

■ SUGAR

■ October 24, 2007

SPOT MARKETS

Spot sugar markets remained flat on good demand from stockists ahead of Diwali amidst ample supplies from mills. The additional 1.45 lakh tonnes released under free sale quota is likely to resist any major upsides in the sugar prices. The higher kharif acreage under sugarcane and higher estimates of sugar output are seen exerting a downward pressure on sugar prices in 2007-08 season. Meanwhile, USDA has warned that sugar mills in India may face severe storage crisis and may have to leave the sweetener under open sky due to large carry over stocks and expected bumper production. The huge carryover stocks, forecast of a bumper production and govt. incentives may result in India being an aggressive seller, thereby, pressurizing the global sugar prices.

FUTURES MARKETS (NCDEX)

Sugar futures traded range-bound at NCDEX with active selling at higher levels. The most active December contract opened steady at Rs. 1226/qrtl and traded steadily up to test an intraday high of Rs. 1230/qrtl. Prices slumped thereafter on increased selling pressure and the contract settled at the opening levels of Rs. 1226/qrtl. Open interest improved, 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
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 continue to remain trapped in the recent trading range. Doji formation suggests indecision in the market. MACD has flattened out at the zero level, while RSI is also flat in the neutral region, supporting an indecisive market. Stochastic is falling in the neutral region, indicating further downtrend in place, while a close above the short term EMAs suggest a firm market. Sugar futures are likely to trade range-bound with a weak tone. Confirm trend before initiating positions.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/10/23 - Daily B:1225.00 A:1227.00
O 1226.00 H 1230.00 L 1226.00 C 1226.00 V 2,910 I 81,500 +1
EMA(9) 1225.3 (18) 1223.2



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1196	1205	1226	1234	1245

TRADE RECOMMENDATION

Sell NCDEX - December Sugar M below 1226-1228 with target towards 1222 then second target at 1220. Strict stop loss near 1230. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	23.10.07	22.10.07	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	1226	1222	1223	1224	-1
	December	1207	1213	1203	1209	1208	+1
	January	1206	1209	1205	1208	1207	+1

MCX Sugar-Kolhapur Review

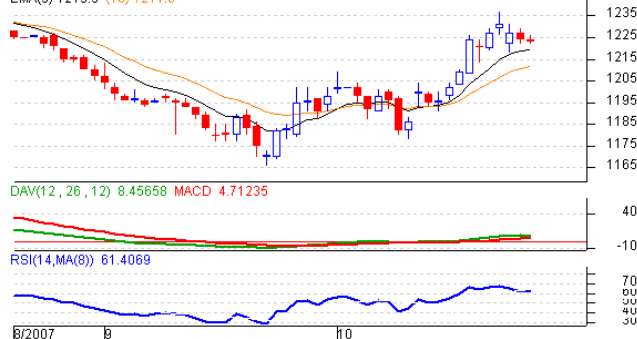
MCX sugar-Kolhapur most active November futures opened steady at Rs. 1224/qtl and traded down initially to test an intraday low of Rs. 1222/qtl. Prices improved thereafter on some buying support to test an intraday high of Rs. 1226/qtl, before closing slightly down at Rs. 1223/qtl. Open interest remained steady, while volume traded dipped slightly as compared to the previous day. Candlestick pattern suggests indecision. Close above the short term EMAs, and rising MACD as well as Stochastic support a firm market in the short term, while a descending RSI in the neutral region indicates some short term weakness in the market. Sugar-Kolhapur futures are likely to trade range-bound with a firm tone in the next session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1187	1194	1223	1239	1250

MCX Sugar-Kolhapur-November Contract

SUGARSKLP 0711 (MXSUGX7)2007/10/23 - Daily B:1222.00 A:1224.00
O 1224.00 H 1226.00 L 1222.00 C 1223.00 V 103 T 12,606 I 44 -1
EMA(9) 1219.5 (18) 1211.8



TRADE RECOMMENDATION

Buy MCX-November Sugar SKLP above 1221-1223 with target towards 1227 then second target at 1229. Stop loss near 1218. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 22, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.10	10.19	10.09	10.17	-0.04
May 2008	10.12	10.20	10.11	10.18	-0.03
July 2008	10.06	10.10	10.06	10.09	-0.05
LIFFE Sugar Prices (US\$/MT)					
December 2007	276.00	276.30	274.60	276.00	+0.40
March 2008	285.90	285.90	284.10	285.50	+0.20
May 2008	289.80	289.80	289.00	289.40	+0.20

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