

SUGAR

October 25, 2007

SPOT MARKETS

Sugar traded mostly steady at the benchmark centres on lack of buying interest amidst ample stocks following the release of additional 1.45 lakh tonnes under FSQ. While, festive demand is likely to support the market till Diwali, no major upside in sugar prices can be expected in the long term, given the glut situation. Meanwhile, sugar mills in UP refused to crush till sugarcane prices in the state were rationalized. Straddled with huge cane arrears and a bumper crop ready for harvest, sugar mills are reluctant to start operations until the state govt. agrees to lower the state advised price. India is likely to harvest lesser sugarcane in the season 2008-2009 according to Datagro.

FUTURES MARKETS (NCDEX)

Sugar futures traded firm at NCDEX within the recent trading range. The most active December contract opened weak by Rs. 4 at Rs. 1223/mt and traded steadily up to test an intraday high of Rs. 1234/mt on good buying interest. The prices dipped slightly thereafter on active selling at higher levels and the contract settled at Rs. 1230/mt. Open interest dipped, while volume traded improved as compared to the previous day, suggesting short liquidation.

PRICE DRIVERS

1. Domestic and global glut
2. Acreage under sugarcane reported at 51.1 lakh ha
3. Sugarcane production at 345.62 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)

Sugar futures failed to emerge from the recent trading range. A bullish candlestick is formed in the charts. Close above the short term EMAs and rising RSI in the neutral region support the bullish nature of the market, while a downward bound Stochastic in the neutral region suggest further downtrend in place. MACD is emerging hesitantly into the positive territory, indicating medium term bullish posture of the market. Sugar futures are likely to trade range-bound with firm bias in the next session. However, 1234 level is seen resisting the uptrend in the short term.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NC8GMZ7)20071024 - Daily B:1228.00 A:1229.00
O:1223.00 H:1234.00 L:1223.00 C:1230.00 V:6,290 I:80,850 +4
EMA(9):1226.3 (18):1223.9



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1196	1205	1230	1245	1265

TRADE RECOMMENDATION

Buy NCDEX - December Sugar M above 1226-1228 with target towards 1232 then second target at 1234. Strict stop loss near 1224. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	24.10.07	23.10.07	Change
Ready Sugar (M Grade)	Delhi	1455-1500	1455-1500	0
Ready Sugar (S Grade)	Delhi	1440-1485	1440-1485	0
Mill Delivery	Delhi	1370-1415	1370-1415	0

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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	November	1224	1231	1221	1230	1224	+6
	December	1208	1213	1205	1211	1208	+3
	January	1207	1211	1203	1210	1207	+3

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded firm. The most active November contract opened steady at Rs. 1224/qtl and after dipping marginally to test an intraday low of Rs. 1221/qtl, prices improved on increased buying support to test an intraday high of Rs. 1231/qtl. The contract settled marginally lower at Rs. 1230/qtl. Open interest remained steady amidst larger volumes traded as compared to the previous day. MACD is rising hesitantly in the positive territory, while Stochastic and RSI are ascending slowly in the neutral region, supporting further uptrend. Prices remain above the EMAs, suggesting a firm market. Overall, sugar-Kolhapur futures are expected to trade firm in the next session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1178	1191	1230	1237	1247

MCX Sugar-Kolhapur-November Contract

SUGARSKLP 071100K(SUGK)200710/24 - Daily B:1220.00 A:1230.00
O:1224.00 H:1231.00 L:1221.00 C:1230.00 V:124 T:15,208 I:44 +8
EMA(8) 1221.6 (18) 1213.8



TRADE RECOMMENDATION

Buy MCX-November Sugar SKLP above 1226-1228 with target towards 1232 then second target at 1234. Stop loss near 1224. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 23, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.23	10.33	10.13	10.17	0.00
May 2008	10.23	10.32	10.20	10.21	+0.03
July 2008	10.15	10.20	10.14	10.14	+0.05
LIFFE Sugar Prices (US\$/MT)					
December 2007	276.40	279.50	276.30	278.00	+2.00
March 2008	286.60	288.00	285.60	286.60	+1.10
May 2008	290.00	291.00	290.00	290.20	+0.80

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