



## ■ SUGAR

■ June 15, 2007

### SPOT MARKETS

Sugar spot prices improved at the major markets on some buying interest from bulk consumers. The market is awaiting the announcement of the sops intended for the sugar industry. This includes creation of additional buffer stock, mandatory 5% ethanol blending in commercial motor fuels, allowing ethanol production from sugarcane directly, debt restructuring and financial package, export subsidies for raw sugar and creation of sugar export reserves. Prices are likely to improve once these proposals and packages are sanctioned by the govt. 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. The mandated ethanol mix in gasoline in Brazil will be raised to 25% from 23% from July 1<sup>st</sup>, which will require an additional 400 million litres of cane ethanol from the new crop, resulting in more cane being diverted to ethanol.

### FUTURES MARKETS (NCDEX)

NCDEX Sugar futures traded up with prices improving on fresh buying and closed near opening levels. The most active July contract opened weak at Rs. 1297/qrtl, Rs. 2 down the previous close of Rs. 1299/qrtl. The contract down initially to test a low of Rs. 1287/qrtl and then improved on buying interest to test a high of Rs. 1307/qrtl. The contract settled at Rs. 1298/qrtl with a significant improvement in volume and open interest. The June contract opened weak at Rs. 1245/qrtl and traded in the range of Rs. 1233-1248/qrtl, before closing at Rs. 1240/qrtl.

### 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

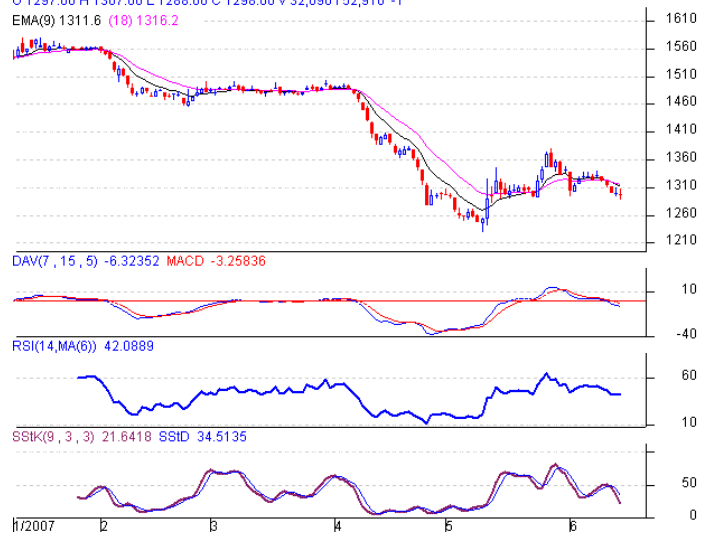
Monsoon rains may interfere with the crushing of cane as well as sugar exports.

### TECHNICALS (NCDEX)

Candlestick pattern indicates indecision in the market with prices closing below 9 and 18 Day EMAs. MACD is falling in the negative region. RSI is steady in the neutral region. Stochastic is declining in the neutral region. Technicals indicate an uncertain market and it is recommended to wait for the next day's close to confirm the direction.

### NCDEX Sugar M Grade July Contract

Sugar M Grade 0707(NCSGMN7)2007/06/14 - Daily B:1298.00 A:1299.00  
O 1297.00 H 1307.00 L 1288.00 C 1298.00 V 32,090 I 52,910 -1  
EMA(9) 1311.6 (18) 1316.2



### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1268	1247	1298	1330	1356

### TRADE RECOMMENDATION

**Sell** NCDEX - July Sugar M near 1308 with target towards 1294 then second target at 1290. Stop loss near 1315. Do not carry forward the position until the next day.

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

Origin/Grade	Center	14.06.07	13.06.07	Change
Ready Sugar (M Grade)	Delhi	1380-1420	1370-1415	+10
Ready Sugar (S Grade)	Delhi	1365-1405	1355-1400	+10
Mill Delivery	Delhi	1295-1335	1285-1330	+10

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	June	1215	1244	1215	1227	1222	+5
	July	1226	1248	1220	1229	1223	+6
	August	1222	1277	1222	1240	1233	+7

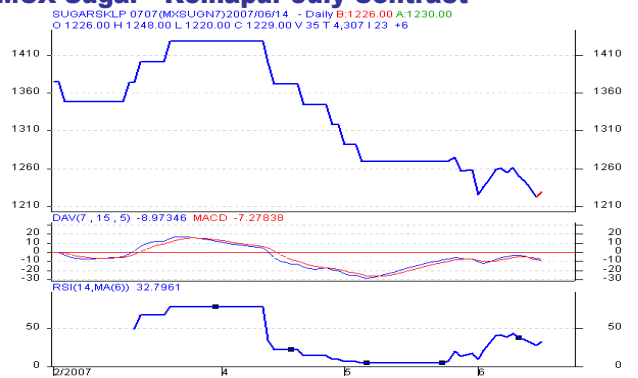
### MCX Sugar – Kolhapur Review

Sugar-Kolhapur futures traded highly volatile at MCX with bullish undertone and closed near opening levels. July contract opened at Rs. 1226/qtl, traded in the range of Rs. 1220-1248/qtl and closed at Rs. 1229/qtl. Volume and open interest improved significantly indicating fresh buying. MACD is steady in the negative region while RSI is rising slightly in the neutral region. Stochastic is falling in the neutral region. Market is expected to trade up in the short term.

### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-July	1214	1205	1229	1264	1274

### MCX Sugar - Kolhapur July Contract



### TRADE RECOMMENDATION

**Buy** MCX - July SugarSKLP near 1227 with target towards 1237 then second target at 1240. Stop loss near 1222. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on June 13, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
July 2007	8.45	8.55	8.37	8.45	-0.11
October 2007	8.83	8.87	8.78	8.81	-0.11
March 2008	9.31	9.37	9.31	9.37	-0.06
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	309.00	309.00	303.50	304.40	-4.70
October 2007	303.00	303.00	298.50	298.60	-4.40
December 2007	296.90	296.90	292.80	292.80	-3.90

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