

■ SUGAR

■ July 21, 2007

SPOT MARKETS

Sugar traded almost flat to weak at the major spot markets on slack demand from retailers as well as bulk consumers amid ample supply from mills. Traders reported subdued trading activity. The market sentiments are subdued due to reports of a record production touching 28.5 million tonnes. Though the mills are concerned about the delay in the govt.'s decision on the package for the sugar industry, they are optimistic that govt. would come out with concrete proposals to bail out the ailing sector. World raw sugar futures surged to three and a half months highs on NYBOT as trade houses and funds covered shorts and bought on ICE and in the pit. The long term outlook on sugar prices remains bearish, given the glut situation.

FUTURES MARKETS (NCDEX)

NCDEX sugar contracts are trading range-bound with the most active August contract opening weak at Rs. 1335/qrtl. The contract traded down thereafter to test an intraday low of Rs. 1333/qrtl. Increased buying interest at lower prices pushed the prices up to test a high of Rs. 1340/qrtl before settling at the opening price of Rs. 1335/qrtl. Volume traded and open interest of the contract dipped as compared to the previous day. July contract opened weak at Rs. 1273/qrtl and traded in the range of Rs. 1256-1280/qrtl before closing at Rs. 1275/qrtl.

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. Govt. to mandate 10% ethanol doping by Oct
7. Banks to allocate separate sub-limits for loans against sugar stocks.

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)

Sugar futures are in a congestion phase with both volume as well as open interest declining. A breakout in either direction will lead to establish a trend in the market. Close below 1327 will lead to further downtrend, while close above 1349 will lead to an uptrend. All the technicals fail to provide any clue to the future market trend. Hence, it is recommended to confirm the market trend before initiating positions.

NCDEX Sugar M Grade August Contract

Sugar M Grade 0708(NCSGMQ7)2007/07/20 - Daily B:1334.00 A:1337.00
O 1335.00 H 1340.00 L 1333.00 C 1335.00 V 13,730 I 47,020 -2
EMA(9) 1336.9 (18) 1340.1 EMA(9) 1336.9



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1301	1315	1335	1349	1369

TRADE RECOMMENDATION

Sell NCDEX - August Sugar M less than 1340 with target towards 1330 then second target at 1328. Strict stop loss near 1345. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	20.07.07	19.07.07	Change
Ready Sugar (M Grade)	Delhi	1410-1450	1415-1455	-5
Ready Sugar (S Grade)	Delhi	1395-1435	1400-1440	-5
Mill Delivery	Delhi	1325-1365	1330-1370	-5

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MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1300	1300	1272	1272	1300	-28
	August	1297	1297	1291	1291	1297	-6
	September	1303	1319	1301	1306	1310	-4

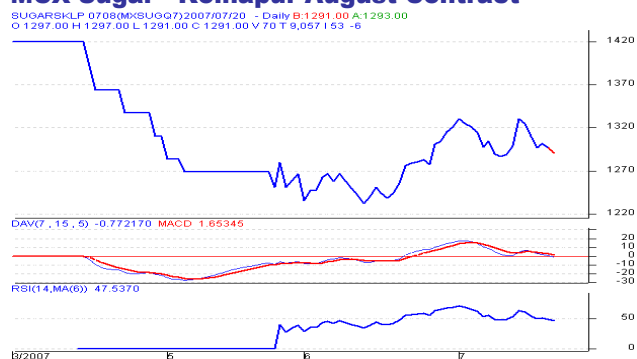
MCX Sugar – Kolhapur Review

Sugar-Kolhapur contracts traded bearish at MCX. The most active August contract opened weak at Rs. 1297/qtl and traded steadily down thereafter to close at the intraday low of Rs. 1291/qtl. Volume traded and open interest dipped as compared to the previous day. MACD is about to make a bearish crossover and it is grazing the zero line. RSI is almost flat, while Stochastic is falling in the neutral region. Overall, sugar-Kolhapur is expected to trade down in the short term.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-August	1271	1279	1291	1321	1334

MCX Sugar - Kolhapur August Contract



TRADE RECOMMENDATION

Sell MCX - August SugarSKLP below 1294 with target towards 1284 then second target at 1280. Stop loss near 1299. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 19, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	10.25	10.52	10.24	10.32	+0.25
March 2008	10.64	10.85	10.62	10.70	+0.18
May 2008	10.72	10.89	10.72	10.74	+0.15
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	314.00	319.00	313.20	316.40	+3.70
December 2007	312.30	317.00	312.30	316.50	+3.50

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