

SUGAR

Sept 11, 2007

SPOT MARKETS

Amidst lower supply from mills against good physical demand sugar prices ruled firm across the major markets in country. Good demand from retailers as well as stockists ahead of the festive season (Dipawali and Dushera) supported the sentiment. The govt. sops of financial and debt restructuring package as well as mandatory ethanol doping is also seen keeping the sugar prices 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. Estimated higher production in the upcoming sugar season coupled with huge carry over stock would pressurize the prices in coming season as well. However, if govt. allows ethanol to be directly made from sugarcane instead of molasses and concentrating more on raw sugar exports would restrict the downside to some extent. Also if state govt. provides support to sugar mills by reducing the SAP (State Advised Prices) of sugarcane would also support the prices.

FUTURES MARKETS (NCDEX)

Sugar futures traded range bound at NCDEX. The most active November contract opened firm at Rs. 1244, Rs. 1 up from the previous settlement of Rs. 1243/qrtl and traded up initially testing a high of Rs 1248. However, prices traded down on increased selling pressure at higher level and tested a low of Rs 1242 before it closes at Rs 1244. October contract traded in the range of Rs 1242-1248. In November contract volume and open interest both increased.

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 doji is formed in the chart indicating reversal in prices. MACD and EMA remain weak for the medium term. Both Stochastic and RSI is heading up in the neutral region. Sugar is likely to trade range bound with weak bias with possibility of late upward movement on profit taking.

NCDEX Sugar M Grade-November Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- November	1230	1236	1244	1252	1258

TRADE RECOMMENDATION

Sell NCDEX - November Sugar M below 1246 with target towards 1242 then 1240. 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	10.09.07	08.09.07	Change
Ready Sugar (M Grade)	Delhi	1435-1490	1435-1485	+5
Ready Sugar (S Grade)	Delhi	1420-1475	1420-1470	+5
Mill Delivery	Delhi	1350-1405	1350-1400	+5

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1260	1265	1258	1264	1259	+5
	October	1254	1254	1244	1246	1251	-5
	November	1198	1199	1195	1197	1196	+1

MCX Sugar-Kolhapur Review

Sugar Kolhapur futures traded bearish at MCX. The most active October contract opened firm at Rs. 1254/qtl and traded sharply down to test an intraday low of Rs. 1244/qtl before it closed at Rs 1246. Both volume and open interest of trade improved. Prices closed below the EMAs. MACD is moving flat in negative zone. Stochastic and RSI are moving down in the neutral zone. A range bound movement is expected in the market with weak bias.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1233	1238	1246	1252	1256

MCX Sugar-Kolhapur-October Contract



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP below 1248 with target towards 1244 then second target at 1242. Stop loss near 1250. 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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