

■ SUGAR

■ July 12, 2007

SPOT MARKETS

Sugar traded almost flat to lower at the major markets on poor demand for the commodity against ample supplies from the mills. Prices improved marginally at Delhi and Muzaffarnagar markets on some demand from retailers. The sugar output for the season ending September is estimated to touch 28.5 million tonnes. Country's consumption is pegged at 19 million tonnes and exports at 1-1.5 million tonnes. After including a carry over stock of 4 million tonnes, India is expected to have a total stock of 12 million tonnes at the end of this year. The domestic and global glut situations generated due to bumper productions in most of the sugar producing countries is seen casting a bearish spell on the sugar prices in the medium to long term. Market is awaiting decision on additional sops intended for the sugar industry, as well as on extension of moratorium period and new sugar policy in U.P.

FUTURES MARKETS (NCDEX)

The sugar contracts traded further up at NCDEX. The most active August contract opened firm at Rs. 1317/qrtl and traded down initially to test a low of Rs. 1315/qrtl. Buying interest at lower levels pushed the prices higher to test a high of Rs. 1329/qrtl, before settling at Rs. 1328/qrtl. Volume of the contract traded dipped, while open interest increased marginally as compared to the previous day. The July contract traded in the range of Rs. 1273-1287/qrtl after opening at Rs. 1277/qrtl and closed at Rs. 1285/qrtl.

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 to privatize 61 loss-making sugar mills
6. UP govt. expected to announce the new policy for the sugar sector soon

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 bullish candle is formed for the day, with the prices closing well below the EMAs. MACD is declining in the negative zone, while RSI is rising in the neutral zone, giving some firmness to the prices. Stochastic is almost flat in the oversold region and is about to make a bullish cross over. Sugar is expected to trade range-bound with a bullish tone in the short term.

NCDEX Sugar M Grade August Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1304	1295	1328	1350	1365

TRADE RECOMMENDATION

Buy NCDEX - August Sugar M near 1322-1325 with target towards 1337 then second target at 1340. Strict stop loss near 1318. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	11.07.07	10.07.07	Change
Ready Sugar (M Grade)	Delhi	1408-1448	1405-1445	+3
Ready Sugar (S Grade)	Delhi	1393-1433	1390-1430	+3
Mill Delivery	Delhi	1323-1363	1320-1360	+3

MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1278	1286	1277	1285	1275	+10
	August	1288	1293	1287	1292	1287	+5
	September	1295	1297	1290	1296	1288	+8

MCX Sugar – Kolhapur Review

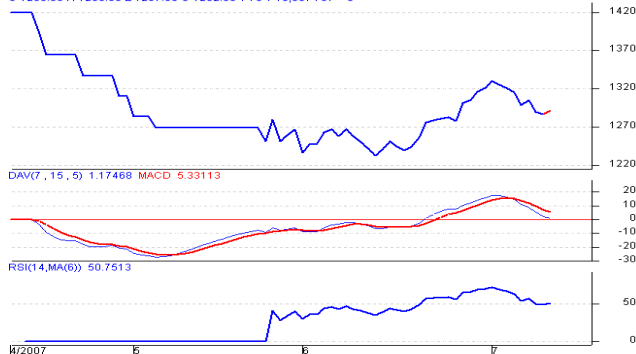
MCX Sugar-Kolhapur contracts traded range-bound with bullish tone today. The most active August contract opened firm at Rs. 1288/qtl and traded in the range of Rs. 1287-1293/qtl. The contract settled at Rs. 1292/qtl. Volume traded and open interest improved considerably as compared to the previous day, indicating long accumulation. MACD is declining in the positive region, while Stochastic is falling in the oversold region. RSI is flat in the neutral zone, indicating scope for movement in either direction. Sugar-Kolhapur futures are expected to trade range-bound with prices closing higher in the short term.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP- August	1279	1267	1292	1313	1321

MCX Sugar - Kolhapur August Contract

SUGARSKLP 0708(MXSUG07)2007/07/11 - Daily B:1290.00 A:1293.00
O:1288.00 H:1293.00 L:1287.00 C:1292.00 V:78 T:10,067 I:57 +5



TRADE RECOMMENDATION

Buy MCX - August SugarSKLP near 1288-1290/qtl with target towards 1298 then second target at 1300. Stop loss near 1283. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 10, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.70	9.88	9.64	9.66	+0.01
March 2008	10.16	10.28	10.10	10.10	+0.01
May 2008	10.19	10.22	10.19	10.22	-0.01
LIFFE Sugar Prices (US\$/MT)					
August 2007	326.00	326.00	313.20	314.00	-10.90
October 2007	314.10	315.80	311.00	311.40	-2.20
December 2007	311.00	311.50	307.50	307.50	-2.10

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