

■ SUGAR

■ July 23, 2007

SPOT MARKETS

Sugar spot prices eased at Kolkata and Muzaffarnagar market on poor demand amidst ample supplies from mills offloading their July quota. Sugar traded almost flat at Delhi on subdued trading activity. The domestic and global glut situation is seen casting a bearish spell on the sugar prices in the medium to long term. The Union Govt. on Friday decided to do away with the controls over manufacture of gur to promote small-scale industries in the sector, besides helping cane growers. This will help the sugarcane farmers to dispose of their cane at higher prices. Cabinet has also decided to amend the Sugarcane (Control) Order, 1966. The govt.'s decision on the sops intended for the sector is likely to be announced soon. This is expected to provide some support to the falling sugar prices in the short term.

FUTURES MARKETS (NCDEX)

Sugar traded range-bound at NCDEX with a bearish inclination. The benchmark August contract opened weak at Rs. 1333/qrtl and traded up initially to test an intraday high of Rs. 1337/qrtl. The prices crashed thereafter on increased selling pressure and the contract tested an intraday low of Rs. 1326/qrtl, before closing at Rs. 1328/qrtl. Volume traded was lower, 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. 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 is formed for the day with the prices closing slightly below the EMAs. RSI and Stochastic are falling slightly in the neutral zone and Stochastic has made a bearish cross over. MACD is flat in the negative region, leaving scope for movement in either direction. Overall, technicals indicate slight weakness in the market and sugar is expected to trade range-bound with bearish inclination in the short term.

NCDEX Sugar M Grade August Contract

Sugar M Grade 0708(NCSGMQ7)2007/07/21 - Daily B:1327.00 A:1328.00
O 1333.00 H 1337.00 L 1326.00 C 1328.00 V 7,440 I 47,600 -7
EMA(9) 1335.1 (18) 1338.8 EMA(9) 1335.1



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1301	1312	1328	1349	1369

TRADE RECOMMENDATION

Sell NCDEX - August Sugar M near 1330-1332 with target towards 1320 then second target at 1318. Strict stop loss near 1337. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	21.07.07	20.07.07	Change
Ready Sugar (M Grade)	Delhi	1410-1450	1410-1450	0
Ready Sugar (S Grade)	Delhi	1395-1435	1395-1435	0
Mill Delivery	Delhi	1325-1365	1325-1365	0

MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1294	1294	1251	1288	1293	-5
	September	1308	1310	1306	1306	1313	-7
	October	1312	1325	1307	1307	1314	-7

MCX Sugar – Kolhapur Review

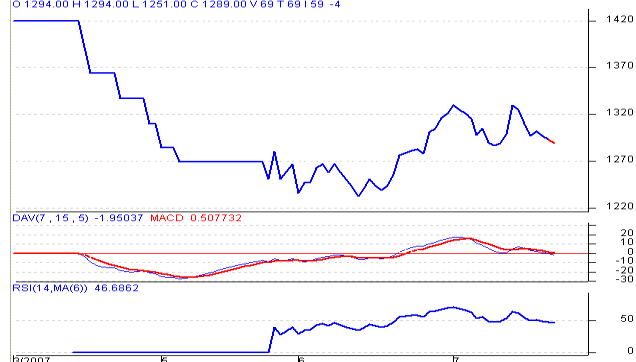
MCX sugar-Kolhapur contracts traded bearish. The most active August contract opened at Rs. 1294/qtl and traded steadily down to test a low of Rs. 1251/qtl. The prices later recovered on improved buying interest and the contract settled at Rs. 1289/qtl. A bearish candlestick with dominating buyers is formed indicating probability of some bullishness in the short term. All the other indicators are flat in the neutral region. Stochastic is about to make a bullish crossover. Open interest improved, while volume decreased marginally as compared to the previous day.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP- August	1244	1251	1289	1316	1330

MCX Sugar - Kolhapur August Contract

SUGARSKLP 0708(MXSUG07)2007/07/21 - Daily B:1287.00 A:1288.00
O 1294.00 H 1294.00 L 1251.00 C 1289.00 V 69 T 69 I 59 -4



TRADE RECOMMENDATION

Buy MCX - August SugarSKLP above 1289 with target towards 1298 then second target at 1300. Stop loss near 1284. 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
NYBOT Sugar No. 11 Prices (US Cents/lb)					
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
LIFFE Sugar Prices (US\$/MT)					
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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