

SPOT MARKETS

Sugar prices slumped at the cash markets on limited offtake amidst ample supplies from mills. The prices are expected to fall further with the crushing gaining momentum in UP and Maharashtra. With more cane diverted to gur industry, traders expect the current season's production to fall short of the forecasts of around 30MMT. A viable export strategy for raw sugar exports and ethanol policy can be seen as measures to escape from the crisis of plenty. However, the sugar prices are not likely to recover till 2009, given the huge supplies accumulated. Meanwhile, Reserve Bank of India has allowed banks to give ailing sugar companies a second chance to restructure their loans. So far, a loan can be restructured only once under the corporate debt restructuring forum, where all banks jointly settle a loan account with the borrower.

FUTURES MARKETS (NCDEX)

Sugar futures traded weak at NCDEX on the second consecutive day. The most active January contract opened Re. 1 weak at Rs. 1299 and after trading up to test a high of Rs. 1304, the contract slumped steadily to test a low of Rs. 1280 on active selling. The contract finished 1.31% weak at Rs. 1283. Open interest dipped amidst marginally lower volumes traded as compared to the previous day.

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 formation suggests weak prices, while a close below the 9 day EMA as well as descending RSI and Stochastic in the neutral region support the downtrend. MACD is rising in the positive territory after making a bullish crossover, while prices close above the 18 day EMA suggesting the underlying bullish nature of the market. Sugar futures are likely to see some sideways trade with weak tone in the next session.

NCDEX Sugar M Grade-January Contract

Sugar M Grade 0801 (NCSEMF8)2007/12/08 - Daily B:1282.00 A:1284.00
O:1295.00 H:1304.00 L:1280.00 C:1292.00 V:7,660 168,520 -8

EMA(9) 1302.3 (18) 1291.3



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- January	1262	1272	1292	1320	1329

TRADE RECOMMENDATION

Sell NCDEX - January Sugar M above 1292-1294 with target towards 1288 then second target at 1286. Strict stop loss near 1296. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	06.12.07	05.12.07	Change
Ready Sugar (M Grade)	Delhi	1445-1490	1450-1495	-5
Ready Sugar (S Grade)	Delhi	1430-1475	1435-1480	-5
Mill Delivery	Delhi	1360-1405	1365-1410	-5

■ SUGAR

■ Dec 07, 2007

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	December	1260	1260	1251	1259	1265	-6
	January	1245	1245	1235	1240	1258	-18
	February				1238	1238	0

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur traded weak with active buying towards the close to stage a recovery. The most active December contract opened Rs. 5 weak at Rs. 1260 and traded steadily down to test a low of Rs. 1251. The contract recovered thereafter on improved buying support to close at Rs. 1259. Open interest dipped, while volume improved, suggesting long liquidation. Close below 9 day EMA, and dipping RSI in the neutral region suggest weak prices, while doji formation hints indecision in the market. MACD and Stochastic are rising, pointing towards the inherent bullish posture of the market; as does close above 18 day EMA. Sugar-Kolhapur futures are likely to trade range-bound to weak in the next session.

MCX Sugar-Kolhapur-December Contract

SUGAREKLP 0713(MXBSUG27)20071208 - Daily H 1240.00 A 1265.00
O 1260.00 H 1260.00 L 1251.00 C 1259.00 V 41 T 10125 -6
EMA(9) 1259.5 (16) 1249.6



TRADE RECOMMENDATION

Sell MCX-December Sugar SKLP below 1259-1261 with target towards 1255 then second target at 1253. Stop loss near 1263. Do not carry forward the position until the next day.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-December	1223	1240	1259	1274	1299

INTERNATIONAL FUTURES QUOTES (as on December 06, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	9.88	9.93	9.83	9.88	+0.03
May 2008	10.14	10.15	10.11	10.14	0.00
July 2008	10.32	10.32	10.28	10.30	-0.03
LIFFE Sugar Prices (US\$/MT)					
March 2008	288.60	291.50	287.30	290.30	+2.30
May 2008	292.50	295.10	291.70	293.90	+1.40
August 2008	295.10	297.50	294.60	296.50	+1.40

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.