

## ■ SUGAR

■ August 7, 2007

### SPOT MARKETS

Sugar traded almost flat at the major cash markets across the country on weak trading session and slack demand for the commodity. Prices are likely to improve on some festive demand as 'rakshabandhan' is nearing. The UP Co-operative Societies Act, 1965 will be amended for facilitating the privatization of 28 loss-making sugar mills in the co-operative sector. UP sugar sector has urged the govt. for lower sugarcane prices before mills start production in October. Low sugar prices, poor realization in the domestic and international markets and forecast of a high production during 2007-08 season on the back of a glut in the current season mean that there is no immediate relief in sight. The world sugar output estimates for 2006-07 has been revised up to 167.3 million tonnes, up 9.6% on the year. The outlook on sugar prices remains bearish for the rest of the season as well as coming season remains bearish, given the glut situation and the projected higher output for the next season.

### FUTURES MARKETS (NCDEX)

Sugar futures are trading higher in NCDEX. The most active September contract opened slightly weak at Rs. 1299/qrtl, Re. 1 down the previous close and the contract traded marginally lower to test an intraday low of Rs. 1297/qrtl. Prices improved thereafter on improved buying interest at lower levels, and the contract tested an intraday high of Rs. 1315/qrtl, before closing at Rs. 1313/qrtl. Volume of the contract improved, while open interest dipped marginally, indicating some short covering.

### 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 long bullish candle is formed in the charts with some selling at higher levels. Prices closed at par with the EMAs. MACD and Stochastic are rising in the oversold region, while RSI has emerged from there, indicating some firmness in the market. Volume of contract traded increased, while open interest dipped marginally, indicating some short covering. Sugar is expected to trade higher in the next trading session.

### NCDEX Sugar M Grade September Contract

Sugar M Grade 0709(NCSGMU7)2007/08/06 - Daily B:1310.00 A:1314.00  
O:1299.00 H:1315.00 L:1297.00 C:1313.00 V:13,370 I:45,570 +13  
EMA(9) 1309.2 (18) 1321.7



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1276	1289	1313	1331	1343

### TRADE RECOMMENDATION

**Buy** NCDEX - September Sugar M above 1308 with target towards 1320 then second target at 1322. Strict stop loss near 1302. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

### Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	06.08.07	04.08.07	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	1246	1257	1244	1255	1252	+3
	September	1252	1264	1252	1262	1254	+8
	October	1252	1263	1252	1262	1254	+8

### MCX Sugar – Kolhapur Review

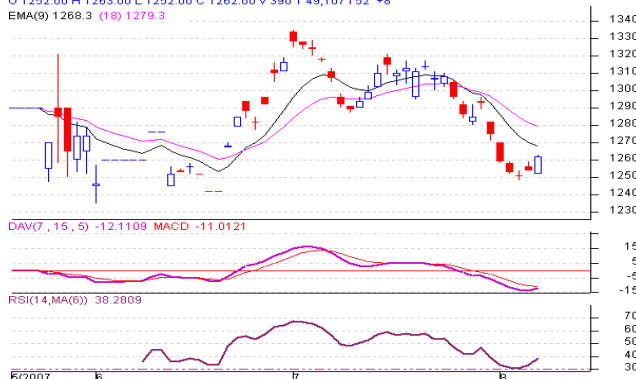
Sugar-Kolhapur contracts traded firm at NCDEX. The most active October contract opened weak at Rs. 1252/qtl and traded steadily up to test an intraday high of Rs. 1263/qtl, before closing at Rs. 1262/qtl. Volume of contract traded improved, while open interest improved marginally, indicating some long accumulation. A long bullish candle is formed in the charts, with prices remaining below EMA. MACD and Stochastic are almost flat in the oversold region, while RSI is rising in the neutral zone. Overall, technicals indicate a firm market in the short term. Sugar-Kolhapur is expected to trade firm in the next trading session.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1235	1245	1262	1275	1282

### MCX Sugar - Kolhapur October Contract

SUGARSKLP 0710(MX:SUGV7)2007/08/06 - Daily B:1258.00 A:1263.00  
O 1252.00 H 1263.00 L 1252.00 C 1262.00 V 390 T 49,107 I 52 +8  
EMA(9) 1268.3 (18) 1279.3



### TRADE RECOMMENDATION

**Buy** MCX - October Sugar SKLP above 1258 with target towards 1268 then second target at 1270. Stop loss near 1252. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on August 3, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	10.29	10.32	10.15	10.25	0.00
March 2008	10.39	10.39	10.29	10.37	+0.03
May 2008	10.40	10.40	10.40	10.40	+0.04
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	300.10	301.00	298.50	299.20	-0.80
December 2007	301.60	302.50	300.70	301.60	-0.10

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