

Sugar & Gur Domestic & International Fundamentals

Recent Update:

A mixed tone was witnessed in Sugar physical markets today in India. Sugar prices were lower in Delhi at Rs. 3180/q and in Khatuli at Rs. 3290/q. Prices were firm in Kolhapur at Rs. 3100/q.

The Government is planning to double the ethanol distillation capacity by 2025. According to the Ministry of Consumer Affairs, Food and Public Distribution, the government is encouraging sugar mills and distillers to enhance their distillation capacities for which government is facilitating them to avail loans from banks for which interest subvention up to 6 percent is being borne by the government. As a result of various measures taken to address demand and supply side issues, it is likely that ethanol distillation capacities in the country would be more than doubled by 20 percent blending target by 2025.

Weather Forecast:

Thunderstorm with lightning & gusty winds is very likely at isolated places over Uttarakhand, West Uttar Pradesh, Madhya Pradesh, Andaman & Nicobar Islands and Kerala & Mahe and with lightening at isolated places over Jammu & Kashmir, Ladakh, Gilgit- Baltistan & Muzaffarabad, Himachal Pradesh, Punjab, Haryana, Chandigarh & Delhi, East Uttar Pradesh, East Rajasthan, Vidarbha, Chhattisgarh, Bihar, Jharkhand, West Bengal & Sikkim, Odisha. Thunderstorm with gusty winds at isolated places over West Rajasthan. Heavy to very heavy rainfalls at a few places with extremely heavy falls at isolated places over East Uttar Pradesh, Konkan, Goa and heavy rainfall at isolated places over Uttarakhand, Madhya Pradesh, Vidarbha, Chhattisgarh, Bihar, Jharkhand, West Bengal & Sikkim, Odisha, Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura, Madhya Maharashtra, Karnataka and Kerala & Mahe.

Previous Updates:

World Sugar production is estimated at 170.3 million tonnes in 2020-21. According to Food and Agriculture Organization, World Sugar production is estimated at 170.3 million tonnes in 2020-21 sugar season with a decline of 1.6 million tonnes. The decline in world sugar production is mainly because of the production decline in Brazil, European Union, Russia and Thailand.

Sugar Exports are likely to increase in the ongoing sugar season 2020-21. With favorable international sugar prices, India is likely to export more this season. India has already made 58 lakh tonnes of export contract against MAEQ of 60 lakh tonnes of sugar for the 2020-21 seasons. Indian sugar Mills expects at least 1 million tonnes of export more than the export quota for this season.

Sugar Consumption in India is expected to fall in 2021-22 season. Due to the Covid-19 pandemic sugar consumption has fallen down by around 1.2 million tonnes, According the market experts, sugar consumption for 2020-21 was estimated to be 26.63 million tonnes but the actual consumption was down by 1.2 million tonnes at 25.4 million tonnes. In the coming season 2021-22 sugar consumption is expected to be 27.16 million tonnes but the actual demand is likely to be around 25.8 million tonnes down by 1.4 million tonnes. Thus, the cumulative fall in sugar consumption during 2020-21 and 2021-22 is expected to be 2.6 million tonnes against the cumulative expected sale of 53.79 million tonnes down by 4.83 percent.

Global Sugar Consumption is expected to decline marginally. International sugar organization has changed the earlier estimates of sugar deficit for 2020-21 season owing to the reduction in consumption across the

world. The ISO, in a quarterly update has lowered the forecast of a global deficit from 4.8 million tonnes to 3.1 million tonnes in the ongoing season 2020-21. The ISO expects that the global sugar consumption will be down from 173.8 million tonnes to 172.4 million tonnes. The increases in the covid-19 cases in India and Brazil and various restrictions have led to the decline in sugar consumption.

According to the market experts, Sugar mills margin may improve up to 100 basis points. With high sugar exports in the current season, coupled with increased supplies of ethanol at remunerative prices for blending with petrol will improve the operating profitability of integrated sugar mills by 75-100 basis points to 13-14 percent this fiscal year. Also, with the recent advancement of ethanol-petrol blending target of 20 percent by 2023 could help in sustaining this momentum over the medium term.

Sugar Stock rallied after government the government has advanced the deadline for 20 percent ethanol blending to 2023. According to the market sources, rising ethanol demand and aggressive ethanol capacity addition would drive a compounded earnings growth of 15-20 percent over FY 21-24. Also, after the government's decision a sizeable amount of sugarcane can divert to ethanol production and this would eventually benefit the sugar industry as the situation of a supply glut will automatically get addressed and will support pricing discipline in the long run. Most of sugar company stocks are rallied between 20% and 40% in the past month and are currently trading at a premium to their five-year average price-earnings (PE). The tight supply situation in the global market has pushed sugar prices to a four-year high. As per the market experts, global prices may stay firm for the next 3-4 months unless output from other major sugar exporters starts coming in for the next season in 2021-22. With the 20% increase in global sugar prices, India's sugar industry has been able to complete 90% of the 6 million tonnes exports in the current season.

Government has advanced ethanol blending up to 20 percent to 2023. The Union government has advanced the ethanol blending of 20 percent to 2023, earlier the government has set the deadline for 20 percent ethanol- blending to 2030 which has now bought forward to 2023. The sugar companies will now be using more sugarcane juice for directly making ethanol and B- heavy molasses. Around 10 states across India have reached 10 percent of the blending rate.

Mawana sugar mill has cleared 56 percent of the cane dues. Mawana sugar mill administration has starting clearing the cane dues for the current season and had cleared 56 percent of the pending cane dues. The mill has cleared around Rs 359.22 crore cane dues of the farmers that sold their cane. The mill will clear the remaining cane dues soon.

International Sugar Futures ICE(US Cent/lb)

Daily Futures Price Listing Tuesday, June 15th, 2021									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Sugar #11(ICE)									
Jul-21	210615	17.34	17.46	16.93	17.05	-0.24	88,332	215,045	-17,672
Oct-21	210615	17.43	17.58	17.08	17.20	-0.19	83,779	398,349	+32,637
Mar-22	210615	17.61	17.32	17.32	17.43	-0.18	17,936	165,535	+565
May-22	210615	16.66	16.87	16.48	16.58	-0.18	8,877	77,854	+62
Jul-22	210615	16.19	16.30	15.92	15.99	-0.20	5,520	80,328	+2,041
Oct-22	210615	15.87	15.98	15.61	15.67	-0.20	1,544	54,231	+393
Mar-23	210615	15.95	15.95	15.73	15.80	-0.18	320	22,688	+9
May-23	210615	15.09	15.09	14.99	15.02	-0.20	46	9,716	+17
Total Volume and Open Interest							206,373	1,047,150	+18,051

Source: MRCI

International Sugar Futures LIFFE(US \$/MT)

Daily Futures Price Listing Tuesday, June 15th, 2021									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
London Sugar(LCE)									
Aug-21	210615	449.40	450.30	439.00	440.80	-7.70	7,602	41,668	-333
Oct-21	210615	456.50	458.40	447.50	449.40	-7.10	3,999	18,746	+1,077
Dec-21	210615	461.70	463.60	455.10	456.20	-5.50	538	8,774	+24
Mar-22	210615	461.80	467.90	459.90	461.00	-5.10	158	7,319	+33
May-22	210615	455.50	461.70	454.00	454.40	-5.10	222	4,748	-57
Total Volume and Open Interest							12,565	85,407	+756

Source: MRCI

DOMESTIC PRICES AND ARRIVAL

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			16-Jun-21	15-Jun-21	
Delhi	Delhi	M-Grade	3200	3205	-5
	Delhi	S-Grade	3180	3185	-5
Uttar Pradesh	Khatauli	M-Grade	3290	3290	Unch
	Ramala	M-Grade	3180	3180	Unch
	Dhampur	M-Grade Ex-Mill	3180	3180	Unch
	Dhampur	S-Grade Ex-Mill	3160	3160	Unch
	Dhampur	L-Grade Ex-Mill	3230	3230	Unch
Maharashtra	Mumbai	M-Grade	3312	3312	Unch
	Mumbai	S-Grade	3206	3206	Unch
	Nagpur	M-Grade	3150	3150	Unch
	Nagpur	S-Grade	3125	3125	Unch
	Kolhapur	M-Grade	3025	3025	Unch
	Kolhapur	S-Grade	3000	3000	Unch
Assam	Guhawati	S-Grade	3309	3309	Unch
Meghalaya	Shillong	S-Grade	3320	3320	Unch
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3580	3580	Unch
	Vijayawada	S-Grade (With Duty)	3560	3560	Unch
West Bengal	Kolkata	M-Grade	3600	3600	Unch
Tamil Nadu	Chennai	S-Grade (With GST)	3550	3550	Unch
	Dindigul	M-Grade (DCA)	3580	3580	Unch
	Coimbatore	M-Grade (DCA)	3620	3620	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3600	Unch
Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)					
*DCA: Department of consumer affairs					

Jaggery (Gur) Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			16-Jun-21	15-Jun-21	
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)	4350	4350	Unch
	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	3260	-
	Mandya	Achhu (Medium)	NA	3350	-
	Mandya	Kurikatu (Medium)	NA	3300	-
	Mandya	Other (Medium)	NA	3200	-
	Mandya	Yellow (Medium)	NA	3450	-
	Shimoga/Shivamogga	Achhu (Average)	NA	3600	-

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