

Sugar & Gur Domestic & International Fundamentals

Recent Update:

Most of the markets prices were noticed steady to weak tone on Friday. 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.

The Union Cabinet did not consider Wednesday Rs 4,500 crore plan to more than double the production assistance paid to sugarcane farmers and transport subsidy to sugarNSE 0.00 % exporting mills. The Cabinet Committee on Economic Affairs (CCEA) may take up the food ministry's proposal next week, they added. The ministry has proposed sharp increase in production assistance to farmers to Rs 13.88 per quintal for 2018-19 marketing year (October-September) from Rs 5.5 at present. The proposal to raise production assistance and transport subsidy of up to Rs 3,000 per tonne to mills for exports of five million tonnes of surplus sugar is part of the government plan to clear more than Rs 13,500 crore arrears sugar mills have towards farmers. Yesterday, sources had said the government will have to bear about Rs 4,500 crore on account of these measures to help sugar mills and cane farmers.

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.

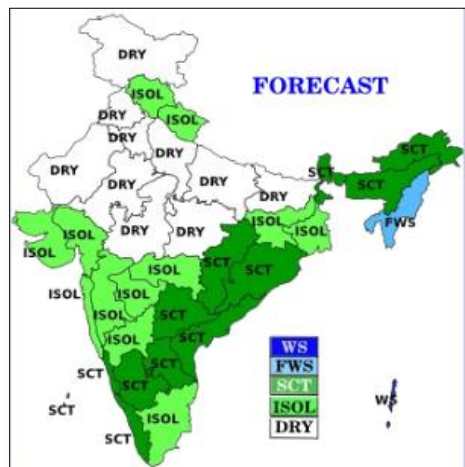
The two countries reached a consensus regarding the need to act at the WTO level if India moves to provide an export subsidy to sugar producers.

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:

17th 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



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)			

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, 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 07th 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 19-09-2018)

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 20, 2018									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Sugar #11(ICE)									
Oct-18	180914	11.64	11.68	11	11.16	-0.52	1,91,089	2,15,382	-62,687
Mar-19	180914	12.43	12.45	11.85	12.02	-0.43	1,58,019	3,89,387	26,792
May-19	180914	12.53	12.58	12.03	12.19	-0.37	31,559	1,23,348	-438
Jul-19	180914	12.6	12.64	12.13	12.29	-0.32	14,085	57,445	3,793
Oct-19	180914	12.79	12.85	12.38	12.54	-0.26	4,075	61,198	406
Mar-20	180914	13.35	13.35	13	13.09	-0.23	1,025	17,716	179
May-20	180914	13.34	13.34	13.03	13.13	-0.19	199	3,448	27
Jul-20	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 20, 2018									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
London Sugar(LCE)									
Oct-18	180914	336.1	336.1	312.9	328.9	-3.7	6,016	3,793	-3,441
Dec-18	180914	350	351.6	337.7	339.7	-10.9	10,949	44,311	561
Mar-19	180914	350	351.3	338.5	340.5	-10	4,252	27,030	1,376
May-19	180914	351.9	352.5	341.4	343.8	-8.8	1,022	9,948	-222
Aug-19	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
Sugar			22-Sep-18	21-Sep-18	
Delhi	Delhi	M-Grade	3150	3150	Unch
	Delhi	S-Grade	3130	3130	Unch
Uttar Pradesh	Khatauli	M-Grade	3350	3370	-20
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3160	3170	-10
	Dhampur	S-Grade Ex-Mill	3140	3150	-10
	Dhampur	L-Grade Ex-Mill	3210	3220	-10
Maharashtra	Mumbai	M-Grade	3320	3320	Unch
	Mumbai	S-Grade	3200	3200	Unch
	Nagpur	M-Grade	3200	3200	Unch
	Nagpur	S-Grade	3100	3100	Unch
	Kolhapur	M-Grade	3075	3075	Unch
	Kolhapur	S-Grade	2975	2975	Unch
Assam	Guhawati	S-Grade	3284	3284	Unch
Meghalaya	Shillong	S-Grade	3295	3295	Unch
Andhra Pradesh	Vijayawada	M-Grade	3600	3640	-40
	Vijayawada	S-Grade	3540	3580	-40
West Bengal	Kolkata	M-Grade	3640	3640	Unch
Tamil Nadu	Chennai	S-Grade	3250	Closed	-
	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
Jaggery(Gur)			22-Sep-18	21-Sep-18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	3250	3250	Unch
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	NA	NA	-
	Hapur	Chaurasa	NA	NA	-
	Hapur	Balti	NA	NA	-
Andhra Pradesh	Chittur	Gold	3750	3750	Unch
		White	3300	3300	Unch
		Black	2600	2600	Unch
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4450	NA	-
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	NA	NA	-
	Gulbarga/Kalaburgi	Other (Average)	3300	NA	-
	Mahalingapura	Penti (Average)	NA	NA	-
	Mandya	Achhu (Medium)	3100	NA	-
	Mandya	Kurikatu (Medium)	3050	NA	-
	Mandya	Other (Medium)	2900	NA	-
	Mandya	Yellow (Medium)	3150	NA	-
	Shimoga/Shivamogga	Achhu (Average)	NA	NA	-

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/disclaimer.php> © 2018 Indian Agribusiness Systems Ltd.