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Daily Sugar & Gur Fundamental Report

2nd Dec, 2019

Sugar & Gur Domestic & International Fundamentals

Recent Update:

***Indian Sugar market remained steady to weak compared to previous day as the crushing has been started across India producing fresh sugar**. The higher production of sugar in UP also lead the prices down. Overall the prices are expected to be steady due to lower demand. Kolhapur sugar market stood steady at Rs.3200/q and U.P's Khatauli market prices stood firm at Rs.3390/q.*

***Monthly sales quota released by the government issued on 29th Nov'19 is 21.5 LT for December month.** The quota allotted 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 of December 2019 is 2 LMT higher than the preceding year's December month quota that stood at 19.50 LMT. The quota is 4.88% higher quota compared to the last month's Sugar quota of November 2019 which stood at 20.5 LMT.*

Weather Forecast:

During the next 24 hours, isolated rains and snow are likely over Uttarakhand and isolated light rain over Himachal Pradesh. Rain and snow activities are likely to increase over Arunachal Pradesh and few moderate spells are also possible. Light to moderate rain with one or two heavy spells is expected over Tamil Nadu. Rain activities will now increase over Kerala and will see light to moderate rain with one or two intense spells. South Karnataka and South Andhra Pradesh may receive scattered light rain with one or two moderate spells.

Previous Updates:

***Recently the notification issued by DFPD in Sugarcane (Control) Amendment Order, 2019, allowing India's sugar producing mills to convert surplus stocks into ethanol** to be blended with petrol comes as an additional support measure for the industry. However, UP is not interested in converting the old sugar stocks to ethanol as it might not be wise decision financially. Mill incur a cost of Rs 6-7/kg to convert sugar into ethanol, which the government will buy at Rs 59.48/litre, and their realization will be equivalent to the prevailing sugar price of Rs 31.50/kg. Similarly, Maharashtra has already lower sugarcane available to fulfill the ethanol quota allocated by oil marketing companies.*

***Maharashtra has commenced the crushing operation since 22nd Nov'19 but with only 15 mills working.** Around 132 mills have got the crushing licenses in this season out the 162 mills that had applied for the license so far against 195 mills in the previous year. So far, around 3600 quintals of sugar has been produced by Pune district by crushing 7,969 tonnes of sugarcane with an average recovery of only 8.5% by only 4 mills. Most of the mills in the districts of Kolhapur and Sangli are, however, yet to start their operations, as a final decision on cane pricing is yet to be arrived here. It is expected that the average recovery of the state might increase to around 10-11% when all the mills in Kolhapur and Sangli starts crushing.*

***As on 27th Nov'19, total 104 sugar mills has started sugarcane crushing in Uttar Pradesh against 103 mills** during the correspond period previous year. So far, UP has crushed 27% more sugarcane around 95.91 LT against 75.04 LT in the previous year and produced 9.58 LT of sugar which is 25% higher due to the favorable conditions in the state this year. Whereas, the recovery declined by around 1.6% to 9.99% from 10.16% in the previous year from the start of the season in Oct till 27th November.*

The sugar prices are expected to remain firm above minimum selling price of Rs.31/kg around Rs.34-35/kg in the coming months *on the back of lower sugar production this sugar season (2019-20). Also, the diversion towards ethanol has been encouraging to the sugar mills because of the increased demand from oil marketing companies. Therefore, many sugar mills are being aided to increase the installed capacity for the ethanol production. Under the current sugar sale quota mechanism, some relief was given to a few companies to sell higher volumes of sugar on account of higher sugar diversion to produce B-Heavy Ethanol and higher export of sugar.*

The oil marketing companies (OMC's) placed tenders for 5.11 billion litres of ethanol in 2019-20. *The requirement by oil companies exceeds by 40% and so far 1.88 billion litres have been supplied in 2018-19 out of the contracted 2.45 billion litres in 2018-19. Ethanol delivery new season starts from December and ends in November. Uttar Pradesh, Maharashtra and Karnataka being the bulk sugarcane-based ethanol producer in India, having the total installed capacity for ethanol production is 3.55 billion litres in 2019-20 season. Therefore, government in the coming year expects significant quantities of ethanol to come from non-sugarcane sources like wheat and corn to fulfill the requirements.*

USDA in its latest report has reported that the global sugar production is estimated to decline by 6 million tonnes at 174 million tonnes of sugar in the year 2019-20. *Major decline is forecasted due to the reduction of sugar production in India in sugar season 2019-2020 which is estimated around 26.5 to 27 million tonnes. The sugar decline is also followed by Thailand where this year in 2019-20 sugar season, the country expects to produce 13.9 million tonnes a decline of 2% from the previous year (2018-19). Whereas the total exports in the country likely to increase to 11.9 million tonnes in 2019-20 from 11.5 million tonnes in 2018-29.*

U.S. sugar production have declined significantly due to adverse weather in both sugar beet and sugarcane regions. *In the November 2019 WASDE Report, the U.S. sugar production projection declined by 524,000 short tons raw value to 13.55 STRV from the previous month, while ongoing weather concerns threaten further reductions. USDA intends to make an announcement between November 18 and December 10 as to quantity, type and source of additional sugar needed to ensure an adequate supply for the domestic market.*

According to ISMA, as on 15th Nov'19, mills have crushed around 4.85 lakh tonnes in the current season 2019-20 sugar season *as compared to 13.38 lakh tonnes sugar produced in the last season. Only 100 mills were crushing compared to 310 mills last year. In UP, 69 sugar mills have started the crushing operations for this season and they have produced 2.93 lac tons of sugar by 15th Nov'19. Whereas, during the same period last year in the same period, they had produced 1.76 lac tons till 15th Nov'18. Maharashtra has recently started the crushing operations this week, therefore, one of the reasons for lower crushing so far this season.*

Mills have so far crushed 3.56 mln tn of cane and produced 325,000 tn of sugar as against the reported numbers released by ISMA. *The average recovery of sugar has so far been 9.14%. According to the National Federation of Cooperative Sugar Factories Federation, so far, 74 mills in the country have started crushing cane this season. In Maharashtra, Of the total 195 mills in the state, only 105 mills have issued licences to crush cane so far. The lower can availability in the state also likely to reduce cane crushing duration to 70-80 days against the usual of 140-150 days.*

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Brazil so far has produce around 408.54 billion litres of ethanol out of which around 1.19 billion litres have been exported till October'19 *since start of the season in April'19 at an average price of 516 US$/m^3, the exports increased by around 17% compared to the previous year. Brazil's ethanol stocks reached 11.42 billion litres by 31st Oct'19, up 3.9 % from the same time last year and 4% more than on 15th Oct'19 this year. By 31st Oct last year, ethanol stocks in the country were at 10.99 billion litres. The monthly average price increased by 11% at 529 US$/m³ which encouraged the exports.*

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	345.2	1.6

International Sugar Futures ICE (US Cent/lb)

Daily Futures Price Listing Fri November 29, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Sugar #11(ICE)									
20-Mar	191129	12.8	13.01	12.78	12.94	0.15	65,447	479,054	-3,602
20-May	191129	12.87	13.04	12.86	12.98	0.12	24,579	183,791	-128
20-Jul	191129	12.92	13.08	12.92	13.03	0.11	18,537	127,237	141
20-Oct	191129	13.09	13.25	13.09	13.2	0.11	12,778	98,532	2,794
21-Mar	191129	13.6	13.74	13.6	13.69	0.09	5,438	52,318	235
21-May	191129	13.6	13.65	13.6	13.62	0.08	2,399	10,472	204
21-Jul	191129	13.55	13.58	13.52	13.54	0.06	2,200	10,588	697
21-Oct	191129	13.63	13.63	13.56	13.59	0.05	2,268	9,375	1,466
Total Volume and Open Interest							136,290	978,753	3,729

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International Sugar Futures LIFFE (US $/MT)

Daily Futures Price Listing Fri November 29, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
London Sugar(LCE)									
20-Mar	191129	343	346.5	342.5	344.9	1.7	3,959	47,595	-232
20-May	191129	345.8	349.4	345.2	347.8	2.1	1,598	13,377	433
20-Aug	191129	351	354.1	350.3	352.5	2	462	8,400	-34
20-Oct	191129	354.6	357.6	354.6	356.3	2.2	25	3,454	-8
20-Dec	191129	360.5	363	360.5	361.3	1.4	3	2,040	-1
Total Volume and Open Interest							6,085	76,228	176

DOMESTIC PRICES AND ARRIVAL

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			30-Nov-19	29-Nov-19	
Delhi	Delhi	M-Grade	3350	3370	-20
	Delhi	S-Grade	3330	3350	-20
Uttar Pradesh	Khatauli	M-Grade	3390	3390	Unch
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3320	3320	Unch
	Dhampur	S-Grade Ex-Mill	3300	3300	Unch
	Dhampur	L-Grade Ex-Mill	3370	3370	Unch
Maharashtra	Mumbai	M-Grade	3626	3626	Unch
	Mumbai	S-Grade	3276	3280	-4
	Nagpur	M-Grade	3325	3325	Unch
	Nagpur	S-Grade	3225	3235	-10
	Kolhapur	M-Grade	3200	3200	Unch
	Kolhapur	S-Grade	3100	3110	-10
Assam	Guhawati	S-Grade	3410	3421	-10
Meghalaya	Shillong	S-Grade	3420	3430	-10
Andhra Pradesh	Vijayawada	M-Grade	3680	3680	Unch

	Vijayawada	S-Grade	3620	3620	Unch
West Bengal	Kolkata	M-Grade	3650	3640	10
Tamil Nadu	Chennai	S-Grade	3600	3600	Unch
	Dindigul	M-Grade	3580	3600	-20
	Coimbatore	M-Grade	3590	3590	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)			30-Nov-19	29-Nov-19	
Uttar Pradesh	Muzaffarnagar	Chaku Fresh	2603	2603	Unch
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	3000	3000	Unch
	Muzaffarnagar	Khurpa (Fresh)	2375	2363	13
	Muzaffarnagar	Laddoo (Fresh)	2725	2720	5
	Muzaffarnagar	Rascut (Fresh)	2063	2075	-13
	Hapur	Chaursa	2300	2300	Unch
	Hapur	Balti	2250	2250	Unch
Andhra Pradesh	Chittur	Gold	4600	4900	-300
		White	4200	4300	-100
		Black	3500	3700	-200
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4650	4650	Unch
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	NA	NA	-
	Gulbarga/Kalaburgi	Other (Average)	NA	3600	-
	Mahalingapura	Penti (Average)	NA	3314	-
	Mandya	Achhu (Medium)	2780	2780	Unch
	Mandya	Kurikatu (Medium)	2800	2800	Unch
	Mandya	Other (Medium)	2900	2900	Unch
	Mandya	Yellow (Medium)	2840	2840	Unch
	Shimoga/Shivamogga	Achhu (Average)	NA	3400	-