

## SUGAR

11th April 2007

### SPOT MARKETS

Sugar spot prices eased further at the major markets of Muzaffarnagar and Delhi on weak demand against ample supply, while prices improved slightly in Kolkata on some demand from bulk buyers. With the bumper sugarcane crop and inability of sugar industry to crush the excess cane, the Maharashtra Cabinet, on Monday, cleared a special package for the sugar industry. The package comprises an export subsidy of Rs 1,000/tonne for 2007-08, a transport subsidy of Rs 2/km/tonne and a subsidy for loss in sugar recovery (on an average Rs 130 for 1% reduction in sugar recovery). This package is in addition to the government's decision to exempt sugarcane from the purchase tax and it will cost around Rs 200 crore to the Govt. Further, China exported 19,092 metric tons of sugar in March and 41,540 tonnes during January-March period this year, which is down 24.7% from 55,142 tonnes during the same period last year.

### FUTURES MARKETS

Sugar futures at NCDEX observed weak sentiment with bearish undertone. May contract opened firm at Rs. 1425/qrtl, up Rs. 2 against the previous close of Rs. 1423/qrtl and tested an intraday high of Rs. 1435/qrtl. However, futures tumbled thereafter on increased selling pressure and settled in the negative side. May contract moved in the range of Rs. 1413-1435/qrtl, while the April contract traded in the range of Rs. 1402-1427/qrtl. Volume and open interest increased significantly.

### 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. Gujarat sugar industry association 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.

### 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 bearish momentum. Prices closed below the short term EMA that indicates short-term weakness in prices. Market is expected to trade downwards following steady to slight firm opening.

### NCDEX Sugar M Grade May Contract:



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-May Contract	1400	1395	1415	1425	1430

### TRADE RECOMMENDATION:

**SELL** NCDEX - May Sugar M below 1419 with **target** towards 1411 then second target at 1409. **Stop loss** near 1423. Do not carry-forward the position until the next day.

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

Origin/Grade	Center	10.04.07	09.04.2007	Change
Ready Sugar (M Grade)	Delhi	1470-1510	1475-1515	-5
Ready Sugar (S Grade)	Delhi	1455-1495	1460-1500	-5
Mill Delivery	Delhi	1385-1425	1390-1430	-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