

SUGAR

July 11, 2007

SPOT MARKETS

Sugar prices slumped at the major spot markets across the country on slack demand from bulk consumers as well as retailers against ample supplies from mills struggling to clear their June quota. Monsoon is seen limiting the demand for sugar as the primary consumers for the commodity are the soft drink manufacturers. Indian sugar output is expected to be around 28.5-29 million tonnes during the current season ending September. The domestic and global glut situation is seen casting a bearish spell on the sugar prices in the medium to long term. The Indian Sugar Mills Association has proposed creation of a strategic sugar reserve to contain the cyclicity and volatility in prices. Reserve is seen as a more efficient way of dealing with surplus sugar as against the buffer and would help stabilize domestic sugar prices, which in turn would enable mills to clear cane arrears on time. India's annual sugar demand is expected to rise to 28.5 million tonnes by 2017, at an annual growth rate of 4%.

FUTURES MARKETS (NCDEX)

The sugar contracts traded up at NCDEX. The most active August contract opened weak at Rs. 1312/qttl, Rs. 4 down the previous close of Rs. 1316/qttl and traded down thereafter to test a low of Rs. 1308/qttl. Prices improved later on increased buying interest at lower levels and the contract traded up to test a high of Rs. 1325/qttl, before closing at Rs. 1316/qttl. Open interest improved, while volume traded was lower as compared to those of 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 to privatize 61 loss-making sugar mills
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 bullish candle with stronger selling pressure is formed for the day with the prices closing well below the EMAs. MACD is grazing the zero line and hesitantly falling into the negative zone, while RSI is flat in the neutral region. Stochastic is almost steady in the oversold region. The technicals speak of a bearish trend. Sugar is expected to trade range-bound with bearish tone in the short term.

NCDEX Sugar M Grade August Contract

Sugar M Grade 0708(NCSGMQ7)2007/07/10 - Daily B:1315.00 A:1316.00
O 1312.00 H 1325.00 L 1308.00 C 1316.00 V 19,740 I 55,920 0
EMA(9) 1341.2 (18) 1346.8 EMA(9) 1341.2



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1299	1280	1316	1354	1369

TRADE RECOMMENDATION

Sell NCDEX - August Sugar M below 1316 with target towards 1304 then second target at 1300. Strict stop loss near 1322. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qttl)

Origin/Grade	Center	10.07.07	09.07.07	Change
Ready Sugar (M Grade)	Delhi	1405-1445	1415-1455	-10
Ready Sugar (S Grade)	Delhi	1390-1430	1400-1440	-10
Mill Delivery	Delhi	1320-1360	1330-1370	-10

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MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1279	1287	1270	1275	1279	-4
	August	1290	1294	1285	1284	1290	-6
	September	1292	1294	1285	1291	1292	-1

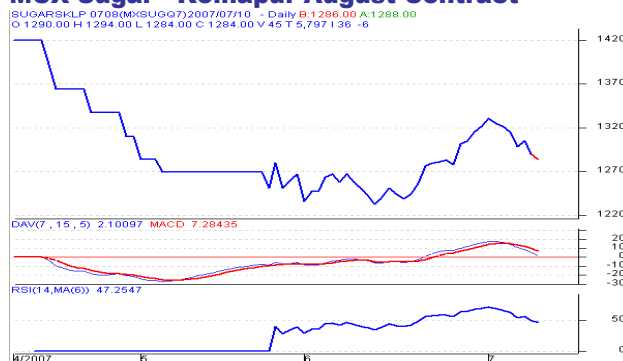
MCX Sugar – Kolhapur Review

MCX sugar-Kolhapur contracts traded down with the most active August contract opening at Rs. 1290/qtl. the contract traded up thereafter to test an intraday high of Rs. 1294/qtl. Increased selling pressure at higher levels pushed the prices down and the contract settled at the intraday low of Rs. 1284/qtl. Volume of contract traded dipped, while open interest improved significantly. MACD is almost flat in the positive region, while RSI and Stochastic are dipping slightly in the neutral zone. Market is expected to remain bearish in the short term.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-August	1280	1268	1284	1313	1321

MCX Sugar - Kolhapur August Contract



TRADE RECOMMENDATION

Sell MCX - August SugarSKLP below 1286 with target towards 1278 then second target at 1275. Stop loss near 1290. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 09, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.58	9.67	9.51	9.65	+0.11
March 2008	10.06	10.09	9.96	10.09	+0.09
May 2008	10.23	10.23	10.15	10.23	+0.05
LIFFE Sugar Prices (US\$/MT)					
August 2007	326.00	326.40	319.10	324.90	-0.10
October 2007	313.00	314.40	310.10	313.60	+1.60
December 2007	308.60	309.60	307.00	309.60	+1.80

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