

## Sugar & Gur Domestic & International Fundamentals

### Recent Update:

**Most of the markets prices were noticed weak tone on Wednesday.** as monthly sugar release quota for September was higher by over 14% from last month to 20 lakh tonnes. Millers, who have been sitting on huge sugar stocks, are expected to begin exporting as margin between domestic and export prices improved slightly.

Brazilian and Australian sugar industry groups are working together with their respective governments to prepare a formal complaint to the World Trade Organization (WTO) over any possible sugar export subsidy by India, a top Brazilian sugar official told Reuters. Brazil and Australia view any subsidy by India, set to take over as the world's largest sugar producer this year, as a grave threat to a recent price recovery.

The two countries reached a consensus regarding the need to act at the WTO level if India moves to provide an export subsidy to sugar producers.

**U.S. beet sugar production for 2018/19 is projected up 235,923 short tons, raw value STRV) to 5.343 million.** The increase is based on sugarbeet area and yield forecasts made by NASS in Crop Production, on improved sugar extraction based on processor -reported field conditions heading into the harvest campaign, and on a lower projected beet pile shrink. Based on NASS sugarcane yield and area harvested and processors' forecast area for seed, 2018/19 cane sugar production in Louisiana is increased by 4,021 STRV to 1.785 million. Projected imports from Mexico are reduced to 842,150 STRV and projected high-tier tariff imports are increased to 45,000 STRV. There are no changes to 2018/19 sugar use. Ending stocks for 2018/19 are projected at 1.687 million STRV for a stocks-to-use ratio of 13.5 percent.

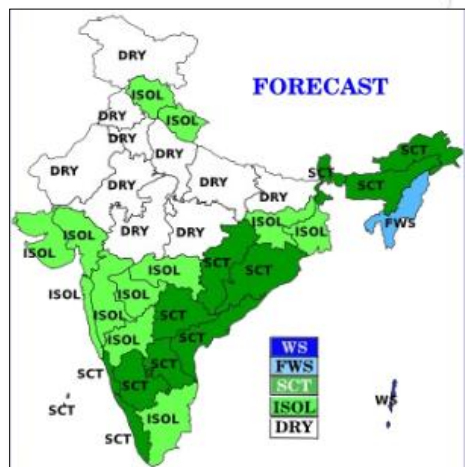
### Weather Update:

**17<sup>th</sup> Sep:** Heavy to very heavy rain at isolated places very likely over Andaman & Nicobar Islands and heavy rain at isolated places over Odisha and Coastal Andhra 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 won't have any impact on the overall production of kharif crops in 2018,



| 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)             |                                      |            |                               |

which is poised for another record.

### Previous Updates:

**Raw sugar futures in New York rallied 4.4% in heavy volume to a two-month high.** The U.S. Department of Agriculture raised its estimate of U.S. beet sugar production for 2018/19 by 235,923 short tons, raw value to 5.343 mln.

**Sugar mills in Brazil's Centre/South crushed 43.306 mln tonnes of cane** in the second half of August, up from 33.562 mln in the rain-affected first half of the month and also above 39.076 mln in the same period a year ago, Unica data showed.

**Brazilian and Australian sugar industry groups have joined forces and are working together with their respective governments to prepare a formal complaint to the World Trade Organization (WTO)** over any possible sugar export subsidy by India, Reuters reported. Brazil and Australia view any subsidy by India, set to take over as the world's largest sugar producer this year, as a grave threat to a recent price recovery.

**FAO's sugar price index dropped 5.4 percent from July, the lowest level in a decade.** The decline was largely due to the continued depreciation of the currencies of Brazil and India against the U.S. dollar.

**The union cabinet on Wednesday increased the procurement price of ethanol** produced from B-heavy molasses (also called as intermediary molasses) to Rs 59 a litre from the current Rs 47.13 a litre and that produced from C-heavy molasses to Rs 53 a litre from the existing Rs 43.46 a litre, an increase of 25 per cent. In Such case the sugar production might lead to idecrease when the mills start producing ethanol directly from B-molasses.

**Crushing of cane for the 2018-19 sugar season (October-September) set to begin in just over a month, the BJP government in Uttar Pradesh is set to approve a Rs 5,535-crore package** to help mills clear their outstanding payment dues to growers, which are now almost at Rs 10,000 crore. The Rs 5,535-crore amount would include Rs 1,010 crore to be disbursed to 24 cooperative factories and Rs 25 crore to the sole state corporation-owned mill. The balance Rs 4,500 crore will be given to private sugar mills — Rs 500 crore as grant and Rs 4,000 crore in the form of soft loans.

**Till 07<sup>th</sup> Sep 2018, sugarcane has been sown in 51.94 lakh ha, 4.17% higher than 49.86 lakh ha till date** last year & 12.04% higher than the normal acreage of 46.36 lakh ha till date. As per ISMA, total area under sugarcane may rise 7.8% to 54.35 la ha in 2018/19 from 50.42 la ha this season.

**The government has fixed an export quota of 10,000 tonne of white/raw sugar to the European Union (EU) under a provision for a 12-month period beginning October.** A quantity of 10,000 tonne of raw or white sugar under CXL concessions to the EU for the period October 2018 to September 2019. As per a provision of EU regulation, the release of sugar under this concession is subject to the presentation of a Certificate of Origin issued by the competent authority. Availing the CXL concessions on export to the EU, traders can export sugar at relatively low or zero customs duty.

***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.***

***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.***

***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.***

***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.***

***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.***

***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 18-09-2018)

| Contract    | +/-           | Open | High | Low  | Close | Volume | O.I |
|-------------|---------------|------|------|------|-------|--------|-----|
| Cont. (Oct) | -             | 3127 | 3127 | 3127 | 3127  | -      | -   |
| 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 Fri September 17, 2018 |        |       |       |       |       |        |              |          |         |
|----------------------------------------------------|--------|-------|-------|-------|-------|--------|--------------|----------|---------|
| Most Recent Information                            |        |       |       |       |       |        | Previous Day |          |         |
| Mth                                                | Date   | Open  | High  | Low   | Close | Change | Volume       | Open Int | Change  |
| Sugar #11(ICE)                                     |        |       |       |       |       |        |              |          |         |
| <a href="#">Oct-18</a>                             | 180914 | 11.64 | 11.68 | 11    | 11.16 | -0.52  | 1,91,089     | 2,15,382 | -62,687 |
| <a href="#">Mar-19</a>                             | 180914 | 12.43 | 12.45 | 11.85 | 12.02 | -0.43  | 1,58,019     | 3,89,387 | 26,792  |
| <a href="#">May-19</a>                             | 180914 | 12.53 | 12.58 | 12.03 | 12.19 | -0.37  | 31,559       | 1,23,348 | -438    |
| <a href="#">Jul-19</a>                             | 180914 | 12.6  | 12.64 | 12.13 | 12.29 | -0.32  | 14,085       | 57,445   | 3,793   |
| <a href="#">Oct-19</a>                             | 180914 | 12.79 | 12.85 | 12.38 | 12.54 | -0.26  | 4,075        | 61,198   | 406     |
| <a href="#">Mar-20</a>                             | 180914 | 13.35 | 13.35 | 13    | 13.09 | -0.23  | 1,025        | 17,716   | 179     |
| <a href="#">May-20</a>                             | 180914 | 13.34 | 13.34 | 13.03 | 13.13 | -0.19  | 199          | 3,448    | 27      |
| <a href="#">Jul-20</a>                             | 180914 | 13.31 | 13.31 | 13.03 | 13.17 | -0.16  | 169          | 3,124    | 56      |
| Total Volume and Open Interest                     |        |       |       |       |       |        | 4,00,292     | 8,75,376 | -31,823 |

| Daily Futures Price Listing Fri September 17, 2018 |        |       |       |       |       |        |              |          |        |
|----------------------------------------------------|--------|-------|-------|-------|-------|--------|--------------|----------|--------|
| Most Recent Information                            |        |       |       |       |       |        | Previous Day |          |        |
| Mth                                                | Date   | Open  | High  | Low   | Close | Change | Volume       | Open Int | Change |
| London Sugar(LCE)                                  |        |       |       |       |       |        |              |          |        |
| <a href="#">Oct-18</a>                             | 180914 | 336.1 | 336.1 | 312.9 | 328.9 | -3.7   | 6,016        | 3,793    | -3,441 |

|                                |        |       |       |       |       |       |        |        |        |
|--------------------------------|--------|-------|-------|-------|-------|-------|--------|--------|--------|
| <a href="#">Dec-18</a>         | 180914 | 350   | 351.6 | 337.7 | 339.7 | -10.9 | 10,949 | 44,311 | 561    |
| <a href="#">Mar-19</a>         | 180914 | 350   | 351.3 | 338.5 | 340.5 | -10   | 4,252  | 27,030 | 1,376  |
| <a href="#">May-19</a>         | 180914 | 351.9 | 352.5 | 341.4 | 343.8 | -8.8  | 1,022  | 9,948  | -222   |
| <a href="#">Aug-19</a>         | 180914 | 354   | 354.5 | 344.3 | 346.4 | -8.1  | 411    | 7,287  | -24    |
| Total Volume and Open Interest |        |       |       |       |       |       | 22,786 | 97,247 | -1,753 |

## Sugar Prices at Key Spot Markets:

| Commodity      | Centre     | Variety                | Prices (Rs/Qtl) |           | Change |
|----------------|------------|------------------------|-----------------|-----------|--------|
|                |            |                        | 19-Sep-18       | 18-Sep-18 |        |
| Delhi          | Delhi      | M-Grade                | 3210            | 3220      | -10    |
|                | Delhi      | S-Grade                | 3190            | 3200      | -10    |
| Uttar Pradesh  | Khatauli   | M-Grade                | 3410            | 3430      | -20    |
|                | Ramala     | M-Grade                | NA              | NA        | -      |
|                | Dhampur    | M-Grade Ex-Mill        | 3150            | 3250      | -100   |
|                | Dhampur    | S-Grade Ex-Mill        | 3130            | 3230      | -100   |
|                | Dhampur    | L-Grade Ex-Mill        | 3200            | 3300      | -100   |
| Maharashtra    | Mumbai     | M-Grade                | 3330            | 3346      | -16    |
|                | Mumbai     | S-Grade                | 3200            | 3206      | -6     |
|                | Nagpur     | M-Grade                | 3225            | 3275      | -50    |
|                | Nagpur     | S-Grade                | 3125            | 3175      | -50    |
|                | Kolhapur   | M-Grade                | 3100            | 3150      | -50    |
|                | Kolhapur   | S-Grade                | 3000            | 3050      | -50    |
| Assam          | Guhawati   | S-Grade                | 3309            | 3360      | -51    |
| Meghalaya      | Shillong   | S-Grade                | 3320            | 3370      | -50    |
| Andhra Pradesh | Vijayawada | M-Grade                | 3640            | 3540      | 100    |
|                | Vijayawada | S-Grade                | 3580            | 3480      | 100    |
| West Bengal    | Kolkata    | M-Grade                | 3640            | 3570      | 70     |
| Tamil Nadu     | Chennai    | S-Grade                | 3300            | 3300      | Unch   |
|                | Dindigul   | M-Grade                | 3520            | 3520      | Unch   |
|                | Coimbatore | M-Grade                | 3620            | 3620      | 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 |
|--------------|--------|---------|-----------------|-----------|--------|
|              |        |         | 19-Sep-18       | 18-Sep-18 |        |
| Jaggery(Gur) |        |         |                 |           |        |

|                |                    |                          |      |      |      |
|----------------|--------------------|--------------------------|------|------|------|
| Uttar Pradesh  | Muzaffarnagar      | Chaku Sukha(Cold)        | 3250 | 3200 | 50   |
|                | Muzaffarnagar      | Chaku(Arrival)(40kg Bag) | NA   | NA   | -    |
|                | Muzaffarnagar      | Khurpa (Fresh)           | NA   | NA   | -    |
|                | Muzaffarnagar      | Laddoo (Fresh)           | NA   | NA   | -    |
|                | Muzaffarnagar      | Rascut (Fresh)           | 2875 | 2875 | Unch |
|                | Hapur              | Chaurasa                 | NA   | NA   | -    |
|                | Hapur              | Balti                    | NA   | NA   | -    |
| Andhra Pradesh | Chittur            | Gold                     | 4000 | 4100 | -100 |
|                |                    | White                    | 3600 | 3900 | -300 |
|                |                    | Black                    | 2600 | 2600 | Unch |
| Maharashtra    | Latur              | Lal Variety              | NR   | NR   | -    |
| Karnataka      | Bangalore          | Mudde (Average)          | 4450 | 4450 | Unch |
|                | Belgaum            | Mudde (Average)          | NA   | NA   | -    |
|                | Belthangadi        | Yellow (Average)         | NA   | NA   | -    |
|                | Bijapur/Vijayapura | Achhu                    | NA   | 3060 | -    |
|                | Gulbarga/Kalaburgi | Other (Average)          | 3180 | 3175 | 5    |
|                | Mahalingapura      | Penti (Average)          | NA   | 3096 | -    |
|                | Mandya             | Achhu (Medium)           | 3150 | 3150 | Unch |
|                | Mandya             | Kurikatu (Medium)        | 3050 | 3050 | Unch |
|                | Mandya             | Other (Medium)           | 2950 | 2900 | 50   |
|                | Mandya             | Yellow (Medium)          | 3150 | 3100 | 50   |
|                | Shimoga/Shivamogga | Achhu (Average)          | 3850 | 3950 | -100 |

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