

SUGAR

Sept 3, 2007

SPOT MARKETS

Sugar traded flat at the major cash markets on weak demand and dull trade. Govt. has released 13 lakh tonnes of sugar under non levy quota for September. Supply was also reported to be lower, as mills are awaiting the notification of separate quantity for each mill. The positive sentiments generated after the approval of financial and debt restructuring sops have faded out. Festive demand expected to emerge from the different states of the country is likely to maintain the prices firm in the short term. However, the long term outlook on sugar prices remains largely bearish on account of the domestic and global oversupply till 2009 and poor export prospects. RBI has asked commercial banks to lend to sugar industry to help them achieve a higher buffer stock. Meanwhile, Pakistan Sugar Mills Association has decided to boycott importers of Indian sugar.

FUTURES MARKETS (NCDEX)

Sugar futures traded weak at NCDEX. The most active October contract opened weak at Rs. 1302, Rs. 3 down the previous settlement of Rs. 1305/qrtl and traded up initially to test an intraday high of Rs. 1306. The prices slumped thereafter on higher selling pressure at higher levels and the contract tested an intraday low of Rs. 1298/qrtl, before closing at Rs. 1299/qrtl. Volume traded was lower, while open interest improved 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. FSQ for September fixed at 13 lakh tonnes
8. Commercial banks instructed to fund sugar sector

WEATHER IMPACT

Near normal monsoon and increased acreage points towards higher cane production.

TECHNICALS (NCDEX)

A bearish candle with some buying initially is formed in the charts. MACD is flat slightly below the zero line. RSI is falling in the neutral region, indicating some weakness in the market in the short term. Sharply rising Stochastic, along with a close above the EMAs, points towards continued short term firmness in the market. Sugar is likely to trade range bound with upward bias in the short term. 1306-1308 is providing good resistance to prices.

NCDEX Sugar M Grade-October Contract

Sugar M Grade 0710(NCSEMV7)2007/09/01 - Daily B:1299.00 A:1300.00
O 1302.00 H 1306.00 L 1298.00 C 1299.00 V 3,510 I 38,970 -6
EMA(9) 1297.8 (18) 1299.6



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- October	1268	1285	1299	1315	1329

TRADE RECOMMENDATION

Buy NCDEX - October Sugar M near 1298-1300 with target towards 1307 then second target at 1310. Strict stop loss near 1293. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	01.09.07	31.08.07	Change
Ready Sugar (M Grade)	Delhi	1425-1455	1425-1455	0
Ready Sugar (S Grade)	Delhi	1410-1440	1410-1440	0
Mill Delivery	Delhi	1340-1380	1340-1380	0

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1249	1250	1247	1248	1250	-2
	October	1249	1250	1246	1247	1249	-2
	November	1209	1211	1206	1206	1207	-1

MCX Sugar-Kolhapur Review

Sugar-Kolhapur traded bearish at MCX. Oct. futures opened firm at Rs. 1249/qtl and traded down initially to test a low of Rs. 1246/qtl. Prices improved thereafter on improved buying interest at lower levels and the contract tested an intraday high of Rs. 1250/qtl, before closing at Rs. 1247/qtl. Volume traded and open interest improved, indicating short accumulation. MACD is flat below the zero line, while RSI is falling in the neutral zone. Stochastic rising sharply in neutral zone, couple with a close above the 9 day EMA, indicates firmness in prices in short term. Close below 18-day EMA indicates intermediate term weakness in the market. Sugar-Kolhapur futures are expected to trade range bound with upward inclination in the short term.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1223	1233	1247	1270	1282

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(M/SUGV7)2007/09/01 - Daily B:1246.00 A:1248.00
O:1249.00 H:1250.00 L:1246.00 C:1247.00 V:300 T:182 I:46 -2
EMA(9):1246.1 (18):1248.6



TRADE RECOMMENDATION

Buy MCX - October Sugar SKLP above 1246 with target towards 1250 then second target at 1252. Stop loss near 1242. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 31, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.51	9.55	9.42	9.48	-0.06
March 2008	9.78	9.80	9.74	9.78	-0.02
May 2008	9.82	9.82	9.78	9.80	-0.02
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	279.70	280.40	273.90	279.50	+0.80
December 2007	281.40	283.00	277.50	283.00	+1.50

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