

## ■ SUGAR

■ August 31, 2007

### SPOT MARKETS

Sugar prices were firm at the major cash markets on improved demand ahead of festive season. Festive demand is seen emerging from the different states of the country. Also, the financial and debt restructuring package approved by the Group of Ministers is awaiting Cabinet approval. 5% ethanol blending is to be mandated with immediate effect, while 10% doping will be mandated from October 2008. The govt. sops as well as the festive demand are providing some support to the ailing sugar industry. However, the long term outlook on sugar prices remain subdued as oversupply is likely to persist until 2009. The price of sugar has slumped 20% this year as supply led by India outpaced demand. The sugar market is headed for a production surplus of 10.8 MMT in the crop year to September 2008, with a record output of 169.6 MMT and consumption of 158.8MMT.

### FUTURES MARKETS (NCDEX)

Sugar futures traded firm at NCDEX. The most active October contract opened firm at Rs. 1297/qrtl, Re. 1 above the previous close of Rs. 1296/qrtl and traded down initially to test an intraday low of Rs. 1295/qrtl. Prices improved thereafter on improved buying interest at lower levels and the contract tested an intraday high of Rs. 1307/qrtl before settling at Rs. 1306/qrtl. Volume traded improved, while open interest of the contract dipped as compared to the previous day, indicating some short covering.

### PRICE DRIVERS

1. Domestic and global glut
2. Govt. raised buffer stock by 3 million tonnes
3. Acreage under sugarcane increased to 5.11 million ha
4. Festive demand
5. Carry forward of July unsold quota
6. Financial and debt restructuring package
7. 10% ethanol doping effective October 2008

### WEATHER IMPACT

Near normal monsoon and increased acreage points towards higher cane production.

### TECHNICALS (NCDEX)

A long bullish candle is formed in the charts. Prices closed below the EMAs. RSI and Stochastic are rising sharply in the neutral region, while MACD is rising hesitantly to emerge from the negative zone, after making a bullish crossover. Overall, the technicals indicate a bullish market in the short and intermediate term, with a short to intermediate term target of 1315.

### NCDEX Sugar M Grade-October Contract

Sugar M Grade 0710(NCSGMV7)2007/08/30 - Daily B:1306.00 A:1307.00  
C 1297.00 H 1307.00 L 1295.00 C 1306.00 V 8,490 I 43,020 +10



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- October	1284	1293	1306	1322	1337

### TRADE RECOMMENDATION

**Buy** NCDEX - October Sugar M near 1302-1304 with target towards 1310 then second target at 1314. Strict stop loss near 1297. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	30.08.07	29.08.07	Change
Ready Sugar (M Grade)	Delhi	1425-1455	1405-1445	+20
Ready Sugar (S Grade)	Delhi	1410-1440	1390-1430	+20
Mill Delivery	Delhi	1340-1380	1320-1370	+20

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1242	1251	1242	1250	1244	+6
	October	1243	1251	1241	1250	1242	+8
	November	1216	1217	1210	1210	1215	-5

### MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded bullish at MCX. The most active October contract opened firm at Rs. 1243/qtl and traded down initially to test an intraday low of Rs. 1241/qtl. Prices were pushed up thereafter on some buying interest at lower levels and the contract tested an intraday high of Rs. 1251/qtl, before closing at Rs. 1250/qtl. Volume traded improved, while open interest remained stagnant as compared to the previous day. MACD is rising slightly in the negative zone, while RSI is rising sharply in the neutral region. Stochastic is rising after making a bullish cross over in the neutral region. Overall, the technicals indicate bullishness in the market.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1223	1233	1250	1270	1282

### MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/08/30 - Daily B:1248.00 A:1252.00  
O 1243.00 H 1251.00 L 1241.00 C 1250.00 V 250 T 21,401 I 39 +8  
EMA(9) 1245.3 (18) 1248.9



### TRADE RECOMMENDATION

**Buy** MCX - October Sugar SKLP above 1246 with target towards 1252 then second target at 1256. Stop loss near 1241. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on August 29, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.38	9.45	9.30	9.42	-0.03
March 2008	9.65	9.69	9.59	9.68	-0.05
May 2008	9.70	9.72	9.66	9.72	-0.07
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	279.00	279.00	279.00	279.00	-0.50
December 2007	281.90	281.90	281.90	281.90	-0.60

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