

## SUGAR

Sept 13, 2007

### SPOT MARKETS

Sugar prices stood steady across the markets in UP and Delhi on normal demand - supply situation, while prices declined further in Kolkata markets on normal demand against increased supply ahead of festivals. Further, the mills in Maharashtra are expected to start crushing from 1st October. But, sources reported that before the mills start crushing the state govt. has to set up the SAP of sugarcane. The Centre, last year, has announced the MSP for 2007-08 season @ 81.18/qtl. Also the production in Maharashtra in upcoming season is expected to increase by 7% to 9.7 million tonnes from the previous year. Meanwhile, Brazilian Institute of Geography and Statistics raised the Brazil's sugarcane output to 514.1 MMT in 2007-08, up from the July forecast of 513.9 MMT. Last year cane production totaled at 455.3 MMT. Thus, considering the factors prices are expected to remain lower in medium to long term. However, some improvement is expected if govt. reduces the SAP of cane and concentrate more on raw sugar export besides white sugar.

### FUTURES MARKETS (NCDEX)

Sugar futures traded weak at NCDEX. The most active November contract opened weak at Rs. 1240, Rs. 1 down from the previous settlement of Rs. 1241/qtl and traded up initially testing a high of Rs 1244/qtl. However, prices skid thereafter on increased selling pressure testing a low of Rs 1236/qtl and finally settled at days low. October contract traded in the range of Rs 1294-1304/qtl. In November contract both volume and open interest increased.

### 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. Brazil's cane production up at 514.1 MMT from July forecast of 513.9 MMT
5. Production in Maharashtra is expected rise by 7 %
6. Festive demand
7. Financial and debt restructuring package
8. 10% ethanol doping effective October 2008
9. Govt. extended export obligation on import of raw sugar

### WEATHER IMPACT

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

### TECHNICALS (NCDEX)

Candlestick chart pattern shows weakness in prices. MACD and EMA remain weak for the medium term. MACD is flat in the negative zone. Stochastic is moving down in the neutral region while RSI entered into the oversold region. Sugar is likely to trade range bound with weak bias.

### NCDEX Sugar M Grade-November Contract



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- November	1220	1224	1236	1241	1246

### TRADE RECOMMENDATION

**Sell** NCDEX - November Sugar M below 1236 with target towards 1230 then 1228. Strict stop loss near 1239. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	12.09.07	11.09.07	Change
Ready Sugar (M Grade)	Delhi	1435-1490	1435-1490	-
Ready Sugar (S Grade)	Delhi	1420-1475	1420-1475	-
Mill Delivery	Delhi	1350-1405	1350-1405	-

### MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1267	1268	1261	1263	1266	-3
	October	1252	1252	1249	1249	1249	-2
	November	1197	1197	1193	1193	1195	-2

### MCX Sugar-Kolhapur Review

Sugar Kolhapur futures traded range bound at MCX. The most active October contract opened firm at Rs. 1252/qtl against the previous close of Rs 1251/qtl. Contract then traded down testing a low of Rs 1249/qtl and finally settled at days low. Volume improved while open interest remained unchanged. Prices closed below the EMAs. MACD is moving flat over zero line. Both Stochastic and RSI is moving down in the neutral region. A range bound movement is expected in the market with weak bias.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1233	1238	1249	1254	1258

### MCX Sugar-Kolhapur-October Contract



### TRADE RECOMMENDATION

**Sell** MCX - October Sugar SKLP below 1249 with target towards 1244 then second target at 1242. Stop loss near 1252. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on September 07, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.37	9.45	9.23	9.41	+0.04
March 2008	9.74	9.81	9.55	9.76	+0.02
May 2008	9.77	9.84	9.62	9.80	+0.03
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	272.20	273.60	269.10	273.40	+0.40
October 2007	273.80	275.90	271.10	275.20	+0.70
December 2007	283.50	285.70	281.40	285.00	+0.70

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