

SUGAR

July 19, 2007

SPOT MARKETS

Sugar traded weak at the major markets of Muzaffarnagar and Delhi markets on poor demand for the commodity from retail as well as bulk consumers against normal supply from mills. The market and mills are awaiting the Centre's decision on the financial package for the mills, which will be discussed in the Cabinet today. The Group of Ministers is likely to work out a financial package that could include easy term loans and other relaxations to sugar mills. Also, an increase in ethanol blending in auto-fuels from 5% to 10% will be considered. These measures are likely to provide some support to the falling sugar prices in the short term. India is likely to mandate 10% ethanol doping in automobile fuels by October, in a bid to reduce excess sugar supply by 1 MMT. This is expected to boost sugar prices by 3-4%. However, no major uptrend in prices can be expected in the medium to long term, given the glut situation.

FUTURES MARKETS (NCDEX)

Sugar contracts traded range-bound at NCDEX, with the contracts closing below the opening levels. The most active August contract opened firm at Rs. 1339/qrtl, Re. 1 above the previous close price of Rs. 1338/qrtl and traded up thereafter to test an intraday high of Rs. 1341/qrtl. The prices dipped later to test an intraday low of Rs. 1332/qrtl on increased selling pressure and settled at Rs. 1334/qrtl. Volume of contract traded dipped, while open interest improved 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 bearish candle is formed, indicating some degree of indecision in the market. The prices closed at par with the EMAs. MACD is flat in the negative zone, while RSI is flat in the neutral zone. This is giving scope for movement in either direction. RSI is rising in the neutral region, giving some firmness to the prices. Sugar is expected to trade range-bound in the short term with a bearish tone.

NCDEX Sugar M Grade August Contract

Sugar M Grade 0708(NCSGMQ7)2007/07/18 - Daily B:1332.00 A:1334.00
O 1339.00 H 1341.00 L 1332.00 C 1334.00 V 10,540 I 46,950 -4
EMA(9) 1337.4 (18) 1341.2 EMA(9) 1337.4



SUPPORT / RESISTANCES

| Contract | S1 | S2 | PCP | R1 | R2 |
|-----------------------|------|------|------|------|------|
| NCDEX-Sugar M- August | 1308 | 1320 | 1334 | 1349 | 1365 |

TRADE RECOMMENDATION

Sell NCDEX - August Sugar M below Rs. 1337/qrtl with target towards 1327 then second target at 1325. Strict stop loss near 1342. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

| Origin/Grade | Center | 18.07.07 | 17.07.07 | Change |
|-----------------------|--------|-----------|-----------|--------|
| Ready Sugar (M Grade) | Delhi | 1420-1460 | 1425-1465 | -5 |
| Ready Sugar (S Grade) | Delhi | 1405-1445 | 1410-1450 | -5 |
| Mill Delivery | Delhi | 1335-1375 | 1340-1380 | -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 | 1310 | 1313 | 1294 | 1311 | 1285 | +26 |
| | August | 1301 | 1312 | 1299 | 1299 | 1297 | +2 |
| | September | 1305 | 1317 | 1301 | 1303 | 1306 | -3 |

MCX Sugar – Kolhapur Review

Sugar-Kolhapur contracts traded up at MCX. The benchmark August contract opened firm at Rs. 1301/qtl. The contract traded up thereafter to test an intraday high of Rs. 1312/qtl. Sellers emerging at higher levels pushed the prices down and the contract closed at Rs. 1302/qtl. Volume of contract traded dipped, while open interest improved as compared to the previous day. Prices closed at par with the EMAs. MACD and RSI are almost flat in the neutral zone, while Stochastic is falling marginally in the neutral region. Stochastic is about to make a bearish crossover. Short term outlook of sugar-Kolhapur is range-bound with a bearish tone.

SUPPORT / RESISTANCES

| Contract | S1 | S2 | PCP | R1 | R2 |
|-----------------------|------|------|------|------|------|
| MCX-SUGARSKLP- August | 1280 | 1288 | 1302 | 1321 | 1334 |

MCX Sugar - Kolhapur August Contract

SUGARSKLP 0708(MXSKLP07)2007/07/18 - Daily B:1301.00 A:1304.00
O 1301.00 H 1312.00 L 1301.00 C 1302.00 V 53 T 6,927 I 43 +5



TRADE RECOMMENDATION

Sell MCX - August SugarSKLP below 1302 with target towards 1292 then second target at 1290. Stop loss near 1307. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 17, 2007)

| Contract Month | Open | High | Low | Close | Change |
|--|--------|--------|--------|--------|--------|
| NYBOT Sugar No. 11 Prices (US Cents/lb) | | | | | |
| October 2007 | 9.84 | 9.93 | 9.82 | 9.85 | +0.05 |
| March 2008 | 10.30 | 10.32 | 10.30 | 10.32 | +0.07 |
| May 2008 | 10.40 | 10.41 | 10.37 | 10.41 | +0.09 |
| LIFFE Sugar Prices (US\$/MT) | | | | | |
| August 2007 | 310.00 | 318.00 | 306.60 | 318.00 | +9.50 |
| October 2007 | 309.90 | 311.00 | 308.00 | 309.80 | -1.00 |
| December 2007 | 308.00 | 310.70 | 307.50 | 309.80 | -0.30 |

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