

■ SUGAR

■ July 17, 2007

SPOT MARKETS

Sugar traded higher at the major cash markets on improved demand from the retail and bulk consumers. Co-operative sugar factories in Maharashtra have sought more sops from the Centre and State govt., which include a waiver of sugarcane purchase tax, conversion of short margin of Rs. 736 crore into medium-term loan, state govt. guarantee for sanction of NABARD rehabilitation package, continuation of subsidy of Rs. 1000/tonne for import for 2007-08 and 2008-09 and a similar subsidy for raw sugar exports. Also, sugar industry has urged oil companies to increase the purchase price for ethanol to at least Rs. 23 a litre from the existing price of Rs. 21.50 a litre, when 10% mandatory doping of auto-fuel comes into force. The industry has also suggested that no levy other than the central sales tax should be imposed on ethanol. No major uptrend in sugar prices can be expected in the medium to long term on account of the domestic and global glut situation.

FUTURES MARKETS (NCDEX)

NCDEX sugar futures traded down. The most active August contract opened firm at Rs. 1346/qrtl and traded up initially to test an intraday high of Rs. 1349/qrtl. Increased selling pressure at higher levels pushed the prices down to test an intraday low of Rs. 1330/qrtl. Some buying interest at lower prices pushed the prices up and the contract settled at Rs. 1335/qrtl. Volume traded improved, while open interest dipped, indicating long liquidation.

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 long bearish candle with some buying below is formed for the day. Prices closed at par with the EMAs. Volume traded improved, while open interest dipped compared to the previous day, indicating long liquidation. MACD is almost flat in the negative region, while RSI is almost flat in the neutral zone, giving scope for movement in either direction. Stochastic is rising in the neutral region, giving some firmness to the prices. Overall, the technicals indicate a range-bound market with downward trend in the short term.

NCDEX Sugar M Grade August Contract

Sugar M Grade 0708(NCSGMQ7)2007/07/16 - Daily B:1334.00 A:1335.00
O:1346.00 H:1349.00 L:1330.00 C:1335.00 V:19,550 I:49,360 -7
EMA(9) 1338.3 (18) 1342.5 EMA(9) 1338.3



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1300	1315	1335	1370	1385

TRADE RECOMMENDATION

Sell NCDEX - August Sugar M below Rs. 1338/qrtl with target towards 1328 then second target at 1324. Strict stop loss near 1354. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	16.07.07	14.07.07	Change
Ready Sugar (M Grade)	Delhi	1430-1470	1420-1460	+10
Ready Sugar (S Grade)	Delhi	1415-1455	1405-1445	+10
Mill Delivery	Delhi	1345-1385	1335-1375	+10

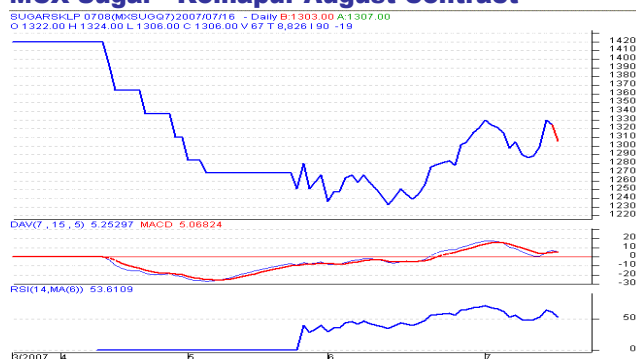
MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1312	1314	1286	1288	1300	-12
	August	1322	1324	1306	1306	1325	-19
	September	1325	1328	1309	1310	1320	-10

MCX Sugar – Kolhapur Review

Sugar-Kolhapur contracts traded bearish at MCX. The most active August contract opened weak at Rs. 1322/qtl and traded up initially to test an intraday high of Rs. 13245/qtl. The contract traded down thereafter on increased selling pressure to settle at the day's low of Rs. 1306/qtl. Volume traded and open interest improved as compared to the previous day, indicating short accumulation. MACD is almost flat in the positive region. RSI is falling in the neutral region, while Stochastic is rising in the neutral zone. Overall, the technicals indicate a bearish market in the short term.

MCX Sugar - Kolhapur August Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP- August	1287	1266	1306	1335	1350

TRADE RECOMMENDATION

Sell MCX - August SugarSKLP below 1310 with target towards 1300 then second target at 1295. 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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