

Sugar &Gur Domestic & International Fundamentals

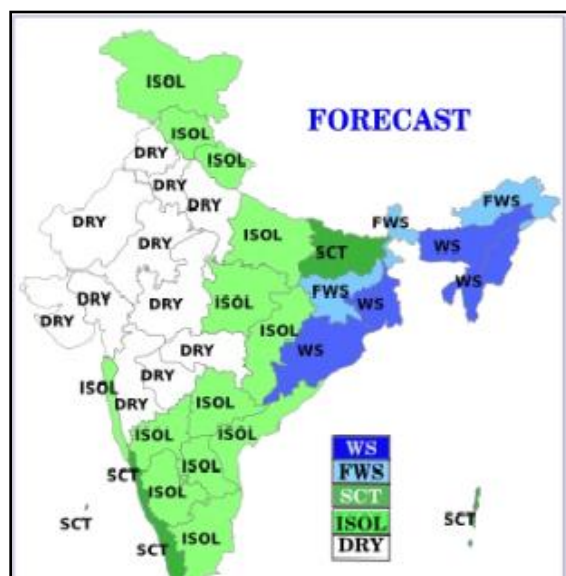
Recent Update:

Most of the sugar market prices were witnessed steady to firm on Thursday. After the announcement of the export incentives for sugar millers in the country and Festive demand kept sugar prices supportive. Sugar market ruled mixed on routine demand, supply and volume. At the Vashi wholesale market, prices showed a fluctuation of Rs 5-10 a quintal as per quality. Naka and mill tender rates remained unchanged despite higher festival demand.

Raw sugar futures in New York ended weaker for the first time in ten sessions as the market was pressured by a weaker Brazilian currency. Sugarcane crushing in Brazil's Centre/South (CS) fell to 27.643 million tonnes in the second half of September, the lowest in eight years for this period and down from 38.511 mln in the first half, Unica data showed.

Australian Sugar mills crushed 1.406 million tonnes of cane in the week to October 7, up from 1.361 mln in the same period last year, Australian Sugar Milling Council (ASMC) data showed.

Weather Update:



12th Oct ♦ Heavy to very heavy rain with extremely heavy falls very likely at isolated places over Assam & Meghalaya; heavy to very heavy rain at a few places over Gangetic West Bengal; heavy to very heavy rain at isolated places over Odisha and Nagaland, Manipur, Mizoram & Tripura ; heavy rain likely at isolated places over Jharkhand, Sub Himalayan West Bengal and Arunachal Pradesh.Squally

♦wind speed reaching 5060 kmph gusting 70 kmph very likely over south Odisha during next 12 hours and gradually decrease thereafter. Squally wind speed of 4050 kmph gusting 60 kmph very likely along and off north Odisha and west Bengal coast during next 12 hours.

♦Gale wind speed reaching 135145 km ph gusting 160

km ph will prevail over west central Arabian Sea. It is very likely to decrease gradually becoming 110 120 km ph gusting 135 km ph morning over wes tcentral Arabian around the system centre.

Previous Updates:

According to trade sources, Indian sugar mills have signed deals to export raw sugar for the first time in three years as a rally in New York prices to seven-month highs along with government subsidies made exports lucrative. Mills have contracted to export 150,000 tonnes raw sugar at around \$280 per tonne on a free-on-board (FOB) basis for shipment in November-December.

In March, India asked mills to export 2 million tonnes of sugar and fixed a mandatory export quota for each mill. But mills managed to export only around 450,000 tonnes in the 2017/18 marketing year that ended on Sept.30 due to uncompetitive prices. Apart from raw sugar, mills have contracted to export 100,000 tonnes of white sugar at around \$305 per tonne, FOB, for shipment in October-December, three dealers said. Whites are going to Middle East and African countries, said a New Delhi-based dealer with a global trading firm.

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.

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 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 1st advance estimate of production of sugarcane for 2018-19 have been released by the Department of Agriculture, Cooperation and Farmers Welfare on 26th 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.

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 11-10-2018)

Contract	+/-	Open	High	Low	Close	Volume	O.I
Cont. (Oct)	-	3122	3122	3122	3122	-	-
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
		10-Oct-18	3-Oct-18	10-Sep-18	10-Oct-17	10-Oct-18
Oct-18	2.95	2217	2094	1821	2153	74.13
Mar-19	3.01	2134	2000	1956	2071	
May-19	3.78	2160	2022	1980	2082	

(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
		10-Oct-18	3-Oct-18	10-Sep-18	10-Oct-17	10-Oct-18
Oct-18	7.41	2731	2579	2391	2543	74.13
Dec-18	8.63	2643	2473	2425	2433	

Mar-19	8.49	2651	2487	2436	2443	
(Source: Reuters)* Today – figures are a day ago Quotes.						

Commodity (11-Oct-18)	Price (\$/Ton)	Change
Thai Sugar FOB 45 Icumsa	356.50	3.10

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			11-Oct-18	10-Oct-18	
Delhi	Delhi	M-Grade	3275	3220	55
	Delhi	S-Grade	3255	3200	55
Uttar Pradesh	Khatauli	M-Grade	3425	3430	-5
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3260	3250	10
	Dhampur	S-Grade Ex-Mill	3240	3230	10
	Dhampur	L-Grade Ex-Mill	3310	3300	10
Maharashtra	Mumbai	M-Grade	3380	3380	Unch
	Mumbai	S-Grade	3196	3210	-14
	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	3600	Unch
Tamil Nadu	Chennai	S-Grade	3250	3250	Unch
	Dindigul	M-Grade	3600	3600	Unch
	Coimbatore	M-Grade	3580	3580	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)			11-Oct-	10-Oct-	

			18	18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	3350	3350	Unch
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	NA	NA	-
	Hapur	Chaursa	NA	NA	-
	Hapur	Balti	NA	NA	-
Andhra Pradesh	Chittur	Gold	4050	3750	300
		White	3150	3300	-150
		Black	2450	2500	-50
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	NA	4250	-
	Belgaum	Mudde (Average)	NA	3100	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	3000	NA	-
	Gulbarga/Kalaburgi	Other (Average)	3250	NA	-
	Mahalingapura	Penti (Average)	3131	3067	64
	Mandya	Achhu (Medium)	3200	3200	Unch
	Mandya	Kurikatu (Medium)	3000	3000	Unch
	Mandya	Other (Medium)	3000	2900	100
	Mandya	Yellow (Medium)	3150	3150	Unch
	Shimoga/Shivamogga	Achhu (Average)	NA	3450	-

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.