

## ■ SUGAR

■ October 06, 2007

### SPOT MARKETS

Sugar traded flat at the cash markets amidst moderate demand matching supplies. The market is still awaiting the govt. decision on the sops proposed for the sector. Production of ethanol directly from sugarcane juice and doubling the ethanol proportion in petrol is likely to firm up the market. Festive demand is also seen maintaining the market buoyant in the short term. However, the estimated bumper production in 2007-08 at 345.62 MMT and higher sugar output are likely to cast a bearish spell on the sugar prices till 2009. Meanwhile, Indian sugar exported to Pakistan has been found to be fit for human consumption and High Court has ordered release of the 6800 tonnes of sugar lying in railway godowns.

### FUTURES MARKETS (NCDEX)

Sugar futures at NCDEX closed lower after an initial uptrend. The most active December contract opened firm at Rs. 1226/qrtl, Re. 1 above the previous close, and traded up initially to test an intraday high of Rs. 1230/qrtl. Increased selling pressurized the markets thereafter and the prices slumped to close at the day's low of Rs. 1223/qrtl. Open interest improved amidst lower 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 to be extended for one year
7. Govt. to allow ethanol production from sugarcane

### WEATHER IMPACT

Late season rain in north and south India helps improve the outlook for developing sugarcane.

### TECHNICALS (NCDEX)

Candlestick pattern suggests a firm opening and initial uptrend, before closing in the negative territory. Sugar is trading in a range and a breakout is needed to establish a trend. Prices remain above the short term EMAs, indicating firm prices. MACD is flat in the positive territory, while RSI is flat in the neutral region, leaving room for movement in either direction. Stochastic is falling into neutral region to make a bearish crossover, suggesting further weak trend. Sugar is likely to trade weak in the next session after opening steady to slightly firm, with some late upward movement.

### NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NC8GMZ7)2007/10/05 - Daily B:1223.00 A:1224.00  
O:1226.00 H:1230.00 L:1223.00 C:1223.00 V:5,140 I:82,130 -1  
EMA(9):1220.0 (18):1217.0



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1196	1209	1223	1271	1280

### TRADE RECOMMENDATION

**Sell** NCDEX - December Sugar M near 1223-1225 with target towards 1219 then second target at 1217. Strict stop loss near 1228. Do not carry forward the position until the next day.

### Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	05.10.07	04.10.07	Change
Ready Sugar (M Grade)	Delhi	1435-1480	1435-1480	0
Ready Sugar (S Grade)	Delhi	1420-1465	1420-1465	0
Mill Delivery	Delhi	1350-1395	1350-1395	0

### MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1260	1268	1259	1267	1260	+7
	November	1192	1201	1191	1199	1192	+7
	December	1183	1191	1180	1191	1181	+10

### MCX Sugar-Kolhapur Review

Sugar-Kolhapur traded firm at MCX. November contract opened steady at Rs. 1192/qtl and traded down marginally in the opening session to test an intraday low of Rs. 1191/qtl. The prices improved thereafter on increased buying interest to test an intraday high of Rs. 1201/qtl, before settling slightly lower at Rs. 1199/qtl. Open interest dipped marginally, while volume improved as compared to the previous day, suggesting some short covering. Prices closed above the EMAs. MACD is flat in the positive territory, leaving scope for either side movement, while RSI is rising sharply in the neutral region, suggesting further uptrend. RSI is falling into neutral region after a bearish crossover, indicating short term weakness in prices. Sugar is likely to trade sideways, with downward bias.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1166	1177	1199	1216	1226

### MCX Sugar-Kolhapur-November Contract



### TRADE RECOMMENDATION

**Sell** MCX -November Sugar SKLP below 1198 with target towards 1192 then second target at 1190. Stop loss near 1201. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on October 04, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
March 2008	9.90	9.93	9.78	9.79	-0.05
May 2008	9.93	9.93	9.83	9.84	-0.04
July 2008	9.85	9.85	9.79	9.79	0.00
<b>LIFFE Sugar Prices (US\$/MT)</b>					
December 2007	276.30	277.50	274.30	274.40	-0.60
March 2008	282.70	284.60	281.80	281.90	-0.10
May 2008	285.20	287.00	284.40	284.80	+0.50

### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>