

SUGAR

Sept 7, 2007

SPOT MARKETS

Sugar traded weak at Delhi and Muzaffarnagar markets on weak demand amidst ample supplies and dull trade. The festive demand and govt. move to provide a financial and debt restructuring package for the sugar industry, along with the possible mandating of 5% ethanol doping in petrol are seen supporting the sagging sugar industry. However, the higher estimates of sugar output and poor export prospects are casting a bearish spell on the sugar prices in the medium to long term. Sugar mills in UP have demanded more credit facilities from the state govt. before the beginning of the season. Meanwhile, the Pakistan Sugar Mills Association (PSMA) has managed to obtain an interim stay against the import of sugar from India on fake grounds that it will cause harm to the health and safety of the public.

FUTURES MARKETS (NCDEX)

Sugar futures traded volatile at NCDEX. The most active October futures opened at the previous close of Rs. 1299/qrtl and traded down initially to test an intraday low of Rs. 1297/qrtl. Prices improved thereafter on improved buying interest and the contract tested an intraday high of Rs. 1304/qrtl. Prices were pushed down thereafter on sellers emerging at higher levels and the contract settled at the opening levels of Rs. 1299/qrtl. Open interest as well as volume of contract improved as compared to the previous day, indicating some fresh buying.

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. Financial and debt restructuring package
6. 10% ethanol doping effective October 2008
7. FSQ for September fixed at 13 lakh tonnes
8. Commercial banks instructed to fund sugar sector

WEATHER IMPACT

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

TECHNICALS (NCDEX)

A doji is formed in the charts. MACD is flat at the zero level, while RSI is flat in the neutral region, indicating indecisiveness in the market in the short as well as medium term. Close below the EMAs and a downward bound Stochastic indicate some weakness in the market in the short term. It is recommended to confirm the trend, before initiating positions. Sugar is expected to trade sideways with a downward bias after opening firm.

NCDEX Sugar M Grade-October Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- October	1268	1284	1299	1314	1326

TRADE RECOMMENDATION

Sell NCDEX - October Sugar M near 1300-1302 with target towards 1296 then second target at 1294. Strict stop loss near 1305. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	06.09.07	05.09.07	Change
Ready Sugar (M Grade)	Delhi	1430-1480	1435-1485	-5
Ready Sugar (S Grade)	Delhi	1415-1465	1420-1470	-5
Mill Delivery	Delhi	1345-1395	1350-1400	-5

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1252	1259	1251	1257	1256	+1
	October	1252	1256	1248	1256	1251	+5
	November	1196	1201	1195	1200	1198	+2

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded firm. October contract opened firm at Rs. 1252/qtl and traded down initially to test an intraday low of Rs. 1248/qtl. The prices rebounded thereafter on improved buying interest at lower levels and the contract closed at the day's high of Rs. 1256/qtl. Volume and open interest were lower as compared to the previous day. MACD is flat in the positive region, while Stochastic is flat in the neutral region, indicating some indecisiveness in the market. A close above the EMAs and a slowly rising RSI point towards a firm posture in the short term. Sugar is expected to trade slightly firm in the next session with some buying at higher levels.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1233	1239	1256	1270	1282

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/09/06 - Daily B:1255.00 A:1257.00
O 1252.00 H 1256.00 L 1248.00 C 1256.00 V 344 T 43,090 I 59 +5
EMA(9) 1251.6 (18) 1251.1



TRADE RECOMMENDATION

Buy MCX - October Sugar SKLP above 1254 with target towards 1258 then second target at 1260. Stop loss near 1251. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on September 05, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.45	9.45	9.24	9.38	-0.07
March 2008	9.75	9.77	9.55	9.73	-0.05
May 2008	9.78	9.81	9.61	9.76	-0.05
LIFFE Sugar Prices (US\$/MT)					
August 2007	273.40	273.70	270.00	273.70	-0.70
October 2007	275.50	276.10	271.50	276.10	-0.50
December 2007	284.30	285.20	281.30	285.20	-0.40

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>