

## SUGAR

03<sup>rd</sup> April 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Slightly Bearish at the Weekend
- NCDEX Sugar: Slightly Lower Amidst Range Bound Trade
- NYBOT Sugar Slid Eyeing Weakness in Other Commodities

### Sugar Futures - Slightly Down

#### Fundamentals

#### Domestic Sugar Prices Slightly Bearish at the Weekend

The domestic sugar market witnessed a slightly bearish sentiment at the weekend. Both the 'M' grade as well as 'S' grade sugar was quoted on an average steady to lower as against Friday. Demand is reported to be higher from the bulk consumers of the summer season as mercury starts rising up. However, activity remained limited after the release of higher sugar sales quota and also due to weekend activity. The prices firmed up earlier during this week on delay in release of April-June quarterly quota that lead to various speculation about the quantum to be released by the Government for the quarter that signifies higher demand and lean production period. On the last day of March, Government has released 42 lakh tonnes as free sale sugar for the April-June quarter, an increase of 8 lakh tonnes over the same quarter of last year. This is in line with the Government's earlier indication of higher sugar sales quota for this quarter. Meanwhile, according to the Agricultural Minister, Government would allow the State Trading Corporation (STC) to export around 3-4 lakh tonnes of white sugar. Until now, only sugar mills with a re-export obligation are allowed to export sugar. Amidst such situations, sugar prices at the domestic markets are likely to remain weak in the short-term.

#### NCDEX Sugar M Grade: APRIL Contract



NCDEX -Sugar Futures	Last Traded	Friday Close	Change
April	1940	1945	-5
May	2026	2031	-5

#### Future Market Happenings:

#### NCDEX Sugar: Slightly Lower Amidst Range Bound Trade at Weekend

At the futures market the sugar futures at the NCDEX witnessed a range bound trade following a weak opening. Alternate buying and selling interest kept the futures within a tight range at a lower level as against Friday. The volume of trade remained much lower, while the open interest has also declined in the near-month contract as compared to Friday. The near-month April contract hovered in the range of 1932.00-1947.00, while the May contract fluctuated in the range of 2020.00-2036.00. The sugar futures are likely to trade moderately downwards initially following a steady to weak opening and upward thereafter.

#### Trade Recommendations

**Sell** NCDEX-April Sugar M at 1950 with **target** of 1925. **Stop loss** at 1962.

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

#### NCDEX Sugar M Grade: APRIL Contract

Support-1	1916
Support-2	1900
Previous Close	1940
Resistance-1	1957
Resistance-2	1977

### International Markets

#### NYBOT Sugar Slid Eyeing Weakness in Other Commodities

The New York Board of Trade (NYBOT) world raw sugar futures slid on Friday on increased selling interest amidst weakness in other commodities. The May-July rollover was brisk and the May-July premium reduced down by 1 point on Friday. The NYBOT May contract finished 37 points lower 17.90 cents per pound, while the July contract settled 32 points lower at 17.89 cents per pound on Friday, the last trading day of the first quarter of this year. The market went upwards at the early hours of trade after a weak opening. However, the market set back on producer selling along with profit taking. The May contract went down through its recent low, but trade buying provided some support. The market recovered some of its losses on trade buying and some shorts covering in final action.

### London Daily Spot Prices

Particulars	31-Mar	30-Mar
LDP Raw FOB \$/MT	407.20	405.00
LDP Raw CIF \$/MT	449.20	447.00
LDP Raw CIF GBP/MT	258.60	256.90
LDP White FOB \$/MT	479.70	478.60
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.

### News Analysis

#### Govt Released 42 Lakh Tons Freesale Sugar for April-June Quarter

Government has released 42 lakh tonnes of freesale sugar for the quarter April to June 2006. This is 8 lakh tonnes higher than last year's quota for the corresponding period. The freesale sugar quota for April 2006 is 14.5 lakh tonnes and it is required to be sold within the month. Ex-mill and wholesale prices of sugar had declined considerably in March 2006. Retail prices of sugar had also declined in March 2006 at major centres. The enhanced quota of freesale sugar of 42 lakh tonnes for the quarter as well as the April quota of 14.5 lakh tonnes is expected to stabilise the retail prices of sugar at reasonable levels. If sugar prices show any abnormal increasing trend, additional releases shall be made.

Source: Press Release of Ministry of Food & Civil Supplies, Consumer Affairs and Public Distribution

#### Government to Allow STC to Export White Sugar

According to the Agriculture Minister, the Government would allow the State Trade Corporation (STC) to export around 3-4 lakh tonnes of sugar in view of the surplus production expected during this sugar year. The Government is liberalizing sugar export regime and as an initial step STC would be allowed to export sugar. The Government may also allow other public sector companies to export sugar. Earlier, the Agriculture Minister informed that sugar mills are allowed to export sugar from the marketable surplus to meet their re-export obligation, but Government would not allow diversion of levy quota for this purpose.

### International Sugar Futures Settlement Prices

International Futures	Last Settlement (31.03.06)	Change
NYBOT-May (c/lb)	17.90	-0.37
LIFFE-May (\$/MT)	471.70	-7.50

### Domestic Prices: Delhi

(Rs/qrtl)

Quality	01.04.06	31.03.06	Change
Ready Sugar (M)	1970-2040	1970-2045	-5
Ready Sugar (S)	1950-2025	1950-2025	-
Mill Delivery	1860-1925	1870-1925	-
Khandsari	1800-1900	1800-1900	-
Gur	1400-1500	1350-1550	-50
Sulphur	1900-1950	1900-1950	-

### Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	01.04.06	31.03.06
M 30	Muzaffarnagar	1980-1985	1980-1985
	Delhi	1955-1960	1960-1965
	Kolkata	1965-1970	1970-1975
S 30	Chennai	1890-1895	1895-1900
	Kolkata	1935-1940	1940-1945
	Vashi	1855-1860	1855-1860

## Weather Forecast

### NORTH-WEST Region

Rain/snow is likely at a few places over Jammu & Kashmir, Himachal Pradesh and Uttaranchal. Isolated rain/thundershowers likely over Punjab and Haryana, Chandigarh & Delhi. Mainly dry weather is likely over the region from 3rd onwards.

### EAST Region

Isolated rain/thundershowers are likely over West Bengal & Sikkim and coastal Orissa. Mainly dry weather is likely over the rest region.

### NORTH-EAST Region

Mainly dry weather is likely over the region upto 1st. Isolated to scattered rain/thundershowers with isolated hail/squall are likely over the region from 2nd April.

### SOUTH Region

Isolated rain/thundershowers are likely over Nicobar Islands, south Tamil Nadu and Kerala. Weather will be mainly dry over the rest region.

### WEST Region

Weather will be mainly dry over the region with mainly sunny days and increase in temperatures outside north Rajasthan where isolated rain/thundershowers is likely.

### CENTRAL Region

Weather will be mainly dry over the region. The day & night temperatures in this region are likely to increase.

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

## Port Watch

'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.

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.

'Manpung' is expected at Chennai Port to load 12,500 MT of sugar. The vessel will be handled by Albert agents.

## FOREX

Foreign Currency	Rs. per unit
1 US \$	44.59
1 Euro	54.04
1 British £	77.48
100 Jap. Yen	37.86

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