

SUGAR

12th April 2007

SPOT MARKETS

Sugar spot prices eased further at Delhi and Muzaffarnagar on lack of buying support against ample supply from mills, while it remained firm in Kolkata on some buying support for bulk consumers. The dwindling sugar prices and unaffordable export coupled with bumper production and a huge carry over stock during the current sugar season 2006-07, making it impossible for the sugar units to pay atleast the statutory minimum price to the cane growers. In effect, farmers are making an exit from growing sugarcane, which adversely affects the acreage. Further, the Election Commission's approval over the relief package, which the Govt. has announced earlier, is still awaited due to ongoing elections in UP and the special package, which Maharashtra cabinet has announced on Tuesday, is forwarded to the Chief Minister of Maharashtra for its consideration. Some improvement is expected in prices if both the above-mentioned package is implemented. In Thailand, sugarcane production is expected to reach 64.37 million tons during the current sugar season, up 2.4% from 62.85 million tons last year.

FUTURES MARKETS

Sugar futures at NCDEX observed weak sentiment with bearish undertone. May contract opened weak at Rs. 1413/qty, down Rs. 2 against the previous close of Rs. 1415/qty and traded downwards on increased selling pressure testing a low of Rs. 1386/qty and finally settled in the negative territory. May contract moved in the range of Rs. 1386-1413/qty, while the April contract traded in the range of Rs. 1379-1402/qty. Volume increased significantly while open interest increased 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. Increased sugarcane estimate at 322.94 MMT
5. In Gujarat sugar industry sets fixed floor price
6. Maharashtra sugar mills slash their export floor price

WEATHER

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

Spot Market Prices (Rs./qty)

Origin/Grade	Center	11.04.07	10.04.2007	Change
Ready Sugar (M Grade)	Delhi	1460-1490	1470-1510	-20
Ready Sugar (S Grade)	Delhi	1445-1475	1455-1495	-20
Mill Delivery	Delhi	1375-1405	1385-1425	-20

TECHNICALS

NCDEX May contract; candlestick chart pattern exhibits bearish sentiment and weakness in prices. Technical indicator Stochastic and RSI is moving downwards in oversold region. MACD is moving downward in negative region, which show increase in bearishness. Prices closed far below the short term EMA that indicates short-term weakness in prices. Market is expected to trade downwards following steady to slightly firm opening.

NCDEX Sugar M Grade May Contract:



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-May Contract	1378	1374	1392	1399	1403

TRADE RECOMMENDATION:

SELL NCDEX - May Sugar M below 1394 with **target** towards 1386 then second target at 1384. **Stop loss** near 1398. Do not carry-forward the position until the next day.

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