

SUGAR

7th May 2007

SPOT MARKETS

Sugar spot prices improved at Delhi market on slight improvement in demand from bulk consumers against normal arrivals. The prices at Muzaffarnagar market remained unchanged due to subdued trading. White sugar traded higher at LIFFE and settled at \$318.80/tonne, \$ 6.00 above the previous close. The global sugar surplus for the crop year October 2006 to September 2007 is forecast at 9.82 million tonnes. Brazil is expected to produce 31.3 million tonnes of sugar, up 5% against the previous season. The export sops and procurement of sugar for buffer stocks have not helped the local markets to recover from falling prices. The increased estimate of domestic sugar output at 27-28 million tonnes during the current and domestic and global glut tend to maintain the sugar market bearish in the medium and long term.

FUTURES MARKETS

Sugar futures at NCDEX improved on some buying interest at lower level. June contract opened at Rs. 1249/ctl, Re. 1 below the previous close. The contract traded downwards testing a low of Rs. 1241/ctl and then upwards to an intraday high of Rs. 1253/ctl, before closing at Rs. 1252/ctl. The contract traded in the range of Rs. 1241-1253/ctl. The volume of June contract traded decreased by a little less than 5000 MT and open interest increased by 250 MT. May contract opened at Rs. 1230/ctl and traded bullish in the range of Rs. 1221-1240/ctl before closing at Rs. 1240/ctl.

PRICE DRIVERS

1. Domestic and global glut
2. Strengthening Rupee Vs Dollar
3. Estimated bumper production this year
4. Lower FSQ for April-June at 38 LT
5. Increased sugar estimate at 27-28 MMT
6. Global surplus of sugar forecast at 9.82 MMT
7. Brazil sugar production estimated at 31.3 MMT.

WEATHER

Weather is favourable for harvesting of mid-season sugarcane crop and recently sown seasonal sugarcane.

TECHNICALS

The candlestick chart shows a mild correction in the prices. But the prices are below the 9 Day and 18 Day EMA. The RSI is trading straight in the oversold region and MACD is moving down in the negative region. Stochastic has fallen slightly. All these indicators warrant a bearish market in the medium and long range. The market is expected to trade down with a mild correction in the course.

NCDEX Sugar M Grade June Contract:

e 0706(NCDSGMM7)2007/05/05 - Daily B:1252.00 A:1253.00
253.00 L:1241.00 C:1252.00 V:12,670 I:67,270 +2
3 (18) 1314.1



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June Contract	1233	1230	1252	1268	1271

TRADE RECOMMENDATION:

Sell NCDEX - June Sugar M below 1255 with target towards 1239 then second target at 1236. Stop loss near 1263 Do not carry-forward the position until the next day.

Spot Market Prices (Rs./ctl)

Origin/Grade	Center	05.05.07	04.05.07	Change
Ready Sugar (M Grade)	Delhi	1315-1345	1310-1340	+5
Ready Sugar (S Grade)	Delhi	1300-1330	1295-1325	+5
Mill Delivery	Delhi	1230-1260	1225-1255	+5

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>

© 2005 Indian Agribusiness Systems Pvt Ltd.