

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.

The government is planning to increase the ex-mill price of sugar by about Rs 2 per kg, much lower than the sum demanded by the industry that would enable them to meet the mounting cane arrears. Mill prices across the country are ruling in the range of Rs 29-30 per kg, which are about Rs 5-6 per kg lower than the cost of production,

Weather Forecast for tomorrow:

Moderate to heavy rain and snow is expected over Jammu and Kashmir, whereas light to moderate rain and thundershowers might be witnessed over East Rajasthan, Southwest Uttar Pradesh and North Madhya Pradesh. Isolated rain activities can also be seen over Punjab, Haryana and Delhi. The minimums are expected to increase further over Haryana, Delhi, Rajasthan, Gujarat and Madhya Pradesh. The pollution levels will continue to hover in poor to very poor zone until tonight and once the rains commence in Delhi, the situation is expected to improve then.

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.

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

Daily Futures Price Listing Wed February 13, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
sugar #11(ICE)									
Mar-19	190213	12.87	12.89	12.72	12.75	-0.1	1,00,293	2,10,321	-27,212
May-19	190213	12.72	12.75	12.53	12.58	-0.08	91,183	2,97,558	11,463
Jul-19	190213	12.84	12.9	12.69	12.74	-0.06	33,774	1,64,883	3,461
Oct-19	190213	13.24	13.25	13.06	13.12	-0.05	12,965	1,23,154	2,110
Mar-20	190213	14.01	14.02	13.81	13.88	-0.06	5,597	85,570	813
May-20	190213	13.93	13.94	13.9	13.94	-0.05	1,067	12,664	123
Jul-20	190213	13.97	13.99	13.95	13.99	-0.04	340	11,317	83
Oct-20	190213	14.14	14.14	14.14	14.14	-0.04	88	15,319	7
Total Volume and Open Interest							2,45,357	9,27,409	-9,153

International Sugar Futures LIFFE

Daily Futures Price Listing Wed February 13, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
London Sugar(LCE)									
Mar-19	190213	327	335.3	327	332	6.2	10,716	5,823	-4,607
May-19	190213	343.7	345.8	342.8	344.3	1.4	11,817	37,130	-188
Aug-19	190213	349.4	351.1	348.2	349.3	0.4	2,621	19,148	-29
Oct-19	190213	355.5	356.6	353.3	354.3	-0.1	1,113	8,489	164
Dec-19	190213	362.9	363.7	360.6	361.4	-0.5	268	4,549	33
Total Volume and Open Interest							26,786	80,337	-4,60

Commodity		Change
Thai Sugar FOB 45 Icumsa	344.3	18.5

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			14-Feb-19	13-Feb-19	
Delhi	Delhi	M-Grade	3120	3100	20
	Delhi	S-Grade	3100	3080	20
Uttar Pradesh	Khatauli	M-Grade	3260	3250	10
	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	3416	3410	6
	Mumbai	S-Grade	3090	3086	4
	Nagpur	M-Grade	3175	3100	75
	Nagpur	S-Grade	3075	3050	25
	Kolhapur	M-Grade	3050	2975	75
	Kolhapur	S-Grade	2950	2925	25
Assam	Guhawati	S-Grade	3258	3233	25
Meghalaya	Shillong	S-Grade	3270	3245	25
Andhra Pradesh	Vijayawada	M-Grade	3440	3440	Unch
	Vijayawada	S-Grade	3400	3400	Unch
West Bengal	Kolkata	M-Grade	3480	3470	10
Tamil Nadu	Chennai	S-Grade	3100	3100	Unch
	Dindigul	M-Grade	#N/A	3420	-
	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)			14-Feb-19	13-Feb-19	
Uttar Pradesh	Muzaffarnagar	Chaku Fresh	2628	2563	65
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	2000	3000	-1000

	Muzaffarnagar	Khurpa (Fresh)	2303	2313	-10
	Muzaffarnagar	Laddoo (Fresh)	2553	2528	25
	Muzaffarnagar	Rascut (Fresh)	1988	1975	13
	Hapur	Chaurasa	2250	2300	-50
	Hapur	Balti	2200	2213	-13
Andhra Pradesh	Chittur	Gold	3700	3400	300
		White	3200	3100	100
		Black	2900	2800	100
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4700	4700	Unch
	Belgaum	Mudde (Average)	2900	2900	Unch
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	2475	NA	-
	Gulbarga/Kalaburgi	Other (Average)	NA	3150	-
	Mahalingapura	Penti (Average)	3052	3016	36
	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	-

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