



■ SUGAR

■ July 04, 2007

SPOT MARKETS

Sugar traded down at Muzaffarnagar and Delhi markets on slack demand for the commodity at the higher prices quoted by the mills. Mills are also restricting the quantity of sugar brought to the market after a lower quota was fixed for July. Prices at Kolkata market has improved on improved demand from bulk as well as retail consumers. The sugar prices are expected to remain on the lower side in the long run on account of the glut situation in the domestic and global markets. World sugar production has been revised further for the year 2006-07 to 166.8 million tonnes from 160.6 million tonnes, up 13% on year. This upward revision is attributed to increased output from cane. Sugar exports from Brazil were down 6.4% on year and totaled to 1.7 million tonnes in June.

FUTURES MARKETS (NCDEX)

Sugar futures traded volatile at NCDEX with prices closing marginally lower than the opening levels. The most active July contract opened at the previous day's close of Rs. 1351/mt and traded up initially to test a high of Rs. 1358/mt. The contract traded down thereafter on increased higher selling pressure above to test a low of Rs. 1341/mt. Prices improved later during the day on some buying support at the lower levels and the contract settled at Rs. 1349/mt. Volume traded and open interest of the contract declined.

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)

Candlestick pattern formed for the day shows indecision in the market, with long upper and lower shadows and prices closing above the EMAs. RSI is flat in the neutral region, giving scope for movements in either direction. MACD is rising slowly in the neutral region and is likely to give a bullish crossover. Stochastic is flat in overbought zone, with a probability of trend reversal. It is ideal to confirm the trend before taking positions.

NCDEX Sugar M Grade July Contract

Sugar M Grade 0707(NCSGMN7)/2007/07/03 - Daily B:1348.00 A:1349.00
O:1351.00 H:1358.00 L:1341.00 C:1349.00 V:14,270 I:47,250 -2
EMA(9) 1342.5 (18) 1331.4



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1331	1309	1349	1374	1395

TRADE RECOMMENDATION

Sell NCDEX - July Sugar M below 1352 with target towards 1340 then second target at 1338. Stop loss near 1358. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	03.07.07	02.07.07	Change
Ready Sugar (M Grade)	Delhi	1450-1490	1455-1495	-5
Ready Sugar (S Grade)	Delhi	1435-1475	1440-1480	-5
Mill Delivery	Delhi	1365-1405	1370-1410	-5

MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1324	1325	1320	1324	1331	-7
	August	1320	1330	1320	1324	1330	-6
	September	1330	1330	1324	1324	1332	-8

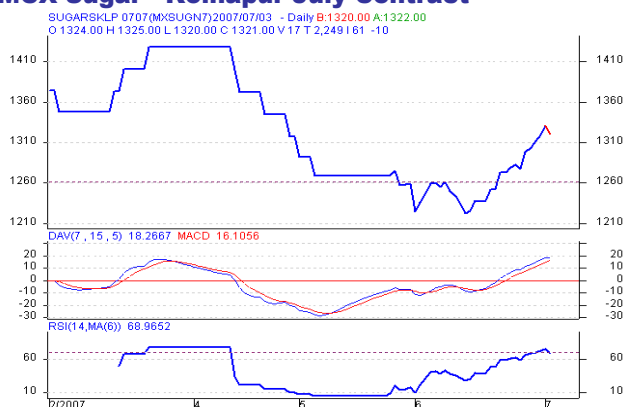
MCX Sugar – Kolhapur Review

Sugar-Kolhapur traded bearish at MCX. July contract opened weak at Rs. 1324/qtl and traded up to test a high of Rs. 1325/qtl. The prices were brought down by increased selling at higher levels and the contract closed at Rs. 1321/qtl, after testing an intraday low of Rs. 1320/qtl. Volume traded and open interest improved significantly. MACD is rising in the neutral zone, while RSI is falling in the overbought zone. Stochastic is flat in the overbought zone. Market is expected to trade range-bound with bearish undertone in the short term.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-July	1307	1280	1321	1336	1350

MCX Sugar - Kolhapur July Contract



TRADE RECOMMENDATION

Sell MCX - July SugarSKLP below 1328 with target towards 1318 then second target at 1315. Stop loss near 1333. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 02, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.57	9.65	9.18	9.24	-0.28
March 2008	10.10	10.10	9.67	9.72	-0.28
May 2008	10.27	10.27	9.90	9.93	-0.24
LIFFE Sugar Prices (US\$/MT)					
August 2007	320.60	321.80	318.00	320.50	0.00
October 2007	309.90	310.30	306.20	308.50	-0.30
December 2007	306.10	306.10	302.20	304.00	-0.70

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