

SUGAR

Sept 20, 2007

SPOT MARKETS

Sugar traded flat at the cash markets across the country on poor demand and lack-lustre trade. Festive demand and positive govt. measures are seen supporting the sugar prices. Centre is considering allowing production of ethanol directly from sugarcane rather than from molasses. Also, the proportion of ethanol doping in petrol will be raised to 10% from the current 5% from October 2008. Besides, the govt. is considering several monetary incentives to the sugar industry. However, no major uptrend in sugar prices is expected in the long term, given the glut situation. The higher acreage under kharif sugarcane and higher estimates of sugar output for the 2007-08 season at 33.15 MMT are seen casting a bearish spell on sugar prices till 2009.

FUTURES MARKETS (NCDEX)

Sugar futures traded firm at NCDEX ahead of the September contract expiry. The benchmark November contract opened firm at Rs. 1238/qrtl, Rs. 2 above the previous settlement and traded down initially to test an intraday low of Rs. 1235/qrtl. Prices leapfrogged thereafter on increased buying interest to test an intraday high of Rs. 1260/qrtl. The contract settled at Rs. 1250/qrtl on profit booking at higher levels. Volume and open interest improved, as compared to the previous day, indicating fresh buying. The stock deficit at NCDEX has triggered the current movement.

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)

A long hollow candle with some active selling at higher levels is formed in the charts. Prices closed above the EMAs. RSI is ascending sharply, while Stochastic is also rising, after a bullish crossover. The technicals indicate a firm market in the short term. MACD is almost flat in the negative zone, indicating some intermediate term indecisiveness. Sugar is likely to trade firm in the next trading session with 1272 providing a good resistance to the prices.

NCDEX Sugar M Grade-November Contract

Sugar M Grade 0711(NCSEMX7)2007/09/19 - Daily B:1249.00 A:1251.00
O 1238.00 H 1260.00 L 1235.00 C 1250.00 V 16,080 I 57,000 +14
EMA(9) 1238.7 (18) 1243.3



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- November	1214	1222	1250	1272	1281

TRADE RECOMMENDATION

Buy NCDEX - November Sugar M above 1246 with target towards 1255 then second target at 1258. Strict stop loss near 1240. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	19.09.07	18.09.07	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	1268	1295	1268	1278	1265	+13
	October	1250	1268	1242	1258	1249	+9
	November	1181	1190	1177	1189	1180	+9

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded firm. October contract opened firm at Rs. 1250/qtl, Re. 1 above the previous close and traded down initially to test an intraday low of Rs. 1246/qtl. The prices improved thereafter on increased buying interest and the contract tested an intraday high of Rs. 1268/qtl, before settling at Rs. 1258/qtl. Volume traded improved, while open interest remained unaltered as compared to the previous day. Prices closed well above the EMAs. RSI is rising sharply in the neutral zone, while Stochastic is rising after a bullish crossover. The technicals indicate short term firmness. MACD is flat at zero level, indicating medium term indecisiveness. Sugar-Kolhapur futures are likely to trade firm in the next trading session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1232	1240	1258	1274	1282

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSVGV7)2007/09/19 - Daily B:1231.00 A:1258.00
O 1250.00 H 1268.00 L 1246.00 C 1258.00 V 117 T 14,704 I 56 +9
EMA(9) 1249.4 (18) 1249.4



TRADE RECOMMENDATION

Buy MCX - October Sugar SKLP above 1256 with target towards 1261 then second target at 1264. Stop loss near 1252. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on September 18, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.32	9.39	9.32	9.35	+0.01
March 2008	9.58	9.66	9.57	9.61	-0.01
May 2008	9.70	9.70	9.65	9.66	-0.02
LIFFE Sugar Prices (US\$/MT)					
August 2007	258.50	274.70	257.90	272.50	+13.00
October 2007	273.40	275.00	273.30	274.50	+1.10
December 2007	281.00	282.00	280.70	281.50	+0.50

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