

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

Mixed trend is seen in Indian sugar markets on Tuesday. Overall the prices are expected to be steady to firm in Indian markets. Kolhapur sugar market price stood at Rs.3300 and in U.P's Khatauli market stood at low Rs. 3500 INR.

Many sugar mills in India are going to close due to shortage of cane this year and due to bad financial conditions, the government is planning frame a policy to revive the sugar mills by utilizing the land area of mill for ethanol production. The ethanol economy has the potential to reach Rs. 1 lakh crore from about Rs. 25,000 crore and can reduce the annual Rs. 7 lakh crore crude imports according to the Indian government. This will promote the Sugar industry to accelerate the ethanol production and thus supporting the sugar prices also by the estimation of lower sugar in 2019-20 season.

Weather Forecast:

Light to moderate rains with one or two heavy spells can be seen over West Bengal, Odisha, Chhattisgarh, Telangana, parts of Vidarbha, Marathwada, and East Madhya Pradesh. Scattered light to moderate rains can be seen over Andhra Pradesh, parts of Tamil Nadu, South Interior Karnataka, West Madhya Pradesh, Southeast Rajasthan, parts of Gujarat, parts of Uttar Pradesh and Northeastern states. Light to moderate rains at few places of Himachal Pradesh and Uttarakhand can be a sight with scattered light rains over Bihar, and Jharkhand. While patchy rains are foreseen over parts of Punjab and Haryana. However, isolated light rains can be seen over rest parts of the country.

Previous Updates:

Imports of sugar in China stood at 4.7 lakh tonnes in the month of August'19 around 217.6% higher than last year in same period. The total imports till Aug'19 stood at 4.3 mln tonnes which is around 1% lower compared to last year. From 1st Oct'19, Indian sugar producers are likely to start exporting sugar to China and among some other countries like Iran, East Africa, Bangladesh, Iran, Sri Lanka & Indonesia. After the sugar incentives subsidy announcement by India boosted the bookings of shipments across the countries for export among which Indonesia and Nepal already finalized the deal for importing Indian sugar from upcoming season.

In order to reduce the crude imports to India, OMCs have made decision to increase the ethanol blending and a step to promote ethanol production from molasses, sugarcane juice, sugar syrup and distilleries producing ethanol. For the current year 2019-20, OMCs are likely to buy 5.11 billion liters of ethanol which is 55% higher than the preceding year which stood at 3.29 billion liters. The recent hike in ethanol prices from C-heavy, B-heavy and from direct juice along with surge in the requirement of ethanol by OMCs would help government in achieving the target of 10% blending of ethanol in petrol by 2020.

Nepal has lifted import restriction on Indian sugar, therefore, India can export sugar to Nepal in the coming season as a hope of opportunity to India to decrease the existing sugar stock. Nepal has contracted to import 20,000 metric tonnes of sugar. Out of this, Food Management and Trade Company Limited and Salt Trading Corporation Limited to import 10,000 metric tonnes of sugar each. The ban earlier was imposed due to the excessive supply of cheaper foreign sugar in the Nepal domestic market which had lowered the demand for comparatively costly Nepali sugar.

The Maharashtra state sugar commissioner Shekhar Gaikwad has issued directives to mills that the millers need to sign individual agreement with farmer ahead of the start of the crushing season in the due protection of the farmers to get their FRP on time. In the agreement, millers will get a grace period till the stipulated period mentioned in the agreements. The mills have to agree to pay FRP to the farmers within 14 days in order to get crushing license in the coming season. The commissionerate has also extended the last date for obtaining crushing license to give mills more time to prepare for crushing. It is extended to September 30 from the earlier deadline of August 30.

Erratic rainfall in Karnataka has affected the sugarcane crop which might reduce the state's production by 5-8% in 2019-20. At least 14 of the 25 private sector sugar mills in Tamil Nadu will not commence operations in the 2019-20 sugar season according to the South Indian Sugar Mills Association (SISMA) representatives due to shortage of cane in the coming season.

Indonesia has agreed to import sugar and rice from India. Earlier Indonesia had asked India to cut its tariff on refined palm oil matching the levy faced by rival producer Malaysia, and offered market access for Indian sugar in exchange. This move will help to reduce trade deficit between the two sides and push trade volume to \$ 50 billion by 2025.

The falling prices of sugar in the international market has helped Brazil to emphasise more on ethanol production. Further the country will allocate more sugarcane towards ethanol production due to its increasing demand. According to the Sugar group Biosev, Brazil's 2019-20 centre-south sugar output seen at 25.9 million tonnes as against 26.5 million tonnes in 2018-19. While the ethanol production in 2019-20 is seen at 32.1 billion as against the 30.9 billion litres in 2018-19.

First distillery unit which will produce ethanol from direct juice going to be establish in Gorakhpur district of Uttar Pradesh in the coming 2 years. The unit is likely to crush 1,250 tonnes of cane/day and produce 95,000 liters of ethanol. The Centre has also provided soft loans to sugar mills to build new distilleries and enhance existing ones in India. The government has recently hiked the prices of ethanol made from 100% cane juice and C-heavy molasses to 59.48 rupees a ltr and 43.75 rupees a ltr respectively encouraging the ethanol production so as reduce sugar production.

Weekly Outlook:

Indian Sugar markets remained weak during last week. We expect sugar prices may trade steady to firm due to growth in demand in the market. As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3200–Rs 3350 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	325.7	3.8

International Sugar Futures ICE (US Cent/lb)

Daily Futures Price Listing Mon September 23, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Sugar #11(ICE)									
19-Oct	190923	11.1	11.25	11.1	11.22	0.13	89,444	120,915	2,792
20-Mar	190923	12.1	12.28	12.1	12.21	0.14	81,777	527,143	13,733
20-May	190923	12.18	12.37	12.18	12.29	0.12	11,320	154,626	1,618
20-Jul	190923	12.33	12.49	12.33	12.4	0.09	5,926	77,517	256
20-Oct	190923	12.6	12.75	12.6	12.64	0.05	2,795	67,308	270
21-Mar	190923	13.17	13.31	13.17	13.19	0.02	928	33,603	88
21-May	190923	13.21	13.34	13.19	13.2	unch	60	5,008	4
21-Jul	190923	13.21	13.33	13.17	13.18	-0.03	41	4,505	1
Total Volume and Open Interest							192,312	994,494	18,781

International Sugar Futures LIFFE (US \$/MT)

Daily Futures Price Listing Mon September 23, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
London Sugar(LCE)									
19-Dec	190923	326.9	330	326.5	329.3	3.6	6,629	53,210	-430
20-Mar	190923	328	331.8	328	331.2	3.6	3,818	31,429	526
20-May	190923	334.2	336.1	334.1	335.7	3.4	925	9,339	-194
20-Aug	190923	340.4	341.3	339.6	340.7	2.8	312	4,314	-16
20-Oct	190923	345	345.1	344.7	344.8	2	86	1,791	60
Total Volume and Open Interest							11,882	101,307	36

DOMESTIC PRICES AND ARRIVAL

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			24-Sep-19	23-Sep-19	
Delhi	Delhi	M-Grade	3450	3420	30
	Delhi	S-Grade	3430	3400	30
Uttar Pradesh	Khatauli	M-Grade	3500	3420	80
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3380	3370	10
	Dhampur	S-Grade Ex-Mill	3360	3350	10
	Dhampur	L-Grade Ex-Mill	3430	3420	10
Maharashtra	Mumbai	M-Grade	3576	3576	Unch
	Mumbai	S-Grade	3330	3340	-10
	Nagpur	M-Grade	3425	3425	Unch
	Nagpur	S-Grade	3275	3275	Unch
	Kolhapur	M-Grade	3300	3300	Unch
	Kolhapur	S-Grade	3150	3150	Unch
Assam	Guhawati	S-Grade	3461	3461	Unch
Meghalaya	Shillong	S-Grade	3470	3470	Unch
Andhra Pradesh	Vijayawada	M-Grade	3800	3800	Unch
	Vijayawada	S-Grade	3740	3740	Unch
West Bengal	Kolkata	M-Grade	3730	3720	10
Tamil Nadu	Chennai	S-Grade	3800	3800	Unch
	Dindigul	M-Grade	3710	3710	Unch
	Coimbatore	M-Grade	3690	3690	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
Jaggery(Gur)			24-Sep-19	23-Sep-19	
Uttar Pradesh	Muzaffarnagar	Chaku Fresh	NA	NA	-
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	NA	NA	-

	Hapur	Chaurasa	NA	NA	-
	Hapur	Balti	NA	NA	-
Andhra Pradesh	Chittur	Gold	4400	4200	200
		White	4200	NA	-
		Black	3500	3900	-400
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4600	4600	Unch
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	3200	3200	Unch
	Gulbarga/Kalaburgi	Other (Average)	3160	3180	-20
	Mahalingapura	Penti (Average)	NA	3289	-
	Mandya	Achhu (Medium)	2950	2900	50
	Mandya	Kurikatu (Medium)	2800	2800	Unch
	Mandya	Other (Medium)	2750	2800	-50
	Mandya	Yellow (Medium)	3050	3000	50
	Shimoga/Shivamogga	Achhu (Average)	3600	3750	-150

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