

Sugar & Gur Domestic & International Fundamentals

Recent updates.

- **Last week, the Centre hiked the fair and remunerative price (FRP) of sugarcane to Rs 275 per quintal** for the 2018/19 marketing year starting October. It was Rs 255/quintal last year, but cane farmers are still in low spirits. The numbers below explain how the changes in calculating FRP has taken the joy out of the move for farmers. When a mill crushes a tonne (1,000 kg) of cane, it recovers only 9-11 per cent of sugar. Last year, the FRP to be paid by the mills to farmers was linked to a recovery rate of 9.5 per cent. Every mill had to pay Rs 255/ quintal (100 kg) for cane if it recovered 9.5 kg of sugar by crushing 1,000 kg of cane. With every 0.1 percentage point increase in recovery, FRP was higher by Rs 2.68/ quintal. So, if the recovery rate was 10 per cent last year, the mills paid FRP of Rs 268.4/quintal. Now, the Rs 275/quintal announced for the 2018-19 season is, thus, an increase of only Rs 6.5/quintal, or 2 per cent.
- **Market prices of sugar have recovered sharply over the past two months**, thanks to measures including the Centre's announcement of minimum support price (MSP) for sugar in June. In Maharashtra, prices were ruling at Rs 26-27/kg in May; it is Rs 31/kg now. This gives some breather for mills, but given the cost of production itself is around Rs 35/kg of sugar, the current prices are still not remunerative for mills.
- **The Brazilian sugarcane industry association has reported production units in the country's south-central region produced 2.35 billion liters (620.8 million gallons) of ethanol during the second half of June**, up 30.44 percent when compared to the same period of last year. Mills in the region processed 45.31 million tons of sugarcane during the second half of June, down from 47.71 million tons during the same period of last year. Only 37.67 percent of that volume went to sugar production, down from 50.52 percent last year. The remaining sugarcane was used to produce ethanol.

Monsoon Update:

- **The overall monsoon deficiency in the country has, however, dipped to 3%.** The overall deficiency in eastern and northeastern India is 34%, the highest in the country compared to the other meteorological divisions of the country. The Northwest India division, comprising Uttar Pradesh, Haryana, Punjab, Himachal Pradesh, Rajasthan and Jammu and Kashmir, has recorded 9% of negative rainfall or less rainfall than the long period average. The picture is, however, better in the southern peninsula and central India, which have recorded 15% and 16% more rainfall than the average respectively.

Previous updates.

- **Raw sugar futures in New York ended with further losses** as the benchmark October contract dropped another 11 points to settle at 10.97¢/lb, just above the lower end of the day's 10.93-11.11¢ range.
- **Sugar production in Brazil's Centre/South in the current 2018/19 crush is projected to fall to 28 million tonnes**, from a previous estimate of 31 mln, local consultancy Safras & Mercado said.
- **The Centre has announced an increase of Rs 20 per quintal** in the sugarcane Fair and Remunerative Price (FRP) for the 2018-19 season. However, activists and farm leaders said that the actual realisation for the average farmer would be much less than is being suggested, as the hike has been linked to a higher recovery rate. The hike will, of course, benefit farmers in states that follow the FRP as benchmark for payment. For others such as UP, which have their own advised prices (SAP), generally higher than FRP, the decision does not have much of an impact.

- **The average national sugar recovery rate, according to the government's calculations,** was 10.6 per cent. It was 10.20 per cent for Uttar Pradesh and 11.47 per cent for Maharashtra. However, a simple back of the envelope calculation (all available recovery rates multiplied by the extra premium that they fetched in 2017-18 and that they will get in 2018-19) shows that sugarcane farmers who have a recovery rate of exact 9.5 per cent would get the maximum full Rs 20 per quintal increase in FRP.
- **The year 2017-18 saw high output meet low prices, in India and globally.** The government has stepped in with a number of sops to support sugar prices, chiefly goaded by mounting cane arrears owed to farmers. Even after these sops, the arrears to farmers remain at Rs17,825crore, according to an 18 July ISMA release, although down by a fifth from the 23 May figure.
- **The government has hiked the fair and remunerative price (FRP)** of sugarcane by Rs 20 to Rs 275 per quintal for the next marketing year (2018-2019) starting October. At present, the FRP price is linked to a basic recovery rate of 9.5 per cent, subject to a premium of Rs 2.68 per quintal for every 0.1 per cent point increase in recovery rate.
- **Sugar mills in Uttar Pradesh (UP) owed Rs 12,601.48 crore in unpaid dues** against cane supplied by growers during the 2017-18 season (October-September). More than one-and-half months later, as on Wednesday, they have made payments of Rs 23,902.79 crore out of the Rs 35,447.91 crore value of cane purchased at the UP government's state advised price (SAP) of Rs 315 per quintal for "general" and Rs 325 for "early-maturing" varieties. That translates into arrears of Rs 11,545.12 crore.
- **India is likely to end the 2017/18 (Oct/Sep) season with an inventory of 10 mln tonnes,** up from 3.87 mln a year ago. The surge is due to a combination of record production and low exports.
- **The glut is likely to swell in the 2018/19 season starting Oct. 1,** with Indian production expected to jump by almost a tenth from the current year to between 35 million tonnes and 35.5 million tonnes. Northern state of Uttar Pradesh, the biggest producer in India, could churn out 13-13.5 million tonnes of sugar in the next year. That would be up 12 percent from the current year, with the ISMA saying farmers have devoted a bigger area to high-yielding varieties of sugar cane. Maharashtra's sugar output is estimated at 11-11.5 million tonnes in the new season, up from 10.71 million tonnes.
- **China will levy extra tariffs on out-of-quota sugar imports from all origins** starting from Aug. 1, the Commerce Ministry said on Monday, just over a year after introducing hefty penalties on top growers including Brazil and Thailand. China allows 1.94 million tonnes of sugar imports a year at a tariff of 15 percent as part of its commitments to the World Trade Organization. Shipments outside of that allowance - out-of-quota imports - are charged a higher tariff and need special permits.

NCDEX Sugar (M grade) Future Quotes (At 05:00 p.m. as on 20-07-2018)

Contract	+/-	Open	High	Low	Close	Volume	O.I
Cont. (Jul)	-	3220	3220	3220	3220	-	-
Spread	Cont Jul (C1)						
Spot	-	-	-	-	-	-	
	-	-	-	-	-	-	

Note: There is no trade volume in near month future contract. Market participants are advised to wait until trade in volume starts.

NCDEX Stock & Fed Position					
Stocks	Grade	Demat	In-Process	Total	FED
		21-July-18	21-July-18	21-July-18	16-July-18
Delhi	M	-	-	-	-
Sangli	M	-	-	-	-
Sholapur	M	-	-	-	-
Kolhapur	M	-	-	-	-
Belgaum	M	-	-	-	-
Delhi	S	-	-	-	-
Sangli	S	-	-	-	-
Sholapur	S	-	-	-	-
Kolhapur	S	-	-	-	-
Belgaum	S	-	-	-	-

Sugar Futures ICE& LIFFE as on 20 th July,2018					
ICE Sugar Futures (In Cents/Pound)					
Contract	Open	High	Low	Close	+/-
Oct-18	10.94	11.26	10.94	11.12	0.15
Mar-19	11.66	11.96	11.64	11.84	0.17
May-19	11.78	12.06	11.77	11.96	0.17
LCE Sugar Futures (In US\$/MT)					
Contract	Open	High	Low	Close	+/-
Oct-18	319.00	324.10	318.30	322.20	3.80
Dec-18	318.90	323.30	317.80	321.20	2.80
Mar-19	324.00	328.00	322.60	326.50	3.10

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			23-Jul-18	21-Jul-18	
Delhi	Delhi	M-Grade	3270	3290	-20
	Delhi	S-Grade	3250	3270	-20
Uttar Pradesh	Khatauli	M-Grade	3370	3385	-15
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3280	3300	-20
	Dhampur	S-Grade Ex-Mill	3260	3280	-20
	Dhampur	L-Grade Ex-Mill	3330	3350	-20
Maharashtra	Mumbai	M-Grade	3540	3540	Unch
	Mumbai	S-Grade	3300	3300	Unch
	Nagpur	M-Grade	3225	3225	Unch
	Nagpur	S-Grade	3175	3175	Unch

	Kolhapur	M-Grade	3100	3100	Unch
	Kolhapur	S-Grade	3050	3050	Unch
Assam	Guhawati	S-Grade	3360	3360	Unch
Meghalaya	Shillong	S-Grade	3370	3370	Unch
Andhra Pradesh	Vijayawada	M-Grade	3680	3680	Unch
	Vijayawada	S-Grade	3620	3620	Unch
West Bengal	Kolkata	M-Grade	3590	3590	Unch
Tamil Nadu	Chennai	S-Grade	3500	3500	Unch
	Dindigul	M-Grade	3680	3680	Unch
	Coimbatore	M-Grade	3550	3550	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3450	3450	Unch

Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)

Jaggery (Gur) Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			23-Jul-18	21-Jul-18	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	2880	2880	Unch
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	2650	2650	Unch
	Hapur	Chaurasa	Closed	2800	-
	Hapur	Balti	Closed	NA	-
Andhra Pradesh	Chittur	Gold	4300	4300	Unch
		White	3850	3800	50
		Black	3400	3400	Unch
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4300	4300	Unch
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	NA	NA	-
	Gulbarga/Kalaburgi	Other (Average)	2825	2850	-25
	Mahalingapura	Penti (Average)	3347	3382	-35
	Mandya	Achhu (Medium)	3300	3100	200
	Mandya	Kurikatu (Medium)	3000	3000	Unch
	Mandya	Other (Medium)	3000	3100	-100
	Mandya	Yellow (Medium)	3300	3200	100
	Shimoga/Shivamogga	Achhu (Average)	NA	3850	-

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