

SUGAR

October 10, 2007

SPOT MARKETS

Sugar spot markets remained subdued at the major centres on poor offtake amidst ample supplies from mills. Sustained arrivals from mills against lack of buying interest from retailers and bulk consumers are seen maintaining the prices subdued in the spot markets. The govt. is yet to announce the sops for the industry, like allowing ethanol production from sugarcane juice and doubling ethanol blending in petrol. An extension of the export subsidies for a year is also in the cards. The govt. sops, along with the festive demand, are likely to buoy the market in the short term. However, any significant price advance is curbed by the estimated bumper sugar output exceeding 30 MMT in 2007-08 season and the resulting glut situation.

FUTURES MARKETS (NCDEX)

NCDEX sugar futures ended in the negative territory after a day of volatile trade. The most active December contract opened weak at Rs. 1217/qtl, Rs. 2 down the previous settlement and traded up on some buying support to test an intraday high of Rs. 1223/qtl. Prices crashed thereafter on increased selling activity and the contract tested an intraday low of Rs. 1208/qtl. Later, prices improved on some buying support to close at Rs. 1215/qtl. Open interest depressed amidst larger volumes traded, suggesting long liquidation.

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)

Sugar futures are in a phase of congestion with falling volumes and open interest and a breakout with good volumes is needed to establish a trend. Candlestick formation suggests indecision in the market. Prices closed below the EMAs, suggesting weak prices. MACD is flat in the positive territory and have made a bullish crossover, suggesting some firmness in the prices. RSI and Stochastic are also flat in the neutral region, pointing towards short term indecision in the market. Sugar is likely to trade sideways in the next trading session.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSEGMZ7)20071009 - Daily B:1215.00 A:1216.00
O:1217.00 H:1223.00 L:1208.00 C:1215.00 V:7,490 I:82,110 -3



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1183	1197	1215	1234	1256

TRADE RECOMMENDATION

Sell NCDEX - December Sugar M near 1215-1217 with target towards 1207 then second target at 1205. Strict stop loss near 1222. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	09.10.07	08.10.07	Change
Ready Sugar (M Grade)	Delhi	1425-1470	1430-1475	-5
Ready Sugar (S Grade)	Delhi	1410-1455	1415-1460	-5
Mill Delivery	Delhi	1340-1385	1345-1390	-5

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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1266	1267	1254	1263	1261	+2
	November	1182	1189	1178	1189	1182	+7
	December	1181	1185	1175	1183	1179	+4

MCX Sugar-Kolhapur Review

Sugar Kolhapur futures traded firm at MCX. The November contract opened steady at Rs. 1182/qtl and traded down in the opening session to test an intraday low of Rs. 1178/qtl. Prices improved thereafter on some buying support and the contract settled at the day's high of Rs. 1189/qtl. Volume and open interest dipped as compared to the previous session. Candlestick pattern suggests steady opening and further uptrend. Prices remain below the EMAs, suggesting weak prices. MACD is flat at the zero level, indicating possibility of either side movement. Stochastic is also flat, supporting indecision in the market. RSI is rising, suggesting further uptrend. Sugar-Kolhapur futures are likely to trade sideways with an upward bias in the next session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1156	1166	1189	1208	1217

MCX Sugar-Kolhapur-November Contract

SUGARSKLP 0711@MSUG07200711009 - Daily B:1186.00 A:1190.00
C:1182.00 H:1189.00 L:1178.00 O:1189.00 V:122 T:14,419 / 37 +7



TRADE RECOMMENDATION

Buy MCX -November Sugar SKLP near 1187 with target towards 1192 then second target at 1194. Stop loss near 1184. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 08, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
March 2008	9.84	9.92	9.76	9.79	0.00
May 2008	9.92	9.95	9.82	9.85	+0.01
July 2008	9.84	9.88	9.78	9.79	0.00
LIFFE Sugar Prices (US\$/MT)					
December 2007	274.20	275.00	270.00	274.90	-0.10
March 2008	281.10	282.20	278.00	282.20	-0.10
May 2008	284.10	284.90	281.50	284.90	+0.30

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