

SPOT MARKETS

Sugar prices improved at the major cash markets on good offtake by retailers and stockists ahead of the festivals and ample supply from mills. The festive demand is expected to sustain till Diwali in November. The govt. sops are also seen buoying the market in the short term. The ethanol policy is likely to result in lower sugar stocks by 2 MMT from the 11.5 MMT estimated by ISO. Moreover, the mandating of 10% ethanol blending by October 2008 will require 10 MMT of sugarcane to be diverted to the production of ethanol to maintain a consistent supply. The extension of export subsidy will help in liquidating the stocks, while subsidized loans will ensure cash flow of the mills. However, no major price advances is likely in sugar, given the glut situation which will prevail till 2009.

FUTURES MARKETS (NCDEX)

Sugar futures closed at opening levels after a day of volatile trade in a thin range. The most active December contract opened firm at Rs. 1220/qrtl, Re. 1 above the previous close and traded down in the opening session to test an intraday low of Rs. 1218/qrtl. Prices improved thereafter on some buying support and the contract tested an intraday high of Rs. 1222/qrtl, before closing at opening levels of Rs. 1220/qrtl. Open interest improved slightly, while volume traded dipped 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 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 are trapped in the recent trading range and a breakout is needed to establish a trend. Candlestick pattern suggests an indecisive market, while close at par with the EMAs and flat RSI also support indecision. MACD is rising in the negative territory, indicating some firmness in the medium term, in contract to Stochastic, which is falling hesitantly to make a bearish crossover in the neutral region. Sugar futures are likely to trade weak in the given range during the next trading session.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/10/13 - Daily B:1219.00 A:1221.00
 D 1220.00 H 1222.00 L 1218.00 C 1220.00 V 1.400 I 82.890 +1



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1196	1205	1220	1234	1245

TRADE RECOMMENDATION

Sell NCDEX - December Sugar M near 1220 with target towards 1216 then second target at 1214 Strict stop loss near 1222. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	13.10.07	12.10.07	Change
Ready Sugar (M Grade)	Delhi	1445-1490	1435-1480	+10
Ready Sugar (S Grade)	Delhi	1430-1475	1420-1465	+10
Mill Delivery	Delhi	1360-1405	1350-1395	+10

SUGAR

October 15, 2007

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1270	1280	1267	1277	1268	+9
	November	1198	1204	1196	1201	1196	+6
	December	1191	1193	1186	1190	1191	-1

MCX Sugar-Kolhapur Review

MCX Sugar-Kolhapur futures traded firm. The most active November contract opened firm at Rs. 1198/qtl and traded down in the opening session to test an intraday low of Rs. 1196/qtl. Prices improved thereafter on increased buying interest to test an intraday high of Rs. 1204/qtl. Active selling at higher levels pressurized the market and the contract slid to settle at Rs. 1202/qtl. Open interest dipped, while volumes improved, suggesting short covering. MACD is flattened at zero level, while Stochastic is flat in the neutral region, suggesting an indecisive market. Close above the EMAs, and a slowly rising RSI indicate further uptrend. Sugar-Kolhapur futures are likely to trade firm in the next trading session. 1204 level is seen providing an immediate resistance to the uptrend.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1157	1175	1202	1228	1246

MCX Sugar-Kolhapur-November Contract



TRADE RECOMMENDATION

Buy MCX-November Sugar SKLP near 1198-1200 with target towards 1204 then second target at 1206 Stop loss near 1195. 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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