

Sugar & Gur Domestic & International Fundamentals**Recent Update:**

Sugar prices at Vashi gained by Rs 10-20 on Friday on increased demand at the mill level led by strong rumours that the government may increase minimum support rates for mills, currently at Rs 2,900 per quintal.

India's sugar production till December 31, 2018 is up by 6.7% y-o-y. As on 31st December, 2018, 501 sugar mills were in operation in the country and have produced 110.52 lakh tonnes of sugar, as compared to 103.56 lakh tons produced by 505 sugar mills as on 31st December 2017. The slightly higher production of 6.96 lakh tonnes is because Maharashtra and Karnataka sugar mills started their crushing earlier this year. However, due to substantially lower rainfall and white grub infestation, Maharashtra will produce significantly lower quantity this year as compared to last year. Overall, the country is expected to produce much less sugar this season as compared to last year.

Weather Forecast for tomorrow:

Heavy snowfall: very likely at isolated places over Jammu & Kashmir and Himachal Pradesh.

Heavy rainfall: very likely at isolated places over Punjab and Haryana, Chandigarh & Delhi.

Hailstorm: very likely at isolated places over Jammu Division, Punjab, Haryana, Chandigarh & Delhi, Himachal Pradesh, Uttarakhand and West Uttar Pradesh.

Previous Updates:

According to the order issued by the Ministry of Consumer and Food, subsidy on buffer stock will not be provided to the sugar mills which have failed to export mandatory exports. In the past year, the government decided to make 3 million tonnes of buffer stock to stop falling prices of sugar. The Cabinet had approved the provision of Rs 11.75 billion for buffer stock of 30 lakh tonnes for one year. But now the government has laid down the mandatory export ban to provide subsidy on sugar storage.

The total export of October-December, 2018 quarter is only 2.6 lakh tonnes, while the average target is 12.5 lakh tonnes in the quarter. Recently, the government gave a warning to Mills in this case. Most of the weakest exports in UP are sugar mills, which the government was providing transportation subsidy on exports. In spite of this, the provinces of the province could not fulfill the goal of sending another country to China.

The government is also exploring the possibility of export in countries like China, Bangladesh, Malaysia and South Korea. The sugarcane arrears outstanding at the FRP of sugarcane season 2017-18 is Rs 1,924 crore. At the same time, the State Consultation Value (SAP) of the same period is Rs 5,465 crore. Apart from this, Rs 2,082 crore is also owed. Adding these three, the total outstanding Rs 9,471 crore is due to sugarcane farmers.

Most of the sugar market prices were unchanged from the previous day. This was despite trade expectations that the release quota of 1.85 million tonnes for Jan was lower than probable demand. The UP and Maharashtra states demanding extra sales quota, due to the low sales quota, mills are unable to sell their sugar and repay the farmers on time. The arrears, including the carryover of the previous 2017-18 crushing season, are estimated at Rs 6,500 crore in the two key sugar producing states of Uttar Pradesh and Maharashtra. They together account for more than 50 per cent of the annual production. UP alone accounts for Rs 4,000 crore of arrears comprising almost Rs 2,000 crore and Rs 4,000 crore for the 2017-18 and 2018-19 seasons, respectively.

Uttar Pradesh, appears to have favored a 12 per cent increase in the government-set floor price for the sweetener even as farmers in another producing belt, Maharashtra, have begun agitations to secure payments for the cane already crushed at mills this season. "As 65 per cent of the sugar produced in the country is used by institutional buyers, if the MSP (minimum support price) of sugar is increased from Rs 29/kg to Rs 32.50/ kg, it would not affect the consumers that adversely," Sanjay Bhoosreddy, principal secretary, Sugar Industry and Cane Development Department, Uttar Pradesh, said.

Sugar prices have fallen and are hovering in the range of fixed price of Rs 2,900 per quintal. Moreover there is little demand for sugar and it is binding on millers to make payments to farmers. The UP and MH state sugar millers have decided to approach government once again with a plea to urge the Centre to intervene and increase the minimum floor price of sugar from the existing Rs 2,900 per quintal to Rs 3,250/3,400 per quintal to overcome the current financial distress.

The government is considering an additional soft loan of Rs 7,400 crore to sugar mills for creating ethanol capacity under a recently launched scheme, according to sources. The food ministry is also considering tweaking the scheme to ensure that non-molasses-based distilleries are also able to avail soft loans under the scheme launched in June for expansion and setting up of new ethanol plants. Under the scheme, the government had announced a soft loan of Rs 4,400 crore and provided an interest subvention of Rs 1,332 crore to mills over a period of five years, including a moratorium period of one year. However, the ministry has received 282 applications seeking Rs 13,400 crore soft loans. Out of this, 114 applications for a loan amount of Rs 6,000 crore has been approved, the sources said.

The prices of M-30 and S -30 grades of sugar rates remained steady in Kolhapur sugar market today at Rs 2925/2900 per quintal respectively. Indian sugar market ruled flat on eased supply and demand. Heavy carryover stocks, higher production and limited domestic demand kept the market under pressure.

Weekly Outlook:

We expect sugar prices may trade down on good physical supplies from mills are continuing in the physical market due to imposed stock limit on mills. Prices are supportive after Jan due to the expectation of weak cane crush this season in the key producing states of UP,MH and KA.

NCDEX Sugar (M grade) Future Quotes (At 05:00 p.m. as on 21-12-2018)

Contract	+/-	Open	High	Low	close	Volume	O.I
Cont. (DEC)	-	2989	2989	2989	2989	-	-
Spread	Cont Dec(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
		4-Jan-19	28-Dec-18	5-Dec-18	4-Jan-18	4-Jan-19
Oct-18	-10.83	1950	2011	2079	2187	69.86
Mar-19	-13.79	1867	1942	2009	2165	
May-19	-12.62	1881	1950	2026	2153	
(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
		4-Jan-19	28-Dec-18	5-Dec-18	4-Jan-18	4-Jan-19
Oct-18	-6.40	2378	2438	2493	2541	69.86
Dec-18	-4.50	2449	2508	2555	2565	
Mar-19	-8.51	2312	2372	2422	2527	
(Source: Reuters)* Today – figures are a day ago Quotes.						

Commodity		Change
Thai Sugar FOB 45 Icumsa	324.2	-4.6

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			05-Jan-19	04-Jan-19	
Delhi	Delhi	M-Grade	3100	3021	79
	Delhi	S-Grade	3080	3001	79
Uttar Pradesh	Khatauli	M-Grade	3260	3270	-10
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3075	3100	-25
	Dhampur	S-Grade Ex-Mill	3055	3080	-25
	Dhampur	L-Grade Ex-Mill	3125	3150	-25
Maharashtra	Mumbai	M-Grade	3236	3236	Unch

	Mumbai	S-Grade	3070	3066	4
	Nagpur	M-Grade	3050	3075	-25
	Nagpur	S-Grade	3025	3025	Unch
	Kolhapur	M-Grade	2925	2950	-25
	Kolhapur	S-Grade	2900	2900	Unch
Assam	Guhawati	S-Grade	3207	3207	Unch
Meghalaya	Shillong	S-Grade	3220	3220	Unch
Andhra Pradesh	Vijayawada	M-Grade	3460	3460	Unch
	Vijayawada	S-Grade	3420	3420	Unch
West Bengal	Kolkata	M-Grade	3450	3450	Unch
Tamil Nadu	Chennai	S-Grade	3100	3120	-20
	Dindigul	M-Grade	#N/A	3460	-
	Coimbatore	M-Grade	#N/A	3450	-
Chattisgarh	Ambikapur	M-Grade (Without Duty)	#N/A	3500	-

Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)

Jaggery (Gur) Prices at Key Spot Markets:

Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
			05-Jan-19	04-Jan-19	
Jaggery(Gur)					
Uttar Pradesh	Muzaffarnagar	Chaku Fresh	2475	2475	Unch
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	7000	5000	2000
	Muzaffarnagar	Khurpa (Fresh)	2328	2345	-18
	Muzaffarnagar	Laddoo (Fresh)	2625	2600	25
	Muzaffarnagar	Rascut (Fresh)	2048	2038	10
	Hapur	Chaurasa	2188	2188	Unch
	Hapur	Balti	2200	2200	Unch
Andhra Pradesh	Chittur	Gold	4200	4520	-320
		White	3800	3800	Unch
		Black	3000	2500	500
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4150	4150	Unch
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	NA	2650	-
	Gulbarga/Kalaburgi	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	NA	NA	-

	Mandya	Achhu (Medium)	NA	2800	-
	Mandya	Kurikatu (Medium)	NA	2650	-
	Mandya	Other (Medium)	NA	2750	-
	Mandya	Yellow (Medium)	NA	2800	-
	Shimoga/Shivamogga	Achhu (Average)	3200	3250	-50

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