

SUGAR

15th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Extended Previous Weakness
- NCDEX Sugar: Settled Down on Increased Selling Interest
- Pakistan Likely to Import 2 Lakh Tons of White Sugar

Sugar Futures - Downtrend to Extend

Fundamentals

Domestic Sugar Prices Extended Previous Weakness

The domestic sugar market witnessed a bearish sentiment during Tuesday's trade. Both the 'M' grade as well as 'S' grade sugar was quoted mostly lower as against Monday.

The sugar prices have eased from a much higher levels attained during the last week. In order to contain free sale sugar prices at the open market 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. These steps are likely to cap further advances in sugar prices and create a bearish scenario in the short-term. 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 slightly bearish in the days ahead.

NCDEX Sugar M Grade: MARCH Contract



NCDEX -Sugar Futures	Last Traded	Monday Close	Change
February	2007	2027	-20
March	2045	2075	-30

Future Market Happenings:

NCDEX Sugar: Settled Down on Increased Selling Interest

At the futures market the sugar futures at the NCDEX witnessed a bearish sentiment following a weak opening. Increased selling pressure at the higher levels has underpinned the downtrend and the futures settled lower near to the day's low in final action. The February contract hovered in the range of 2004.00-2024.00, while the March contract fluctuated in the range of 2045.00-2070.00 during Tuesday's trade. The open interest as well as volume of trade has declined as against Monday. The sugar futures are expected to witness a moderately downward trade following a steady to weak opening initially with possibility of some upward movement later.

Trade Recommendations

Sell NCDEX-March Sugar M near 2045 with **target** of 2030, then 2020. **Stop loss** at 2052.

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

NCDEX Sugar M Grade: MARCH Contract

Support-1	2028
Support-2	2011
Previous Close	2045
Resistance-1	2060
Resistance-2	2075

International Markets

NYBOT Sugar Settled Up on Monday as Trade Bought

The world raw sugar futures at the New York Board of Trade (NYBOT) settled higher on Monday on trade buying. The March contract finished 9 points higher at 17.75 cents per pound, while the May contract settled 6 points higher at 17.91 cents per pound on Monday. The March contract opened higher, but fund selling pressurised the futures and March contract slid to 17.10 cents per pound. However, as trade bought and shorts covered, the market retraced back again and March contract surged up to 18.00 cents per pound. However, fund selling pressurised the March contract, while trade buying lent support at the lower levels. After a midday setback, the March contract reached 17.80 cents per pound in final action to settle in the positive territory.

News Analysis

Pakistan Likely to Import 2 Lakh Tons of White Sugar

According to the Pakistan Commodity Traders Association, the country plans to import around 2 lakh tonnes of white sugar from foreign countries including India to bridge the demand-supply gap. According to the association, bulk of the required sugar would arrive from India within a month and rest from Brazil. Pakistan has produced around 46 million tonnes sugarcane in the sugar year ending November 2005; lower by around 1 million tonnes from the previous year. Recently the Pakistani Government announced that it would import around 50000 tonnes of sugar from India to cap the rising sugar prices in Pakistani market. The Pakistani Government has estimated the sugar production at 3 million tonnes in this season. However, the annual consumption is pegged higher at 3.8 million tonnes. Amidst such situations, the sugar prices have jumped up by around 40 percent in the last couple of months. It has also reported by the Pakistan Commodity Traders Association that two shiploads of 12500 tons each of white sugar from India will reach Karachi port by end of this week, while another 1800 tons will arrive by rail across the Wagah border.

London Daily Spot Prices

Particulars	14-Feb	13-Feb
LDP Raw FOB \$/MT	386.60	387.10
LDP Raw CIF \$/MT	428.60	432.10
LDP Raw CIF GBP/MT	246.70	248.50
LDP White FOB \$/MT	442.10	442.50
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.

Gujarat Molasses Industry Facing Tough Time

The sugarcane by-product molasses is facing a tough time with its export remained banned in Gujarat. Around 3.5-4.5 percent molasses is obtained from each ton of sugarcane. The major part of around 70 percent molasses are consumed by alcohol industry and remaining part by the portable alcohol sector. Earlier, the export of molasses was controlled by the Central Government through export licenses. However, after the decontrol of molasses and alcohol-based industries in 1993, the distribution was handed over to the Industries Commissioner (IC). The Industry Commissioner decides the quantity of molasses to be exported outside the state. The time required for obtaining the permit as well as the quantum allowed to move outside state has created problems in the local industry.

International Sugar Futures Prices

International Futures	Last Settlement (13.02.06)	Change
NYBOT-March (c/lb)	17.75	+0.09
LIFFE-March (\$/MT)	446.20	+8.90

Domestic Prices: Delhi

(Rs/qrtl)

Quality	14.02.06	13.02.06	Change
Ready Sugar (M)	2010-2075	2020-2090	-15
Ready Sugar (S)	1990-2055	2000-2070	-15
Mill Delivery	1890-1960	1900-1975	-15
Khandsari	1875-1935	1875-1935	-
Gur	1300-1500	1300-1500	-
Sulphur	1970-2010	1980-2020	-10

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	14.02.06	13.02.06
M 30	Muzaffarnagar	2055-2060	2065-2070
	Delhi	2060-2065	2075-2080
	Kolkata	2080-2085	2080-2085
S 30	Chennai	2015-2020	2020-2025
	Kolkata	2060-2065	2055-2060
	Vashi	1975-1980	1975-1980

Weather Forecast

NORTH-WEST Region

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

EAST Region

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

NORTH-EAST Region

Rain/thundershowers are likely over at a few places over Assam and Arunachal Pradesh. Weather will be mainly dry over the rest region.

SOUTH Region

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

WEST Region

Isolated rain/thundershowers may occur over Rajasthan during next 24 hours. 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

` Tuticorin Port is loading 3,500 MT of sugar on the vessel `Charaka Jaya Niaga'. St.John agents is handling the vessel.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.22
1 Euro	52.70
1 British £	77.07
100 Jap. Yen	37.73

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