

■ SUGAR

■ October 01, 2007

SPOT MARKETS

Contrary to the expectations, prices were quoted steady at the cash markets on weak demand due to month-end cash crunch. Festive demand and govt. sops are expected to firm up the prices in the short term. Markets are awaiting cabinet approval of the sops intended for the sector, like allowing production of ethanol from sugarcane juice and doubling ethanol doping in petrol to 10% by October 2008. The extension of export subsidies for one year is also on the cards. The govt. has released a higher quota of 16 lakh tonnes for free sale during the month of October to meet the higher demand ahead of the festive season. However, no major uptrend in sugar prices is likely in the long term, given another bumper production of 33 MMT in 2007-08 season.

FUTURES MARKETS (NCDEX)

Sugar futures surged at NCDEX on fresh buying. The most active December contract opened steady at the previous settlement of Rs. 1210/mt and after testing a low of Rs. 1209/mt, traded steadily up to test an intraday high of Rs. 1221/mt. Active selling at higher levels pressurized the market and prices slumped to close at Rs. 1217/mt. Sugar December futures traded in a range of Rs. 1209-1221/mt and closed 0.58% higher at Rs. 1217/mt. Volume and open interest improved as compared to the previous day, indicating long accumulation.

PRICE DRIVERS

1. Domestic and global glut
2. Acreage under sugarcane reported at 51.1 lakh ha, sugarcane production at 345.62 MMT
3. Festive demand
4. 4.2 MMT of non-levy sugar for the quarter Oct-Dec 07
5. 10% ethanol doping effective October 2008
6. Export subsidies to be extended for one year
7. Govt. to allow ethanol production from sugarcane

WEATHER IMPACT

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

TECHNICALS (NCDEX)

A hollow candle is formed charts with steady opening and active selling at higher levels. Close above the EMAs, and rising MACD and RSI leave room for further upward movement in prices in the short to medium term. Stochastic is falling in the neutral region, indicating some short term weakness. 1225 is seen providing good resistance to the prices in the short term. Sugar is likely to trade firm in the next session after opening steady to slightly weak with some late downward movement.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/09/29 - Daily B:1212.00 A:1216.00
O:1210.00 H:1221.00 L:1209.00 C:1217.00 V:11,330 I:90,400 +7

EMA(9) 1210.7 (18) 1211.2



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1183	1196	1217	1225	1232

TRADE RECOMMENDATION

Buy NCDEX - December Sugar M above 1215 with target towards 1222 then second target at 1225. Strict stop loss near 1211. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	29.09.07	28.09.07	Change
Ready Sugar (M Grade)	Delhi	1420-1465	1420-1465	0
Ready Sugar (S Grade)	Delhi	1405-1450	1405-1450	0
Mill Delivery	Delhi	1335-1380	1335-1380	0

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1256	1272	1256	1268	1256	+12
	November	1193	1202	1191	1201	1191	+10
	December	1181	1185	1176	1185	1179	+6

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded firm with the most active October contract opening steady at the previous close of Rs. 1256/qtl and traded steadily up to test an intraday high of Rs. 1272/qtl. Sellers emerging at higher levels pushed the prices down to close at Rs. 1268/qtl. Open interest and volume traded dipped as compared to the previous day. A long hollow candle is formed. Prices remain above the EMAs, indicating short to intermediate term firmness in the prices. A rising MACD, RSI and Stochastic support short to medium term firmness in the market. Sugar-Kolhapur futures are expected to trade firm during the next session.

MCX Sugar-Kolhapur-October Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1236	1242	1268	1282	1292

TRADE RECOMMENDATION

Buy MCX -November Sugar SKLP below 1265 with target towards 1270 then second target at 1273. Stop loss near 1262. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on September 28, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.80	9.82	8.90	9.56	-0.26
March 2008	10.13	10.17	9.98	10.15	+0.05
May 2008	10.16	10.21	10.05	10.19	+0.04
LIFFE Sugar Prices (US\$/MT)					
August 2007	277.90	284.30	274.80	279.30	+0.80
October 2007	285.70	287.50	284.50	286.80	+0.50
December 2007	289.50	290.80	287.50	290.10	+0.10

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>