

## 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 mtn 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:

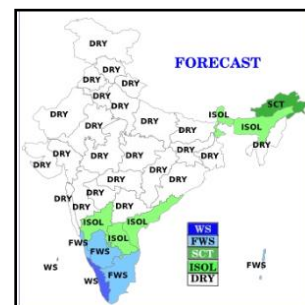
**In the country's biggest sugar-producing region — Uttar Pradesh, the state government is likely to do a marginal increase for the state advised price (SAP) on sugarcane.** Last year, the state government had increased prices by 3.3% to Rs 315 a quintal. The state is expecting a 12% increase in cane production this year at 213.1 million tons and a similar increase in sugar production at 12.5-13 million tons. As 51 mills out of the 121 in the state already started cane crushing, officials in the department said the government was likely to announce the SAP for sugarcane in the coming days. The hike can be similar to the previous year of Rs 10 a quintal, said an official at the ministry. The industry said it's facing deficit on its cash flows due to cane pricing and depressed sugar prices. Any further increase will impact them. Current wholesale prices of sugar in the state were ruling at Rs 31.5 a kg while the mills said that they need a minimum price of Rs 34-35 per kg to be profitable.

**India's sugar exports have come to a standstill after a sharp fall in prices in the last two weeks. Raw sugar prices in the benchmark Chicago Mercantile Exchange (CME) for near-month delivery declined by 4 per cent on Monday, trading at cents 12.80 /lb.** The decline translates into Rs 1,000 a tonne of fall in Indian denominations which makes a big difference in exporters' realization. Following reports of exports becoming unviable, refined sugar (M30) has declined by 2.5 per cent to trade on Monday at Rs 33,100 a tonne in Vashi wholesale market in Maharashtra.

### Weather Update:

**17<sup>th</sup> Nov** Heavy rain very likely at isolated places over Lakshadweep. ♦Strong wind speed reaching 30-40 kmph gusting to 50 kmph very likely over southeast Arabian Sea and along & off Kerala coast.

- 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:

***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 VasantdadaPatil Cooperative Sugar Mill. The harvesting and transportation of cane was also disrupted at various places.***

***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.

## NCDEX Sugar (M grade) Future Quotes (At 05:00 p.m. as on 16-11-2018)

| 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 |
|                                 |                             | 15-Nov-18 | 8-Nov-18 | 14-Oct-18 | 15-Nov-17 | 15-Nov-18  |
| Oct-18                          | -5.15                       | 2119      | 2173     | #N/A      | 2234      | 72.16      |
| Mar-19                          | -7.45                       | 2045      | 2092     | #N/A      | 2209      |            |
| May-19                          | -6.35                       | 2069      | 2115     | #N/A      | 2209      |            |

(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-Nov-18 | 8-Nov-18 | 14-Oct-18 | 15-Nov-17 | 15-Nov-18  |
| Oct-18                            | -2.84                       | 2547      | 2606     | #N/A      | 2621      | 72.16      |
| Dec-18                            | -7.66                       | 2368      | 2491     | #N/A      | 2565      |            |
| Mar-19                            | -3.04                       | 2477      | 2524     | #N/A      | 2554      |            |

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

| Commodity                |        | Change |
|--------------------------|--------|--------|
| Thai Sugar FOB 45 Icumsa | 343.20 | -2.30  |

| Sugar Prices at Key Spot Markets:                   |            |                        |                 |           |        |
|---|------------|------------------------|-----------------|-----------|--------|
| Commodity   | Centre     | Variety                | Prices (Rs/Qtl) |           | Change |
| Sugar   |            |                        | 16-Nov-18       | 15-Nov-18 |        |
| Delhi   | Delhi      | M-Grade                | 3090            | 3100      | -10    |
|   | Delhi      | S-Grade                | 3070            | 3080      | -10    |
| Uttar Pradesh                                       | Khatauli   | M-Grade                | 3250            | 3250      | Unch   |
|   | Ramala     | M-Grade                | NA              | NA        | -      |
|   | Dhampur    | M-Grade Ex-Mill        | 3075            | 3150      | -75    |
|   | Dhampur    | S-Grade Ex-Mill        | 3055            | 3130      | -75    |
|   | Dhampur    | L-Grade Ex-Mill        | 3125            | 3200      | -75    |
| Maharashtra   | Mumbai     | M-Grade                | 3326            | 3320      | 6      |
|   | Mumbai     | S-Grade                | 3112            | 3150      | -38    |
|   | Nagpur     | M-Grade                | 3150            | 3150      | Unch   |
|   | Nagpur     | S-Grade                | 3050            | 3050      | Unch   |
|   | Kolhapur   | M-Grade                | 3025            | 3025      | Unch   |
|   | Kolhapur   | S-Grade                | 2925            | 2925      | Unch   |
| Assam   | Guhawati   | S-Grade                | 3233            | 3233      | Unch   |
| Meghalaya   | Shillong   | S-Grade                | 3245            | 3245      | Unch   |
| Andhra Pradesh                                      | Vijayawada | M-Grade                | 3540            | 3540      | Unch   |
|   | Vijayawada | S-Grade                | 3480            | 3480      | Unch   |
| West Bengal   | Kolkata    | M-Grade                | 3620            | 3610      | 10     |
| Tamil Nadu  | Chennai    | S-Grade                | 3200            | 3200      | Unch   |
|   | Dindigul   | M-Grade                | 3620            | 3620      | Unch   |
|   | Coimbatore | M-Grade                | 3580            | 3580      | 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)                              |        |         | 16-Nov-18       | 15-Nov-18 |        |

|                |                    |                          |      |      |      |
|----------------|--------------------|--------------------------|------|------|------|
| Uttar Pradesh  | Muzaffarnagar      | Chaku Sukha(Cold)        | 2750 | 2763 | -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                 | 2350 | 2375 | -25  |
|                | Hapur              | Balti                    | 2325 | 2350 | -25  |
| Andhra Pradesh | Chittur            | Gold                     | 4100 | 4100 | Unch |
|                |                    | White                    | 4000 | 3900 | 100  |
|                |                    | Black                    | 3700 | 3400 | 300  |
| Maharashtra    | Latur              | Lal Variety              | NR   | NR   | -    |
| Karnataka      | Bangalore          | Mudde (Average)          | 4250 | 4250 | Unch |
|                | Belgaum            | Mudde (Average)          | NA   | 3300 | -    |
|                | Belthangadi        | Yellow (Average)         | NA   | NA   | -    |
|                | Bijapur/Vijayapura | Achhu                    | 2900 | 3000 | -100 |
|                | Gulbarga/Kalaburgi | Other (Average)          | 3350 | 3250 | 100  |
|                | Mahalingapura      | Penti (Average)          | 3136 | 3211 | -75  |
|                | Mandya             | Achhu (Medium)           | 3100 | 3150 | -50  |
|                | Mandya             | Kurikatu (Medium)        | 3000 | 3000 | Unch |
|                | Mandya             | Other (Medium)           | 2950 | 2950 | Unch |
|                | Mandya             | Yellow (Medium)          | 3150 | 3150 | Unch |
|                | Shimoga/Shivamogga | Achhu (Average)          | 3500 | 3500 | Unch |

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