

SUGAR

07th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Witnessed Stable Sentiment
- NCDEX Sugar: Retraced Back on Increased Buying
- Government Okayed Export of Sugar to Pakistan by Millers

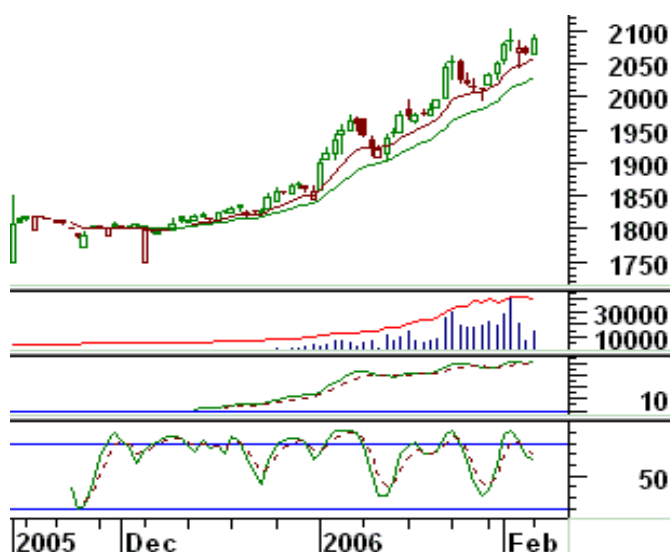
Sugar Futures - Higher Levels Eyed; TCP Notified Tender

Fundamentals

Domestic Sugar Witnessed Stable Sentiment on Monday

The domestic sugar market witnessed mostly firm sentiment at the start of this week. Both the 'M' grade as well as 'S' grade sugar was quoted on an average steady as against Saturday.

The domestic sugar market remained steady during Monday's trade. As traders are cautious at the higher levels and anticipate Government's intervention at the higher price levels, the millers as well as resellers quoted steady price as against Saturday. The sugar price at the South Indian markets remained higher on lower sugar sales quota for February, while prices softened in Maharashtra on higher quota. Pakistan has formally invited bids from foreign suppliers for supply of 50000 metric tonne, five per cent More or Less Seller's Option (MOLSO) white refined crystal sugar in bags (in break bulk) to import from India. The Government of India has also notified that it has no objection if Indian millers successfully bid for exporting sugar to Pakistan. Amidst such situations, the sugar prices are likely to remain firm in the days ahead.



NCDEX -Sugar Futures	Last Traded	Saturday Close	Change
February	2088	2063	+25
March	2132	2108	+24

Future Market Happenings:

NCDEX Sugar: Retraced Back on Increased Buying Support

At the futures market the sugar futures at the NCDEX witnessed a bullish sentiment following a firm opening. The sugar futures retraced back from previous weakness on increased buying support at the lower levels. The February future hovered in the range of 2064.00-2092.00, while the March future fluctuated in the range of 2111.00-2138.00 during Monday's trade. The open interest has declined, while the volume of trade has increased as against Saturday. The sugar prices at the spot as well as futures market are expected to remain firm following a steady to higher opening. However, a downward correction is expected from the higher levels.

Trade Recommendations

Buy NCDEX-February Sugar M near 2080 with target of 2100. **Stop loss** at 2070.

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

NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	2073
Support-2	2056
Previous Close	2088
Resistance-1	2101
Resistance-2	2115

International Markets

NYBOT Sugar

The New York Board of Trade (NYBOT) remained closed on Saturday and Sunday.

London Daily Spot Prices

Particulars	06-Feb	03-Feb
LDP Raw FOB \$/MT	416.70	423.30
LDP Raw CIF \$/MT	461.70	468.30
LDP Raw CIF GBP/MT	263.20	263.60
LDP White FOB \$/MT	453.20	448
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.

News Analysis

RBI: Domestic Sugar Prices to Remain Firm

According to the Third Quarter Review 2005-06 by the Reserve Bank of India, sugar prices are likely to remain firm. According to the report, the sugar prices firmed up during September-December 2005 reflecting declining global sugar inventories. It has been reported that although global production in 2005-06 season (October-September) is expected to increase led by record harvest in Brazil and a recovery in India, higher global sugar consumption especially from the developing countries of the Far East and Latin America and declining stocks in China and India are likely to keep sugar prices firm in the coming months. RBI has attributed the firmness in domestic sugar prices as par with international trends. RBI has estimated that, although sugarcane output in the country is estimated to be higher during 2005-06, depleting stocks coupled with higher export prices are expected to keep domestic prices firm.

Source: Macroeconomic and Monetary Developments - Third Quarter Review 2005-06, RBI

Govt Okayed Export of Sugar to Pakistan by Millers

The Union Government of India has okayed sugar export to Pakistan, if the Indian mills received the order. According to the Agriculture Minister, the ministry has no objection if Indian millers successfully bid for exporting sugar to Pakistan. According to the Minister, Indian millers would fulfil their export obligation on raw sugar import for which additional time was given following demand-supply gap in India last year through supplies to Pakistan. Earlier, Pakistan announced that it would import 50000 tons of white sugar following drop in production during the current marketing year.

Source: PTI

International Sugar Futures Prices

International Futures	Last Settlement (03.02.06)	Change
NYBOT-March (c/lb)	19.30	+0.15
LIFFE-March (\$/MT)	451.30	+4.20

Domestic Prices: Delhi

(Rs/qttl)

Quality	06.02.06	04.02.06	Change
Ready Sugar (M)	2025-2095	2025-2095	-
Ready Sugar (S)	2010-2075	2010-2075	-
Mill Delivery	1880-1980	1880-1980	-
Khandsari	1850-1920	1850-1920	-
Gur	1300-1500	1300-1500	-
Sulphur	1925-1975	1925-1975	-

Market Wise Spot Prices:

(Rs/qttl)

Grade	Market	06.02.06	04.02.06
M 30	Muzaffarnagar	2075-2080	2065-2070
	Delhi	2055-2060	2065-2070
	Kolkata	2080-2085	2075-2080
S 30	Chennai	2045-2050	2045-2050
	Kolkata	2060-2065	2055-2060
	Vashi	1980-1985	1995-2000

Weather Forecast

NORTH-WEST INDIA

Rain/snow likely at a few places over higher reaches of Jammu & Kashmir and isolated over rest Jammu & Kashmir, Himachal Pradesh and Uttaranchal. Weather will be mainly dry over the rest region.

EAST INDIA

Weather will be mainly dry over the region.

NORTHEAST INDIA

Weather will be mainly dry over the region.

SOUTH INDIA

Isolated rain/thundershowers are likely over Nicobar Islands. Weather will be mainly dry in the rest region.

WEST INDIA

Weather will be mainly dry over the region.

CENTRAL INDIA

Weather will be mainly dry over the region.

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

Port Watch

Tuticorin Port is expecting 'Charaka Jaya Niaga' to load 3,000 MT of sugar. St.John agents will be handling the vessel.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.20
1 Euro	53.13
1 British £	77.80
100 Jap. Yen	37.23

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