

## SUGAR

18<sup>th</sup> February 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Maintained Bearish Sentiment
- NCDEX Sugar: Settled Down on Increased Selling Interest
- Sugar Industry Majors Likely to Invest Rs 1000 Crore in Bihar

### Sugar Futures - May Recover after Early Weakness

#### Fundamentals

##### Domestic Sugar Prices Maintained Bearish Sentiment

The domestic sugar market maintained the bearish sentiment during Friday's trade. Both the 'M' grade as well as 'S' grade sugar was quoted on an average steady as against Thursday.

The sugar prices continue to witness a bearish sentiment in the domestic sugar market on lack of buying support amidst good supply. The sugar price has eased from a much higher level attained during the last week following Government intervention. 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. 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	Thursday Close	Change
February	1990	1994	-4
March	2023	2046	-23

#### Future Market Happenings:

##### NCDEX Sugar: Settled Down on Increased Selling Interest

At the futures market the sugar futures at the NCDEX witnessed a downward trade following a weak opening. However, the futures got supported at the lower levels and traded range bound thereafter. The February contract hovered in the range of 1972.00-1992.00, while the March contract fluctuated in the range of 2015.00-2045.00 during Friday's trade. The open interest remained steady, while the volume of trade has increased moderately as against Thursday. The sugar futures are expected to trade slightly downwards following a steady to weak opening initially and upwards thereafter.

#### Trade Recommendations

**Buy** NCDEX-March Sugar M near 2010-2015 with **target** of 2035, then 2045. **Stop loss** at 2000.

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

#### NCDEX Sugar M Grade: MARCH Contract

Support-1	2015
Support-2	1998
Previous Close	2023
Resistance-1	2054
Resistance-2	2070

## International Markets

### NYBOT Sugar Settled Down but Pared Early Slid on Thursday

The New York Board of Trade (NYBOT) world raw sugar futures extended previous weakness further on Thursday. However, the futures pared an early slide of more than 1 cent per pound as trade bought at the dips. The March liquidation was busy ahead of March expiry in late February. The NYBOT March contract finished 46 points lower at 17.46 cents per pound, while the May contract settled 49 points lower at 17.63 cents per pound. The near month contracts slid below 17 cents per pound on fund selling along with some producer selling. However, trade buying provided support and the market retraced back again to curb more than half of its early losses and settled above 17 cents per pound in final action.

## News Analysis

### Sugar Industry Majors Likely to Invest Rs 1000 Crore in Bihar

The new sugar industry promotion policy of Bihar has turned up to be a success story with major sugar industry players showing interest to invest worth over Rs 1000 crore. The investments would involve installation of new integrated sugar units as well as capacity expansion of some of the existing units. As per the new policy the subsidy on sugar would be Rs 1.50 per kg in Bihar. The Oudh Sugar Mills, Bajaj Hindusthan, Dhampur Sugars as well as Rajshree Sugar Mills are all in the way to invest in the state. Bihar has 10 operational sugar units at present with a capacity of 37500 TCD. However, the state's share in national sugar output has fallen drastically to around 4 percent, as most of the existing capacity remains idle. Bihar used to have near 1/3rd share of the national sugar production in the 1970s and 1980s.

## London Daily Spot Prices

Particulars	17-Feb	16-Feb
LDP Raw FOB \$/MT	387.10	389.60
LDP Raw CIF \$/MT	432.10	434.60
LDP Raw CIF GBP/MT	248.80	250.60
LDP White FOB \$/MT	438.60	445.50
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.

### China Sugar Prices Rising Despite Sell from Reserve

The sugar price at the Chinese market has skyrocketed even after the Government decided to sell part of its sugar reserve to contain prices. The sugar prices at Chinese market has touched Yuan 5700 (around \$710) per ton, an increase of around Yuan 3000 per ton compared to same period last year. The Chinese Ministry of Commerce, and National Development and Reform Commission have together sold sugar from the country's reserves in this year to stabilize sugar prices. However, this step has failed to contain the sugar prices significantly. The surge in sugar prices has been attributed to hike in import price along with increased speculative activity at the domestic market. China being a major sugar importer has suffered from the rise in international sugar prices in the recent time.

## International Sugar Futures Prices

International Futures	Last Settlement (16.02.06)	Change
NYBOT-March (c/lb)	17.46	-0.46
LIFFE-March (\$/MT)	436.40	-7.40

## Domestic Prices: Delhi

(Rs/qrtl)

Quality	17.02.06	16.02.06	Change
Ready Sugar (M)	2010-2060	2010-2060	-
Ready Sugar (S)	1990-2040	1990-2040	-
Mill Delivery	1890-1950	1890-1950	-
Khandsari	1870-1970	1875-1975	-5
Gur	1300-1500	1300-1500	-
Sulphur	1975-2000	1980-2000	-

## Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	17.02.06	16.02.06
M 30	Muzaffarnagar	2035-2040	2040-2045
	Delhi	2050-2055	2050-2055
	Kolkata	2065-2070	2070-2075
S 30	Chennai	1980-1985	1995-2000
	Kolkata	2045-2050	2045-2050
	Vashi	1940-1945	1945-1950

## Weather Forecast

### NORTH-WEST Region

Largely dry weather is likely over the region. Light rain/snow likely over Jammu & Kashmir and Himachal Pradesh on 19th.

### EAST Region

Isolated rain/thundershowers is likely over Sub-Himalayan West Bengal & Sikkim. Weather will be mainly dry over the rest region. Day & night temperatures over the region are likely to remain 2-5°C above normal.

### NORTH-EAST Region

Rain/thundershowers are likely over at a few places over Assam & Meghalaya and Arunachal Pradesh and isolated over the rest region.

### SOUTH Region

Isolated rain/thundershowers likely over Nicobar Islands. Weather will be mainly dry over the rest region. Night temperatures over the Peninsula are likely to remain near normal.

### WEST Region

Weather will be mainly dry over the region. Day and Night temperatures over Rajasthan and Gujarat are likely to remain significantly above normal.

### CENTRAL Region

Weather will be mainly dry over the region. Day and Night temperatures over Madhya Pradesh and Chhattisgarh are likely to remain significantly above normal.

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

## Port Watch

Loading of 7,500 MT of sugar is continuing at Mumbai Port on the vessel 'Long An'. Mitsutor agents is handling the vessel.

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 \$	44.46
1 Euro	52.86
1 British £	77.18
100 Jap. Yen	37.64

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