

## Sugar &Gur Domestic & International Fundamentals

### Recent Update:

**Most of the sugar market prices witnessed steady to firm on Tuesday.** After the announcement of the export incentives for sugar millers in the country and Festive demand kept sugar prices supportive. The Sugar prices improved on tuesday on back of higher festival demand. At the Delhi wholesale market, prices were up Rs 5-10 a quintal. Freight rates were also firm.

**Sugar stocks continued to witness buying on Monday after a media report indicated that the government is planning to provide funding to set up an ethanol plant.** Uttam Sugar, Dalmia Sugar, Dwarikesh Sugar, Ponni Sugars (E), KCP Sugar, Bannariamman, Bajaj Hindusthan, Andhra Sugar, EID Parry and Balrampur Chini rallied 6-15 percent. To boost ethanol production, the government is planning to provide financial help to sugar companies. The government targets to increase ethanol's limit in petrol to 20 percent from current level of 10 percent, hence, it may approve loan to set up an ethanol plant, sources said.

**India has a surplus (opening stock) of 10.5 million tonnes from the last season and it is expected to produce around 33.5 million tonnes of the sweetener in 2018-19 starting October.** So the total availability of sugar this year will be around 44 million tonnes against the expected domestic consumption of 26 million tonnes, thus putting a burden on the mills to clear huge sugar stocks -around Rs 37 per kg in the national capital compared to around Rs 40-43 a year ago.

### Weather Update:

**17<sup>th</sup> Oct ♦ Thunderstorm accompanied with lightning very likely at isolated places over Rayalaseema, Coastal Andhra Pradesh, Coastal & South Interior Karnataka, Kerala and Tamilnadu & Puducherry.**

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:

**Brazil has decided to cut down sugar production by earmarking more cane for manufacturing ethanol, so India finds a space where the domestic surplus can be accommodated.** To achieve it, we will have to produce sugar of 45 ICUMSA grade. Currently, we produce sugar whose grade is between 100-150

ICUMSA. India has a surplus (opening stock) of 10.5 million tonnes from the last season and it is expected to produce around 33.5 million tonnes of the sweetener in 2018-19 starting October.

**The US Department of Agriculture (USDA) reduced its outlook for US sugar production in 2018/19 (Oct/Sep) by 65,995 tons to 9.262 mln short tons raw value, while the estimate for 2017/18 production was cut by 6,899 tons to 9.248 mln.**

**Maharashtra's sugar industry has ramped up efforts to export 15 lakh tonnes of sugar till March.** The central government has also decided to take weekly review of sugar exports as the country plans to export total of 9 million tonnes of sugar in next two years. The government has given mill wise quota to export 50 lakh tonnes of sugar in 2018-19 and extended incentives of Rs 138/tonne of sugarcane.

**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.

**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.**

**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 16-10-2018)

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
		15-Oct-18	8-Oct-18	13-Sep-18	15-Oct-17	15-Oct-18
Oct-18	#N/A	2290	2217	1881	#N/A	73.97
Mar-19	#N/A	2225	2143	2005	#N/A	
May-19	#N/A	2242	2164	2023	#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
		15-Oct-18	8-Oct-18	13-Sep-18	15-Oct-17	15-Oct-18
Oct-18	#N/A	2803	2709	2392	#N/A	73.97
Dec-18	#N/A	2743	2589	2521	#N/A	
Mar-19	#N/A	2741	2616	2520	#N/A	

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

Commodity (15-Oct-18)	Price (\$/Ton)	Change
Thai Sugar FOB 45 Icumsa	370.80	7.30

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			16-Oct-18	15-Oct-18	
Delhi	Delhi	M-Grade	3200	3190	10
	Delhi	S-Grade	3180	3170	10
Uttar Pradesh	Khatauli	M-Grade	3400	3400	Unch
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3200	3200	Unch
	Dhampur	S-Grade Ex-Mill	3180	3180	Unch
	Dhampur	L-Grade Ex-Mill	3250	3250	Unch
Maharashtra	Mumbai	M-Grade	3386	3386	Unch
	Mumbai	S-Grade	3200	3196	4
	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

<b>West Bengal</b>	Kolkata	M-Grade	3600	3590	<b>10</b>
<b>Tamil Nadu</b>	Chennai	S-Grade	3250	3250	<b>Unch</b>
	Dindigul	M-Grade	3610	3610	<b>Unch</b>
	Coimbatore	M-Grade	3580	3580	<b>Unch</b>
<b>Chattisgarh</b>	Ambikapur	M-Grade (Without Duty)	3450	3450	<b>Unch</b>
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)			16-Oct-18	15-Oct-18	
<b>Uttar Pradesh</b>	Muzaffarnagar	Chaku Sukha(Cold)	3153	3250	<b>-98</b>
	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	-
<b>Andhra Pradesh</b>	Chittur	Gold	4000	4000	<b>Unch</b>
		White	3200	3200	<b>Unch</b>
		Black	2500	2500	<b>Unch</b>
<b>Maharashtra</b>	Latur	Lal Variety	NR	NR	-
<b>Karnataka</b>	Bangalore	Mudde (Average)	NA	NA	-
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	3000	3000	<b>Unch</b>
	Gulbarga/Kalaburgi	Other (Average)	3200	3255	<b>-55</b>
	Mahalingapura	Penti (Average)	NA	3067	-
	Mandya	Achhu (Medium)	3200	3250	<b>-50</b>
	Mandya	Kurikatu (Medium)	3000	3000	<b>Unch</b>
	Mandya	Other (Medium)	2950	2950	<b>Unch</b>
	Mandya	Yellow (Medium)	3300	3300	<b>Unch</b>
	Shimoga/Shivamogga	Achhu (Average)	NA	3650	-

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