

SUGAR

■ August 21, 2007

SPOT MARKETS

Sugar traded almost flat at the major spot markets on slack demand and dull trade. Some festive demand is seen emerging on upcoming "rakshabandhan" and "ganesha festival". Sugar acreage in the current kharif sowing has been recorded 6% up at 5.11 million ha as against the 4.84 million ha in the previous season. The sugar output is also estimated higher at 30 million tonnes. The sugar prices are expected to remain subdued thru the next season also. However, a higher demand for cane-derived ethanol in auto-fuels can result in diversion of more cane to ethanol, instead of sugar and help underpin sugar prices. Pakistan will be importing 0.4 to 0.5 MMT of sugar from India to meet the domestic demand beyond November. Prompt and timely govt. intervention along with focus on raw sugar exports are seen as measures to curb further crash in sugar prices.

FUTURES MARKETS (NCDEX)

Sugar futures traded in a thin range at NCDEX. The benchmark September contract opened firm at Rs. 1298/mtl, Rs. 2 above the previous close of Rs. 1296/mtl and traded up thereafter to test an intraday high of Rs. 1302/mtl. Prices slumped later on increased selling pressure at higher levels and the contract tested an intraday low of Rs. 1293/mtl, before settling at Rs. 1295/mtl amid low volumes and open interest.

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
9. Exports to Pakistan likely

WEATHER IMPACT

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

TECHNICALS (NCDEX)

A doji is formed within the recent trading with prices closing below the 18-day EMA. MACD and RSI are rising marginally, giving scope for upward movement in prices in the short term. Stochastic is almost flat and directionless, indicating indecision in the market. Prices closing above 9-day EMA points towards some bullishness in the short term, while a close below 18-day EMA speaks of intermediate term bearish posture of the market. A break out in either direction will establish a trend in the market.

NCDEX Sugar M Grade-September Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1288	1275	1295	1315	1325

TRADE RECOMMENDATION

Buy NCDEX - September Sugar M near 1296-1297 with target towards 1301 then second target at 1303. Strict stop loss near 1293. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	20.08.07	18.08.07	Change
Ready Sugar (M Grade)	Delhi	1415-1455	1415-1455	0
Ready Sugar (S Grade)	Delhi	1400-1440	1400-1440	0
Mill Delivery	Delhi	1330-1370	1330-1370	0

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1279	1290	1271	1290	1276	+14
	September	1250	1255	1247	1249	1251	+2
	October	1254	1255	1251	1253	1256	-3

MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded weak in a narrow range at MCX. The most active October contract opened weak at Rs. 1254/qtl and traded up marginally to test an intraday high of Rs. 1255/qtl. The prices slumped thereafter on some selling interest to test a low of Rs. 1251/qtl, before closing at Rs. 1253/qtl. Volume improved marginally, while open interest dipped slightly as compared to the previous trading session. Prices closed below 18-day EMA. All the technical indicators are flat and directionless. A breakout in either direction will establish a trend in the market. A close below 1250 will lead to a downtrend, while a close above 1263 will lead to an uptrend. It is ideal to confirm the trend before initiating positions.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1228	1238	1253	1270	1282

MCX Sugar-Kolhapur-October Contract



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP near 1254-1255 with target towards 1250 then second target at 1248. Stop loss near 1257. 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
NYBOT Sugar No. 11 Prices (US Cents/lb)					
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
LIFFE Sugar Prices (US\$/MT)					
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

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