

■ SUGAR

■ October 11, 2007

SPOT MARKETS

Sugar spot markets were mostly steady on good offtake amidst ample supply from mills, which kept the prices unaltered. Meanwhile, the govt. has announced a slew of measures aimed at helping the sugar industry, which include subsidized loans to sugar mills, making 5% ethanol doping in petrol mandatory with immediate effect, allowing mills to produce ethanol directly from sugarcane juice, extension of export subsidy for one year and extension of moratorium on outstanding loans as on April 1, 2005 from two to five years. These, along with the improved demand ahead of the festive season, will prop some support to the sugar prices in the short term. However, no major uptrend in sugar prices is likely, given the glut situation.

FUTURES MARKETS (NCDEX)

Sugar futures traded firm at NCDEX with some profit booking at higher levels. The most active December contract opened firm at Rs. 1223/qrtl, Rs. 7 above the previous close and after a marginal downward movement to test an intraday low of Rs. 1221/qrtl, traded sharply up on improved buying interest to test an intraday high of Rs. 1245/qrtl. Prices were capped by increased selling activity at higher levels and the contract slid down to close at the opening level of Rs. 1223/qrtl. Volume and open interest improved as compared to the previous day, suggesting 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 improve the outlook for developing sugarcane.

TECHNICALS (NCDEX)

Doji formation suggests indecision in the market. Prices closed within the recent trading range. Sugar is in a congestion phase and a breakout is needed to establish a trend. Prices closed above the EMAs, suggesting firm prices. MACD is flat after making a bullish crossover in the positive territory, while RSI is rising in the neutral region, supporting further uptrend. Stochastic is flat in the neutral zone, suggesting an indecisive market. Sugar is likely to trade range-bound with a firm bias in the next session.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/10/10 - Daily B:1222.00 A:1224.00
O:1223.00 H:1245.00 L:1221.00 C:1223.00 V:10,570 I:82,360 +8



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1183	1196	1223	1234	1256

TRADE RECOMMENDATION

Buy NCDEX - December Sugar M near 1221-1223 with target towards 1229 then second target at 1231. Strict stop loss near 1216. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	10.10.07	09.10.07	Change
Ready Sugar (M Grade)	Delhi	1425-1470	1425-1470	0
Ready Sugar (S Grade)	Delhi	1410-1455	1410-1455	0
Mill Delivery	Delhi	1340-1385	1340-1385	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	1264	1275	1264	1273	1264	+9
	November	1192	1204	1192	1199	1186	+13
	December	1202	1202	1188	1197	1184	+13

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded firm on short covering. The most active November contract opened firm at Rs. 1192/qtl, Rs. 6 above the previous settlement and traded steadily up to test an intraday high of Rs. 1204/qtl. Prices slumped thereafter on increased selling pressure at higher levels and the contract closed at Rs. 1199/qtl. Open interest dipped amidst larger volumes traded as compared to the previous day, suggesting short liquidation. Candlestick pattern indicates firm opening and uptrend. Prices closed above EMAs, suggesting firm trend. MACD is flat at zero level, after a bullish crossover, while RSI is rising sharply in the neutral region, indicating further uptrend in place. 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	1166	1178	1199	1209	1217

MCX Sugar-Kolhapur-November Contract



TRADE RECOMMENDATION

Buy MCX -November Sugar SKLP near 1197-1199 with target towards 1207 then second target at 1209. Stop loss near 1192. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 09, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
March 2008	9.85	9.93	9.76	9.91	+0.16
May 2008	9.88	9.92	9.88	9.92	+0.13
July 2008	9.85	9.90	9.85	9.88	+0.11
LIFFE Sugar Prices (US\$/MT)					
December 2007	274.90	278.00	273.90	278.00	+3.10
March 2008	282.00	286.00	281.70	285.90	+3.70
May 2008	286.00	287.50	285.90	287.40	+2.50

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