

SPOT MARKETS

Sugar spot markets remained mostly subdued at the major centres across the country on weak demand amidst ample supplies. The govt. decision regarding the different sops intended for the sugar sector is still awaited. The govt. is planning to give more tax incentives to the industry and is considering direct conversion of sugarcane juice to ethanol to help farmers cope with falling prices. The govt. is also examining ways to provide increased monetary support to the sugar industry on the condition that the industry clears farmer's dues for sugarcane procurement. Meanwhile, sugar mills in Maharashtra would begin crushing operations by the third or fourth week of October, while pending cane arrears is restricting mills in UP to start crushing.

FUTURES MARKETS (NCDEX)

Sugar futures are traded weak at NCDEX to close within the recent trading range. The most active December contract opened steady at Rs. 1226/mtl and traded steadily down to settle at the day's low of Rs. 1218/mtl. Open interest improved marginally, amidst larger volumes traded as compared to the previous day, suggesting some short accumulation. The December contract traded in a range of 1218-1226, and closed 0.65% down the previous settlement.

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 is trading in a thin range and a break out with good volumes is needed to establish a trend. Prices closed below the short term EMAs, suggesting weak prices. MACD is flat in the positive territory, leaving scope for movement in either direction. RSI and Stochastic are falling in the neutral region, indicating further downward movement. Sugar is likely to trade weak in the next trading session, with a downward bias, to close within the range. It is ideally recommended to confirm the trend before initiating positions.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/10/08 - Daily B:1217.00 A:1219.00
O 1226.00 H 1226.00 L 1218.00 C 1218.00 V 3,880 182,480 -8



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1196	1209	1218	1234	1256

TRADE RECOMMENDATION

Sell NCDEX - December Sugar M near 1224-1226 with target towards 1216 then second target at 1214. Strict stop loss near 1231. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /mtl)

Origin/Grade	Center	08.10.07	06.10.07	Change
Ready Sugar (M Grade)	Delhi	1430-1475	1435-1480	-5
Ready Sugar (S Grade)	Delhi	1415-1460	1420-1465	-5
Mill Delivery	Delhi	1345-1390	1350-1395	-5

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1267	1275	1259	1261	1266	-5
	November	1197	1198	1180	1183	1196	-13
	December	1187	1188	1177	1178	1186	-8

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded weak. The most active November contract opened firm at Rs. 1197/qtl and traded up marginally to test an intraday high of Rs. 1198/qtl. Prices slumped thereafter on increased selling at higher levels to test an intraday low of Rs. 1180/qtl. Prices improved marginally towards the close of the day and the contract settled at Rs. 1183/qtl. Volume and open interest improved, suggesting short accumulation. MACD is flat in the positive territory and has made a bullish crossover. Close below the EMAs, and a southward bound RSI and Stochastic indicate further weakness in the market. Sugar-Kolhapur futures are likely to trade weak in the next trading session. 1178 level is seen providing an immediate support to the downtrend.

MCX Sugar-Kolhapur-November Contract

SUGARSKLP 0711(MXSUGX7)2007/10/08 - Daily B:1182.00 A:1184.00
O 1197.00 H 1198.00 L 1180.00 C 1183.00 V 249 T 21,247 I 40 -13
EMA(9) 1192.8 (18) 1193.1



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1156	1166	1183	1208	1217

TRADE RECOMMENDATION

Sell MCX -November Sugar SKLP below 1185 with target towards 1180 then second target at 1176. Stop loss near 1188. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 05, 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	276.80	277.50	274.80	275.00	+0.60
March 2008	284.00	284.50	282.00	282.30	+0.40
May 2008	286.40	286.50	285.00	285.20	+0.40

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