

SUGAR

October 19, 2007

SPOT MARKETS

Sugar spot markets traded mostly flat at the benchmark centres on poor offtake amidst restricted arrivals. The improved demand during festival season is likely to sustain till Diwali. This, along with the govt. sops is likely to maintain the market firm in the short term. However, the long term outlook on sugar prices remains largely bearish on account of the bumper productions in 2006-07 as well as 2007-08. Indian sugar output is estimated to cross 30 million tonnes in 2007-08. The ethanol policy is seen as a boon by the industry, which will help in reducing sugar stocks by 2 MMT.

FUTURES MARKETS (NCDEX)

Sugar futures traded firm at NCDEX on fresh buying. The most active December contract opened firm at Rs. 1228/qrtl, Rs. 2 above the previous close and traded down marginally in the opening session to test an intraday low of Rs. 1227/qrtl. Buying support pushed the prices up later to test an intraday high of Rs. 1233/qrtl. The contract finished slightly lower on some selling pressure at Rs. 1230/qrtl. Volume and open interest improved as compared to the previous session on account of long accumulation.

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. 4.2 MMT of non-levy sugar for the quarter Oct-Dec 07
5. 10% ethanol doping effective October 2008
6. Export subsidies extended for one year
7. Govt. sanctioned sops for sugar industry

WEATHER IMPACT

Late season rain in north and south India helps the growth of developing sugarcane.

TECHNICALS (NCDEX)

Sugar futures continue to remain trapped in the trading range. Candlestick pattern suggests a firm opening and further uptrend. Close above the short term EMAs and a northward RSI indicate a firm market in the short term. MACD has flattened out at the zero level, while Stochastic is falling in the neutral region, supporting further downtrend. Sugar futures are likely to trade range-bound with firm tone in the next session. However, 1230 level is seen providing an immediate resistance to the uptrend. Hence, trade with caution.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/10/18 - Daily B:1229.00 A:1231.00
O 1228.00 H 1233.00 L 1227.00 C 1230.00 V 5,350 I 83,070 +4
EMA(9) 1224.0 (18) 1221.4



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1196	1205	1230	1234	1245

TRADE RECOMMENDATION

Buy NCDEX - December Sugar M above 1227-1229 with target towards 1233 then second target at 1235. Strict stop loss near 1224. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	18.10.07	17.10.07	Change
Ready Sugar (M Grade)	Delhi	1455-1500	1455-1500	0
Ready Sugar (S Grade)	Delhi	1440-1485	1440-1485	0
Mill Delivery	Delhi	1370-1415	1370-1415	0



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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1325	1372	1315	1332	1319	+13
	November	1220	1229	1219	1227	1221	+6
	December	1201	1210	1200	1206	1203	+3

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur traded firm. The most active November contract opened weak at Rs. 1220/qtl, Re. 1 down the previous settlement and traded down in the opening session to test an intraday low of Rs. 1219/qtl. Increased buying support at lower levels pushed the prices up to test an intraday high of Rs. 1229/qtl. Prices dipped marginally thereafter on some selling pressure and the contract finished at Rs. 1227/qtl. Volume and open interest dipped as compared to the previous day. Close above the EMAs, and rising MACD and Stochastic suggest further uptrend in place. RSI is rising hesitantly in the neutral region, supporting a firm market. Sugar-Kolhapur futures are likely to trade firm in the next session with some late downward movement.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1178	1187	1227	1240	1250

MCX Sugar-Kolhapur-November Contract



TRADE RECOMMENDATION

Buy MCX-November Sugar SKLP above 1224 with target towards 1229 then second target at 1231 Stop loss near 1221. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 17, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.11	10.23	10.11	10.13	-0.02
May 2008	10.16	10.21	10.12	10.12	-0.03
July 2008	10.12	10.14	10.05	10.05	-0.06
LIFFE Sugar Prices (US\$/MT)					
December 2007	275.10	275.30	272.30	274.40	-0.20
March 2008	283.50	284.70	282.60	284.00	+0.10
May 2008	287.60	288.30	286.30	288.10	0.00

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