

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

The sugar market has been witnessing a mixed trend on Monday amid a hike in MSP. In Kolhapur sugar prices are hovering at 3100 whereas in Delhi M-30 sugar is trading at around 3080. AW expecting that Indian sugar prices may trade in the range of 3100 to 3300 per quintal in coming days.

ISO's forecast that global 2018/19 sugar production will rise +0.6% y/y to a record 185.2 MMT and that there will be a 2018/19 sugar surplus of 2.2 MMT (vs 2017/18's 7.3 MMT), Whereas, USDA's FAS forecast for 2018/19 sugar production in India, the world's second-largest sugar producer, to climb +5.3% y/y to a record 35.9 MMT.

Weather Forecast for tomorrow:

Scattered light to moderate rains will continue over Northeast India, Gangetic West Bengal, Coastal Odisha. Light rains are expected over Jammu and Kashmir, Himachal Pradesh and few places of Uttarakhand and Coastal Andhra Pradesh. Heat wave conditions will develop in parts of Rayalaseema and interior Tamil Nadu with maximums touching almost 40-degree mark.

Previos Updates:

The Centre on Thursday announced an additional soft loan of Rs 12,900 crore for sugar mills to create ethanol capacity. In addition, a separate soft loan of Rs 2,600 crore will be provided to molasses-based standalone distilleries to augment capacity and set up new units. A soft loan is a loan given at a subsidised interest rate. A decision in this regard was taken at the Cabinet Committee on Economic Affairs meeting, chaired by PM Narendra Modi.

Sugar mills in the country produced 247.68 lakh tonnes (lt) of sugar till end of last month, nearly 16 lt more than they produced in the corresponding period last year. The total sugar production in the same period last year was 231.77 lt. As many as 266 mills are in operation as against 457 last year and mills in Maharashtra and Karnataka are on the verge of completing crushing.

The first three months of the current year's supply period, about 12 crore litre of ethanol, made from B heavy/sugarcane juice, have been supplied. This has, in turn, reduced sugar production by 1lakh tonnes so far in the current season.

The Centre on Tuesday issued a monthly stock holding limit order for sugar mills for the current month under which a quota of 24.5 lakh tonnes of white/refined sugar has been allocated for domestic sale by factories. Last month the government had prescribed a quota of 23.54 lakh tonnes to be sold by the nearly 534 mills during the month. The increase in the quota this month is due to the ongoing festival season.

Despite the Centre's recent announcement of a Rs.2 per kg hike in the minimum support price (MSP) of sugar to Rs.31 per kg, several millers in Maharashtra are reported that they are selling sugar below the minimum support price since there is no demand pick-up in the market. Some of the millers said that on one hand, there is no demand in the market and on the other, they are under pressure to clear up pending Fair and Remunerative Price (FRP) payments to farmers. The state government of Uttar Pradesh has provided additional soft loans of about INR3 bln (USD1=INR70.84) to cash-strapped private sugar mills for speedy payments to cane farmers.

According to trade sources, the 2019/20 sugar output in Brazil's Center-South, the country's biggest sugar-producing region, will climb by +5.7% to 28 MMT. A bullish factor is smaller sugar supplies from Brazil after Unica reported last week that Center-South sugar production for the 2018/19 season through mid-Feb was down -26.45% y/y at 26.361 MMT, with the percentage of cane used for sugar dropping to 35.43% from 46.88% last year and the percentage of cane used for ethanol production climbing to 64.57% from 53.12% last year. In addition, strong demand for Brazil ethanol is positive after Unica reported on last week.

The Cabinet Committee on Economic Affairs (CCEA) has approved proposal to provide soft loan of up to Rs 10,540 crore to the sugar industry to help mills clear mounting arrears to cane growers. The CCEA approved the proposal to provide soft loans to the extent of about Rs 7900-10540 crore to the sugar industry. Government will bear the interest subvention cost between 7 -10 percent to the extent of Rs 553 crore to Rs 1054 crore for one year.

Indian traders will export raw sugar to Iran for March and April delivery. Under the sanctions, Iran is blocked from the global financial system, including using US dollars to transact its oil sales. Iran agreed to sell oil to India in exchange for rupees but it can only use those rupees to buy Indian goods, mainly items it cannot produce enough of domestically. Trading houses have contracted to export 1,50,000 tonnes of raw sugar for shipments arriving in March and April at \$305 to \$310 per tonne on a free-on-board basis, the trade sources told Reuters this week.

Sugar production is likely to decline to around 30 million tonne in SS 2018-19 from the record high of 32.3 million tonne in SS 2017-18 due to deficient rainfall, white grub and red rot infestations in the key cane producing states of Uttar Pradesh and Maharashtra, India Ratings said in a report. Despite being lower than the last season, production in SS 2018-19 is likely to exceed sugar demand of around 26 million tonne (MT).

Weekly Outlook:

Indian Sugar markets remained steady 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. As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3100–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 start.

Commodity		Change
Thai Sugar FOB 45 Icumsa	338.5	1.3

International Sugar Futures ICE (US Cent/lb)

Daily Futures Price Listing Fri March 08, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Sugar #11(ICE)									
May-19	190308	12.19	12.25	12.11	12.18	0.04	79,865	3,54,557	160
Jul-19	190308	12.4	12.44	12.3	12.37	0.01	28,734	1,70,692	1,621
Oct-19	190308	12.81	12.81	12.69	12.74	-0.01	17,694	1,56,012	1,726
Mar-20	190308	13.6	13.61	13.49	13.55	-0.01	7,590	89,962	-286
May-20	190308	13.74	13.74	13.64	13.7	-0.01	3,148	16,673	1,265
Jul-20	190308	13.78	13.83	13.75	13.8	-0.01	1,516	13,832	339
Oct-20	190308	13.96	14.01	13.92	13.97	-0.02	791	19,576	-198
Mar-21	190308	14.42	14.5	14.42	14.47	-0.01	311	6,238	-19
Total Volume and Open Interest							1,39,706	8,30,004	4,639

International Sugar Futures LIFFE (US \$/MT)

Daily Futures Price Listing Fri March 08, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
London Sugar(LCE)									
May-19	190308	338	339.4	336.3	338.5	1.3	8,814	41,604	-852
Aug-19	190308	342.4	343.4	340.5	342.8	1.4	3,099	21,688	668
Oct-19	190308	346.8	348.2	345.7	347.7	1.7	1,009	11,604	402
Dec-19	190308	353.8	355.9	353.5	355.3	1.8	374	5,422	22
Mar-20	190308	362.7	364.3	362.2	363.4	1.3	634	4,790	273
Total Volume and Open Interest							14,398	87,284	866

Sugar Prices at Key Spot Markets:

Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
			11-Mar-19	09-Mar-19	
Delhi	Delhi	M-Grade	3080	3200	-120
	Delhi	S-Grade	3060	3180	-120
Uttar Pradesh	Khatauli	M-Grade	3190	3190	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	3340	3360	-20
	Mumbai	S-Grade	3192	3196	-4
	Nagpur	M-Grade	3225	3175	50
	Nagpur	S-Grade	3225	3125	100
	Kolhapur	M-Grade	3100	3050	50
	Kolhapur	S-Grade	3100	3000	100
Assam	Guhawati	S-Grade	3410	3309	102
Meghalaya	Shillong	S-Grade	3420	3320	100
Andhra Pradesh	Vijayawada	M-Grade	3480	3480	Unch
	Vijayawada	S-Grade	3420	3420	Unch
West Bengal	Kolkata	M-Grade	3470	3470	Unch
Tamil Nadu	Chennai	S-Grade	3460	3460	Unch
	Dindigul	M-Grade	3580	3580	Unch
	Coimbatore	M-Grade	3540	3540	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3600	Unch
Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)					

Jaggery (Gur) Prices at Key Spot Markets:

Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
			11-Mar-19	09-Mar-19	
Jaggery(Gur)					
Uttar Pradesh	Muzaffarnagar	Chaku Fresh	2578	2558	20
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	7000	7000	Unch
	Muzaffarnagar	Khurpa (Fresh)	2345	2325	20
	Muzaffarnagar	Laddoo (Fresh)	2553	2500	53
	Muzaffarnagar	Rascut (Fresh)	2000	1975	25
	Hapur	Chaurasa	Closed	2300	-
	Hapur	Balti	Closed	2250	-
Andhra Pradesh	Chittur	Gold	3700	3700	Unch
		White	3300	3300	Unch
		Black	2800	2800	Unch
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4200	NA	-

Belgaum	Mudde (Average)	NA	2800	-
Belthangadi	Yellow (Average)	NA	NA	-
Bijapur/Vijayapura	Achhu	2700	NA	-
Gulbarga/Kalaburgi	Other (Average)	2730	2700	30
Mahalingapura	Penti (Average)	3176	NA	-
Mandya	Achhu (Medium)	3200	3200	Unch
Mandya	Kurikatu (Medium)	3000	3000	Unch
Mandya	Other (Medium)	3150	3100	50
Mandya	Yellow (Medium)	3250	3200	50
Shimoga/Shivamogga	Achhu (Average)	NA	NA	-

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