

## SUGAR

June 25, 2007

### SPOT MARKETS

Sugar spot prices eased at the major markets of Muzaffarnagar, Delhi and Muzaffarnagar on poor demand and subdued trading activity. Centre's decision on additional sugar buffer stock has not been able to bring any sustained upward movement in the spot prices of sugar. Meanwhile, the Cabinet deferred a decision on extension of moratorium period till March 2010. Sugar industry has demanded that the govt. should maximize exports and also raise ethanol mix in gasoline to 10% as it will help reduce sugar production as well as to maintain a better balance between availability of sugar and demand. However, prices are likely to be maintained on the lower side in the medium to long term due to glut situation globally. White sugar-August contract traded lower at LIFFE, while raw sugar closed slightly higher.

### FUTURES MARKETS (NCDEX)

NCDEX Sugar futures traded higher on fresh buying with the July contract opening firm at Rs. 1309/qrtl, Rs. 5 above the previous close of Rs. 1304/qrtl. The contract traded down initially to test a low of Rs. 1302/qrtl and then steadily up to close at the day's high of Rs. 1329/qrtl. The volumes traded and open interest of the July contract improved significantly. August contract opened firm at Rs. 1332/qrtl, and traded in the range of Rs. 1239-1356/qrtl, before settling at Rs. 1354/qrtl.

### PRICE DRIVERS

1. Domestic and global glut
2. FSQ for June fixed at 16 lakh tonnes
3. Extension of period of clearance of FSQ
4. Govt. raised buffer stock by 3 million tonnes
5. Debt restructuring and financial package
6. Mandatory 5% ethanol doping in motor fuels
7. UP scraps Sugar Promotion Policy 2004-08

### WEATHER IMPACT

Monsoon rains in Maharashtra may interfere with the crushing of cane as well as sugar exports. Rains pose difficulties in transport and storage of sugar.

### TECHNICALS (NCDEX)

A long bullish candle is formed for the day with prices closing above the EMAs. RSI and Stochastic are rising in the neutral region, while MACD is rising in the negative zone. Overall, the technicals indicate a bullish market. Sugar futures are expected to trade up in the short term.

### NCDEX Sugar M Grade July Contract

Sugar M Grade 0707(NCSGMN7)2007/06/23 - Daily B:1329.00 A:1330.00  
O 1309.00 H 1330.00 L 1303.00 C 1329.00 V 28,600 I 51,240 +25



### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1295	1283	1329	1346	1360

### TRADE RECOMMENDATION

**Buy** NCDEX - July Sugar M above 1326 with target towards 1336 then second target at 1340. Stop loss near 1320. Do not carry forward the position until the next day.

### Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	23.06.07	22.06.07	Change
Ready Sugar (M Grade)	Delhi	1380-1420	1385-1425	-5
Ready Sugar (S Grade)	Delhi	1365-1405	1370-1410	-5
Mill Delivery	Delhi	1295-1335	1300-1340	-5

### MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1273	1292	1270	1291	1273	+18
	August	1277	1286	1276	1286	1279	+7
	September	1275	1288	1275	1288	1285	+3

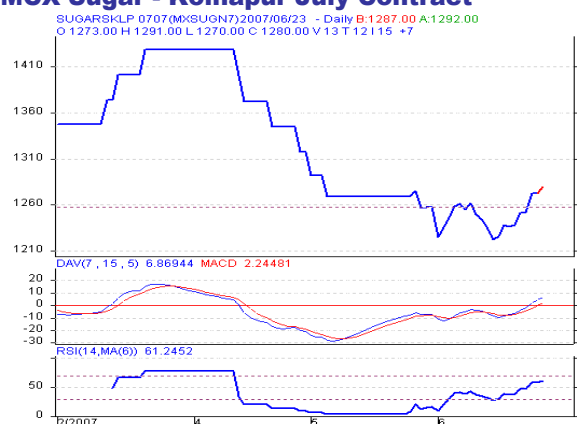
### MCX Sugar – Kolhapur Review

Sugar-Kolhapur futures traded up at MCX on fresh buying with the July contract opening at Rs. 1273/qtl and traded steadily up to test a high of Rs. 1291/qtl. The prices were then pushed down to close at Rs. 1280/qtl. Volumes and open interest improved significantly. MACD emerged out of the negative zone and is grazing the zero line. RSI is flat in the neutral region. Stochastic is rising and about to make a bearish crossover. It is recommended to confirm the trend before taking positions.

### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-July	1261	1251	1280	1300	1305

### MCX Sugar - Kolhapur July Contract



### TRADE RECOMMENDATION

**Buy** MCX - July SugarSKLP above 1277 with target towards 1287 then second target at 1292. Stop loss near 1272. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on June 22, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
July 2007	9.25	9.28	9.13	9.16	+0.03
October 2007	9.75	9.83	9.64	9.69	+0.09
March 2008	10.22	10.28	10.11	10.15	+0.06
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	323.50	323.50	319.40	321.50	-0.60
October 2007	313.80	316.00	313.10	315.00	+1.80
December 2007	307.50	310.40	307.10	309.00	+2.80

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