

## SUGAR

8th March 2007

### SPOT MARKETS

Sugar prices eased further in the major markets of Muzaffarnagar, Delhi and Kolkata amidst lack of buying support and increased supply from mills. The government, meanwhile, is considering de-controlling the sugar sector. It is planning to get rid of the levy quota system in the sugar sector from April 1, 2007 so as to allow mills sell their entire produce in the open market. It may also do away with the MSP for cane to allow farmers get better deal. Farmers may also be allowed to undertake contract farming instead of being tied to just one mill through cane-area reservation. Further, to improve their profitability, the government plans to dismantle the release control mechanism that dictates the quantity of sugar each mill should sell every month. However, the government would continue to exercise control on how much sugar a mill can export. The proposal to decontrol the sugar industry is now being circulated among various ministries for comments. It is expected to be placed before an empowered group of ministers shortly.

### FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with bearish undertone. April contract opened firm at Rs. 1472, up Rs. 3 against the previous close of Rs. 1469 and upward on buying interest and tested a high of Rs. 1477 and finally settled in the positive territory. April contract moved in the range Rs. 1477-1467/ctl, while March contract fluctuated in the range of Rs. 1521-1513/ctl. Volume increased significantly while open interest declined marginally.

### PRICE DRIVERS

1. Weak physical demand
2. Crushing at its pick in UP and Maharashtra
3. Increased supply from mills
4. Estimated bumper production in sugar
5. 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	1460	1452	1470	1486	1490

### TRADE RECOMMENDATION:

**BUY** NCDEX - April Sugar M above 1472 with **target** towards 1480 then second target of 1482. **Stop loss** near 1468. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./ctl

Origin/Grade	Center	07.03.07	06.03.07	Change
Ready Sugar (M Grade)	Delhi	1465-1500	1465-1505	-5
Ready Sugar (S Grade)	Delhi	1450-1485	1450-1490	-5
Mill Delivery	Delhi	1380-1415	1380-1420	-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>