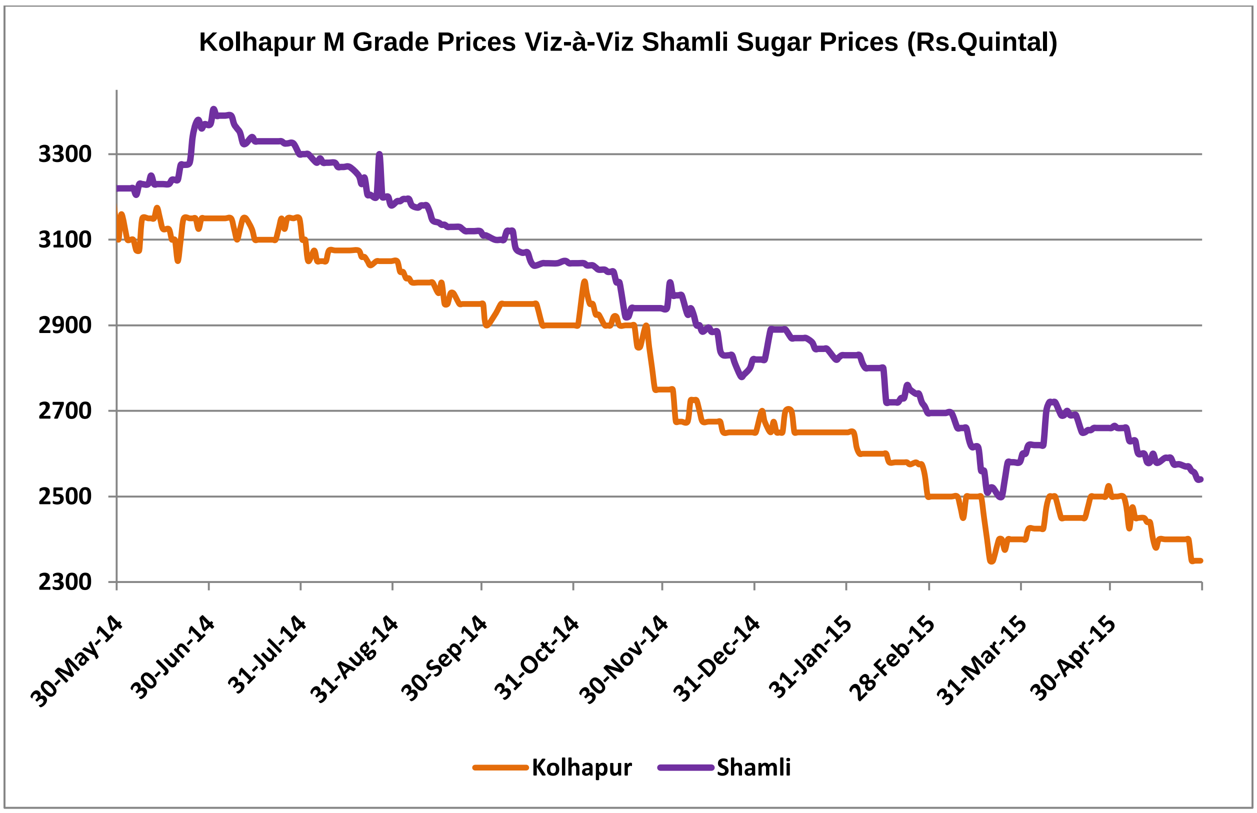
Domestic Market Recap & Price Outlook:

Sugar market remained subdued following limited demand against rise in domestic supplies this month. Moreover, rising global production from the key producer, Brazil further pressurized the domestic prices to move in a southward direction.

Notably, the average price for sugar ‘M’ grade in key Kolhapur market settled at Rs 2419 per quintal this month compared to Rs 2467 per quintal in the month of April. Similarly, sugar prices for ‘M-31’ variety/grade in Shamli district fell by 2.66% from Rs 2666 per quintal in April to Rs 2596 per quintal in the month of May.



Price Outlook:

Sugar prices are expected to improve a little in the month ahead amid sharp seasonal demand and proximity to festivities such as Ramadan while an excessive sugar surplus will cap the gain.

Major Happenings in Domestic Sugar Industry:

- Sugar mills in U.P are proposing to scrap cane area allocation scheme, under which mills were required to make compulsory cane procurement from the assigned reserve area even when running in losses. In reply the state govt. ensures that the matter will be discussed once the crushing season ends. In addition, the closure notification also needs to be given in advance so that farmers could opt for alternative crop during the period.

- The Indian govt. removed excise duty of 12.36% on supply of ethanol meant for blending with petrol to the OMCs (Oil Marketing Companies).

- India had produced 273.7 lakh tons of sugar in 2014-15 (1st Oct, 20014 – 30th Apr, 2015) which was 14.3% higher than the production made last year in 2013 -14 (1st Oct, 2013 – 30th Apr, 2014).

- A record sugar production of 103.5 lakh tons has been made in Maharashtra this year, 2014 -15 (till 30th Apr, 2015) as against 77.14 lakh tons last year during the same interval. An increase in cane area and yield per hectare in the state could be cited responsible for the surge.

- Sugar production rose by 7.8% in U.P which produced 70.15 lakh tons of sugar in 2014-15 (1st Oct, 20014 – 30th Apr, 2015) compared to 65.08 lakh tons in 2013 -14(1st Oct, 2013 – 30th Apr, 2014). The state also saw a surge in sugarcane recovery rate this year from 9.29% in 2013-14 to 9.54% in 2014-15.

- 25 sugar mills in Karnataka had churned around 47 lakh tons of sugar in 2014 -15 (till 30th Apr, 2015) compared to 41.19 lakh tons of sugar in 2013 -14 (till 30th Apr, 2014) when only two mills were engaged in the crushing operation.

- A negative production (sugar) trend could be seen in Tamil Nadu this year, which produced only 9 lakh tons of sugar in 2014 -15 (till 30th Apr, 2015) compared to 11.02 lakh tons in 2013 -14 (till 30th Apr, 2014).

- 11.35 lakh tons of sugar was produced in Gujarat this marketing year (1st Oct, 2014 – 30th Apr, 2015) which was 3.4% less than the production made last year during the same interval.

- Crushing operation had came to an end in Andhra Pradesh & Telengana, which collectively produced 8.8 lakh tons of sugar in 2014 -15 (1st Oct, 2014 – 30th Apr, 2015) compared to 10.01 lakh tons in 2013- 14(1st Oct, 2013 – 30th Apr, 2014).

- Sugar production rose 12.8% in Uttarakhand this season, with the state producing 3.25 lakh tons of sugar in 2014 -15(1st Oct, 2014 – 30th Apr, 2015) relative to 2.88 lakh tons in 2013 -14 (1st Oct, 2013 – 30th Apr, 2014). With these figures, the state marked an end to the crushing operation for this season.

- With a production decline of 0.68 lakh tons, Bihar ended up the crushing operation for marketing year 2014- 15. Notably, the state produced 5.23 lakh tons of sugar in 2014 -15 (1st Oct, 2014 – 30th Apr, 2015) as against 5.91 lakh tons sugar in 2013 -14 (1st Oct, 2013 – 30th Apr, 2014).

- Crushing operation ended in Punjab with the state producing 5.25 lakh tons of sugar in 2014 -15 (1st Oct, 2014 – 30th Apr, 2015) as against 4.69 lakh ton in 2013 -14 (1st Oct, 2013 – 30th Apr, 2014).

- M.P had produced 4 lakh tons of sugar in 2014 -15 (01st Oct, 2014 - 30th Apr, 2015) compared to 3.64 lakh tons of sugar last year during the corresponding period. Around 12 sugar mills this year had participated in the crushing operation so far compared to 10 sugar mills last year.

- The Indian Sugar Mills Association (ISMA) revisited India' sugar production estimate to around 28 million tons this marketing year i.e. 2014 -15.

- In a bid to support local cane farmers, Indian govt. raised sugar import duty from 25 per cent to 40 per cent. In addition, the govt. had withdrawn duty free raw sugar import authorization scheme under which Indian refiners could import duty free raw sugar from abroad with the sole condition of re exporting the refined sugar from the country.

- The Indian govt. liberalized sugar exporting norms under preferential quota systems (wherein limited quantity of sugar exported at a lower tariff rate) to European Union (CXL quota) and the US (TRQ quota). Until now, only ISEC (Indian Sugar Exim Corporation) used to export the preferential quota sugar to EU and U.S, availing a lower tariff rate for the exports made, however with the new policy announced, anyone from the industry could export preferential sugar share to the concerned market.

- As per a report issued by U.S. Department of Agriculture, India is expected to produce 29 MMT of sugar in MY 2015-16 (1st Oct, 2015 – 30th Sep, 2016) and is likely to emerge as a net sugar exporter during the period.

Indian Sugar Production Scenario Up to 15th May, 2015:

States	Sugar Produced (Lakh Tons)	
	2014-15	**2013-14**
Maharashtra	104.4	77.2
Uttar Pradesh	70.8	65.1
Karnataka	48.8	41.2
Tamil Nadu	9.8	11.5
Gujarat	11.4	11.8
All India	**278.5**	**240.0**

Total India & State wise Sugarcane Price (Rs/Ton):

State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
India (FRP)	1298	1391	1450	1700	2100	2200
UP	2300	2050	2400	2800	2800	2800
Maharashtra	2264	2000	1800-2050	2100-2500	-	-
Punjab	2080	2120	2200	2400	2800	2850
Haryana	2450	2150	2210	2710	2950	3050
Gujarat	2450	1500-1700	-	2500	-	-
Andhra Pradesh	1885	1800-2000	2000	2500	2600	-
Karnataka	2400	1740	2000	2400	2500	2500
Tamil Nadu	1663	1948	2100	2350	2650	2650

Raw Sugar Import/Export Opportunity:

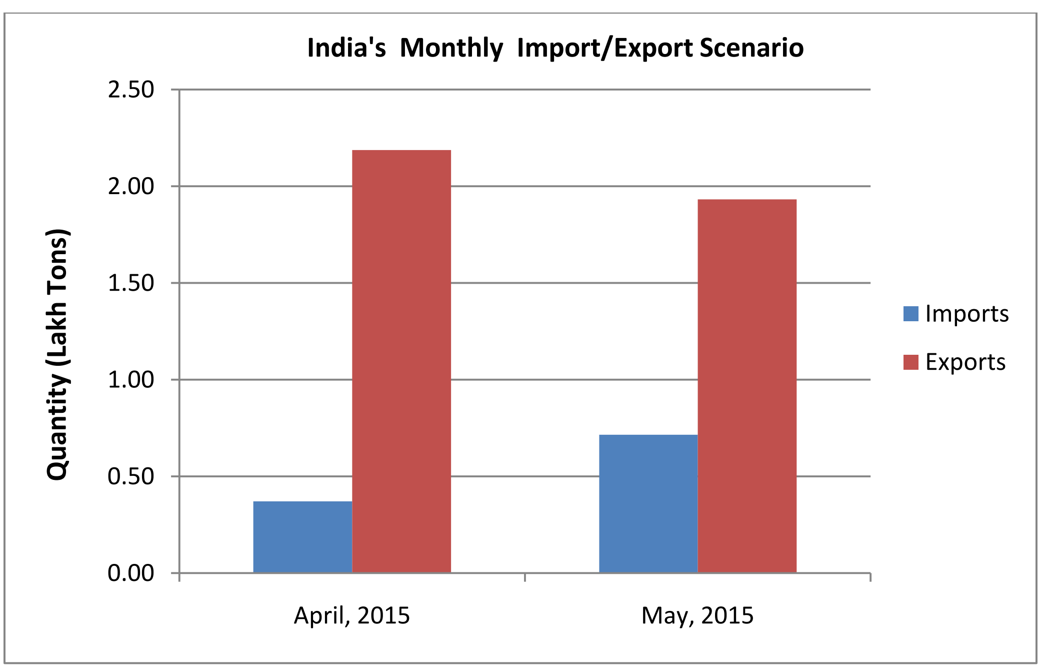
Indian indicative raw sugar CIF prices from Brazil quoted at $441.94 per ton (including 40% import duty) and Indian domestic refined sugar FOB prices quoted at $378.18 per ton Kolhapur based.

On International front, Brazil sugar FOB prices quoted at $337.75/ 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.63.62) till 01st June, 2015			
	Brazil	**Thailand (100 Icumsa Aug Contract/45 Icumsa Spot)**	**India (100 Icumsa)**
Comparative Sugar FOB Prices	$337.75	$369.65/347.40	$378.18

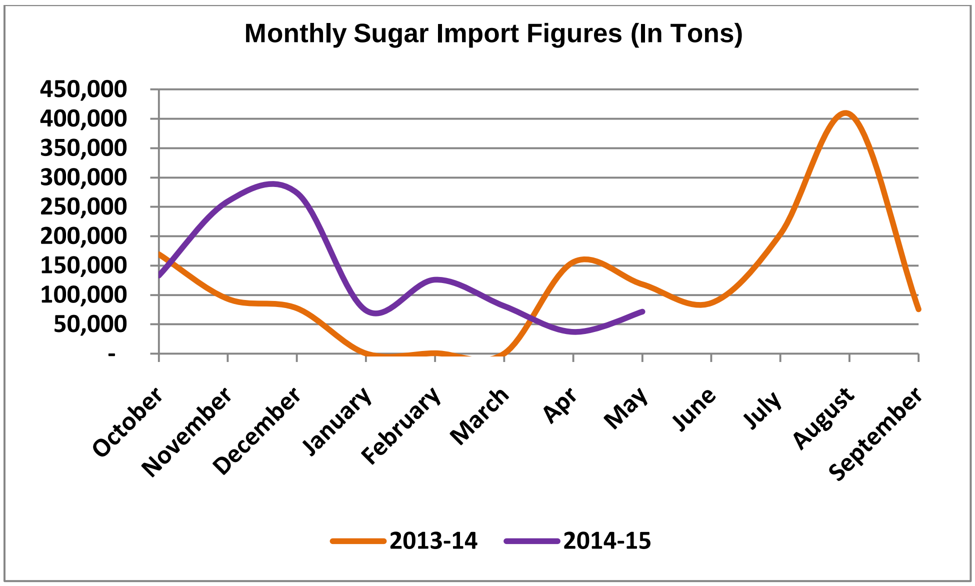
Sugar Import and Export Scenario:

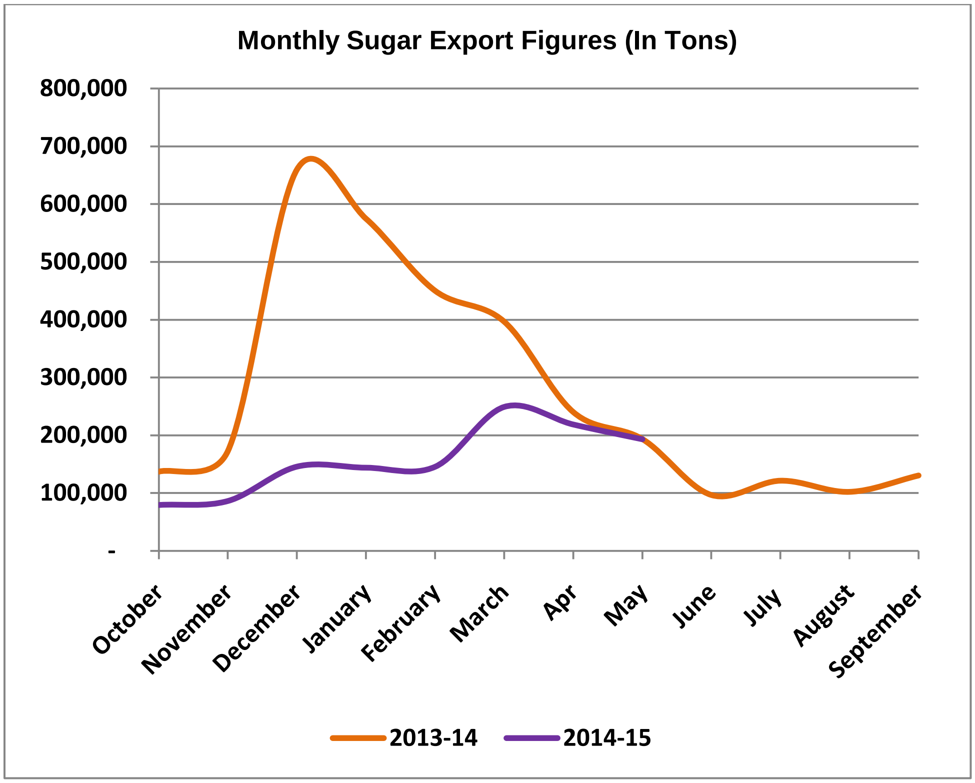
Ample stock position in the physical market and higher supply from mills both in domestic and international market,restricted efficient sugar trade in India causing a lower sugar import and exports during the month.



Lack of import parity in trade with Brazil and a sluggish global demand caused India to import 0.72 lakh tons of sugar in May, 2015 compared to 1.17 lakh tons in May, 2014.

Notably, the country mainly imports raw sugar from Brazil which got refined here and is then re-exported to the neighboring countries thereon. However, with the recent govt. withdrawal of duty free raw sugar import authorization scheme (under which Indian refiners could import duty free raw sugar from abroad with the sole condition of re exporting the refined sugar from the country), the Indian sugar import prospects are expected to shrink down further.





On the other hand, a weak Brazilian Real and falling crude prices allowed Brazil to dump its excessive sugar produce into the world market, making India uncompetitive to export. As a result, India exported only 1.93 lakh tons of sugar in May, 2015 which was 12% lower than the sugar exported last month in April, 2015.

Sugar Domestic Balance Sheet:

	Estimated Balance sheet	
Qty in lakh Ton	2013-14	2014-15
Opening Sugar stock	58.89	39.94
Estimated sugar production	245	280
Imports(IBIS)	13.86	11.02
Estimated sugar availability	317.75	330.96
Total Export (IBIS)	32.81	13.22
Total Available for domestic consumption (D-E)	284.94	317.74
Estimates sugar consumption	245	250.39
Ending Stock	39.94	67.35

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario Monthly				
Commodity	Centre	Prices (Rs/Qtl)		Change
		15-May	15-Apr	
Sugar	Delhi - Grade M	2658	2720	-62
	Delhi - Grade S	2588	2650	-62
	Delhi - Grade L	NA	2785	-
	UP- Khatauli Grade M	2700	2802	-102
	UP- Ramala Grade M	2631	2648	-17
	UP- Dhampur Grade M Ex-Mill	2598	2675	-77
	UP- Dhampur Grade S Ex-Mill	2578	2646	-68
	UP- Dhampur Grade L Ex-Mill	2648	2733	-85
	Mumbai –Grade M	2752	2762	-10
	Mumbai –Grade S	2573	2557	16
	Kolhapur – Grade M	2408	2467	-59
	Kolhapur – Grade S	2308	2367	-59
	Guhawati – Grade S	2607	2666	-59
	Shillong – Grade S	2628	2687	-59
	Vijayawada – Grade M	2905	2960	-55
	Vijayawada- Grade S	2810	2860	-50
	Nagpur – Grade M	NA	NA	-
	Nagpur – Grade S	2590	2607	-17
	Kolkata – Grade M	2739	2658	81
	Chennai - Grade S	2474	2519	-45
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3035	3035	Unch
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	3035	3035	Unch

Gur Market Scenario and Outlook:

Mixed sentiments were recorded in gur spot market this month with price rising in some markets while declining in others.

A lower arrival this month, caused Chaku variety of gur in key Muzaffar Nagar market to rise by Rs 92 per quintal from Rs 2474 per quintal (April, 2015) to Rs 2566 per quintal in May, 2015. Similarly, Khurpa and Laddoo variety of gur rose by Rs 95 & Rs 85 per quintal this month to reach at Rs 2358 and Rs 2605 per quintal respectively.

On the contrary, the Achhu (Average) variety from Shimoga declined from Rs 2763/quintal to Rs 2683/quintal this month. The Penti (Average) variety of gur from Mahalingapura too declined by Rs 72 per quintal to reach at Rs 2490 per quintal this month.

Spot Jaggery (Gur) Prices Scenario (Monthly):

Gur Spot Prices Scenario (Monthly-Average)				
Markets	**Variety**	**15-May**	**15-Apr**	**Change**
Muzaffar Nagar	Chaku	2566	2474	**92**
	Chaku (Arrival-Sum)	43000	108300	**-65300**
	Khurpa	2358	2263	**95**
	Laddu	2605	2520	**85**
	Rascut	NA	NA	**-**
Hapur	Chaursa	NA	2199	**-**
	Balti	NA	2082	**-**
Maharashtra	Latur(Lal Variety)	NA	NA	**-**
Bangalore	Mudde	3998	3930	**68**
Belgaum	Mudde	2432	2414	**18**
Belthangadi	Yellow (Average)	2070	NA	**-**
Bijapur	Achhu	NA	NA	**-**
Gulbarga	Other (Average)	2522	2540	**-18**
Mahalingapura	Penti (Average)	2490	2562	**-72**
Mandya	Achhu (Medium)	2496	2493	**3**
	Kurikatu (Medium)	2304	2283	**21**
	Other (Medium)	2375	2336	**39**
	Yellow (Medium)	2482	2468	**14**
Shimoga	Achhu (Average)	2683	2763	**-80**

Commodity: Sugar
Contract: Continuous Chart
Exchange: NCDEX

SUGAR Continuous Chart (C1)

Technical Commentary:

- Sugar prices and volume are falling while O.I surges up for the month.
- Also RSI is hovering in a neutral zone.
- The last candlestick depicts bearishness in the market.

Strategy: We advise market participants to Sell.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	2080	2120	2270	2400	2470

Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	C1 Chart	**Sell**	Below 2310	2210	2160	2370

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:

- As per a report issued by U.S. Department of Agriculture, Australia is expected to produce 4.8 million tons of sugar in MY (2015-16).

- Due to various trade restrictions imparted by govt., Indonesia is expected to import only 2.95 million tons of raw sugar in 2014-15. While, the country is forecasted to produce around 2.1 million tons of plantation white sugar during the same period.

- Thailand, the second largest sugar exporter in the world; had exported two lakh tons of sugar in first half of April, 2015 together with 1 .4 million tons of sugar in the first quarter of year 2015.

- Sugar production in Thailand is expected to rise to 11.4 MT in 2015-16 amid government's agricultural restructuring program which will provide more financial support to the domestic farmers in the country.

- Brazilian govt. crop supply agency, CONAB forecasted country's total sugar production at 37.35 MT for MY 2015-16 (1st Apr, 2015 – 31st Mar, 2016) which was approximately 5% higher than the sugar produced by Brazil in 2014-15.

- The Thailand govt. is planning to seek policy change in Cane and Sugar Act, which confined only one sugar factory to be located within 80kms of range within the country. Thus, the step is expected to enhance sugar production capacity of Thailand by facilitating more sugar mills within the nation.

- The International Sugar Organization (ISO) expects global sugar deficit of two million tons in 2015-16 (1st Oct- 30th Sep) as against a less than one million tons sugar surplus forecast for current season, 2014-15 (1st Oct- 30th Sep).

- Market expert, F.O.Licht, predicted Brazilian Centre South region to crush 580 million tons of sugarcane in 2015-16 (1st Apr, 2015 – 31st Mar, 2016) to produce around 31.8 million tons of sugar by the season end.

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

Source: Reuters Eikon

As of **05th Jun 2015,** ICE Raw sugar prices settled at 11.98 cents per lbs. On monthly chart, 11.66 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 10.85 cent per lbs.

On the upper side, 13.94 and 15.32 cents per lbs are the resistance levels.

LIFFE Future Market Sugar Scenario (Aug'15 Contract):

Source: Reuters Eikon

As of **05th Jun, 2015,** Prices of Refined Sugar London exchange traded at $351.5 per ton. Here, prices got support at $338.1 per ton if breach then it could test $319.3 per ton. On the northward direction, $377.6 & $420.4 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	15-May	15-Apr	Change
ICE Sugar #11 (US Cent/lb)	15-Jul	11.98	13.09	-1.11
	15-Oct	12.28	13.15	-0.87
	15-Mar	13.59	13.55	0.04
LIFFE Sugar (US $/MT)	15-Aug	347.80	374.9	-27.10
	15-Oct	348.00	373.8	-25.80
	15-Dec	354.20	381	-26.80