

■ SUGAR

■ August 8, 2007

SPOT MARKETS

Sugar traded almost flat to weak at almost all the major cash markets across the country on poor demand and negligible trading activity. Road blocks in the north India during the pilgrim season in Haridwar are restricting supplies to the market. Sugar producers incurred heavy losses in October 2006-September 2007 sugar season, as against the 20% revenue from sugar sales earned in the previous year. Co-generation and distilleries are emerging as the growth drivers for sugar producers across the country, offsetting the negative trend in revenues from their core sugar production activity. The higher sugarcane acreage in the current kharif sowing and higher production estimates for the next season are likely to maintain the prices subdued through the next season till 2009. Shifting focus to raw sugar exports and mandating ethanol doping in commercial auto-fuels are recommended to bail out the ailing sugar sector.

FUTURES MARKETS (NCDEX)

Sugar futures traded down at NCDEX after a weak opening. The most active September contract opened weak at Rs. 1312/mtl and traded steadily down to test an intraday low of Rs. 1294/mtl. Prices improved thereafter on some buying interest at lower levels and the contract closed at Rs. 1299/mtl. Volume traded was lower, while open interest improved as compared to the previous day, indicating some short accumulation.

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 dark candle with some buying at lower levels is formed in the charts, with prices closing below the EMAs. Stochastic has emerged from the oversold region, giving firmness to the prices, while RSI is falling sharply in the neutral zone. MACD is rising slowly in the negative region. Overall, technicals indicate a bearish market in the short term. Sugar is likely to trade weak in the next trading session, following a firm opening.

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	1265	1276	1296	1317	1330

TRADE RECOMMENDATION

Sell NCDEX - September Sugar M below 1300 with target towards 1288 then second target at 1285. Strict stop loss near 1306. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /mtl)

Origin/Grade	Center	07.08.07	06.08.07	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

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1254	1254	1245	1246	1255	-9
	September	1260	1260	1246	1249	1259	-10
	October	1258	1258	1245	1247	1260	-13

MCX Sugar – Kolhapur Review

Sugar-Kolhapur futures traded weak at NCDEX. The most active October contract opened weak at Rs. 1258/qtl and traded steadily down thereafter to test an intraday low of Rs. 1245/qtl. Prices improved marginally later on some improved buying interest and the contract closed at Rs. 1247/qtl. Volume traded dipped, while open interest improved marginally. A bearish maribozu is formed in the chart with prices closing below the EMAs. MACD and Stochastic are almost flat in the oversold region, while RSI is falling towards it. Overall, technicals show a bearish market and the sugar-Kolhapur contracts are expected to trade further down in the next trading session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1235	1227	1247	1265	1274

MCX Sugar - Kolhapur October Contract



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP below 1250 with target towards 1240 then second target at 1236. Stop loss near 1255. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 6, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	10.15	10.16	9.87	9.94	-0.31
March 2008	10.24	10.24	10.05	10.12	-0.25
May 2008	10.23	10.23	10.17	10.17	-0.23
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	298.00	298.00	293.30	293.50	-5.70
December 2007	300.00	301.00	299.30	299.50	-2.10

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