

■ SUGAR

■ Sept 8, 2007

SPOT MARKETS

Sugar prices in the spot market were flat to slightly weak on poor demand amidst ample supply from the mills and subdued trading activity. Festive demand as well as govt. moves to mandate 5% ethanol doping in petrol with immediate effect nationwide and providing a financial and debt restructuring package for the sugar industry to help the mills pay off their outstanding loans are seen supporting the market in the short term. However, the long term outlook on sugar prices remains largely bearish, given the glut situation, which is likely to persist till 2009. The govt. has extended the deadline for exports of white sugar by a year against imports of raws by mills, thereby allowing the companies to meet their white sugar export obligation within 36 months instead of the usual practice of 24 months.

FUTURES MARKETS (NCDEX)

Sugar contracts traded in a narrow range at NCDEX. The most active October futures opened weak at Rs. 1300/qttl, Re. 1 down the previous settlement of Rs. 1301/qttl, and traded upwards initially to test an intraday high of Rs. 1303/qttl. Prices were pushed down afterwards on some selling pressure and the contract tested an intraday low of Rs. 1295/qttl, before settling at Rs. 1296/qttl. Open interest dipped amidst very low volumes traded, as compared to the previous day.

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. Govt. extended export obligation on import of raw sugar

WEATHER IMPACT

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

TECHNICALS (NCDEX)

A small dark candle is formed in the charts. MACD and RSI are flat and directionless, while Stochastic is falling in the neutral region after a bearish crossover. Prices closed marginally below EMAs. Sugar is trading in a thin range and a break out in either direction will establish a trend. A close below 1290 will lead to a downtrend, while a close above 1315 will lead to an uptrend. It is recommended to confirm the trend before initiating positions.

NCDEX Sugar M Grade-October Contract

Sugar M Grade 0710(NCSGMV7)2007/09/07 - Daily B:1295.00 A:1296.00
O 1300.00 H 1303.00 L 1295.00 C 1296.00 V 3,710 I 40,300 -4



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- October	1268	1284	1296	1314	1326

TRADE RECOMMENDATION

Sell NCDEX - October Sugar M below 1304 with target towards 1298 then second target at 1296. Strict stop loss near 1308. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qttl)

Origin/Grade	Center	07.09.07	06.09.07	Change
Ready Sugar (M Grade)	Delhi	1425-1475	1430-1480	-5
Ready Sugar (S Grade)	Delhi	1410-1460	1415-1465	-5
Mill Delivery	Delhi	1340-1390	1345-1395	-5

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1254	1256	1253	1255	1258	-3
	October	1250	1251	1248	1248	1255	-7
	November	1197	1197	1193	1194	1200	-6

MCX Sugar-Kolhapur Review

Sugar-Kolhapur traded weak at MCX. The most active October futures opened weak at Rs. 1250/qtl and traded up marginally to test an intraday high of Rs. 1251/qtl. The prices were pushed down thereafter on increased selling activity at higher levels and the contract closed at the day's low of Rs. 1248/qtl. Open interest remained steady, while volume traded was lower as compared to the previous day. Prices closed below the EMAs. MACD is flat above the zero line, leaving scope for movement in either direction in the medium term. RSI and Stochastic are falling in the neutral zone. Stochastic has made a bearish cross over. Overall, technicals indicate a bearish market in the short term.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1233	1239	1248	1270	1282

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/09/07 - Daily B:1248.00 A:1250.00
O 1250.00 H 1251.00 L 1248.00 C 1248.00 V 174 T 21,368 I 59 -7
EMA(9) 1250.7 (18) 1250.7



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP below 1250 with target towards 1246 then second target at 1242. Stop loss near 1253. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on September 06, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.42	9.47	9.34	9.37	-0.01
March 2008	9.79	9.84	9.71	9.74	+0.01
May 2008	9.80	9.80	9.77	9.77	+0.01
LIFFE Sugar Prices (US\$/MT)					
August 2007	270.80	273.90	270.80	273.00	-0.70
October 2007	272.70	275.80	272.70	274.50	-1.60
December 2007	283.70	285.40	283.20	284.30	-0.90

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