

Sugar & Gur Domestic & International Fundamentals

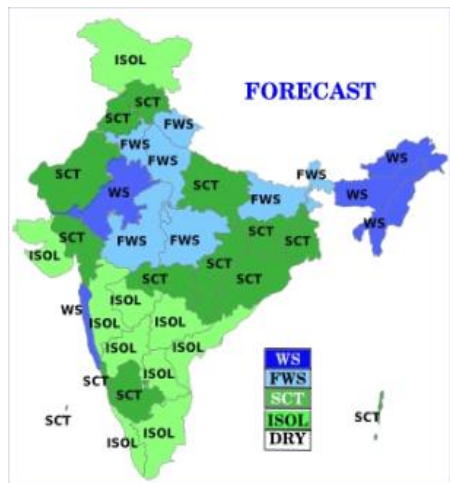
Recent Update:

Most of the sugar prices were witnessed steady to weak on Friday. Increase in monthly sugar release quota of the country by over 14% to 20 lakh tonnes for the month of September has led to decline in sugar prices by about 2%. Exporters expect that the millers, who have been sitting on huge sugar stocks, may begin to export the sweetener as price margin between domestic and export prices reduces slightly. Raw sugar futures in New York fell for the first time in six sessions, after a short-covering rally ran out of steam.

According to trade sources, the sugar mills are likely to crush 325 million tonnes of sugarcane crush between October 2018 and April 2019. The total sugar cane payment is estimated at Rs. 1,00,000 crore on present sugarcane price fixed by the government. Center has fixed the appropriate and remunerative price (FRP) 275 per quintal for sugar acquisition of 10 percent for marketing year 2018-19.

The Indian Sugar Mills Association had asked the government earlier this month to allow exports of around 6 mn-7 mn mt for the next season and to raise the minimum selling price of sugar to Rupees 36,000/mt. However, it is yet to be seen what route the government will take to encourage mills to export next season and support domestic prices.

Weather Update:



08th Sep: Heavy to very heavy rain at isolated places very likely over Arunachal Pradesh, Nagaland, Manipur, Mizoram & Tripura and East Rajasthan and heavy rain at isolated places over Assam & Meghalaya, West Uttar Pradesh, Uttarakhand and West Madhya Pradesh.

Overall, the monsoon till August 30 has been 6 per cent less than normal, with several districts of north interior Karnataka, Rayalaseema, Bihar, Jharkhand, Saurashtra and Kutch staring at a shortfall. The rainfall, according to agriculture ministry officials, has been well-distributed, though overall quantum might have been low in some regions. This they said

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 Widespread (FWS/ Many Places)	1-25	Isolated (ISOL)
Dry (No station reported Rainfall)			

won't have any impact on the overall production of kharif crops in 2018, which is poised for another record.

Previous Updates:

Sitting on a huge stock of around 10 million tonnes of sugar, industry body again on Wednesday demanded that the government should hike the minimum selling price of sweetener to Rs 36 from the current Rs 29 per kg and fix compulsory export quota at 7 million tonnes to bail out the sector. India

produced a record 32 million tonnes of sugar in the current 2017-18 marketing year (October-September). This is estimated to rise to 35-35.5 million tonnes next marketing year as against the domestic demand of 26 million tonnes. The government had asked mills to export 2 million tonnes in 2017-18 but only 4,50,000 tonnes have been shipped so far. The food ministry has extended the time period to export by three months till December.

Brazil's sugar exports fell to 1.732 mln tonnes, raw value, in August 2018, down from 1.885 mln in July and sharply below 2.816 mln in the same month last year, Trade Ministry data showed.

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

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 tonnes 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 arrears 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.

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 07-09-2018)

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 Thu September 06, 2018									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Sugar #11(ICE)									
Oct-18	180906	10.75	10.92	10.72	10.8	-0.09	72,790	4,45,292	-10,719
Mar-19	180906	11.62	11.71	11.52	11.56	-0.13	42,558	3,30,306	3,896
May-19	180906	11.76	11.85	11.67	11.72	-0.12	18,969	1,11,135	455
Jul-19	180906	11.94	11.97	11.8	11.85	-0.13	14,921	47,552	-2,244
Oct-19	180906	12.1	12.27	12.1	12.14	-0.13	7,680	49,692	446
Mar-20	180906	12.7	12.85	12.7	12.74	-0.13	1,301	15,999	283
May-20	180906	12.87	12.87	12.83	12.83	-0.12	411	3,364	99
Jul-20	180906	12.94	12.94	12.9	12.9	-0.13	184	3,040	102
Total Volume and Open Interest							1,58,826	10,10,628	-7,674

Daily Futures Price Listing Thu September 06, 2018									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
London Sugar(LCE)									
Oct-18	180906	333.5	335.2	328.4	329.8	-5.1	12,033	24,485	-5,031
Dec-18	180906	333.4	334.5	328.4	329.5	-4.7	10,116	40,365	1,897
Mar-19	180906	330.8	332.4	327.2	328.3	-3.2	2,114	22,778	702
May-19	180906	332.2	334.1	329.4	330.7	-2.4	594	9,632	115
Aug-19	180906	334.9	336.1	331.9	333.3	-2.5	271	6,831	76
Total Volume and Open Interest							25,333	1,08,772	-2,173

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			07-Sep-18	06-Sep-18	
Delhi	Delhi	M-Grade	3145	3145	Unch
	Delhi	S-Grade	3125	3125	Unch
Uttar Pradesh	Khatauli	M-Grade	3200	3240	-40
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3100	3140	-40
	Dhampur	S-Grade Ex-Mill	3080	3120	-40
	Dhampur	L-Grade Ex-Mill	3150	3190	-40

Maharashtra	Mumbai	M-Grade	3400	3400	Unch
	Mumbai	S-Grade	3160	3176	-16
	Nagpur	M-Grade	3175	3175	Unch
	Nagpur	S-Grade	3075	3075	Unch
	Kolhapur	M-Grade	3050	3050	Unch
	Kolhapur	S-Grade	2950	2950	Unch
Assam	Guhawati	S-Grade	3258	3258	Unch
Meghalaya	Shillong	S-Grade	3270	3270	Unch
Andhra Pradesh	Vijayawada	M-Grade	3600	3600	Unch
	Vijayawada	S-Grade	3540	3540	Unch
West Bengal	Kolkata	M-Grade	3450	3450	Unch
Tamil Nadu	Chennai	S-Grade	3325	3325	Unch
	Dindigul	M-Grade	3540	3540	Unch
	Coimbatore	M-Grade	3680	3680	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)			07-Sep-18	06-Sep-18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2975	3000	-25
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	2813	2800	13
	Hapur	Chaurasa	NA	NA	-
	Hapur	Balti	NA	NA	-
Andhra Pradesh	Chittur	Gold	4100	4100	Unch
		White	3900	3900	Unch
		Black	2700	2500	200
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4150	4150	Unch
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	3100	3100	Unch
	Gulbarga/Kalaburgi	Other (Average)	3150	3450	-300
	Mahalingapura	Penti (Average)	3186	3185	1

	Mandya	Achhu (Medium)	3200	3200	Unch
	Mandya	Kurikatu (Medium)	3000	3000	Unch
	Mandya	Other (Medium)	3000	3000	Unch
	Mandya	Yellow (Medium)	3250	3200	50
	Shimoga/Shivamogga	Achhu (Average)	3950	4000	-50

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