

■ SUGAR

■ July 18, 2007

SPOT MARKETS

Sugar traded firm to lower at the major markets of Delhi and Muzaffarnagar on poor demand from retailers and bulk consumers against normal supply from mills. Sugar prices improved at Kolkata market on some demand from bulk consumers. The mills in UP are awaiting the govt.'s decision on the sops and package for sugar sector, which is expected tomorrow. A just and equitable package irrespective of the level of investment is expected for the sugar industry. Maharashtra state govt. and NABARD have accepted the demands to provide pre-seasonal loan, turning short margin money into medium-term loans and other demands in principal. This is likely to provide some support to the sugar prices. The UP govt. has issued recovery certificates against seven sugar mills to ensure payment of cane prices to farmers. However, the medium and long term outlook of sugar prices remains bearish on global and domestic glut situation.

FUTURES MARKETS (NCDEX)

NCDEX sugar contracts closed higher than the opening levels after trading down initially. The most active August contract opened weak at Rs. 1333/qrtl and traded up initially to test a high of Rs. 1338/qrtl. Sellers emerging at higher levels pushed the prices down to test an intraday low of Rs. 1327/qrtl. Increased buying interest at lower prices caused sugar to trade higher and settle at Rs. 1337/qrtl, with a marginal dip in volume traded and open interest as compared to 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 govt. expected to announce the new policy for the sugar sector soon
6. 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)

A short bullish candle is formed for the day with the prices closing slightly below the EMAs. MACD is flat in the negative zone, while RSI is flat in the neutral region, giving scope for movement in either direction. Stochastic is rising in the neutral region, which is giving some firmness to the prices. Overall, the technicals indicate indecision in the market. Sugar is expected to trade range-bound with bearish tone in the short term.

NCDEX Sugar M Grade August Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1301	1312	1337	1349	1365

TRADE RECOMMENDATION

Sell NCDEX - August Sugar M below Rs. 1337/qrtl with target towards 1325 then second target at 1322. Strict stop loss near 1343. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	17.07.07	16.07.07	Change
Ready Sugar (M Grade)	Delhi	1425-1465	1430-1470	-5
Ready Sugar (S Grade)	Delhi	1410-1450	1415-1455	-5
Mill Delivery	Delhi	1340-1380	1345-1385	-5

MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1286	1295	1280	1284	1295	-11
	August	1305	1305	1290	1302	1310	-8
	September	1309	1309	1303	1308	1313	-5

MCX Sugar – Kolhapur Review

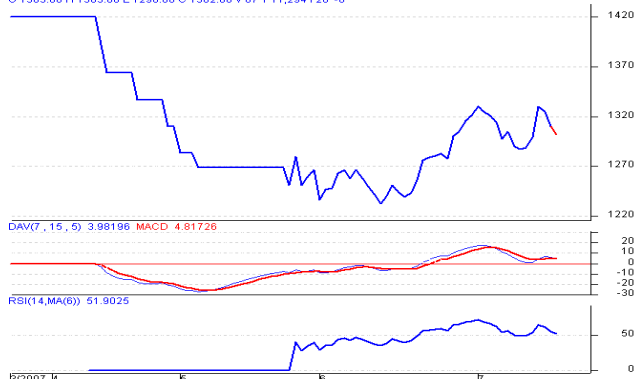
MCX sugar-Kolhapur futures traded further bearish. The benchmark August contract opened weak at Rs. 1305/qtl and traded steadily down to test an intraday low of Rs. 1290/qtl and then on improved on some buying interest at the lower levels to close at Rs. 1302/qtl. Volume of contract traded increased, while open interest dipped as compared to the previous day, indicating long liquidation. MACD is flat in the positive zone, while Stochastic is almost steady in the neutral region. RSI is falling slowly in the neutral zone. Sugar-Kolhapur contracts are expected to trade down in the short term.

SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP- August	1271	1284	1302	1325	1337

MCX Sugar - Kolhapur August Contract

SUGARSKLP 0708(MXSUGQ7)2007/07/17 - Daily B 1301.00 A 1305.00
O 1305.00 H 1305.00 L 1290.00 C 1302.00 V 87 T 11,294 I 28 -8



TRADE RECOMMENDATION

Sell MCX - August SugarSKLP below 1302 with target towards 1292 then second target at 1290. Stop loss near 1307. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 16, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.85	10.02	9.73	9.80	-0.07
March 2008	10.30	10.41	10.19	10.25	-0.04
May 2008	10.37	10.48	10.30	10.32	-0.03
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	311.90	313.00	309.00	310.80	-0.60
December 2007	310.80	317.50	308.50	310.10	-0.70

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