

SPOT MARKETS

Sugar prices plunged at the spot markets on lack of physical demand amidst ample supply from mills. Mills are trying to offload their monthly quota as well as to liquidate their stocks before crushing is in full swing. The huge carry over stocks at the beginning of the current crushing season and fresh supplies from mills which have started the new crushing season are seen weighing down the sugar market. Recovery seems unlikely till 2009 as the market reels under the crisis of plenty due to the huge stocks accumulated in the two bumper seasons. The govt. moves to promote sugar exports to liquidate the stocks are met with hurdles due to a global glut. However, the sugar production during the current season is likely to fall short of the industry forecasts due to delayed crushing and lesser recovery from older canes is likely to support the market in the short term.

FUTURES MARKETS (NCDEX)

NCDEX sugar futures traded choppy to finally end on a negative note. The most active January contract opened steady at Rs. 1302 and touched the day's high of 1308 in mid noon on buying support. Later the contract dipped to test a low of Rs. 1294 before closing at Rs. 1297, down 0.34%. Open interest and volume improved as compared to previous day, indicating some short accumulation.

PRICE DRIVERS

1. Domestic and global glut
2. Sugar output estimated at around 30 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 trade. Candlestick pattern suggests active selling after an initial surge, while volumes support the price movement. Prices closed below the 9 day EMA, suggesting near-term weakness; while a southward Stochastic and RSI in the neutral region support further downtrend. MACD is dipping in the positive territory, indicating decreasing bullishness of the market. However, the downtrend is likely to be capped by the close above 18 day EMA. Sugar futures are likely to trade range-bound to weak in the next session.

NCDEX Sugar M Grade-January Contract

Sugar M Grade 0801(NCSGMF8)2007/12/19 - Daily B:1297.00 A:1298.00
O 1302.00 H 1308.00 L 1294.00 C 1297.00 V 19,070 I 67,350 -3
EMA(9) 1297.2 (18) 1294.3



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- January	1274	1281	1297	1310	1317

TRADE RECOMMENDATION

Sell NCDEX - January Sugar M above 1297-1299 with target towards 1293 then second target at 1291. Strict stop loss near 1301. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	19.12.07	18.12.07	Change
Ready Sugar (M Grade)	Delhi	1400-1415	1425-1440	-25
Ready Sugar (S Grade)	Delhi	1385-1400	1410-1425	-25
Mill Delivery	Delhi	1315-1330	1340-1355	-25

■ SUGAR

■ Dec 20, 2007

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	December	1257	1305	1257	1299	1281	+18
	January	1230	1257	1230	1255	1236	+19
	February	1220	1235	1220	1235	1231	+4

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded firm. The most active January contract opened Rs. 6 weak at Rs. 1230 and traded steadily up to test an intraday high of Rs. 1257, before ending 1.54% firm at Rs. 1255. Volumes improved amidst steady open interest as compared to the previous day. Bullish marubozu with supporting volumes suggest near term firmness; so does close above short term EMAs and rising RSI in the neutral region. However, Stochastic is falling in the neutral zone, capping the uptrend, while MACD is dipping in the positive territory, suggesting decrease in bullish momentum. Sugar-Kolhapur futures are likely to trade firm in the next session with chances of late weakness.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-January	1214	1227	1255	1260	1270

MCX Sugar-Kolhapur-January Contract

SUGARSKLP 0801(MXSUGF8)2007/12/19 - Daily B:1233.00 A:1260.00
O 1230.00 H 1257.00 L 1230.00 C 1255.00 V 23 T 2,872 I 11 +19
EMA(9) 1248.5 (18) 1245.4



TRADE RECOMMENDATION

Buy MCX-January Sugar SKLP below 1255-1257 with target towards 1250 then second target at 1248. Stop loss near 1260. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on December 18, 2007)

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

March 2008	10.76	10.78	10.59	10.64	-0.12
May 2008	10.98	10.98	10.87	10.89	-0.07
July 2008	10.98	11.00	10.90	10.95	-0.04

LIFFE Sugar Prices (US\$/MT)

March 2008	307.00	307.80	305.50	306.50	-0.70
May 2008	309.50	309.80	308.50	309.40	+0.10
August 2008	310.50	310.70	309.80	310.00	-0.50

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