

■ SUGAR

■ October 16, 2007

SPOT MARKETS

Sugar spot markets extended firmness at the benchmark centres on good buying support from retailers and stockists ahead of the festive season amidst restricted supply from mills. The festive demand is likely to sustain till Diwali, while the govt. sops are also seen supporting the market. However, no significant price advances are likely, given the glut situation, which is weighing down the market. USDA estimates an Indian sugar production to grow by 3.9% at 293 lakh tonnes in 2007-08 on expectations of bumper sugarcane production of 345.62 MMT. However, this is lower than the industry estimates of over 300 lakh tonnes of sugar from 365 MMT sugarcane. The acreage under sugarcane is reported higher at 51.14 lakh ha as against 48.3 lakh ha in 2006-07.

FUTURES MARKETS (NCDEX)

NCDEX sugar futures traded range-bound with downward inclination after opening firm. The most active December contract opened firm at Rs. 1225/qrtl, Rs. 4 above the previous close and traded up to test an intraday high of Rs. 1230/qrtl. Active selling pressurized the market and the contract slid to close at the day's low of Rs. 1223/qrtl. Open interest dipped amidst larger volumes traded as compared to the previous day, 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 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 establish a new trend and remains trapped in a trading range. Doji pattern suggests indecision in the market, so do a flat RSI. An upward bound MACD and close above the short term EMAs indicate some firmness in the market, while a hesitantly falling Stochastic which has made a bearish crossover points towards a downward bias in the market. Sugar is likely to trade weak in a narrow range in the next session.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSEGMZ7)2007/10/15 - Daily B:1222.00 A:1223.00
O:1225.00 H:1230.00 L:1223.00 C:1223.00 V:5,610 I:83,150 +3



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1197	1206	1223	1234	1245

TRADE RECOMMENDATION

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

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	15.10.07	13.10.07	Change
Ready Sugar (M Grade)	Delhi	1455-1500	1445-1490	+10
Ready Sugar (S Grade)	Delhi	1440-1485	1430-1475	+10
Mill Delivery	Delhi	1370-1415	1360-1405	+10

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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1264	1295	1281	1292	1278	+14
	November	1203	1210	1203	1210	1202	+8
	December	1190	1198	1190	1193	1190	+3

MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded firm at MCX on fresh buying. The most active November contract opened firm at 1203/qtl, Re. 1 above the previous settlement and traded steadily up on increased buying interest to close at the day's high of Rs. 1210/qtl. Volume and open interest improved, suggesting long accumulation. Rising RSI and close above EMAs indicate a firm market, while a flat MACD at zero level and flat Stochastic points towards indecision in the market. Sugar-Kolhapur futures are likely to trade firm in the next session with likelihood of some profit booking towards the close of the day.

MCX Sugar-Kolhapur-November Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1178	1187	1210	1228	1246

TRADE RECOMMENDATION

Buy MCX-November Sugar SKLP near 1206-1208 with target towards 1212 then second target at 1214 Stop loss near 1203 Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 12, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	9.82	9.92	9.73	9.80	-0.01
May 2008	9.85	9.90	9.83	9.84	-0.01
July 2008	9.84	9.90	9.82	9.84	0.00
LIFFE Sugar Prices (US\$/MT)					
December 2007	273.70	273.80	269.20	272.00	-2.20
March 2008	282.00	282.50	279.70	281.70	-1.50
May 2008	285.00	286.50	284.50	286.50	+0.10

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