

Sugar &Gur Domestic & International Fundamentals

Price Outlook:

Wholesale sugar prices were witnessed steady to weak on Monday. 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 Nov 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:

As crushing operations in the country's top two sugarcane producing states of Maharashtra and Uttar Pradesh have begun, the farmers' outstanding of about Rs 125 billion, pertaining to the 2017-18 season, is likely to be reduced by almost 33 per cent, or Rs 40 billion, by the end of November.

The Haryana state government is likely to continue with last year's State-Advised Price (SAP) of sugarcane, apparently under pressure from private sugar mills owned by influential politicians. The cane crushing season is expected to start in the next two weeks and the mills have even refused to pay the last year's SAP. The seven private sugar mills have announced that they will not pay a single rupee more than the Fair and Remunerative Price (FRP) of Rs 255 per quintal of cane. They say if the government insists on giving SAP to the growers, it would itself have to pay the differential price between FRP and the SAP (Rs 55 per quintal), as was done three years ago.

Weather Update:

6th Nov ♦ Heavy rain very likely at isolated places over south Tamilnadu

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:

Indian sugar mills have sealed contracts for 830,000 tonnes of sugar exports so far in 2018/19 (Oct/Sep) with Uttar Pradesh accounting for about 450,000 tonnes of the contacts, said Praful Vithlani, president of the All India Sugar Traders Association (AISTA).

Brazil exported only 1.950 mln tonnes of sugar, raw value, in October 2018, down from 2.603 mln a month earlier and significantly below 2.915 mln in the same month last year, Trade Ministry data showed.

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, full fledged operations are expected to commence after Diwali. However the farmers have demanded more

money for this season's crop, beyond what is considered as fair and remunerative prices (FRP) 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.

Brazil's center-south is expected to produce 26.38 million tonnes in the 2018/19 season – which is heading into its final weeks – the lowest amount in 12 years due to a smaller cane crop and higher ethanol production. Previous estimate for the season was for production of 27.28 million tonnes. It projected the new sugar season, which starts in April next year, at a similar level with an output seen at 26.4 million tonnes.

Lower Brazilian sugar production this year and next are seen helping to swing global sugar supply from a surplus to a deficit, favoring a recovery in benchmark raw sugar prices in New York. "Despite the late spike in sugar prices, ethanol continues to give better returns to mills in Brazil, so we expect them to continue to give preference to the fuel next season," Datagro's chief analyst Plinio Nastari told reporters at the consultancy's annual international conference in Sao Paulo.

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

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 that, cane yield and sugar recovery are expected to decline in Uttar Pradesh due to water logging in the fields.

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

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	
		2-Nov-18	26-Oct-18	3-Oct-18	2-Nov-17		
Oct-18	5.19	2257	2317	2094	2146	72.91	
Mar-19	6.61	2195	2275	2000	2059		
May-19	6.67	2216	2291	2022	2078		

(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	
		2-Nov-18	26-Oct-18	3-Oct-18	2-Nov-17		
Oct-18	7.86	2712	2799	2579	2514	72.91	
Dec-18	7.73	2608	2736	2473	2421		
Mar-19	8.75	2627	2734	2487	2416		

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

Commodity(03-Nov-18)		Change
Thai Sugar FOB 45 Icumsa	closed	-

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			05-Nov-18	03-Nov-18	
Delhi	Delhi	M-Grade	3200	3150	50
	Delhi	S-Grade	3180	3130	50
Uttar Pradesh	Khatauli	M-Grade	3345	3345	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	3392	3392	Unch
	Mumbai	S-Grade	3206	3230	-24
	Nagpur	M-Grade	3150	3175	-25
	Nagpur	S-Grade	3050	3075	-25
	Kolhapur	M-Grade	3025	3050	-25
	Kolhapur	S-Grade	2925	2950	-25
Assam	Guhawati	S-Grade	3233	3258	-25
Meghalaya	Shillong	S-Grade	3245	3270	-25
Andhra Pradesh	Vijayawada	M-Grade	3630	3630	Unch
	Vijayawada	S-Grade	3570	3570	Unch
West Bengal	Kolkata	M-Grade	3620	3620	Unch
Tamil Nadu	Chennai	S-Grade	3300	3300	Unch
	Dindigul	M-Grade	3500	#N/A	-
	Coimbatore	M-Grade	3640	#N/A	-
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	#N/A	-
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)			05-Nov-18	03-Nov-18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2700	2713	-13
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	NA	NA	-
	Hapur	Chaurasa	Closed	NA	-
	Hapur	Balti	Closed	NA	-
Andhra Pradesh	Chittur	Gold	3800	4200	-400
		White	3400	3800	-400
		Black	2500	2800	-300
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	0	4250	-4250
	Belgaum	Mudde (Average)	0	3200	-3200
	Belthangadi	Yellow (Average)	0	NA	-
	Bijapur/Vijayapura	Achhu	0	3100	-3100
	Gulbarga/Kalaburgi	Other (Average)	0	3475	-3475
	Mahalingapura	Penti (Average)	0	NA	-
	Mandya	Achhu (Medium)	0	NA	-
	Mandya	Kurikatu (Medium)	0	NA	-
	Mandya	Other (Medium)	0	NA	-
	Mandya	Yellow (Medium)	0	NA	-
	Shimoga/Shivamogga	Achhu (Average)	0	0	Unch

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