

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

***Sugar prices at the Kolhapur wholesale market shot up by Rs 200-350 a quintal on the back of announcement of Rs 200 hike in ex mill price from Rs2,900 to Rs 3,200 per quintal.***

***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:**

*Scattered light rain and snow will be seen over Jammu and Kashmir. Light to moderate rain with one or two heavy spells is a possibility over Himachal Pradesh and Uttarakhand. Scattered rain and thundershower activities would continue over the foothills of Punjab, Haryana, East Uttar Pradesh, Bihar, parts of Sub- Himalayan West Bengal and Sikkim, East Madhya Pradesh and Chhattisgarh. Isolated rains are a possibility over Odisha. Scattered light to moderate rain and thundershower activities will be seen over Arunachal Pradesh, Assam, Nagaland and Meghalaya. Day temperatures might increase marginally over Jammu and Kashmir, Punjab, Haryana, Delhi and West Uttar Pradesh.*

**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<br>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 Fri February 15, 2019 |        |       |       |       |       |        |              |          |         |
|---|--------|-------|-------|-------|-------|--------|--------------|----------|---------|
| Most Recent Information                           |        |       |       |       |       |        | Previous Day |          |         |
| Mth   | Date   | Open  | High  | Low   | Close | Change | Volume       | Open Int | Change  |
| Sugar #11(ICE)                                    |        |       |       |       |       |        |              |          |         |
| <a href="#">Mar-19</a>                            | 190215 | 12.67 | 13.25 | 12.65 | 13.14 | 0.53   | 70,353       | 1,55,433 | -26,949 |
| <a href="#">May-19</a>                            | 190215 | 12.46 | 13.15 | 12.45 | 13    | 0.58   | 80,277       | 3,21,820 | 16,085  |
| <a href="#">Jul-19</a>                            | 190215 | 12.68 | 13.27 | 12.63 | 13.14 | 0.54   | 19,165       | 1,60,702 | -1,240  |
| <a href="#">Oct-19</a>                            | 190215 | 13.03 | 13.64 | 13.01 | 13.5  | 0.51   | 7,100        | 1,24,856 | 2,074   |
| <a href="#">Mar-20</a>                            | 190215 | 13.78 | 14.38 | 13.78 | 14.25 | 0.48   | 3,409        | 87,190   | 1,406   |
| <a href="#">May-20</a>                            | 190215 | 13.9  | 14.42 | 13.88 | 14.29 | 0.43   | 253          | 12,693   | -15     |
| <a href="#">Jul-20</a>                            | 190215 | 14.04 | 14.44 | 14.04 | 14.31 | 0.4    | 52           | 11,330   | 4       |
| <a href="#">Oct-20</a>                            | 190215 | 14.13 | 14.56 | 14.13 | 14.44 | 0.37   | 5            | 15,320   | -1      |
| Total Volume and Open Interest                    |        |       |       |       |       |        | 1,80,623     | 8,95,968 | -8,633  |

## International Sugar Futures LIFFE

| Daily Futures Price Listing Fri February 15, 2019 |        |       |       |       |       |        |              |          |        |
|---|--------|-------|-------|-------|-------|--------|--------------|----------|--------|
| Most Recent Information                           |        |       |       |       |       |        | Previous Day |          |        |
| Mth   | Date   | Open  | High  | Low   | Close | Change | Volume       | Open Int | Change |
| London Sugar(LCE)                                 |        |       |       |       |       |        |              |          |        |
| <a href="#">May-19</a>                            | 190215 | 341.5 | 355.8 | 341.4 | 354.7 | 12.9   | 7,888        | 37,381   | 454    |
| <a href="#">Aug-19</a>                            | 190215 | 347.2 | 360.5 | 346.6 | 359.1 | 12.2   | 2,260        | 20,260   | 667    |
| <a href="#">Oct-19</a>                            | 190215 | 352   | 365.4 | 351.6 | 363.8 | 11.9   | 670          | 8,550    | -44    |
| <a href="#">Dec-19</a>                            | 190215 | 358.6 | 371.9 | 358.6 | 370.3 | 11.5   | 209          | 4,550    | -55    |

|                                |        |     |       |     |       |      |        |        |        |
|--------------------------------|--------|-----|-------|-----|-------|------|--------|--------|--------|
| <a href="#">Mar-20</a>         | 190215 | 366 | 378.6 | 366 | 377.3 | 11.2 | 73     | 3,594  | 12     |
| Total Volume and Open Interest |        |     |       |     |       |      | 11,126 | 75,972 | -2,213 |

| Commodity                |        | Change |
|--------------------------|--------|--------|
| Thai Sugar FOB 45 Icumsa | 341.80 | -2.50  |

| Sugar Prices at Key Spot Markets: |            |                        |                 |           |        |
|-----------------------------------|------------|------------------------|-----------------|-----------|--------|
| Commodity                         | Centre     | Variety                | Prices (Rs/Qtl) |           | Change |
| Sugar                             |            |                        | 16-Feb-19       | 15-Feb-19 |        |
| Delhi                             | Delhi      | M-Grade                | 3200            | 3200      | Unch   |
|                                   | Delhi      | S-Grade                | 3180            | 3180      | Unch   |
| Uttar Pradesh                     | Khatauli   | M-Grade                | 3300            | 3260      | 40     |
|                                   | Ramala     | M-Grade                | NA              | NA        | -      |
|                                   | Dhampur    | M-Grade Ex-Mill        | 3200            | 3100      | 100    |
|                                   | Dhampur    | S-Grade Ex-Mill        | 3180            | 3080      | 100    |
|                                   | Dhampur    | L-Grade Ex-Mill        | 3250            | 3150      | 100    |
| Maharashtra                       | Mumbai     | M-Grade                | 3450            | 3450      | Unch   |
|                                   | Mumbai     | S-Grade                | 3210            | 3202      | 8      |
|                                   | Nagpur     | M-Grade                | 3325            | 3325      | Unch   |
|                                   | Nagpur     | S-Grade                | 3225            | 3225      | Unch   |
|                                   | Kolhapur   | M-Grade                | 3200            | 3200      | Unch   |
|                                   | Kolhapur   | S-Grade                | 3100            | 3100      | Unch   |
| Assam                             | Guhawati   | S-Grade                | 3410            | 3410      | Unch   |
| Meghalaya                         | Shillong   | S-Grade                | 3420            | 3420      | Unch   |
| Andhra Pradesh                    | Vijayawada | M-Grade                | 3540            | 3540      | Unch   |
|                                   | Vijayawada | S-Grade                | 3500            | 3500      | Unch   |
| West Bengal                       | Kolkata    | M-Grade                | 3450            | 3450      | Unch   |
| Tamil Nadu                        | Chennai    | S-Grade                | 3300            | 3300      | 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)                              |                    |                          | 16-Feb-19       | 15-Feb-19 |        |
| Uttar Pradesh                             | Muzaffarnagar      | Chaku Fresh              | 2563            | 2570      | -8     |
|   | Muzaffarnagar      | Chaku(Arrival)(40kg Bag) | 2000            | 3000      | -1000  |
|   | Muzaffarnagar      | Khurpa (Fresh)           | 2378            | 2378      | Unch   |
|   | Muzaffarnagar      | Laddoo (Fresh)           | 2563            | 2563      | Unch   |
|   | Muzaffarnagar      | Rascut (Fresh)           | 2000            | 1975      | 25     |
|   | Hapur              | Chaurasa                 | 2275            | 2275      | Unch   |
|   | Hapur              | Balti                    | 2225            | 2225      | Unch   |
| Andhra Pradesh                            | Chittur            | Gold                     | 3500            | 3500      | Unch   |
|   |                    | White                    | 2900            | 3000      | -100   |
|   |                    | Black                    | 2600            | 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              | 2480      | -      |
|   | Gulbarga/Kalaburgi | Other (Average)          | NA              | 2880      | -      |
|   | Mahalingapura      | Penti (Average)          | NA              | NA        | -      |
|   | Mandya             | Achhu (Medium)           | 2650            | 2600      | 50     |
|   | Mandya             | Kurikatu (Medium)        | 2550            | 2500      | 50     |
|   | Mandya             | Other (Medium)           | 2550            | 2500      | 50     |
|   | Mandya             | Yellow (Medium)          | 2650            | 2650      | Unch   |
|   | Shimoga/Shivamogga | Achhu (Average)          | NA              | NA        | -      |

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