuticorin Port and is continuing to deliver 10,832 MT of sugar. The vessel is being handled by St.John agents.

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

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.51
1 Euro	53.07
1 British £	77.69
100 Jap. Yen	37.53

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