

■ SUGAR

■ October 05, 2007

SPOT MARKETS

Sugar traded flat at the cash markets on weak demand amidst fall in supply. The market is still awaiting the govt. sops intended for the sector, which, along with festive demand, is expected to buoy the market in the short term. However, sugar prices are not likely to see any major uptrend in the long term, owing to the glut situation in the domestic as well as global markets. India is poised to produce yet another bumper crop of 345.62 MMT and higher sugar output. This, along with the closing stock of 11.9 MMT from 2006-07, will result in very large sugar stocks, given the annual domestic consumption is about 19-20 MMT. High availability and low prices in the international market also disfavor exports. Promoting ethanol doping in auto fuels and ethanol production from sugarcane are seen as ways to tackle the glut.

FUTURES MARKETS (NCDEX)

Sugar futures traded weak at NCDEX. The most active December contract opened steady at Rs. 1229/mt and traded up in the opening session to test an intraday high of Rs. 1232/mt. The prices slumped thereafter on increased selling pressure to test an intraday low of Rs. 1223/mt, before settling at Rs. 1224/mt. Open interest dipped amidst lower volumes as compared to the previous day.

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)

The candlestick pattern suggests steady to weak opening and some uptrend initially. Prices remain above short term EMAs, indicating firm prices. MACD is flat in the positive territory, leaving scope for movement in either direction, while RSI is falling hesitantly in the neutral zone, suggesting some short term weakness in prices. Stochastic is rising into the overbought region with a tendency for correction. Sugar is likely to trade sideways in the next session with a downward bias.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/10/04 - Daily B:1223.00 A:1224.00
O 1229.00 H 1232.00 L 1223.00 C 1224.00 V 5,880 I 81,630 -3



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1196	1209	1224	1271	1280

TRADE RECOMMENDATION

Sell NCDEX - December Sugar M near 1224-1226 with target towards 1220 then second target at 1218. Strict stop loss near 1229. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	04.10.07	03.10.07	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

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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1267	1267	1256	1261	1265	-4
	November	1200	1200	1187	1192	1198	-6
	December	1187	1187	1177	1181	1186	-5

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur traded weak with the benchmark November contract opening firm at Rs. 1200/qtl, Rs. 2 above the previous close and traded steadily down to test an intraday low of Rs. 1187/qtl. The prices improved thereafter on improved buying interest at lower levels and the contract settled at Rs. 1192/qtl. Open interest improved, while volume traded dipped as compared to the previous day. Prices closed below the EMAs, suggesting weakness in the market. RSI and Stochastic are also falling, supporting short term weakness, while MACD is flat in the positive territory leaving room for either side movement. Sugar-Kolhapur futures are likely to trade weak during the next session with some late upward movement. 1187 is seen as an immediate support to the downtrend in prices

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1166	1177	1192	1216	1226

MCX Sugar-Kolhapur-November Contract

SUGARSKLP 0711(MXSUGX7)2007/10/04 - Daily B:1191.00 A:1193.00
O 1200.00 H 1200.00 L 1187.00 C 1192.00 V 270 T 20,744 I 30 -6



TRADE RECOMMENDATION

Sell MCX -November Sugar SKLP below 1194 with target towards 1188 then second target at 1186. Stop loss near 1197. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 03, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.01	10.04	9.83	9.84	-0.18
May 2008	10.04	10.06	9.87	9.88	-0.18
July 2008	9.93	9.93	9.78	9.79	-0.16
LIFFE Sugar Prices (US\$/MT)					
December 2007	280.00	282.90	274.50	275.00	-3.00
March 2008	286.50	288.90	281.80	282.00	-2.50
May 2008	288.20	289.70	284.00	284.30	-2.70

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