

■ SUGAR

■ Dec 13, 2007

SPOT MARKETS

Spot sugar extended weakness further on limited offtake from stockists and bulk consumers amidst ample supplies from mills offloading their monthly quota. Sugar mills operating in full swing in most parts of the country are adding to the supplies, while ample carry over stocks are also seen weighing down prices. India is likely to double the sugar exports at around 30 lakh tonnes in the current season as it enjoys freight advantage over Brazil for certain destinations, like UAE and other Gulf countries, Egypt, China, Bangladesh, Indonesia and Africa. The exports of raw sugar are estimated at around 20 lakh tonnes and those of white sugar at 10 lakh tonnes. Delay in crushing is likely to lower the sugar output to previous season's level, while the opening stock at the start of the current sugar season stood at 114.7 lakh tonnes.

FUTURES MARKETS (NCDEX)

Sugar futures ended lower at NCDEX on second day in a row. The most active January contract opened Rs. 5 firm at Rs. 1302 and traded up initially to test a high of Rs. 1305, before active selling pressurized the market to test a low of Rs. 1284. The contract ended 0.62% weak at Rs. 1289 amidst marginal gain in open interest, while volumes dipped as compared to the previous session.

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 as well as close below the short term EMAs suggests near-term weakness. RSI and Stochastic are falling in the neutral region, supporting further downtrend. MACD is also descending in the positive region, favouring decreasing bullishness in the market. Overall, technicals indicate weakness in the market. Sugar futures are likely to trade weak in the next session with chances of some recovery towards the close.

NCDEX Sugar M Grade-January Contract

Sugar M Grade 0301/4066WFB/2007/12/12 - Daily B 1288.00 A 1289.00
O 1302.00 H 1305.00 L 1284.00 C 1289.00 V 6,650 I 69,750 -7

EMA(5) 1295.4 (*8) 1291.4



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- January	1271	1282	1289	1315	1320

TRADE RECOMMENDATION

Sell NCDEX - January Sugar M above 1289-1291 with target towards 1284 then second target at 1282. Strict stop loss near 1294. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	12.12.07	11.12.07	Change
Ready Sugar (M Grade)	Delhi	1395-1440	1405-1450	-10
Ready Sugar (S Grade)	Delhi	1380-1425	1390-1435	-10
Mill Delivery	Delhi	1310-1355	1320-1365	-10

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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	December	1239	1239	1215	1223	1232	-9
	January	1254	1269	1240	1248	1265	-17
	February	1230	1239	1223	1223	1236	-13

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur traded volatile to end lower. The most active January contract opened Rs. 11 weak at Rs. 1254 and traded volatile in a range of 1240-1269, before ending 1.34% weak at Rs. 1248. Open interest dipped, while volumes improved as compared to the previous session, suggesting liquidation of long positions. Candlestick pattern suggests indecision in the market. However, close below 9 day EMA and dipping RSI in the neutral region favour near-term weakness. Close above 18 day EMA and rising Stochastic in the neutral zone support uptrend, while a rising MACD in the positive territory also suggests increasing bullishness in the market. Sugar-Kolhapur is likely to trade volatile with weak tone in the next session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-January	1230	1235	1248	1280	1285

MCX Sugar-Kolhapur-January Contract



TRADE RECOMMENDATION

Sell MCX-January Sugar SKLP above 1248-1250 with target towards 1243 then second target at 1241. Stop loss near 1253. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on December 11, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.14	10.35	10.12	10.30	+0.18
May 2008	10.35	10.55	10.35	10.51	+0.15
July 2008	10.48	10.62	10.46	10.58	+0.10
LIFFE Sugar Prices (US\$/MT)					
March 2008	295.90	300.50	295.90	299.40	+4.40
May 2008	299.00	303.20	298.60	302.50	+5.00
August 2008	301.10	304.70	301.10	304.40	+4.00

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