

SUGAR

12th April 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Continued Rally on Tuesday
- NCDEX Sugar: Down as Profit Taking Curbed Early Advances
- Domestic Sugar Industry Upbeat on Record Output Next Season

Sugar Futures - Down on Profit Taking

Fundamentals

Domestic Sugar Prices Continued Rally on Tuesday

Domestic sugar market continues its recent rally further during Tuesday's trade. Both the 'M' grade as well as 'S' grade sugar was quoted mostly higher on Tuesday as against Monday. The physical demand despite being limited at the higher price was enough to outpace lower supplies. The millers are not in a hurry to offload sugar at this point of time anticipating further hike in sugar prices. The market sentiments remained in favour of the bulls despite the second quarterly free sale sugar quota released by the Government is much higher corresponding to the same quarter of the last year. Even, the large April month quota failed to cast the desired bearish impact on the domestic market. The market is eyeing the overseas export demand with the neighbouring countries in urgent need of large quantity of white sugar. The Pakistan Government has floated fresh 50000 tons sugar import tender after it recently tendered for 50000 tons sugar for the third time in this year. Notably, the Indian Sugar Exim Corporation bagged the first two tenders of this year. Amidst such situations, sugar prices at the domestic markets are likely to remain firm in the short-term.

NCDEX Sugar M Grade: APRIL Contract



NCDEX -Sugar Futures	Last Traded	Monday Close	Change
April	1965	1986	-21
May	2088	2103	-15

Future Market Happenings:

NCDEX Sugar: Settled Down as Profit Taking Curbed Early Advances

At the futures market the sugar futures at the NCDEX witnessed some upward movement following a firm opening at the early hours of trade. However, the futures immediately ran into selling pressure and traded downwards thereafter. The near-month April contract hovered in the range of 1959.00-2007.00, while the May contract traded in the range of 2085.00-2135.00 during Tuesday's trade. The sugar prices at the futures market are expected to witness some downward trade following a steady to weak opening initially and upwards thereafter.

Trade Recommendations

Buy NCDEX-April Sugar M near 1955 with **target** of 1980. **Stop loss** at 1942.

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

NCDEX Sugar M Grade: APRIL Contract

Support-1	1950
Support-2	1933
Previous Close	1965
Resistance-1	1999
Resistance-2	2024

International Markets

NYBOT Sugar Settled Lower on Monday Eyeing May Exodus

The New York Board of Trade (NYBOT) world raw sugar futures settled down on Monday as funds liquidated May longs and rolled out. The May contract slid to 2-week lows, but trade buying lent some support. The NYBOT May contract finished 11 points down at 17.01 cents per pound, while the July contract settled 6 points lower at 17.16 cents per pound on Monday. The market opened firm following a strong London white sugar market, but failed to carry initial advances further. The May-July rollover was brisk ahead of May exodus in 3 weeks. The May contract slid to 2-weeks lows, but with trade buying May contract managed to settle above 17 cents per pound. Meanwhile, TCP is looking for another 50000 tons white sugar on 15th April, the fourth such tender in this year by the Pakistan Govt agency.

News Analysis

Domestic Sugar Industry Upbeat on Record Output Next Season

The Indian sugar industry is optimistic about another good year of harvest and a record 22 million tonnes sugar production in the next 2006-07 sugar season. The acreage under sugarcane has increased significantly in this year owing to better realization amidst higher sugar prices. With higher demand for and price of sugar, farmers got timely payment and brought more area under sugarcane. In some states like Uttar Pradesh farmers got more than the State Advised Price for sugarcane as private sugar mills pay premium to ensure adequate sugarcane availability. According to the Indian Sugar Mills Association (ISMA), the domestic sugar output can touch 22 million tonnes with higher acreage reported from all over India. Meanwhile, the Indian Sugar Exim Corporation (ISEC) has shipped the first consignment of 18000 tonnes of sugar and hoped to ship the entire quantity of 1-lakh tonnes by another 4 days. However, the ISEC is not bidding for the third 50000 tons sugar import tender by the TCP.

Domestic Prices: Delhi

(Rs/qrtl)

Quality	11.04.06	10.04.06	Change
Ready Sugar (M)	1990-2070	1980-2050	+20
Ready Sugar (S)	1975-2055	1965-2035	+20
Mill Delivery	1870-1965	1850-1940	+25
Khandsari	1800-1900	1800-1900	-
Gur	1400-1500	1400-1500	-
Sulphur	1900-1960	1900-1950	+10

London Daily Spot Prices

Particulars	11.04.06	10.04.06
LDP Raw FOB \$/MT	383.00	384.00
LDP Raw CIF \$/MT	425.80	426.00
LDP Raw CIF GBP/MT	244.20	243.90
LDP White FOB \$/MT	460.00	457.20
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.

USDA Reported Lower U.S. Sugar Ending Stock

According to the latest released World Agricultural Demand and Supply Estimates (WASDE) report by the United States Department of Agriculture (USDA), the estimated U.S. sugar ending stocks for 2005-06 are decreased 10000 short tons, raw value from last month's estimates. The lower ending stocks are attributed to lower beginning stocks and production that more than offset lower deliveries to manufacturers for re-export in products. The WASDE report highlighted that a 50000 tons reduction in tariff rate quota imports due to increased shortfall is offset by a 50000 tons increase in high-tier sugar imports from Mexico.

Source: WASDE, USDA

International Sugar Futures Settlement Prices

International Futures	Last Settlement (10.04.06)	Change
NYBOT-May (c/lb)	17.01	-0.11
LIFFE-May (\$/MT)	457.10	+0.60

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	11.04.06	10.04.06
M 30	Muzaffarnagar	2025-2030	2000-2005
	Delhi	2005-2010	1980-1985
	Kolkata	2045-2050	2030-2035
S 30	Chennai	1910-1915	1910-1915
	Kolkata	2025-2030	2005-2010
	Vashi	1910-1915	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.

FOREX

Foreign Currency	Rs. per unit
1 US \$	44.75
1 Euro	54.20
1 British £	77.97
100 Jap. Yen	37.70

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