

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

Steady to firm tone are featured in Sugar & gur physical markets today in India. Sugar prices in Delhi stood higher by Rs. 5 to Rs.3275/q against Rs. 3270/q while prices in Kolhapur and Vijayawada are remain steady at Rs. 3300/q & Rs. 3640/q respectively.

Rice (both Basmati and non-Basmati) and sugar (refined and raw) have together contributed around 78% of the total agricultural exports during the first financial quarter (Apr-June). During Apr'20 and June'20, India exported around 8.57 LT of refined sugar compared to 6.68 LT in the corresponding period last year despite the coronavirus lockdown. The necessary measures taken in the port during the lockdown and the priority given to the sugar exports at the ports contributed the smoother exports during the pandemic.

Indian sugarcane harvesting is likely to get delayed amid the pandemic situation prevailing in the country and thus resulting in delay in the production of sugar. Majorly the manual labour is employed in the cane harvesting and about only 5% is dependent on mechanized farming in India. Most of the migrant labours are scared to travel due to the coronavirus infection and therefore, India is most probably likely to face lack of labour availability. As being the second largest producer of sugar after Brazil, the delay in production could accelerate the global sugar prices. However, Maharashtra mills are trying to invest and buying the cane harvesting machines as one harvester can replace around 100 labours. Nationwide, mills have placed orders more than 200 cane harvesters recently.

According to UNICA, a total of 22.95 MMT of sugar has been produced till mid-Aug'20 since the beginning of the season in April in Brazil, a surge of 48.16% was reported this season so far. The mills allocated 47% of the cane to produce sugar, compared to 35.31% at this time last year. The amount of sugarcane crushed was around 372 MMT during the same period, up by 6.02% compared to the same time previous year. Brazil's total sugar production in the 2020-21 season (April-March) is expected to grow and reach a record more than 35 MMT as mills allocate more raw material to sugar production and less to ethanol.

For the last two consecutive years, in 2019-20, the State Advised Price (SAP) for sugarcane has been maintained like the previous year 2018-19, which was Rs. 325 for early crop, Rs. 315 for regular and Rs. 310 for the unsuitable/rejected variety. The state produces more than half of the regular variety cane out of the total production. Generally, Uttar Pradesh prefer the SAP because of higher fixed price compared to the Fair and Remunerative Price (FRP) which is based on the recovery rate. But, recently the central government has increased the FRP to Rs.285/q at 10% recovery rate and the price goes up by 1% for every 0.1% hike in recovery rates. The recovery rates in UP has been rising steadily in the past few years because of the Co-0238 variety which gives a recovery rate more than 11.3%. Therefore, for the recovery of 11.3%, the FRP is Rs. 322.05/q which is far above than the SAP and would be preferable to accept FRP.

The Ministry has allocated monthly sugar sales quota for September 2020 at 22LT to each of 547 mills. The July'20 sales quota was 2.5 MT higher compared to the previous year quota during the same time and 1.5 LT

higher compared to the previous month's quota (20.5 LT). The allocated quota is higher in the view of fulfilling the demand that is likely to arise from the upcoming festivals.

Philippines is expected to produce more sugar this year to around 2.2 MMT in 2020-21 compared to 2.15 MMT in 2019-20. Therefore, the country is planning to export more to US so as to avoid the excess sugar stock accumulation and to stabilize the sugar prices in the domestic market. The sugar imports have been already declined to avoid the oversupply. The demand of the sugar in the local market has been reduced as the operations of the manufacturing companies have remained limited and the hotels and restaurants are not fully operational.

The Fair and Remunerative Price (FRP) of sugarcane has been approved and announced by the cabinet in the recent meeting held on 19th Aug'20. The government has increased the FRP of sugarcane for sugar season by Rs.10/q for 2020-21 to Rs. 285/q for a basic recovery rate of 10%. The cabinet is also providing a premium of Rs. 2.85/q for recovery at 11%. And, where the sugar recovery is 9.5% or less such farmers will get Rs. 270/q for sugarcane instead of Rs. 261.25/q in the current season.

It becomes necessary to all the sugar producing states to ensure that at least 85% of the installed capacity to be used by the mills. The department of Food and Public Distribution (DFPD), has taken the decision to help the mills to trim the sugarcane price arrears. The government has also set a mill-wise target of ethanol production for every mill that has a distillery unit. The revenue from production and supply of ethanol to OMCs is realized by mills within three weeks of supply.

Government is likely to release a part of subsidy amount of around 20 billion rupees on exports to the sugar mills by the end of first week of September. The credited money will be useful to start the season. For the current sugar year, the government is providing 62.7 billion rupees as subsidy to mills to export 6 million tonne sugar. The subsidy will go directly into farmer's bank accounts against payment of outstanding cane dues and the balance amount will be credited to accounts directly of sugar mills.

Sugar mills across India have asked the Union Cabinet to extend the sugar buffer stock scheme that expired on 31st July'20. The Union Cabinet had approved the creation of a 40 LT sugar buffer stock last year for which the government has reimbursed the carrying cost of about Rs. 1,674 crore. But the government is not in favour with the extension of buffer stock as it encourages the mills to overproduce, and so is an additional expense for the government.

Sugar mills in Maharashtra have cleared 99 per cent cane dues to the farmers. The millers have paid arrears of around Rs.13,759 crores out of Rs.13,891 crores, therefore, Rs.132 crore is the remaining balance. Whereas, the UP sugar mills have paid Rs.24,151 crores as on 10th Aug'20. According to the government, mills across India have purchased sugarcane of around Rs 72,000 crore from farmers during 2019-20 sugar season. Of that, less than Rs 20,000 crore of arrears are yet to be paid to farmers. The cane payment is being done at good pace compared to last year, hence, encouraging the farmers to plant cane on large area.

Weather Forecast:

Heavy to very heavy rainfall very likely at isolated places over Kerala & Mahe and heavy rainfall at isolated places over East Uttar Pradesh, Sub-Himalayan West Bengal & Sikkim, Arunachal Pradesh, Assam & Meghalaya, Madhya Maharashtra, Rayalaseema, Karnataka, Tamilnadu, Puducherry & Karaikal and Lakshadweep.

Previous Updates:

Indonesia has imported around 5,535 tonnes in 2019-20 FY from India, compared to only 144 tonnes in 2018-19 FY. In 2019-20, approximately 2.26 million metric tons of sugar cane is expected to produce in Indonesia. As per the Indonesian Sugar Association, the country has witnessed 25 per cent dip in sugar consumption between March and June. Sugar demand is expected to be around 2.25 lakh tonnes this month as against usual demand of 2.5 to 2.6 lakh tonnes per month.

After a long dry weather, Thailand received as much as 20% more rainfall so far this year than a year earlier. This change in weather may limit the sugarcane crop loss as expected earlier in the starting of the season. White-sugar premium fell to the lowest in more than two-weeks on Wednesday on speculation beneficial rains will boost supply outlook. In 2020-21 sugar production is estimated to recover to 12.9 MMT, up 56 percent from 2019- 20. In 2019-20 sugar production is forecast to decline to 8.3 MMT in earlier estimates in May.

In UP, so far 14.62 million litre of sanitizer has been produced till 3rd Aug'20, out of which 13.58 million litre of sanitizer has been supplied within the state and to other states of the country. At present the state is producing are 5.83 lakh litre sanitizers daily. Uttar Pradesh is leading in the production of hand sanitizer. While Maharashtra has produced around 11 million litre sanitizer as on 3rd Aug'20 and producing 1.36 million litre per day. As coronavirus has created panic among the people and Maharashtra is facing the highest number of Covid-19 cases, therefore, the demand will continue to be flowing as it is now an essential item required on a daily basis.

Philippines sugar production likely to decline in 2020-21 to the lowest levels since 2017 amid erratic weather conditions. According to the Sugar Regulatory Administration (SRA), the country's total sugar supply, including the 2.14MMT (higher from earlier estimates of 2.025) output for the current sugar crop year 2019-20 (Sep-Aug), now stood at 2.39 MMT (+3.5% y-o-y). Philippines is seen to import 0.4 MMT of sugar as local production of the sweetener may fall to its lowest level in a decade.

The sugar retail prices in Nepal surged to around Rs.100/kg from earlier Rs. 85/kg. Sugar prices have surged due to sugar shortage. The annual demand of the sugar in the country is around 250,000 tonnes and the maximum sugar is consumed during three months of the year starting from July when the festival season starts. Nepal's one of the largest sugar importer is India. India exported around 35,126 tonnes in 2019-20 (Apr-Mar), up by 32% compared to the previous year during the same period. The sugar exports to Nepal declined in April'20 to 2,271 tonnes from 14,264 tonnes in Mar'20 due to pandemic. Although, the improvement in port operations and unlocking in both the countries has helped increase in exports by India and expected to reach around 4,157 tonnes in June'20 from 3,305 tonnes in May'20.

The area under sugarcane increased to 51.78 lakh ha as on 31st July'20, up by around 1% in 2020-21 sugar season compared to the corresponding time last year. The top three sugarcane producing states; Uttar Pradesh, Maharashtra, and Karnataka are leading in area for 2020-21 sugar season by covering 23.87 lakh

ha, 9.82 lakh ha and 5.51 lakh ha. Maharashtra is likely to revive this year as the state has faced bad weather conditions last year and likely to cover around 10.5 to 11 lakh ha compared to 8.4 lakh ha covered in 2019-20 season.

The monthly quota has been released for Aug'20 and allocated 20.5 LT of sugar sales limit to 547 mills. The July'20 sales quota is 1.5 MT higher compared to the previous year quota during the same time. Millers had witnessed fresh buying due to the rumours of hike in Minimum Selling Price (MSP) of sugar. Some demand had also been witnessed due to the easing nationwide lockdown due to the coronavirus pandemic.

According to the trade sources, India exported around 3.4 LT of total sugar (including White refined and raw sugar) in June'20. Around 1.6 LT of refined sugar and 1.25 LT of white sugar has been exported out of the total sugar exports. Sudan, Somalia, Saudi Arabia, Lybia, Kenya, Qatar, Tanzania were the major importers for refined sugar. While Sri Lanka, Afghanistan, China were the largest importer of white sugar and Iran was the largest importer for raw sugar in June month.

In order to clear cane dues of farmers, the cane commissioner of Uttar Pradesh has announced that 85 percent amount of sale value of byproducts of sugarcane (molasses, bagasse, press-mud and ethanol) derived by sugar mills will be tagged for cane price payment to farmers. Thus, 30% of the sale value of ethanol produced from C-grade molasses, 55% produced from B-heavy molasses and 80% produced directly from sugarcane juice will be used for repaying the dues.

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	nt 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	USD (\$/Tonne)	Change
Thai Sugar FOB 45 lcumsa	354.50	-5.50

International Sugar Futures ICE (US Cent/lb)

Daily Futures Price Listing Fri 4, 2020									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Sugar #11(ICE)									
20-Oct	200903	200904	12.09	12.14	11.86	11.93	-0.14	88,072	336,149
21-Mar	200903	200904	12.75	12.8	12.55	12.61	-0.13	49,598	282,917
21-May	200903	200904	12.65	12.71	12.46	12.51	-0.14	25,977	137,200
21-Jul	200903	200904	12.55	12.59	12.35	12.39	-0.13	19,372	98,299
21-Oct	200903	200904	12.54	12.6	12.37	12.42	-0.12	26,636	85,523
22-Mar	200903	200904	12.89	12.91	12.71	12.73	-0.14	5,301	50,981
22-May	200903	200904	12.47	12.48	12.29	12.31	-0.14	1,862	32,502
22-Jul	200903	200904	12.11	12.11	11.97	12	-0.12	1,148	22,601
Total Volume and Open Interest							218,845	1,075,200	-205

Source: MRCI

International Sugar Futures LIFFE (US \$/MT)

Daily Future Price Listing Fri 4, 2020									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
London Sugar(LCE)									
20-Oct	200904	354	357.1	352.2	354.5	0.9	6,567	28,440	-2,139
20-Dec	200904	357.8	358.7	353.1	355.1	-2.4	3,778	31,562	331
21-Mar	200904	360.5	361.1	355.6	357.2	-2.8	1,783	22,190	469
21-May	200904	364.6	365.9	360.4	361.4	-3.5	784	11,065	356
21-Aug	200904	364.7	365.6	360.4	361	-3	375	4,884	172
Total Volume and Open Interest							13,380	103,439	-797

Source: MRCI

DOMESTIC PRICES AND ARRIVAL

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
			7-Sep-20	5-Sep-20	
Sugar					
Delhi	Delhi	M-Grade	3275	3270	5

	Delhi	S-Grade	3255	3250	5
Uttar Pradesh	Khatauli	M-Grade	3350	3340	10
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3280	3270	10
	Dhampur	S-Grade Ex-Mill	3260	3250	10
	Dhampur	L-Grade Ex-Mill	3330	3320	10
Maharashtra	Mumbai	M-Grade	3496	3496	Unch
	Mumbai	S-Grade	3360	3360	Unch
	Nagpur	M-Grade	3425	3425	Unch
	Nagpur	S-Grade	3325	3325	Unch
	Kolhapur	M-Grade	3300	3300	Unch
	Kolhapur	S-Grade	3200	3200	Unch
Assam	Guhawati	S-Grade	3512	3512	Unch
Meghalaya	Shillong	S-Grade	3520	3520	Unch
Andhra Pradesh	Vijayawada	M-Grade	3640	3640	Unch
	Vijayawada	S-Grade	3700	3700	Unch
West Bengal	Kolkata	M-Grade	3730	3730	Unch
Tamil Nadu	Chennai	S-Grade (With GST)	3680	3680	Unch
	Dindigul	M-Grade (DCA)	3780	3780	Unch
	Coimbatore	M-Grade (DCA)	3620	3620	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3600	Unch

Jaggery (Gur) Prices at Key Spot Markets:

Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
			7-Sep-20	5-Sep-20	
Jaggery(Gur)					
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	NR	NR	-
		White	NR	NR	-
		Black	NR	NR	-

Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	NA	NA	-
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	NA	NA	-
	Gulbarga/Kalaburgi	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	NA	NA	-
	Mandya	Achhu (Medium)	NA	3350	-
	Mandya	Kurikatu (Medium)	NA	3350	-
	Mandya	Other (Medium)	NA	3250	-
	Mandya	Yellow (Medium)	NA	3250	-
	Shimoga/Shivamogga	Achhu (Average)	NA	NA	-

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