

■ SUGAR

■ October 31, 2007

SPOT MARKETS

Sugar prices dipped at the major spot centres as supplies improved due to stock liquidation by millers ahead of the commencement of the new crushing season, despite good demand from small centres due to festivals. The prices are expected to drop significantly once festival demand subsides, while crushing begins in full swing. Adequate sugar quota for the quarter that ends December also kept prices under check. Any long term bullishness is not likely in sugar prices as India is geared for a second year of bumper production, which would add on to the already existing supply glut. However, the global sugar prices are likely to be supported by several factors, like increased plantings of alternative crops in India, projected Asian demand growth and sluggish Brazilian sugar outlook in the longer term, despite surplus.

FUTURES MARKETS (NCDEX)

NCDEX sugar futures traded volatile with a firm tone in a narrow range. The most active December contract opened Rs. 2 down the previous settlement at Rs. 1230/mtl and traded up initially to test an intraday high of Rs. 1233/mtl. Prices slipped thereafter on increased selling to test an intraday low of Rs. 1228/mtl, before settling at Rs. 1231/mtl. Open interest improved marginally amidst very low volumes traded as compared to the previous session.

PRICE DRIVERS

1. Domestic and global glut
2. Acreage under sugarcane at 51.1 lakh ha; sugarcane production at 345.62 MMT
3. Sugar output estimated at around 30 MMT
4. Festive demand
5. 4.2 MMT of FSQ for the quarter Oct-Dec 07; additional 1.45 lakh tonnes under FSQ
6. 10% ethanol doping effective October 2008
7. Export subsidies extended for one year
8. Govt. sanctioned sops for sugar industry

WEATHER IMPACT

Late season rain in north and south India helps the growth of developing sugarcane.

TECHNICALS (NCDEX)

Candlestick pattern suggests an indecisive market, while RSI is also flat and inconclusive in the neutral region. Prices closed above 9 day EMA, which indicates a slightly firm market. MACD is rising in the positive territory, while Stochastic is ascending in the neutral region, supporting further uptrend. Sugar futures are likely to trade sideways with a firm bias in the next trading session.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/10/30 - Daily B:1229.00 A:1231.00
O 1230.00 H 1233.00 L 1228.00 C 1231.00 V 2,610 176,410 +1
EMA(9) 1231.0 (18) 1228.1



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1205	1223	1231	1246	1255

TRADE RECOMMENDATION

Buy NCDEX - December Sugar M below 1230-1232 with target towards 1236 then second target at 1238. Strict stop loss near 1228. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /mtl)

Origin/Grade	Center	30.10.07	29.10.07	Change
Ready Sugar (M Grade)	Delhi	1440-1585	1455-1500	-15
Ready Sugar (S Grade)	Delhi	1425-1470	1440-1485	-15
Mill Delivery	Delhi	1355-1400	1370-1415	-15

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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	November	1225	1226	1221	1221	1227	-6
	December	1210	1214	1210	1211	1212	-1
	January	1212	1214	1211	1212	1214	-2

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures closed marginally up after an uptrend. The most active December contract opened weak at Rs. 1210, Rs. 2 down the previous settlement and traded steadily up to test the day's high of Rs. 1214. The contract was pushed down on increased selling pressure and the contract settled at Rs. 1211. Open interest remained steady amidst larger volumes traded. Close above 9 day EMA and rising Stochastic into the overbought region, support short term firmness in the market. MACD has flattened out at the zero level, while RSI is also flat in the neutral region, supporting indecision; so does a doji candlestick. Sugar-Kolhapur is likely to trade volatile in the next session with a weak tone.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-December	1186	1204	1211	1223	1247

MCX Sugar-Kolhapur-December Contract



TRADE RECOMMENDATION

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

INTERNATIONAL FUTURES QUOTES (as on October 29, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.14	10.17	10.06	10.07	-0.08
May 2008	10.17	10.19	10.13	10.15	-0.05
July 2008	10.11	10.14	10.11	10.11	-0.01
LIFFE Sugar Prices (US\$/MT)					
December 2007	283.70	284.00	281.00	283.40	+0.40
March 2008	288.70	289.00	286.10	288.40	0.00
May 2008	291.50	292.30	290.10	291.90	0.00

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