

■ SUGAR

■ Sept 10, 2007

SPOT MARKETS

Sugar traded firm at the major cash markets across the country on improved demand from retailers and stockists ahead of the festive season, amidst restricted supply from mills. Festive demand is expected to improve from the third week of September on the ensuing Diwali and Dassera. The govt. sops of financial and debt restructuring package as well as mandatory ethanol doping in auto-fuel are also seen keeping the sugar markets firm. However, the sugar prices are expected to remain on the lower side in the long term due to the glut situation in the domestic and global markets, and estimated higher production in the next season as well. Indian Sugar Mills Association has asked the govt. to allow ethanol to be directly produced from sugarcane, without producing sugar. Ethanol biofuel is favored to minimize crude oil imports as well as due to environmental concerns.

FUTURES MARKETS (NCDEX)

Sugar futures traded down at NCDEX. The most active November contract opened firm at Rs. 1246/qrtl and traded up initially to test an intraday high of Rs. 1248/qrtl. Prices slumped thereafter on increased selling at higher levels to test an intraday low of Rs. 1240/qrtl, before settling at Rs. 1242/qrtl. Open interest improved marginally, while volume traded was lower, 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 short bearish candle is formed in the charts. Prices closed below the EMAs, indicating a weak market in the short to intermediate term. All the other indicators are flat and directionless. Sugar is trading in a range and a break out in either direction will establish a trend. Prices will find a good resistance at 1257 and then at 1272. Sugar is likely to trade weak in the next trading session.

NCDEX Sugar M Grade-November Contract

Sugar M Grade 0711(NCSEMX7)2007/09/08 - Daily B:1241.00 A:1243.00
O 1246.00 H 1248.00 L 1241.00 C 1242.00 V 1,460 | 50,970 +1
EMA(9) 1246.0 (18) 1253.0



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- November	1215	1224	1242	1257	1275

TRADE RECOMMENDATION

Sell NCDEX - November Sugar M below 1245 with target towards 1241 then second target at 1237. Strict stop loss near 1249. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	08.09.07	07.09.07	Change
Ready Sugar (M Grade)	Delhi	1435-1485	1425-1475	+10
Ready Sugar (S Grade)	Delhi	1420-1470	1410-1460	+10
Mill Delivery	Delhi	1350-1400	1340-1390	+10

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1254	1261	1252	1258	1255	+3
	October	1246	1256	1246	1251	1249	+2
	November	1195	1197	1195	1196	1194	+2

MCX Sugar-Kolhapur Review

Sugar Kolhapur futures traded bearish at MCX with some selling later during the session. The most active October contract opened weak at Rs. 1246/qtl and traded sharply up to test an intraday high of Rs. 1256/qtl. Prices slumped later on increased selling emerging at higher levels and the contract settled at Rs. 1251/qtl. Volume of trade improved, while open interest remained steady as compared to the previous day. Prices closed above the EMAs. MACD and RSI are flat in the neutral zone and directionless, while Stochastic is falling after making a bearish cross over in the neutral region. Overall, technicals indicate an indecisive market with a tendency to trade slightly weak.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1233	1239	1251	1258	1270

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSGV7)2007/09/08 - Daily B:1250.00 A:1252.00
O 1246.00 H 1256.00 L 1246.00 C 1251.00 V 272 T 166 I 59 +2
EMA(9) 1250.3 (18) 1250.6



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 07, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.37	9.45	9.23	9.41	+0.04
March 2008	9.74	9.81	9.55	9.76	+0.02
May 2008	9.77	9.84	9.62	9.80	+0.03
LIFFE Sugar Prices (US\$/MT)					
August 2007	272.20	273.60	269.10	273.40	+0.40
October 2007	273.80	275.90	271.10	275.20	+0.70
December 2007	283.50	285.70	281.40	285.00	+0.70

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