

SPOT MARKETS

Spot sugar traded flat at the major centres on limited activity. Demand remained dull from the stockists and bulk consumers, while mills were offloading their monthly quota. Sugar prices are not likely to recover till 2009, given the glut situation. Meanwhile, Indian govt. is considering the extension of freight incentives to sugar mills depending upon the level of actual exports in the financial year that ends March. Also, following numerous appeals by sugar millers, UP govt. has acceded to lower the minimum price of sugar cane to around Rs. 900/tonne. ISMA forecasts Indian sugar exports to be at 2.5 MMT, as against the govt. forecast of 3 MMT. With domestic consumption rising by about 1 MMT to 20 MMT, the ending stocks are expected at about 16 MMT. However, the lower output forecast will likely result in little price movement.

FUTURES MARKETS (NCDEX)

NCDEX sugar futures traded firm to close on the higher side. The most active January contract opened steady at Rs.1302/mtl and moved southwards to test the day's low of 1298 on active selling. Later the contract found support at this level and marched northwards to touch the day's high of 1341 before closing at 1333, up 2.85%. Open interest declined amid supporting volumes, suggesting short liquidation.

PRICE DRIVERS

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

WEATHER IMPACT

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

TECHNICALS (NCDEX)

A long hollow candle is formed in the charts with supporting volumes, suggesting near-term firmness in the market. Prices closed above the short term EMAs as well as near term resistances, while RSI is steeply rising into the overbought region, supporting the uptrend. Stochastic is flat and inconclusive in the neutral region, while a downward MACD in the positive territory indicate decreasing bullishness of the market. Sugar futures are likely to trade firm in the next session, with chances of late downward movement.

NCDEX Sugar M Grade-January Contract

Sugar M Grade 0801(NCSGMF8)2007/12/22 - Daily B:1333.00 A:1334.00
O 1302.00 H 1341.00 L 1298.00 C 1333.00 V 36,700 I 57,860 +35
EMA(9) 1304.1 (18) 1298.3



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- January	1274	1281	1333	1345	1368

TRADE RECOMMENDATION

Buy NCDEX - January Sugar M below 1330-1332 with target towards 1336 then second target at 1338. Strict stop loss near 1328. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	21.12.07	20.12.07	Change
Ready Sugar (M Grade)	Delhi	1400-1415	1400-1415	0
Ready Sugar (S Grade)	Delhi	1385-1400	1385-1400	0
Mill Delivery	Delhi	1315-1330	1315-1330	0

■ SUGAR

■ Dec 22, 2007

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	January	1270	1275	1246	1275	1242	+33
	February	1240	1257	1235	1257	1218	+39
	March				1240	1248	-8

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded weak at higher levels. The most active January contract opened Rs. 28 firm at Rs. 1270 and traded up initially to test a high of Rs. 1275, before dipping on increased selling activity to test a low of Rs. 1246. The contract ended 1.53% firm at Rs. 1261. Open interest remained steady amidst larger volumes traded as compared to the previous session. Prices closed above the short term EMAs, suggesting firmness; as do rising Stochastic and RSI in the neutral region. MACD is dipping slightly in the positive territory, indicating decrease in bullish momentum. Sugar-Kolhapur futures are likely to trade firm in the next session with chances of late weakness.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-January	1214	1227	1261	1270	1280

MCX Sugar-Kolhapur-January Contract

SUGARSKLP 0001(MXSUGF0)2007/12/22 - Daily B 1260.00 A 1265.00
O 1270.00 H 1275.00 L 1246.00 C 1261.00 V 27 T 14 I 11 +19
EMA(9) 1249.1 (18) 1246.2



TRADE RECOMMENDATION

Buy MCX-January Sugar SKLP below 1260-1262 with target towards 1266 then second target at 1268. Stop loss near 1258. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on December 20, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.97	11.14	10.93	11.07	+0.33
May 2008	11.25	11.40	11.23	11.35	+0.36
July 2008	11.23	11.41	11.22	11.39	+0.38
LIFFE Sugar Prices (US\$/MT)					
March 2008	310.50	318.00	310.50	317.00	+8.00
May 2008	314.00	320.60	313.90	320.20	+7.80
August 2008	313.20	321.20	313.20	321.20	+8.20

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2007 Indian Agribusiness Systems Pvt. Ltd.