

SUGAR

14th April 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Mixed on Thursday
- NCDEX Sugar: Slid to 1-Week Lows on Speculative Selling
- Chinese Forthcoming Auctions Unlikely to Contain Sugar Prices

Sugar Futures - Slid to 1-Week Lows

Fundamentals

Domestic Sugar Prices Remained Mixed on Thursday

The domestic sugar market witnessed a range bound movement with a mixed sentiment during Thursday's trade. At the Muzaffarnagar and Kolkata market it was quoted lower, while at the Delhi and Mumbai market it remained firm. Supplies remained higher than limited demand and consequently the millers as well as resellers quoted lower prices. However, activity was not at the pick with many markets remained closed on celebration of religious festival. Meanwhile, the Government is considering options to impose control on quantity of sugar that individual trader can stock, a practice that was withdrawn few years back. Moreover, the Govt may also set the time limit for said stock. Notably, despite a higher sugar quota released by the Govt for April-June quarter, sugar prices have not shown the desired downtrend. The market remained underpinned by the overseas export demand with the neighbouring countries in urgent need of large quantity of white sugar. Amidst such situations, sugar prices at the domestic markets are likely to witness a bearish sentiment in the short-term.

NCDEX Sugar M Grade: APRIL Contract



NCDEX -Sugar Futures	Last Traded	Wednesday Close	Change
April	1936	1958	-22
May	2052	2075	-23

Future Market Happenings:

NCDEX Sugar: Slid to 1-Week Lows on Speculative Selling

At the futures market the sugar futures at the NCDEX slid following a weak opening. Increased selling interest has pressurised the futures through mid-session and the sugar futures tested 1-week lows. However, the futures recovered some of the losses thereafter, but settled much lower in final action. The near-month April contract hovered in the range of 1921.00-1952.00, while the May contract traded in the range of 2033.00-2073.00. The sugar prices at the futures market are expected to witness slightly downward trade following a steady to weak opening initially and upwards thereafter.

Trade Recommendations

Buy NCDEX-April Sugar M below 1930 with **target** of 1950. **Stop loss** at 1920.

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

NCDEX Sugar M Grade: APRIL Contract

Support-1	1926
Support-2	1911
Previous Close	1936
Resistance-1	1963
Resistance-2	1976

International Markets

NYBOT Sugar Settled Lower as Funds Liquidated May Longs

The New York Board of Trade (NYBOT) world raw sugar futures settled lower after a slid to 3-week lows on Wednesday as funds liquidated May longs ahead of its expiry. The NYBOT May contract finished 24 points down at 16.76 cents per pound, while the July contract settled 14 points lower at 17.06 cents per pound on Wednesday. The volume of trade remained higher amidst busy May-July rollover. The open interest of May contract has also declined significantly in recent time. Meanwhile, at the physical markets Pakistan has awarded its 50000 tons white sugar import tender to a Switzerland firm at \$505 per ton. Bangladesh would tender for 15000 tons white sugar on 22nd April.

News Analysis

Russia Sugar Beet Production to Increase in This Season

According to a latest released attaché report by the Foreign Agricultural Services (FAS) of United States Department of Agriculture (USDA), the Russian sugar beet production and refining is set to grow in this season. It is reported that the sugar beet acreage is expected to grow based on higher profitability and because many winter wheat fields will be resown with sugar beets due to the rainless autumn and cold winter. The prices at domestic market are following world prices and are up significantly. According to the report the raw sugar import volumes will depend on import duties. Russia is considering adjustments to its sugar tariff regime to counteract high world prices. Foreign companies are investing in the sugar processing and substitute industry. The report mentioned that the niche for substitutes is not yet well developed in Russia.

Source: FAS, USDA.

London Daily Spot Prices

Particulars	13.04.06	12.04.06
LDP Raw FOB \$/MT	373.20	379.20
LDP Raw CIF \$/MT	415.20	421.20
LDP Raw CIF GBP/MT	236.80	239.80
LDP White FOB \$/MT	462.50	460.50
London Freight \$/MT	42.00	42.00
London Freight GBP/MT	24.00	24.00

Source: London International Financial Futures and Options Exchange (LIFFE)

Note: Exchange remains closed on Saturday and Sunday.

Chinese Auctions Unlikely to Contain Sugar Prices

According to the Chinese Analysts, the country's decision to auction near 4 lakh tons of white sugar in the coming weeks may cap the continuous uptrend in the short-term, but unlikely to last long if global sugar prices remain high. According to the National Development and Reform Commission (NDRC), the Ministry of Commerce and the Ministry of Finance of China, a total of 368000 tons of reserve white sugar will be sold at four auctions, with each round selling 92000 tons starting next week. The sugar auction is due to output reduction and aimed at stabilizing market supply and prices. Chinese Government has already sold 184000 tons of sugar at two auctions in January in order to contain the surging sugar prices, but failed to get the desired impact.

International Sugar Futures Settlement Prices

International Futures	Last Settlement (12.04.06)	Change
NYBOT-May (c/lb)	16.76	-0.24
LIFFE-May (\$/MT)	462.00	+3.10

Domestic Prices: Delhi

(Rs/qtl)

Quality	13.04.06	12.04.06	Change
Ready Sugar (M)	1980-2060	1980-2060	-
Ready Sugar (S)	1965-2045	1965-2045	-
Mill Delivery	1860-1950	1860-1950	-
Khandsari	1790-1890	1790-1890	-
Gur	1375-1475	1375-1475	-
Sulphur	1900-1960	1900-1960	-

Market Wise Spot Prices:

(Rs/qtl)

Grade	Market	13.04.06	12.04.06
M 30	Muzaffarnagar	2000-2005	2010-2015
	Delhi	2000-2005	1995-2000
	Kolkata	2045-2050	2050-2055
S 30	Chennai	1920-1925	1915-1920
	Kolkata	2020-2025	2025-2030
	Vashi	1965-1970	1975-1980

Weather Forecast

Scattered rainfall activity over western Himalayas and northeastern States is likely to continue.

Increase in rainfall activity over southern peninsula region.

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

Port Watch

Mumbai Port is loading 13,500 MT of sugar on the vessel 'Bunglar Urmi'. JM Baxi agents is handling the vessel. The port is expecting 'Arihant' to load 14,000 MT of sugar. Shaan Marine agents is handling the vessel. Loading of 15,000 MT of sugar is expected at the port on the vessel 'Bolan'. The vessel will be handled by Interocean agents.

FOREX

Foreign Currency	Rs. per unit
1 US \$	45.30
1 Euro	54.88
1 British £	78.45
100 Jap. Yen	38.27

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