

■ SUGAR

■ July 06, 2007

SPOT MARKETS

Sugar prices eased at the major spot markets across the country after positive sentiments on lower FSQ for the month of June and buffer stock have faded. Muzaffarnagar market witnessed subdued trading activity, with no change in the prices quoted. The market is still awaiting the report of the committee headed by NABARD executive director to look into the extension of moratorium period till March 2010. The govt. is actively considering further sops for the ailing sector, which includes waiver in cess and duties, making 10% ethanol blending mandatory with uniform duty across the country and providing subsidy for the maximum export of raw sugar. However, the medium to long term outlook of sugar remains bearish in the wake of record sugar output in all the major sugar producing countries, resulting in glut in the domestic as well as global markets. Brazil's sugar exports were down 6.4% on year in June at 1.7 million tonnes, while the ethanol exports upped 28.8% on year.

FUTURES MARKETS (NCDEX)

Sugar futures traded steadily down after opening firm. The most active July contract opened at Rs. 1345/qty, higher than the previous day's close of Rs. 1341/qty and traded steadily down to test a low of Rs. 1310/qty, before closing at Rs. 1312/qty. The contract traded in the range of Rs. 1310-1345/qty, with a decline in open interest and improvement in open interest, 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 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 long bearish candle is formed for day with prices closing below the EMAs. MACD is almost flat in positive zone indicating some firmness, while RSI and Stochastic are falling steeply down from overbought region into the neutral region. Increase in volume traded and dip in open interest point towards long liquidation. The market is expected to trade further down following a firm opening.

NCDEX Sugar M Grade July Contract

Sugar M Grade 0707(NCSEMN7)2007/07/05 - Daily B:1312.00 A:1313.00
O 1345.00 H 1345.00 L 1310.00 C 1312.00 V 25,890 I 46,050 -29
EMA(9) 1336.2 (18) 1330.2



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1298	1287	1312	1363	1377

TRADE RECOMMENDATION

Sell NCDEX - July Sugar M below 1316 with target towards 1302 then second target at 1298. Stop loss near 1323. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qty)

Origin/Grade	Center	05.07.07	04.07.07	Change
Ready Sugar (M Grade)	Delhi	1440-1480	1450-1490	-10
Ready Sugar (S Grade)	Delhi	1425-1465	1435-1475	-10
Mill Delivery	Delhi	1355-1395	1365-1405	-10

MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1317	1317	1300	1302	1322	-20
	August	1322	1322	1312	1315	1321	-6
	September	1323	1323	1316	1319	1324	-5

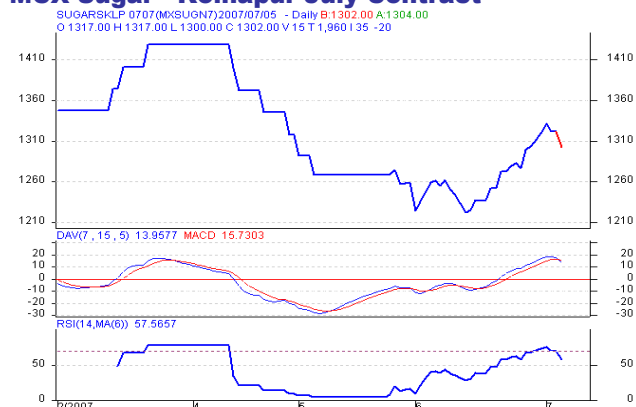
MCX Sugar – Kolhapur Review

Sugar-Kolhapur futures traded down at MCX during the day with the most active July contract opening firm at Rs. 1317/qtl. The contract traded steadily down after opening to test a low of Rs. 1300/qtl, before closing at Rs. 1302/qtl. The contract traded in the range of Rs. 1300-1317/qtl. Volume traded was lower, while open interest improved as compared to the previous day. RSI is falling steeply from the overbought zone into the neutral zone, while MACS is almost flat in the positive region. Stochastic is declining slowly in the overbought zone. Market is expected to trade down in the short term.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-	1281	1262	1302	1324	1338

MCX Sugar - Kolhapur July Contract



TRADE RECOMMENDATION

Sell MCX - July SugarSKLP below 1305 with target towards 1295 then second target at 1292. Stop loss near 1310. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 04, 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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