



■ SUGAR

■ October 18, 2007

SPOT MARKETS

Spot sugar traded steady at the major centres across the country on weak demand amidst restricted arrivals from mills. The festive season demand and govt. sops are likely to prop up the market in the short term. The ethanol policy is seen as a big relief measure by the industry and it will help in reducing the sugar surplus stocks by 2 MMT, while a 10% ethanol blending would see 10 MMT sugarcane diverted to ethanol production. However, sugar prices remain eclipsed by the huge sugar stocks. Large carry over stocks, forecast of record production and govt. export incentives are likely to lead India to be an aggressive sugar exporter during 2007-08, which will pressure prices of white sugar.

FUTURES MARKETS (NCDEX)

Sugar futures traded volatile at NCDEX to close marginally lower. The most active December contract opened steady at Rs. 1227/mtl and traded down initially to test an intraday low of Rs. 1222/mtl. Prices improved thereafter on some buying support and the contract tested an intraday high of Rs. 1229/mtl. Prices were pressurized by active selling later and the contract closed at Rs. 1226/mtl. Open interest and volume dipped 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. 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)

Sugar futures failed to emerge from the trading range. Candlestick pattern shows indecision in the market. Prices closed above the short term EMAs, suggesting a firm market. MACD has flattened out at the zero level, while RSI is also flat in the neutral region, supporting indecision in the market. Stochastic is falling in the neutral region, leaving room for further downtrend. Sugar futures are likely to trade sideways with a weak tone in the next trading session. 1230 level is seen resisting the uptrend in the short term, while 1222 is providing an immediate support to the prices.

NCDEX Sugar M Grade-December Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1197	1206	1226	1234	1245

TRADE RECOMMENDATION

Sell NCDEX - December Sugar M below 1226-1227 with target towards 1222 then second target at 1220. Strict stop loss near 1229. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /mtl)

Origin/Grade	Center	17.10.07	16.10.07	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	1326	1330	1295	1330	1297	+33
	November	1222	1224	1213	1220	1224	-4
	December	1198	205	1194	1201	1200	+1

MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded volatile with a weak tone at MCX. The most active November contract opened weak at Rs. 1222/qtl, Rs. 2 down the previous close and traded up in the opening session to test an intraday high of Rs. 1224/qtl. Increased selling pressurized the market thereafter and the contract slipped to test an intraday low of Rs. 1213/qtl. Prices were pushed up by some buying support and the contract settled at Rs. 1220/qtl. Volume traded and open interest were lower as compared to the previous day. Candlestick pattern and flat MACD and RSI shows indecision in the market, while close above the short term EMAs suggest firm market. RSI is falling in the neutral region, supporting further downtrend. Sugar-Kolhapur is likely to trade sideways with a firm tone in the next session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1178	1187	1220	1246	1256

MCX Sugar-Kolhapur-November Contract



TRADE RECOMMENDATION

Buy MCX-November Sugar SKLP above 1218 with target towards 1223 then second target at 1225 Stop loss near 1215. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 16, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.12	10.18	10.07	10.15	+0.20
May 2008	10.11	10.18	10.10	10.15	+0.18
July 2008	10.10	10.11	10.07	10.11	+0.16
LIFFE Sugar Prices (US\$/MT)					
December 2007	272.50	276.80	272.50	274.60	+4.60
March 2008	283.00	286.50	283.00	283.90	+3.20
May 2008	290.00	290.00	288.00	288.10	+2.40

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