

## Sugar &Gur Domestic & International Fundamentals

### Price Outlook:

- **Sugar Mills are quoting lower prices now on the back of poor demand.** Increased selling pressure on domestic mills due to high sales quota for November also weighed on prices. The government has restricted sales by sugar mills in the country at 2.2 mln tn for November in a bid to trim supply in the market. Sugar mills having distilleries with ethanol production capacity which divert B-heavy molasses to produce ethanol and thereby sacrifice sugar, shall be eligible to sell additional quantity of sugar in addition to the quantity of white/refined sugar prescribed for domestic sale. Prices of sugar, however, are likely to rise later this month on the back of renewed demand and due to a cut in production estimate for 2018-19 (Oct-Sep) by the Indian Sugar Mills Association.

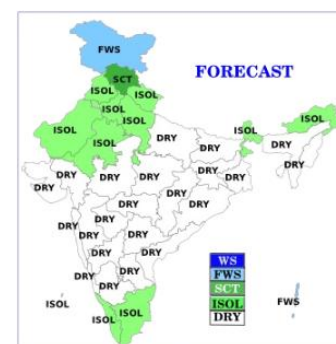
### Recent Update:

- **Saddled with surplus stock, sugar mills in India the world's second largest producer, have contracted to export about 8 lakh tonnes of the sweetener so far to countries like Middle East and Sri Lanka, a government official said.** Out of the total contracted quantity, raw sugar comprises 6 lakh tonnes and the rest 2 lakh tonnes is white sugar, the official added. Industries are negotiating with various countries to boost export of sugar. China has agreed to buy and talks are on with Indonesia as well. To liquidate surplus stock, the government has asked domestic sugar mills to mandatory export 5 million tonnes in the 2018-19 marketing year (October-September) and is even compensating expenses towards internal transport, freight, handling and other charges.
- **The crisis in the cane belt of Kolhapur over the first installment payment amount came to an end on Saturday, after sugar millers and farmers' representatives held discussions and agreed on a solution.** Millers have agreed to pay the FRP as the first installment payment, while they will consider the extra Rs 200, as demanded by farmers' bodies, after December. Earlier this week, angry farmers allegedly torched the divisional agricultural offices of the Rajarambapu Cooperative Sugar Mill and the Vasantdada Patil Cooperative Sugar Mill. The harvesting and transportation of cane was also disrupted at various places.

### Weather Update:

**13<sup>th</sup> Nov** ♦ Heavy rain/snow very likely at isolated places over Jammu and Kashmir. ♦ Gale wind speed reaching 90-100 kmph gusting to 110 kmph over southwest & adjoining west central and southeast Bay of Bengal from morning of 13th November 2018.

- In October, India got a paltry 44% of the month's average—the lowest since 1976.
- An erratic monsoon, such as the one this year, poses extensive challenges for adaptation.
- Maharashtra, which has declared drought in 42% of its area, is in the throes of a groundwater crisis.
- Experts have rung warning bells about the possible impacts of the brewing El Niño.



## Previous Updates:

- The U.S. Department of Agriculture, in its Nov. 8 World Agricultural Supply and Demand Estimates report, lowered from October its forecast for 2018-19 U.S. beet sugar and total sugar production, but also lowered forecasts for domestic sugar use. For the current year (2018-19), beet sugar production was lowered 262,000 short tons, raw value, to 4,974,000 tons, down 5% from the October forecast and down 5.8% from record high production in 2017-18 of 5,279,000 tons. Cane sugar production was forecast at 4,041,000 tons this year, up 15,000 tons from October and up 27,000 tons from 2017-18. Imports were left unchanged from October, resulting in total supply forecast at 13,809,000 tons, down 268,000 tons from October due to lower production and lower beginning stocks, forecast at 1,993,000 tons.**
- Total deliveries in 2018-19 were forecast at 12,320,000 tons, down 85,000 tons from October, with deliveries for food at 12,175,000 tons, down 75,000 tons, or 0.6%, from October but up 1.1% from 12,048,000 tons in 2017-18, which was lowered by 52,000 tons from October. The ending stocks-to-use ratio for 2018-19 was forecast at 11.3%, down from 12.7% projected in October and compared with 16% in 2017-18. The U.S.D.A. is expected to increase allowed imports from Mexico in the December WASDE as outlined in agreements between the two countries, which requires a minimum 13.5% ending stocks-to-use ratio.**
- Sugar stocks rallied up to 8 per cent after reports that India in 2019 will resume exporting raw sugar to China, as it eyes overseas markets to clear surplus stocks that have muted prices and created financial distress in mills. Triveni Engineering rallied 7.74 per cent, followed by Dalmia Bharat Sugar (up 5.22 per cent), Ugar Sugar (up 5 per cent) and Dhampur Sugar (up 4.90 per cent).**
- Ministry of Commerce said on Thursday that India will start exporting raw sugar to China from the beginning of next year. This step will help to bridge the trade deficit with neighboring countries. In a statement, the ministry said, "An agreement has been made for the export of 15,000 tonnes of raw sugar between the Indian Sugar Mill Association (ISMA) and the Chinese government's public sector undertaking, Kauffo." It has been reported that China plans to import 2 million tonnes of raw sugar from the beginning of next year. The Ministry said, Raw sugar is the second product after non-basmati rice which will be imported from China, India, it is the step taken to reduce trade losses of 60 billion dollars with China." India had exported US \$ 33 billion in the year 2017-18, while it imports 76.2 billion US dollars.**
- According to the operational data of Ukr sugar Association, as of November 5, 1.03 million tonnes of sugar were produced. There are 39 sugar refineries in operation and one refinery has already completed the production season. 7.9 million tonnes of sugar beet have been processed, which is 2.5% less than last year's figures. As it was predicted earlier, according to the climate conditions, this year sugar content is lower than last year's level — 16.26% to 17.21%, sugar output is lower too — 13.31 to 14.24%. As of November 5, 231 thousand hectares of sugar beet were harvested, accounting for 83% of the total harvested areas. Most of sugar beet crops were harvested in Vinnytsia, Poltava and Ternopil regions.**

- **Brazilian mills are expected to increase the amount of cane they allocate to sugar production next season due to better prices for the sweetener, which will lead to a rise in sugar output of 3 million tonnes**, broker and consultancy INTL FCStone said on Wednesday. FCStone expects Brazil's center-south to produce 29.6 million tonnes of sugar in the 2019/20 season that starts in April versus 26.3 million tonnes in 2018/19, which was the country's smallest output in years and almost 10 million tonnes lower than in the previous crop.
- **About 10 sugar mills have started crushing operations in UP and another seven-eight are likely to start this week.** The government is confident that by mid-November, a majority of the state's 119 mills would be operational, including 94 private mills, 24 cooperatives and one sugar corporation plant. When UP had clocked sugar production of over 12 million tonnes (mt) with farmers' payables touching Rs 354 billion.
- **Raw sugar futures in New York ended with strong gains in the last session** ahead of the weekend with general strength across commodity markets as well as a weaker US dollar supporting values.
- **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.

## NCDEX Sugar (M grade) Future Quotes (At 05:00 p.m. as on 12-11-2018)

Contract	+/-	Open	High	Low	Close	Volume	O.I
Cont. (Nov)	-	3140	3140	3140	3140	-	-
Spread	Cont Nov (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
		9-Nov-18	2-Nov-18	8-Oct-18	9-Nov-17	9-Nov-18
Oct-18	-2.31	2157	2257	2217	2208	72.73
Mar-19	-4.11	2074	2195	2143	2163	
May-19	-3.19	2097	2216	2164	2166	

(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
		9-Nov-18	2-Nov-18	8-Oct-18	9-Nov-17	9-Nov-18
Oct-18	0.09	2585	2712	2709	2583	72.73
Dec-18	-2.53	2503	2608	2589	2568	
Mar-19	-0.55	2514	2627	2616	2528	

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

Commodity		Change
Thai Sugar FOB 45 Icmsa	356.20	-

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			12-Nov-18	10-Nov-18	
Delhi	Delhi	M-Grade	3120	3110	10
	Delhi	S-Grade	3100	3090	10
Uttar Pradesh	Khatauli	M-Grade	3305	3305	Unch
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3180	3200	-20
	Dhampur	S-Grade Ex-Mill	3160	3180	-20

	Dhampur	L-Grade Ex-Mill	3230	3250	-20
Maharashtra	Mumbai	M-Grade	3372	3372	Unch
	Mumbai	S-Grade	3176	3176	Unch
	Nagpur	M-Grade	3175	3175	Unch
	Nagpur	S-Grade	3075	3075	Unch
	Kolhapur	M-Grade	3050	3050	Unch
	Kolhapur	S-Grade	2950	2950	Unch
Assam	Guhawati	S-Grade	3258	3258	Unch
Meghalaya	Shillong	S-Grade	3270	3270	Unch
Andhra Pradesh	Vijayawada	M-Grade	3540	Closed	-
	Vijayawada	S-Grade	3480	Closed	-
West Bengal	Kolkata	M-Grade	3600	Closed	-
Tamil Nadu	Chennai	S-Grade	3250	3250	Unch
	Dindigul	M-Grade	3620	#N/A	-
	Coimbatore	M-Grade	3580	#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)			12-Nov-18	10-Nov-18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2745	2718	28
	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	3900	Closed	-
		White	3800	Closed	-
		Black	2500	Closed	-
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	0	0	Unch
	Belgaum	Mudde (Average)	0	3300	-3300
	Belthangadi	Yellow (Average)	0	NA	-
	Bijapur/Vijayapura	Achhu	0	NA	-

Gulbarga/Kalaburgi	Other (Average)	NA	3350	-
Mahalingapura	Penti (Average)	NA	NA	-
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	NA	-

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