

## SUGAR

17<sup>th</sup> February 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Witnessed Range Bound Trade
- NCDEX Sugar: Slightly Lower after Range Bound Trade
- State-Owned Sugar Mills Suffering from Price War

### Sugar Futures - Weak Undertone

#### Fundamentals

##### Domestic Sugar Prices Witnessed Range Bound Trade

The domestic sugar market witnessed a range bound trade with a bearish undertone during Thursday's trade. Both the 'M' grade as well as 'S' grade sugar was quoted on an average steady to lower as against Wednesday.

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	Wednesday Close	Change
February	1992	1995	-3
March	2044	2045	-1

#### Future Market Happenings:

##### NCDEX Sugar: Settled Slightly Lower after Range Bound Trade

At the futures market the sugar futures at the NCDEX opened gapped up but traded mostly downward at the early hours of trade. However, moderate buying interest at the lower levels supported the futures thereafter, but the futures finally settled with marginal losses. The February contract hovered in the range of 1986.00-2007.00, while the March contract fluctuated in the range of 2041.00-2059.00 during Thursday's trade. The sugar futures are expected to trade moderately downwards following a steady to firm opening with possibility of some upward movement later in the session.

#### Trade Recommendations

**Sell** NCDEX-March Sugar M near 2055-2060 with **target** of 2040, then 2030. **Stop loss** at 2067.

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

#### NCDEX Sugar M Grade: MARCH Contract

Support-1	2027
Support-2	2010
Previous Close	2044
Resistance-1	2069
Resistance-2	2085

## International Markets

### NYBOT Sugar Settled Up on Trade Buying in Late Action

The world raw sugar futures at the New York Board of Trade (NYBOT) settled higher on Wednesday. The near month contracts surged up on trade buying in final action. The NYBOT March contract finished 20 points higher at 17.92 cents per pound, while the May contract settled 22 points higher at 18.12 cents per pound on Wednesday. The market opened lower but found support from trade buying and turned upwards. However, the market witnessed choppy trading activity near the unchanged level with busy March-May rollover. The March contract raced to cross 18.00 cents per pound and touched 18.02 cents per pound in late action. In supportive fundamentals, global sugar inventories are projected to be lower in 2005-06 for the third consecutive sugar season.

## News Analysis

### Sweet Time for Domestic Sugar Companies

The things have sweetened for Indian sugar companies with worthwhile export deals in this sugar year. The global sugar market is facing a supply shortage and global sugar inventories are projected to decline in 2005-06 for the third consecutive sugar season. Surrounded by countries like Pakistan, Bangladesh and Sri Lanka, all facing huge demand-supply mismatch, India has emerged out as the only Asian country capable of exporting white sugar. Indian sugar companies are already reaching several locations and further deals are likely in the near future. However, with a rising domestic appetite for the sweetener, India would have a marginal exportable surplus in this sugar year. With the end of the European sugar regime following WTO ruling over sugar subsidy cut, increased demand of cane-ethanol in Brazil, drought hit crop in Thailand and China, global sugar prices have surged up in the recent time. With the global sugar prices at a rising trend, Indian sugar companies are finding better realizations on export obligations with higher profit margins.

## Domestic Prices: Delhi

(Rs/qttl)

Quality	16.02.06	15.02.06	Change
Ready Sugar (M)	2010-2060	2010-2065	-5
Ready Sugar (S)	1990-2040	1990-2045	-5
Mill Delivery	1890-1950	1890-1950	-
Khandsari	1875-1975	1875-1975	-
Gur	1300-1500	1300-1500	-
Sulphur	1980-2000	1980-2000	-

## London Daily Spot Prices

Particulars	16-Feb	15-Feb
LDP Raw FOB \$/MT	389.60	380.70
LDP Raw CIF \$/MT	434.60	425.70
LDP Raw CIF GBP/MT	250.60	244.80
LDP White FOB \$/MT	445.50	440.00
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.

### State-Owned Sugar Mills Suffering from Price War

The state-owned sugar mills are facing a tough time as nearly 17 state-owned sugar mills shut operations well before the end of the sugarcane season. With the private sugar mills paying incentives over the state advised price (SAP) to ensure adequate cane supply, the state-owned sugar mills forced to shut operations after sticking to the SAP. The sugarcane growers found supply to private mills more lucrative than to corporation or cooperative sugar mills. However, the private sugar mills of Uttar Pradesh have alleged that farmers were supplying cane to mills in the neighbouring states, where higher cane prices were paid. The sugarcane season normally starts from October and lasts till end February to March.

## International Sugar Futures Prices

International Futures	Last Settlement (15.02.06)	Change
NYBOT-March (c/lb)	17.92	+0.20
LIFFE-March (\$/MT)	443.80	+0.30

## Market Wise Spot Prices:

(Rs/qttl)

Grade	Market	16.02.06	15.02.06
M 30	Muzaffarnagar	2040-2045	2040-2045
	Delhi	2050-2055	2055-2060
	Kolkata	2070-2075	2070-2075
S 30	Chennai	1995-2000	2005-2010
	Kolkata	2045-2050	2045-2050
	Vashi	1945-1950	1955-1960

## Weather Forecast

### NORTH-WEST Region

Largely dry weather is likely over the region except isolated light rain/snow likely over Jammu & Kashmir, Himachal Pradesh upto next 24 hours. Day temperatures are likely to increase by 2-3°C.

### 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 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 interior Peninsula are likely to remain 2-4°C below normal.

### WEST Region

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

### CENTRAL Region

Weather will be mainly dry over the region. Day and Night temperatures likely to remain 2-3°C 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 \$	44.30
1 Euro	52.66
1 British £	77.05
100 Jap. Yen	37.62

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