

■ SUGAR

■ Dec 27, 2007

SPOT MARKETS

Spot sugar traded flat at the major markets across the country on lack of activity. The traders reported weak demand due to month end cash crunch, while mills were trying to offload their monthly quota. Market observers opine that the unsold FSQ of December is likely to be carried over to the next month. The Govt. is coming up with fresh sops to help the sagging sugar industry, which include extension of export sops for the millers for another year. This is aimed at liquidating the excess stocks. The sugar output estimates have been lowered to the previous season's level of 28 MMT due to delay in crushing in UP and bad weather. This is also seen supporting the market in the short term. However, no major respite is seen till 2009, given the huge stocks accumulated. The sugar prices are expected to recover in 2009 when India enters a downphase in production and Brazil diverts more cane to ethanol production, amidst surging global demand.

FUTURES MARKETS (NCDEX)

NCDEX Sugar traded volatile to close at opening levels. The most active January contract opened Rs. 4 firm at Rs. 1336 and traded up to test a high of Rs. 1343, before active selling pushed the prices down to test a low of Rs. 1331. The contract ended at the opening levels of Rs. 1336 amidst larger volumes and lower open interest as compared to the previous day.

PRICE DRIVERS

1. Domestic and global glut
2. Sugar output estimated at around 28 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)

Sugar charts display range-bound trading and a breakout with supporting volumes is needed to establish a trend. Candlestick pattern suggests indecision in the market. All the indicators are flat and inconclusive, failing to give any direction of the future movement of the market, except close above the short term EMAs, which favour near-term firmness. It is ideally recommended to confirm the trend before initiating positions.

NCDEX Sugar M Grade-January Contract

Sugar M Grade 0801(NCSGME8)2007/12/28 - Daily B:1334.00 A:1338.00
O:1336.00 H:1343.00 L:1331.00 C:1336.00 V:8,540 I:51,140 +5
EMA(9):1321.2 (18):1310.9



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- January	1295	1329	1336	1345	1368

TRADE RECOMMENDATION

Buy NCDEX - January Sugar M below 1334 with target towards 1338 then second target at 1340. Strict stop loss near 1332. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	26.12.07	24.12.07	Change
Ready Sugar (M Grade)	Delhi	1410-1420	1410-1420	0
Ready Sugar (S Grade)	Delhi	1395-1435	1395-1435	0
Mill Delivery	Delhi	1325-1340	1325-1340	0

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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	January	1274	1284	1274	1284	1258	+26
	February	1265	1273	1265	1273	1252	+21
	March				1240	1248	-8

MCX Sugar-Kolhapur Review

MCX Sugar-Kolhapur contracts traded firm. The most active January contract opened Rs. 16 up at Rs. 1274 and traded steadily up to close at the high of Rs. 1274, 2.07% firm. Open interest and volume dipped as compared to the previous day. Close above the EMAs, and rising RSI suggest near-term firmness in the market. An upward bound Stochastic also support the uptrend. MACD is flat in the positive territory, leaving room for movement in either direction, but the bearish crossover suggests the underlying bearishness in the market. Sugar-Kolhapur futures are likely to trade firm in the next session with late weakness.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-January	1230	1248	1284	1290	1300



TRADE RECOMMENDATION

Buy MCX-January Sugar SKLP below 1280 with target towards 1285 then second target at 1287. Stop loss near 1277. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on December 24, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	11.05	11.05	11.05	11.05	0.00
May 2008	11.31	11.31	11.31	11.31	0.00
July 2008	11.34	11.42	11.33	11.40	+0.01
LIFFE Sugar Prices (US\$/MT)					
March 2008	318.60	320.50	315.10	315.10	-2.40
May 2008	321.80	323.50	318.60	318.60	-2.40
August 2008	324.70	324.70	320.40	320.40	-2.10

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