Daily Sugar & Gur Fundamental Report
05 Sep, 2018

Sugar & Gur Domestic & International Fundamentals

Recent Update:

Most of the sugar prices were noticed mixed tone on Tuesday. *This was despite trade expectations that the release quota of 2.5 million tonnes for September was higher than probable demand. Raw sugar futures in New York touched a three-week high as the market continued a rebound from last week's 10-year low of 9.91¢/lb. and expecting Futures will trade at below 13 cents/Lb till March.*

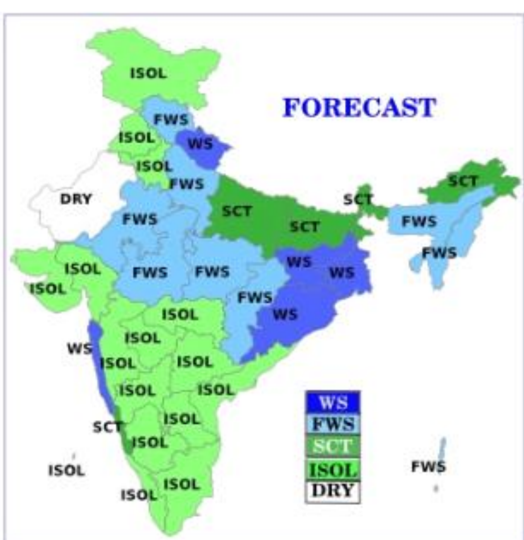
The Increase in monthly sugar release quota of the country by over 14 per cent to 20 lakh tonnes *for September has led to a 2 per cent fall in sugar prices. Exporters expect millers, who have been sitting on huge sugar stocks, to begin exporting the sweetener as price margin between domestic and export prices reduces slightly.*

Crushing of cane for the next sugar season (October 2018-September 2019) would commence in October *this year with production Agriwatch expected to be about 35 million tonnes. The mills usually complete crushing of cane by April and they would have to pay a fair remunerative price of Rs 97,000 crore to the farmers next season.*

ISMA officials had visited several countries, with some delegations led by government officials, *to learn about export opportunities. Refineries and importers in Bangladesh, Dubai, and China have shown interest to enter into long-term import contracts for raw sugar from October this year. However, exporters are unable to give commitments. These countries want the sugar at prices on a par with countries such as Brazil and Thailand.*

Brazil expected to produce about 30 million tonnes of sugar in the 2018-19 *sugar season (including North East Brazil), 22 per cent lower than in the previous year. India, on the other hand, is projected to have an output of 35.5 million tonnes in the 2018-19 season (October-September), breaking the record of 32 million tonnes in 2017-18*

Weather Update:



05th Sep: *Heavy to very heavy rain with extremely heavy rain at isolated places very likely over Odisha and heavy rain at isolated places over Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura, Gangetic West Bengal, Jharkhand, Uttarakhand, East Rajasthan and Madhya Pradesh*

Torrential rain is set to continue across central India into early this week, but it will also shift east to engulf parts of north eastern India. Once again, cities like Indore and Kanpur will be impacted by these daily downpours throughout the weekend and even into early next week. Unlike the previous week, the periods of heavy rain will expand to affect other cities as well.

SPATIAL DISTRIBUTION (% of Stations reporting)

% Stations	Category	% Stations	Category
76-100	Widespread (WS/Most Places)	26-50	Scattered (SCT/ A Few Places)
51-75	Fairly Widespred (FWS/ Many Places)	1-25	Isolated (ISOL)
Dry (No station reported Rainfall)			

Previous Updates:

Till 31st Aug 2018, sugarcane has been sown 51.94 lakh hectares, *2.1 % higher than 49.86 lakh ha till date last year and 5.6% higher than the normal acreage of 46.36 lakh ha till date.*

The Centre has ordered Sugar mills to pay for their past failures in meeting levy obligations *in a surprise move that has come five years after the system was abolished. The new directive, issued a few days back, mandates sugar mills that did not fulfil their levy obligations to pay the difference between the prevailing market rate and the levy sugar price of the season. Under the now-abandoned levy obligation system, every domestic producer was supposed to sell a certain portion of sugar to government at a subsidized rate every sugar season.*

Sugar prices have fallen to their lowest levels in a decade and are likely to remain under pressure *as record world-wide production collides with rising trend of health conscious food habits which limits the intake of sugar in diets. Raw sugar futures traded on the ICE Futures U.S. exchange settled at 10.23 cents a pound on Friday, the lowest finish for a front-month contract since June 10, 2008.*

According to Agricultural Statistic Agency. Brazil's total cane crush in the current crop at 635 million tonne*s compared to 625 million tonnes in its May estimate and 633 million tonnes in the previous crop (2017/18). The agency, however, lowered its views for sugar production both for the country and for the center-south region. The agency projected center-south cane crush at 587 million tonnes versus 580 million tonnes seen in May and 588 million tonnes reported for the 2017/18 crop.*

The food ministry last week extended the deadline for exporting 2 million tonne of sugar by three months to December *as only a fourth of it has been shipped so far. In March, the government had allowed sugar export in view of record domestic output of 32 million MT. Mill-wise, Minimum Indicative Export Quotas (MIEQ) were allocated by the ministry in May. Mills can export either sugar produced in the current 2017-18 season or the next 2018-19 season (October-September). The extension in deadline has been made because the international demand is for raw sugar whereas the Indian mills have stocks of only white currently. As the crushing of new crop of sugarcane begins in October, mills will be able to supply raw sugar to the international market.*

The sugarcane crushing season is about to begin & Sugar mills will start the 2019 crushing season with a huge backlog of unsold stock & huge arrears. *Several farmers are yet to get their arrears from the previous season. The outstanding arears are now Rs 16,600 crore against the peak of Rs 23,232 crore in May-end. Problem of pending payments is particularly acute in UP, which accounts for 64% of the total outstanding arrears.*

Brazil is expected to produce 2.7 million mt of sugar in the North-Northeast region and 27 million mt in the Center-South region, yielding 29.7 million mt of sugar for CY 2018-19, *which runs from April-March in the North-Northeast region, and October-September in the Central-South region, according to the JOB report. The CS Brazil production figures would be 9.1 million mt lower than CY 2017-18 levels, according to the report.Brazil is expected to produce 31.2 billion liters of ethanol in the same period, including 29.2 billion liters in the CS region. The expected ethanol production in the CS region would break the previous record of 28.2 billion liters set in 2015-16, according to the report.*

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The central government has set minimum selling price of Rupee 29/kg along with prescribing a monthly release quota. *As a combined result of both the decisions, ex-mill prices have been ruling in the range of Rupee 30-33/kg. However, sugar mills from Uttar Pradesh, where sugar production has been rising every year, are keen to sell more sugar. It will help them clear the cane price arrears. But, sugar industry of Maharashtra thinks that release mechanism is necessary for the survival of small-sized sugar cooperatives.*

As per the Agriwatch estimate, India's sugar production is expected to rise to 355 LT *in 2018/19 as the country is expecting a good cane crop this marketing year particularly from the state of Uttar Pradesh & Maharashtra. Agriwatch is expecting Maharashtra to produce 8-10% of more sugar in 2018-19 (01st October, 2018 -30th September, 2019). In addition, Uttar Pradesh is also expected to produce a large quantity of sugar this year too due to a surge in cane area, yield and sugar recovery.*

NCDEX Sugar (M grade) Future Quotes (At 05:00 p.m. as on 04-09-2018)

Contract	+/-	Open	High	Low	Close	Volume	O.I
Cont. (Oct)	-	3140	3140	3140	3140	-	-
Spread	Cont Oct (C1)						
Spot	-	-	-	-	-	-	
	-	-	-	-	-	-	

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

Daily Futures Price Listing Mon September 03, 2018									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Sugar #11(ICE)									
Oct-18	180831	10.57	10.73	10.45	10.6	0.03	64,437	4,81,877	-8,575
Mar-19	180831	11.33	11.52	11.24	11.42	0.08	37,560	3,36,301	2,035
May-19	180831	11.42	11.6	11.34	11.5	0.06	10,744	1,01,355	1,519
Jul-19	180831	11.55	11.72	11.5	11.62	0.05	4,787	51,776	341
Oct-19	180831	11.75	11.96	11.74	11.87	0.07	3,230	49,662	790
Mar-20	180831	12.35	12.52	12.29	12.43	0.08	1,616	15,288	342
May-20	180831	12.43	12.56	12.43	12.51	0.08	53	3,181	14
Jul-20	180831	12.54	12.65	12.54	12.6	0.1	38	2,866	4
Total Volume and Open Interest							1,22,499	10,46,450	-3,512

Daily Futures Price Listing Mon September 03, 2018									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
London Sugar(LCE)									
Oct-18	180903	325.4	328.8	324.3	327.8	1.9	9,575	35,502	-3,408
Dec-18	180903	323.5	326.8	321.9	326	2.6	7,549	36,637	697
Mar-19	180903	321.8	326	321.7	325.6	2.4	2,665	21,596	227
May-19	180903	324.1	327.8	324.1	327.6	2.8	1,141	9,519	-8
Aug-19	180903	329.2	330.6	328.5	330.6	2.7	518	6,724	34
Total Volume and Open Interest							22,199	1,14,580	-2,290

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			04-Sep-18	01-Sep-18	
Delhi	Delhi	M-Grade	3165	3145	20
	Delhi	S-Grade	3145	3125	20
Uttar Pradesh	Khatauli	M-Grade	3250	3290	-40
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3150	3150	Unch
	Dhampur	S-Grade Ex-Mill	3130	3130	Unch
	Dhampur	L-Grade Ex-Mill	3200	3200	Unch
Maharashtra	Mumbai	M-Grade	3416	3440	-24
	Mumbai	S-Grade	3186	3212	-26
	Nagpur	M-Grade	3150	3175	-25
	Nagpur	S-Grade	3050	3075	-25
	Kolhapur	M-Grade	3025	3050	-25
	Kolhapur	S-Grade	2925	2950	-25
Assam	Guhawati	S-Grade	3233	3258	-25
Meghalaya	Shillong	S-Grade	3245	3270	-25
Andhra Pradesh	Vijayawada	M-Grade	3600	3600	Unch
	Vijayawada	S-Grade	3540	3540	Unch
West Bengal	Kolkata	M-Grade	3550	3550	Unch
Tamil Nadu	Chennai	S-Grade	3300	3350	-50
	Dindigul	M-Grade	3610	#N/A	-
	Coimbatore	M-Grade	3680	#N/A	-
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3450	#N/A	-
Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)					

AGRIWATCH

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Jaggery (Gur) Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			04-Sep-18	01-Sep-18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	3063	2965	98
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	2825	2750	75
	Hapur	Chaursa	NA	NA	-
	Hapur	Balti	NA	NA	-
Andhra Pradesh	Chittur	Gold	4100	4100	Unch
		White	3950	4000	-50
		Black	2550	2500	50
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4150	4150	Unch
	Belgaum	Mudde (Average)	NA	2900	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	3100	3075	25
	Gulbarga/Kalaburgi	Other (Average)	3260	3250	10
	Mahalingapura	Penti (Average)	NA	3186	-
	Mandya	Achhu (Medium)	3150	3200	-50
	Mandya	Kurikatu (Medium)	3000	3000	Unch
	Mandya	Other (Medium)	2950	2950	Unch
	Mandya	Yellow (Medium)	3200	3200	Unch
	Shimoga/Shivamogga	Achhu (Average)	4000	3950	50