

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

Steady to weak tone are continued in Sugar & gur physical markets today in India. Sugar prices in Delhi declined by Rs. 10 to Rs. 3310/q while prices are remain steady in Vijayawada market at Rs. 3640/q.

Indian sugarcane harvesting might get affected amid the pandemic situation prevailing in the country and thus resulting in delay in the production of sugar especially in Maharashtra. Mostly manual labour is employed in the cane harvesting and about only 5% is dependent on mechanized farming in India. But, most of sugar mills in Maharashtra have been continuously buying mechanized harvesting equipment that can compensate a work of around 100 migrant labours.

The government offers total subsidy of Rs.10.45 per kg of sugar exported. The government has extend the time for exports under MAEQ of 60 LT till December'20 from September'20. The time has been extended for those sugar mills which have partially exported their MAEQ quota of sugar season 2019-20 till Sep'20 will be allowed to export the balance quantity of their quota by Dec'20. The sugar industry is expecting some changes in the sugar export subsidy scheme for the coming season for smoother exports as India would have to increase the exports more than 60 LT to clear the sugar glut.

Bhartiya Kisan Union (BKU) in Uttar Pradesh have been demanding for a hike in sugarcane price up to Rs.450/q. BKU urged the sugar mills to start crushing from 15th October'20 in the new season and Dhampur sugar mills assured that the operations would start from 21st Oct'20. Also, Sugarcane minister warned the mills to pay the cane arrears as soon as possible. The state government has claimed to have paid Rs. 6000 crore arrears during the 45-day lockdown period.

According to the sources, India has contracted around 5.7 MMT of sugar till August and is expected to have exported around 5.5 MMT. While the sugar industry is hoping to get 0.5-0.6 MMT more contracts by the end of this month. The subsidy of Rs.6268 crore for the export of 6 MMT sugar by the government has proven beneficial for the country encouraging the sugar traders to export the surplus stocks. This year, Indonesia and Malaysia have opted to import from India as their traditional importer Thailand was facing with lower crop amid drought conditions in the country.

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.

Weather Forecast:

Heavy to very heavy rainfall very likely at isolated places over Andaman & Nicobar Islands, Madhya Maharashtra, Konkan & Goa, Kerala & Mahe and Coastal & South Interior Karnataka and heavy rainfall at isolated places over Chhattisgarh, Odisha, south Gujarat region, Marathawada, Coastal Andhra Pradesh & Yanam, Telangana, Rayalaseema and North Interior Karnataka.

Previous Updates:

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 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.

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 Icumsa | 368.20 | 10.20 |

International Sugar Futures ICE (US Cent/lb)

| Daily Futures Price Listing Thu 17, 2020 | | | | | | | | | |
|--|--------|-------|-------|-------|-------|--------|--------------|----------|---------|
| Most Recent Information | | | | | | | Previous Day | | |
| Mth | Date | Open | High | Low | Close | Change | Volume | Open Int | Change |
| Sugar #11(ICE) | | | | | | | | | |
| 20-Oct | 200917 | 12.3 | 12.69 | 12.22 | 12.62 | 0.27 | 110,476 | 155,566 | -54,189 |
| 21-Mar | 200917 | 12.85 | 13.29 | 12.78 | 13.23 | 0.31 | 96,206 | 370,603 | 8,316 |
| 21-May | 200917 | 12.72 | 13.1 | 12.63 | 13.05 | 0.3 | 26,793 | 140,109 | 2,313 |
| 21-Jul | 200917 | 12.56 | 12.89 | 12.48 | 12.84 | 0.26 | 15,556 | 100,873 | -2,633 |
| 21-Oct | 200917 | 12.52 | 12.85 | 12.5 | 12.79 | 0.22 | 4,016 | 93,073 | -281 |
| 22-Mar | 200917 | 12.88 | 13.15 | 12.83 | 13.1 | 0.21 | 2,192 | 47,027 | -480 |
| 22-May | 200917 | 12.45 | 12.75 | 12.45 | 12.7 | 0.2 | 494 | 32,708 | 138 |
| 22-Jul | 200917 | 12.3 | 12.44 | 12.21 | 12.4 | 0.17 | 344 | 22,665 | 39 |
| Total Volume and Open Interest | | | | | | | 256,405 | 992,063 | -46,667 |

Source: MRCI

International Sugar Futures LIFFE (US \$/MT)

| Daily Future Price Listing Thu 17, 2020 | | | | | | | | | |
|---|--------|-------|-------|-------|-------|--------|--------------|----------|--------|
| Most Recent Information | | | | | | | Previous Day | | |
| Mth | Date | Open | High | Low | Close | Change | Volume | Open Int | Change |
| London Sugar(LCE) | | | | | | | | | |
| 20-Oct | 200917 | 356.7 | 370.6 | 355.4 | 368.2 | 10.2 | 5,155 | 39,913 | -297 |
| 20-Dec | 200917 | 356.5 | 370 | 355.8 | 368.2 | 9.9 | 2,577 | 23,171 | -25 |
| 21-Mar | 200917 | 360 | 372.6 | 359.2 | 371.2 | 9.2 | 935 | 11,953 | 214 |
| 21-May | 200917 | 360.6 | 370.6 | 360.6 | 370 | 7.7 | 302 | 4,959 | 1 |
| 21-Aug | 200917 | 359.8 | 368.5 | 359.8 | 368.5 | 7.5 | 144 | 3,764 | -12 |
| Total Volume and Open Interest | | | | | | | 9,235 | 85,522 | -7,416 |

Source: MRCI

DOMESTIC PRICES AND ARRIVAL

| Sugar Prices at Key Spot Markets: | | | | | |
|-----------------------------------|------------|------------------------|-----------------|-----------|--------|
| Commodity | Centre | Variety | Prices (Rs/Qtl) | | Change |
| Sugar | | | 18-Sep-20 | 17-Sep-20 | |
| Delhi | Delhi | M-Grade | 3310 | 3320 | -10 |
| | Delhi | S-Grade | 3290 | 3300 | -10 |
| Uttar Pradesh | Khatauli | M-Grade | 3325 | 3330 | -5 |
| | Ramala | M-Grade | NA | NA | - |
| | Dhampur | M-Grade Ex-Mill | 3240 | 3250 | -10 |
| | Dhampur | S-Grade Ex-Mill | 3220 | 3230 | -10 |
| | Dhampur | L-Grade Ex-Mill | 3290 | 3300 | -10 |
| Maharashtra | Mumbai | M-Grade | 3496 | 3496 | Unch |
| | Mumbai | S-Grade | 3360 | 3360 | Unch |
| | Nagpur | M-Grade | 3375 | 3385 | -10 |
| | Nagpur | S-Grade | 3275 | 3285 | -10 |
| | Kolhapur | M-Grade | 3250 | 3260 | -10 |
| | Kolhapur | S-Grade | 3150 | 3160 | -10 |
| Assam | Guhawati | S-Grade | 3461 | 3471 | -10 |
| Meghalaya | Shillong | S-Grade | 3470 | 3480 | -10 |
| 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 |
| Jaggery(Gur) | | | 18-Sep-20 | 17-Sep-20 | |
| 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) | 3300 | NA | - |
| | Mandya | Kurikatu (Medium) | 3150 | NA | - |
| | Mandya | Other (Medium) | 3000 | NA | - |
| | Mandya | Yellow (Medium) | 3200 | NA | - |
| | Shimoga/Shivamogga | Achhu (Average) | NA | NA | - |

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