

## ■ SUGAR

■ July 24, 2007

### SPOT MARKETS

Sugar spot prices slumped at all the major markets on slack demand against ample supplies. The Group of Ministers meeting to discuss the financial package for sugar sector is likely to be conducted this week. Sugar sector is awaiting the govt.'s decision on the package. Sugar prices are expected to get some support once the package is announced. However, the medium to long term outlook on sugar prices remain bearish, given the glut situation. Sugar fell at NYBOT on speculation that India would offer to sell supplies of raw sugar, adding to a global surplus. Thailand's sugarcane output is expected to rise to around 70 million tonnes in 2007-08 crop year, up from the 63.80 million tonnes in 2006-08 crop year, owing to better rain volume this year.

### FUTURES MARKETS (NCDEX)

Sugar contracts traded down at NCDEX on short accumulation. The most active August contract opened weak at Rs. 1327/qrtl, Re. 1 down the previous close of Rs. 1328/qrtl. The contract traded steadily down to test an intraday low of Rs. 1305/qrtl, before settling at Rs. 1306/qrtl. The contract traded in the range of Rs. 1305-1327/qrtl. The volume traded and 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. 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 long dark candle is formed in the charts with the prices closing well below the EMAs, breaking the congestion levels to establish a negative trend. RSI and Stochastic are falling in the neutral region, while MACD is falling slowly in the negative zone. Volume traded and open interest have increased, indicating short accumulation. Overall, technicals point towards a bearish market and 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	1263	1274	1306	1349	1364

### TRADE RECOMMENDATION

**Sell** NCDEX - August Sugar M below Rs. 1310 with target towards 1298 then second target at 1295. Strict stop loss near 1316. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

### Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	23.07.07	21.07.07	Change
Ready Sugar (M Grade)	Delhi	1400-1440	1410-1450	-10
Ready Sugar (S Grade)	Delhi	1385-1425	1395-1435	-10
Mill Delivery	Delhi	1315-1355	1325-1365	-10

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### MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1284	1284	1273	1275	1289	-14
	September	1304	1304	1294	1296	1308	-12
	October	1306	1311	1300	1305	1310	-5

### MCX Sugar – Kolhapur Review

Sugar-Kolhapur futures traded bearish at MCX. The most active August contract opened weak at Rs. 1284/qtl and traded steadily down to test an intraday low of Rs. 1273/qtl. The contract settled at Rs. 1275/qtl. Volume of contract traded remained steady, while open interest improved indicating short accumulation. Prices closed well below the EMAs. MACD and RSI are falling slightly, while Stochastic is almost flat and is about to make a bullish cross over. Overall, the market is showing bearish trend in the short term. Sugar-Kolhapur contracts are expected to trade down in the short term.

### MCX Sugar - Kolhapur August Contract

SUGARSKLP 0708(MX:SUG07)2007/07/23 - Daily B:1272.00 A:1273.00  
O 1284.00 H 1284.00 L 1273.00 C 1275.00 V 69 T 8,820 I 91 -14



### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-August	1258	1267	1275	1294	1304

### TRADE RECOMMENDATION

**Sell** MCX - August SugarSKLP below Rs. 1278 with target towards 1288 then second target at 1285. Stop loss near 1282. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on July 20, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	10.47	10.49	10.23	10.30	-0.02
March 2008	10.82	10.82	10.67	10.75	+0.05
May 2008	10.71	10.77	10.70	10.77	+0.03
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	317.80	318.20	311.50	312.80	-3.60
December 2007	317.10	317.50	311.50	313.30	-3.20

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