

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: November 2007

NCDEX Sugar November futures traded range-bound with bearish tone during the week with an upward movement mid week interrupting the downtrend. 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:

Govt. creates committee to solve sugar problems

The govt. has created a committee under former finance secretary Vijay Kelkar to look at ways in which the ailing sugar industry can be revived. The committee will look into the various issues related to sugarcane pricing, export policy, high stock of sugar and outstanding loans of sugar mills. However, this move fails to cheer the sugar industry. By the time the committee submits its reports and the govt. takes a decision on its recommendations, the crushing period of 2007-08 sugar season may come to an end.

UP sugar mills demand more credit from state govt.

Sugar mills in Uttar Pradesh have demand more credit facilities from the state govt. before the beginning of the season. Crushing for the new season is likely to start in November and mills have demanded that the state govt. cut state advisory price of Rs. 125-130/qlt to statutory minimum price of Rs. 80/qlt of sugarcane and make ethanol blending mandatory for oil companies.

PSMA obtain stay against sugar imports from India

The Pakistan Sugar Mills Association has managed to obtain an interim stay from a district court in Lahore against the import of sugar from India on fake grounds of health and safety of the public.

Raw sugar exports deadline under export obligation extended

The govt. has extended the deadline for exports of white sugar by a year against the imports of raws by mills. The govt. had allowed mills to import raw sugar free of duty between January and September 2005 on condition that an equivalent quantity of white sugar was exported in 24 months. The govt. has recently allowed companies to meet their white sugar export obligation within 36 months instead of an early practice of 24 months. This was because the export realization was falling due to low international prices due to global oversupply.

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

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/qlt, traded down to test a low of Rs. 1236/qlt, before settling at Rs. 1242/qlt. Volume and open interest had improved during the week, as compared to the previous week.

Mills demand direct ethanol production from sugarcane

The sugar industry has asked the govt. to allow ethanol to be directly produced from sugarcane, without producing sugar. Also, they have asked the mandation of ethanol blending in diesel, whose sale is four times as that of petrol in India.

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
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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 \$	40.62
1 Euro	55.61
1 British £	82.20
100 Jap. Yen	100.00

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