

SUGAR

11th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Down as Govt Released Extra Quota
- NCDEX Sugar: Settled Down but Pared Early Slid on Friday
- Govt Releases Additional Quota of 1.5 Lt of Freesale Sugar

Sugar Futures - Govt Released Extra Sugar

Fundamentals

Domestic Sugar Prices Down as Govt Released Extra Quota

The domestic sugar market witnessed a bearish sentiment during Friday's trade. The sugar prices have jumped up during the first half of this week following increased demand from the Eastern and Southern states. However, the market activity was limited at the higher price levels and consequently the millers as well as resellers quoted lower price thereafter. The traders took cautious steps anticipating Government intervention. The Union Government has released an additional quota of 1.5 lakh MTs of freesale sugar for each of February 2006 and March 2006. 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 create a bearish scenario. 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. Amidst such situations, the sugar prices are likely to remain moderately weak in the days ahead.



NCDEX -Sugar Futures	Last Traded	Thursday Close	Change
February	2026	2051	-25
March	2078	2103	-25

Future Market Happenings:

NCDEX Sugar: Settled Down but Pared Early Slid

At the futures market the sugar futures at the NCDEX remained highly bearish following a weak opening at the early hours of trade. The futures traded continuously downwards on increased selling interest and slid to much lower levels. However, moderate buying support at the lower levels pared some of the losses in final action. The February futures hovered in the range of 2008.00-2045.00, while the March futures fluctuated in the range of 2050.00-2097.00 during Friday's trade. The open interest has declined, while the volume of trade has increased as against Thursday. The sugar futures are expected to trade moderately downwards initially and upwards thereafter.

Trade Recommendations

Buy NCDEX-February Sugar M near 2015 with **target** of 2040. **Stop loss** at 2002.

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

NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	2008
Support-2	1992
Previous Close	2026
Resistance-1	2041
Resistance-2	2057

International Markets

NYBOT Sugar Settled Down; Trimmed an Early Surge

The world raw sugar futures at the New York Board of Trade (NYBOT) settled down on Thursday after curbing an early surge as funds liquidated their long positions. The NYBOT March futures finished 65 points down at 18.15 cents per pound, while the May futures settled 53 points lower at 18.25 cents per pound on Thursday. The March futures opened gapped up and surged up to 19.25 cents per pound as trade bought. However, the funds sold and the market turned red to fill the downside gap. The March futures slid to 18.10 cents per pound in final action. Funds did some buying to lend marginal support amidst speculative and local selling. The sugar futures market remained choppy so far in this week with wider ranges of trade.

News Analysis

Govt Releases Additional Quota of 1.5 Lt of Freesale Sugar

The Department of Food & Public Distribution has released an additional quota of 1.5 lakh MTs of freesale sugar for February 2006. Along with this additional quota, the total quota released for February 2006 is 14.5 lakh MTs. It has also been decided that the entire quota for the month of February 2006 must be sold by February 28, 2006. The Department of Food & Public Distribution has also decided to increase the March quota of freesale sugar from 12.50 lakh MTs to 14 lakh MTs., that is, additional quota for March 2006 would be 1.50 lakh MTs. It has also been decided that the entire quota for the month of March 2006 must be sold by March 31, 2006.

The unsold/unlifted freesale sugar during the month would be converted into levy sugar. For this purpose administrative arrangements are also planned for inspection of sugar mills in case of complaint of short sale of sugar. These steps are expected to help in containing the prices of freesale sugar in the open market. The Government may also release additional freesale sugar, if required.

Source: PIB

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.

TN Govt Directed Private Sugar Mills to Pay SAP

According to recently passed order of the Tamil Nadu state Government, the private sugar mills are directed to pay the State Advised Price (SAP) for sugarcane. The private sugar mills were considering themselves out of the SAP and were paying around Rs 1010 per tonne to the sugarcane growers of the state. However, the recent order ensured that the sugarcane growers of the state would gain by around Rs 50-100 per tonne of sugarcane. The state Government has fixed the SAP that each private sugar mill would have to pay to the farmers. The price ranges between Rs 1014-Rs 1128 per tonne. The minimum ensured price is Rs 1014 per tonne of sugarcane with 9 percent sugar recovery. The mills would have to pay additional Rs 8.80 per tonne for every 0.1 percent increase in sugar recovery.

International Sugar Futures Prices

International Futures	Last Settlement (09.02.06)	Change
NYBOT-March (c/lb)	18.15	-0.65
LIFFE-March (\$/MT)	434.50	-8.90

Domestic Prices: Delhi

(Rs/qttl)

Quality	10.02.06	09.02.06	Change
Ready Sugar (M)	2035-2105	2050-2125	-20
Ready Sugar (S)	2015-2085	2035-2105	-20
Mill Delivery	1900-1990	1920-2010	-20
Khandsari	1875-1960	1875-1975	-15
Gur	1300-1500	1300-1500	-
Sulphur	1990-2040	2000-2050	-10

Market Wise Spot Prices:

(Rs/qttl)

Grade	Market	10.02.06	09.02.06
M 30	Muzaffarnagar	2075-2080	2095-2100
	Delhi	2080-2085	2100-2105
	Kolkata	2090-2095	2100-2105
S 30	Chennai	2030-2035	2040-2045
	Kolkata	2070-2075	2075-2080
	Vashi	1995-2000	2005-2010

Weather Forecast

NORTH-WEST Region

Isolated light rain/snow likely over Jammu & Kashmir and Himachal Pradesh on 12th & 13th. Weather will be mainly dry over the rest region.

EAST Region

Isolated rain/thundershowers likely over Sub-Himalayan West Bengal & Sikkim on 10th & 11th. Weather will be mainly dry over the rest region.

NORTH-EAST Region

Isolated rain/thundershowers likely on 10th & 11th over the region.

SOUTH Region

Isolated rain/thundershowers likely over Nicobar Islands. Weather will be mainly dry over the rest 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 \$	44.21
1 Euro	53.01
1 British £	77.24
100 Jap. Yen	37.52

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