

SUGAR

22nd April 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic Sugar Prices Remained Mostly Weak on Thursday
- NCDEX Sugar: Slipped on Speculative Selling; Recouped all the 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 some weaker sentiment during Friday's trade. The prices of 'M' grade sugars at most of the trade centers quoted lower today, whereas 'S' grade sugar were quoted steady to mixed today. The prices slipped as the higher supply at high prices by millers distorted the demand supply balance. However, good demand from the bulk consumers of summer season supported the prices to restrict the losses. Also, 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. The overseas export demand with the neighbouring countries, which are in urgent need of large quantity of white sugar, is likely to keep supporting the prices in near future. 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	Thursday's Close	Change
May	2065	2065	0
June	2128	2126	+2

Future Market Happenings:

NCDEX Sugar: Slipped on Speculative Selling; Recouped All the Earlier Losses.

At the futures market the sugar futures at the NCDEX however, recovered towards the end of the session after initial weakness to close at no change levels. The prices initially continued yesterday's weakness on speculative selling and the buying support at lower levels pulled the prices up towards the end of the session. The May contract opened weak at Rs 2058 and it traded in the range of 2070-2041 before closing at no change levels of 2065 recouping all the initial losses.

Trade Recommendations

Buy NCDEX-May Sugar M above 2060 with **target** of 2075 then 2085. **Stop loss** at 2048.

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 in Sympathy With Other Commodities

World raw sugar futures at NYBOT stumbled on profit taking and spillover impact of fall in other commodities. The futures however, recovered some of the losses when crude oil, gold and the CRB Index stabilized at lower levels. May-July rolling was brisk as the expiry of front month contract is nearing. May sugar at NYBOT settled down 28 points at 17.15 cents per pound, whereas July closed lower 30 points at 17.50 cents. Speculative buying lifted prices to the higher levels after a weak opening. However, the market eased in conjunction with crude oil and other commodities sank. The market then recovered some of its losses on short covering by locals and buying at lower levels by trade houses. The May-July spread further contracted by 2 points to 35 points under versus 37 points on Wednesday. Looking at the fundamentals the prices should recover as demand for sugar and ethanol from Brazil's giant new crop is expected to be strong.

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.

London Daily Spot Prices

Particulars	21.04.06	20.04.06
LDP Raw FOB \$/MT	377.00	384.50
LDP Raw CIF \$/MT	419.00	426.30
LDP Raw CIF GBP/MT	235.10	239.00
LDP White FOB \$/MT	473.00	482.00
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.

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 (20.04.06)	Change
NYBOT-May (c/lb)	17.15	-0.28
LIFFE-Aug (\$/MT)	472.40	-1.60

Domestic Prices: Delhi

(Rs/qrtl)

Quality	21.04.06	20.04.06	Change
Ready Sugar (M)	2020-2100	2030-2110	-10.00
Ready Sugar (S)	2005-2085	2015-2095	-10.00
Mill Delivery	1910-1990	1920-2000	-10.00
Khandsari	1800-1900	1800-1900	-
Gur	1400-1500	1400-1500	-
Sulphur	1910-1970	1910-1970	-

Market Wise Spot Prices:

(Rs/qrtl)

Grade	Market	21.04.06	20.04.06
M 30	Muzaffarnagar	2030-2035	2035-2040
	Delhi	2025-2030	2035-2040
	Kolkata	2080-2085	2085-2090
S 30	Chennai	1935-1940	1935-1940
	Kolkata	2060-2065	2065-2070
	Vashi	1955-1960	1950-1955

Weather Forecast

The rainfall activity has decreased considerably over east and northeastern States. This activity is likely to remain subdued except isolated rain/thundershowers are likely over Arunachal Pradesh and Assam. This scenario is likely over the country during next 3-4 days. With Jammu and Kashmir increase in rainfall activity over northeast states.

Day temperatures have increased by 1-2 °C over most parts of the country. This tendency is likely to continue for next 3-4 days, however, there are no chances of development of Heat Wave over any part of the country during next 3 days.

Isolated hail/squall are likely over few places of Arunachal Pradesh, Punjab, Haryana, Himachal Pradesh, Marathwada, Madhya Maharashtra and North Rajasthan. Scattered rain/thundershower activity over northeastern States is likely to continue. The weather in the rest of the region is likely to remain dry.

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 \$	45.09
1 Euro	55.40
1 British £	80.15
100 Jap. Yen	38.33

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