

## Sugar &Gur Domestic & International Fundamentals

### Recent Update:

**Sugar wholesale market prices were witnessed steady to weak on Tuesday.** After the announcement of the export incentives for sugar millers in the country and Festive demand kept sugar prices supportive.

**Maharashtra's area under sugarcane increased 25% over previous year, reaching 11.42 lakh hectares.** Due to less rainfall, farmers will prefer to keep the ratoon crop. Thus, the share of ratoon crop will be much higher than that of the new plantation next year. As output of the ratoon crop is lesser than the newly planted crop, it will pull down the overall sugarcane production. Incidence of white grub has affected an estimated 20,000 hectares and agronomists have advised farmers to not retain ratoon of such crop. Monsoon rainfall from June to September was 20% deficient in Marathwada region of the state and 30% deficient in north Interior Karnataka region. Usable water storage in the reservoirs of Marathwada region as on October 1 is 28% as against 65% on the same day of the previous year. Reservoir level in Nashik region is down to 65% against 82% the same day a year ago.

**Shares of sugar companies have rallied by up to 19% on the BSE on back of heavy volumes in an otherwise weak market.** Uttam Sugar Mills, Dhampur Sugar Mills, Dwarikesh Sugar Industries, Thiru Arooran Sugars, KCP Sugar & Industries and Bajaj Hindustan Sugar were up in the range of 10% to 19% on the BSE. At 11:13 am; the S&P BSE Sensex was trading 0.21% lower at 34,404 points.

### Weather Update:



**10<sup>th</sup> Oct ♦** Heavy to very heavy rain at a few places with extremely heavy falls at isolated places very likely over Odisha; heavy to very heavy rain at isolated places over Gangetic West Bengal and heavy rain at isolated places over Mizoram & Tripura and north Coastal Andhra Pradesh

The Indian Meteorological Department (IMD) defines average, or normal, rainfall as between 96 percent and 104 percent of a 50-year average of 89 cm for the entire four-month season. The IMD adopted a so-called dynamic model, based on a US model tweaked for India, for the first time last year to improve the accuracy of its forecasts. The IMD had predicted that the June-September monsoon, crucial for a

host of cash and food crops in India, will set to start receding from the northwest from Saturday onwards. The monsoon usually starts withdrawing in the first week of September, but this year it has been delayed by nearly four weeks. Meanwhile, an extraordinarily dry spell in the month of September has meant an overall deficit of roughly nine percent in the Southwest Monsoon.

### Previous Updates:

**World sugar futures continued to climb higher but at a slower pace.** Firmer raw and white sugar markets this week challenged ideas that prices might be about to embark on yet another downturn under pressure from an influx of subsidised Indian supplies.

**The sugarcane crushing season has started, but the cane has not been lost due to last year's cane.** Concern about the operation of the mills in the current crushing season is intact. With the Center, the state government has taken several measures from its level, but the outstanding balance of the farmers of Uttar Pradesh is not falling below Rs 8220 crore. The government is pressurizing the sugar industry to start the crushing season with the outstanding payment.

**The cabinet has approved more incentives to encourage cash-strapped mills to export sugar in the 2018/19 season to trim bulging domestic stockpiles.** However, the Indian sugar mills may be able to export only 3 million tonnes (mt) of sugar and not 5 mt as stipulated by the government, since the international prices of the sweetener is expected to remain weak during the season that has just commenced on account of expected bumper production in Thailand and the European Union. The price on the domestic National Commodity Exchange (NCDEX) is significantly higher at Rs 3,100/quintal. Thus sugar-mills are unlikely to find the export option attractive even after the newly announced incentive.

**Sugarcane production is forecast to decline 4% to 130 million tonnes in 2018-19, due to reduced average yields after less rain fell than expected in major growing areas, according to an attache report published in the USDA.** Sugar production for the same period is expected to decrease 6% from a record 14.7 million tonnes in 2017-18 to 13.8 million tonnes. The USDA attache in Thailand said in the Sept 27 report that during the first half of 2018, sugar consumption was at 1.3 million tonnes, 6% lower than the same period last year. As the third-largest producer of sugar after Brazil and India, Thailand joined the growing list of regions implementing taxes on sweetened beverages in 2017, in an effort to reduce consumption of sugary drinks, for 2017-18, sugar exports are forecast to reach a record 10.5 million tonnes after stronger-than-expected sugarcane production led to lower raw sugar prices. Raw sugar exports are forecast to nearly double in 2017-18, while white and refined sugar exports will likely increase 15% to 4.5 million tonnes, according to the report.

**Indian sugar mills may be able to export only 3 million tonnes (mt) of sugar and not 5 mt as stipulated by the government,** since the international prices of the sweetener is expected to remain weak during the season that has just commenced on account of expected bumper production in Thailand and the European Union, a report from research and ratings agency Crisil said on Wednesday.

**Drought-like conditions delayed sugarcane planting in Maharashtra and other parts of peninsular India that will substantially reduce 2019-20 sugar production of India** and help ease pressure on global sugar prices as India begins export of surplus in a couple of years. World sugar prices are under pressure as India will begin export of its surplus sugar production. For 2018-19 sugar year from October to September, Maharashtra government has already reduced the production estimate from 10.5 million tonnes to 10 million tonnes,

***The Thai Sugar Millers Co. Ltd expects the 2018/19 cane crop to reach only 120-125 mln tonnes against over 135 mln last season.*** Russian farmers harvested sugar beet from 554,200 ha as of October 3, or 50% of the area sown, according to the Ministry of Agriculture.

***The government has decided to raise the amount of subsidised loans to sugar mills to expand their ethanol production to Rs 6,139 crore, up 38% from Rs 4,440 crore announced earlier, an official source told FE.*** The lure of subsidised loans and a recent hike in prices of ethanol meant for blending with petrol, have prompted dozens of sugar companies to plan capacity expansion to produce more ethanol. As many as 114 sugar units belonging to various companies have been selected by the food ministry to avail of the subsidised loan.

***In Tamil Nadu, with poor rainfall hitting sugarcane production for the last six years, capacity utilisation dropped to 27% and production in 2017-2018 was just 0.7 million tons.*** It is expected to be 0.85 million tons in 2018-2019 and capacity utilisation at about 32 %. With lower capacity utilisation, the cost of production of sugar for TN mills will be higher by Rs 10 a kg compared to mills in other States.

***The 1<sup>st</sup> advance estimate of production of sugarcane for 2018-19 have been released by the Department of Agriculture, Cooperation and Farmers Welfare on 26<sup>th</sup> September, 2018.*** The Production of Sugarcane is estimated at 383.89 million tonnes which is higher by 6.99 million tonnes than the last years production of 376.90 million tonnes. Further, it is higher by 41.85 million tonnes than the average production of last five years.

***The Union government on last week announced a Rs 5,500 crore package for the sugar industry, including over two-fold jump in production aid to cane growers and transport subsidy to mills for exports.*** The Centre will provide assistance to mills by compensating expenditure towards internal transport, freight, handling and other charges to facilitate 5 million tonnes (MT) export during the 2018-19 (October-September).

***A transport subsidy of Rs 1,000 per tonne will be given for mills located within 100 kms from the ports, Rs 2,500 per tonne for mills located beyond 100 kms from the port in the coastal states and Rs 3,000 per tonne for mills located in other than coastal states or actual expenditure, whichever is lower.***

***Raw sugar futures on ICE rebounded on short-covering on Friday*** after plunging to 10-year lows in the prior session. Further reports of dry weather issues in some producing regions did not attract enough support to prevent raw sugar futures heading 'south' again this week.

***Sugarcane farmers are currently battling two problems.*** On one hand they cannot get the payment of cane. If he is getting delayed then he too will be delayed. At the same time the ground water level is declining. It is also increasing the cost of production. The main reason for not getting the payment from time to time is that the price of sugarcane is fixed by the government whereas sugar mills have to be sold at the Chinese market price.

***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 09-10-2018)

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.

International Sugar Futures ICE					(Rs/Qtl)	
Futures month	% Change over previous year	Today	Week ago	Month Ago	Year Ago	RBI Dollar
		8-Oct-18	1-Oct-18	6-Sep-18	8-Oct-17	8-Oct-18
Oct-18	#N/A	2217	2048	1740	#N/A	73.92
Mar-19	#N/A	2143	1968	1862	#N/A	
May-19	#N/A	2164	1983	1888	#N/A	

(Source: Reuters) \* Today – figures are a day ago Quotes.

International Sugar Futures LIFFE					(Rs/Qtl)	
Futures month	% Change over previous year	Today	Week ago	Month Ago	Year Ago	RBI Dollar
		8-Oct-18	1-Oct-18	6-Sep-18	8-Oct-17	8-Oct-18
Oct-18	#N/A	2709	2521	2372	#N/A	73.92
Dec-18	#N/A	2589	2428	2370	#N/A	
Mar-19	#N/A	2616	2431	2361	#N/A	

(Source: Reuters)\* Today – figures are a day ago Quotes.

Commodity (9-Oct-18)	Price (\$/Ton)	Change
Thai Sugar FOB 45 Icumsa	350.20	4.40

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			09-Oct-18	08-Oct-18	
Delhi	Delhi	M-Grade	3230	3240	-10
	Delhi	S-Grade	3210	3220	-10
Uttar Pradesh	Khatauli	M-Grade	3425	3430	-5
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3250	3260	-10
	Dhampur	S-Grade Ex-Mill	3230	3240	-10
	Dhampur	L-Grade Ex-Mill	3300	3310	-10
Maharashtra	Mumbai	M-Grade	3380	3380	Unch
	Mumbai	S-Grade	3210	3220	-10
	Nagpur	M-Grade	3225	3225	Unch
	Nagpur	S-Grade	3125	3125	Unch
	Kolhapur	M-Grade	3100	3100	Unch
	Kolhapur	S-Grade	3000	3000	Unch
Assam	Guhawati	S-Grade	3309	3309	Unch
Meghalaya	Shillong	S-Grade	3320	3320	Unch
Andhra Pradesh	Vijayawada	M-Grade	3600	3600	Unch
	Vijayawada	S-Grade	3540	3540	Unch
West Bengal	Kolkata	M-Grade	3600	3560	40
Tamil Nadu	Chennai	S-Grade	3250	3250	Unch
	Dindigul	M-Grade	3600	3600	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)			09-Oct-18	08-Oct-18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	3313	3288	25
	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	Closed	-

	Hapur	Balti	NA	Closed	-
Andhra Pradesh	Chittur	Gold	3850	4050	-200
		White	3300	3600	-300
		Black	2600	2500	100
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4250	NA	-
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	NA	NA	-
	Gulbarga/Kalaburgi	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	NA	3109	-
	Mandya	Achhu (Medium)	NA	NA	-
	Mandya	Kurikatu (Medium)	NA	NA	-
	Mandya	Other (Medium)	NA	NA	-
	Mandya	Yellow (Medium)	NA	NA	-
	Shimoga/Shivamogga	Achhu (Average)	NA	NA	-

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