

## ■ SUGAR

■ Dec 18, 2007

### SPOT MARKETS

Sugar prices witnessed further weakness at the spot markets across the country on poor offtake amidst ample supply from mills trying to offload their monthly quota. The markets are seen weak in the coming weeks as crushing is in full swing in most of the sugar mills in the country, adding fresh supplies to the market. Meanwhile, Centre has notified a "Scheme for Extending Financial Assistance to Sugar Undertakings, 2007", under which it will give interest-free loans to sugar mills equivalent to the central excise duty payable on total sugar output during 2006-07 and 2007-08 sugar seasons, to enable factories to pay their dues to sugarcane farmers. The mills will have to repay the loan in 24 monthly installments in four years after a moratorium of two years. The interest subvention will be limited to 12% per annum.

### FUTURES MARKETS (NCDEX)

NCDEX Sugar futures closed in the negative on active selling at higher levels. The most active January contract opened steady at Rs.1305 per quintal and traded up initially to touch a high of Rs.1317. The contract dipped steadily thereafter on increased selling pressure to close at the day's low of Rs.1298, down 0.54%. Open interest and volume improved as compared to the previous day suggesting short accumulation.

### PRICE DRIVERS

1. Domestic and global glut
2. Sugar output estimated at around 30 MMT
3. 4.2 MMT of FSQ for the quarter Oct-Dec 07
4. Several sops for sugar industry
5. Soaring crude oil prices resulting in diversion of more cane to ethanol
6. Diversion of more sugarcane to gur industry
7. Crushing begun in UP and Maharashtra

### WEATHER IMPACT

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

### TECHNICALS (NCDEX)

Candlestick pattern, with supporting volumes and gain in open interest, suggests active selling at higher levels. However, prices closed above the short term EMAs, suggesting near-term firm market; as does a rising Stochastic in the neutral region. RSI is dipping in the neutral region, supportive of further down trend. MACD is falling steadily in the positive territory, indicating decrease in bullish momentum. Sugar futures are likely trade range-bound to weak in the next session.

#### NCDEX Sugar M Grade-January Contract

Sugar M Grade 0901(NCSEMF012007/12/17 - Daily B:1298.00 A:1298.00  
O 1305.00 H 1317.00 L 1298.00 C 1298.00 V 19,050 I 70,620 -0  
EMA(9) 1298.6 (18) 1293.3



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- January	1274	1281	1298	1310	1320

### TRADE RECOMMENDATION

**Sell** NCDEX - January Sugar M above 1298-1300 with target towards 1294 then second target at 1292. Strict stop loss near 1302. Do not carry forward the position until the next day.

### Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	17.12.07	15.12.07	Change
Ready Sugar (M Grade)	Delhi	1425-1440	1450-1465	-25
Ready Sugar (S Grade)	Delhi	1410-1425	1435-1450	-25
Mill Delivery	Delhi	1340-1355	1365-1380	-25

### MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	December	1255	1255	1230	1230	1240	-10
	January	1240	1245	1225	1225	1215	+10
	February				1240	1248	-8

### MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures ended lower. The most active January contract opened Rs. 15 firm at Rs. 1255 and traded steadily down to close at the day's low of Rs. 1230. Open interest remained steady while volume traded dipped as compared to the previous day. Bearish marubozu and close below the short term EMAs suggest near term weakness. The south-bound RSI and Stochastic in the neutral region also support further downtrend. however, MACD is flat and has made a bullish crossover in the positive territory, indicating the underlying bullish nature of the market. Sugar-Kolhapur futures are likely to trade weak in the next session with some late recovery.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-January	1209	1214	1230	1261	1270

### MCX Sugar-Kolhapur-January Contract

SUGARSKLP 0001 (XUSUSFF)000712017 - Daily B: 1228.00 A: 1255.00  
C: 1255.00 H: 1255.00 L: 1230.00 O: 1250.00 V: 14 T: 1,743 H: 1 -10  
EMA(9): 1246.6 (13) 1243.7



### TRADE RECOMMENDATION

**Sell** MCX-January Sugar SKLP above 1230-1232 with target towards 1226 then second target at 1224. Stop loss near 1234. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on December 14, 2007)

Contract Month	Open	High	Low	Close	Change
<b>ICE Sugar No. 11 Prices (US Cents/lb)</b>					
March 2008	10.31	10.64	10.26	10.48	+0.17
May 2008	10.57	10.84	10.53	10.69	+0.13
July 2008	10.63	10.86	10.61	10.74	+0.12
<b>LIFFE Sugar Prices (US\$/MT)</b>					
March 2008	299.20	299.50	298.40	299.00	-0.20
May 2008	303.00	305.00	301.70	305.00	+2.20
August 2008	304.30	307.00	303.70	307.00	+2.50

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