

SUGAR

13th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Bearish at Weekend
- NCDEX Sugar: Settled Up; Pared Early Slid in Final Action
- India Likely to Export 5 Lakh Tonnes Sugar in Current Season

Sugar Futures - Retraced Back Again

Fundamentals

Domestic Sugar Prices Remained Bearish at Weekend

The domestic sugar market extended previous weakness further at the weekend. The sugar prices have eased from a much higher level attained during the first half of this week. However, 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. It has also planned that the unsold/unlifted freesale sugar during the month would be converted into levy sugar. The additional sugar quota is released to contain freesale sugar prices in the open market and likely to cap further advances in sugar prices. 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 stable in the days ahead.

NCDEX Sugar M Grade: FEBRUARY Contract



NCDEX -Sugar Futures	Last Traded	Friday Close	Change
February	2029	2024	+5
March	2070	2072	-2

Future Market Happenings:

NCDEX Sugar: Settled Up; Pared Early Slid in Final Action

At the futures market the sugar futures at the NCDEX opened gapped down and tested day's low at the early hours of trade. However, increased buying support at the lower price levels supported the futures thereafter and the futures settled higher near to the day's high in final action. The February contract hovered in the range of 2001.00-2031.00, while the March contract fluctuated in the range of 2035.00-2078.00 during Saturday's trade. The open interest has declined in the near month contracts, while the volume of trade remained lower. The sugar price at the futures market is likely to move slightly downwards initially and upwards thereafter.

Trade Recommendations

Buy NCDEX-February Sugar M near 2025 with target of 2050. **Stop loss** at 2012.

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

NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	2008
Support-2	1992
Previous Close	2029
Resistance-1	2052
Resistance-2	2068

International Markets

NYBOT Sugar Finished Down Ahead of March Expiry

The New York Board of Trade (NYBOT) world raw sugar futures finished lower on Friday as funds liquidated their March longs ahead of March expiry on February end. The March contract finished 48 points lower at 17.66 cents per pound, while the May contract settled 39 points lower at 17.85 cents per pound on Friday. The March contract has slide more than 2 cents per pound from last Friday's contract and 25-year high of 19.73 cents per pound. The March contract gapped down and tested 17.60 cents per pound on fund selling. However, the trade bought at the dips and the March contract touched 18.00 cents per pound. The March contract retreat again as fund sold their March longs and the March contract went downwards through morning lows to test 17.45 cents per pound. However, the March contract pared some of its losses in final action on trade buying and shorts covering.

News Analysis

ISMA President: Sugar Prices to Rule Firm

According to the President of the Indian Sugar Mills Association (ISMA), the domestic sugar market is expected to remain firm in the near-term in line with the rising trend in international sugar prices. The domestic sugar price has increased by around 5 percent over the last 3 months. At the international markets, the raw sugar prices have surged up by over 100 percent within the last few months, while sharp rise was also seen in white sugar prices with shortage of white sugar in the global market. This has in turn providing an excellent opportunity to the Indian producers to increase sugar export with the advantage of being surrounded by large importing countries like Pakistan. Under the advance licence scheme (A.L.S), Indian Government allows export of sugar only against the export obligation related to raw sugar imported. According to the President of ISMA, India is on a threshold of being a major sugar exporter from being a net importer of sugar.

London Daily Spot Prices

Particulars	10-Feb	09-Feb
LDP Raw FOB \$/MT	392.20	413.40
LDP Raw CIF \$/MT	437.20	458.40
LDP Raw CIF GBP/MT	250.20	263.20
LDP White FOB \$/MT	430.50	444.50
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.

India Likely to Export 5 Lt Sugar in this Season

According to the domestic sugar industry experts, India's sugar exports are expected to be just around half a million tonne in the current sugar year (October-September). According to the President of Indian Sugar Mills Association (ISMA), India has a re-export obligation of around 2 million tonnes till September 2007. Domestic sugar industry is likely to export around 1 million tonnes by the end of 2006 and rest next year. However, as sugar prices are likely to rise up further in the coming 2-3 years, it is unlikely that domestic sugar export would be higher than half a million tonne. According to the ISMA estimates, in the October-January period, India's white sugar exports under the re-export obligation have been less than 1 lakh tonne with most companies waiting for a price rise in the next 2-3 years.

International Sugar Futures Prices

International Futures	Last Settlement (10.02.06)	Change
NYBOT-March (c/lb)	17.66	-0.48
LIFFE-March (\$/MT)	437.30	+2.80

Domestic Prices: Delhi

(Rs/qtl)

Quality	11.02.06	10.02.06	Change
Ready Sugar (M)	2020-2090	2035-2105	-15
Ready Sugar (S)	2000-2070	2015-2085	-15
Mill Delivery	1900-1975	1900-1990	-15
Khandsari	1875-1950	1875-1960	-10
Gur	1300-1500	1300-1500	-
Sulphur	1980-2030	1990-2040	-10

Market Wise Spot Prices:

(Rs/qtl)

Grade	Market	11.02.06	10.02.06
M 30	Muzaffarnagar	2065-2070	2075-2080
	Delhi	2065-2070	2080-2085
	Kolkata	2080-2085	2090-2095
S 30	Chennai	2020-2025	2030-2035
	Kolkata	2060-2065	2070-2075
	Vashi	1975-1980	1995-2000

Weather Forecast

NORTH-WEST Region

Light to moderate rain/snow likely at a few places over Jammu & Kashmir and at isolated places over Himachal Pradesh. Weather will be mainly dry over the region.

EAST Region

Weather will be mainly dry over the region.

NORTH-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.

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

'Yaad E Mostafa' is expected at Tuticorin Port to load 10,000 MT of sugar. St. John agents will be handling the vessel.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.12
1 Euro	52.37
1 British £	77.00
100 Jap. Yen	37.49

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