

SUGAR

06th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Remained Bearish at Weekend
- NCDEX Sugar: Settled Lower on Technical Correction
- Pakistan Likely to Open Wagah Border for Sugar Import

Sugar Futures - Technical Correction

Fundamentals

Domestic Sugar Remained Bearish at Weekend

The domestic sugar market witnessed a bearish sentiment at the weekend. Both the 'M' grade as well as 'S' grade sugar was quoted on an average lower as against Friday.

The domestic sugar market has eased from Thursday's higher level at the weekend. As activity was limited at the higher price levels, the millers as well as the resellers quoted lower price as against Friday. However, the sugar prices at the South Indian markets remained at higher level as the February sugar sales quota remained lower for the Southern states. Indian traders are eyeing export to Pakistan and in another supportive activity the Govt. of Pakistan is likely to allow import of sugar from India via land route. The Trading Corporation of Pakistan is expected to float tender for 50000 tons of sugar very soon. Domestic sugar traders, millers are eyeing further higher levels in the days ahead anticipating good export deals between these two countries. At the international markets, the NYBOT world raw sugar futures rallied to a fresh contract and 25-year highs on Friday. Amidst such situations, the sugar prices are likely to maintain a firm position in the days ahead.



NCDEX -Sugar Futures	Last Traded	Friday Close	Change
February	2061	2073	-12
March	2108	2120	-12

Future Market Happenings:

NCDEX Sugar: Settled Lower on Technical Correction

At the futures market the sugar futures at the NCDEX witnessed a downward trade following a slightly higher opening. The futures traded mostly downwards on increased selling pressure at the higher levels and settled lower near to the day's low in final action. The February future hovered in the range of 2060.00-2075.00 during Saturday's trade. The sugar futures have eased from Thursday's contract highs. The open interest remained almost steady, while the volume of trade remained thin at the weekend. The sugar prices at the spot as well as futures market are expected to witness a downward trade following a steady to weak opening.

Trade Recommendations

Sell NCDEX-February Sugar M near 2060 with **target** of 2040. **Stop loss** at 2070.

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

NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	2040
Support-2	2027
Previous Close	2061
Resistance-1	2069
Resistance-2	2081

International Markets

NYBOT Sugar Rallyed to Fresh Contract, 25-Year Highs on Friday

The New York Board of Trade (NYBOT) world raw sugar futures surged up to a fresh contract and 25-year highs on Friday. However, profit booking pared the initial race, but the futures settled with gains. The NYBOT March future finished 15 points higher at 19.30 cents per pound, while the May future settled 24 points higher at 19.26 cents per pound on Friday. The market opened gapped up and the March future raced to 19.73 cents per pound on trade and fund buying. However, profit taking at the higher levels pressurised the futures and the March future tested 19.25 cents per pound in late action. The market is seen technically and fundamentally bullish enough to test 20 cents per pound in the days ahead.

News Analysis

Pak Likely to Open Wagah Border for Sugar Import

The Pakistani Government is likely to allow import of sugar from India through land borer crossing in order to save time for quick supply. The Wagah border may be opened up for the same purpose. The Pakistani government has also asked the Pakistan Railways to allocate wagons for sugar import from India. Earlier, sugar trade between these two countries used to take place through Wagah border before the import of sugar from India was banned in 2001. The ban was lifted up during 2005 in order to tackle domestic supply shortage in Pakistani market. However, at that time Indian sugar was not allowed to come in overland. Following this, the marginal quantity of Indian sugar that Pakistani traders ordered failed to reach its destination in full. Pakistan is facing severe sugar shortage in this season and consequently the sugar price at the retail market has reached record high levels. With the global sugar prices at historical highs, India came out as the closest and cheapest source of sugar import. With a plan to import 50000 tons of sugar, the trading Corporation of Pakistan would float a tender soon.

London Daily Spot Prices

Particulars	03-Feb	02-Feb
LDP Raw FOB \$/MT	423.30	403.20
LDP Raw CIF \$/MT	468.30	448.20
LDP Raw CIF GBP/MT	263.60	252.60
LDP White FOB \$/MT	448	431.80
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.

USDA Projects Rise in Global Sugar Prices to Continue

According to the USDA, the rise in sugar prices are likely to continue as supply remained tight despite higher production. Earlier the FAO also projected that increased production would be offset by rising consumption and consequently the current price would stabilize at the higher level. According to the USDA, the world sugar production during 2005-06 marketing year is estimated at 144.2 million tonnes, an increase of 3.3 million tonnes over last year. Global consumption is projected to be higher at 142.8 million tonnes, up 1.7 million tonnes over last year. USDA forecasted the world export market at 47.7 million tonnes, an increase of 1.4 tonnes. The sugar production in India is projected to rise by around 4.2 million tonnes in 2005-06.

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/qrtl)

Quality	04.02.06	03.02.06	Change
Ready Sugar (M)	2025-2095	2040-2110	-15
Ready Sugar (S)	2010-2075	2020-2085	-10
Mill Delivery	1880-1980	1900-1995	-15
Khandsari	1850-1920	1850-1925	-5
Gur	1300-1500	1300-1500	-
Sulphur	1925-1975	1950-2000	-25

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	04.02.06	03.02.06
M 30	Muzaffarnagar	2065-2070	2075-2080
	Delhi	2065-2070	2065-2070
	Kolkata	2075-2080	2090-2095
S 30	Chennai	2045-2050	2040-2045
	Kolkata	2055-2060	2060-2065
	Vashi	1995-2000	1995-2000

Weather Forecast

NORTH Region:

Weather will be mainly dry over the region.

EAST Region:

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

SOUTH Region:

Isolated rain/thundershowers are likely over Tamil Nadu and Kerala. Weather will be mainly dry in the rest 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

'Uranus' has berthed at Tuticorin Port and continues to load 5,800 MT of sugar. The vessel is being handled by St.John agents. The port is expecting 'Charaka Jaya Niaga' to load 3,000 MT of sugar. St.John agents will be handling the vessel.

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

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.15
1 Euro	53.06
1 British £	77.81
100 Jap. Yen	37.12

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