

SUGAR & JAGGERY

01-06 October, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Market mostly steady
- NCDEX Sugar traded Flat to Firm with an Inherent Volatile Tendency
- NCDEX Gur traded range-bound

Technical Analysis

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

Sugar futures traded flat to firm at NCDEX. The most active December contract traded up initially and then downwards thereafter. Prices closed above EMAs, indicating short to intermediate term firmness in the market. MACD is rising into the positive territory, while RSI is rising in the neutral region, supporting the firm trend. Stochastic is falling to make a bearish crossover, indicating some weakness in the short term. Sugar futures are likely to trade firm in the short term with active selling at higher levels.



Outlook:

Buy on corrective dips

Support and Resistance Levels:

| Contract Month | Support Level | | Resistance Level | |
|----------------|-----------------|-----------------|------------------|-----------------|
| | 1 st | 2 nd | 1 st | 2 nd |
| December | 1196 | 1183 | 1231 | 1271 |

Technical Analysis

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

Gur futures traded sideways during the week. The prices remain above the EMAs, indicating short to intermediate term firmness in the market. However, MACD and RSI are flat in the neutral region and support movement in either direction, while Stochastic is falling into the neutral region, indicating short term weakness in the market. MACD and Stochastic have made a bearish crossover. Technicals indicate a bearish posture of the market, with buying at lower levels. 530 is providing a good resistance to uptrend.



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 | 504.3 | 492.1 | 536 | 550.9 |

Market Commentary

Domestic

Spot Sugar Market Prices Were Flat

Sugar cash markets remained flat on subdued demand due to month-end cash crunch and dull trade. The market is awaiting the cabinet approval of the sops intended for the sugar sector, like allowing production of ethanol from sugarcane juice and doubling ethanol doping in petrol to 10%. This, coupled with festive demand, is likely to firm up the market in the short term. However, the long term outlook on sugar prices remains largely bearish, given the glut situation.

News Analysis:

Sugar mills to be given interest-free loans against excise payments

The Union Cabinet is likely to approve a proposal to allow sugar mills to access interest-free loans from banks against their excise payments during 2006-07 and 20047-08 seasons. They would be entitled to borrow an equivalent amount from banks, which is to be used exclusively for making cane payments. The interest liability of these loans would be borne by the Centre. The mills will have to repay the loans from the 2008-09 season.

Levy sugar to be diverted to open market

Around two lakh tonnes of levy sugar meant to be sold through ration shops is being diverted to the open market as there are no takers for levy sugar as open market rates have crashed. Around 80% of the total quota for the period has remained unsold.

Govt. not to cut excise duty on sugar

The govt. has announced that it is not planning to cut central excise duty on sugar or to defer collection of excise duty for the current financial year to March, as this was not possible in the current legal framework.

China withheld Indian sugar on high bacterial levels

Small volumes of Indian sugar shipped to China have been diverted to other destinations after it was withheld by the Chinese authorities over higher than permissible levels of bacteria. It may not have any impact on overall Indian exports of sugar to China.

42 lakh tonnes of free sale quota for October-December

Maharashtra, India's largest sugar-producing province by Government has released 42 lakh tonne of non-levy (free sale) sugar for the quarter October to December, 2007. For the month of October 2007, the non-levy sugar quota released is 16 lakh tonne. In addition, a quantity of 2.29 lakh tonne has been released under levy for distribution in Public Distribution System. Thus, the total availability of sugar in the month of October, 2007 would be 18.29 lakh tonne which would be sufficient to meet the festival demand for sugar.

Sugar Futures Firm at NCDEX

Sugar futures traded mostly firm during the week. NCDEX December contract opened firm at Rs. 1202/qtl, which was the week's low and traded steadily up to test the week's high of Rs. 1225 on Thursday. The contract traded volatile later with bearish tone reaching as low as Rs. 1205. Prices improved on Saturday to close at Rs. 1217/qtl. Open interest improved as compared to the previous week amidst lower volumes traded.

Domestic:

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

| Particulars | 22-September | 29-September | Change |
|---------------|--------------|--------------|--------|
| M 30 | 1420-1465 | 1420-1465 | 0 |
| S 30 | 1405-1450 | 1405-1450 | 0 |
| Mill Delivery | 1335-1380 | 1335-1380 | 0 |

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

| Particulars | 22-September | 29-September | Change |
|-------------|--------------|--------------|--------|
| Khatauli | 1485 | 1470 | -15 |
| Deoband | 1475 | 1460 | -15 |
| Nanoata | 1385 | 1380 | -5 |

Jaggery at Spot Market

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

| Particulars | 22-September | 29-September | Change |
|-------------|--------------|--------------|--------|
| Raskat | 390-400 | 390-405 | +5 |
| Chaku | 440-480 | 450-490 | +10 |
| Shakkar | 600 | 600-625 | +25 |

Weather Impact: (As on 29th September, 2007)

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

FOREX (As on 29th September, 2007):

| Foreign Currency | Rs. per unit |
|------------------|--------------|
| 1 US \$ | 39.65 |
| 1 Euro | 56.42 |
| 1 British £ | 80.77 |
| 100 Jap. Yen | 34.47 |

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