

## SUGAR

28<sup>th</sup> February 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Witnessed Stable Sentiment
- NCDEX Sugar: Settled Higher after Initial Surge on Monday
- Pakistan Awarded 50000 Tons Sugar Import Tender to ISEC

### Sugar Futures - Uptrend Likely

#### Fundamentals

##### Domestic Sugar Prices Witnessed Stable Sentiment on Monday

The domestic sugar market remained steady at the start of this week. Both the 'M' grade as well as 'S' grade sugar was quoted mostly steady as against Saturday.

The domestic sugar prices remained mostly range bound during Monday's trade. Traders are waiting for the outcomes of Budget on 28th Feb as already talks are there for impose of VAT on sugar. 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	Saturday Close	Change
March	2044	2034	+10
April	2115	2101	+14

#### Future Market Happenings:

##### NCDEX Sugar: Settled Higher after Initial Surge on Monday

At the futures market the sugar futures at the NCDEX witnessed an upward trade following a firm opening. The sugar futures tested day's high at the early hours of trade on increased buying interest, but remained mostly range bound thereafter. The March contract hovered in the range of 2031.00-2062.00, while the most active April contract fluctuated in the range of 2102.00-2133.00. The open interest remained almost steady, while the volume of trade has increased as against last weekend. The sugar futures are likely to witness a slightly downward trade following a steady to firm opening initially and upward thereafter.

#### Trade Recommendations

**Buy** NCDEX-March Sugar M near 2035-2040 with **target** of 2060-2065. **Stop loss** at 2022.

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

#### NCDEX Sugar M Grade: MARCH Contract

Support-1	2027
Support-2	2015
Previous Close	2044
Resistance-1	2062
Resistance-2	2075

## International Markets

### NYBOT Sugar:

The New York Board of Trade (NYBOT) remained closed on Saturday and Sunday.

## London Daily Spot Prices

Particulars	27-Feb	24-Feb
LDP Raw FOB \$/MT	390.70	392.40
LDP Raw CIF \$/MT	435.70	437.40
LDP Raw CIF GBP/MT	250.70	250.20
LDP White FOB \$/MT	450.50	445.00
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.

## News Analysis

### Econ Survey 2005-06: Sugar Prices to Remain at Reasonable Levels

According to the Economic Survey 2005-06, sugar production declined to around 14 MT in 2003-04 and 2004-05 due to droughts and pest infestation in major sugar producing states like Maharashtra, Tamil Nadu, Andhra Pradesh and Karnataka. Government also increased the statutory minimum price (SMP) of sugarcane from Rs.74.50 per quintal to Rs.79.50 per quintal for the sugar season 2005-06. According to the fourth advance estimates of the Department of Agriculture and Co-operation, sugarcane production for 2004-05 is estimated at 232.3 MT compared to 237.3 MT in 2003-04. As per the first advance estimates, sugarcane production is expected to be 257.7 MT in 2005-06, an increase of 10.9 per cent over that in 2004-05. With higher releases of free sale quota during the lean and festival seasons, and an expected production of 17.5 MT, the prices of sugar exhibited a stable trend during 2005-06 sugar season.

Source: Economic Survey 2005-06, Government of India

### Pak Awarded 50000 Tons Sugar Import Tender to ISEC

Pakistan has awarded 50000 tons sugar import tender to Indian Sugar Exim Corporation (ISEC) at \$478 per ton. The sugar would be imported through sea route instead of land route within next six weeks. The Trading Corporation of Pakistan had received three bids against its tender for import of 50000 tons sugar. The Trading Corporation of Pakistan is likely to float the next sugar import tender during the first half of March. Recently the Pakistan Sugar Mills Association (PSMA) has warned the Pakistan Government of the domestic sugar crisis situation and urged to import around 0.9 million tonnes of sugar to bridge the gap. The ISEC represents the factories in private and public sectors, for undertaking export of sugar and its products.

## 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/qrtl)

Quality	27.02.06	25.02.06	Change
Ready Sugar (M)	2010-2050	2010-2050	-
Ready Sugar (S)	1990-2030	1990-2030	-
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/qrtl)

Grade	Market	27.02.06	25.02.06
M 30	Muzaffarnagar	2000-2005	2005-2010
	Delhi	2005-2010	2005-2010
	Kolkata	2035-2040	2030-2035
S 30	Chennai	1905-1910	1900-1905
	Kolkata	2015-2020	2015-2020
	Vashi	1915-1920	1930-1935

### Weather Forecast

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

Isolated rain/snow likely over Jammu & Kashmir during next 24 hours only. Mainly dry weather over the rest region. Night temperatures over the regions are likely to fall by 2-3 °C.

#### **EAST Region**

Weather will be mainly dry over the 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. However, isolated rain/thundershowers are likely over Tamil Nadu and Kerala over 1st & 2nd March.

#### **WEST Region**

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

#### **CENTRAL Region**

Weather will be mainly dry over the region. Day temperatures are likely to remain 4-6 °C above normal over Madhya Pradesh & Chhattisgarh.

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

### Port Watch

No latest vessel position is reported on Monday.

### FOREX

Foreign Currency	Rs. per unit
1 US \$	44.42
1 Euro	52.70
1 British £	77.45
100 Jap. Yen	38.24

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