

## SUGAR

13<sup>th</sup> April 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Eased after Recent Rally
- NCDEX Sugar: Witnessed Bearish Sentiment on Wednesday
- USDA: India to Emerge as Net Sugar Exporter in 2005-06

### Sugar Futures - Remained Bearish

#### Fundamentals

##### Domestic Sugar Prices Eased after Recent Rally

Domestic sugar market failed to carry previous advances further and witnessed a bearish sentiment during Wednesday's trade. Both the 'M' grade as well as 'S' grade sugar was quoted lower on Wednesday as against Tuesday. Supplies have improved amidst restricted demand and consequently the millers as well as resellers quoted lower prices. Meanwhile, the Government is considering options to impose control on quantity of sugar that individual trader can stock, a practice that was withdrawn few years back. Moreover, the Govt may also set the time limit for said stock. However, the market remained underpinned by the overseas export demand with the neighbouring countries in urgent need of large quantity of white sugar. Pakistan has awarded its third 50000 tons sugar import tender to a Switzerland firm at \$505 per ton. Notably, Indian Sugar Exim Corporation, which bagged the first two tender of 50000 tons sugar each, was not bidding for this tender. Amidst such situations, sugar prices at the domestic markets are likely to witness a bearish sentiment in the short-term.

#### NCDEX Sugar M Grade: APRIL Contract



NCDEX -Sugar Futures	Last Traded	Tuesday Close	Change
April	1955	1968	-13
May	2075	2091	-16

#### Future Market Happenings:

##### NCDEX Sugar: Witnessed Bearish Sentiment on Wednesday

At the futures market the sugar futures at the NCDEX witnessed a downward trade following a firm opening. Increased selling interest at the futures market has pressurised the futures throughout the day. The near-month April contract hovered in the range of 1953.00-1973.00, while the May contract traded in the range of 2067.00-2100.00 during Wednesday's trade. The sugar prices at the futures market are expected to witness so downward trade following a steady to weak opening. However, some upward movement is likely in the later session of trade.

#### Trade Recommendations

**Sell** NCDEX-April Sugar M near 1960 with **target** of 1935. **Stop loss** at 1972.

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

#### NCDEX Sugar M Grade: APRIL Contract

Support-1	1933
Support-2	1911
Previous Close	1955
Resistance-1	1968
Resistance-2	1984

## International Markets

### NYBOT Sugar Settled Mixed on Tuesday; May Down on Rollover

The world raw sugar futures at the New York Board of Trade (NYBOT) settled mixed on Tuesday as May contract finished down amidst busy May-July rollover, while the later months contract registering gains. The market pared initial advances following weakness in other commodities. The NYBOT May contract finished 1 point lower at 17.00 cents per pound, while the July contract gained 4 points at 17.20 cents per pound on Tuesday. The futures opened higher on strength in crude oil prices, but trimmed the gains as crude oil traded downwards later. The May contract went below 17.00 cents per pound, but managed to finish at the 17.00 cents per pound level.

## News Analysis

### USDA: India to Emerge as Net Sugar Exporter in 2005-06

According to a latest released attaché report by the Foreign Agricultural Services (FAS) of United States Department of Agriculture (USDA), India is set to emerge as a net sugar exporter in marketing year 2005-06 after being an importer for the last two years. Higher domestic production and firm international sugar prices are the major underlying factors as reported by USDA. The USDA has forecasted exports at 1.5 million tons in marketing year 2006-07 assuming domestic prices remain below international sugar prices. The USDA has ruled out the possibility of sugar imports into India, including raw sugar imports under the Advance License Scheme, keeping in view current price ratio between domestic and international prices. It is reported that India has exported about 148000 tons of sugar through February 2006. Most of these exports were to neighbouring markets like Pakistan, Bangladesh, and Sri Lanka, at C&F prices ranging \$440 to \$480 per ton. The sugar exports during marketing year 2005-06 could reach 600000 tons, mostly to neighbouring Pakistan, Bangladesh, and Sri Lanka. Due to a flare-up in international sugar prices, imports of raw sugar under the ALS have slowed since the start of marketing year 2005-06, with total imports estimated at 50000 tons. Source: FAS, USDA.

## London Daily Spot Prices

Particulars	12.04.06	11.04.06
LDP Raw FOB \$/MT	379.20	383.00
LDP Raw CIF \$/MT	421.20	425.80
LDP Raw CIF GBP/MT	239.80	244.20
LDP White FOB \$/MT	460.50	460.00
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.

### China Sugar Output Pegged at 11.1 MMT in 2006-07

According to the latest attaché report by the USDA, the sugar output of China is estimated at 11.1 million metric tons (MMT), raw value, during the marketing year 2006-07. The estimated production of 2006-07 is higher by 15 percent from the 2005-06 sugar marketing year. Responding to higher sugar prices, cane and beet acreage are forecast to increase by 7 percent over marketing year 2005-06. The sugar import in marketing year 2005-06 is revised to 1.4 MMT from FAS Beijing's previous estimate of 1.3 MMT. It is reported that the wholesale sugar price rose by 50 percent year on year in the beginning of marketing year 2005-06 due to an expected reduction in sugar output. The 2 percent reduction in sugar production in 2005-06 is attributed to the persistent drought in the major cane growing region. The consumption of natural sugar in marketing year 2005-06 is estimated to be lower than the previous year. Source: FAS, USDA

## International Sugar Futures Settlement Prices

International Futures	Last Settlement (11.04.06)	Change
NYBOT-May (c/lb)	17.00	-0.01
LIFFE-May (\$/MT)	458.90	+1.80

## Domestic Prices: Delhi

(Rs/qrtl)

Quality	12.04.06	11.04.06	Change
Ready Sugar (M)	1980-2060	1990-2070	-10
Ready Sugar (S)	1965-2045	1975-2055	-10
Mill Delivery	1860-1950	1870-1965	-15
Khandsari	1790-1890	1800-1900	-10
Gur	1375-1475	1400-1500	-25
Sulphur	1900-1960	1900-1960	-

## Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	12.04.06	11.04.06
M 30	Muzaffarnagar	2010-2015	2025-2030
	Delhi	1995-2000	2005-2010
	Kolkata	2050-2055	2045-2050
S 30	Chennai	1915-1920	1910-1915
	Kolkata	2025-2030	2025-2030
	Vashi	1975-1980	1910-1915

### Weather Forecast

Scattered rainfall activity over northeastern States is likely to continue.

Scattered thundershower activity is likely over Peninsular and East India.

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

### Port Watch

Mumbai Port is loading 13,500 MT of sugar on the vessel 'Bunglar Urmi'. JM Baxi agents is handling the vessel. The port is expecting 'Arihant' to load 14,000 MT of sugar. 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.

### FOREX

Foreign Currency	Rs. per unit
1 US \$	44.93
1 Euro	54.58
1 British £	78.60
100 Jap. Yen	38.03

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