

■ SUGAR

■ August 9, 2007

SPOT MARKETS

Sugar traded flat at the major cash markets of Delhi and Muzaffarnagar on limited demand amid restricted supplies from mills and weak trade. The road blocks in North India due to pilgrim season in Haridwar is restricting loading from mills in the belt. Markets in Kolkata were closed due to strike. Govt. has allowed several mills to carry forward their unsold July quota. Carrying forward of unsold quotas is likely to add to depressed prices as mills make a fresh pitch to sell volumes. Madhya Pradesh govt. has drafted a new sugarcane policy to protect the interests of the cane growers, wherein mills are put under mandatory provisions like buy-back agreement, publication of supply schedule, zero incentives to new sugar mills and abrogation of state advisory prices to mills. It will also pronounce auction of closed sugar mills of the state co-operative sector. The sugar prices are expected to remain subdued in the medium to long term, given the glut situation.

FUTURES MARKETS (NCDEX)

Sugar futures are trading volatile at NCDEX, with the benchmark September contract opening weak at Rs. 1295/qrtl. The contract traded down initially to test a low of Rs. 1293/qrtl and improved thereafter on some buying interest to test an intraday high of Rs. 1301/qrtl. Prices slumped thereafter on increased selling at higher levels and the contract settled at Rs. 1296/qrtl. Volume traded was lower, while open interest improved 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 likely
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, while output for the next season is estimated at 30 MMT

WEATHER IMPACT

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

TECHNICALS (NCDEX)

A doji candlestick is formed in the charts, indicating some indecision in the market. Prices closed below the EMAs. MACD and RSI are almost flat, giving scope for movement in either direction. Stochastic is rising in the neutral zone, which is giving some firmness to the prices. It is ideally recommended to confirm the market trend before taking positions.

NCDEX Sugar M Grade September Contract

Sugar M Grade 0709(NCSGMU7)2007/08/08 - Daily B:1295.00 A:1296.00
O 1295.00 H 1301.00 L 1292.00 C 1296.00 V 6,360 I 45,090 -2
EMA(9) 1304.2 (18) 1315.6



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1257	1272	1296	1316	1330

TRADE RECOMMENDATION

Sell NCDEX - September Sugar M below 1296 with target towards 1288 then second target at 1286. 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	08.08.07	07.08.07	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

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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1241	1248	1240	1240	1247	-7
	September	1236	1249	1236	1242	1249	-7
	October	1238	1251	1233	1246	1247	-1

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded bullish today with the most active September contract opening weak at Rs. 1236/qtl. The contract traded steadily up to test an intraday high of Rs. 1249/qtl. Prices slumped thereafter on some selling pressure at higher levels and the contract settled at Rs. 1242/qtl. Volume traded and open interest improved as compared to the previous day, indicating fresh buying. Prices closed below the EMAs, and all the other technicals are almost flat and directionless. Technicals indicate an indecisive market. It is ideal to wait till the next close to confirm the market trend, before taking positions.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-September	1200	1223	1242	1259	1279

MCX Sugar-Kolhapur September Contract

SUGARSKLP 0709(MXSUGU7)2007/08/08 - Daily B:1241.00 A:1244.00
O 1236.00 H 1249.00 L 1236.00 C 1242.00 V 224 T 21,318 I 50 -7
EMA(9) 1257.7 (18) 1269.5



TRADE RECOMMENDATION

Sell MCX -September Sugar SKLP below 1242 with target towards 1234 then second target at 1230. Stop loss near 1246. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 7, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.98	10.04	9.82	9.84	-0.10
March 2008	10.18	10.21	10.06	10.12	0.00
May 2008	10.15	10.17	10.10	10.17	0.00
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	294.00	295.00	287.30	288.20	-5.30
December 2007	299.00	299.80	295.00	295.50	-4.00

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