

SUGAR

Sept 4, 2007

SPOT MARKETS

Sugar prices improved at the major spot markets on improved demand ahead of the festive season as well as govt. sops. Festive demand is seen emerging from the different states of the country. This is likely to provide support to the crashing sugar prices in the short term. Group of Ministers has approved the proposals of the financial and debt restructuring package and of mandatory 5% ethanol blending in petrol nationwide. These sops are likely to uplift the market sentiments. However, the oversupply which is likely to persist till 2009, coupled with poor export prospects, is seen casting a bearish spell on the sugar prices in the medium to long term. The kharif sugarcane acreage has been reported higher at 5.11 million ha, while International Sugar Organization forecasts yet another year of bumper production in India exceeding 33 MMT.

FUTURES MARKETS (NCDEX)

Sugar futures surged at NCDEX on fresh buying. The most active October contract opened firm at the previous settlement level of Rs. 1299 and traded sharply up thereafter to test an intraday high of Rs. 1313/ctl. The prices were pushed down slightly on sellers emerging at high levels and the contract settled at Rs. 1309/ctl. The volume of contract traded as well as its open interest improved as compared to the previous day, indicating long accumulation.

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 long bullish candle with some selling at higher levels is formed in the charts, with prices closing above the EMAs. MACD has emerged from the negative zone, while RSI is rising in the neutral region. Stochastic has risen into the overbought zone, though the rise is less steep as compared to the previous days. All the technical indicators considered indicate firmness in the short term. Sugar is expected to trade firm in the next trading session.

NCDEX Sugar M Grade-October Contract

Sugar M Grade 0710(NCSEMV7)2007/09/03 - Daily B:1307.00 A:1309.00
O 1299.00 H 1313.00 L 1298.00 C 1309.00 V 11,800 I 40,260 +10



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- October	1268	1284	1309	1326	1338

TRADE RECOMMENDATION

Buy NCDEX - October Sugar M above 1305 with target towards 1313 then second target at 1315. Strict stop loss near 1300. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /ctl)

Origin/Grade	Center	03.09.07	01.09.07	Change
Ready Sugar (M Grade)	Delhi	1435-1465	1425-1455	+10
Ready Sugar (S Grade)	Delhi	1420-1450	1410-1440	+10
Mill Delivery	Delhi	1350-1390	1340-1380	+10

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1247	1259	1247	1257	1248	+9
	October	1245	1260	1245	1258	1247	+11
	November	1207	1213	1201	1201	1207	-6

MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded firm at MCX. The most active October futures opened weak at Rs. 1245/qtl, Rs. 2 down the previous settlement of Rs. 1247/qtl and traded sharply up to test an intraday high of Rs. 1260qtl, before closing at Rs. 1258/qtl. Volume traded and open interest improved, indicating fresh buying. A long bullish candle is formed with prices closing below the EMAs. MACD is emerging hesitantly from the negative zone, while RSI and Stochastic are rising steeply in the neutral region. Overall, technicals indicate a firm market in the short term.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1223	1233	1258	1270	1282

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/09/03 - Daily B:1258.00 A:1260.00
O 1245.00 H 1260.00 L 1245.00 C 1258.00 V 322 T 21,240 I 55 +11
EMA(9) 1248.5 (18) 1249.6



TRADE RECOMMENDATION

Buy MCX - October Sugar SKLP above 1256 with target towards 1262 then second target at 1265. Stop loss near 1252. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 31, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.51	9.55	9.42	9.48	-0.06
March 2008	9.78	9.80	9.74	9.78	-0.02
May 2008	9.82	9.82	9.78	9.80	-0.02
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	279.70	280.40	273.90	279.50	+0.80
December 2007	281.40	283.00	277.50	283.00	+1.50

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