

## ■ SUGAR

■ August 24, 2007

### SPOT MARKETS

Sugar traded weak at all the major cash markets across the country on poor offtake amid ample supplies from mills as well as dull trade. Festive demand is expected to emerge from the northern states of the country as well as Maharashtra. This is likely to provide some support to the prices amid ample supplies from mills. The domestic and global sugar surplus is seen weighing down the markets in the medium to long term. Higher sugarcane acreage and higher output estimates for the next season are seen casting a bearish spell on sugar till 2009. Hike in crude oil prices are likely to result in a higher demand for ethanol, in turn causing more cane to be diverted to ethanol, instead of sugar, thereby underpinning sugar prices. Fuel ethanol and surplus power production through cogeneration provide by-products' related opportunities.

### FUTURES MARKETS (NCDEX)

NCDEX sugar futures traded weak after trading higher initially. The most active September contract opened weak at Rs. 1286/qrtl, Re. 1 down the previous close of Rs. 1287/qrtl and traded up to test an intraday high of Rs. 1289/qrtl. Prices slumped thereafter on some selling pressure at higher levels and the contract settled at the day's low of Rs. 1285/qrtl. Open interest dipped marginally amid very low volumes traded.

### PRICE DRIVERS

1. Domestic and global glut
2. Mills allowed to carry forward unsold July quota
3. Govt. raised buffer stock by 3 million tonnes
4. Decontrolling of sugar exports
5. Acreage under sugarcane increased to 5.11 million ha
6. Festive demand
7. Exports to Pakistan likely

### WEATHER IMPACT

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

### TECHNICALS (NCDEX)

A doji is formed in the charts with the prices settling below the recently established range, thereby indicating further downward movement of prices. Prices closed below the EMAs. MACD is flat in the negative zone, giving scope for movement in either direction. Stochastic and RSI are falling in the neutral zone, indicating short term bearishness in the market. A good support can be seen at 1272.

### NCDEX Sugar M Grade-September Contract

Sugar M Grade 0709(NCSGMU7)2007/08/23 - Daily B:1286.00 A:1287.00  
O 1286.00 H 1289.00 L 1285.00 C 1285.00 V 2,490 I 38,100 -2  
EMA(9) 1291.7 (18) 1297.6



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1257	1272	1285	1315	1325

### TRADE RECOMMENDATION

**Sell** NCDEX - September Sugar M near 1285-1286 with target towards 1278 then second target at 1275. Strict stop loss near 1291. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	23.08.07	22.08.07	Change
Ready Sugar (M Grade)	Delhi	1405-1445	1415-1455	-10
Ready Sugar (S Grade)	Delhi	1390-1430	1400-1440	-10
Mill Delivery	Delhi	1320-1360	1330-1370	-10

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1241	1244	1241	1241	1243	-2
	October	1245	1246	1244	1246	1245	+1
	November	1225	1225	1225	1225	1225	0

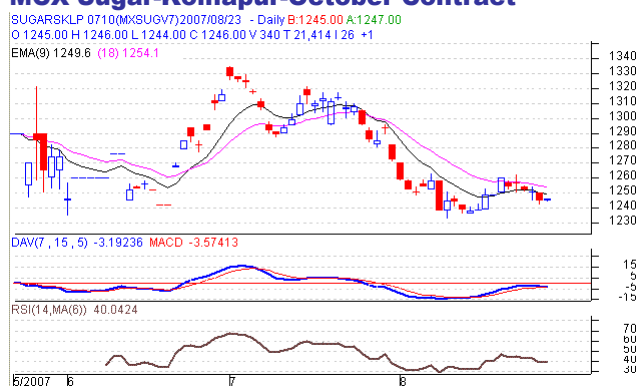
### MCX Sugar-Kolhapur Review

MCX Sugar-Kolhapur futures traded in a range. The most active October contract opened firm at Rs. 1245/qtl and traded down marginally to test an intraday low of Rs. 1244/qtl. The prices improved thereafter to close at the day's high of Rs. 1246/qtl. Volume traded improved marginally, while open interest remained the same as the previous day. MACD and RSI are flat and fail to give any idea of the future course of the market. Prices closing below the EMAs and falling Stochastic indicate short term bearishness in the market. However, it is ideal to confirm the trend before initiating positions.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1228	1238	1246	1270	1282

### MCX Sugar-Kolhapur-October Contract



### TRADE RECOMMENDATION

**Sell** MCX - October Sugar SKLP near 1245-1246 with target towards 1240 then second target at 1238. Stop loss near 1251. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on August 22, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.29	9.55	9.27	9.50	+0.19
March 2008	9.58	9.84	9.55	9.80	+0.21
May 2008	9.64	9.89	9.62	9.86	+0.21
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	277.10	282.10	276.10	281.90	+4.70
December 2007	280.00	285.50	279.80	285.10	+3.90

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