

## SUGAR

01<sup>st</sup> March 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Steady to Firm
- NCDEX Sugar: Opened Gap Up but Ran into Profit Taking
- TCP Urged Extension of Border Timing to Facilitate Import

### Sugar Futures - Slightly Bearish

#### Fundamentals

#### Domestic Sugar Prices Remained Steady to Firm on Tuesday

The domestic sugar market witnessed mostly steady to firm sentiment on Tuesday. Both the 'M' grade as well as 'S' grade sugar was quoted on an average steady to firm as against Monday.

The domestic sugar prices remained mostly range bound during Tuesday's trade. Traders found nothing related to sugar from the Budget 2006-07. However, talks are there that Government is likely to extend the time period to sale open market sugar quota for February as huge quantity is still remained unlifted/unsold even on the last day of February. In a supportive activity, Pakistan has awarded 50000 tons sugar import tender to Indian Sugar Exim Corporation at \$478 per ton. Moreover, Indian Agriculture Minister has informed that Pakistan is likely to import 50000 tons sugar from India every two months to bridge the supply-demand gap. According to latest released Economic Survey 2005-06, sugar prices would remain at a reasonable level during 2005-06. However, the domestic industry estimates the prices to rise by 5-7 percent over next few months with higher cane prices resulting into increasing cost of production. Amidst such circumstances sugar prices are likely to remain firm in the coming days.

#### NCDEX Sugar M Grade: MARCH Contract



NCDEX -Sugar Futures	Last Traded	Monday Close	Change
March	2038	2044	-6
April	2109	2114	-5

#### Future Market Happenings:

#### NCDEX Sugar: Opened Gap Up but Ran into Profit Taking

At the futures market the sugar futures witnessed a bearish trade following a firm opening. The sugar futures opened gapped up and tested day's high at the open. However, the futures immediately ran into profit taking and traded downwards thereafter to finish in the negative territory. The March contract hovered in the range of 2035.00-2050.00, while the most active April contract fluctuated in the range of 2108.00-2121.00. The open interest as well as volume of trade has declined as against Monday. The sugar futures are likely to witness a moderately downward trade following a steady to weak opening.

#### Trade Recommendations

**Sell** NCDEX-March Sugar M near 2045 with **target** of 2030, then 2020. **Stop loss** at 2053.

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

#### NCDEX Sugar M Grade: MARCH Contract

Support-1	2020
Support-2	2008
Previous Close	2038
Resistance-1	2052
Resistance-2	2062

### International Markets

#### NYBOT Sugar Slide on Monday Ahead on March Expiry

The world raw sugar futures at the New York Board of Trade (NYBOT) slid to 5-week lows on Monday ahead of March expiry on Tuesday. The front month contracts lost more than 1 cent per pound as March long liquidation pressurised the May and July contracts also. The spillover weakness from other commodities also underpinned the raw sugar market. The NYBOT March contract finished 107 points down at 16.55 cents per pound, while the May contract settled 106 points lower at 16.74 cents per pound on Monday. The market opened lower and traded downwards as speculators sold their March longs ahead of its expiry. However, the downfall was seen purely related to March expiry.

### News Analysis

#### TCP Urged Extension of Border Timing to Facilitate Import

The Trading Corporation of Pakistan (TCP) has urged to extend the Wagah border functioning in order to assist import of sugar from India. Pakistan is facing a severe sugar crisis and to contain surging sugar prices as well as to bridge the gap between demand-supply, has recently allowed regular import of sugar from India. Pakistan has awarded its recent 50000 tons sugar import tender to Indian Sugar Exim Corporation, shipments of which is due within next six weeks. Pakistan faced with a record high sugar price, turned towards India, a country capable of exporting sugar at lower price than other destinations and at lesser time. Meanwhile, the sugar prices in Pakistan market have started sliding and presently quoted around Rs 36.50 per kg ex-mill. However, the downtrend is likely to continue only till the prices slid to Rs 35 per kg ex-mill, as the cost of imported Indian sugar would be around that level.

### Domestic Prices: Delhi

(Rs/qrtl)

Quality	28.02.06	27.02.06	Change
Ready Sugar (M)	2010-2055	2010-2050	+5
Ready Sugar (S)	1990-2035	1990-2030	+5
Mill Delivery	1880-1950	1870-1945	+5
Khandsari	1875-1975	1870-1970	+5
Gur	1300-1500	1300-1500	-
Sulphur	1970-2000	1960-1990	+10

### London Daily Spot Prices

Particulars	28-Feb	27-Feb
LDP Raw FOB \$/MT	367.10	390.70
LDP Raw CIF \$/MT	412.10	435.70
LDP Raw CIF GBP/MT	235.90	250.70
LDP White FOB \$/MT	433.00	450.50
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.

#### Sugarcane Acreage on a Continuous Fall in Punjab

The sugarcane acreage in Punjab has declined from 1.8 lakh hectares to 0.83 lakh hectares over the last couple of years. The sugar mills of the state are yet to pay the sugarcane arrears amounting Rs 39 crore accumulated over the last 3 years to the sugarcane growers. The non-payment of sugarcane arrears is attributed to the poor financial health of the sugar mills in the state. Huge stock of sugar is reported to be lying in those sugar mills, while the Central Government has not allowed the stock to be taken out in the open market. The minimum support price (MSP) of sugarcane in the state is fixed at Rs 115 per quintal, much lower than Rs 135 per quintal in neighbouring state of Haryana.

### International Sugar Futures Settlement Prices

International Futures	Last Settlement (27.02.06)	Change
NYBOT-May (c/lb)	16.74	-1.06
LIFFE-May (\$/MT)	436.00	-16.50

### Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	28.02.06	27.02.06
M 30	Muzaffarnagar	2005-2010	2000-2005
	Delhi	2010-2015	2005-2010
	Kolkata	2040-2045	2035-2040
S 30	Chennai	1905-1910	1905-1910
	Kolkata	2025-2030	2015-2020
	Vashi	1915-1920	1915-1920

### Weather Forecast

#### **NORTH-WEST Region**

Mainly dry weather is likely over the region. Night temperatures over the regions are likely to fall further by 2-3 °C.

#### **EAST Region**

Weather will be mainly dry over the region. Day & night temperatures are likely to fall by 2-3 °C.

#### **NORTH-EAST Region**

Rain/thundershowers are likely at a few places over Assam and Arunachal Pradesh. Mainly dry weather over the rest region. Slight fall in night temperatures is expected in this region also.

#### **SOUTH Region**

Isolated rain/thundershowers likely over Nicobar Islands, Kerala, Telangana & Interior Karnataka. Weather will be mainly dry over the rest region. However, isolated rain/thundershowers are also likely over Tamil Nadu and Coastal Andhra Pradesh from 1st to 3rd March.

#### **WEST Region**

Isolated rain/thundershowers likely over Marathwada and south Madhya Maharashtra. Weather will be mainly dry over the region. Day & night temperatures over Gujarat and Maharashtra are likely to fall by 2-3 °C.

#### **CENTRAL Region**

Weather will be mainly dry over the region. However, isolated rain/thundershowers likely over Vidarbha and south Chhattisgarh between 1st & 3rd March leading to a fall of 2-3° C in temperatures over the region.

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

### Port Watch

No latest vessel position is reported on Tuesday.

### FOREX

Foreign Currency	Rs. per unit
1 US \$	44.44
1 Euro	52.70
1 British £	77.30
100 Jap. Yen	38.24

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