

SUGAR

27th February 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Range Bound with Weak Undertone
- NCDEX Sugar: Traded Mostly Range Bound at the Weekend
- ISMA President: Sugar Prices Likely to Rise by 5-7 Percent

Sugar Futures - Range Bound

Fundamentals

Domestic Sugar Prices Range Bound with Weak Undertone

The domestic sugar market remained range bound with a bearish undertone at the weekend. Both the 'M' grade as well as 'S' grade sugar was quoted on an average steady to slightly lower as against Friday.

The sugar prices remained range bound following moderate buying interest at the physical markets. However, supply remained at the higher side with the mills having enough free sale sugar quota for this month and yet to sell the same. 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. Moreover, the demand from bulk consumers is likely to pick up in the coming days. Amidst such situations, sugar prices are likely to remain range bound.

NCDEX Sugar M Grade: MARCH Contract



NCDEX -Sugar Futures	Last Traded	Friday Close	Change
March	2032	2032	-
April	2100	2102	-2

Future Market Happenings:

NCDEX Sugar: Traded Mostly Range Bound at the Weekend

At the futures market the sugar futures at the NCDEX tested day's high initially following an almost steady opening. However, profit booking capped further advances and the market turned downwards through Friday's lows. Moderate buying support at the lower levels supported the futures thereafter and the futures settled with no significant changes in final action. The March contract hovered in the range of 2021.00-2041.00, while the most active April contract fluctuated in the range of 2090.00-2112.00. The sugar futures are likely to trade slightly downwards initially following a steady opening and upward thereafter.

Trade Recommendations

Buy NCDEX-March Sugar M near 2025 with target of 2040, then 2050. Stop loss at 2017.

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

NCDEX Sugar M Grade: MARCH Contract

Support-1	2015
Support-2	1995
Previous Close	2032
Resistance-1	2056
Resistance-2	2073

International Markets

NYBOT Sugar Up on Trade Buying; Curbed Early Losses

The New York Board of Trade (NYBOT) world raw sugar futures settled higher on Friday after retracing back from an initial setback. The NYBOT March contract finished 12 points higher at 17.62 cents per pound, while the active May contract finished 16 points up at 17.80 cents per pound on Friday. The market opened stronger but immediately turned down through Thursday's lows on speculative profit booking. However, trade bought at the dips and the market retraced back again along with shorts covering. With strength in other commodities, the market ended up in the positive territory. The market witnessed choppy trading activity on March liquidation ahead of its expiry on end February.

London Daily Spot Prices

Particulars	24-Feb	23-Feb
LDP Raw FOB \$/MT	392.40	410.10
LDP Raw CIF \$/MT	437.40	455.10
LDP Raw CIF GBP/MT	250.20	259.40
LDP White FOB \$/MT	445.00	460.50
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.

News Analysis

ISMA President: Sugar Prices Likely to Rise by 5-7 Percent

According to the President of Indian Sugar Mills Association (ISMA), the domestic sugar prices are expected to rise by around 5-7 percent in the next few months owing to higher sugarcane prices and firm international trend. With the domestic sugar prices remaining lower than the global sugar prices, export opportunities are seen increasing in the coming days. The sugarcane prices have gone up to Rs 150 per tonne as compared to Rs 107 per tonne last season and consequently would result in higher sugar prices. The ISMA has reportedly informed the Union Agriculture Ministry that rise in domestic sugar prices neither as a result of domestic market forces nor short selling by sugar mills. The rise in domestic sugar prices is attributed to the firm international market trend.

The surge in global sugar prices is a result of end of European sugar regime and consequently lower global sugar supply. As a result the global sugar prices have surpassed the domestic sugar prices, creating huge opportunity to export sugar. The sugarcane acreage in 2006-07 sugar season is also likely to go up as farmers are realizing better returns from growing sugarcane. The domestic sugar production in 2006-07 season is likely to be higher at around 20 million tonnes as compared to an estimated production of 18 million tonnes in 2005-06.

International Sugar Futures Settlement Prices

International Futures	Last Settlement (24.02.06)	Change
NYBOT-May (c/lb)	17.80	+0.16
LIFFE-May (\$/MT)	452.50	+6.50

Domestic Prices: Delhi

(Rs/qtl)

Quality	25.02.06	24.02.06	Change
Ready Sugar (M)	2010-2050	2010-2055	-5
Ready Sugar (S)	1990-2030	1990-2035	-5
Mill Delivery	1870-1945	1870-1945	-
Khandsari	1870-1970	1870-1970	-
Gur	1300-1500	1300-1500	-
Sulphur	1960-1990	1960-1990	-

Market Wise Spot Prices:

(Rs/qtl)

Grade	Market	25.02.06	24.02.06
M 30	Muzaffarnagar	2005-2010	2015-2020
	Delhi	2005-2010	2010-2015
	Kolkata	2030-2035	2050-2055
S 30	Chennai	1900-1905	1895-1900
	Kolkata	2015-2020	2030-2035
	Vashi	1930-1935	1925-1930

Weather Forecast

NORTH-WEST Region

Rain/snow likely at a few places over Jammu & Kashmir and Himachal Pradesh and isolated over Uttaranchal. Isolated rain/ thundershowers over Punjab and north Haryana during next 2-3 days. Day and night temperatures are likely to remain above normal by 4-6° C. Mainly dry weather over the rest region.

EAST Region

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

Isolated rain/thundershowers likely over Nicobar Islands. Weather will be mainly dry over the rest region. Day temperatures likely to remain 2-3° C above normal. Night temperatures are likely to remain 2-3° C below normal.

WEST Region

Isolated rain/thundershowers likely over north Rajasthan. Weather will be mainly dry over the rest region. Day and Night temperatures likely to remain markedly above normal over many parts of the region.

CENTRAL Region

Weather will be mainly dry over the region. Day temperatures are likely to remain 5-7° C above normal over Madhya Pradesh & Chhattisgarh.

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

Port Watch

'Rainbow Spring' has berthed at Tuticorin Port and is continuing to deliver 10,832 MT of sugar. The vessel is being handled by St.John agents.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.36
1 Euro	52.69
1 British £	77.44
100 Jap. Yen	37.95

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