

■ SUGAR

■ July 26, 2007

SPOT MARKETS

Sugar traded flat at the major spot markets on poor demand against ample supply from mills and lacklustre trade. Mills are under pressure to sell their unsold July quota, which amounts to 5-6 lakh tons. Dept. of revenue and Planning Commission have rejected the key proposals of the proposed sops for sugar industry, which include deferment of duty or income tax relief. Sugar prices are expected to improve once the package for sugar industry is announced. However, no major uptrend in sugar prices is expected in the medium to long term, given the glut situation. World sugar estimate has been revised to 167.3 MMT, up 9.6% on year. Sugar futures edged lower internationally on speculation that Indian traders might soon make unrefined supplies available to the market.

FUTURES MARKETS (NCDEX)

Sugar contracts traded bearish at NCDEX. The most active August contract opened weak at Rs. 1310/qrtl, Re. 1 down the previous close price and traded down steadily thereafter to test an intraday low of Rs. 1301/qrtl. The prices improved marginally on some buying interest at lower levels and the contract settled at Rs. 1303/qrtl. The volume of contract traded as well as open interest improved as compared to the previous day, indicating short accumulation.

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. Govt. to announce the financial package for sugar
6. Govt. to mandate 10% ethanol doping by Oct
7. Banks to allocate separate sub-limits for loans against sugar stocks.
8. Govt. to mandate Sugarcane (Control) Order, 1966

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 dark candle with some buying at lower levels is formed in the charts. Prices closed below the EMAs. Volume traded and open interest improved marginally, indicating short accumulation. RSI is flat in the neutral zone, while MACD is steady in the negative region. Stochastic has fallen into the oversold region. Overall, the technicals speak of a bearish market. Sugar is expected to trade down in the short term

NCDEX Sugar M Grade August Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1274	1261	1303	1325	1337

TRADE RECOMMENDATION

Sell NCDEX - August Sugar M below Rs. 1306 with target towards 1296 then second target at 1292. Strict stop loss near 1311. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	25.07.07	24.07.07	Change
Ready Sugar (M Grade)	Delhi	1395-1435	1395-1435	-
Ready Sugar (S Grade)	Delhi	1380-1420	1380-1420	-
Mill Delivery	Delhi	1310-1350	1310-1350	-

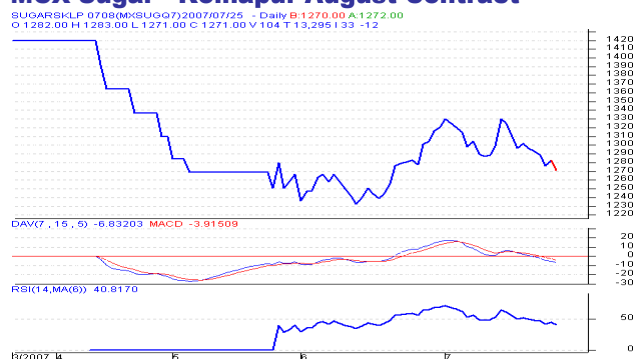
MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1282	1283	1271	1271	1283	-12
	September	1294	1296	1284	1285	1297	-12
	October	1304	1306	1295	1296	1308	-12

MCX Sugar – Kolhapur Review

MCX sugar-Kolhapur futures traded down with the prices closing below the EMAs. The most active August contract opened at Rs. 1282/qtl and after testing a high of Rs. 1283/qtl, traded down steadily to settle at the day's low of Rs. 1271/qtl. RSI, MACD and Stochastic are flat and fail to provide any direction to the future trend of the market. Volume and open interest dipped as compared to the previous day. EMAs and candlestick pattern indicate bearishness in the market. Sugar-Kolhapur contracts are expected to trade down in the short term.

MCX Sugar - Kolhapur August Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP- August	1229	1251	1271	1303	1315

TRADE RECOMMENDATION

Sell MCX - August Sugar SKLP below Rs. 1274 with target towards 1264 then second target at 1260. Stop loss near 1279. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 24, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	10.15	10.35	10.13	10.19	+0.04
March 2008	10.46	10.59	10.46	10.53	+0.04
May 2008	10.50	10.54	10.50	10.54	+0.06
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	312.40	313.40	310.00	312.00	+0.60
December 2007	311.80	311.80	309.50	310.80	-0.10

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