

■ SUGAR

■ June 28, 2007

SPOT MARKETS

Sugar traded almost flat at the major markets on demand matching with the supply from mills. Govt. has released 36 lakh tonnes of free sale sugar for the quarter July to September, 2007. For the month of July 2007, the FSQ released is 10 lakh tonnes. 1.89 lakh tonnes is released under levy for distribution in PDS. Further, the FSQ of June 2007 has already been allowed to be sold up to July 15, 2007. Thus, with the expected carry over of 3 lakh tonnes of non levy sugar of June 2007 quota, the total availability of sugar for consumption in the month of July comes to 14.89 lakh tonnes. This is likely to improve the sugar prices in the short term. Govt. had decided to extend the non-cash incentives given to sugar factories undertaking export of sugar, like exemption of sugar meant for export from levy obligation and treating sugar released for export as free sale releases to be adjusted in the free sale stocks for the sugar factories, for another six months till January 2008. However, the sugar prices are expected to remain on the lower side in the long term owing to domestic and global glut situations.

FUTURES MARKETS (NCDEX)

Sugar contracts traded further up at NCDEX on fresh buying, with the most active July contract opening firm at Rs. 1334/qty, Rs. 3 above the previous closing of Rs. 1331/qty. It initially traded down to test a low of Rs. 1331/qty and then traded steadily upwards to test a high of Rs. 1374, before settling at Rs. 1356/qty. Volume traded and open interest improved considerably.

PRICE DRIVERS

1. Domestic and global glut
2. FSQ for July-September fixed at 36 L tonnes
3. Extension of period of clearance of FSQ
4. Govt. raised buffer stock by 3 million tonnes
5. 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 well above the EMAs, MACD has emerged into the positive region. Stochastic is moving flat in the overbought region, while RSI is rising towards overbought region. Further strength is likely with selling emerging at higher levels.

NCDEX Sugar M Grade July Contract

Sugar M Grade 0707(NCSGMN7)2007/06/27 - Daily B:1356.00 A:1357.00
O 1334.00 H 1374.00 L 1331.00 C 1356.00 V 64,590 I 53,850 +25
EMA(9) 1321.7 (18) 1315.4



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1307	1295	1356	1387	1406

TRADE RECOMMENDATION

Buy NCDEX - July Sugar M above 1353 with target towards 1370 then second target at 1376. Stop loss near 1344. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qty)

Origin/Grade	Center	27.06.07	26.06.07	Change
Ready Sugar (M Grade)	Delhi	1370-1410	1370-1410	0
Ready Sugar (S Grade)	Delhi	1355-1395	1355-1395	0
Mill Delivery	Delhi	1285-1325	1285-1325	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	1287	1303	1287	1300	1277	+23
	August	1287	1306	1287	1300	1278	+22
	September	1292	1305	1292	1300	1277	+23

MCX Sugar – Kolhapur Review

Sugar Kolhapur futures traded further up with the July contract opening at Rs. 1287/qtl. The contract traded steadily up to test a high of Rs. 1303/qtl and settled at Rs. 1300/qtl. Volume traded and open interest dipped significantly. RSI is rising in the neutral zone, while MACD has emerged from the negative zone. Stochastic is flat with the %D and %K lines overlapping in the neutral region. Market is expected to trade up in the short term.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP- July	1350	1360	1300	1312	1320

MCX Sugar - Kolhapur July Contract



TRADE RECOMMENDATION

Buy MCX - July SugarSKLP above 1295 with target towards 1310 then second target at 1315. Stop loss near 1288. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on June 26, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
July 2007	8.95	9.22	8.95	9.15	+0.22
October 2007	9.47	9.82	9.47	9.71	+0.27
March 2008	9.92	10.15	9.92	10.12	+0.20
LIFFE Sugar Prices (US\$/MT)					
August 2007	321.50	321.50	315.80	317.50	-4.00
October 2007	313.00	313.00	310.60	311.50	-3.50
December 2007	306.10	307.30	305.60	306.00	-3.00

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