

SUGAR

June 22, 2007

SPOT MARKETS

Sugar spot prices improved at the major markets of Muzaffarnagar on some demand from retailers and bulk buyers against restricted arrivals, while prices remained unchanged at Delhi and Kolkata on subdued trading activity against normal arrivals. Further, the government on Thursday June 21st has raised the amount of buffer stocks to 5 million tonnes from 2 million tonnes to ensure timely payment to the cane growers, which also supported the spot and futures market sentiment during the Thursday. Thus, some improvement is expected in prices in short run. However, due to glut situation globally prices are expected to remain in the lower side in medium to long run. Meanwhile, Brazil's cane output is likely to rise to 513.3 million tonnes this year from 455.3 million tonnes in 2006. Sugar output in Brazil is also expected to rise by 5% to reach a new high of 31.2 million tonnes. Also the Ethanol production for the coming year is expected to reach 20.2 billion liters (5.3 billion gallons), a 13.5 percent increase over 2006.

FUTURES MARKETS (NCDEX)

NCDEX Sugar futures witnessed firm sentiment with bullish tone. July contract opened firm at Rs. 1290/qrtl, Re. 2 above the previous close of Rs. 1288/qrtl and traded down initially to test a low of Rs. 1288/qrtl. However, prices recovered thereafter on renewed buying interest coupled with govt. approval to increase sugar buffer stock and settled at Rs 1312/qrtl. July contract traded in the range of Rs 1288 - 1319/qrtl. In July contract Volumes increased while open interest declined.

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.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	21.06.07	20.06.07	Change
Ready Sugar (M Grade)	Delhi	1385-1425	1385-1425	0
Ready Sugar (S Grade)	Delhi	1370-1410	1370-1410	0
Mill Delivery	Delhi	1300-1340	1300-1340	0

TECHNICALS (NCDEX)

Candlestick indicates firmness in market. MACD and EMA indicate for short term firmness. MACD has made bullish cross over in negative zone. Stochastic and RSI is rising in neutral region, indicating further improvement in prices. Market is expected to trade up following steady to slightly firm opening with possibility of late downward movement.

NCDEX Sugar M Grade July Contract

Sugar M Grade 0707(NCSGMN7)2007/06/21 - Daily B:1311.00 A:1312.00 O 1290.00 H 1319.00 L 1288.00 C 1312.00 V 50,500 I 49,690 +2



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1304	1295	1312	1338	1344

TRADE RECOMMENDATION

Buy NCDEX - July Sugar M near 1315 with target towards 1325 then second target at 1330. Stop loss near 1310. Do not carry forward the position until the next day.

MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	June	-	-	-	-	-	-
	July	1256	1280	1256	1274	1252	+22
	August	1260	1282	1260	1279	1256	+23

MCX Sugar – Kolhapur Review

Sugar-Kolhapur futures traded up at MCX with the July contract opening firm at Rs. 1256/qtl and traded up to close at the day's high of Rs. 1280/qtl. MACD is moving up in the neutral zone. RSI and Stochastic is rising in the neutral region. Technicals indicate a bullish market.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-July	1265	1259	1274	1300	1305

MCX Sugar - Kolhapur July Contract

SUGARSKLP 0707(MXSGUN7)2007/06/21 - Daily B:1265.00 A:1270.00
O 1256.00 H 1280.00 L 1256.00 C 1274.00 V 15 T 1,805 I 12 +25
EMA(9) 1249.7 (10) 1250.4



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 20, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
July 2007	9.00	9.20	8.86	8.94	-0.07
October 2007	9.44	9.76	9.36	9.47	0.03
March 2008	9.91	10.20	9.88	-	-0.01
LIFFE Sugar Prices (US\$/MT)					
August 2007	318.00	325.20	315.90	320.00	+0.60
October 2007	309.80	315.00	308.00	310.40	+0.90
December 2007	302.50	307.00	302.50	304.40	+0.30

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