

## SUGAR & JAGGERY

15-20 October, 2007

### MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Market improved on govt. sops and festive demand
- NCDEX Sugar traded range-bound; congestion phase
- NCDEX Gur traded sideways with bullish tone

### Technical Analysis

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

Sugar futures traded in a thin range at NCDEX. The most active December contract opened at 1226 and traded in the range of 1208-1245, before closing at 1220. Sugar futures are in a phase of congestion and a break out with good volumes is needed to establish a trend. A flat RSI and Stochastic suggest indecision in the market. Prices closed at par with the short term EMAs, supporting indecision. MACD is rising to test the zero level, indicating some firmness in the medium term.



### Outlook:

Confirm trend before initiating positions

### Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
December	1196	1183	1255	1271

### Technical Analysis

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

Gur futures are trading in a range and a breakout is needed to establish a trend. MACD is slowly descending in the positive territory after making a bullish crossover, while Stochastic is sharply falling in the neutral region after a bearish crossover, supporting bears in the market. Prices closed below the EMAs, which indicates a bearish posture of the market. RSI is almost flat, suggesting indecision in the market.



### Outlook:

Confirm trend before initiating positions.

### Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
October	482.3	492.1	535.7	551.0

## Market Commentary

### Domestic

#### Spot Sugar Market Prices Improved on Govt. sops and Festive Demand

After an initial slump, the spot sugar prices improved on govt. sops and festive demand. Retailers and stockists were actively covering ahead of the festival season. The festive demand is expected to sustain till Diwali, which is likely to prop up the market in the short term. Mandating 10% ethanol doping from October 2008 will require 10 MMT of sugarcane diverted to ethanol to maintain a consistent supply. However, no significant price advances can be expected till, given the estimates of a yet another bumper production in 2007-08, estimated at 345.62 MMT sugarcane and higher sugar output crossing 29 MMT.

### News Analysis:

#### Sugar mills in Maharashtra to start crushing by the end of October

Sugar mills in Maharashtra would begin crushing operations by the third to fourth week of October. It is estimated that around 844 lakh tonnes of cane would be ready for crushing to produce 98 lakhs sugar this season in Maharashtra. Mills in Uttar Pradesh have not started crushing sugarcane due to pending cane arrears.

#### Central govt. sanctioned sugar sops

The Cabinet Committee on Economic Affairs gave its approval to the following:

1. to extend the moratorium on outstanding term loans as on 01.04.2005 from 2 to upto 5 years
2. conversion of outstanding loans on account of harvesting and transport charges and short margin on sugar stocks into term loans upto a maximum period of 5 years.
3. making 5% ethanol blending with petrol mandatory nationwide with immediate effect and to make 10% blending mandatory from October 2008
4. uniform purchase price of Rs. 21.50/ltr ex-factory for supply of ethanol
5. to give loans from banks against excise duty paid in 2006-07 and payable in 2007-08
6. to permit sugar mills to produce ethanol directly from sugarcane juice
7. to extend export assistance scheme by one year till April 2009.
8. to reduce customs duty from 7.5% to 5% on 'denatured ethanol' and from 10% to 5% on molasses.

### Domestic:

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

Particulars	06-October	13-October	Change
M 30	1435-1480	1445-1490	+10
S 30	1420-1465	1430-1475	+10
Mill Delivery	1350-1395	1360-1405	+10

#### Sugar Futures Range-bound at NCDEX

Sugar futures traded range bound at NCDEX during the week and a break out is needed to confirm the trend. The most active December contract opened at Rs/ 1226/qrtl and after trading range-bound to weak initially, surged to test the week's high of Rs. 12456/qrtl on Wednesday, following the govt. sanction of the sops for the sugar sector. The higher prices were not sustained and the contract traded down to remain in the range and closed at Rs. 1220/qrtl. Volume and open interest were lower as compared to the previous week.

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

Particulars	06-October	13-October	Change
Khatauli	1485	1500	+15
Deoband	1475	1495	+20
Nanoata	1395	1395	0

### Jaggery at Spot Market

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

Particulars	06-October	13-October	Change
Raskat	375-390	370-385	-5
Chaku	440-480	445-520	+40
Shakkar	590-615	480-530	-85

### Weather Impact: (As on 13th October, 2007)

Late season rain in north and south India helps improve the outlook for developing sugarcane.

### FOREX (As on 13th October, 2007):

Foreign Currency	Rs. per unit
1 US \$	39.17
1 Euro	55.48
1 British £	79.68
100 Jap. Yen	33.36

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