



■ SUGAR

■ July 07, 2007

SPOT MARKETS

Sugar prices eased at all the major spot markets across the country on limited buying against ample supply from mills that are keen to offload their stocks before the prices crash further. Prices remained unchanged at Delhi on weak trade. UP govt. has asked mills to clear all cane arrears by August 31. In case, they fail to do this, the govt. will issue recovery certificates to them mortgaging mill property till such time the arrears are not cleared. The global and domestic glut situations are casting a bearish shadow on the sugar prices in the medium to long term. Any improvement in prices can be expected if the govt. sanctions the additional sops for the sugar sector, like waiver of cess, 10% mandatory ethanol blending with uniform duty across the country, and subsidy for raw sugar exports. Russia produced 1.95 MMT of refined sugar from imported raws between January 1 and July 4, 11% more than in the corresponding period last year.

FUTURES MARKETS (NCDEX)

Sugar futures traded further down on 5th consecutive day. The most active August contract opened weak at Rs. 1344/qrtl, traded up thereafter to test a high of Rs. 1349/qrtl. Sellers emerging at higher levels pushed the prices down to touch an intraday low of Rs. 1326/qrtl. Later, prices improved marginally on some buying interest at lower levels before closing at Rs. 1328/qrtl. Volume traded and open interest declined 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 scraps Sugar Promotion Policy 2004-08
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.

Spot Market Prices (Rs. /qrtl)

| Origin/Grade | Center | 06.07.07 | 05.07.07 | Change |
|-----------------------|--------|-----------|-----------|--------|
| Ready Sugar (M Grade) | Delhi | 1440-1480 | 1440-1480 | 0 |
| Ready Sugar (S Grade) | Delhi | 1425-1465 | 1425-1465 | 0 |
| Mill Delivery | Delhi | 1355-1395 | 1355-1395 | 0 |

TECHNICALS (NCDEX)

A bearish candle is formed with some buying support below and selling interest above. Prices closed well below the EMAs. MACD and RSI are falling hesitantly in the neutral zone, while Stochastic is dipping steadily. Overall, the technicals indicate a bearish trend in the market. Sugar is expected to trade down following a firm opening.

NCDEX Sugar M Grade August Contract

Sugar M Grade 0708(NCSGMQ7)2007/07/06 - Daily B:1328.00 A:1329.00
O:1344.00 H:1349.00 L:1326.00 C:1328.00 V:24,600 I:58,790 -19
EMA(9) 1359.4 (18) 1356.2



SUPPORT / RESISTANCES

| Contract | S1 | S2 | PCP | R1 | R2 |
|-----------------------|------|------|------|------|------|
| NCDEX-Sugar M- August | 1314 | 1300 | 1328 | 1355 | 1365 |

TRADE RECOMMENDATION

Sell NCDEX - August Sugar M below 1332 with target towards 1318 then second target at 1315. Strict stop loss near 1339. Do not carry forward the position until the next day.

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MCX Futures Prices (Rs./qtl)

| Commodity | Contract Month | Open | High | Low | Last Traded Price | Previous Close | Change |
|------------------|----------------|------|------|------|-------------------|----------------|--------|
| Sugar - Kolhapur | July | 1304 | 1305 | 1299 | 1304 | 1303 | +1 |
| | August | 1312 | 1313 | 1296 | 1296 | 1315 | -19 |
| | September | 1313 | 1313 | 1302 | 1302 | 1317 | -15 |

MCX Sugar – Kolhapur Review

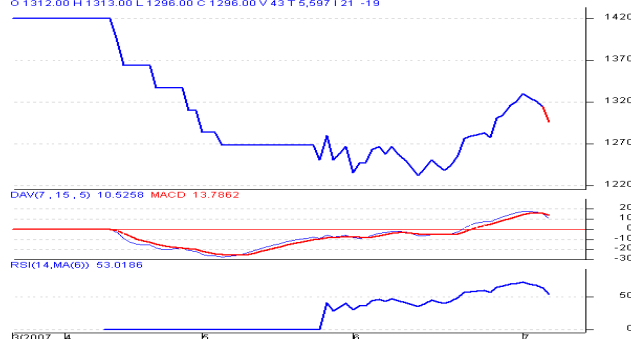
Sugar-Kolhapur contracts traded bearish at MCX with the most active August contract opening weak at Rs. 1312/qtl. After trading up to test a high of Rs. 1313/qtl, the contract slipped steadily down to close at the intraday low of Rs. 1296/qtl. Volumes improved, while open interest dipped, indicating long liquidation. MACD is flat, leaving scope for movement in either direction, while RSI and Stochastic are falling. Sugar-Kolhapur is expected to trade down in the short term.

SUPPORT / RESISTANCES

| Contract | S1 | S2 | PCP | R1 | R2 |
|----------------------|------|------|------|------|------|
| MCX-SUGARSKLP-August | 1288 | 1280 | 1296 | 1321 | 1330 |

MCX Sugar - Kolhapur August Contract

SUGARSKLP 0708(MXSUG7)2007/07/06 - Daily B:1296.00 A:1301.00
O:1312.00 H:1313.00 L:1296.00 C:1296.00 V:43 T:5,597 I:21 -19



TRADE RECOMMENDATION

Sell MCX - August SugarSKLP below 1300 with target towards 1288 then second target at 1295. Stop loss near 1306. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 05, 2007)

| Contract Month | Open | High | Low | Close | Change |
|--|--------|--------|--------|--------|--------|
| NYBOT Sugar No. 11 Prices (US Cents/lb) | | | | | |
| October 2007 | 9.65 | 9.70 | 9.29 | 9.55 | +0.09 |
| March 2008 | 10.09 | 10.12 | 9.80 | 10.00 | +0.08 |
| May 2008 | 10.23 | 10.23 | 10.06 | 10.14 | +0.04 |
| LIFFE Sugar Prices (US\$/MT) | | | | | |
| August 2007 | 327.00 | 331.00 | 321.80 | 325.50 | +3.40 |
| October 2007 | 313.00 | 316.80 | 308.80 | 312.00 | +1.30 |
| December 2007 | 307.90 | 310.00 | 303.70 | 307.30 | +1.10 |

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