

SUGAR

22nd February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Eased Further on Tuesday
- NCDEX Sugar: Retraced Back; Pared Morning Slide
- EU to Reduce Sugar Production for Marketing Year 2006-07

Sugar Futures -Slight Uptrend Likely

Fundamentals

Domestic Sugar Prices Eased Further on Tuesday

The domestic sugar market remained weak on Tuesday. Both the 'M' grade as well as 'S' grade sugar was quoted mostly lower as against Monday.

The sugar prices continue to remain bearish for the last few days. The supply remained at the higher side, while buying interest was limited at the physical markets. Moreover, 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. Meanwhile, Agril Ministry is likely to ask Railways to provide more wagons to facilitate sugar export to Pakistan.

NCDEX Sugar M Grade: MARCH Contract



NCDEX -Sugar Futures	Last Traded	Monday Close	Change
March	2015	2007	+8
April	2076	2071	+5

Future Market Happenings:

NCDEX Sugar: Retraced Back; Pared Morning Slide on Tuesday

At the futures market the sugar futures at the NCDEX witnessed a moderately upward trade following a weak opening. The futures tested day's low at the early hours of trade, but moved upwards on increased buying support at the lower levels. The March contract hovered in the range of 1995.00-2021.00, while the most active April contract fluctuated in the range of 2059.00-2092.00. The open interest has increased, while the volume of trade remained at the lower side as against Monday. The sugar futures are likely to move slightly downwards initially following a steady to firm opening and upward thereafter.

Trade Recommendations

Buy NCDEX-March Sugar M near 2005-2010 with target of 2020, then 2030. **Stop loss** at 1998.

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

NCDEX Sugar M Grade: MARCH Contract

Support-1	1990
Support-2	1977
Previous Close	2015
Resistance-1	2037
Resistance-2	2050

International Markets

NYBOT Sugar

The New York Board of Trade (NYBOT) remained closed on Monday for President Day.

London Daily Spot Prices

Particulars	21-Feb	20-Feb
LDP Raw FOB \$/MT	383.20	379.90
LDP Raw CIF \$/MT	428.20	424.90
LDP Raw CIF GBP/MT	245.50	243.80
LDP White FOB \$/MT	438.00	435.00
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.

News Analysis

EU to Reduce Sugar Production for Marketing Year 2006-07

The top agricultural officials of the European Union (EU) have proposed a one-off cut in EU sugar production by about 17 percent for the 2006-07 sugar marketing year. The EU Agriculture Commissioner has proposed the production of sugar to be cut by a maximum of 3 million metric tons and a minimum of 2 million metric tons. Under WTO rulings, the EU agreed in last November to curb the minimum sugar price by 36 percent over coming 4 years. The sugar prices would be cut by 20 percent with the start of this marketing year from 1st July. According to the European Commission, the one-off cut would be around 2.5 million tons and the Commission would decide in March on dividing the same among the member states. The member states have a total sugar output quota of 17.4 million metric tons.

Indonesia Sugar Production Seen Higher in 2006

The sugar production of Indonesia is expected to rise from 2.3 million tons in 2005 to around 2.5-2.6 million tons in 2006. The increase is attributed to a favourable business environment for the last few years. According to the president of the state-run plantation company PTPN XI, the sugar production is increasing over the last few years as a result of increased sugarcane production with rising sugar prices. Sugar production in Indonesia registered its lowest level of 1.6 million tons in 1999 as a result of lower sugar prices. However, increasing return from the commodity in subsequent years has motivated the growers to bring more acreage under sugarcane and follow modern technologies.

International Sugar Futures Prices

International Futures	Last Settlement (17.02.06)	Change
NYBOT-March (c/lb)	17.33	-0.13
LIFFE-March (\$/MT)	438.90	+2.50

Domestic Prices: Delhi

(Rs/qrtl)

Quality	21.02.06	20.02.06	Change
Ready Sugar (M)	2005-2035	2010-2040	-5
Ready Sugar (S)	1985-2015	1990-2020	-5
Mill Delivery	1865-1925	1870-1930	-5
Khandsari	1860-1960	1870-1970	-10
Gur	1300-1500	1300-1500	-
Sulphur	1960-1990	1960-1990	-

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	21.02.06	20.02.06
M 30	Muzaffarnagar	1990-1995	2010-2015
	Delhi	2005-2010	2015-2020
	Kolkata	2025-2030	2025-2030
S 30	Chennai	1915-1920	1930-1935
	Kolkata	2005-2010	2000-2005
	Vashi	1915-1920	1915-1920

Weather Forecast

NORTH-WEST Region

Isolated rain/snow likely over higher reaches of Jammu & Kashmir on 23rd, which is likely to increase from 24th and extend into Himachal Pradesh. Mainly Dry weather over the rest region. Day temperatures are likely to remain 6-8°C above normal over the region.

EAST Region

Isolated rain/thundershowers likely over Sub-Himalayan West Bengal & Sikkim. Weather will be mainly dry over the rest region. Night temperatures over the region are likely to remain 3-5°C above normal.

NORTH-EAST Region

Rain/thundershowers are likely at a few places over Assam & Meghalaya and Arunachal Pradesh. Mainly dry weather over the rest region.

SOUTH Region

Weather will be mainly dry over the region. Night temperatures over the Peninsula are likely to remain near normal, though the day temperatures will remain 2-3°C above normal.

WEST Region

Weather will be mainly dry over the region. Day and Night temperatures over many parts of Rajasthan are likely to remain 5-8°C above normal.

CENTRAL Region

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

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

Port Watch

'Ocean Venture' has berthed at Tuticorin Port and is continuing to 6,360 MT of sugar. The vessel is being handled by St.John agents.

Tuticorin Port is expecting 'Rainbow Spring' to load 20,200 MT of sugar. Parekh agents will be handling the vessel.

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 \$	44.40
1 Euro	52.95
1 British £	77.42
100 Jap. Yen	37.46

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