

■ SUGAR

■ August 22, 2007

SPOT MARKETS

Sugar prices remained unmoved on weak demand and dull trade. Festive demand expected to emerge on the upcoming festival season in North India and Maharashtra is likely to provide some support to the prices. However, higher sugarcane acreage and higher output estimates are likely to maintain the sugar prices subdued through the next season till 2009. India's sugar stocks are projected at over 11 MMT when the current marketing year ends in September. The estimated stocks of sugar as on June 30 had risen to 17.63 MMT, from 4.82 MMT at the start of October. These surplus volumes of sugar are seen weighing on the prices. Thailand's sugarcane output is forecast to rise 4.5% on year to 66.7 MMT in 2007-08 crop year.

FUTURES MARKETS (NCDEX)

Sugar futures traded in the recent range with a bearish tone. The benchmark September contract opened firm at Rs. 1297/qrtl, Rs. 2 above the previous close of Rs. 1295/qrtl and traded up initially to test an intraday high of Rs. 1300/qrtl. The prices were pushed down thereafter on increased selling pressure and the contract tested an intraday low of Rs. 1287/qrtl, before settling at Rs. 1289/qrtl. Volume traded and open interest were lower compared to the previous trading session.

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. Mandatory 5% ethanol blending countrywide
5. Decontrolling of sugar exports
6. Acreage under sugarcane increased to 5.11 million ha
7. Festive demand
8. Exports to Pakistan likely

WEATHER IMPACT

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

TECHNICALS (NCDEX)

Prices finished in the recent trading range. A fairly good support has been formed around 1287, below which mills are not ready to sell. Similarly, any level at or above 1303 is attracting strong supplies, with the result that prices are entrapped in this range. Prices closed below the EMAs. Stochastic and RSI are falling in the neutral region and Stochastic is about to make a bearish crossover. Prices are likely to remain range-bound with a downward inclination until a break-out occurs in either direction.

NCDEX Sugar M Grade-September Contract

Sugar M Grade 0709(NCSGMU7)2007/08/21 - Daily B:1289.00 A:1290.00
O 1297.00 H 1300.00 L 1287.00 C 1289.00 V 8,140 I 40,770 -6
EMA(9) 1295.0 (18) 1300.6



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1266	1276	1289	1315	1325

TRADE RECOMMENDATION

Sell NCDEX - September Sugar M below 1295 with target towards 1287 then second target at 1285. 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	21.08.07	20.08.07	Change
Ready Sugar (M Grade)	Delhi	1415-1455	1415-1455	0
Ready Sugar (S Grade)	Delhi	1400-1440	1400-1440	0
Mill Delivery	Delhi	1330-1370	1330-1370	0

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1247	1250	1243	1249	1249	0
	October	1250	1254	1245	1251	1252	-1
	November	1228	1227	1229	1226	1227	-1

MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded volatile at MCX. The most active October contract opened weak at Rs. 1250/qtl, Rs. 2 down the previous close of Rs. 1252/qtl and traded down initially to test an intraday low of Rs. 1245/qtl. The prices improved on sellers emerging at lower levels and the contract tested an intraday high of Rs. 1254/qtl. It finished at Rs. 1251/qtl. Volume traded improved significantly amid marginal dip in the open interest. Prices closed below 18-day EMA. All the technicals are flat and inconclusive. Stochastic is about to make a bearish crossover. Sugar-Kolhapur futures are likely to trade sideways at MCX with buying at lower levels.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1228	1238	1251	1270	1282

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/08/21 - Daily B:1250.00 A:1253.00
O 1250.00 H 1254.00 L 1245.00 C 1251.00 V 354 T 44,211 I 28 -1
EMA(9) 1251.8 (18) 1256.2



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP near 1250-1251 with target towards 1256 then second target at 1254. Stop loss near 1253. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 20, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.35	9.50	9.31	9.42	+0.02
March 2008	9.65	9.73	9.56	9.68	+0.04
May 2008	9.61	9.76	9.60	9.71	+0.03
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	283.00	283.50	280.10	280.40	-1.40
December 2007	290.00	290.00	284.00	284.90	-0.10

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