

■ SUGAR

■ August 2, 2007

SPOT MARKETS

Sugar prices remained unchanged at the cash markets on feeble demand and weak trade. The non-levy quota for the month of August has been fixed at 13 lakh tonnes as against the 10 lakh tonnes for the previous month. Group of Ministers formed to look into the proposals of the financial and debt restructuring package for sugar sector has not come out with a decision yet. No respite is seen for sugar sector in the medium to long term, given the global glut situation. Sugarcane sowing for the current kharif season has covered 5.11 million ha, while sugar output is projected at 30 million tonnes. This is seen casting a bearish spell in the sugar prices in the coming marketing year also. Timely intervention of govt. and focusing shift to raw sugar exports are seen as a way out of the crisis of oversupply currently faced by the industry.

FUTURES MARKETS (NCDEX)

Sugar finished lower at NCDEX on some short accumulation. The most active September contract opened weak at Rs. 1306/qttl and traded up marginally to test an intraday high of Rs. 1307/qttl. The contract traded down thereafter to test an intraday low of Rs. 1292/qttl, before closing at Rs. 1295/qttl. Volume traded improved, while open interest was marginally higher as compared to the previous day, indicating 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. Banks to allocate separate sub-limits for loans against sugar stocks.
7. Decontrolling of sugar exports
8. 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 dark candle is formed in the charts. Prices closed below the EMAs. MACD is subdued in the negative zone, while RSI and Stochastic are grazing the upper threshold of the oversold region. Volume traded and open interest improved marginally, indicating some short accumulation. Overall, the technicals indicate a bearish market in the short term. Sugar is expected to trade down in the next session

NCDEX Sugar M Grade September Contract

Sugar M Grade 0709(NCSGMU7)2007/08/01 - Daily B:1295.00 A:1296.00
O:1306.00 H:1307.00 L:1292.00 C:1293.00 V:12,270 I:48,270 -16
EMA(9) 1318.8 (18) 1331.5



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1251	1267	1295	1325	1337

TRADE RECOMMENDATION

Sell NCDEX - September Sugar M near 1288-1290 with target towards 1275 then second target at 1273. Strict stop loss near 1297. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qttl)

Origin/Grade	Center	01.08.07	31.07.07	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	1264	1264	1245	1247	1265	-18
	September	1265	1265	1250	1253	1272	-19
	October	1272	1272	1258	1260	1275	-15

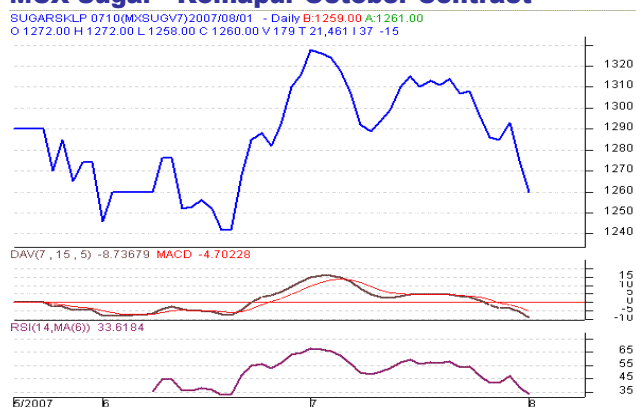
MCX Sugar – Kolhapur Review

Sugar-Kolhapur traded down at MCX with the most active October contract opened weak at Rs. 1272/qtl. The contract traded steadily down thereafter to test an intraday low of Rs. 1258/qtl, before closing at Rs. 1260/qtl. Volume traded improved, while open interest was marginally higher as compared to the previous day, indicating some short accumulation. Prices closed below the EMAs. MACD is falling in the negative zone, while RSI is falling in the neutral region. Stochastic is grazing the upper boundary of the oversold region. Overall, the technicals indicate a negative trend in the market. Sugar-Kolhapur contracts are expected to trade down in the next session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1245	1252	1260	1282	1292

MCX Sugar - Kolhapur October Contract



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP near 1262-1264 with target towards 1252 then second target at 1250. Stop loss near 1269. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 31, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	10.28	10.35	10.22	10.33	+0.31
March 2008	10.40	10.45	10.37	10.42	+0.14
May 2008	10.44	10.44	10.42	10.42	+0.08
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	310.00	311.80	307.00	309.40	+1.10
December 2007	307.10	310.30	307.00	308.70	+1.50

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