

SUGAR

9th March 2007

SPOT MARKETS

Sugar prices remained flat at Delhi on subdued trading activity while continued to decline at Muzaffarnagar and Kolkata amidst weak demand and ample supply. Further, with estimated bumper cane crop of 315.5 million tonnes, mills this year will end up crushing well on to the peak summer period. In UP, mills will continue crushing till mid-May, while in Maharashtra, the duration would be extended the most and slated to take place right till end-May. Last year mills had stopped operation by the middle of April in UP and by mid-March in Maharashtra. In effect, recovery rates tend to fall after February. Average recovery so far in Maharashtra at 11.14% lower than the 11.63% of 2005-06 and is likely to go below 11% by the end of the season. To compensate, Maharashtra government has announced incentives for mills to prolong operations till entire cane gets crushed. It has announced, for every 1% point drop in recovery after April 16, mills are entitled to a compensation of Rs. 50/tonne and Rs. 100/tonne after April 30. Further, they are being given a transport subsidy of Rs. 45/tonne, if cane is purchased at a distance of 50-100 km, Rs. 80 for 101-150 km and Rs. 150 for distance 151 km and more.

FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with slightly bullish tone. April contract opened firm at Rs. 1473, up Rs. 2 against the previous close of Rs. 1471 and traded downward thereafter testing a low of Rs. 1466. However, buying interest at lower level supported the futures to trade upwards and settled flat at its previous close. April contract moved in the range Rs. 1477-1466/qty, while March contract fluctuated in the range of Rs. 1528-1512/qty. Volume increased significantly while open interest increased marginally.

PRICE DRIVERS

1. Weak physical demand; ample supply from mills
2. Crushing at its pick in UP and Maharashtra
3. Higher FSQ for March; Expected bumper production in sugar
4. Mills to sell sugar not below levy prices

WEATHER

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

TECHNICALS

NCDEX April contract, candlestick chart pattern exhibits indecisive market. Technical indicator Stochastic and RSI is in neutral region and rising. MACD is rising in negative territory, which shows decrease in bearish momentum. 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 firm opening with possibility of slight late downward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1465	1460	1471	1490	1497

TRADE RECOMMENDATION:

BUY NCDEX - April Sugar M above 1474 with **target** towards 1482 then second target of 1485. **Stop loss** near 1469. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	08.03.07	07.03.07	Rs./qty
Ready Sugar (M Grade)	Delhi	1465-1495	1465-1500	-5
Ready Sugar (S Grade)	Delhi	1450-1480	1450-1485	-5
Mill Delivery	Delhi	1380-1410	1380-1415	-5

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>