

## SUGAR & JAGGERY

15-20 October, 2007

### MAJOR ACTIVITY HIGHLIGHTS

- Spot Sugar Market were steady on poor offtake and restricted supplies
- NCDEX Sugar traded range-bound; congestion phase
- NCDEX Gur traded sideways with a crash on Friday

### Technical Analysis

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

Sugar futures are trapped in a trading range and a breakout is needed to establish a trend. Prices closed marginally above the short term EMAs, suggesting a firm market, while RSI is also supporting the uptrend. However, a downward bound Stochastic suggests further weakness in place. MACD has flattened out at the zero level, leaving scope for movement in either direction.



### 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	1208	1197	1245	1265

### Technical Analysis

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

Gur prices crashed on Friday after a week of sideways trade. MACD is flat in the negative territory and has made a bullish crossover, while Stochastic is flat in the neutral region, leaving scope for movement in either direction. RSI is falling sharply in the neutral region, suggesting further downtrend in place. Prices closed below the short term EMAs, supporting a weak market.



### Outlook:

Sell on rallies towards resistance.

### 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	405.5	—	426.8	433.9

## Market Commentary

### Domestic

#### Spot Sugar Market Prices Remained Steady After Opening Firm

Opening firm, spot sugar traded steady at the major cash markets on weak demand amidst restricted supplies from mills, which maintained the prices unaltered throughout the week. While the govt. sops have lost their sheen and fail to enthuse the market anymore, the festival demand which is likely to sustain till Diwali is expected to prop up the market in the short term. However, sugar prices are expected to remain under downward pressure during most of the 2007-08 season on bumper supplies both in domestic and international markets. Meanwhile, the ethanol policy is seen as a boon by the industry, which will help in reducing sugar

### News Analysis:

#### USDA predicts that Indian sugar mills may face storage crisis

Sugar mills in India may face a severe storage crisis due to large carry over stocks as well as expected bumper production in 2007-08. The mills will have to make make-shift arrangements for storing sugar in temporary structures or in the open under canvas covers, which may lead to quality deterioration and other losses. The carry over stocks from last season stood at 11.5 MMT while production in 2007-8 is likely to be 29.3 MMT against an expected domestic consumption of 21.5 MMT.

#### USDA predicts a 3.9% growth in Indian sugar production

Sugar production in India is estimated to grow by 3.9% at a record 29.3 MMT in 2007-08 against 28.2 MMT last season. However, the Department's forecast is lower than the industry estimates that puts sugar output at over 30 MMT. Ministry of Agriculture expects a 5-7% increase in sugar production in 2007-08

#### Philippines and Australia sugar output seen lower

Philippine raw sugar production in the crop year that began in September is estimated to decline by 3% on year to 2.16 MMT, in view of the unusually heavy rainfall. Sugar production in Australia is estimated lower than the previous forecast at 4.7 MMT, below an earlier estimate of 5.21 MMT.

#### Maharashtra sugar mills to double exports

Sugar mills in Maharashtra may more than double exports this year as prices decline amid record harvest. Mills may export as much as 2.4 MMT sugar in the year to September including 9 lakh tonnes in the raw form. Increased exports from the country may pressure prices of white sugar in the global market. The global sugar market is headed for a surplus of 10.8 MMT according to ISO.

#### Strategic sugar buffer seen unviable till 2010

The all-year round strategic sugar buffer is deemed unviable until 2010. Projections by the sugar industry are that the current spell of heavy glut in sugar production could carry on up to 2009-10, notching up another mammoth 30 MMT in output. A third year of bumper crop will impact directly any big loans to the sector. Among the preliminary reasons of its unviability would be the estimated initial investment.

stocks by 2 MMT. However, a more flexible blending is seen ideal as India is not geared to implement 10% ethanol doping in such a short term.

#### Sugar Futures Range-bound at NCDEX

NCDEX futures are in a consolidation phase and traded in a thin range during the week. The most active December contract opened firm at Rs. 1225/qrtl and traded in a range of Rs. 1222-1233/qrtl, before closing at Rs. 1227/qrtl. Open interest dipped amidst lower volumes traded as compared to the previous day. The govt. sops have lost their sheen at the futures counter.

### Domestic:

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

Particulars	13-October	20-October	Change
M 30	1445-1490	1455-1500	+10
S 30	1430-1475	1440-1485	+10
Mill Delivery	1360-1405	1370-1415	+10

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

Particulars	13-October	20-October	Change
Khatauli	1500	1500	0
Deoband	1495	1500	+5
Nanoata	1395	1385	-10

### Jaggery at Spot Market

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

Particulars	13-October	20-October	Change
Raskat	370-385	370-390	+5
Chaku	445-520	450-500	-20
Shakkar	480-530	480-500	-30

### Weather Impact: (As on 20th October, 2007)

Late season rain in north and south India aids developing sugarcane

**FOREX (As on 20th October, 2007):**

Foreign Currency	Rs. per unit
1 US \$	39.53
1 Euro	56.34
1 British £	80.88
100 Jap. Yen	34.19

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