

SUGAR & JAGGERY

10-15 September, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Market Firm
- NCDEX Sugar Range-bound
- NCDEX Gur Bearish

Technical Analysis

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

NCDEX Sugar November futures traded range-bound with bearish tone during the week with an upward movement mid week interrupting the down trend. The contract opened at Rs. 1247/qrtl, traded down to test a low of Rs. 1236/qrtl, before settling at Rs. 1242/qrtl. Sugar is in a congestion phase and a break out will establish a trend. All indicators are flat and directionless. A close below the EMAs indicates a short to intermediate term weakness in the prices. 1257 offers a good resistance, breaking which prices are likely to surge further to test 1272 levels.



Outlook:

Confirm trend before initiating positions. Remain long.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
November	1224	1215	1257	1266

Technical Analysis

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

Gur futures improved marginally last week after a weak opening. The October closed the week at 506.4 after touching lows of 494 on Monday. Technically, strong resistance exists at the 515-516 level, which has been tested several times and held. On the downside, similar strong resistance exists at 496-497, which is likely to hold equally firm. None of the indicators show any conclusive direction. Since the oscillators are mostly ascendant, the upcoming week is likely to see early strength, which might take prices to the 510-515 levels where selling is likely to emerge.



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	496	500	515	520

Market Commentary

Domestic

Spot Sugar Market Prices Were Flat

Sugar prices firmed up in the cash markets on improved demand from retailers and stockists ahead of the festive season. Festive demand and govt. moves to mandate 5% ethanol doping in petrol nationwide as well as to extend the period of repayment of outstanding loans of sugar mills are seen supporting the sagging sugar industry. The govt. has created a committee headed by former finance secretary Vijay Kelkar to look at ways in which the sugar industry, plagued by the problems of oversupply and falling prices, can be revived. However, the industry is pessimistic that by the time the committee submits its report and the govt. takes a decision on its recommendation, the crushing period of 2007-08 season may come to an end. Meanwhile, Centre has extended the deadline for exports of white sugar by a year against the imports of raws by mills and allowed companies to meet their white sugar export obligation within 36 months, instead of the usual 24 months. However, the sugar prices are expected to remain

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

largely bearish in the long term, given the glut situation. The estimated sugar output for the 2007-08 season is likely to cross 33 MMT, leaving a surplus stock of 16.4 million tonnes. Meanwhile, the Pakistan Sugar Mills Association (PSMA) has managed to obtain an interim stay issued against the import of sugar from India (obtained on fake grounds that it will cause harm to the health and safety of the public).

Sugar Futures Traded Down

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health. Pakistan Sugar Mills Association has decided to boycott importers of Indian sugar.

Domestic:

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

Particulars	8-September	1-September	Change
M 30	1435-1485	1425-1455	+30
S 30	1420-1470	1410-1440	+30
Mill Delivery	1350-1400	1340-1380	+30

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

Particulars	8-September	1-September	Change
Khatauli	1480	1435	+45
Deoband	1470	1430	+40
Nanoata	1385	1350	+35

Jaggery at Spot Market

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

Particulars	8-September	1-September	Change
Raskat	400-410	395-405	+5
Chaku	460-510	450-500	+10
Shakkar	630-660	620-650	+10

Weather Impact: (As on 8th September, 2007)

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

FOREX (As on 8th 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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