

SUGAR

Sept 22, 2007

SPOT MARKETS

Sugar spot markets were weak at the benchmark centres of Delhi and Muzaffarnagar on weak demand amidst ample supply from mills and month end cash crunch. The positive sentiments generated on the govt. proposals of allowing ethanol production from sugarcane directly as well as mandating 10% ethanol doping in petrol from October 2008 and extension of export incentives have faded. Festive demand emerging from the different states ahead of the ensuing festivals of diwali, durgapuja and ramzan are likely to support the market in the short term. However, the long term outlook on sugar prices remains largely bearish on account of the glut situation which is likely to persist till 2009. Indian sugarcane production for 2007-08 has been estimated at 345.62 MMT, while sugar output is pegged at 33.15 MMT.

FUTURES MARKETS (NCDEX)

Sugar futures traded weak at NCDEX. The benchmark November contract opened weak at Rs. 1255/qtt, Rs. 2 down the previous close and traded up marginally during the opening session to test an intraday high of Rs. 1256/qtt. Prices were pushed down thereafter on increased selling pressure and the contract tested an intraday low of Rs. 1240/qtt, before settling at Rs. 1242/qtt. Open interest of the contract dipped amidst very low volumes traded, as compared to the previous day.

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 dark candle is formed in the charts. MACD is rising hesitantly to approach the zero line. RSI is falling in the neutral zone, showing short term weakness in the prices. An upward bound Stochastic as well as a close above 9-day EMA indicates some short term firmness in the market. Very low volumes traded do not support the price movement. Sugar is likely to trade weak during the next trading session after opening steady.

NCDEX Sugar M Grade-November Contract

Sugar M Grade 0711(NCSEMX7)2007/09/21 - Daily B:1242.00 A:1243.00
O 1255.00 H 1256.00 L 1240.00 C 1242.00 V 4,840 154,800 -11



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- November	1225	1231	1242	1261	1269

TRADE RECOMMENDATION

Sell NCDEX - November Sugar M above 1244 with target towards 1238 then second target at 1235. Strict stop loss near 1249. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qtt)

Origin/Grade	Center	21.09.07	20.09.07	Change
Ready Sugar (M Grade)	Delhi	1420-1465	1425-1470	-10
Ready Sugar (S Grade)	Delhi	1405-1450	1410-1455	-10
Mill Delivery	Delhi	1335-1380	1340-1385	-10

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1253	1253	1241	1246	1253	-7
	November	1185	1186	1170	1176	1183	-7
	December	1160	1167	1168	1157	1167	-10

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded weak with the most active October contract opening steady at Rs. 1253/qtl at the previous settlement levels and thereafter traded steadily down to test an intraday low of Rs. 1241/qtl. The prices improved slightly on increased buying interest at lower levels and the contract settled at Rs. 1246/qtl. Volume traded and open interest were lower as compared to the previous day. Prices closed below the EMAs. MACD is flat at the zero level, while Stochastic is almost flat in the neutral zone, indicating some indecision in the market. RSI is falling sharply in the neutral zone, indicating some short term weakness in the market. Sugar-Kolhapur futures are likely to trade weak with some late upward movement.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1230	1235	1246	1274	1282

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/09/21 - Daily B:1240.00 A:1247.00
O:1253.00 H:1253.00 L:1241.00 C:1246.00 V:113 T:14,081 I:55 -7
EMA(9):1249.4 (18):1249.4



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP below 1247 with target towards 1241 then second target at 1239. Stop loss near 1251. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on September 20, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.81	9.94	9.78	9.84	+0.15
March 2008	10.16	10.24	10.12	10.14	+0.15
May 2008	10.16	10.22	10.13	10.18	+0.19
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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