

SUGAR & JAGGERY

3-8 September, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Market Firm
- NCDEX Sugar Traded Firm
- NCDEX Gur Bearish

Technical Analysis

Commodity: Sugar Grade M
Exchange: NCDEX
Perspective: Very Short Term (Weekly)
Contract: October 2007

Sugar futures traded firm at NCDEX. The most active October futures opened at 1284 and traded in the range of 1278-1307, before settling at 1299. MACD is flat slightly below the zero line. RSI is falling in the neutral region, indicating some weakness in the market in the short term. Sharply rising Stochastic, along with the prices closing above the EMAs, points towards continued short term firmness in the market. Sugar is likely to trade range bound with upward bias in the short term, with a short to medium term target of 1315.

Sugar M Grade 0710(NCSGMV7)2007/09/01 - Daily B:1299.00 A:1300.00
O 1302.00 H 1306.00 L 1298.00 C 1299.00 V 3,510 138,970 -6



Outlook:

Buy on corrective dips.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
October	1266	1253	1315	1326

Technical Analysis

Commodity: Gur (Jaggery)
Exchange: NCDEX
Perspective: Very Short Term (Weekly)
Contract: September 2007

Gur futures traded weak at NCDEX. The benchmark October contract opened 478 and traded sharply down to test a low of 444 before settling at 445.2. Prices closed below the EMAs. MACD is falling weakly in the negative zone, after a bearish crossover. RSI is also falling in the oversold region, while Stochastic is flat and directionless in the oversold region. Overall, technicals indicate short and medium term bearishness in the market. Gur futures are expected to trade weak during the week.

GUR 0709(NCGURU7)2007/09/01 - Daily B:445.00 A:445.60
O 452.00 H 453.00 L 444.00 C 445.20 V 7,750 120,960 -3.4
EMA(9) 460.39 (18) 471.14



Outlook:

Sell on rallies towards resistance.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
October	430.0	420.0	462.8	474.0

Market Commentary

Domestic

Spot Sugar Market Prices Were Flat

Sugar traded mixed at the spot markets. The prices improved initially on festive demand and govt. sops, while they remained almost flat later on poor demand due to month end cash crunch. The govt. move to mandate 5% ethanol blend in petrol with immediate effect has seen oil companies stepping up lifting of ethanol. The festive demand and cabinet approval of the proposed sops are likely to provide some support to the sugar prices in the short term. However, sugar prices are expected to fall further in the long term as oversupply is expected to persist till 2009. Sugar market is headed for a production surplus of

News Analysis:

Group of Ministers approves the proposed sops for the sugar industry

The group of Ministers (GoM) has cleared the proposals of financial and debt restructuring package that would provide more time to the sugar mills to clear their outstanding dues. It included extension of moratorium on outstanding loans as on April 1, 2005 from two to five years, conversion of outstanding loans on account of harvesting and transport charges and short margins on sugar stocks as on April 1, 2007 into term loan for a maximum period of five years. The GoM also cleared an earlier proposal to make 5% ethanol doping in petrol mandatory nationwide with immediate effect and recommendation of mandating 10% ethanol doping from October 2008. This would provide alternate business models to the sugar industry.

UP govt. seeks loan for sugar industry

UP govt. has requested the Centre to provide the sugar mills an interest free loan of Rs. 2000 crore to enable them pay off their arrears to the sugarcane farmers. If granted, the loan could be a significant relief for the mills.

Indian sugar exports seen over 2 MMT

Indian sugar exports have crossed 2 million tonnes in the 2006-07 crop year. ISO forecasts an export of 3.5 MMT for the year 2007-08. Experts say that the exports in 2007-08 could reach 5 MMT if aided by weakness in the rupee. India is all set to establish itself as a regular exporter of raw sugar.

Brazil's sugar output seen lower in 2007-08

Though Brazil's new sugarcane crop is seen at 6.9 million ha, up 15.2% on year and sugarcane production estimated higher at 547 MMT, its sugar output is seen down on year to 30 MMT as compared to the 30.2 MMT in 2006-07.

PSMA objects sugar imports from India

Pakistan is indulging in cheap gimmicks to prevent exports of Indian sugar into the country. They accuse Indian sugar to contain elements like sulphur in quantities harmful to health. Pakistan Sugar Mills Association has decided to boycott importers of Indian sugar.

10.8 MMT in 2007-08, with record output of 169.6 MMT and consumption of 158.8 MMT. ISO forecasts Indian production in 2007-08 at 33.15 MMT.

Sugar Futures Traded Down

Sugar futures traded firm at NCDEX. The most active October contract opened firm at 1284 and traded down initially to test a low of 1278. The prices improved thereafter to test a high of 1307. Prices slumped on the last day of the trade and the contract settled at 1299. Volumes traded improved, while open interest dipped as compared to the previous day.

Domestic:

Spot Price of Sugar at Delhi Mandi (Rs./quintal)

Particulars	1-September	25-August	Change
M 30	1425-1455	1395-1435	+30
S 30	1410-1440	1380-1420	+30
Mill Delivery	1340-1380	1310-1360	+30

Spot Price of Sugar at Muzaffarnagar Mandi (Rs./quintal)

Particulars	1-September	25-August	Change
Khatauli	1435	1405	+30
Deoband	1430	1405	+30
Nanoata	1350	1340	+10

Jaggery at Spot Market

Spot Price of Gur at Muzaffarnagar Mandi (Rs. /40 kg)

Particulars	1-September	25-August	Change
Raskat	395-405	415-425	-20
Chaku	450-500	470-520	-20
Shakkar	620-650	600-630	+20

Weather Impact: (As on 1st September, 2007)

Near normal monsoon and higher acreage point towards higher production in the coming season.

FOREX (As on 1st September, 2007):

Foreign Currency	Rs. per unit
1 US \$	40.65
1 Euro	55.42
1 British £	82.00
100 Jap. Yen	35.07

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