

■ SUGAR

■ Dec 06, 2007

SPOT MARKETS

Spot sugar traded weak at the cash markets on limited offtake by stockists and bulk consumers amidst ample supply from mills. Prices are expected to fall further once the crushing gains pace, thereby weighing the markets down with fresh supplies. However, anticipation of lower crop is seen supporting the prices in the short term. Meanwhile, mills in Maharashtra hope to ship out 7-8 lakh tonnes of raw sugar in addition to 15 lakh tonnes of plantation white sugar during the current crushing season. Besides being dextran-free, Indian sugar enjoys a freight advantage of \$3-40 a tonne over Brazil. While raw sugar manufacturing entails lower processing cost of Rs. 500/tonne over plantation whites, there is savings in terms of interest and storage cost.

FUTURES MARKETS (NCDEX)

NCDEX sugar traded weak on long liquidation. The most active January contract opened Rs. 2 weak at Rs. 1307 and traded up to test a high of Rs. 1315. Prices slumped thereafter on increased selling to test a low of Rs. 1296, before closing 0.69% weak at Rs. 1300. Open interest dipped, while volume traded improved as compared to the previous days, suggesting long liquidation.

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)

Sugar charts display range-bound trade. Candlestick pattern suggests indecision. Prices closed below the 9 day EMA, suggesting near-term sluggishness. RSI and Stochastic are falling in the neutral region, supporting the downtrend. However, close above the 18 day EMA and rising MACD in the positive territory suggest inherent bullish posture of the market. Sugar futures are likely to trade range-bound to weak in the next session.

NCDEX Sugar M Grade-January Contract

Sugar M Grade 0801(NC8GMF8)2007M 206 - Daily B:1287.00 A:1300.00
O:1307.00 H:1315.00 L:1296.00 C:1300.00 V:8,210 I:71,570 -8
EMA(9):1304.9 (10):1291.2



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- January	1262	1272	1300	1320	1329

TRADE RECOMMENDATION

Sell NCDEX - January Sugar M above 1300-1302 with target towards 1296 then second target at 1294. Strict stop loss near 1304. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	05.12.07	04.12.07	Change
Ready Sugar (M Grade)	Delhi	1450-1495	1455-1500	-5
Ready Sugar (S Grade)	Delhi	1435-1480	1440-1485	-5
Mill Delivery	Delhi	1365-1410	1370-1415	-5

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	December	1263	1267	1257	1257	1276	-19
	January	1260	1260	1255	1255	1248	+7
	February	1238	1239	1237	1237	1191	+36

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur traded weak. The most active December contract opened Rs. 15 weak at Rs. 1263 and traded up initially to test a high of Rs. 1267. The contract then slipped to close at the day's low of Rs. 1257, 1.49% down the previous settlement. Open interest remained steady, while volume traded improved as compared to the previous day. Prices closed below 9 day EMA, suggesting near-term weakness; as does a dipping RSI in the neutral zone. However, a rising Stochastic in the neutral region is favouring bulls. MACD is rising in the positive territory suggests the underlying bullishness of the market. Sugar-Kolhapur futures are likely to trade range-bound to weak in the next session.

MCX Sugar-Kolhapur-December Contract

SUGARSKLP 0712 (MCX) 12/06/2007 1205 - D: 1254.00 A: 1275.00
O: 1263.00 H: 1267.00 L: 1257.00 C: 1257.00 V: 25 T: 36 FOI: 30 -19
EMA(9): 1258.0 (18): 1248.5



TRADE RECOMMENDATION

Sell MCX-December Sugar SKLP below 1257-1259 with target towards 1253 then second target at 1269. Stop loss near 1251. Do not carry forward the position until the next day.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-December	1223	1240	1257	1274	1299

INTERNATIONAL FUTURES QUOTES (as on December 04, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	9.72	9.78	9.71	9.74	+0.03
May 2008	10.03	10.07	10.02	10.04	+0.02
July 2008	10.23	10.26	10.20	10.24	+0.02
LIFFE Sugar Prices (US\$/MT)					
March 2008	287.30	288.30	286.80	288.00	+1.00
May 2008	291.20	292.50	291.00	292.50	+1.00
August 2008	294.60	295.10	291.00	295.10	+0.90

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