

■ SUGAR

■ August 4, 2007

SPOT MARKETS

Sugar traded flat at the major cash markets across the country on poor demand for the commodity and weak trading session. August month is expected to witness some festive demand for the commodity owing to "rakshabandhan". Sugar sector reeling under crisis of oversupply is awaiting govt. decision on the financial package for the sector. The decision of the Group of Ministers on the financial and debt restructuring package is likely to provide some support to the falling sugar prices. However, no major uptrend in prices is expected in the medium to long, given the glut situation. Sugar prices are expected to remain subdued in the coming season in the wake of higher acreage under sugarcane in the current khariff sowing and projected higher sugar output for the coming season. Timely govt. intervention and focus on raw sugar exports, as well as mandatory ethanol blending in auto-fuels are seen as a way out of this crisis.

FUTURES MARKETS (NCDEX)

Sugar is trading volatile at NCDEX. The most active September contract opened flat at its previous close of Rs 1290/qrtl and traded down initially to test an intraday low of Rs. 1288/qrtl. Prices improved thereafter on some buying at lower levels and the contract tested an intraday high of Rs. 1297/qrtl. Increased selling at higher levels pushed the prices down later before closing at Rs. 1291/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. 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

Dry phase during monsoon in Maharashtra is favourable for the movement of the old sugarcane crop.

TECHNICALS (NCDEX)

A doji candle formed which reflects indecision in market with prices closing well below the EMA. MACD moving down in the negative region, which shows increase in bearish momentum. RSI is moving flat in the oversold region while Stochastic falling deeper in the oversold region. Market is expected to trade range bound with weak bias.

NCDEX Sugar M Grade September Contract

Sugar M Grade 0709(NCSGMU7)2007/08/03 - Daily B:1291.00 A:1293.00
O 1290.00 H 1297.00 L 1288.00 C 1291.00 V 9,770 I 46,900 0
EMA(9) 1309.0 (18) 1323.6



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1266	1277	1291	1301	1311

TRADE RECOMMENDATION

Sell NCDEX - September Sugar M below 1295 with target towards 1287 then second target at 1285. Strict stop loss near 1299. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	03.08.07	02.08.07	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	1244	1250	1240	1243	1245	-2
	September	1251	1253	1248	1247	1251	-4
	October	1252	1254	1248	1252	1253	-1

MCX Sugar – Kolhapur Review

Sugar-Kolhapur contracts traded range bound at MCX. Most active October contract opened weak at Rs. 1252/qtl and traded marginally up initially to test an intraday high of Rs. 1254/qtl. Prices slumped thereafter on increased selling at higher levels to test an intraday low of Rs. 1248/qtl, before settling at Rs. 1252/qtl. Both volume and open interest improved. Prices closed below the EMAs. MACD is falling in the negative region. RSI and Stochastic are falling deeper in the oversold region. Sugar-Kolhapur futures are expected to trade weak in the next trading session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1225	1239	1252	1270	1282

MCX Sugar - Kolhapur October Contract

SUGARSKLP 0710(MXSUGV7)2007/08/03 - Daily B:1250.00 A:1253.00
O 1252.00 H 1254.00 L 1248.00 C 1252.00 V 182 T 21,379 I 4
EMA(9) 1274.1 (18) 1284.7



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP less than 1252 with target towards 1244 then second target at 1242. Stop loss near 1256. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 2, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	10.46	10.56	10.17	10.25	-0.03
March 2008	10.43	10.55	10.33	10.34	+0.01
May 2008	10.49	10.49	10.35	10.36	0.00
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	302.80	306.00	298.80	300.00	-3.10
December 2007	303.50	308.00	301.00	301.70	-1.80

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