

SUGAR

27th April 2006

MAJOR ACTIVITY HIGHLIGHTS

- Sugar Prices Remained Bearish during Wednesday's Trade
- NCDEX Sugar: Settled Up; Curbed Early Losses in Final Action
- Second Shipment of Indian Sugar to Reach Pakistan by end May

Sugar Futures - Higher

Fundamentals

Domestic Sugar Prices Remained Bearish during Wednesday's Trade

The domestic sugar market continues to remain bearish during Wednesday's trade. Both the 'M' grade as well as 'S' grade sugar was quoted lower as against Tuesday. The month end activity has lead to higher supplies by the sugar mills in order to finish their allocated monthly sugar sales quota. The Directorate of Sugar has also directed the sugar mills to sale their entire monthly quota within the month to ensure that the entire quantity arrives at the open market. The unsold non-levy free sale sugar would be converted into compulsory levy quota. Recently, the Government has also revised upwards its sugar production estimates for 2005-06 sugar year at 191 lakh tonnes from earlier estimates of 181.67 lakh tonnes. With bumper production outlook for the coming couple of years, the Government is also planning to increase the sugar export ceiling for 2005-06 from 1 million tonnes to avoid the problem of plenty and to support domestic sugar prices in the years ahead. Amidst such situations, sugar prices are likely to remain bearish in the days ahead.

NCDEX Sugar M Grade: MAY Contract



NCDEX -Sugar Futures	Last Traded	Tuesday Close	Change
May	2037	2027	+10
June	2113	2096	+17

Future Market Happenings:

NCDEX Sugar: Settled Up; Curbed Early Losses in Final Action

At the futures market the sugar futures at the NCDEX witnessed a bearish sentiment following a weak opening. The sugar futures slid to lower levels at the early hours of trade. However, increased buying interest at the lower levels supported the futures thereafter and the futures settled higher near to the day's high in final action. The near-month May contract hovered in the range of 2013.00-2040.00, while the June contract fluctuated in the range of 2085.00-2118.00 during Wednesday's trade. The domestic sugar futures are likely to trade moderately upwards following a steady to firm opening with possibility of late downward movement.

Trade Recommendations

Buy NCDEX-May Sugar M near 2030 with **target** of 2045. **Stop loss** at 2022.

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

NCDEX Sugar M Grade: MAY Contract

Support-1	2017
Support-2	2004
Previous Close	2037
Resistance-1	2049
Resistance-2	2058

International Markets

NYBOT Sugar Lower on May Exodus; Energy Prices

The world raw sugar futures at the New York Board of Trade (NYBOT) settled lower on Tuesday on speculative profit taking amidst busy May liquidation. The May-July rollover was brisk ahead of May exodus on Friday. The NYBOT May contract finished 21 points lower at 16.84 cents per pound, while the July contract settled 25 points lower at 17.13 cents per pound on Tuesday. The market opened firm, but retreated on May-July rollover. The July contract slid to 17.02 cents per pound in late action as funds and speculators liquidated July longs. However, trade buying provided some support and the market pared some of the losses in final action. The market eyed declining crude oil prices after U.S. president's address on rising gasoline prices that seems negative for the short-term but a positive development over long run for sugar industry.

News Analysis

Vietnam Trade Ministry to Regulate Imported Sugar Quotas

The Vietnam Ministry of Trade has recently signed a decision regulating the management of imported sugar quotas this year. It is reported that under the decision, the Ministry would allocate 30 percent of the imported sugar to retail traders for domestic markets, 30 percent to refineries, 30 percent to enterprises requiring sugar for production and the remaining 10 percent is to be stored to stabilise market prices when necessary. According to the Ministry, it would grant licenses to seven large enterprises to import various grades of sugarcane. Notably, Vietnam Government recently permitted to import 160000 tons of sugar for domestic consumption requirements and to contain excessive price hikes by stabilizing the domestic market. However, Vietnamese enterprises could only import a moderate volume of 40000 tonnes as of end March owing to rising international sugar prices. The Ministry of Agriculture and Rural Development had earlier estimated total sugar production from the 2005-2006 crop at 970000 tonnes, while demand is expected to reach 1350000 tonnes, leaving a shortage of 380000 tonnes during this season.

Domestic Prices: Delhi

(Rs/qttl)

Quality	26.04.06	25.04.06	Change
Ready Sugar (M)	2005-2050	2020-2070	-20
Ready Sugar (S)	1990-2035	2005-2055	-20
Mill Delivery	1895-1940	1910-1960	-20
Khandsari	1780-1880	1790-1890	-10
Gur	1425-1525	1425-1525	-
Sulphur	1890-1950	1890-1950	-

London Daily Spot Prices

Particulars	26.04.06	25.04.06
LDP Raw FOB \$/MT	374.60	379.20
LDP Raw CIF \$/MT	416.60	421.20
LDP Raw CIF GBP/MT	233.40	236.00
LDP White FOB \$/MT	473.00	476.80
London Freight \$/MT	42.00	42.00
London Freight GBP/MT	23.50	23.50

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

Note: Exchange remains closed on Saturday and Sunday.

Second Shipment of Indian Sugar to Reach Pakistan by end May

The second consignment of 50000 tonnes of sugar out of the total 150000 tonnes sugar export tender secured by Indian Sugar Exim Corporation would reach Pakistan by end May. It is also learnt that the last consignment of 50000 tonnes would be shipped around that time. That would be the last consignment of sugar from ISEC to Pakistan as of now, since ISEC has not participated in the recent tender by Pakistan owing to quality differentials. ISEC have been exporting white sugar of 100 ICUMSA, but Pakistan asked for sugar of 80 ICUMSA in its recent tender. ICUMSA is a numerical grading system of white sugar, wherein lower number indicates better quality sugar. Pakistan has so far contracted to purchase 275000 tonnes of white sugar from international destinations likely India and UAE.

International Sugar Futures Settlement Prices

International Futures	Last Settlement (25.04.06)	Change
NYBOT-May (c/lb)	16.84	-0.21
LIFFE-Aug (\$/MT)	464.70	-4.20

Market Wise Spot Prices:

(Rs/qttl)

Grade	Market	26.04.06	25.04.06
M 30	Muzaffarnagar	2015-2020	2025-2030
	Delhi	2005-2010	2025-2030
	Kolkata	2050-2055	2055-2060
S 30	Chennai	1925-1930	1930-1935
	Kolkata	2030-2035	2040-2045
	Vashi	1940-1945	1945-1950

Weather Forecast

The depression over southeast Bay of Bengal intensified into a cyclonic storm yesterday evening at 1730 hrs. IST. The cyclone has been named "Mala". It now lies centred today morning at 0830 hours IST near Lat 10.5 °N, Long 89.0°E about 1000 Km southeast of Chennai. The system is likely to intensify further and move initially in a northwesterly direction. Under its influence, fairly widespread rain/thundershowers with isolated heavy to very heavy falls and squally weather are likely over and off Andaman & Nicobar Islands during next 2 days.

Heat wave conditions have set in over parts of North Rajasthan, Haryana, Punjab and Jammu division of Jammu & Kashmir.

With the expected increase in day temperatures the heat wave conditions are likely to extend into more parts of northwest India and some parts of central India during next 2 days.

Isolated heavy to very heavy rainfall likely over Andaman & Nicobar Islands. Squally weather with wind speed reaching 65 kmph is also likely over and off these islands.

Scattered rain/thundershowers likely over northeastern States and West Bengal & Sikkim.

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

Port Watch

'Yaad E Mohammed' has berthed at Mumbai Port and continues to load 15,000 MT of sugar. Razvi agents is handling the vessel. Loading of 15,000 MT of sugar is continuing at Mumbai Port on the vessel 'Bolan'. The vessel is being handled by Interocean agents. Mumbai Port is loading 19,800 MT of sugar on the vessel 'Pacific Sun'. JM Baxi agents is handling the vessel. The port is expecting 'Amar' to load 13,200 MT of sugar. Interocean agents will be handling the vessels. 'Wise King' is expected at the port to load 20,000 MT of sugar. Loading of 6,500 MT of sugar is expected at the port on the vessel 'Lady Kyriaki'. Interocean agents will be handling these vessels.

'Amanath Shah' has berthed at Chennai Port and continues to load 15,000 MT of sugar. Imperial agents is handling the vessel.

FOREX

Foreign Currency	Rs. per unit
1 US \$	45.03
1 Euro	55.92
1 British £	80.40
100 Jap. Yen	39.13

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