

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

Sugar M30 Kolhapur spot prices are likely to extend the weakness towards INR 3000/2950 and after recover towards INR 3200 in the coming months.

March NY world sugar #11 on Tuesday closed up +0.18 (+1.42%) and March ICE London white sugar closed down -0.50 (-0.15%). Strength in crude oil prices and in the Brazilian real against the dollar lifted sugar prices on Tuesday. Also, stronger demand for Brazil's ethanol is lifting sugar prices after Unica reported that Brazil millers sold 1.83 billion liters of hydrous ethanol in the domestic market in Jan, up +32.5% y/y and a record volume for a January.

Weather Forecast for tomorrow:

Light rain and snow are expected over Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and Arunachal Pradesh. Spell of light rain and thundershower is expected over Tamil Nadu, Andhra Pradesh, Karnataka, Andaman and Nicobar Islands, Kerala and South Madhya Maharashtra. Shallow to moderate fog will occur over few places of Punjab, Haryana, Delhi, Uttar Pradesh, Bihar, Sub-Himalayan West Bengal and in pockets of northeastern states.

Previos Updates:

The world sugar balance was seen switching to a deficit of 1.90 million tonnes in 2019/20 compared with a surplus of 2.55 million in 2018/19. The shift was partly driven by a forecast fall in India's production to 29.50 million tonnes in 2019/20 from 32.00 million in 2018/19, where stocks have been climbing, may limit the scope for a rise in prices while the relative profitability of sugar and ethanol production in Brazil would also have a major influence on prices.

Crude oil fell to a 3-1/2 week low, which undercuts ethanol prices and may prompt Brazil's sugar mills to divert more cane crushing toward sugar production rather than ethanol production, thus boosting sugar supplies. The Brazilian real slid to a 2-week low against the dollar, which encourages exports by Brazil's sugar producers. Weaker demand for Brazil's ethanol is another bearish factor after Brazil's Trade Ministry reported last week. Brazil Jan ethanol exports fell -15% y/y to 104 million liters.

The government is considering extending additional subsidized loans of at least Rs 6,000 crores to sugar mills and others to expand their ethanol production capacity - a move that is aimed at helping the mills diversify their product basket away from its over-dependence on sugar, and bolstering their ability to clear cane dues to farmers. Sugar mills nationwide have produced 18.51 MMT sugar till Jan-19, 8 percent higher sugar output last year same period which is likely to keep flush in supplies and sugar prices on weaker note in short to medium term.

Cane sugar production for 2018/19 in Louisiana is increased to 1.875 million STRV based on a reporting of cane processor manufacturing results completed in January. Cane sugar production for Florida is increased to 2.091 million STRV WASDE-585-4 based on higher sugarcane production forecast by NASS and a processor recovery forecast of 12.48 percent. Beginning stocks for 2018/19 are increased 59,700 STRV based on cane processors' and refiners' revisions in the Sweetener Market Data. Tariff-rate quota imports are reduced by 4,002 STRV. Lower-than-expected entries of FTA sugar under calendar-year

2018 TRQs more than offset additional 2017/18 WTO TRQ sugar entered under USDA waivers in October 2018. In sum, projected ending stocks are increased by 131,698 STRV to 1.795 million for a stocks-to-use ratio of 14.59 percent. There are no changes to the Mexico 2018/19 supply and use balance.

Payment arrears to Maharashtra cane growers during the current crushing season that started last October at over Rs 4,800 crore already, cash-strapped sugar mills in Maharashtra have come up with a new formula to address the problem. They will, henceforth, pay about 20 per cent of dues in the form of sugar. This means that for every tonne of cane supplied, mills will give 17 kg of sugar as payment.

Sugar production has increased by 8 percent as on January 31, 2019, to 185.19 lakh tonne during the current sugar season (SS), against 171.23 tonne in the year-ago period. However, considering the trend of yields, recoveries and as well as the diversion of some 'B' heavy molasses to ethanol, sugar production in the current season is ISMA estimated to be 307 lakh tonne, a 5-6 percent lower than the 325-lakh tonne output in the previous season,

Cane price arrears across the country had reached about Rs 20,000 crore at the end of January 2019. Considering the pace of crushing in the remaining three peak months of current SS and if the current average all India domestic ex-mill price remains at Rs 29-30 per kilo, millers might not be able to clear the dues on time. Further sugar exports were also not happening at the desired pace. Several mills are either not voluntarily willing to export sugar against their allocated export quotas or do not find it viable enough to do so. Therefore, to ensure that all mills fulfil their allocated export quotas, the government should enforce the quotas.

Sugar millers in India are urging the government to increase the benchmark price of the commodity to help them pay off about \$2.7 billion they owe to farmers. The Indian Sugar Mills Association sent a letter to the government asking for the minimum selling price to be raised to Rs 35-36 (\$0.49-\$0.51) a kilogram at factory gates from Rs 29 currently.

According to a report published in TimesofIndia.com, 36 sugar factories in Kolhapur and Sangli district have deposited Rs 2,207 crore in the bank accounts of farmers. The factories in two districts still owe Rs 1,207 crore to the farmers. Total amount payable to farmers in Kolhapur and Sangli district is Rs 3,114 crore till January 31. It has been almost three months of crushing commencement, and still many mills have yet not paid the first installment. The rule mandates that FRP amount should be deposited to the farmers' bank accounts within 14 days after the sugarcane harvest is handed over to the factory owners.

Indian Sugar Mills Association (ISMA) has lowered India's 2018-19 sugar production estimate by 2.5% to 307 lakh tonnes from first advance estimate of 315 lakh tonnes issued in October 2018. ISMA has procured the satellite images of cane area already harvested and remaining unharvested area in the fields, across the country during mid-season i.e. in the second week of January 2019. On the basis of these images of harvested and balance area, trend of yields and sugar recoveries achieved till now as also expected yield/sugar recovery in the balance period of the sugar season, sugar production in the current season is estimated to be around 307 lakh tonnes, against the first advance estimates of 315 lakh tonnes released by ISMA in October 2018. This is after considering estimated diversion of 5 lakh tonnes of sugar into production of ethanol through 'B' heavy molasses.

Weekly Outlook:

Indian Sugar markets were firm during the week. We expect sugar prices may trade lower as good physical supplies from mills are continuing in the physical market. Prices will be supportive in coming days due to the expectation of weak cane crush this season in the key producing states of UP, Maharashtra and Karnataka. After demanding the UP and Maharashtra sugar mills on extra sales quota the government has released 21.00 Lakh MT of sugar for Feb higher than the previous month. As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 2950–Rs 3300 per quintal for next week.

NCDEX Sugar (M grade) Future Quotes (At 05:00 p.m. as on 20-12-2018)

| 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 | 12-Feb-19 | 70.93 |
| | | 12-Feb-19 | 05-Feb-19 | 12-Jan-19 | 12-Feb-18 | 12-Feb-19 | | |
| Mar-19 | 1.24 | 2042 | 2060 | NA | 2017 | | | |
| May-19 | -0.30 | 2011 | 2063 | NA | 2017 | | | |
| Jul-19 | -1.07 | 2034 | 2091 | NA | 2056 | | | |

(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 |
| | | 12-Feb-19 | 05-Feb-19 | 12-Jan-19 | 12-Feb-18 | 12-Feb-19 |
| Mar-19 | -2.98 | 2311 | 2436 | NA | 2382 | |
| May-19 | -3.79 | 2311 | 2436 | NA | 2402 | |
| Aug-19 | 0.16 | 2432 | 2518 | NA | 2428 | 70.93 |

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

| Commodity | | Change |
|--------------------------|--------|--------|
| Thai Sugar FOB 45 Icumsa | 325.80 | -0.50 |

| Sugar Prices at Key Spot Markets: | | | | | |
|-----------------------------------|------------|------------------------|-----------------|-----------|--------|
| Commodity | Centre | Variety | Prices (Rs/Qtl) | | Change |
| Sugar | | | 13-Feb-19 | 12-Feb-19 | |
| Delhi | Delhi | M-Grade | 3100 | 3150 | -50 |
| | Delhi | S-Grade | 3080 | 3130 | -50 |
| Uttar Pradesh | Khatauli | M-Grade | 3250 | 3150 | 100 |
| | Ramala | M-Grade | NA | NA | - |
| | Dhampur | M-Grade Ex-Mill | 3100 | 3100 | Unch |
| | Dhampur | S-Grade Ex-Mill | 3080 | 3080 | Unch |
| | Dhampur | L-Grade Ex-Mill | 3150 | 3150 | Unch |
| Maharashtra | Mumbai | M-Grade | 3410 | 3410 | Unch |
| | Mumbai | S-Grade | 3086 | 3092 | -6 |
| | Nagpur | M-Grade | 3100 | 3175 | -75 |
| | Nagpur | S-Grade | 3050 | 3075 | -25 |
| | Kolhapur | M-Grade | 2975 | 3050 | -75 |
| | 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 | 3440 | 3440 | Unch |
| | Vijayawada | S-Grade | 3400 | 3400 | Unch |
| West Bengal | Kolkata | M-Grade | 3470 | 3470 | Unch |
| Tamil Nadu | Chennai | S-Grade | 3100 | 3100 | Unch |
| | Dindigul | M-Grade | #N/A | 3400 | - |
| | 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 |
| Jaggery(Gur) | | | 13-Feb-19 | 12-Feb-19 | |
| Uttar Pradesh | Muzaffarnagar | Chaku Fresh | 2563 | 2525 | 38 |
| | Muzaffarnagar | Chaku(Arrival)(40kg Bag) | 3000 | 3000 | Unch |

| | | | | | |
|----------------|--------------------|-------------------|------|------|------|
| | Muzaffarnagar | Khurpa (Fresh) | 2313 | 2280 | 33 |
| | Muzaffarnagar | Laddoo (Fresh) | 2528 | 2500 | 28 |
| | Muzaffarnagar | Rascut (Fresh) | 1975 | 2000 | -25 |
| | Hapur | Chaurasa | 2300 | 2300 | Unch |
| | Hapur | Balti | 2213 | 2213 | Unch |
| Andhra Pradesh | Chittur | Gold | 3400 | 3400 | Unch |
| | | White | 3100 | 3100 | Unch |
| | | Black | 2800 | 2700 | 100 |
| Maharashtra | Latur | Lal Variety | NR | NR | - |
| Karnataka | Bangalore | Mudde (Average) | 4700 | 4700 | Unch |
| | Belgaum | Mudde (Average) | NA | NA | - |
| | Belthangadi | Yellow (Average) | NA | NA | - |
| | Bijapur/Vijayapura | Achhu | NA | 2800 | - |
| | Gulbarga/Kalaburgi | Other (Average) | NA | 3105 | - |
| | Mahalingapura | Penti (Average) | 3016 | 2989 | 27 |
| | Mandya | Achhu (Medium) | 2600 | 2600 | Unch |
| | Mandya | Kurikatu (Medium) | 2450 | 2450 | Unch |
| | Mandya | Other (Medium) | 2450 | 2450 | Unch |
| | Mandya | Yellow (Medium) | 2650 | 2650 | Unch |
| | Shimoga/Shivamogga | Achhu (Average) | NA | 3100 | - |

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/disclaimer.php> © 2019 Indian Agribusiness Systems Ltd.