

## ■ SUGAR

■ Sept 29, 2007

### SPOT MARKETS

Sugar traded flat at the major cash markets on weak demand due to month-end cash crunch. The govt. is yet to sanction the sops for the sugar industry, which include allowing ethanol production from sugarcane juice, and doubling ethanol blending in auto-fuels to 10% by Oct 2008, along with extension of export subsidies for one year beyond April, 2008. Meanwhile, govt. has released 4.2 MMT of non-levy sugar for the quarter Oct-Dec 2007. For the month of October 2007, the FSQ released is 16 lakh tonne. In addition, a quantity of 2.29 lakh tonne has been released under levy for distribution in PDS. Thus, the total availability of sugar in the month of October, 2007 would be 18.29 lakh tonne which would be sufficient to meet the festival demand for sugar, thereby stabilizing the prices in the short term.

### FUTURES MARKETS (NCDEX)

NCDEX sugar futures continued the volatility with a weak bias. The most active December contract opened firm at Rs. 1213/ctl, Re. 1 above the previous close and, after trading down during the early hours, rose to test an intraday high of Rs. 1215/ctl. Increased selling at higher levels pressurized the prices which slumped to test an intraday low of Rs. 1205/ctl. Prices improved thereafter and the contract settled at Rs. 1210/ctl. Open interest improved amidst lower volumes traded as compared to the previous session.

### 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. 42 lakh tonnes of non-levy sugar released for the quarter Oct-Dec 07
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)

Candle stick pattern shows indecision with active buying at lower levels. Prices remain above the EMAs, indicating some short to intermediate term firmness in the market. MACD is rising in the negative territory, while Stochastic is rising in the neutral zone, leaving scope for further upward movement in prices. However, a southward RSI indicates some short term weakness in the market. Sugar is likely to trade sideways in the next trading session with a downward bias.

### NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/09/28 - Daily B:1208.00 A:1210.00  
O 1213.00 H 1215.00 L 1205.00 C 1210.00 V 8,470 I 89,290 -5



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1183	1196	1210	1231	1244

### TRADE RECOMMENDATION

**Sell** NCDEX - December Sugar M below 1212 with target towards 1207 then second target at 1204. Strict stop loss near 1216. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

### Spot Market Prices (Rs. /ctl)

Origin/Grade	Center	28.09.07	27.09.07	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	1259	1260	1253	1257	1259	-2
	November	1196	1197	1187	1192	1196	-4
	December	1184	1185	1176	1179	1184	-5

### MCX Sugar-Kolhapur Review

The most active November contract opened at the previous settlement levels of Rs. 1196/qtl and after trading up marginally to test an intraday high of Rs. 1197/qtl, slumped on increased selling activity to test an intraday low of Rs. 1187/qtl. Prices improved slightly afterwards on some buying at lower levels to close at Rs. 1192/qtl. Volume and open interest were lower as compared to the previous day. Prices remain above the EMAs. MACD is rising slowly in the negative territory, while Stochastic is rising into overbought region, supporting medium and short term firmness, respectively. RSI is falling, imparting a weak trend in prices. 1202 is seen providing a good resistance to the prices. Sugar futures are likely to trade sideways with a southward bias in the next session.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1166	1177	1192	1212	1220

### MCX Sugar-Kolhapur-November Contract

SUGARSKLP 0711 (MXSUGX7)2007/09/28 - Daily B:1191.00 A:1193.00  
O 1196.00 H 1197.00 L 1187.00 C 1192.00 V 397 T 47,257 I 26 -4



### TRADE RECOMMENDATION

**Sell** MCX -November Sugar SKLP below 1196 with target towards 1190 then second target at 1188. Stop loss near 1200. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on September 27, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.71	9.88	9.71	9.82	+0.10
March 2008	10.00	10.31	9.98	10.10	+0.08
May 2008	10.06	10.30	10.05	10.15	+0.06
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	277.90	284.30	274.80	279.30	+0.80
October 2007	285.00	289.90	282.20	286.30	+0.80
December 2007	288.50	293.00	285.40	290.00	+0.50

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