

Sugar &Gur Domestic & International Fundamentals

Price Outlook:

Wholesale sugar prices were witnessed mixed trend on Thursday. Spot sugar prices are supportive in the month ahead as festive demand market is expected to get supplied with excessive sugar with the onset of crushing season in India. This was despite trade expectations that the release quota of 2.2 million tonnes for Oct was lower than probable demand. Sugar futures, closed down in both New York and London, following as sugar follow similar post Brazilian election patterns.

Recent Update:

Some sugar mills in south Maharashtra have decided not to begin sugarcane crushing as farmers have demanded more money for this season's crop, beyond what is considered as fair and remunerative prices (FRP). While this will delay the production in the new season, output per tonne of cane could still be higher as sugar recovery is more for crop harvested in November than in October. Mills from the Kolhapur region are awaiting clarity over crop prices. The Swabhimani Shetkari Sangathana, a farmers' association, has announced that it will not let the mills operate until they agree to pay Rs 200 per tonne over and above the FRP of sugarcane.

Weather Update:

2nd Nov♦ Heavy rain very likely at isolated places over Tamilnadu & Puducherry, South Interior Karnataka and Kerala

The June to September monsoon provided 23% less rainfall than normal this year, according to state government data. India's biggest sugar producing state, Uttar Pradesh, also received slightly less rainfall than normal but the grubs have not infested crops there.



Previous Updates:

Sugar mills in India have hit a sweet spot with the government export subsidy to bring down inventory and signs of firming international prices after the recent cut in global production estimates to 187 million tonnes (mt) for the year 2018-19 against 203 mt logged in the previous year. The global sugar output this year is almost equal to consumption of 186 mt, though the carry-forward stock of 16 mt will limit any sharp spike in prices. India has an inventory of about 10 mt. Sugar companies have so far exported about 8.3 lakh tonnes of sugar. Of this, about 4.5 lakh tonnes has been traded by sugar mills from Uttar Pradesh.

There were 4.218 mln tonnes of sugar stored at the end of August 2018 at EU sugar producers and refiners, down from 5.757 mln a month earlier but up sharply from 1.768 mln at the same time last year, Commission data show.

The earlier ISMA estimates of sugar production reaching to 35 million tonnes in 2018-19 (October to September) sugar season, the industry now estimates output to be around 31.5 million tonnes, which is even lower than 32.5 million tonnes produced in the 2017-18 season which ended last month. While this is a welcome development, the hangover of high closing stock remains. Sugar production during the

current 2018-19 SS is estimated to be lower considering the adverse impact of weather and rainfall in the three largest sugarcane producing States of UP, Maharashtra and Karnataka and white grub infestation in Maharashtra and North Karnataka. Sugar production in 2018-19 would be around 32 million tonnes and considering diversion for ethanol, production is estimated at 31.5 million tonnes.

According to ISMA, sugar production in UP was expected to be higher because of higher cane area under the high yielding variety Co0238. However, several areas in UP have had untimely rainfall in September 2018 which has adversely affected the growth of the sugarcane at this very important maturity period. Further, some areas have reported water-logging and in some parts of Western UP, there has been sugarcane lodging also. As a result, sugarcane yields and sugar recovery would be impacted. Accordingly, ISMA has revised its sugar production estimates for UP from 13-13.5 MT tonne made in July 2018 to 12.1 MT, which is almost similar to 12.04 MT in 2017-18. In Maharashtra, sugar production is estimated at around 9.5 MT as against 10.72 MT in 2017-18. In July, ISMA had pegged output at 11-11.5 MT. Sugar production in Karnataka is now estimated at 4.2 MT from 4.48 MT projected in July

Around 18 sugar factories in Maharashtra have commenced crushing for 2018-19 season, crushing some 3.5 lakh to 4 lakh tonnes of cane. Factories in the state have slowly started the operations even as farmer leader Raju Shetti has warned millers that crushing will not be allowed to start unless they agree to pay R200 in addition to the Fair and Remunerative Price (FRP) at a recovery rate of 9.5% to farmers as the first installment. Full fledged operations are expected to commence after Diwali.

Sugarcane crushing in Uttar Pradesh had been started from last week, in the shadow of farmers' outstanding of Rs 78 billion for the previous 2017-18 season. There are 119 mills in UP, of which 94 are privately owned and 24 are run by cooperatives. Late rains and hailstorms in some western UP districts, coupled with higher night temperatures, have delayed maturity of the sugarcane crop. In the last 4-5 days, the night temperatures have started to fall below 20 degree Celsius and there is marked difference in day and night temperatures, which would hasten the process of maturity and result in speedier crushing operations and higher recovery as well.

This year, UP cane acreage is estimated at 2.6 million hectares (MH), up 18 per cent from about 2.2 MH during 2017-18, when UP had clocked sugar production of over 12 million tonnes (mt), with farmer's payables touching Rs 354 billion. With higher acreage this season, the farmers' payouts are likely to top last year's record levels and add to the woes in the backdrop of mute sugar prices and market glut, both locally and globally.

As per the Agriwatch latest estimate, India's sugar production is expected to decline to 322 LT in 2018/19 then 322.5 last year. A couple of major cane growing regions of Maharashtra, including Marthawada, had poor rainfall this season. And mild white grub infestation has been reported in States of Karnataka and few parts of Maharashtra. Apart from from that, cane yield and sugar recovery are expected to decline in Uttar Pradesh due to water logging in the fields.

Sugar output from the main producing region in Brazil fell 43 percent in the first half of October as rains delayed cane processing and mills continued to favor ethanol production over sugar, cane industry group Unica said on Wednesday. Mills in Brazil's center-south region produced 1.11 million

tonnes of sugar in the first half of October compared to 1.28 million tonnes in the previous two-week period and 2 million tonnes at the same time last year, Unica said. Cane crushing fell to 25.58 million tonnes versus 27.64 million tonnes in the second half of the previous month and 32.5 million tonnes seen at this time last year.

India's state-run trading company MMTC Ltd has issued an international tender to overseas buyers to sell and export 50,000 tonnes of Indian white crystal sugar. Tender deadline are Oct. 31 and the sugar can be exported from Indian east and west coast ports in break-bulk ships. There will be an option to purchase a further 50,000 tonnes.

The statistics from National Federation of Sugar Factories Ltd. (NFSFL) shows that, there has been drop of 2 kg in sugar consumption per person per year. In 2014-15, India's sugar consumption was 20.5 kg per person, but it has dropped to 18.5 kg per person in financial year 2017-18. In financial year 2017-18 India's total sugar production was 32 million tonnes and consumption were around 25 million tonnes.

Increased demand for Indian sugar has driven up export deals signed by domestic millers to about 3.5 lakh tonnes, according to the All India Sugar Traders Association (AISTA). However, full-fledged production and dispatches may commence only after Diwali, which falls on November 7 this year, because of agitations by organisations representing farmers and labourers.

The Maharashtra government has started issuing the mandatory crushing licences required for the mills to begin production in the country's top sugar producing state. More than 30 of the 196 mills which will operate this season have taken licences from the state's sugar commissionerate, said. A few mills from Pune and Ahmednagar region will kick-start crushing operations this week. However, Kolhapur-Sangli region, which accounts for about a quarter of the state's sugar production, will have to wait to commence crushing of sugarcane, according to the industry. Mills from Marathwada will also have to wait another fortnight to begin sugar production.

Amid uncertainty over cane farmers' advance payments, dozens of sugar mills in Maharashtra are set to commence crushing for the current season (October 1, 2018 to September 30, 2019) on Saturday. Mills in Uttar Pradesh, however, are waiting for the cane to mature and hope to start crushing around Diwali. With this, sugar mills will delay commencement of their crushing operations by three weeks in Maharashtra and by over six weeks in Uttar Pradesh despite estimates of an all-time high cane crop output in the current season.

According to the First Advanced Estimate, India's sugarcane output is estimated around 384 million tonnes for 2018-19 compared to 377 million tonnes in the previous year. Surprisingly, unlike the past few years of cane glut, neither the Maharashtra nor Uttar Pradesh governments encouraged sugar mills to commence crushing for the current season. Both the governments, in consultations with the industry, had announced earlier that crushing activity this year will commence early to control the record high availability of cane.

After a bumper crop, sugar stockpiles in the country, the world's second-largest producer of the sweetener, have more than doubled since last year. With another record crop expected in the current growing season, India is subsidising sugar exports, threatening to glut the market even as prices fell to

the lowest in ten years on September 27. But, an infestation of white grubs in Maharashtra, India's second-biggest sugar producing state, and neighbouring Karnataka, the third-largest producer, could mean sugar output for the 2018-19 crop year will be 9% less than earlier estimates.

NCDEX Sugar (M grade) Future Quotes (At 05:00 p.m. as on 01-11-2018)

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
		31-Oct-18	24-Oct-18	29-Sep-18	31-Oct-17	31-Oct-18
Oct-18	1.97	2232	2332	#N/A	2189	73.59
Mar-19	1.49	2174	2299	#N/A	2142	
May-19	1.92	2192	2312	#N/A	2151	

(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
		31-Oct-18	24-Oct-18	29-Sep-18	31-Oct-17	31-Oct-18
Oct-18	3.55	2677	2839	#N/A	2586	73.59
Dec-18	8.58	2704	2840	#N/A	2490	
Mar-19	5.07	2618	2810	#N/A	2491	

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

Commodity(01-Nov-18)		Change
Thai Sugar FOB 45 Icumsa	355.70	-3.10

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			01-Nov-18	31-Oct-18	
Delhi	Delhi	M-Grade	3200	3180	20
	Delhi	S-Grade	3170	3150	20
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	3396	3410	-14
	Mumbai	S-Grade	3250	3266	-16
	Nagpur	M-Grade	3200	3275	-75
	Nagpur	S-Grade	3080	3175	-95
	Kolhapur	M-Grade	3075	3150	-75
	Kolhapur	S-Grade	2955	3050	-95
Assam	Guhawati	S-Grade	3263	3360	-96
Meghalaya	Shillong	S-Grade	3275	3370	-95
Andhra Pradesh	Vijayawada	M-Grade	3630	3600	30
	Vijayawada	S-Grade	3570	3540	30
West Bengal	Kolkata	M-Grade	3620	3620	Unch
Tamil Nadu	Chennai	S-Grade	3300	3260	40
	Dindigul	M-Grade	3500	3500	Unch
	Coimbatore	M-Grade	3640	3640	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3600	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)			01-Nov-18	31-Oct-18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2838	2913	-75
	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	4000	4100	-100
		White	3900	3900	Unch
		Black	2500	2500	Unch
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	NA	4250	-
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	NA	NA	-
	Gulbarga/Kalaburgi	Other (Average)	NA	3350	-
	Mahalingapura	Penti (Average)	NA	3200	-
	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	0	-

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