

SUGAR

May 25, 2007

MARKETS

Amidst improved demand against ample supplies, spot prices of sugar remained unmoved at the major markets of Muzaffarnagar and Kolkata. Prices improved at Delhi on improved demand from bulk consumers. Country's sugar output is expected to cross 27 MMT and total availability would be over 30 MMT (including carryover stock of 4 MMT). Thus, no major uptrend is expected in prices in medium to long term. Moreover, world sugar production has been revised up by 2.4 MMT to a record 162.6 MMT. Govt. is considering creation of additional sugar buffer stock of 3 MMT above 2 MMT buffer stock created in March, in the wake of revised sugar production estimate of 27 MMT, for transferring the cost of carrying commodity from companies to government and providing some relief to sugar mills. Heavy rains in Brazil are likely to delay its sugar exports by 20 days, which gives India a good chance of exporting sugar.

FUTURES MARKETS

NCDEX Sugar rebounded following a firm opening. June contract opened at Rs. 1264/qttl, Rs. 3 above the previous close, traded down to test a low of Rs. 1260/qttl and then steadily upwards to test a high of Rs. 1297/qttl, before settling at Rs. 1287/qttl. Open interest dipped by over 1500 MT, while volume improved significantly. July contract opened at Rs. 1291/qttl, traded in the range of Rs.1291-1330/qttl and closed at Rs. 1321/qttl.

PRICE DRIVERS

1. Domestic and global glut
2. Lower FSQ for April-June at 38 LT
3. Increased sugar estimate at 27 MMT
4. Increased supply from mills
5. Creation of additional buffer stock

WEATHER

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

Spot Market Prices (Rs. /qttl)

Origin/Grade	Center	24.05.07	23.05.07	Change
Ready Sugar (M Grade)	Delhi	1385-1425	1355-1385	+30.00
Ready Sugar (S Grade)	Delhi	1370-1410	1340-1365	+30.00
Mill Delivery	Delhi	1300-1340	1270-1300	+30.00

TECHNICALS

Candlestick pattern indicates an uptrend. Market rebounds to settle higher. RSI takes a sharp upward movement in neutral region, while Stochastic is moving down in neutral region. MACD is rising in negative zone. Prices are at par with 9 Day and 18 Day EMA. Technicals indicate a temporary reversal in trend and the market is expected to trade upwards in the short term.

NCDEX Sugar M Grade June Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June	1251	1241	1287	1308	1317

TRADE RECOMMENDATION

Buy NCDEX - June Sugar M above 1282 with target towards 1295 then second target at 1300. Stop loss near 1275. 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 <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.