

■ SUGAR

■ August 27, 2007

SPOT MARKETS

Sugar prices remained unchanged at the major spot markets on weak demand amid ample supplies and dull trade. Festive demand is seen emerging from most of the states of the country on upcoming festival season starting September. Govt. is also planning to allot higher free sale quota for the coming months to meet the higher demand during the festival season. The higher kharif acreage under sugarcane and the higher sugar output estimates are likely to maintain sugar prices subdued during the next season till 2009. Fuel ethanol and surplus power production through cogeneration can proved by-product related opportunities. ISO forecasts world sugar output in 2007-08 to rise 4.1 million metric tons to 169.6 million tons, which will surpass consumption by 10.8 MMT.

FUTURES MARKETS (NCDEX)

Sugar futures traded bearish at NCDEX. The most active October contract opened weak at Rs. 1289/qrtl, Re.1 below the previous settlement and traded marginally up to test an intraday high of Rs. 1290/qrtl. Prices crashed thereafter on increased selling pressure and the contract settled at the day's low of Rs. 1283/qrtl. Volume traded was lower, while open interest improved as compared to the previous day. Sept. futures traded in the range of Rs. 1271-1281/qrtl, before closing at Rs. 1277/qrtl.

PRICE DRIVERS

1. Domestic and global glut
2. Govt. raised buffer stock by 3 million tonnes
3. Decontrolling of sugar exports
4. Acreage under sugarcane increased to 5.11 million ha
5. Festive demand
6. Exports to Pakistan likely
7. Carry forward of July unsold quota

WEATHER IMPACT

Revival of monsoon and increased acreage points towards higher cane production.

TECHNICALS (NCDEX)

A bearish candle is formed in the charts. Prices closed below the EMAs. MACD is flat to weak in the negative zone, indicating medium term bearishness. RSI and Stochastic have fallen into the oversold region, pointing towards continued weakness in the short term. 14 day parabolic is above the prices, giving a sell signal. Sugar is expected to trade weak with a short to intermediate term target at 1266.

NCDEX Sugar M Grade-October Contract

Sugar M Grade 0710(NCSEGMV7)2007/08/25 - Daily B:1283.00 A:1284.00
O:1289.00 H:1290.00 L:1283.00 C:1283.00 V:3,210 I:47,080 -7
EMA(9):1294.2 (18):1301.0



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- October	1253	1266	1283	1300	1310

TRADE RECOMMENDATION

Sell NCDEX - October Sugar M below 1285 with target towards 1277 then second target at 1275. Strict stop loss near 1290. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	25.08.07	24.08.07	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	September	1242	1242	1239	1240	1237	+3
	October	1245	1245	1239	1239	1245	-6
	November	1225	1226	1220	1220	1226	-6

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded bearish with the most active October opening at the previous settlement price of Rs. 1245/qtl and traded sharply down to test an intraday low of Rs. 1239/qtl, before closing at Rs. 1240/qtl. Volume traded dipped, while open interest improved in comparison to the previous trading session. Prices closed well below the EMAs. MACD is flat, leaving scope for movement in either direction in the medium term. Stochastic and RSI are falling in the neutral zone. 14-day parabolic and trade signal are giving sell signal. Sugar-Kolhapur futures are expected to trade weak in the next trading session

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1220	1230	1240	1250	1258

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MX/SUGV7)2007/08/25 - Daily B 1239.00 A 1240.00
O 1245.00 H 1245.00 L 1239.00 C 1240.00 V 270 T 151 I 31 -5
EMA(9) 1246.9 (18) 1251.8



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP 1240-1242 with target towards 1235 then second target at 1233. Stop loss near 1246. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 24, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.62	9.65	9.38	9.39	-0.14
March 2008	9.87	9.90	9.69	9.69	-0.13
May 2008	9.77	9.77	9.74	9.74	-0.13
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	280.00	283.50	278.50	279.00	-2.00
December 2007	284.00	285.60	280.80	282.50	-1.60

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