

SUGAR

July 16, 2007

SPOT MARKETS

Sugar prices improved at the spot markets on improved demand from bulk consumers and retailers. Mills are offloading their June as well as the July quota, resulting in ample supplies in the market. Mills are seen slashing prices to clear June quota. This, along with the subdued demand for the commodity during monsoon, has resulted in lower sugar prices. Stockists defer purchases during monsoons as quality of sugar deteriorates rapidly due to high humidity, making storage difficult. Poor demand for cool drinks is keeping the prime consumer of the commodity away from market. Sugar industry is awaiting the report of Group of Ministers formed to look into the relief packages like rescheduling bank loans for the industry, extending export obligation period under advance licence scheme, extending export subsidy, making 5% ethanol blending mandatory in all states and reworking cane pricing. These measures are expected to provide some support to the sugar prices. However, no major uptrend in sugar prices can be expected in the medium to long term due to domestic and global glut situation.

FUTURES MARKETS (NCDEX)

Sugar futures closed higher at NCDEX with the most active August contract opening firm at Rs. 1338/ctl. The contract traded up thereafter to test a high of Rs. 1348/ctl. The sellers emerging at higher prices pushed the sugar prices down and the contract settled at Rs. 1342/ctl. Volume traded and open interest declined as compared to the previous day.

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 govt. expected to announce the new policy for the sugar sector soon
6. Banks to allocate separate sub-limits for loans against sugar stocks.

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 short bullish candle with some selling at higher levels is formed. Prices closed at par with the EMAs. MACD is flat in the negative zone, while RSI is almost flat in the neutral region, giving scope for movement in either direction. MACD is about to make a bearish cross over. Stochastic is rising and has emerged from the oversold region, giving some firmness to the prices. Sugar is likely to trade range-bound in the short term with the prices closing lower.

NCDEX Sugar M Grade August Contract

Sugar M Grade 0708(NCSGMQ7)2007/07/14 - Daily B:1341.00 A:1342.00
O 1338.00 H 1348.00 L 1338.00 C 1342.00 V 9,050 I 51,470 +7
EMA(9) 1339.1 (18) 1343.4 EMA(9) 1339.1



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1310	1296	1342	1365	1376

TRADE RECOMMENDATION

Sell NCDEX - August Sugar M below Rs. 1348/ctl with target towards 1336 then second target at 1332. Strict stop loss near 1354. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /ctl)

Origin/Grade	Center	14.07.07	13.07.07	Change
Ready Sugar (M Grade)	Delhi	1420-1430	1415-1455	+5
Ready Sugar (S Grade)	Delhi	1405-1445	1400-1440	+5
Mill Delivery	Delhi	1335-1375	1330-1370	+5

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MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1300	1306	1296	1297	1309	-12
	August	1318	1327	1315	1322	1330	-8
	September	13113	1323	1309	1317	1310	+7

MCX Sugar – Kolhapur Review

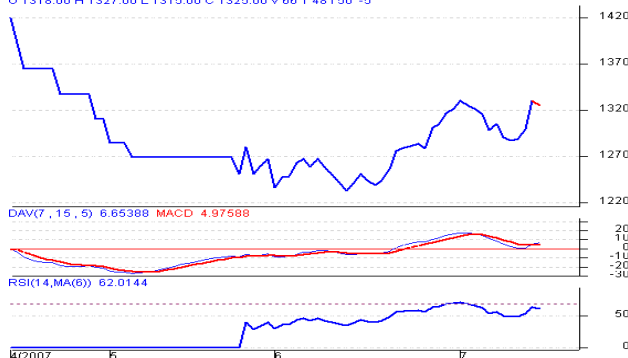
MCX sugar-Kolhapur contracts traded up. August contract opened firm at Rs. 1318/qtl and traded down thereafter to test an intraday low of Rs. 1315/qtl. Prices improved later on increased buying at lower levels and the contract traded up to test an intraday high of Rs. 1327, before settling at Rs. 1325/qtl. Open interest and volume traded were low as compared to the previous day. MACD and RSI are flat in the neutral zone, while Stochastic is rising in neutral region, giving some firmness to prices. MACD has made a bearish crossover. The market is expected to trade range-bound with bullish tone in the short term.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP- August	1284	1271	1325	1337	1347

MCX Sugar - Kolhapur August Contract

SUGARSKLP 0708(MXSUGQ7)2007/07/14 - Daily B:1321.00 A:1323.00
O:1318.00 H:1327.00 L:1315.00 C:1325.00 V:66 T:48 I:50 -5



TRADE RECOMMENDATION

Buy MCX - August SugarSKLP near 1320-1322/qtl with target towards 1332 then second target at 1335. Stop loss near 1315. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 13, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.72	10.22	9.68	9.87	+0.17
March 2008	10.15	10.54	10.10	10.29	+0.17
May 2008	10.26	10.61	10.25	10.35	+0.10
LIFFE Sugar Prices (US\$/MT)					
August 2007	307.90	312.00	307.90	308.50	+0.50
October 2007	310.30	314.50	310.10	311.40	-0.10
December 2007	309.50	314.00	307.50	310.80	+1.30

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