

■ SUGAR

■ October 13, 2007

SPOT MARKETS

Sugar cash markets firmed up on improved demand from retailers ahead of Eid and Navratri. The festive demand is likely to sustain till Diwali. The govt. announcement of the sugar sops is also seen supporting the market in the short term. The loan will improve the cash flow of the companies and enable them to make cane payments, while the provision of ethanol production from sugarcane juice will see a reduction in the sugar stocks by 2 MMT. However, the long term outlook on sugar prices remains eclipsed by the glut situation which is likely to prevail till 2009. Lower output in Brazil's Centre South, which produced 6.8% lesser sugar in the season ended Sept. 16 as millers made more ethanol is likely to buoy the prices of the sweetener in the short term.

FUTURES MARKETS (NCDEX)

Sugar futures traded in a thin range at NCDEX. The most active December contract opened weak at Rs. 1220/mt, Re. 1 down the previous settlement and traded up marginally to test an intraday high of Rs 1221/mt. Prices slumped thereafter on some selling pressure to test an intraday low of Rs. 1216/mt. Buyers emerging at the lower levels pushed the prices back to close at Rs. 1219/mt. Open interest improved marginally, while volume dipped 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. 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 recent trading range and a break out is needed to establish a trend. Candlestick and all other indicators are flat and fail to provide any direction of the future trend, except MACD which is rising in the negative territory, pointing towards some medium term firmness. Prices closed below 18 day EMA, suggesting intermediate bearish posture of the market. Sugar futures are likely to trade range-bound with a downward bias in the next session.

NCDEX Sugar M Grade-December Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1196	1205	1219	1234	1245

TRADE RECOMMENDATION

Sell NCDEX - December Sugar M near 1219-1221 with target towards 1215 then second target at 1213 Strict stop loss near 1223. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /mt)

Origin/Grade	Center	12.10.07	11.10.07	Change
Ready Sugar (M Grade)	Delhi	1435-1480	1425-1470	+10
Ready Sugar (S Grade)	Delhi	1420-1465	1410-1455	+10
Mill Delivery	Delhi	1350-1395	1340-1385	+10

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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1268	1240	1263	1268	1266	+2
	November	1195	1200	1191	1198	1195	+3
	December	1196	1198	1189	1190	1196	-6

MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded firm at MCX on fresh buying. The most active November contract opened steady at Rs. 1195/qtl and traded down in the opening session to test an intraday low of Rs. 1191/qtl. Prices improved thereafter on good buying support to test an intraday high of Rs. 1200/qtl, before closing marginally down at Rs. 1198/qtl. Open interest and volume surged as compared to the previous session, indicating long accumulation. Prices remain above the EMAs, suggesting firmness in the market. All other technical indicators are flat and fail to provide any direction of the future course of the market. Sugar futures are likely to trade in the range with a firm tone during the next session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1157	1175	1198	1228	1246

MCX Sugar-Kolhapur-November Contract



TRADE RECOMMENDATION

Buy MCX-November Sugar SKLP near 1196-1198 with target towards 1201 then second target at 1203 Stop loss near 1193. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 11, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
March 2008	9.77	9.89	9.73	9.81	+0.07
May 2008	9.90	9.92	9.85	9.85	+0.08
July 2008	9.89	9.89	9.84	9.84	+0.09
LIFFE Sugar Prices (US\$/MT)					
December 2007	276.80	276.80	273.50	274.20	-1.00
March 2008	283.10	284.40	282.10	283.20	+0.30
May 2008	285.00	287.50	285.00	286.40	+0.90

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