

■ SUGAR

■ Dec 17, 2007

SPOT MARKETS

Spot sugar traded flat at the major markets on lack of physical demand and dull trading. Supply remained adequate with mills trying to offload their monthly quota. Prices are seen weak in the coming weeks as mills add fresh supplies to the market with the advancing of new crushing season. However, with UP delaying crushing operations for a few weeks after the local govt. insisted they pay farmers more for cane than they were getting for sugar, output is expected to fall below the industry forecasts of 30-32 MMT. The latest estimate hovers around 28-29 MMT. This is likely to cheer up the markets, though no major price advances are likely, given the huge stocks accumulated. Recovery is expected in 2009 when India enters a downphase in production and with Brazil diverting more cane to ethanol, amidst surging global demand.

FUTURES MARKETS (NCDEX)

Sugar futures continued the uptrend at NCDEX on fresh buying. The most active January contract opened Re. 1 firm at Rs. 1296 and traded down initially to test a low of Rs. 1293. The contract improved thereafter on increased buying support to test a high of Rs. 1308, before ending 0.85% firm at Rs. 1306. Open interest and volume improved suggesting accumulation of long positions.

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 suggest uptrend. Prices closed well above the short term EMAs, suggesting firmness in the near-term. Ascending RSI and Stochastic in the neutral region are also supportive of further uptrend. MACD is declining steadily in the positive territory, indicating decreasing bullish momentum in the market. Sugar futures are likely to trade firm in the next session with some late downward movement. Next resistance is seen emerging at 1310. Hence, trade with caution.

NCDEX Sugar M Grade-January Contract

Sugar M Grade 0801(NCSEMF-8)2007/12/15 - Daily B:1306.00 A:1308.00
O:1288.00 H:1308.00 L:1283.00 C:1306.00 V:9080170,080 +12

EMA(8) 1296.2 (10) 1292.8



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- January	1262	1274	1306	1310	1320

TRADE RECOMMENDATION

Buy NCDEX - January Sugar M below 1304-1306 with target towards 1310 then second target at 1312. Strict stop loss near 1302. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	15.12.07	14.12.07	Change
Ready Sugar (M Grade)	Delhi	1450-1465	1450-1465	0
Ready Sugar (S Grade)	Delhi	1435-1450	1435-1450	0
Mill Delivery	Delhi	1365-1380	1365-1380	0

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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	December	1209	1209	1209	1209	1230	-21
	January	1228	1260	1227	1230	1252	-22
	February	1211	1220	1211	1212	1226	-14

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur traded firm. The most active January contract opened Rs. 24 weak at Rs. 1228 and after a marginal dip to test a low of Rs. 1227, surged to test a high of Rs. 1260. The contract ended at 1240 amidst steady open interest and higher volumes. Prices closed below the short term EMAs, suggesting weakness. Downward RSI and Stochastic in the neutral region also support the downtrend. MACD is rising in the positive territory to make a bullish crossover, indicating the underlying bullish nature of the market. Sugar-Kolhapur futures are likely to trade weak in the next session with some recovery towards the close.

MCX Sugar-Kolhapur-January Contract

SUGARSKLP 0601/MXESUGF8(2007/12/16) - Day B: 1230.00 A: 1260.00
O: 1228.00 H: 1260.00 L: 1227.00 C: 1240.00 V: 147411 T: 12
EMA(5): 1250.8 (13): 1246.3



TRADE RECOMMENDATION

Sell MCX-January Sugar SKLP above 1240-1242 with target towards 1236 then second target at 1234. Stop loss near 1244. Do not carry forward the position until the next day.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-January	1209	1214	1240	1261	1270

INTERNATIONAL FUTURES QUOTES (as on December 14, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
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
LIFFE Sugar Prices (US\$/MT)					
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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