

## SUGAR

10<sup>th</sup> April 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Improves on Good demand
- NCDEX Sugar Slightly Higher Eying Strong Fundamentals
- NYBOT Sugar Closes Mixed

### Sugar Futures - Slightly Down

#### Fundamentals

#### Domestic Sugar Prices Slightly Bullish on Good Demand

The domestic sugar market witnessed a slightly bullish sentiment on Saturday. The 'M' grade and S grade sugar both traded firm at most of the spot markets today. Demand is also seen improving at the retail end. The private sugar mills offered sugar on premiums at Delhi spot markets due to increased demand. The prices fell recently after the release of higher sugar quota by the government. But, looking at the prospective demand from the export end the prices have started to recover since last two days. Further, the news that Pakistan government floated fresh tender for sugar import to the tune of 50000 MT, apart from recently issued tender, created hopes for Indian exporters. Bangladesh is also looking for importing sugar. Also, the recent news that, Government would allow the State Trading Corporation (STC) to export around 3-4 lakh tonnes of white sugar is underpinning the sugar prices. Amidst such situations, sugar prices at the domestic markets are likely to trade rangebound to slightly bullish.

#### NCDEX Sugar M Grade: APRIL Contract



NCDEX -Sugar Futures	Last Traded	Tuesday Close	Change
April	1952	1938	+14

#### Future Market Happenings:

#### NCDEX Sugar: Improves Eying Strong Fundamentals

Sugar market witnessed further recovery today after recent fall in the prices after the release of higher sales quota by the Govt. It seems that the sugar market is now starting to eye on the prospective good export demand. Sugar prices at Delhi, Kolkata and Muzaffar Nagar spot markets firmed up today. At the NCDEX sugar futures witnessed recovery of some of its recent losses on strong domestic and global fundamentals for sugar. April futures of Sugar M Grade have traded in the range of Rs 1941-1954 today after opening firm at Rs 1944. The medium term outlook is still bullish with possibility of sugar exports by STC and chances of getting import tender for 50000 MT. In such a scenario the prices are expected to remain rangebound with slightly bullish undertone. .

#### Trade Recommendations

**Buy** NCDEX-April Sugar M near 1947 with **target** of 1962. **Stop loss** at 1936.

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

#### NCDEX Sugar M Grade: APRIL Contract

Support-1	1935
Support-2	1925
Previous Close	1952
Resistance-1	1962
Resistance-2	1981

## International Markets

### NYBOT Sugar Slid on Speculative Selling

World raw sugar futures tumbled on the NYBOT on Friday but initial speculative drop were restricted by trade buying. May-July rollover was brisk and funds rolled out of May longs and trade houses rolled May shorts into July. The prices fell in conjunction with crude oil and other commodities. NYBOT May settled 65 points lower at 17.12 cents and July lost 61 points to 17.22 cents. The May contract fell below 17 cents mark on speculative selling, but buying from a U.S. trade house lent support and locals covered shorts. Thus May retraced part of its losses, getting back above 17.00 cents. Due to heavy rollover, May-July spread widened to 10 points under as compared to 6 points under on Thursday. The fundamentals are still backing the sugar prices. In the same line, the International Sugar Organization looks for another world sugar deficit in 2006-07 after an estimated 2005-06 deficit of 2.225 million tons.

## News Analysis

### Indian Sugar Industry Wishes to Earn from Sugar Exports

Indian sugar this year might occupy a greater share in world sugar market, as the Indian sugar industry intends to increase exports of sugar this year and hopes from the Centre to ease rigid rules formulated on export of Sugar from India. The production estimates are of about 19 million tonnes in the crop year upto coming September. This is around 6 million tonnes greater than last year. India's average consumption of sugar is of about 18 million tonnes and thus gives the industry a chance to earn handsome money through its exports. The Indian Sugar producers believe that there is possibility of more exports to neighboring countries like Srilanka, Bangladesh, Pakistan Malaysia, Indonesia and some other Middle East countries. The sugar consumption in Bangladesh is high and supply this time is less, sugar prices are already high at Taka 64 a Kg as against taka 52 a Kg about 10 days ago. This might draw attention of buyers from Bangladesh to Indian markets as the country will get the commodity at lower prices due to freight advantage.

## Domestic Prices: Delhi(Rs/qrtl)

Quality	08.04.06	07.04.06	Change
Ready Sugar (M)	1980-2040	1975-2035	+5
Ready Sugar (S)	1865-2025	1860-2020	+5
Mill Delivery	1835-1925	1830-1920	+5
Khandsari	1800-1900	1800-1900	-
Gur	1400-1500	1400-1500	-
Sulphur	1900-1950	1900-1950	-

## London Daily Spot Prices

Particulars	07.04.06	06.04.06
LDP Raw FOB \$/MT	394.00	395.50
LDP Raw CIF \$/MT	436.00	437.50
LDP Raw CIF GBP/MT	249.10	248.80
LDP White FOB \$/MT	462.80	468.70
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.

## Pakistan Likely to Exchange Wheat for Indian Sugar

India has given an offer to Pakistan to barter wheat for sugar as the country is facing a shortage of around 1 million tonnes of sugar, according to a senior government official. According to Ashfaque Hasan Khan an adviser to the Finance Ministry, India was looking for an arrangement to barter their sugar for Pakistani wheat. He also concluded that the decision, however, would only be taken after a final estimate on the size of their wheat crop. The wheat production is expected to hit 22 MMT in 2005-06 crop year in Pakistan. Annual domestic demand is a little over 20.8 million tonnes. Agriculture officials would make a final assessment on the crop size in the second week of May.

## International Sugar Futures Settlement Prices

International Futures	Last Settlement (7.04.06)	Change
NYBOT-May (c/lb)	17.12	-0.65
LIFFE-May (\$/MT)	456.5	-6.70

## Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	08.04.06	07.04.06
M 30	Muzaffarnagar	1970-1975	1965-1970
	Delhi	1970-1975	1955-1960
	Kolkata	2015-2020	2010-2015
S 30	Chennai	1910-1915	1905-1910
	Kolkata	1880-1885	1965-1970

	Vashi	1890-1895	1885-1890

<p><b>Weather Forecast</b></p> <p><b>NORTH-WEST Region</b> Mainly dry weather is likely over the region. However isolated to scattered rain /snow likely to commence over Jammu &amp; Kashmir from 8<sup>th</sup> onwards. This activity will increase and extend into Himachal Pradesh and Uttaranchal also. Day temperatures over the region are likely to increase further by 2-3° C during next 2-3 days.</p> <p><b>EAST Region</b> Rain/thundershowers accompanied with hail/squall are likely at a few places over West Bengal &amp; Sikkim and isolated over the rest of the region.</p> <p><b>NORTH-EAST Region</b> Rain/thundershowers at many Places with hail/squall at a few Places are likely over the region.</p> <p><b>SOUTH Region</b> Weather will be mainly dry over the region except isolated rain/thundershowers over South Tamil Nadu and Kerala. Day temperatures are likely to increase in Karnataka and Telangana region.</p> <p><b>WEST Region</b> Weather will be mainly dry over the region with increase in day temperatures.</p> <p><b>CENTRAL Region</b> Weather will be mainly dry over the region. The day temperatures in this region also are likely to increase by 1-2° C.</p> <p>Overall, favourable weather conditions are prevailing over sugarcane areas of North and South India.</p>	<p><b>Port Watch</b></p> <p>‘Dolphin II’ has berthed at Tuticorin Port and continues to load 6,000 MT of sugar. The vessel is being handled by St.John agents.</p> <p>Mumbai Port is loading 18,244 MT of sugar on the vessel ‘Persian’. JM Baxi agents is handling the vessel. ‘Golden Aries’ is expected at the port to load 8,500 MT of sugar. The vessel will be handled by Shaan Marine agents. The port is expecting ‘Arihant’ to load 14,000 MT of sugar. Shaan Marine agents is handling the vessel.</p> <p>‘Manpung’ is expected at Chennai Port to load 12,500 MT of sugar. The vessel will be handled by Albert agents.</p>
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<b>FOREX</b>	
Foreign Currency	Rs. per unit
1 US \$	44.63
1 Euro	53.97
1 British £	77.75
100 Jap. Yen	37.72

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