

Sugar & Gur Domestic & International Fundamentals

Recent Update:

The government on Thursday announced a Rs 2 per kg, or seven per cent, increase in the minimum selling price (MSP) of sugar to Rs 31 per kg. Sugar mills are expected to get a benefit of Rs 6,000 crore from this move. However, the mills were seeking more relief because the price was not helping them to pay the mounting farmers' dues.

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 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,

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 Thu February 14, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Sugar #11(ICE)									
Mar-19	190214	12.77	12.8	12.52	12.61	-0.14	95,574	1,82,382	-27,939
May-19	190214	12.62	12.64	12.34	12.42	-0.16	93,549	3,05,735	8,177
Jul-19	190214	12.76	12.8	12.54	12.6	-0.14	35,098	1,61,942	-2,941
Oct-19	190214	13.14	13.17	12.95	12.99	-0.13	11,416	1,22,782	-372
Mar-20	190214	13.94	14.02	13.74	13.77	-0.11	3,843	85,784	214
May-20	190214	14	14	13.83	13.86	-0.08	193	12,708	44
Jul-20	190214	14.02	14.02	13.9	13.91	-0.08	29	11,326	9
Oct-20	190214	14.13	14.14	14.07	14.07	-0.07	6	15,321	2
Total Volume and Open Interest							2,39,718	9,04,601	-22,808

International Sugar Futures LIFFE

Daily Futures Price Listing Thu February 14, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
London Sugar(LCE)									
May-19	190214	345.1	346.4	340.6	341.8	-2.5	9,558	36,927	-203
Aug-19	190214	349.7	351.4	346.3	346.9	-2.4	3,677	19,593	445
Oct-19	190214	355.4	356.2	351.5	351.9	-2.4	778	8,594	105
Dec-19	190214	362.4	363.1	358.5	358.8	-2.6	103	4,605	56
Mar-20	190214	369.6	369.9	365.7	366.1	-2.6	40	3,582	-7
Total Volume and Open Interest							21,484	78,185	-2,152

Commodity		Change
Thai Sugar FOB 45 Icmsa	341.80	-2.50

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
			15-Feb-19	14-Feb-19	
Delhi	Delhi	M-Grade	3200	3120	80
	Delhi	S-Grade	3180	3100	80
Uttar Pradesh	Khatauli	M-Grade	3260	3260	Unch
	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	3450	3416	34
	Mumbai	S-Grade	3202	3090	112
	Nagpur	M-Grade	3325	3175	150
	Nagpur	S-Grade	3225	3075	150
	Kolhapur	M-Grade	3200	3050	150
	Kolhapur	S-Grade	3100	2950	150
Assam	Guhawati	S-Grade	3410	3258	152
Meghalaya	Shillong	S-Grade	3420	3270	150
Andhra Pradesh	Vijayawada	M-Grade	3540	3440	100
	Vijayawada	S-Grade	3500	3400	100
West Bengal	Kolkata	M-Grade	3450	3480	-30
Tamil Nadu	Chennai	S-Grade	3300	3100	200
	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
			15-Feb-19	14-Feb-19	
Uttar Pradesh	Muzaffarnagar	Chaku Fresh	2570	2628	-58
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	3000	2000	1000
	Muzaffarnagar	Khurpa (Fresh)	2378	2303	75

	Muzaffarnagar	Laddoo (Fresh)	2563	2553	10
	Muzaffarnagar	Rascut (Fresh)	1975	1988	-13
	Hapur	Chaurasa	2275	2250	25
	Hapur	Balti	2225	2200	25
Andhra Pradesh	Chittur	Gold	3500	3700	-200
		White	3000	3200	-200
		Black	2700	2900	-200
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4700	4700	Unch
	Belgaum	Mudde (Average)	NA	2900	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	2480	2475	5
	Gulbarga/Kalaburgi	Other (Average)	2880	NA	-
	Mahalingapura	Penti (Average)	NA	3052	-
	Mandya	Achhu (Medium)	2600	2600	Unch
	Mandya	Kurikatu (Medium)	2500	2450	50
	Mandya	Other (Medium)	2500	2450	50
	Mandya	Yellow (Medium)	2650	2650	Unch
	Shimoga/Shivamogga	Achhu (Average)	NA	NA	-

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