

## SUGAR

31st March 2007

### SPOT MARKETS

Sugar spot prices quoted higher at the major markets of Muzaffarnagar, Delhi and Kolkata on some buying support coupled with the announcement of lower free sale quota (FSQ) of sugar for the quarter April to June 2007. Govt. on Thursday released 38 lakh tonnes FSQ for the quarter April-June 2007, which is 5.25 LT below April-June FSQ for 2006 and also lower than the 41 LT FSQ for Jan-Mar 2007. The Govt. has also decided to extend the validity period of non-levy sugar quota of March 2007 up to 15th April 2007, enabling the sugar mills to sell and dispatch the unsold quantity. Moreover, the Maharashtra govt. has waived purchase tax on sugarcane for 2006-07. The waiver will be at a cost of Rs. 100 crore to the state exchequer. The govt. levies 3% tax on sugarcane purchased by mill and those mills that have paid the tax; the amount would be adjusted against their dues for the next year. It is intended to help the co-operative sugar mills that are making losses because of bumper crop coupled with higher cost of production due to lower recovery and low demand during the year. Meanwhile, due to procedural bottlenecks issuance of fresh export permits are held up by the govt. and it is expected that the same would be sorted out soon. Further, the approval of relief package from the Election Commission is awaited.

### FUTURES MARKETS

Sugar futures at NCDEX observed firm sentiment with bullish tone. May contract opened firm at Rs. 1480/qty, up Rs. 4 against the previous close of Rs. 1476/qty and traded upwards on increased buying interest testing a high of Rs. 1490 and finally settled in the positive side. May contract hover in the range of Rs. 1479-1490/qty, while the April contract traded in the range of Rs. 1464-1475/qty. Volume increased significantly while open interest declined marginally.

### PRICE DRIVERS

1. Govt. decided to create buffer stock and to give export subsidy for export of sugar.
2. Estimated bumper production this year
3. Lower FSQ for April-June at 38 LT
4. Weak physical demand
5. Increased supply position in the commodity

### WEATHER

Weather is favourable for harvesting of mid-season sugarcane crop and recently sown seasonal sugarcane.

### Spot Market Prices (Rs./qty)

Origin/Grade	Center	30.03.07	29.03.2007	Change
Ready Sugar (M Grade)	Delhi	1485-1525	1480-1520	+5
Ready Sugar (S Grade)	Delhi	1470-1510	1465-1505	+5
Mill Delivery	Delhi	1400-1440	1395-1435	+5

### TECHNICALS

NCDEX May contract; candlestick chart pattern exhibits indecisive market and weakness in prices. Technical indicator Stochastic and RSI is rising in neutral region. MACD is in negative territory and moving slightly upward. Prices closed above both the 9 days and 18 days EMA that indicates firmness in prices. Market is expected to trade upwards following a steady to slightly weak opening with possibility of slight late downward movement.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-May Contract	1475	1469	1480	1505	1513

### TRADE RECOMMENDATION:

**BUY** NCDEX - May Sugar M above 1483 with **target** towards 1491 and then 1495. **Stop loss** near 1478 Do not carry-forward the position until the next day.

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