

■ SUGAR

■ July 05, 2007

SPOT MARKETS

Sugar prices eased at the major spot market on poor demand for the commodity at the high prices quoted by mills. Mills are restricting the quantity of sugar being brought for sale. Prices remained unmoved at the Delhi market on subdued trading activity. The positive sentiments generated by the hike in buffer stock to 5 MMT and lower non-levy quota for the quarter July-September 2007 at 36 lakh tonnes have faded. Country's sugar output is expected to be close to 28 MMT, while the consumption stands at over 19 MMT. After including last year's carry-over stock of 4 MMT, India would have a total stock of 13 MMT this year. The bumper productions in all the major sugar producing countries have resulted in glut situation globally, thereby, pushing the global prices down and making exports unviable. This is likely to maintain the domestic as well as the global sugar prices lower in the medium to long term.

FUTURES MARKETS (NCDEX)

Sugar futures traded range-bound at NCDEX with prices closing lower than the opening levels. The most active July contract opened firm at Rs. 1350/qty and traded up thereafter to test a high of Rs. 1353/qty. The contract then traded down on increased selling pressure at higher levels to test a low of Rs. 1339/qty, before settling at Rs. 1341/qty. Open interest of the contract improved marginally, while volume traded dipped 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.

TECHNICALS (NCDEX)

A short bearish candle is formed for the day with prices closing at par with the 9 Day EMA. RSI and Stochastic are falling slowly in the neutral region, while MACD is steady in the positive zone. Stochastic is about to make a bearish crossover, while MACD is likely to give a bullish crossover. Technicals indicate indecision in the market. Hence, it is recommended to confirm the trend before initiating positions.

NCDEX Sugar M Grade July Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1310	1296	1341	1367	1385

TRADE RECOMMENDATION

Sell NCDEX - July Sugar M below 1344 with target towards 1332 then second target at 1330. Stop loss near 1350. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qty)

Origin/Grade	Center	04.07.07	03.07.07	Change
Ready Sugar (M Grade)	Delhi	1450-1490	1450-1490	0
Ready Sugar (S Grade)	Delhi	1435-1475	1435-1475	0
Mill Delivery	Delhi	1365-1405	1365-1405	0

MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1316.00	1324.00	1312.00	1321.00	1322.00	-1
	August	1324.00	1329.00	1321.00	1325.00	1325.00	0
	September	1326.00	1329.00	1317.00	1322.00	1325.00	-3

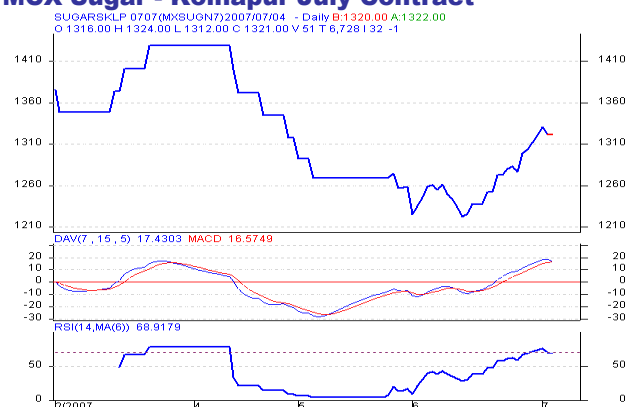
MCX Sugar – Kolhapur Review

Sugar-Kolhapur futures traded bullish during the day at MCX. The July contract traded up after opening weak at Rs. 1316/qtl. The contract traded down initially to test a low of Rs. 1312/qtl and then up to test a high of Rs. 1324/qtl, before closing at Rs. 1321/qtl. RSI and Stochastic are flat in the overbought region, while MACD is rising with a probability of bullish cross over in the positive zone. The market is expected to give a trend reversal in the short term.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-July	1303	1287	1321	1337	1350

MCX Sugar - Kolhapur July Contract



TRADE RECOMMENDATION

Buy MCX - July SugarSKLP above 1321 with target towards 1331 then second target at 1335. Stop loss near 1316. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 03, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.33	9.51	9.26	9.46	+0.22
March 2008	9.81	9.94	9.80	9.92	+0.20
May 2008	10.10	10.10	10.10	10.10	+0.17
LIFFE Sugar Prices (US\$/MT)					
August 2007	320.00	322.10	318.70	322.10	+1.60
October 2007	307.80	311.50	306.50	310.70	+2.20
December 2007	304.00	306.60	303.50	306.20	+2.20

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