

## ■ SUGAR

■ August 20, 2007

### SPOT MARKETS

Sugar traded weak at the major markets of Delhi and Muzaffarnagar on weak demand amid ample supplies and subdued trading activity. Prices improved at Kolkata on some demand from retailers. The Union govt. has not lifted as much as 50% of levy sugar, as the levy sugar rates are ruling above open market prices. This has added to the woes of the sugar industry which is already reeling from a crisis of plenty. Current kharif sugarcane acreage has been reported as 51.1 lakh ha as against 48.4 lakh ha last season. The sugar output for the next season is also estimated higher at 30 MMT. Hence, the sugar prices are expected to remain depressed in the long term due to the huge supplies from the major sugar producing countries. The demand for ethanol and subsequent diversion of more cane for ethanol production are likely to underpin sugar prices.

### FUTURES MARKETS (NCDEX)

Sugar futures traded weak at NCDEX. The most active September contract opened firm at Rs. 1299/qrtl, Rs. 4 above the previous close of Rs. 1295/qrtl and traded steadily up initially to test an intraday high of Rs. 1304/qrtl. The prices slumped thereafter on increased selling pressure at higher levels and the contract tested an intraday low of Rs. 1295/qrtl, before settling at Rs. 1296/qrtl. Volume traded as well as open interest was lower as compared to the previous day.

### PRICE DRIVERS

1. Domestic and global glut
2. FSQ for July-September fixed at 36 L tonnes
3. Mills allowed to carry forward unsold July quota
4. Govt. raised buffer stock by 3 million tonnes
5. Mandatory 5% ethanol blending countrywide
6. Decontrolling of sugar exports
7. Acreage under sugarcane increased to 5.11 million ha
8. Festive demand

### WEATHER IMPACT

Revival of monsoon and increased acreage points towards higher cane production.

### TECHNICALS (NCDEX)

A bearish candle with some selling at higher levels is formed in the chart. Sugar traded within the recent trading range. A break out in either direction will establish a trend. MACD and RSI are almost flat and directionless, while Stochastic is rising in the neutral region, giving some firmness to the prices. A close below the 18 Day EMA is indicating intermediate term bearishness. It is ideal to confirm the trend before initiating positions.

### NCDEX Sugar M Grade-September Contract



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1265	1276	1296	1315	1325

### TRADE RECOMMENDATION

**Sell** NCDEX - September Sugar M near 1297-1299 with target towards 1289 then second target at 1287. Strict stop loss near 1304. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	18.08.07	17.08.07	Change
Ready Sugar (M Grade)	Delhi	1415-1455	1420-1460	-5
Ready Sugar (S Grade)	Delhi	1400-1440	1405-1445	-5
Mill Delivery	Delhi	1330-1370	1335-1375	-5

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1240	1292	1240	1258	1280	-22
	September	1252	1260	1247	1251	1253	-2
	October	1256	1262	1250	1255	1254	+1

### MCX Sugar-Kolhapur Review

Sugar-Kolhapur traded volatile at MCX. The most active October contract opened firm at Rs. 1256/qtl, Rs. 2 above the previous close of Rs. 1254/qtl. The contract traded up initially to test an intraday high of Rs. 1262/qtl and later down on increased selling pressure at higher levels to test a low of Rs. 1250/qtl, before settling at the opening levels of Rs. 1256/qtl. Volume traded increased, while open interest dipped marginally. Prices closed above 9 Day EMA. MACD and RSI are flat and directionless, giving scope for movement in either direction. Stochastic is rising, giving some firmness to the prices. There is indecision in the market. It is recommended to confirm the trend before initiating positions.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1228	1238	1256	1270	1282

### MCX Sugar-Kolhapur-October Contract



### TRADE RECOMMENDATION

**Buy** MCX - October Sugar SKLP near 1255-1257 with target towards 1263 then second target at 1265. Stop loss near 1250. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on August 17, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.14	9.59	9.11	9.40	+0.31
March 2008	9.35	9.78	9.35	9.64	+0.27
May 2008	9.45	9.83	9.44	9.68	+0.23
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	273.50	283.70	273.50	281.80	+9.30
December 2007	278.50	286.00	278.50	285.00	+8.50

### 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>