

SUGAR

03rd February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Surged Up on Increased Demand
- NCDEX Sugar: Profit Booking Curbed Rally to Fresh Highs
- NYBOT Sugar Retraced Back as Trade Bought on Wednesday

Sugar Futures - Correction at Higher Levels

Fundamentals

Domestic Sugar Surged Up on Increased Demand

The domestic sugar market extended previous advances during Thursday's trade. The 'M' grade as well as the 'S' grade sugar was quoted much higher as against Wednesday.

The domestic sugar market witnessed a highly bullish sentiment during Thursday's trade. Most of the sugar mills quoted much higher prices, however increased buying activity was reported in the market. The Pakistani Government has recently decided to allow regular sugar import from India and consequently has directed the TCP to float tender for import of 50000 tons of sugar at the earliest from the cheapest and quickest sources, including that of from India. These steps were taken to cap surging sugar prices in Pakistani market and have in turn lifted up the sentiments in our sugar markets. Traders, millers are eyeing further higher levels in the days ahead anticipating good export deals between these two countries. At the international markets, both the raw sugar as well as white sugar futures settled higher on Wednesday on trade buying. Amidst such situation, the domestic sugar prices are likely to remain firm in the days ahead. However, a downward correction is expected at this higher level.



NCDEX -Sugar Futures	Last Traded	Wednesday Close	Change
February	2076	2080	-4
March	2116	2121	-5

Future Market Happenings:

NCDEX Sugar: Profit Booking Curbed Rally to Fresh Highs

At the futures market the sugar futures at the NCDEX witnessed a highly bullish sentiment following a firm opening. The near month February future crossed Rs 2100 per quintal level, while the later month sugar futures also tested fresh contract month highs on increased buying support amidst heavy volume of trade. However, the futures ran into immediate profit taking at these higher levels and slid to settle in negative territory. The February future hovered in the range of 2067.00-2101.00 during Thursday's trade. The sugar prices at the spot as well as futures market are expected to trade slightly upwards initially and downwards thereafter.

Trade Recommendations

Sell NCDEX-February Sugar M near 2080-2085 with target of 2060. **Stop loss** at 2095.

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

NCDEX Sugar M Grade: FEBRUARY Contract

Support-1	2053
Support-2	2039
Previous Close	2076
Resistance-1	2089
Resistance-2	2101

International Markets

NYBOT Sugar Retraced Back as Trade Bought on Wednesday

The New York Board of Trade (NYBOT) world raw sugar futures finished higher on Wednesday as trade bought at the early dips to 1-week lows. The March future finished 27 points higher at 18.29 cents per pound, while the May future settled 24 points higher at 18.20 cents per pound. The March future opened gapped down and dipped to 1-week lows on fund liquidation. However, trade bought at the dips and the market retraced back again to settle at the positive territory. The March-May rollover was brisk ahead of March expiry on late February. The world raw sugar futures traded downwards after testing fresh contract and 24-year highs on last Friday. The March future is seen fundamentally and technically bullish enough to cross its previous high of 18.75 cents per pound.

London Daily Spot Prices

Particulars	02-Feb	01-Feb
LDP Raw FOB \$/MT	403.20	394
LDP Raw CIF \$/MT	448.20	439
LDP Raw CIF GBP/MT	252.60	247.30
LDP White FOB \$/MT	431.80	423
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

Bihar Likely to Get Investors for New Sugar Mills

The new sugar industry promotion policy of Bihar is resulting in fruitful results with entrepreneurs showing interest in setting up sugar mills in the state. Recently the Agriculture minister asked the Bihar government to set up new mills in the state. Following this, the state government announced a new sugar industry promotion policy with an intention to attract investors. Under the policy, interested entrepreneurs would be given a grant of Rs 10 crore and an additional grant of equal amount for setting up distillery and captive power plant in the state. Moreover, the investors would be exempted from tax on purchase of sugarcane and rebate on stamp duty for land registration. Bihar produced around 27 lakh quintals of sugar during 2004-05 sugar season. At the private sector 9 sugar mills are in operation and 15 state owned sugar mills are closed at present.

UP State-mills Not to Provide Incentives to Cane Growers

The Uttar Pradesh Government has ruled out the possibility of providing incentives to sugarcane growers by the state owned sugar mills. It has been reported that the cooperative as well as state owned sugar mills would not provide any incentives to the sugarcane growers. The private sugar mills are paying incentives of around Rs 15 per quintal to the growers in order to ensure adequate supply. However, the cooperative and the state owned sugar mills would follow the state advised price (SAP) announced by the Uttar Pradesh Government.

International Sugar Futures Prices

International Futures	Last Settlement (01.01.06)	Change
NYBOT-March (c/lb)	18.29	+0.27
LIFFE-March (\$/MT)	429.00	+5.00

Domestic Prices: Delhi

(Rs/qrtl)

Quality	02.02.06	01.02.06	Change
Ready Sugar (M)	2040-2105	2000-2065	+40
Ready Sugar (S)	2020-2080	1980-2040	+40
Mill Delivery	1900-1995	1900-1970	+25
Khandsari	1850-1925	1825-1900	+25
Gur	1300-1500	1300-1500	-
Sulphur	1925-1975	1900-1950	+25

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	02.02.06	01.02.06
M 30	Muzaffarnagar	2065-2070	2050-2055
	Delhi	2060-2065	2035-2040
	Kolkata	2105-2110	2070-2075
S 30	Chennai	2020-2025	1980-1985
	Kolkata	2070-2075	2045-2050
	Vashi	1975-1980	1940-1945

Weather Forecast

NORTH Region:

Weather will be mainly dry over the region.

EAST Region:

Isolated rain/thundershowers likely over Arunachal Pradesh, Assam and Sub-Himalayan West Bengal & Sikkim on 4th and 5th. Weather will be mainly dry over the rest region.

SOUTH Region:

Isolated light rain/thundershowers likely over south Tamil Nadu on 4th and 5th. Weather will be mainly dry over the rest region.

WEST Region:

Weather will be mainly dry over the region.

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 \$	44.31
1 Euro	53.37
1 British £	78.48
100 Jap. Yen	37.39

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