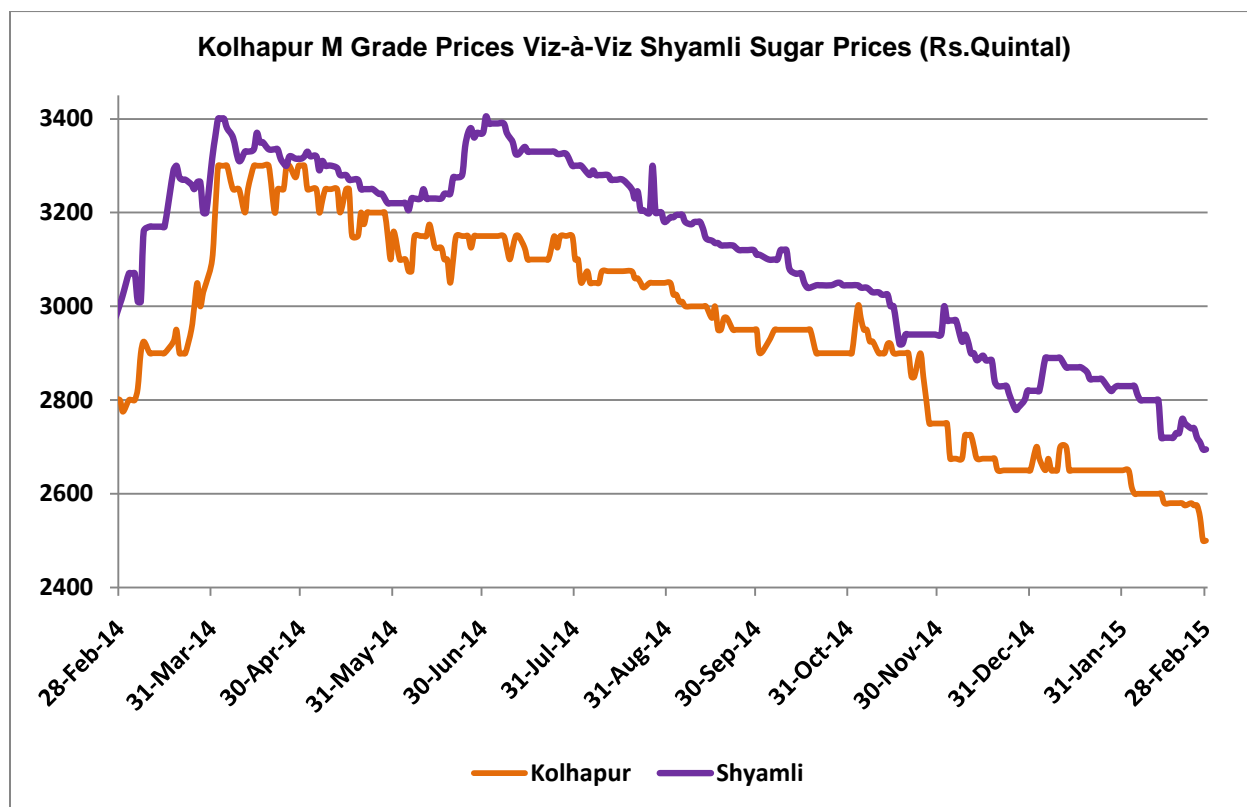


### Domestic Market Recap & Price Outlook:

A delay in announcement of export subsidy and mounting pressure for timely payment of cane arrears to farmers (especially in Maharashtra) caused the Indian sugar price to fall the lowest since last three years. Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 2583 per quintal this month compared to Rs 2658 per quintal in the month of January. Similarly, sugar prices for the grade 'M' in Shyamli district fell by 3.37% from Rs 2857 per quintal to Rs 2760 per quintal this month.

However, the market is expected to improve in the month ahead as the Maharashtra govt. is planning to provide an additional financial assistance of Rs. 1000/ ton in addition to the subsidy of Rs 4000/ton announced by union govt. for the export of raw sugar. This will help the domestic millers to divert more of their production towards raw sugar thus lowering out the huge stockpile of white refined sugar in the country.



### Price Outlook:

Sugar prices are likely to improve in the month ahead as the Indian millers are almost done with 70% of cane crushing for the season and are planning to fasten the remaining crushing so as to shut down early for the year. In addition, global sugar supply is also expected to shrink down as the major producer Brazil had entered the intra harvest period and is no more left with enough sugarcane to crush.

### **Major Happenings in Domestic Sugar Industry:**

- With lower cane availability for the season, sugar mills in U.P are planning to fasten their crushing operation thereby closing the mills by 15th March, 2015 (at least in some of the centres). Notably, with accruing cane arrears this season, farmers in U.P had diverted most of their cane towards animal feed and jaggery units in the state.
- The nationwide (India) sugarcane arrears for 2014-15 stood at Rs 14547 crore till 15th Feb, 2015; out of which Rs 7143 crore and Rs 2461 crore had been owed by U.P and Maharashtra respectively. While pending cane arrears in Karnataka and Bihar stood out at Rs 1849 and Rs 517 crore, followed by Tamil Nadu, Haryana and Punjab who owed Rs 497, Rs 492 and Rs 463 crores respectively.
- In addition to the export subsidy (of Rs 4000/ton up to a limit of 1.4 million tons) announced by union govt. last week, the Maharashtra govt. is planning to provide an additional financial assistance of Rs. 1000/ ton for the export of raw sugar from the state. The step has been initiated after the recent export subsidy failed to provide much relief to the sugar mills owners amid huge accumulated sugar stock within the country.
- 511 sugar mills in India had produced 194 lakh tons of sugar till 28th Feb, 2015 for MY 2014-15 which was 13.8% higher than the production made last year during the same interval.
- A higher sugarcane recovery in U.P caused the state to produce 49.6 lakh tons of sugar in 2014-15 (till 28th Feb, 2015) which was 6.2 lakh tons more than the sugar produced in the corresponding period last year.
- The largest sugar producer, Maharashtra had churned around 74 lakh tons of sugar this season (till 28th Feb, 2015) compared to 57.5 lakh tons of sugar last year during the same corresponding period. The state also saw a surge in number of sugar mills operating from 129 last year (till 28th Feb, 2014) to 177mills (till 28th Feb, 2015) this year.
- Karnataka sugar production rose by 6.01% with the state producing 32.80 lakh tons of sugar till 28th Feb, 2015 compared to 30.94 lakh tons last year for the same interval.
- The combined sugar production in Andhra Pradesh & Telengana slows down this month with only 23 sugar mills participating in the crushing process yielding a mere production of 7.3 lakh tons of sugar in 2014-15 (till 28th Feb, 2015) compared to 7.72 lakh ton in 2013-14 (till 28th Feb, 2014).
- Sugar production declined 29% in Tamil Nadu which produced 4.6 lakh tons of sugar in 2014-15 (1st Oct, 2014- 28th Feb, 2015) compared to 6.5 lakh tons in 2013-14 (1st Oct, 2013- 28th Feb, 2014).
- Sugar production in Gujarat declined 2.8 % with the state producing 8.4 lakh tons of sugar this season (1st Oct, 2014- 28th Feb, 2015) compared to 8.64 lakh tons last year (1st Oct, 2013- 28th Feb, 2014)
- A positive production growth rate (27.3%) was seen in Bihar which produced 4.75 lakh tons of sugar in 2014-15 (1st Oct, 2014- 28th Feb, 2015) compared to 3.73 lakh tons in 2013-14 (1st Oct, 2013- 28th Feb, 2014).
- Production growth rate remained approximately unchanged in Punjab with the state producing 3.7 lakh tons of sugar this year (1st Oct, 2014- 28th Feb, 2015) relative to what it produced last year for the same duration.

### Indian Sugar Production Scenario Up to 28th February, 2015:

States	Sugar Produced (Lakh Tons)	
	2014-15	2013-14
Maharashtra	74.0	57.5
Uttar Pradesh	49.6	43.4
Karnataka	32.8	30.9
Tamil Nadu	4.6	6.5
Bihar	4.8	3.7
Andhra Pradesh + Telengana	7.3	7.7
<b>All India</b>	<b>194.0</b>	<b>170.4</b>

### Raw Sugar Import/Export Opportunity:

Indian indicative raw sugar CIF prices from Brazil quoted at \$478.37 per ton (including 25% import duty) and Indian domestic refined sugar FOB prices quoted at \$418.24 per ton Kolhapur based.

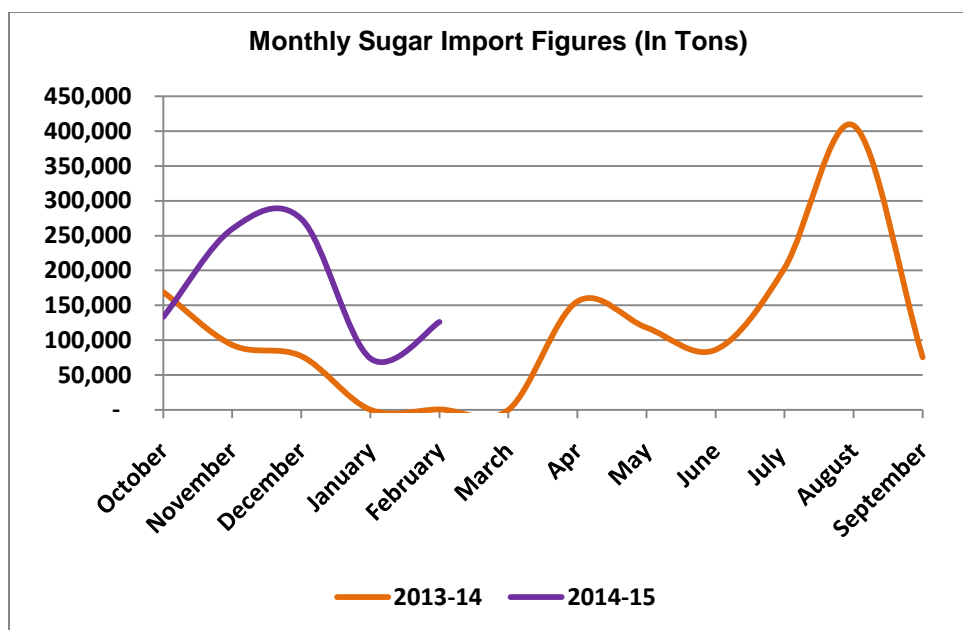
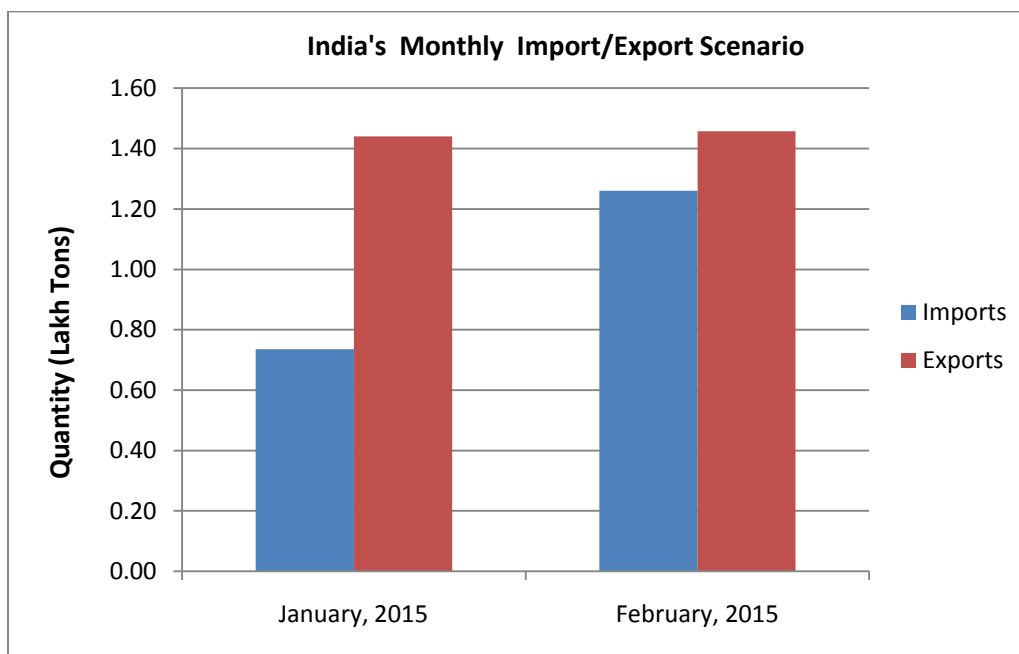
On International front, Brazil sugar FOB prices quoted at \$370.75/ Ton.

Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

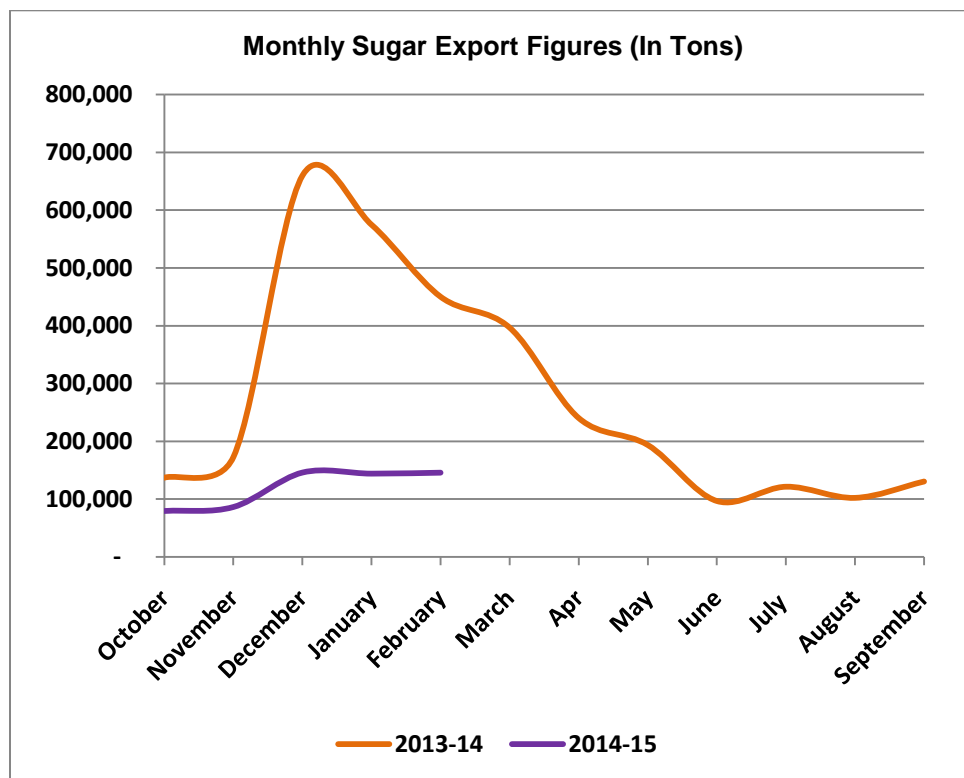
Indicative Sugar FOB Prices (USD/MT) (\$=Rs.61.83) till 02 <sup>nd</sup> Mar, 2015			
	Brazil	Thailand (100 Icumsa Oct Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$370.75	\$390.60/376.20	\$418.24

### Sugar Import and Export Scenario:

Indian sugar trade scenario improved this month as the country exported more sugar in comparison to the imports made during the period. Notably, the country exported 1.46 lakh tons of sugar in February, 2015 as against 1.26 lakh tons of import during the same period.



With the pending export subsidy on raw sugar and cheaper availability of Brazilian raw sugar, the Indian millers opted to import sugar from abroad and thus imported 1.26 lakh tons of sugar in February, 2015 which was 71.4% higher than the quantity imported last month in January.



While, making optimum utilization of its refinery capacity, Indian sugar mills exported 1.46 lakh tons of sugar in February, 2015 which was marginally higher (1.2%) than the sugar exported in January, 2015. Also, the bunch of exports made had been to Sudan, Sri Lanka and Somalia which imported 49.0, 40.8 and 17.3 thousand tons of sugar respectively in February, 2015.

**Sugar Domestic Balance Sheet:**

Qty in lakh Ton	Estimated Balance sheet	
	2013-14	2014-15
Opening Sugar stock	58.89	39.94
Estimated sugar production	245	249
Imports (IBIS)	13.86	8.66
Estimated sugar availability	317.75	297.61
Total Export (IBIS)	32.81	6.02
Total Available for domestic consumption (D-E)	284.94	291.58
Estimates sugar consumption	245	250.39
Ending Stock	39.94	41.19

**Spot Sugar Prices Scenario (Monthly):**

Spot Sugar Prices Scenario Monthly (Average)				
Commodity	Centre	28-Feb-15	31-Jan-15	Change
Sugar	Delhi - Grade M	2822	2900	-78
	Delhi - Grade S	2761	2859	-98
	Delhi - Grade L	NA	NA	-
	UP- Khatauli Grade M	2917	2937	-20
	UP- Ramala Grade M	2791	2867	-76
	UP- Dhampur Grade M Ex-Mill	2770	2839	-69
	UP- Dhampur Grade S Ex-Mill	2750	2819	-69
	UP- Dhampur Grade L Ex-Mill	2820	2889	-69
	Mumbai –Grade M	2912	2946	-34
	Mumbai –Grade S	2720	2762	-42
	Kolhapur – Grade M	2584	2659	-75
	Kolhapur – Grade S	2484	2557	-73
	Guhawati – Grade S	2785	2859	-74
	Shillong – Grade S	2804	2877	-73
	Vijayawada – Grade M	3093	3177	-85
	Vijayawada- Grade S	2993	3038	-46
	Nagpur – Grade M	2992	2956	36
	Nagpur – Grade S	2752	2813	-61
	Kolkata – Grade M	2873	2961	-88
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	2626	2706	-80
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	3035	3035	Unch
	Chennai - Grade S	3035	3035	Unch

## Gur Market Scenario and Outlook

Gur spot market remained dormant with price falling in major centers such as Muzaffar Nagar, Hapur, Mandya, Mahalingpura, etc. amid higher arrivals following favorable weather conditions and a sluggish demand.

Gur prices in key Muzaffar Nagar market (for Chaku) settled at Rs 2331 per quintal this month which was Rs 207 less than the price quoted last month for the same variety. Similarly, Khurpa and Laddoo varieties also showed a downtrend with their price settling at Rs 2181 & Rs 2333 per quintal this month. The Chaursa and Balti variety of gur in Hapur also lost Rs 288 & 240 per quintal respectively to close at Rs 2168 and Rs 2102 per quintal this month.

## Spot Jaggery (Gur) Prices Scenario (Monthly):

Gur Spot Prices Scenario Monthly (Average)				
Markets	Variety	28-Feb-15	31-Jan-15	Change
Muzaffar Nagar	Chaku	2331	2538	-207
	Chaku(Arrival-Sum)	161500	52000	109500
	Khurpa	2181	2374	-193
	Laddu	2333	2628	-295
	Rascut	NA	NA	-
Hapur	Chaursa	2168	2456	-288
	Balti	2102	2342	-240
Maharashtra	Latur(Lal Variety)	2397	2468	-71
BANGALORE	Mudde	3926	4162	-236
Belgaum	Mudde	2580	2713	-133
Belthangadi	Yellow (Average)	3108	3131	-23
Bijapur	Achhu	NA	2586	-
Gulbarga	Other (Average)	2630	2641	-11
Mahalingapura	Penti (Average)	2530	2647	-117
Mandya	Achhu (Medium)	2415	2524	-109
	Kurikatu (Medium)	2200	2286	-86
	Other (Medium)	2265	2364	-99
	Yellow (Medium)	2415	2531	-116
Shimoga	Achhu (Average)	2868	2756	112



Commodity: Sugar  
Contract: Continuous Chart

Exchange: NCDEX

### SUGAR Continuous Chart (C1)

#### Technical Commentary:

- Sugar prices, volume and O.I are declining indicating consolidation in the market
- Also RSI is hovering in a neutral zone.
- The last candlestick depicts bearishness in the market.

SUGARM 1st(NCSMAC1)2015/03 - Monthly B:2480.00 A:2483.00  
O 2566.00 H 2570.00 L 2480.00 C 2483.00 ↓ V 12,100 I 0 -77 -3.01%



**Strategy:** We advise market participants to Sell.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	2400	2470	2560	2680	2775
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	C1 Chart	<b>Sell</b>	Below 2570	2490	2475	2618

## International Scenario

International sugar prices remained subdued amid ample supplies and higher stock availability worldwide. However, medium term prices looks bullish due to overall sugar deficit globally for 2014-15.

## International Market News Highlights:

- With an end to the crushing season in Brazil, the main Center South region had churned around 14 thousand tons of sugar in second half of January, 2015 compared to 28 thousand tons in the first half of January (2015).
- As per the data released by UNICA, Brazil had crushed around 570.1 million tons of sugarcane in the crushing season 2014-15 (Apr, 1 – Jan, 31) compared to 596 million tons in 2013-14 (Apr, 1 – Jan, 31). The severe draught that hit the country in the beginning of 2014 was cited responsible for the lower cane production this year.
- The Brazilian govt. announced an increase in ethanol blending with gasoline from 25 per cent at present to 27 per cent. The move is likely to help the devastating sugar industry as more cane could now be diverted towards ethanol production in the country.
- A positive breakthrough is expected in Brazilian ethanol industry where the govt. announced a fuel tax, called Cide on gasoline and diesel that makes the alternative fuel, ethanol more competitive in comparison. Reportedly, the tax is expected to get enforced with effect from Feb 1, 2015 and could raise the price of gasoline and diesel by 0.22 reais and 0.15 reais per liter respectively. Meanwhile, a wider diversification of domestic cane towards ethanol production could also support the cash starved sugar industry to bloom well.
- The Australian govt. predicted the country's total sugar production at 4.6 million tons for this marketing year 2014-15. However, the production is projected to decline next year in 2015-16 amidst rising prospects of El Nino weather event during the period.
- Brazilian agency, CONAB forecasted central south cane production to 582.9 million tons (2014-15) which is 2.8% less than the previous estimate made by it. Notably, the agency attributed the severe draught weather condition in the country for the estimation cut.
- While, cane association UNICA predicted a production of 567 million tons of sugarcane in Brazil's Central South region for 2014-15; which was 4% higher than its previous estimate of 546 million tons. The up gradation has been primarily made due to an increase in area and productivity in the regions (centre- south Brazil) affected least by the drastic draught.
- On the wake of rising refinery demand, the Indonesian govt. had approved an import quota of 0.6 million tons of raw sugar for the first quarter of 2015-16. The move was largely welcomed by the local refiners and food industry in particular who were affected hard by the supply constraint.

**ICE Raw Sugar Future Market Scenario (May'15 Contract):**



Source: Reuters Eikon

As of **05<sup>th</sup> Mar 2015**, ICE Raw sugar prices settled at 13.93 cents per lbs. On monthly chart, 13.88 cents is the immediate support level, breach of the mentioned level would take the prices down to 12.18 which also lying below its support trend line.

On the upper side, 15.40 and 16.09 cents per lbs are the resistance levels.

**LIFFE Future Market Sugar Scenario (May'15 Contract):**



Source: Reuters Eikon

As of **05<sup>th</sup> Mar, 2015**, Prices of Refined Sugar London exchange traded at \$371.80 per ton. Here, prices got support at \$355.26 per ton if breach then it could test \$329.54. On the northward direction, \$398.14 & \$425.57 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	27-Feb-15	30-Jan-15	Change
<b>ICE Sugar #11 (US Cent/lb)</b>	<b>15-Mar</b>	13.93	14.79	<b>-0.86</b>
	<b>15-May</b>	13.77	15.04	<b>-1.27</b>
	<b>15-Jul</b>	14.05	15.33	<b>-1.28</b>
<b>LIFFE Sugar (US \$/MT)</b>	<b>15-May</b>	371.80	383.4	<b>-11.6</b>
	<b>15-Aug</b>	376.00	394.6	<b>-18.6</b>
	<b>15-Oct</b>	384.00	403.7	<b>-19.7</b>

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