

■ SUGAR

■ August 6, 2007

SPOT MARKETS

Sugar prices slumped at the major spot markets across the country on slack demand for the commodity against ample supply from the mills and weak trading day. To bail out the sugar industry saddled with excess production, the Centre has removed the sugar release order mechanism to enable free exports of sugar. Mills will be free to dispatch non-levy sugar for exports in 2006-07 and 2007-08 sugar season. However, exports to the EU and the US would be controlled by preferential quota. This is aimed at enabling the sugar mills to clear arrears to cane growers. However, the medium to long term outlook of sugar remains bearish, given the glut situation. The acreage under sugarcane in the current kharif season has been reported to be higher at 51.16 lakh ha as against the 48.3 lakh ha last season, while sugar output estimates are pegged at 30 MMT. This is likely to maintain the sugar prices subdued through the next season.

FUTURES MARKETS (NCDEX)

Sugar traded firm at NCDEX. The most active September contract opened firm at Rs. 1296/qrtl, Rs. 5 above the previous close of Rs. 1291/qrtl and traded down thereafter to test an intraday low of Rs. 1293/qrtl. Prices improved later on some buying interest at lower levels and the contract tested an intraday high of Rs. 1302/qrtl, before closing at Rs. 1300/qrtl. Volume traded and open interest of the contract declined 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 small bullish candle is formed in the charts. Prices closed below the EMAs. MACD and Stochastic are almost flat in the oversold region. EMAs, MACD and Stochastic indicate bearishness in the market, while RSI is emerging hesitantly from the oversold region into the neutral zone, giving some firmness to the prices. Overall, the technicals indicate a bearish market. Sugar is expected to trade weak following a firm opening with some buying at lower levels.

NCDEX Sugar M Grade September Contract

Sugar M Grade 0709(NCSGMU7)2007/08/04 - Daily B:1298.00 A:1300.00
O:1296.00 H:1302.00 L:1293.00 C:1300.00 V:7,860 I:45,940 +9
EMA(9):1307.2 (18):1321.1



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1265	1276	1300	1308	1315

TRADE RECOMMENDATION

Sell NCDEX - September Sugar M below 1300 with target towards 1290 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. /qrtl)

Origin/Grade	Center	04.08.07	03.08.07	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	1246	1254	1246	1248	1246	+2
	September	1254	1257	1252	1254	1249	+5
	October	1256	1259	1254	1255	1251	+4

MCX Sugar – Kolhapur Review

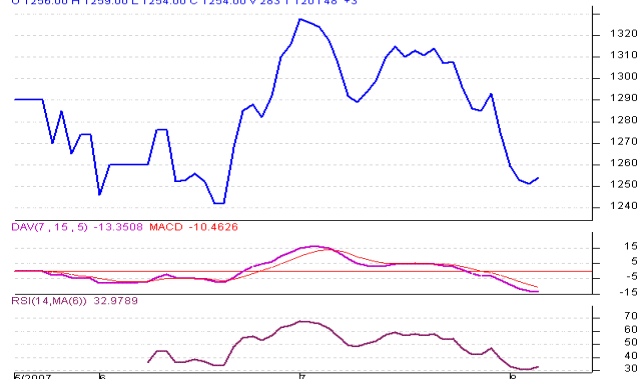
MCX Sugar-Kolhapur contracts traded weak with some buying initially. The benchmark October contract opened firm at Rs. 1256/qtl and traded up initially to test an intraday high of Rs. 1259/qtl. The contract traded down on increased selling at higher levels and the contract closed at the day's low of Rs. 1254/qtl. Volume traded and open interest improved as compared to the previous day, indicating some short accumulation. Prices closed below the EMAs. EMAs and Stochastic are deep in the oversold region, while RSI is rising slowly from the oversold zone, giving some firmness to the prices. Sugar-Kolhapur contracts are expected to trade down with some buying at lower levels.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1235	1245	1253	1270	1279

MCX Sugar - Kolhapur October Contract

SUGARSKLP 0710(MXSUGV7)2007/08/04 - Daily B:1251.00 A:1253.00
O 1256.00 H 1259.00 L 1254.00 C 1254.00 V 283 T 120 I 48 +3



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP less than 1255 with target towards 1245 then second target at 1243. Stop loss near 1260. 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
NYBOT Sugar No. 11 Prices (US Cents/lb)					
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
LIFFE Sugar Prices (US\$/MT)					
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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