

Sugar &Gur Domestic & International Fundamentals

Recent Update:

Most of the sugar market prices were witnessed steady to weak on Saturday. After the announcement of the export incentives for sugar millers in the country and Festive demand kept sugar prices supportive. No 11, raw sugar futures settled higher but the market was not able to hold on to early gains that elevated the benchmark March contract to an intraday high above 13¢/lb.

Sugar mills, currently producing little or no bio-ethanol from B-class molasses, plan to ramp up production. They may constitute 10 per cent of total ethanol produced in the sugar season 2018-19, according to industry sources

The world sugar market could see a shortfall in 2019/20 after two years of over-supply as Brazil and the European Union cut production, but strong Indian output will still weigh on the market, ADM Investor Services International said on last week. The market could swing to a deficit of roughly 2 million tonnes in the 2019/2020 season, from an expected surplus of 4-5 million tonnes in the current 2018/19 season.



Weather Update:

15th Oct ♦ No weather warning.

The weather pattern's possible emergence and its impact on the north-west monsoon is an annual cause of concern for policymakers in India, where 60% of the crop area lacks assured irrigation. The summer-sown Kharif crop, which accounts for half of India's foodgrain output, is particularly dependent on monsoon rainfall. El Nino is part of a natural process, characterised by a warming in the Pacific Ocean, with repercussions across the globe, including higher temperatures and drought in some parts.

Previous Updates:

U.S. sugar supply for 2017/18 is decreased by 58,022 short tons, raw value (STRV). The decrease reflects a reduction in estimated Louisiana cane sugar production for the month of September 2018 and a net reduction in imports. Imports under tariff-rate quotas (TRQs) are reduced by 62,527 STRV but are partially offset by a 10,000 -STRV increase in high- tier tariff imports and a 1,404-STRV increase in re-export imports. U.S. sugar supply for 2018/19 is reduced by 99,496 STRV. The reduction reflects lower beginning stocks and lower production partially offset by a shift in free trade agreement 2018 calendar year TRQ imports from the third quarter of 2018 to the fourth quarter. Beet sugar production for 2018/19

is reduced 106,719 STRV on a lower sugarbeet production forecast by NASS. Cane sugar production in Louisiana is increased by 40,724 STRV on NASS increases for both sugarcane area and yield forecasts.

Mexico sugar exports for 2017/18 are estimated at 1.147 million metric tons (MT), a reduction of 60,116 from last month. Exports are comprised of 1.086 million MT to the United States under export licenses and of combined exports of 60,796 MT to non-U.S. destinations and to the U.S. re-export import program. Ending stocks are residually estimated at 1.328 million MT of which 350,358 are required to be exported in 2018/19 before December 31 per provisions administered by the Fideicomiso Maestro para la Exportación de Excedentes de los Ingenios (FIMAE). Mexico sugar exports for 2018/19 are projected to increase 86,207 MT reflecting supplies reported by CONADESUCA under FIMAE provisions.

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.

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.

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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)	-	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
		12-Oct-18	5-Oct-18	10-Sep-18	12-Oct-17	12-Oct-18
Oct-18	2.84	2231	2159	1821	2170	73.79
Mar-19	3.74	2160	2082	1956	2082	
May-19	4.11	2180	2101	1980	2094	

(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
		12-Oct-18	5-Oct-18	10-Sep-18	12-Oct-17	12-Oct-18
Oct-18	6.79	2717	2664	2391	2544	73.79
Dec-18	11.78	2733	2544	2425	2445	
Mar-19	9.17	2682	2572	2436	2457	

Commodity (11-Oct-18)	Price (\$/Ton)	Change
Thai Sugar FOB 45 Icumsa	362.90	6.40

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			13-Oct-18	12-Oct-18	
Delhi	Delhi	M-Grade	3190	3200	-10
	Delhi	S-Grade	3170	3180	-10
Uttar Pradesh	Khatauli	M-Grade	3410	3415	-5
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3215	3260	-45
	Dhampur	S-Grade Ex-Mill	3195	3240	-45
	Dhampur	L-Grade Ex-Mill	3265	3310	-45
Maharashtra	Mumbai	M-Grade	3380	3380	Unch
	Mumbai	S-Grade	3196	3196	Unch

	Nagpur	M-Grade	3225	3205	20
	Nagpur	S-Grade	3125	3105	20
	Kolhapur	M-Grade	3100	3080	20
	Kolhapur	S-Grade	3000	2980	20
Assam	Guhawati	S-Grade	3309	3289	20
Meghalaya	Shillong	S-Grade	3320	3300	20
Andhra Pradesh	Vijayawada	M-Grade	3600	3600	Unch
	Vijayawada	S-Grade	3540	3540	Unch
West Bengal	Kolkata	M-Grade	3590	3590	Unch
Tamil Nadu	Chennai	S-Grade	3225	3250	-25
	Dindigul	M-Grade	3580	3580	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)			13-Oct-18	12-Oct-18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	3325	3325	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	3850	3850	Unch
		White	3100	3100	Unch
		Black	2450	2450	Unch
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	NA	NA	-
	Belgaum	Mudde (Average)	NA	3100	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	NA	3000	-
	Gulbarga/Kalaburgi	Other (Average)	3200	3250	-50
	Mahalingapura	Penti (Average)	NA	NA	-
	Mandya	Achhu (Medium)	3250	NA	-

	Mandya	Kurikatu (Medium)	3000	NA	-
	Mandya	Other (Medium)	2900	NA	-
	Mandya	Yellow (Medium)	3200	NA	-
	Shimoga/Shivamogga	Achhu (Average)	NA	3700	-

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