



## ■ SUGAR

■ June 16, 2007

### SPOT MARKETS

Sugar spot prices improved at the major markets on talks about govt.'s decision on creation of additional buffer stock soon along with improved demand from bulk consumers. The govt. is yet to sanction the proposals and packages, including additional buffer stock, for bailing out the sugar sector which is reeling under the problem of plenty. Prices are expected to improve in the short term once they are sanctioned by the Cabinet. However, sugar prices tend to remain on the lower side in the medium to long term owing to bumper productions in all sugar producing countries, including India. Monsoon is likely to dampen retail and wholesale demand for sugar. Failure of sugar mills to compensate cane farmers is likely to divert cultivation area to oilseeds and pulses. Brazil's move to increase ethanol blend in gasoline to 25% has met with indifference in world sugar market on account of global surplus. China's sugar imports during Jan-May 2007 rose to 420,000 tonnes, up 34% on year, while its refined sugar output totaled 8.84 MMT, rising 43% on year.

### FUTURES MARKETS (NCDEX)

NCDEX Sugar traded bearish following a firm opening. The most active July contract opened firm at Rs. 1301/mtl, Rs. 3 above the previous close of Rs. 1298/mtl, and traded steadily down to close at the day's low of Rs. 1282/mtl with marginal improvement in open interest and significant dip in volumes. June contract opened weak at Rs. 1237/mtl, traded in the range of Rs. 1220-1240/mtl and settled at Rs. 1220/mtl.

### PRICE DRIVERS

1. Domestic and global glut
2. FSQ for June fixed at 16 lakh tonnes
3. Extension of period of clearance of FSQ
4. Additional buffer stock
5. Debt restructuring and financial package
6. Mandatory 5% ethanol doping in motor fuels
7. UP scraps Sugar Promotion Policy 2004-08

### WEATHER IMPACT

Monsoon rains may interfere with the crushing of cane as well as sugar exports.

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

Origin/Grade	Center	15.06.07	14.06.07	Change
Ready Sugar (M Grade)	Delhi	1390-1430	1380-1420	+10
Ready Sugar (S Grade)	Delhi	1375-1415	1365-1405	+10
Mill Delivery	Delhi	1305-1345	1295-1335	+10

### TECHNICALS (NCDEX)

Candlestick pattern formed for the day indicates a strong bearish trend with prices closing below the 9 and 18 Day EMAs. RSI is falling in neutral region, while stochastic is falling in oversold region. MACD is also declining in the negative zone. Overall, the technicals indicate a bearish market in the short term.

### NCDEX Sugar M Grade July Contract

Sugar M Grade 0707(NCSGMN7)2007/06/15 - Daily B:1282.00 A:1283.00  
O 1301.00 H 1301.00 L 1282.00 C 1282.00 V 16,120 I 54,470 -16  
EMA(9) 1305.7 (18) 1312.6



### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1266	1248	1282	1329	1356

### TRADE RECOMMENDATION

**Sell** NCDEX - July Sugar M less than 1285 with target towards 1273 then second target at 1270. Stop loss near 1291. Do not carry forward the position until the next day.

### MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	June	1233	1237	1231	1235	1234	+1
	July	1231	1241	1231	1236	1226	+10
	August	1246	1257	1246	1249	1245	+4

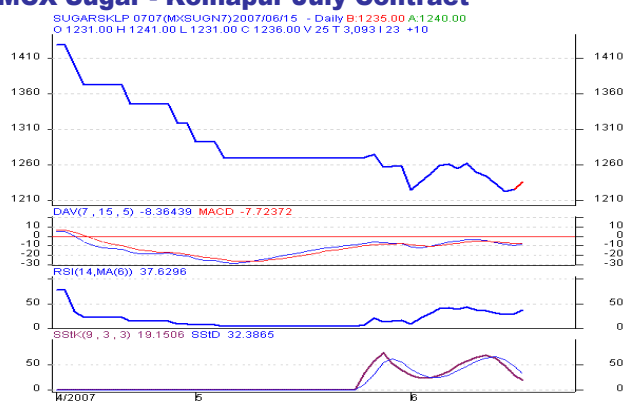
### MCX Sugar – Kolhapur Review

Sugar-Kolhapur futures traded up at MCX with the most active July contract opening firm at Rs. 1231/qtl. The contract traded up to test a high of Rs. 1241/qtl and settled at Rs. 1236/qtl. Volumes decreased significantly, while open interest improved marginally. MACD is steady in the negative region while RSI is rising slightly in the neutral region. Stochastic is grazing the threshold. Market is expected to trade up in the short term.

### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP- July	1214	1205	1236	1269	1274

### MCX Sugar - Kolhapur July Contract



### TRADE RECOMMENDATION

**Buy** MCX - July SugarSKLP above 1233 with target towards 1243 then second target at 1245. Stop loss near 1228. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on June 14, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
July 2007	8.41	8.48	8.38	8.47	+0.02
October 2007	8.75	8.83	8.71	8.81	0.00
March 2008	9.30	9.33	9.22	9.33	-0.04
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	304.00	305.50	299.50	305.00	+0.60
October 2007	298.00	298.30	293.50	295.90	-2.70
December 2007	292.80	295.00	288.60	290.00	-2.80

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