

SUGAR

Sept 27, 2007

SPOT MARKETS

Sugar traded mostly flat at the major cash markets on weak demand and dull trading activity. Sugar prices are likely to gain some momentum from the festive demand and govt. sops. Though govt. has decided not to cut central excise duty on sugar or to defer collection of excise duty for the current financial year., the govt. is planning to allow mills to produce ethanol directly sugarcane juice and to double ethanol doping in petrol to 10% by October 2008, along with extension of export subsidies for one year beyond April, 2008. Cabinet is also likely to approve interest free loans for sugar mills against their excise payments during 2006-07 and 2007-08 seasons for making cane payments. No major uptrend in sugar prices can be expected in the long term, given the glut situation.

FUTURES MARKETS (NCDEX)

Sugar futures traded firm at NCDEX. The most active December contract opened firm at Rs. 1209/qrtl. Rs. 3 above the previous close and traded steadily up to test an intraday high of Rs. 1224/qrtl. The prices were pushed down marginally on some selling at higher levels and the contract settled at Rs. 1222/qrtl. Open interest improved marginally, amidst very large volumes traded, as compared to the previous day.

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 long hollow candle is formed in the charts. Prices closed above the EMAs. MACD is rising in the negative region, while RSI is rising sharply in the neutral region. Stochastic is also rising in the neutral zone after making a bullish crossover. Overall, technicals indicate a firm market in the short to medium term. Sugar is likely to trade firm during the next trading session with possibility of some late downward movement.

NCDEX Sugar M Grade-December Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1185	1194	1222	1244	1253

TRADE RECOMMENDATION

Buy NCDEX - December Sugar M above 1220 with target towards 1228 then second target at 1232. Strict stop loss near 1215. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	26.09.07	25.09.07	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	1244	1256	1242	1261	1246	+15
	November	1180	1194	1179	1200	1183	+17
	December	1172	1182	1172	1186	1174	+12

MCX Sugar-Kolhapur Review

Sugar - Kolhapur futures traded up at MCX. The most active October contract opened weak at Rs. 1244/qtl, Rs. 2 down the previous close of Rs. 1246/qtl and traded down during the opening session to test an intraday low of Rs. 1242/qtl. The prices improved thereafter on increased buying interest at lower levels to test an intraday high of Rs. 1262/qtl, before closing at Rs. 1261/qtl. Volume and open interest improved slightly as compared to the previous day, indicating some fresh buying. Prices closed above the EMAs. MACD is rising hesitantly to emerge into positive zone, while RSI is rising sharply. Stochastic is also rising and about to make a bullish crossover. Sugar-Kolhapur futures are likely to trade firm in the next trading session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1230	1235	1261	1274	1282

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/09/26 - Daily B:1260.00 A:1264.00
O:1244.00 H:1262.00 L:1242.00 C:1261.00 V:89 T:11,146 I:59 +15



TRADE RECOMMENDATION

Buy MCX - October Sugar SKLP near 1258-1260 with target towards 1265 then second target at 1268. Stop loss near 1254. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on September 25, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.86	9.97	9.81	9.83	-0.05
March 2008	10.12	10.22	10.06	10.10	-0.04
May 2008	10.18	10.23	10.12	10.14	-0.04
LIFFE Sugar Prices (US\$/MT)					
August 2007	282.20	285.30	279.20	281.60	+0.10
October 2007	288.60	291.30	286.60	288.80	+0.30
December 2007	292.20	293.00	291.00	292.10	+0.10

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>