

■ SUGAR

■ October 30, 2007

SPOT MARKETS

Sugar traded flat at the benchmark cash markets on slack demand due to month end cash crunch and subdued trading session. The market is likely to remain buoyant till Diwali, after which it lacks fundamentals to support the prices. Straddled with huge cane arrears and a bumper crop ready for harvest, the sugar mills in UP and Maharashtra have not begun crushing operations as they await a positive move from the state govts. to rationalize the cane prices. The long term outlook on sugar prices continues to remain largely bearish, given the huge supplies in the domestic as well as global markets. A sluggish Brazilian sugar outlook and rising crude oil prices are seen supporting the global sugar prices in the short term.

FUTURES MARKETS (NCDEX)

Sugar futures extended weakness further at NCDEX. The most active December contract opened Re. 1 weak at Rs. 1234/qrtl and traded steadily down to test an intraday low of Rs. 1226/qrtl on active selling. Buying support at lower levels pushed the prices up thereafter to test an intraday high of Rs. 1236/qrtl, before trading down to settle at Rs. 1230/qrtl. Open interest and volume improved, suggesting short accumulation.

PRICE DRIVERS

1. Domestic and global glut
2. Acreage under sugarcane at 51.1 lakh ha; sugarcane production at 345.62 MMT
3. Sugar output estimated at around 30 MMT
4. Festive demand
5. 4.2 MMT of FSQ for the quarter Oct-Dec 07; additional 1.45 lakh tonnes under FSQ
6. 10% ethanol doping effective October 2008
7. Export subsidies extended for one year
8. Govt. sanctioned sops for sugar industry

WEATHER IMPACT

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

TECHNICALS (NCDEX)

Candlestick pattern suggests a weak opening and further downtrend. A downward bound RSI in the neutral region indicate downward pressure on the prices. However, close above the short term EMAs and a rising MACD in the positive territory will limit the downside movement. Stochastic is rising hesitantly in the neutral region, supporting firmness in the market. Sugar futures are likely to trade sideways with a downward bias in the next trading session. Next support is seen emerging at 1223 level.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/10/29 - Daily B:1230.00 A:1232.00
O 1234.00 H 1236.00 L 1226.00 C 1230.00 V 9,300 I 77,620 -5
EMA(9) 1231.0 (18) 1227.8



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1205	1223	1230	1246	1255

TRADE RECOMMENDATION

Sell NCDEX - December Sugar M below 1230-1232 with target towards 1226 then second target at 1224. Strict stop loss near 1234. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	29.10.07	27.10.07	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	November	1231	1233	1225	1228	1233	-5
	December	1214	1216	1207	1214	1215	-1
	January	1215	1218	1209	1214	1216	-2

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded volatile with a bearish tone. The most active December contract opened weak at Rs. 1214, Re. 1 down the previous close and traded steadily down to test the day's low of Rs. 1207 Improved buying support pushed the prices up thereafter to test an intraday high of Rs. 1216, before settling at Rs. 1214. Open interest and volume improved marginally as compared to the previous day, suggesting short accumulation. Candlestick pattern suggests indecision in the market; as do a flat MACD and RSI. Close above 9 and 18-day EMAs, and a rising Stochastic suggest bullish momentum. Sugar-Kolhapur futures are likely to trade volatile with a firm tone in the next trading session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-December	1186	1204	1214	1223	1247

MCX Sugar-Kolhapur-December Contract

SUGARSKLP 0712(MXSUGZ7)2007/10/29 - Daily B:1213.00 A:1215.00
O 1214.00 H 1216.00 L 1207.00 C 1214.00 V 324 T 21,437 I 25 -1



TRADE RECOMMENDATION

Buy MCX-December Sugar SKLP above 1212 with target towards 1217 then second target at 1219. Stop loss near 1209. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 26, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.43	10.50	10.13	10.15	-0.07
May 2008	10.39	10.45	10.20	10.20	-0.01
July 2008	10.27	10.33	10.12	10.12	-0.01
LIFFE Sugar Prices (US\$/MT)					
December 2007	281.90	288.50	281.60	283.00	+2.40
March 2008	286.70	293.10	286.70	288.40	+2.30
May 2008	292.00	295.30	291.20	291.90	+2.00

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