

SUGAR

October 12, 2007

SPOT MARKETS

Weak demand and dull trade maintained the prices unaltered at the major cash market. Govt. has allowed production of ethanol from sugarcane juice, mandated 5% ethanol blending nationwide, extended export subsidy and moratorium period and subsidized loans to sugar mills. These incentives, along with the festive demand, are likely to support the sagging sugar sector in the short term. The ethanol policy is likely to help India reduce sugar surplus by 2 million tonnes, from the 11.5 MMT of surplus estimated by ISO. However, the sugar prices are likely to remain subdued till 2009, given the glut situation. Meanwhile, the govt. has allowed export of 20,309 tonnes of sugar, including 10,000 tonnes of white sugar to the EU for 2007-08.

FUTURES MARKETS (NCDEX)

Sugar futures traded range-bound at NCDEX to close lower. The most active December contract opened weak at Rs. 1221/qrtl, Rs. 3 down the previous settlement and traded up to test an intraday high of Rs. 1226/qrtl. The prices slumped thereafter on increased selling pressure to test an intraday low of Rs. 1218/qrtl, before settling marginally lower at Rs. 1219/qrtl. Open interest was lower amidst very low volumes traded 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 congestion phase and a break out is needed to establish a trend. Doji formation suggests indecision in the market. Prices remain above the short term EMAs, indicating firm prices. MACD is rising in the negative territory, indicating some medium term firmness, while RSI and Stochastic are flat in the neutral region, supporting an indecisive market. Sugar is likely to trade range-bound in the next session with firm bias.

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

Buy NCDEX - December Sugar M near 1219-1221 with target towards 1225 then second target at 1227 Strict stop loss near 1216. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	11.10.07	10.10.07	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	1272	1274	1263	1265	1273	-8
	November	1199	1200	1193	1194	1200	-6
	December	1196	1202	1192	1194	1198	-4

MCX Sugar-Kolhapur Review

Sugar-Kolhapur traded volatile to close lower at MCX. The most active December contract opened weak at Rs. 1196/qtl and traded up initially to test an intraday high of Rs. 1202/qtl, before active selling pressurized the prices to slip lower to test an intraday low of Rs. 1192/qtl. Prices improved slightly thereafter on some buying support to close at Rs. 1194/qtl. Open interest remained stagnated amidst larger volumes traded as compared to the previous day. An upward bound Stochastic and close above the EMAs suggest firmness in the market, while a falling RSI indicates short term weakness. MACD has flattened out at zero level, leaving scope for movement in either direction in the medium term. Sugar-Kolhapur futures are likely to trade range-bound to firm in the next session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-December	1157	1175	1194	1228	1246

MCX Sugar-Kolhapur-December Contract



TRADE RECOMMENDATION

Buy MCX-December Sugar SKLP near 1192-1194 with target towards 1198 then second target at 1200 Stop loss near 1189. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 10, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
March 2008	9.93	9.98	9.73	9.74	-0.17
May 2008	9.96	9.96	9.77	9.77	-0.15
July 2008	9.92	9.92	9.75	9.75	-0.13
LIFFE Sugar Prices (US\$/MT)					
December 2007	278.40	278.50	274.90	275.20	-2.80
March 2008	285.90	286.00	282.60	282.90	-3.00
May 2008	287.60	287.60	285.40	285.50	-1.90

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