

SUGAR

July 30, 2007

SPOT MARKETS

Sugar traded almost flat at the major cash markets on weak demand and lack-lustre trade. Group of Ministers formed to look into the sops for sugar sector is yet to decide on the financial and debt restructuring package for sugar mills and this is likely to provide some support to the sugar prices in the short term. Indian sugar industry is shifting its focus from plantation white sugar to raw sugar exports. Exports of raw sugar in 2007-08 are expected to overtake those of plantation white sugar in volume terms. Raw sugar has a market of 6 MMT in neighboring countries like Dubai, Iran and Bangladesh, which is currently dominated by Brazilian sugar. Area under sugarcane during the current sowing has increased to 51.13 lakh ha from 48.3 lakh ha last year. Sugar output estimate for the coming season is pegged at 30 MMT. Sugar prices are not expected to show any major uptrend in the medium to long term owing to the glut situation.

FUTURES MARKETS (NCDEX)

Sugar futures traded volatile at NCDEX. The most active September contract opened weak at Rs. 1317/qrtl, Rs. 4 down the previous close of Rs. 1321/qrtl and traded down thereafter to test an intraday low of Rs. 1311/qrtl. The prices improved later on some buying interest at lower levels and the contract tested a high of Rs. 1323/qrtl, before settling at Rs. 1316/qrtl. Volume traded was lower, while open interest improved marginally 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. Mandatory 5% ethanol blending countrywide
7. Banks to allocate separate sub-limits for loans against sugar stocks.
8. Decontrolling of sugar exports

WEATHER IMPACT

Dry phase during monsoon in Maharashtra is favourable for the movement of the old sugarcane crop.

TECHNICALS (NCDEX)

An indecisive candle is formed in the chart today with the prices closing below the EMAs. RSI and MACD are falling slightly, while Stochastic is rising in the neutral region, which is giving some firmness to the prices. Sugar is expected to trade range-bound with a downward inclination in the short term.

NCDEX Sugar M Grade September Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1287	1301	1316	1333	1343

TRADE RECOMMENDATION

Sell NCDEX - September Sugar M near 1316-1318 with target towards 1306 then second target at 1303. Strict stop loss near 1323. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	28.07.07	27.07.07	Change
Ready Sugar (M Grade)	Delhi	1395-1435	1395-1435	0
Ready Sugar (S Grade)	Delhi	1380-1420	1380-1420	0
Mill Delivery	Delhi	1310-1350	1310-1350	0

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1271	1283	1265	1283	1273	+10
	September	1279	1293	1276	1286	1279	+7
	October	1285	1295	1278	1298	1285	+10

MCX Sugar – Kolhapur Review

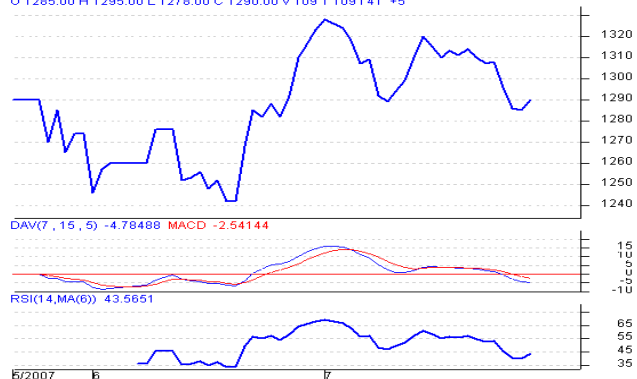
MCX sugar-Kolhapur contracts traded higher. The most active October contract opened firm at Rs. 1285/qtl and traded down initially to test an intraday low of Rs. 1278/qtl. Prices improved later on improved buying interest at lower levels and the contract tested an intraday high of Rs. 1295/qtl. The contract closed at Rs. 1290/qtl. Volume traded was lower, while open interest improved as compared to the previous day. MACD and Stochastic are almost flat in the oversold region, while RSI is improving in the neutral region. Prices closed below the EMAs. The market is expected to trade in a range with a bullish inclination.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1265	1274	1290	1305	1311

MCX Sugar - Kolhapur October Contract

SUGARSKLP 0710(MXSUGV7)2007/07/28 - Daily B:1294.00 A:1296.00
O 1285.00 H 1295.00 L 1278.00 C 1290.00 V 109 T 109 I 41 +5



TRADE RECOMMENDATION

Buy MCX - October Sugar SKLP near 1286-1288 with target towards 1296 then second target at 1300. Stop loss near 1281. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 27, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.98	10.11	9.96	9.99	-0.23
March 2008	10.29	10.36	10.28	10.29	-0.22
May 2008	10.41	10.42	10.36	10.36	-0.19
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	308.90	308.90	308.90	308.90	-4.40
December 2007	307.40	307.40	307.40	307.40	-3.90

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