

■ SUGAR

■ June 26, 2007

SPOT MARKETS

Sugar spot prices remained almost unchanged at Muzaffarnagar and Delhi on subdued trading activity. Markets witnessed negligible demand for the commodity. Prices improved significantly at Kolkata on retail as well as bulk demand on the back of govt.'s decision to hike the sugar buffer stock to 5 million tonnes. The sugar prices are expected to remain on the lower side due to domestic and global glut situation, arising from bumper production in all the major sugar producing countries. Country's sugar output is expected to be close to 28-million tonnes even as the consumption stands at over 19 million tonnes. After including last year's carry-over stock of four million tonnes, India would have a total stock of 13 million tonne this year.

FUTURES MARKETS (NCDEX)

NCDEX Sugar July contract traded lower after opening firm at Rs. 1332/qrtl, Rs. 3 above the previous close price of Rs. 1329/qrtl. The contract traded steadily down to test a low of Rs. 1319/qrtl and then improved on some buying support to settle at Rs. 1324/qrtl. Volumes dipped considerably, while open interest declined slightly. August contract opened at Rs. 1353/qrtl and traded in the range of Rs. 1345-1356/qrtl, before closing at the day's low of Rs. 1345/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 bearish candle is formed for the day, with the prices closing well above the EMAs. RSI is dipping in the neutral region, while Stochastic is rising in the neutral zone. MACD is rising in the negative zone and is about to touch the zero line. Technicals indicate a slightly bullish market.

NCDEX Sugar M Grade July Contract

Sugar M Grade 0707(NCSGMN7)2007/06/25 - Daily B:1323.00 A:1327.00
O 1332.00 H 1333.00 L 1319.00 C 1324.00 V 13,460 I 50,360 -5
EMA(9) 1308.6 (18) 1308.3

**SUPPORT / RESISTANCES**

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1305	1295	1324	1345	1369

TRADE RECOMMENDATION

Sell NCDEX - July Sugar M below 1326 with target towards 1313 then second target at 1309. Stop loss near 1335. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	25.06.07	23.06.07	Change
Ready Sugar (M Grade)	Delhi	1380-1420	1380-1420	0
Ready Sugar (S Grade)	Delhi	1365-1405	1365-1405	0
Mill Delivery	Delhi	1295-1335	1295-1335	0

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MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1285	1286	1277	1277	1280	-3
	August	1287	1287	1279	1279	1281	-2
	September	1290	1290	1284	1284	1282	+2

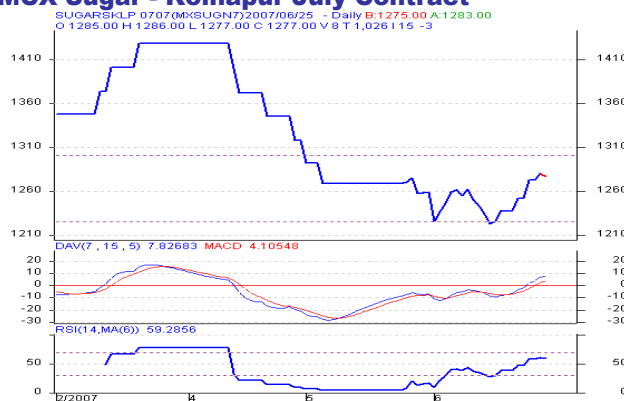
MCX Sugar – Kolhapur Review

Sugar-Kolhapur futures traded down at MCX with the July contract opening at Rs. 1285/qtl and traded up to test a high of Rs. 1286/qtl. The contract traded downward to close at the day's low of Rs. 1277/qtl, with a significant dip in volumes and open interest remaining flat. RSI is flat in neutral region, while Stochastic is making a bearish cross over and the %D and %K lines are grazing each other. MACD is rising in the neutral region. The market is expected to trade down in the short term.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-July	1261	1251	1277	1300	1305

MCX Sugar - Kolhapur July Contract



TRADE RECOMMENDATION

Sell MCX - July SugarSKLP below 1280 with target towards 1270 then second target at 1266. Stop loss near 1285. 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
NYBOT Sugar No. 11 Prices (US Cents/lb)					
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
LIFFE Sugar Prices (US\$/MT)					
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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