

Sugar & Gur Domestic & International Fundamentals

Recent Update:

A mixed tone was witnessed in Sugar physical markets today in India. Sugar prices were higher in Delhi at Rs. 3190/q and in Khatuli at Rs. 3280/q. Prices were firm in Kolhapur at Rs. 3100/q.

Philippines have achieved the sugar production target. Sugar output in the Philippines has reached the set target for the season with 2.1 million metric tonnes. The sugar crop year in the country is from September to August. According to Sugar Regulatory Administration, the sugar output has increased by 0.53% from the 2.098 million MT production registered during the same period last year.

Weather Forecast:

Thunderstorm with lightning & gusty winds is very likely at isolated places over Rajasthan and Madhya Pradesh and with lightening at isolated places over Jammu & Kashmir, Ladakh, Gilgit- Baltistan & Muzaffarabad, Himachal Pradesh, Uttarakhand, Haryana, Chandigarh & Delhi, Uttar Pradesh, Vidarbha, Chhattisgarh, Bihar, Jharkhand, Assam & Meghalaya, Nagaland, Manipur, Mizoram, Tripura, Gujarat State, ,Telanagna, Tamil Nadu, Pondicherry & Karikal. Heavy to very heavy rainfalls at a few places with extremely heavy falls at isolated places over East Uttar Pradesh, Uttarakhand, West Uttar Pradesh, East Madhya Pradesh, Bihar, Jharkhand, Sub Himalayana West Bengal, Konkan & Goa, Rayalseema, South interior Karnataka, Chhattisgarh, Gangetic West Bengal, Assam & Meghalaya, Gujarat region, ghat areas of Madhya Pradesh, and Kerala & Mahe.

Previous Updates:

India has made 58 lakh tonnes of export contracts against MAEQ of 60 lakh tonnes of sugar for 2020-21 fixed by the government. According to Indian Sugar Mills Association, almost 45.74 lakh tonnes of sugar have been physically exported out of the country from January 2021 to May 2021. Another 4.48 lakh tonnes of sugar was exported from October 2020 to December 2020 quarter against the MAEQ of last season. Also, around 5-6 lakh tons of sugar is in pipeline to be exported in June 2021. Also, the total sales in the current season up to May'21 are estimated around 174.96 lakh tonnes against the domestic sales quota of 169 lakh tonnes given by the government.

According to ISMA, sugar mills have produced 306.65 lakh tonne of sugar till 15th June 2021: Around 502 sugar mills were operating in the current season as compared to 457 sugar mills in the previous season. Till 15th June 2021, 5 sugar mills were crushing sugarcane, which is similar to that were operating the same time the previous season. Sugar mills have produced around 306.65 lakh tonnes of sugar till 15th June'2021, as compared to 271.11 lakh tonnes produced during the same period last year.

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.

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.

International Sugar Futures ICE(US Cent/lb)

Daily Futures Price Listing Friday, June 18th, 2021									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Sugar #11(ICE)									
Jul-21	210618	16.61	16.78	16.32	16.43	-0.12	47,648	141,410	-15,573
Oct-21	210618	16.78	16.94	16.56	16.66	-0.05	48,739	415,066	+4,271
Mar-22	210618	17.03	17.19	16.86	16.95	-0.04	16,704	169,549	+2,141
May-22	210618	16.28	16.40	16.09	16.17	-0.03	5,555	78,624	+1,090
Jul-22	210618	15.68	15.86	15.58	15.66	-0.02	1,747	80,736	+398
Oct-22	210618	15.51	15.58	15.30	15.37	-0.02	546	53,491	+97
Mar-23	210618	15.68	15.70	15.51	15.55	-0.01	157	23,045	+102
May-23	210618	14.98	14.98	14.79	14.86	+0.01	107	9,938	+41
Total Volume and Open Interest							121,323	995,362	-7,424

Source: MRCI

International Sugar Futures LIFFE(US \$/MT)

Daily Futures Price Listing Friday, June 18th, 2021									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
London Sugar(LCE)									
Aug-21	210618	427.50	430.70	421.30	423.40	-1.60	5,979	37,522	-1,961
Oct-21	210618	439.90	441.90	435.00	436.40	-0.50	2,940	20,196	+650
Dec-21	210618	447.10	449.10	443.30	444.60	-0.30	676	9,133	+24
Mar-22	210618	452.90	454.40	454.40	450.60	-0.10	459	7,577	+198
May-22	210618	448.00	449.40	449.40	446.20	+0.10	464	5,175	+293
Total Volume and Open Interest							10,988	84,171	-527

Source: MRCI

DOMESTIC PRICES AND ARRIVAL

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			19-Jun-21	18-Jun-21	
Delhi	Delhi	M-Grade	3210	3210	Unch
	Delhi	S-Grade	3190	3190	Unch
Uttar Pradesh	Khatauli	M-Grade	3280	3260	20
	Ramala	M-Grade	3185	3160	25
	Dhampur	M-Grade Ex-Mill	3150	3130	20
	Dhampur	S-Grade Ex-Mill	3130	3110	20
	Dhampur	L-Grade Ex-Mill	3200	3180	20
Maharashtra	Mumbai	M-Grade	3312	3312	Unch
	Mumbai	S-Grade	3202	3202	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)	3560	3560	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)			19-Jun-21	18-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	3321	-
	Mandya	Achhu (Medium)	3350	3350	Unch
	Mandya	Kurikatu (Medium)	3200	3200	Unch
	Mandya	Other (Medium)	3100	3050	50
	Mandya	Yellow (Medium)	3300	3300	Unch
	Shimoga/Shivamogga	Achhu (Average)	NA	NA	-

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