

■ SUGAR

■ August 14, 2007

SPOT MARKETS

Sugar prices improved at the major cash markets on improved demand amid ample supply from mills. Festive demand for sugar is expected to strengthen in the following days, especially from the northern states, on upcoming "rakshabandhan". The pilgrim season in Haridwar is over and loading from mills has resumed. Sugar industry has opposed the govt. decision mandate jute packing as it has to spend close to Rs. 1000 crore on the purchase of jute bags. Sugar is expected to trade flat to firm in the short term on some festive demand amid ample supplies. However, the medium to long term outlook remains bearish, owing to the glut situation in the current season as well as the projected bumper crop in the coming season. India is expected to produce 28.5 MMT of sugar this season ending September, 2007.

FUTURES MARKETS (NCDEX)

Sugar futures traded range-bound with a downward inclination at NCDEX. The most active September contract opened firm at Rs. 1294/qrtl, Re. 1 above the previous close of Rs. 1293/qrtl and then traded up initially to test an intraday high of Rs. 1298/qrtl. Prices later slumped on increased selling pressure at higher levels and the contract settled at the day's low of Rs. 1288/qrtl. Volume traded and open interest dipped as compared to the previous day.

PRICE DRIVERS

1. Domestic and global glut
2. FSQ for July-September fixed at 36 L tonnes
3. Mills allowed to carry forward unsold July quota
4. Govt. raised buffer stock by 3 million tonnes
5. Mandatory 5% ethanol blending countrywide
6. Decontrolling of sugar exports
7. Acreage under sugarcane increased to 5.11 million ha

WEATHER IMPACT

Revival of monsoon and increased acreage points towards higher cane production.

TECHNICALS (NCDEX)

Sugar is in a congestion phase with volumes and open interest declining. A break out in either direction will establish a trend. A close above 1300 will lead to an uptrend, while a close below 1287 will lead to a downtrend. Prices remain below the EMAs. All the indicators are almost flat and inconclusive. Hence, it is ideally recommended to confirm the trend before initiating positions.

NCDEX Sugar M Grade-September Contract

Sugar M Grade 0709(NCSGMU7)2007/08/13 - Daily B:1288.00 A:1290.00
O:1294.00 H:1298.00 L:1288.00 C:1288.00 V:4,850 I:44,890 -5
EMA(9):1296.6 (18):1306.9



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1265	1276	1288	1312	1321

TRADE RECOMMENDATION

Sell NCDEX - September Sugar M 1294-1296 with target towards 1289 then second target at 1287. Strict stop loss near 1300. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	13.08.07	11.08.07	Change
Ready Sugar (M Grade)	Delhi	1410-1450	1395-1435	+15
Ready Sugar (S Grade)	Delhi	1395-1435	1380-1420	+15
Mill Delivery	Delhi	1325-1365	1310-1350	+15

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1239	1244	1236	1240	1240	0
	September	1236	1239	1235	1238	1237	+1
	October	1239	1243	1238	1239	1238	+1

MCX Sugar-Kolhapur Review

Sugar-Kolhapur traded in a range at MCX. The most active October contract opened firm at Rs. 1239/qtl and traded up initially to test an intraday high of Rs. 1243/qtl. Prices were pushed down later on increased selling pressure to close at the opening levels of Rs. 1239/qtl. Volume and open interest of the contract dipped as compared to the previous day. A doji is formed in the charts and the prices remained below the EMAs. All the indicators are flat and directionless. Sugar-Kolhapur is in a congestion phase and an breakout in either direction will establish a trend. It is ideal to confirm the trend before initiating positions.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1222	1230	1239	1242	1248

MCX Sugar-Kolhapur-October Contract



TRADE RECOMMENDATION

Sell MCX -October Sugar SKLP below 1240 with target towards 1234 then second target at 1232. Stop loss near 1244. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 10, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.63	9.76	9.53	9.54	-0.29
March 2008	9.91	10.00	9.82	9.84	-0.25
May 2008	10.00	10.07	9.93	9.93	-0.20
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	280.50	283.00	277.40	281.00	-1.00
December 2007	288.00	288.20	283.00	287.00	-2.00

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