

SUGAR

Sept 21, 2007

SPOT MARKETS

Sugar spot markets were mostly flat on weak demand amidst restricted supply from mills, leaving the prices unaltered. Festive demand and positive govt. measures are seen supporting the sugar prices. Govt. is likely to announce monetary support for the domestic sugar mills in the coming week to help them clear cane arrears to farmers. Also, mills will be allowed to produce ethanol directly from sugarcane to tide over the glut in the sugar industry. Govt. is considering extension of export incentives for sugar for one year beyond April 18, 2008. However, no major uptrend in sugar prices are expected in the medium to long term, given the glut situation. Indian sugarcane output for 2007-08 is estimated at 345.62 MMT as against the 345.31 MMT in the previous year.

FUTURES MARKETS (NCDEX)

Sugar futures traded firm early in the session, with active selling at higher levels, resulting in a close at the opening levels. The benchmark November contract opened firm at Rs. 1253/qrt, Rs. 5 above the previous settlement and traded down initially to test an intraday low of Rs. 1250/qrt. Prices surged afterwards on increased buying interest and the contract tested an intraday high of Rs. 1261/qrt. This was followed by active selling and the contract was pushed down to close at the opening levels of Rs. 1253/qrt. Volume traded had declined, while open interest dipped marginally, as compared to the previous day.

PRICE DRIVERS

1. Domestic and global glut
2. Acreage under sugarcane increased to 5.11 million ha
3. Festive demand
4. Financial and debt restructuring package
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)

Doji formation for the day's trade points towards indecision in the market. RSI is flat in the neutral region, which also supports short term indecision in the market. Prices remain well above the EMAs. MACD is rising below the zero line, while Stochastic is rising sharply in the neutral zone, indicating some short term firmness in the prices. Sugar is likely to trade firm in the next session after opening firm, with some downward movement during the later session.

NCDEX Sugar M Grade-November Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- November	1216	1224	1253	1266	1275

TRADE RECOMMENDATION

Buy NCDEX - November Sugar M above 1253 with target towards 1260 then second target at 1263. Strict stop loss near 1248. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	20.09.07	19.09.07	Change
Ready Sugar (M Grade)	Delhi	1425-1470	1425-1470	0
Ready Sugar (S Grade)	Delhi	1410-1455	1410-1455	0
Mill Delivery	Delhi	1340-1385	1340-1385	0

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1299	1307	1230	1290	1279	+11
	October	1258	1260	1250	1250	1259	+9
	November	1190	1192	1180	1183	1188	-5

MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded weak at MCX. The most active October contract opened weak at Rs. 1258/qtl, Re. 1 down the previous settlement and traded up initially to test an intraday high of Rs. 1260/qtl. The prices were pushed down thereafter on increased selling pressure at higher levels and the contract settled at the day's low of Rs. 1250/qtl. Volume traded improved, while open interest remained steady as compared to the previous day. Prices closed marginally above the EMAs. Stochastic is rising in the neutral region, indicating some firmness in the prices, while RSI is falling in the neutral region. Sugar-Kolhapur futures are likely to trade weak in the next trading session with some late upward movement.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1230	1235	1250	1274	1282

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/09/20 - Daily B:1231.00 A:1250.00
O 1258.00 H 1260.00 L 1250.00 C 1250.00 V 132 T 16,561 I 56 -9



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP below 1254 with target towards 1248 then second target at 1244. Stop loss near 1258. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on September 19, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.65	9.70	9.57	9.69	+0.34
March 2008	9.89	10.00	9.84	9.99	+0.38
May 2008	9.89	9.99	9.89	9.99	+0.33
LIFFE Sugar Prices (US\$/MT)					
August 2007	258.50	274.70	257.90	272.50	+13.00
October 2007	275.30	301.30	275.30	285.30	+10.80
December 2007	282.60	291.40	282.60	290.50	+9.00

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