

■ SUGAR

■ October 23, 2007

SPOT MARKETS

Sugar traded steady at the major spot markets on improved demand from retailers and stockists covering ahead of Diwali amidst ample supplies from mills. Festival demand is expected to prop up the sugar market till Diwali. Meanwhile, Centre has released an additional 1.45 lakh tonnes under the free sale quota in view of one of the Centre's nominee failing to lift the quota allocated for distribution through ration shops in time, thereby making the sugar available for sale in the open market to 18.80 lakh tonnes. Of this, 1.25 lakh tonnes have been allotted for Maharashtra alone. This is likely to put further pressure on sugar prices, which is already sagging under a production glut. Hence, any major upside in sugar prices is ruled out, given the glut situation.

FUTURES MARKETS (NCDEX)

NCDEX Sugar futures traded weak in the trading range. The most active December contract opened steady at Rs. 1227/qrtl and traded up to test an intraday high of Rs. 1231/qrtl. The contract slipped thereafter on increased selling pressure to test an intraday low of Rs. 1224/qrtl. Prices improved marginally to close at Rs. 1225/qrtl. Open interest dipped amidst larger volumes traded as compared to the previous day, suggesting long liquidation.

PRICE DRIVERS

1. Domestic and global glut
2. Acreage under sugarcane reported at 51.1 lakh ha
3. Sugarcane production at 345.62 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)

Sugar futures failed to emerge from the trading range. Candlestick pattern suggests indecision in the market. Prices closed marginally above the short term EMAs, suggesting firm market. MACD is rising to emerge into the positive territory, indicating medium term firmness in the market, while a southward bound RSI and Stochastic in the neutral region suggest further downtrend in place. Sugar futures are likely to trade sideways with a weak tone in the next trading session. Confirm trend before initiating positions.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/10/22 - Daily B:1224.00 A:1226.00
O 1227.00 H 1231.00 L 1224.00 C 1225.00 V 3,430 I 81,400 -2
EMA(9) 1225.2 (18) 1222.9



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1196	1205	1225	1234	1245

TRADE RECOMMENDATION

Sell NCDEX - December Sugar M below 1225-1227 with target towards 1221 then second target at 1219. Strict stop loss near 1229. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	22.10.07	20.10.07	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	1227	1229	1222	1225	1227	-2
	December	1209	1213	1204	1208	1209	-1
	January	1206	1211	1203	1207	1207	0

MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded volatile with a weak tone at MCX. The most active November contract opened weak at Rs. 1227/qtl, Rs. 4 down the previous settlement and traded up initially to test an intraday high of Rs. 1229/qtl. Prices slumped thereafter on increased selling pressure to test an intraday low of Rs. 1222/qtl, before closing slightly higher at Rs. 1225/qtl. Open interest and volume traded dipped as compared to the previous session. Close above the EMAs, and a rising MACD and Stochastic support further uptrend, while RSI is falling in the neutral region, indicating some weakness in the short term. Sugar-Kolhapur futures are likely to trade range-bound with firm tone in the next session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1187	1194	1225	1239	1250

MCX Sugar-Kolhapur-November Contract



TRADE RECOMMENDATION

Buy MCX-November Sugar SKLP above 1225-1227 with target towards 1231 then second target at 1233. Stop loss near 1222. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 19, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.18	10.24	10.14	10.21	+0.12
May 2008	10.18	10.23	10.15	10.21	+0.12
July 2008	10.14	10.16	10.11	10.14	+0.09
LIFFE Sugar Prices (US\$/MT)					
December 2007	274.00	277.90	274.00	275.60	+2.40
March 2008	284.00	286.80	284.00	285.30	+2.70
May 2008	289.10	290.20	288.20	289.20	+2.80

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