

■ SUGAR

■ August 1, 2007

SPOT MARKETS

Sugar traded almost flat at the cash markets on poor demand for the commodity on month ending amidst ample supply from mills and weak trade. The govt. has also failed to reach a decision regarding the proposals in the financial and debt restructuring package intended for the sector to help the mills clear their cane arrears. No major uptrend in sugar prices are expected in the medium to long run owing to the glut situations in the domestic as well as international markets. The output estimate for the coming season is also pegged higher at 30 million tonnes. Shifting focus of the industry to exports of raw sugar as well as mandating 10 % ethanol doping in the auto fuels is seen as a way out of the crisis faced by the sugar industry due to oversupply.

FUTURES MARKETS (NCDEX)

Sugar futures slipped at NCDEX on short accumulation. The most active September contract opened weak at Rs. 1314/qttl and traded down steadily thereafter to test an intraday low of Rs. 1303/qttl. Prices improved later on some buying interest at lower levels and the contract was settled at Rs. 1309/qttl. Volume traded improved, while open interest dipped marginally as compared to the previous day, 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 likely
4. Govt. raised buffer stock by 3 million tonnes
5. Govt. to announce the financial package for sugar
6. Mandatory 5% ethanol blending countrywide
7. Banks to allocate separate sub-limits for loans against sugar stocks.
8. Decontrolling of sugar exports
9. Acreage under sugarcane increased to 5.11 million ha, while output for the next season is estimated at 30 MMT

WEATHER IMPACT

Dry phase during monsoon in Maharashtra is favourable for the movement of the old sugarcane crop.

TECHNICALS (NCDEX)

A dark candle with some buying at lower levels is formed in the charts. Prices closed well below the EMAs. The technical indicators, like MACD, RSI and Stochastic are almost flat and fail to give any direction regarding the future trend of the market. Volume traded improved, while open interest dipped marginally, indicating long liquidation. EMA and candlestick pattern indicate some bearishness in the market. Sugar is expected to trade weak in the next session.

NCDEX Sugar M Grade September Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1276	1287	1309	1325	1337

TRADE RECOMMENDATION

Sell NCDEX - September Sugar M near 1309-1311 with target towards 1299 then second target at 1296. Strict stop loss near 1316. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qttl)

Origin/Grade	Center	31.07.07	30.07.07	Change
Ready Sugar (M Grade)	Delhi	1395-1435	1395-1435	0
Ready Sugar (S Grade)	Delhi	1380-1420	1380-1420	0
Mill Delivery	Delhi	1310-1350	1310-1350	0

MCX Futures Prices (Rs. /qtl)

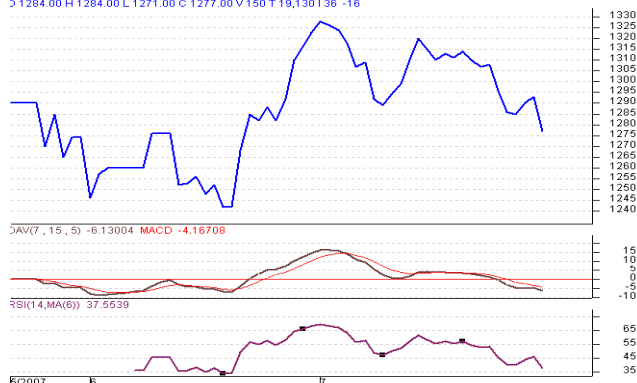
Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1269	1279	1262	1264	1276	-12
	September	1278	1278	1267	1272	1285	-13
	October	1284	1284	1271	1277	1293	-16

MCX Sugar – Kolhapur Review

Sugar-Kolhapur contracts traded down at MCX. The most active October contract opened weak at Rs. 1284/qtl and traded steadily down to test an intraday low of Rs. 1271/qtl. Prices improved later on some buying interest at lower levels and the contract closed at Rs. 1277/qtl. Volume and open interest of the contract improved as compared to the previous day, indicating short accumulation. Prices closed well below the EMAs. MACD and Stochastic are almost flat in the oversold region, while RSI is falling in the neutral region. Overall, technicals indicate a bearish market in the short term. Sugar-Kolhapur contracts are expected to trade down in the short term.

MCX Sugar - Kolhapur October Contract

SUGARSKLP 0710(MX:SUGV7)2007/07/31 - Daily B:1276.00 A:1278.00
O:1284.00 H:1284.00 L:1271.00 C:1277.00 V:150 T:19,130 I:36 -16



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1251	1260	1277	1293	1305

TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP near 1278-1280 with target towards 1270 then second target at 1277. Stop loss near 1285. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 30, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	10.06	10.12	9.99	10.02	+0.03
March 2008	10.34	10.34	10.27	10.28	-0.01
May 2008	10.34	10.34	10.34	10.34	-0.02
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	308.40	311.00	308.20	308.30	-0.60
December 2007	308.00	309.00	307.00	307.20	-0.20

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>