

■ SUGAR

■ Sept 28, 2007

SPOT MARKETS

Sugar spot markets remain steady at Delhi on weak demand and dull trade. Festive demand and govt. sops are seen firming up the market in the short term. However, the month-end cash crunch is seen limiting demand in the physical market. The govt. is likely to sanction the sops for sugar sector soon, which includes allowing ethanol production directly from sugarcane juice, doubling ethanol doping to 10% by October 2008, extension of export subsidy for a year as well as interest-free loans against excise duty paid by sugar mills in 2006-07 and payable in 2007-08. However, prices are likely to fall further in the long term with yet another record production, projected at over 33 MMT in 2007-08. Meanwhile, small volumes of Indian sugar shipped to China have been withheld over higher than permissible levels of bacteria.

FUTURES MARKETS (NCDEX)

Sugar futures are traded volatile at NCDEX. The most active December contract opened weak at Rs. 1220/qrtl, Rs. 2 down the previous close of Rs. 1222/qrtl and traded up during the early hours of the traded to test an intraday high of Rs. 1225/qrtl. The prices slumped thereafter on increased selling activity to test an intraday low of Rs. 1209/qrtl. The prices picked pace afterwards on some buying at lower levels to close at Rs. 1218/qrtl. Open interest and volumes dipped slightly 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)

Prices remain above the EMAs, indicating short to intermediate term firmness in the prices. MACD is rising in the negative territory, while Stochastic is rising in the neutral region after a bullish crossover, leaving scope for further upward movement. RSI is falling in the neutral region, which shows some weakness. Sugar is expected to trade firm in the next session with some late downward movement.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/09/27 - Daily B:1212.00 A:1213.00
O 1220.00 H 1225.00 L 1209.00 C 1215.00 V 12,070 I 86,820 -7



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1185	1194	1215	1244	1253

TRADE RECOMMENDATION

Buy NCDEX - December Sugar M above 1215 with target towards 1223 then second target at 1225. Strict stop loss near 1214. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	27.09.07	26.09.07	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	1263	1252	1256	1257	-1
	November	1197	1202	1191	1192	1195	-3
	December	1183	1192	1180	1183	1181	+2

MCX Sugar-Kolhapur Review

MCX Sugar-Kolhapur futures traded weak after opening firm. The most active November contract opened firm at Rs. 1197, Rs. 2 above the previous settlement and traded up initially to test an intraday high of Rs. 1202. Prices slumped thereafter on increased selling activity to test an intraday low of Rs. 1191, before settling at Rs. 1192. Open interest improved, while volume dipped as compared to the previous day. Prices closed above the EMAs, indicating some firmness in the prices in the short to intermediate term. MACD is flat below the zero line, while RSI is flat in the neutral region, leaving scope for either side movement. Stochastic is rising in the neutral region, indicating short term firmness in the market. Sugar-Kolhapur futures are likely to trade firm in the next trading session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1166	1177	1192	1207	1212

MCX Sugar-Kolhapur-November Contract

SUGARSKLP 0711(MX:SUGX7)2007/09/27 - Daily B:1192.00 A:1198.00
O 1197.00 H 1202.00 L 1191.00 C 1192.00 V 442 T 52,957 I 33 -3
EMA(9) 1186.3 (18) 1189.9



TRADE RECOMMENDATION

Buy MCX -November Sugar SKLP near 1190-1192 with target towards 1197 then second target at 1200. Stop loss near 1185. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on September 26, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.81	9.89	9.70	9.72	-0.11
March 2008	10.07	10.16	9.99	10.02	-0.08
May 2008	10.17	10.19	10.06	10.09	-0.05
LIFFE Sugar Prices (US\$/MT)					
August 2007	281.50	281.70	278.20	278.50	-3.10
October 2007	287.80	288.00	285.40	285.50	-3.30
December 2007	291.90	291.90	289.10	289.50	-2.60

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>