

SUGAR

21st April 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Mostly Steady on Thursday
- NCDEX Sugar: Slipped on Speculative Selling; Recouped Some of Earlier Losses.
- Sugar Exports Norms Likely to Ease in India

Sugar Futures - Range Bound

Fundamentals

Domestic Sugar Prices Remained Mostly Steady on Wednesday

The domestic sugar market witnessed a stable sentiment during Wednesday's trade. Both the prices of 'M' grade as well as 'S' grade sugar were quoted steady to mixed today. Demand remained higher from the bulk consumers of summer season and with tight supplies, the millers as well as resellers quoted steady prices. Market remained supported by overseas demand and recent purchase of 50000 tons white sugar by Trading Corporation of Pakistan from Indian Sugar Exim Corporation at \$491 per ton CNF Karachi. Despite a higher sugar quota released by the Government for April-June quarter, sugar prices have not shown the desired downtrend. The market remained supported by the overseas export demand with the neighbouring countries in urgent need of large quantity of white sugar. Amidst such circumstances, sugar prices are likely to maintain the stable sentiment in the coming days.

NCDEX Sugar M Grade: MAY Contract



NCDEX -Sugar Futures	Last Traded	Wednesday Close	Change
April	1896	1932	-36
May	2065	2080	-15

Future Market Happenings:

NCDEX Sugar: Slipped on Speculative Selling; Recouped Some of Earlier Losses.

At the futures market the sugar futures at the NCDEX witnessed choppy movements today following a firm opening. The prices fell sharply after firm opening to see the lows of 2060. However, buying support at lower levels supported the prices to recoup the half of the initial losses. The April contract opened firm at Rs 2086 and since then it has traded in the range of 2089-2060. The near-month April contract has traded in the range of 1940.00-1892.00. The sugar prices at the futures market are expected to trade moderately downwards following a steady to weak opening.

Trade Recommendations

Sell NCDEX-May Sugar M below 2070 with **target** of 2050. **Stop loss** at 2085.

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

NCDEX Sugar M Grade: MAY Contract

Support-1	2048
Support-2	2039
Previous Close	2065
Resistance-1	2087
Resistance-2	2095

International Markets

NYBOT Sugar Settled Down on May-July Rollover

Sugar futures at NYBOT closed lower on the NYBOT Wednesday wiping out all the initial gains. May-July rolling was brisk as the expiration of front month contract is nearing. Nybot May closed lower 9 points at 17.43 cents per pound, whereas July slipped down 14 points at 17.80 cents. The higher energy prices induced the speculators to buy sugar, which pusher the prices to higher levels, buying from the trade and funds also helped in the process. Selling pressure in the May-July spread and profit taking in the later session however washed away all the initial gains to end the day with moderate losses. As the front month expiration is nearing, the market seems vulnerable on account of May-July rollover, despite strong fundamentals. The May-July spread narrowed by 5 points to 37 points under versus 42 points on Tuesday. The scenario however, is still bullish with higher ethanol demand on high-energy prices.

London Daily Spot Prices

Particulars		19.04.06
LDP Raw FOB \$/MT	384.50	389.60
LDP Raw CIF \$/MT	426.30	431.60
LDP Raw CIF GBP/MT	239.00	241.70
LDP White FOB \$/MT	482.00	487.00
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

Sugar Export Norms to Ease in India?

The lucrative sugar prices in the global market and expected bumper cane production is inducing India to consider a proposal, to ease sugar export rules, according to a report by Reuters. Currently, the government only permits exports by mills that had imported raw sugar duty-free in the last two years. According to this, sugar firms can export 20 lakh tonnes over a period of two years until 2007. The industry has been demanding a relaxation in the rule to allow other mills to sell sugar abroad, because some firms that are required to export against imports were not in a position to meet their obligation. The proposal is being actively considered by the government, however, decision has not yet been finalized and is expected to happen shortly, according to the news. Stringent norms for sugar exports were to ensure that domestic prices do not shoot up in the country. Last month, food minister Sharad Pawar had said that the government would allow STC to export up to 3 lakh tonne of sugar to Pakistan and other countries in the region. Another state-trading firm and private companies have also been asking for permission to export, without being linked to import of raw sugar.

Thailand Sugar Production to Recover in MY 2007

The United States Department of Agriculture in a latest attaché report for Thailand, has forecasted the country's marketing year (MY) 2007 sugar production to recover in anticipation of bumper sugarcane crops. The increase is attributed to acreage expansion and yield improvement assuming normal weather conditions. Most sugarcane is still used for sugar production as cane/molasses-based ethanol plants are still working out trial runs of sugarcane-based ethanol production. Prices of sugarcane will likely remain at high levels in anticipation of increased domestic and export demand for sugar and molasses. The sugar exports will likely rebound in MY 2007 following more exportable supplies from the anticipated bumper sugarcane crops.

International Sugar Futures Settlement Prices

International Futures	Last Settlement (19.04.06)	Change
NYBOT-May (c/lb)	17.43	-0.90
LIFFE-Aug (\$/MT)	474.00	-6.50

Domestic Prices: Delhi

(Rs/qty)

Quality		19.04.06	Change
Ready Sugar (M)	2030-2110	2030-2110	-
Ready Sugar (S)	2015-2095	2015-2095	-
Mill Delivery	1920-2000	1920-2000	-
Khandsari	1800-1900	1800-1900	-
Gur	1400-1500	1400-1500	-
Sulphur	1910-1970	1910-1970	-

Market Wise Spot Prices:

(Rs/qty)

Grade	Market		19.04.06
M 30	Muzaffarnagar	2035-2040	2035-2040
	Delhi	2035-2040	2035-2040
	Kolkata	2085-2090	2080-2085
S 30	Chennai	1935-1940	1935-1940
	Kolkata	2065-2070	2060-2065
	Vashi	1950-1955	1990-1995

Weather Forecast

Bihar, East Uttar Pradesh, Orissa, Jharkhand, West Bengal & Sikkim and northeastern States have experienced rain/thundershowers at many places during past 24 hours. This activity is likely to decrease from today onwards except over northeastern States and Sub-Himalayan West Bengal & Sikkim where it is likely to continue for next 24 hrs. and decrease thereafter.

Day temperatures continue to be 6-8 deg. C below normal over Gangetic plains, central & east India and over northeastern States.

A general increase in the day temperatures is likely over the country during next 3-4 days.

Isolated hail/squall are likely over Bihar, West Bengal & Sikkim and northeastern States.

Scattered rain/thundershower activity over northeastern States is likely to continue.

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

Port Watch

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

Mumbai Port is loading 14,000 MT of sugar on the vessel 'Arihant'. 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. The port is expecting 'Pacific Sun' and 'Amar' to load 19,800 MT and 13,200 MT of sugar respectively. JM Baxi and Interocean agents will be handling these vessels.

FOREX

Foreign Currency	Rs. per unit
1 US \$	45.15
1 Euro	55.72
1 British £	80.74
100 Jap. Yen	38.37

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