

## SUGAR

06<sup>th</sup> January 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Maintained Strength
- NCDEX Sugar: Rallied but Profit Taking Curbed Some Gains
- UP Sugar Mills Paying Incentives to Ensure Supply

### Sugar Futures to Move Up - Go Long at Corrective Dips

#### Fundamentals

##### Domestic Sugar Prices Maintained Strength

The domestic sugar market witnessed on an average a firm sentiment. The 'M' grade as well as 'S' grade sugar was quoted mostly steady to firm.

The domestic sugar market is likely to witness a firm sentiment in the days ahead. The stockists are in operation with a view of profitable returns in the coming months. The sugar sales quota for January 2006 is lower by 2 lakh tonnes at 12 lakh tonnes and consequently the market sentiments turned in favour of the bulls. The global sugar prices are on the upswing with the NYBOT benchmark world raw sugar future at a fresh 10-year high and likely to cross 15 cents per pound level at the very near future. The Indian companies with export obligations are already making deals to export sugar to Pakistan, Bangladesh and Indonesia. The companies having time left for export obligations are in no hurry to export at this time as the global sugar prices are likely to move up further in the coming months.



#### Future Market Happenings:

##### NCDEX Sugar: Rallied but Profit Taking Curbed Some Gains

At the futures market the sugar futures at the NCDEX witnessed a bullish sentiment following a firm opening. The NCDEX sugar futures are continuously testing fresh contract highs for the last few days and today was no exception. The January future touched a fresh contract high at 1919, while the most active April future crossed the crucial 2000 level. However, profit taking at the higher levels curbed some of the gains in final action. The January future hovered in a higher range of 1895.00-1919.00, while the February future fluctuated in the range of 1910.00-1958.00.

#### Trade Recommendations

**Buy** NCDEX-January Sugar M near/below 1900 with target of 1920, then 1930. **Stop loss** at 1890.

##### NCDEX Sugar M Grade: January Contract

Support-1	1888
Support-2	1875
Previous Close	1907
Resistance-1	1931
Resistance-2	1941

### International Markets

#### NYBOT Sugar Settled Up after Testing Fresh Highs

The world raw sugar futures at the New York Board of Trade (NYBOT) surged up to new contract highs on Wednesday. The futures recovered back from Tuesday's weakness as locals covered shorts and speculators bought. The benchmark March future finished 69 points up at 14.87 cents per pound, while the May future settled 67 points higher at 14.90 cents per pound. The March future opened higher and rallied to previous high of 14.80 cents per pound by the mid-session. The March future surged up in late action and crossed its old contract high at 14.89 cents per pound to touch 14.90 cents per pound as the trade and funds bought in late action. The 15.00 cents per pound level for the March and May contract is seen as an immediate target.

### London Daily Spot Prices

Particulars	05-Jan	04-Jan
LDP Raw FOB \$/MT	315.70	302.70
LDP Raw CIF \$/MT	360.70	347.70
LDP Raw CIF GBP/MT	206.10	198.10
LDP White FOB \$/MT	347.20	333.50
London Freight \$/MT	45	45
London Freight GBP/MT	26	26

### News Analysis

#### UP Sugar Mills Paying Incentives to Ensure Supply

The private sugar mills in Western Uttar Pradesh are providing incentives to the farmers in order to secure their sugarcane requirements. The Uttar Pradesh state government has fixed the state advised price (SAP) for sugarcane at Rs 115 per quintal. However, the private sugar mills are paying more to ensure adequate supply. While, some mills are paying higher sugarcane price by Rs 13 per quintal, some others are offering other incentives like Urea, DAP etc. Consequently, the cooperatives and corporation sugar mills are facing inadequate sugarcane supply at the state advised price. The private mills are blaming the sugar mills of Uttaranchal and Haryana for paying Rs 15-20 per quintal above the state advised prices and as a result the sugar mills of Uttar Pradesh is offering higher incentives to stop cane supply outside the state.

#### Vietnam Likely to Import 40000 Tons of Sugar

Vietnam is going to import 40000 tons of sugar with lower tax upto 20th January in order to cater the increasing domestic demand. Earlier, the Government of Vietnam allowed the import of 40000 tons of refined sugar with an import tariff of only 20 percent instead of the normal rate of 40 percent. The domestic demand for sugar is likely to rise by around 30 percent during late January to early February. Consequent upon the Government's decision, the retail sugar prices went down by as much as VND 10000-12000 (US\$ 0.6-0.8) per kg. The domestic demand for sugar is estimated at 1.2 million tonnes in 2006, while the production is pegged at around 1 million tonnes. During the 2004-05 sugar season, Vietnam produced over 1 million tons, lower by around 11 percent from the previous year. The decline was attributed to prolonged drought period.

### Domestic Prices: Delhi

(Rs/qtl)

Quality	05.01.06	04.01.06	Change
Ready Sugar (M)	1870-1915	1870-1910	+5
Ready Sugar (S)	1855-1900	1855-1895	+5
Mill Delivery	1775-1810	1775-1810	-
Khandsari	1675-1700	1675-1700	-
Gur	1325-1525	1325-1525	-
Sulphur	1775-1800	1775-1800	-

### Market Wise Spot Prices:

(Rs/qtl)

Grade	Market	05.01.06	04.01.06
M 30	Muzaffarnagar	1911-1914	1883-1885
	Delhi	1881-1890	1875-1876
	Kolkata	1930-1932	1919-1921
S 30	Chennai	1775-1778	1771-1773
	Kolkata	1887-1889	1876-1880
	Vashi	1857-1860	1851-1853

### Weather Forecast

#### **NORTH Region:**

Isolated light rainfall/snowfall is likely over higher reaches of Jammu & Kashmir. Weather will be mainly dry over the rest region.

#### **EAST Region:**

Weather will be mainly dry over the region.

#### **SOUTH Region:**

Rain/thundershowers are likely at a few places over Coastal Tamil Nadu & Pondicherry and isolated over Andaman & Nicobar islands, rest Tamil Nadu and Kerala. Weather will be Mainly dry in the rest region.

#### **WEST Region:**

Weather will be mainly dry over the region.

### Port Watch

'Gao Hua' has berthed at Chennai Port and continues to load 5,000 MT of sugar. Interocean agents is handling the vessel.

Mumbai Port is expecting 'Nama' to load 10,200 MT of sugar. POL agents will be handling the vessel.

### FOREX

Foreign Currency	Rs. per unit
1 US \$	44.67
1 Euro	54.05
1 British £	78.36
100 Jap. Yen	38.43

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