

## SUGAR

07<sup>th</sup> April 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Mixed on Thursday
- NCDEX Sugar: Slightly Lower Amidst Mixed Sentiments
- NYBOT Sugar Slid Eyeing on Speculative Selling

### Sugar Futures - Slightly Down

#### Fundamentals

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

The domestic sugar market witnessed a slightly mixed sentiment on Wednesday. The 'M' grade sugar traded steady at most of the spot markets where as S grade sugar traded slightly firm today. Demand is reported to be slightly on lower side due to higher prices. Moreover, in Delhi, government notice to vacate the business complexes operating in non-commercial areas caused subdued activity in the market. The demand remained subdued despite slightly lower prices as compared to the recent highs. Higher quota of sugar released recently by government is hitting the prices down since last three four days. However, the news that Pakistan government floated fresh tender for sugar import to the tune of 50000 MT, creates hopes for Indian exporters. Further, the recent news that, Government would allow the State Trading Corporation (STC) to export around 3-4 lakh tonnes of white sugar is supporting the prices from falling sharply. Amidst such situations, sugar prices at the domestic markets are likely to trade rangebound in a small range, however the prices are likely to remain bullish in the medium run.

#### NCDEX Sugar M Grade: APRIL Contract



| NCDEX -Sugar Futures | Last Traded | Tuesday Close | Change |
|----------------------|-------------|---------------|--------|
| April                | 1926        | 1929          | -3     |

#### Future Market Happenings:

#### NCDEX Sugar: Range Bound Amidst Mixed Sentiments

Sugar market continues to witness bearish sentiment started after the release of higher sales quota by the Govt for the second quarter of the year 2006. The prices at Delhi and Muzaffar Nagar spot markets slipped whereas it remained almost steady at Kolkata. At the NCDEX sugar futures witnessed range bound movements and the prices traded on the both side of no change line though with slightly bearish bias. April futures of Sugar M Grade have traded in the range of Rs 1935-1920 today after opening steady at Rs 1930. The medium term outlook is still bullish with possibility of sugar exports by STC and chances of getting import tender for 50000 MT. However, the short-term scenario seems mixed amidst higher quota released by Govt.

#### Trade Recommendations

**Sell** NCDEX-April Sugar M below 1933 with **target** of 1916. **Stop loss** at 1943.

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

#### NCDEX Sugar M Grade: APRIL Contract

|                |      |
|----------------|------|
| Support-1      | 1912 |
| Support-2      | 1900 |
| Previous Close | 1926 |
| Resistance-1   | 1961 |
| Resistance-2   | 1975 |

## International Markets

### World Raw Sugar Futures Continues Southward Journey

World raw sugar futures dipped further continuing its recent corrective mood on the New York Board of Trade on Wednesday. The prices fell on speculative and funds selling, but trade buying supported late in the session. Nybot May settled 12 points lower at 17.84 cents and July lost 11 points to 17.89 cents. The prices initially stumbled to the chart gap created last week but then buying on higher crude and other commodity prices along with bullish fundamentals of sugar in general supported the prices. Further, the May-July rollover continued briskly and the spread between these contract months widened slightly by 1 point to 5 point under May. The fundamentals are still supportive for sugar with increasing demand for Brazilian, Caribbean and Central American cane-based ethanol. Brazil's ethanol exports will pick up in the forthcoming month as the center-south cane harvest gathers steam. Ban on gasoline additive MTBE will further push the demand for ethanol in United States.

## London Daily Spot Prices

| Particulars           | 06-April | 05-April |
|-----------------------|----------|----------|
| LDP Raw FOB \$/MT     | 395.50   | 395.0    |
| LDP Raw CIF \$/MT     | 437.50   | 435.70   |
| LDP Raw CIF GBP/MT    | 248.80   | 248.50   |
| LDP White FOB \$/MT   | 468.70   | 466.00   |
| 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

### 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 Ashfaq 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.

### Pakistan Issues Tender to Import 50,000 MT Ref Sugar

It would be a great deal if India grasps the import tender of Pakistan for sugar, which is issued by the State-run Trading Corporation of Pakistan. The tender has been issued on Monday to buy 50,000 metric tons of refined sugar. TCP reported in a statement that the interested pre qualified foreign suppliers could submit their bids by April 10. It is the third sugar purchase tender by TCP in 2006. Pakistan imported 50,000 tons of refined sugar at \$473 a ton from Indian Sugar Exim Corp at late last month.

## International Sugar Futures Settlement Prices

| International Futures | Last Settlement<br>(5.03.06) | Change |
|-----------------------|------------------------------|--------|
| NYBOT-May (c/lb)      | 17.84                        | -0.12  |
| LIFFE-May (\$/MT)     | 466.80                       | -3.20  |

## Domestic Prices: Delhi(Rs/qrtl)

| Quality         | 06.04.06  | 05.04.06  | Change |
|-----------------|-----------|-----------|--------|
| Ready Sugar (M) | NA        | 1970-2030 | -      |
| Ready Sugar (S) | NA        | 1855-2015 | -      |
| Mill Delivery   | NA        | 1825-1915 | -      |
| Khandsari       | 1800-1900 | 1800-1900 | -      |
| Gur             | 1400-1500 | 1400-1500 | -      |
| Sulphur         | NA        | 1900-1950 | -      |

## Market Wise Spot Prices:

(Rs/qrtl)

| Grade | Market        | 06.04.06  | 05.04.06  |
|-------|---------------|-----------|-----------|
| M 30  | Muzaffarnagar | 1965-1670 | 1965-1670 |
|       | Delhi         | 1950-1955 | 1950-1955 |
|       | Kolkata       | 2005-2010 | 2005-2010 |
| S 30  | Chennai       | 1905-1910 | 1995-1900 |
|       | Kolkata       | 1965-1970 | 1960-1965 |
|       | Vashi         |           | 1990-1995 |

| <p><b>Weather Forecast</b></p> <p><b>NORTH-WEST Region</b><br/>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><br/>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><br/>Rain/thundershowers at many Places with hail/squall at a few Places are likely over the region.</p> <p><b>SOUTH Region</b><br/>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><br/>Weather will be mainly dry over the region with increase in day temperatures.</p> <p><b>CENTRAL Region</b><br/>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> <p><b>FOREX</b></p> <table border="1"> <thead> <tr> <th>Foreign Currency</th><th>Rs. per unit</th></tr> </thead> <tbody> <tr> <td>1 US \$</td><td>44.69</td></tr> <tr> <td>1 Euro</td><td>54.83</td></tr> <tr> <td>1 British £</td><td>78.59</td></tr> <tr> <td>100 Jap. Yen</td><td>38.24</td></tr> </tbody> </table> | Foreign Currency | Rs. per unit | 1 US \$ | 44.69 | 1 Euro | 54.83 | 1 British £ | 78.59 | 100 Jap. Yen | 38.24 |
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| 100 Jap. Yen   | 38.24   |                  |              |         |       |        |       |             |       |              |       |

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