

■ SUGAR

■ Sept 25, 2007

SPOT MARKETS

Spot sugar prices remained steady at the major cash markets on weak demand and lack lustre trade. Festive demand, along with the anticipated govt. sops is seen firming up the market in the short term. Govt. is considering allowing mills to produce ethanol directly from sugarcane juice, instead of the current practice of production of ethanol from molasses and to double the ethanol doping in petrol to 10% by October 2008. Also, the govt. is likely to extend the subsidies given to sugar exporters for one year beyond April 2008 to liquidate the stocks. However, the long term outlook on sugar prices remains largely bearish, given the glut situation. India is poised to produce 33.15 MMT of sugar from 345.62 MMT of sugarcane in the coming season and the sugarcane coverage has been reported higher at 51.1 lakh ha, as against the 48.3 ha in the previous season.

FUTURES MARKETS (NCDEX)

Sugar futures traded firm at NCDEX. The most active December contract opened firm at Rs. 1202/qtl, Rs. 3 above the previous settlement and traded steadily up to test an intraday high of Rs. 1211/qtl. The prices were pushed down thereafter on increased selling activity at higher levels and the contract finished at Rs. 1207/qtl. Open interest of the contract dipped, while volumes traded surged as compared to the previous day, indicating some short covering.

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. 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)

A short hollow candle with some selling above is formed in the charts. An upward bound RSI and a close above 9 day EMA indicate some short term firmness in the prices, while Stochastic is falling to make a bearish crossover. MACD is also rising in the negative region, which shows medium term firmness in the market. Sugar is likely to trade firm in the next session after opening steady to slightly firm with possibility of some late downward movement.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/09/24 - Daily B:1205.00 A:1207.00
O 1202.00 H 1211.00 L 1202.00 C 1207.00 V 4,930 I 89,130 +9
EMA(9) 1203.1 (18) 1209.0



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1176	1185	1207	1231	1253

TRADE RECOMMENDATION

Buy NCDEX - December Sugar M near 1206-1207 with target towards 1212 then second target at 1216. Strict stop loss near 1201. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	24.09.07	22.09.07	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	1246	1252	1243	1251	1244	+7
	November	1170	1183	1169	1181	1171	+10
	December	1165	1175	1165	1173	1164	+9

MCX Sugar-Kolhapur Review

Sugar-Kolhapur traded firm at MCX. October contract opened firm at Rs. 1246/qtl, Re. 2 above the previous close and traded down in the opening session to test an intraday low of Rs. 1243/qtl. The contract surged later on increased buying interest to test an intraday high of Rs. 1252/qtl, before closing at Rs. 1251/qtl. Open interest and volume traded improved, indicating some fresh buying. A close above the EMAs and a rising RSI indicate some short term firmness in the prices. Stochastic is falling after a bearish crossover. MACD is grazing the zero line, leaving room for movement in either direction. Sugar-Kolhapur futures are likely to trade firm in the next session with some downward movement towards the close.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1230	1235	1251	1274	1282

MCX Sugar-Kolhapur-October Contract



TRADE RECOMMENDATION

Buy MCX - October Sugar SKLP near 1250-1251 with target towards 1255 then second target at 1260. Stop loss near 1245. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on September 21, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.79	9.95	9.77	9.79	-0.05
March 2008	10.13	10.20	10.05	10.08	-0.06
May 2008	10.13	10.18	10.12	10.12	-0.06
LIFFE Sugar Prices (US\$/MT)					
August 2007	258.50	274.70	257.90	272.50	+13.00
October 2007	286.60	290.00	285.80	288.00	+2.70
December 2007	291.00	294.60	290.70	293.90	+3.40

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