

■ SUGAR

■ August 23, 2007

SPOT MARKETS

While sugar traded almost flat at most of the cash markets across the country on dull trade, prices slumped at Muzaffarnagar market on poor offtake amid ample supplies from mills. Festive demand for sugar is likely to provide some support to the prices amid ample supplies from mills. However, the long term outlook on sugar remains bearish on account of the persistent glut situation. Higher sugarcane acreage and higher output estimates for the next season are seen casting a bearish spell on sugar till 2009. Improved demand for ethanol for doping in auto-fuels is likely to underpin sugar prices, as more cane would be diverted to ethanol. China's sugar imports in the month of July rose 10% to 199,162 tonnes.

FUTURES MARKETS (NCDEX)

NCDEX sugar futures finished at the support levels of the recent trading range, after trading down initially. The most active September futures opened weak at Rs. 1288/qrtl, Re. 1 down the previous close of Rs. 1289/qrtl and traded steadily down to test an intraday low of Rs. 1282/qrtl. The prices bounced thereafter on some buying interest at lower levels and the contract settled marginally lower than opening levels at Rs. 1287/qrtl. Volume traded and open interest were lower as compared to the previous day.

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)

Sugar is in a phase of congestion with volumes and open interest declining. After trading down initially, the September sugar contract settled at the support levels of the recent trading range. However, a sustained close below 1287 will establish a down trend. Price closing below the EMAs as well as falling RSI and Stochastic gives a bearish tone to the market. A fall below 1287 can be seen as a point of entry for shorts.

NCDEX Sugar M Grade-September Contract

Sugar M Grade 0709(NCSGMU7)2007/08/22 - Daily B:1286.00 A:1287.00
O 1288.00 H 1288.00 L 1282.00 C 1287.00 V 7,210 I 38,350 -2
EMA(9) 1293.4 (18) 1299.1



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1266	1276	1287	1315	1325

TRADE RECOMMENDATION

Sell NCDEX - September Sugar M below 1289 with target towards 1280 then second target at 1282. Strict stop loss near 1294. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	22.08.07	21.08.07	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

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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1247	1247	1241	1243	1250	-7
	October	1251	1251	1242	1245	1251	-6
	November	1228	1228	1224	1225	1227	-2

MCX Sugar-Kolhapur Review

Sugar-Kolhapur traded weak at MCX. The most active October contract opened firm at Rs. 1251/qtl and traded down steadily down to test an intraday low of Rs. 1242/qtl. Prices improved thereafter on some buying interest at lower levels and the contract closed at Rs. 1245/qtl. Volume traded and open interest were lower than the previous trading session. Prices closed below the EMAs. Stochastic and RSI are falling and Stochastic has made a bearish crossover. EMAs, Stochastic and RSI indicate bearishness in the market. A flat MACD leaves scope for movement in either direction. Sugar-Kolhapur futures are expected to trade weak in the next session.

SUPPORT / RESISTANCES

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

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/08/22 - Daily B:1244.00 A:1247.00
O:1251.00 H:1251.00 L:1242.00 C:1245.00 V:330 T:21,421 I:26 -6
EMA(9) 1250.4 (18) 1255.1



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP near 1245-1247 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 21, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.43	9.47	9.25	9.31	-0.11
March 2008	9.70	9.71	9.54	9.59	-0.09
May 2008	9.73	9.73	9.62	9.65	-0.06
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	280.00	280.00	275.20	277.20	-3.20
December 2007	283.70	283.80	279.60	281.20	-3.70

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