

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

The sugar market across is steady on Thursday. Overall the prices are expected to be firm in Indian markets on the back of upcoming Indian festivals. Kolhapur sugar market price stood same at Rs.3350 and in U.P's Khatauli market stood at low Rs. 3535 INR.

The Food Ministry has allocated 21LT monthly sales quota for October which is higher than previous month allocation of 19.5 LT to each of 535 mills in India along with added incentivized quota to those mills who have completed their export targets under MIEQ Quota. The allocated quota is 1 LT lower than previous year's allocated quota which stood at 22LT. The prices would remain firm amid upcoming Indian festivals along with export demand this year would supplement the sugar market.

Till 29th Sep'19, around 171 sugar mills have applied for online crushing license with the maximum mills reported from Solapur district (24 mills). The crushing in Maharashtra is going to start quite late this year after Diwali. Recently, the Sugar commissioner office extended the deadline for issuing the crushing license to 30 September. It has become difficult for the mills to get the crushing license as recently the government has that the same sugar mills will be issued crushing licenses for the new season, which will pay the farmers fair and remunerative price (FRP) within 14 days.

The data released by UNICA indicate that hydrous ethanol consumption reached 1.87 billion liters, 49% compared to August 2018 in Brazil. This figure is all time highest for August in the historical series started in 2000 and also the highest monthly average volume demanded by biofuel. In 2019, the value reaches 1.81 billion liters, 26% higher than in 2018. This represents that the consumption for ethanol has been increasing since 2019 season has started in Brazil in April'19 which subsequently encourages to increase the ethanol production instead of sugar production this year.

Weather Forecast:

Heavy rains and thundershowers with strong winds are likely over Gujarat, South Rajasthan, isolated places over Meghalaya, Assam, Nagaland and Arunachal Pradesh. Moderate rains and thundershowers are likely at many places over Gujarat, rest parts of South Rajasthan, Madhya Pradesh, Konkan and Goa, North Madhya Maharashtra, Vidarbha, Chhattisgarh, Odisha, Jharkhand, Southeast Uttar Pradesh, Bihar, West Bengal, rest Northeast states, Odisha, North Andhra Pradesh, Kerala, Tamil Nadu, South Interior Karnataka and Uttarakhand. Light rains are possible over scattered places over rest parts of the country except rest parts of Rajasthan, West Haryana, South Punjab, and Rayalaseema.

Previous Updates:

Sugar factories are planning to start crushing before Diwali whereas Maharashtra will start only after Diwali due to the upcoming elections. The Karnataka sugar mills could benefit from this while Maharashtra will face challenges due to the early crushing in the neighbouring state. Usually Karnataka pulls sugarcane from the bordering districts of Karnataka from Maharashtra (Kolhapur & Sangli). As the two districts; Kolhapur and Sangli results in higher recovery compared to Karnataka, therefore, they tend to carry sugarcane from Maharashtra.

Unica reported that sugar production in Brazil's Center-South fell -5.6% against last year to 2.037 MT in the first half of Sep and that total 2019-20 sugar output through mid-Sep fell -4.9% to 20.01 MMT. The cane crush so far reached 437.74 mln tones as of 16th Sep'19 against 432.51 mln tonnes in 2018-19.

Unica projects that increased ethanol output in Brazil will cut Brazil 2019/20 Center-South sugar production by -5.7% y/y to a 14-year low of 25 MMT.

According to Thai Sugar Millers Corporation, Thailand exported 3.85 lakh tonnes of refined sugar and 4.59 lakh tonnes of raw sugar in Aug'19. Total of 18.99 lakh tonnes of refined sugar (-29.59%) has been exported at an average FOB \$353.32/tonne and 36.86 lakh tonnes (-10.6% y/y) of raw sugar at an average FOB \$293.49/tonne much lower sugar has been exported so far till Aug'19 from January'19 because of lower sugar demand in 2018-19. Whereas the refined sugar exports in 2018-19 was at 26.97 lakh tonnes and 41.24 lakh tonnes of raw sugar was exported during Jan'18 to Aug'18.

According to Australian Sugar report released by Australian sugar milling council, the weekly crush in the week ending on 22th Sep'19 fall to 14.74 lakh tonnes and the total crush reached 188.48 lakh tonnes (61.5%) total crush from the beginning of the season. The weekly crush as on 23rd Sep'18, was around 15.24lakh tonnes and total crush as on date was 221.14 lakh tonnes (66.71%) compared to 2019-20 crushing.

Maharashtra this year have been in the adverse weather conditions with 50% area in dry and remaining area in flooded conditions. The total loss of sugarcane in Maharashtra is expected to around 35-40% according to the trade sources. The sugarcane loss is included from the Marathwada region (20-25%) and from the flooded affected region in Kolhapur, Satara and Sangli (15-20%). The farmers are selling sugarcane in the cattle feed market, which is getting Rs 3,500 per tonne higher from Rs.2750 per tonne which is offered by the mills. Sugarcane was sold for cattle feed due to lack of fodder in several districts of Marathwada, Vidarbha along with some districts of western Maharashtra in the state, which gave attractive returns to farmers.

The UP government has issued an amount of Rs. 1,100 crore to revive two defunctional state-owned sugar mills in the eastern part of the state (Munderwa and Pipraich in Basti and Gorakhpur districts). Both plants will be made operational from the upcoming 2019-20 crushing season. As there is huge demand of Sulphur free sugar which is of premium quality and the prices range Rs.150-200 higher compared to normal sugar, therefore, the new technology would be installed by 2020-21 to produce sulphur free sugar in the same districts.

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.

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.

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 | 344.3 | 2.9 |

International Sugar Futures ICE (US Cent/lb)

| Daily Futures Price Listing Mon September 30, 2019 | | | | | | | | | |
|--|--------|-------|-------|-------|-------|--------|--------------|----------|---------|
| Most Recent Information | | | | | | | Previous Day | | |
| Mth | Date | Open | High | Low | Close | Change | Volume | Open Int | Change |
| Sugar #11(ICE) | | | | | | | | | |
| 19-Oct | 190930 | 11.51 | 12.02 | 11.51 | 11.92 | 0.39 | 48,435 | 18,466 | -19,259 |
| 20-Mar | 190930 | 12.62 | 12.85 | 12.57 | 12.65 | 0.03 | 95,745 | 542,452 | -8,197 |
| 20-May | 190930 | 12.7 | 12.92 | 12.65 | 12.75 | 0.04 | 17,897 | 162,275 | -121 |
| 20-Jul | 190930 | 12.81 | 12.99 | 12.79 | 12.85 | 0.03 | 10,400 | 82,033 | 467 |
| 20-Oct | 190930 | 13.02 | 13.18 | 13 | 13.04 | 0.02 | 5,453 | 69,019 | 451 |
| 21-Mar | 190930 | 13.52 | 13.67 | 13.49 | 13.52 | unch | 2,365 | 38,581 | 1,236 |
| 21-May | 190930 | 13.5 | 13.6 | 13.48 | 13.48 | -0.02 | 178 | 5,085 | -30 |
| 21-Jul | 190930 | 13.45 | 13.53 | 13.42 | 13.42 | -0.03 | 103 | 4,797 | 42 |
| Total Volume and Open Interest | | | | | | | 180,803 | 928,032 | -25,441 |

International Sugar Futures LIFFE (US \$/MT)

| Daily Futures Price Listing Mon September 30, 2019 | | | | | | | | | |
|--|--------|-------|-------|-------|-------|--------|--------------|----------|--------|
| Most Recent Information | | | | | | | Previous Day | | |
| Mth | Date | Open | High | Low | Close | Change | Volume | Open Int | Change |
| London Sugar(LCE) | | | | | | | | | |
| 19-Dec | 190930 | 341.2 | 345.8 | 340.7 | 344.3 | 2.9 | 10,660 | 48,801 | -1,579 |
| 20-Mar | 190930 | 342.8 | 347.8 | 342.3 | 345.4 | 1.9 | 7,880 | 31,940 | 1,004 |
| 20-May | 190930 | 347.3 | 351.6 | 346 | 349.1 | 1.7 | 870 | 9,689 | 116 |
| 20-Aug | 190930 | 350.5 | 355.4 | 350 | 352.7 | 1.2 | 213 | 4,354 | 41 |
| 20-Oct | 190930 | 353.8 | 358.6 | 353.8 | 355.6 | 1 | 6 | 1,817 | 1 |
| Total Volume and Open Interest | | | | | | | 19,648 | 97,941 | -402 |

DOMESTIC PRICES AND ARRIVAL

| Sugar Prices at Key Spot Markets: | | | | | |
|-----------------------------------|------------|-----------------|-----------------|----------|--------|
| Commodity | Centre | Variety | Prices (Rs/Qtl) | | Change |
| Sugar | | | 3-Oct-19 | 1-Oct-19 | |
| Delhi | Delhi | M-Grade | 3420 | 3350 | 70 |
| | Delhi | S-Grade | 3400 | 3330 | 70 |
| Uttar Pradesh | Khatauli | M-Grade | 3525 | 3535 | -10 |
| | Ramala | M-Grade | NA | NA | - |
| | Dhampur | M-Grade Ex-Mill | 3420 | 3420 | Unch |
| | Dhampur | S-Grade Ex-Mill | 3400 | 3400 | Unch |
| | Dhampur | L-Grade Ex-Mill | 3470 | 3470 | Unch |
| Maharashtra | Mumbai | M-Grade | 3570 | 3570 | Unch |
| | Mumbai | S-Grade | 3340 | 3342 | -2 |
| | Nagpur | M-Grade | 3475 | 3475 | Unch |
| | Nagpur | S-Grade | 3275 | 3275 | Unch |
| | Kolhapur | M-Grade | 3350 | 3350 | 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 | 3760 | 3760 | Unch |
| | Vijayawada | S-Grade | 3700 | 3700 | Unch |
| West Bengal | Kolkata | M-Grade | 3720 | 3720 | Unch |

| | | | | | |
|-------------|------------|------------------------|------|------|------|
| Tamil Nadu | Chennai | S-Grade | 3800 | 3800 | Unch |
| | Dindigul | M-Grade | 3680 | 3680 | Unch |
| | Coimbatore | M-Grade | 3700 | 3700 | 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) | | | 3-Oct-19 | 1-Oct-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 | 4500 | 4500 | Unch |
| | | White | 4100 | 4100 | Unch |
| | | Black | NA | NA | - |
| 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 | NA | - |
| | Gulbarga/Kalaburgi | Other (Average) | 3155 | 3150 | 5 |
| | Mahalingapura | Penti (Average) | NA | 3380 | - |
| | Mandya | Achhu (Medium) | 3350 | 3200 | 150 |
| | Mandya | Kurikatu (Medium) | 2800 | 2800 | Unch |
| | Mandya | Other (Medium) | 2950 | 2800 | 150 |
| | Mandya | Yellow (Medium) | 3300 | 3200 | 100 |
| | Shimoga/Shivamogga | Achhu (Average) | NA | 3750 | - |

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