

■ SUGAR

■ August 25, 2007

SPOT MARKETS

Sugar spot prices skid lower at the major markets on weak demand amid ample supplies. Festive demand is seen emerging from the different states of the country on various upcoming festivals from September onwards. This is likely to provide some support to the prices in the short term amid ample supply from mills. However, the long term outlook on sugar prices remains bearish, given the glut situation. The higher kharif acreage and the estimated higher production for the next season are likely to maintain the sugar prices on the lower side through the next season till 2009. Prompt intervention of the govt., along with mandatory ethanol doping as well as focus on raw sugar exports are seen as way out of the crisis. 2007-08 global surplus is expected to cross 14 million tonnes.

FUTURES MARKETS (NCDEX)

NCDEX sugar futures traded weak in a thin range. The most active September contract opened firm at Rs. 1286/qrtl, Re. 1 above the previous close of Rs. 1285/qrtl and traded up initially to test an intraday high of Rs. 1287/qrtl. The prices slumped thereafter on some selling pressure and the contract slipped to test an intraday low of Rs. 1280/qrtl before settling at Rs. 1282/qrtl. Open interest dipped while volumes traded improved as compared to the previous day, indicating some long liquidation.

PRICE DRIVERS

1. Domestic and global glut
2. Mills allowed to carry forward unsold July quota
3. Govt. raised buffer stock by 3 million tonnes
4. Decontrolling of sugar exports
5. Acreage under sugarcane increased to 5.11 million ha
6. Festive demand
7. Exports to Pakistan likely

WEATHER IMPACT

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

TECHNICALS (NCDEX)

A stout bearish candle is formed in the chart. Prices closed below the EMAs. Stochastic and RSI are falling into oversold region, indicating short term weakness in the market. MACD is almost flat in the negative region, leaving scope for movement in either direction in the medium term. Open interest of September contract dipped, while volume traded improved, indicating some long liquidation. Further downward movement can be expected, with short to medium term target of 1272.

NCDEX Sugar M Grade-September Contract

Sugar M Grade 0709(NCSEMU7)2007/08/24 - Daily B:1280.00 A:1283.00
O:1286.00 H:1287.00 L:1280.00 C:1282.00 V:5,610 I:36,870 -3



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1257	1272	1282	1315	1325

TRADE RECOMMENDATION

Sell NCDEX - September Sugar M below 1284 with target towards 1276 then second target at 1274. Strict stop loss near 1289. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	24.08.07	23.08.07	Change
Ready Sugar (M Grade)	Delhi	1395-1435	1405-1445	-10
Ready Sugar (S Grade)	Delhi	1380-1420	1390-1430	-10
Mill Delivery	Delhi	1310-1350	1320-1360	-10

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1241	1241	1237	1238	1244	-6
	October	1244	1247	1244	1245	1246	-1
	November	1224	1226	1224	1226	1225	+1

MCX Sugar-Kolhapur Review

Sugar-Kolhapur traded in a narrow range at MCX. The most active October contract opened weak at Rs. 1244/qtl, Rs. 2 down the previous close of Rs. 1246/qtl and traded up initially to test an intraday high of Rs. 1247/qtl. Prices were pushed back to opening levels and the contract settled at Rs. 1245/qtl. Volume traded improved significantly, while open interest improved slightly, indicating some fresh buying. Prices closed below the EMAs. MACD and RSI are flat and directionless, indicating indecision in the market. Stochastic is falling in the neutral zone, which shows short term weakness. Sugar is expected to trade weak in the range during the next trading session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1228	1238	1245	1270	1282

MCX Sugar-Kolhapur-October Contract



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP below 1246 with target towards 1240 then second target at 1238. Stop loss near 1251. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 23, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.66	9.73	9.52	9.53	+0.03
March 2008	9.95	9.97	9.82	9.82	+0.02
May 2008	9.98	10.00	9.87	9.87	+0.01
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	284.50	286.60	281.00	281.00	-0.90
December 2007	287.90	287.90	284.00	284.10	-1.00

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