

SUGAR

October 03, 2007

SPOT MARKETS

Sugar prices ruled higher at the cash markets on good demand ahead of the festive season amidst restricted supply from mills and the bullish sentiments generated on the likely sanction of the govt. sops intended for the sugar sector. Govt. has released 16 lakh tonnes of non-levy sugar for the month of October and 42 lakh tonnes for the quarter October to December 2007. The higher quota is intended to meet the higher demand during the festival season so that the prices are maintained stable. However, no major uptrend in sugar prices is expected in the long term, given the glut situation. India is expected to witness a bumper sugarcane crop of 345.62 MMT during the 2007-08 crop season, with a sugar output exceeding 33 MMT. Increased supply from India will further drag down the global prices.

FUTURES MARKETS (NCDEX)

Sugar futures traded firm at NCDEX. The most active December contract opened firm at Rs. 1218/mtl, Re.1 above the previous settlement and traded steadily up to test an intraday high of Rs. 1230/mtl. The contract dipped slightly thereafter on increased selling pressure at higher levels to close at Rs. 1225/mtl. Open interest dipped amidst larger volumes traded as compared to the previous day, indicating some short covering.

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

Near normal monsoon and increased acreage points towards higher cane production.

TECHNICALS (NCDEX)

Candlestick pattern shows a firm opening and initial uptrend in prices with active selling at higher levels. Prices remain above EMAs, indicating short to intermediate term firmness. MACD is also rising to emerge into positive territory, while RSI is rising in the neutral region, leaving scope for further uptrend in prices. Stochastic is falling slowly to make a bearish crossover, indicating some short term weakness in prices. Sugar is likely to trade firm during the next trading session with some late downward movement. 1230 is seen providing a good resistance to the prices in the short term.

NCDEX Sugar M Grade-December Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1194	1205	1225	1245	1262

TRADE RECOMMENDATION

Buy NCDEX - December Sugar M near 1221-1223 with target towards 1229 then second target at 1231. Strict stop loss near 1217. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	29.09.07	28.09.07	Change
Ready Sugar (M Grade)	Delhi	1435-1480	1420-1465	+15
Ready Sugar (S Grade)	Delhi	1420-1465	1405-1450	+15
Mill Delivery	Delhi	1350-1395	1335-1380	+15

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1272	1274	1267	1270	1268	+2
	November	1201	1209	1199	1203	1198	+5
	December	1187	1192	1182	1189	1181	+8

MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded volatile at MCX with some bullish undertone. The most active November contract opened firm at Rs. 1201/qtl, Rs. 3 above the previous settlement and traded down initially to test an intraday low of Rs. 1199/qtl. Prices improved thereafter on increased buying interest to test an intraday high of Rs. 1209/qtl. Prices were pushed down later on some selling pressure to close at Rs. 1203/qtl. Volume and open interest improved as compared to the previous day, indicating some fresh buying. Prices remain above the EMAs. MACD and RSI are rising, indicating short term firmness. Stochastic is flat, leaving scope for movement in either direction. Sugar-Kolhapur is likely to trade volatile in the next trading session, with an upward bias.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1177	1187	1203	1217	1227

MCX Sugar-Kolhapur-November Contract



TRADE RECOMMENDATION

Buy MCX -November Sugar SKLP above 1200 with target towards 1205 then second target at 1208. Stop loss near 1196. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on September 28, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.80	9.82	8.90	9.56	-0.26
March 2008	10.13	10.17	9.98	10.15	+0.05
May 2008	10.16	10.21	10.05	10.19	+0.04
LIFFE Sugar Prices (US\$/MT)					
August 2007	277.90	284.30	274.80	279.30	+0.80
October 2007	285.70	287.50	284.50	286.80	+0.50
December 2007	289.50	290.80	287.50	290.10	+0.10

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