

### **Executive Summary:**

Indian sugar market remained dormant amidst higher stock position (following persistent supplies from millers) and a lower domestic demand. In addition, a stiff stipulated deadline for payment of pending cane arrears further stimulated the Indian sugar millers to release their output thereby adding on to the market surplus.

Moreover, reports of higher output estimates in top producer Brazil and a relatively drier harvesting season thereon further inserted downward pressure on global sugar prices.

### **Price projection for the next month:**

Sugar prices (M grade) in benchmark Kolhapur market are likely to range in between Rs 2070-2200 per quintal next month.

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

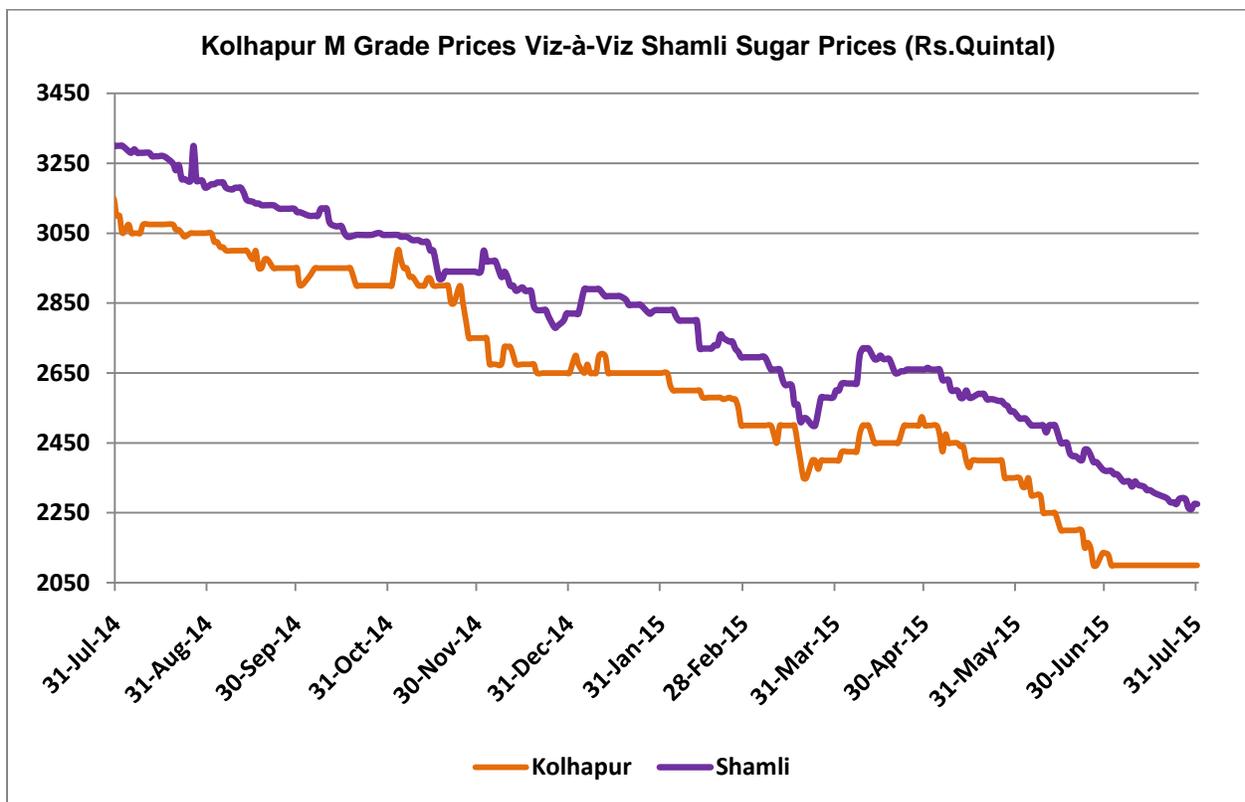
- Late monsoon arrival in Maharashtra had adversely affected sugarcane sowing area in the region where only 644 lakh hectares of area has been sowed so far out of 8861 lakh hectares of total area under cultivation
- The Central govt. of India is soon expected to release a relief package of Rs 1950 crore to the cooperative sugar mills in Maharashtra to be utilized for disbursing pending cane arrears to farmers.
- The Karnataka govt. had put forth a proposal to the centre asking for a subsidy of Rs 900 crore which could be utilized for meeting up the pending cane arrears by local sugar millers in the state.
- The Telengana govt. is expected to impose entry tax on sugar import as the neighboring states such as Karnataka, Maharashtra and Tamil Nadu are dumping their excessive sugar onto the state leading to a further fall in local sugar prices.
- The Cabinet Committee on Economic Affairs (CCEA) announced interest free loan worth Rs 6000 crore to the Indian sugar millers who had accrued pending cane arrears to the local farmers in the country.

- India had produced 279.6 lakh tons of sugar in current session, 2014-15 (1st Oct, 2014 – 31st May, 2015) which was 16.25% higher than the production made last year during the same interval.
- A record sugar production of 104.75 lakh tons had been made by Maharashtra this year (1st Oct, 2014 – 31st May, 2015) followed by U.P which produced 70.9 lakh tons of sugar during the same period.
- The third largest sugar producer, Karnataka had produced about 48.99 lakh tons of sugar this year in 2014-15 (till 31st May, 2015).
- Sugar production declined by 15.3% in Tamil Nadu which produced 10 lakh tons of sugar till 31st May, 2015 relative to a production of 11.8 lakh tons last year.
- The Sugar Commissioner in Maharashtra had issued auction order against five mills in the state for not making pending payment as per the fair and remunerative prices (FRP) under the Revenue Recovery Code (RRC).
- 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 though running into losses. In reply, the state govt. has ensured that the matter 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).
- 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 the "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.

**Domestic Price Comparison:**

As visible from the chart below, the spread between the two markets narrowed down further (indicating lower price differential between the two markets) with prices trading steady in Kolhapur market while falling down in Shamli district.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 2101 per quintal this month compared to Rs 2224 per quintal in the month of June. Similarly, sugar prices for 'M-31' variety/grade in Shamli district fell by 5.8% from Rs 2456 per quintal in June to Rs 2312 per quintal in the month of July.



**Indian Sugar Production Scenario Up to 31<sup>st</sup> May, 2015:**

States	Sugar Produced (Lakh Tons)	
	2014-15	2013-14
Maharashtra	104.8	-
Uttar Pradesh	70.9	-
Karnataka	48.9	-
Tamil Nadu	10.0	-
<b>All India</b>	<b>279.6</b>	<b>240.5</b>

**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 \$403.35 per ton (including 40% import duty) and Indian domestic refined sugar FOB prices quoted at \$334.17 per ton Kolhapur based.

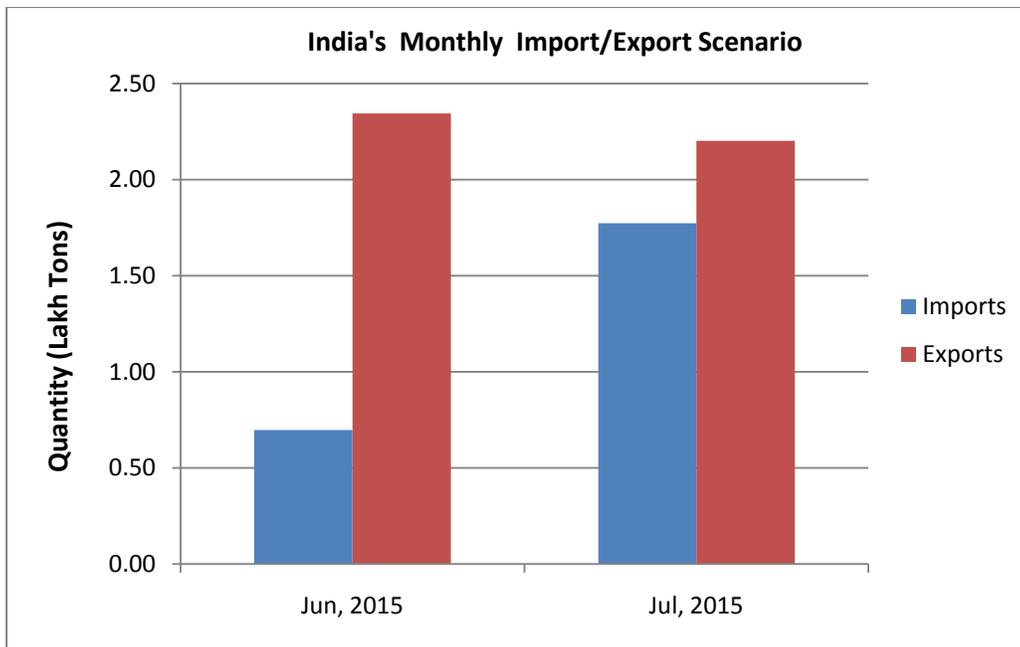
On International front, Brazil sugar FOB prices quoted at \$330.75/ Ton.

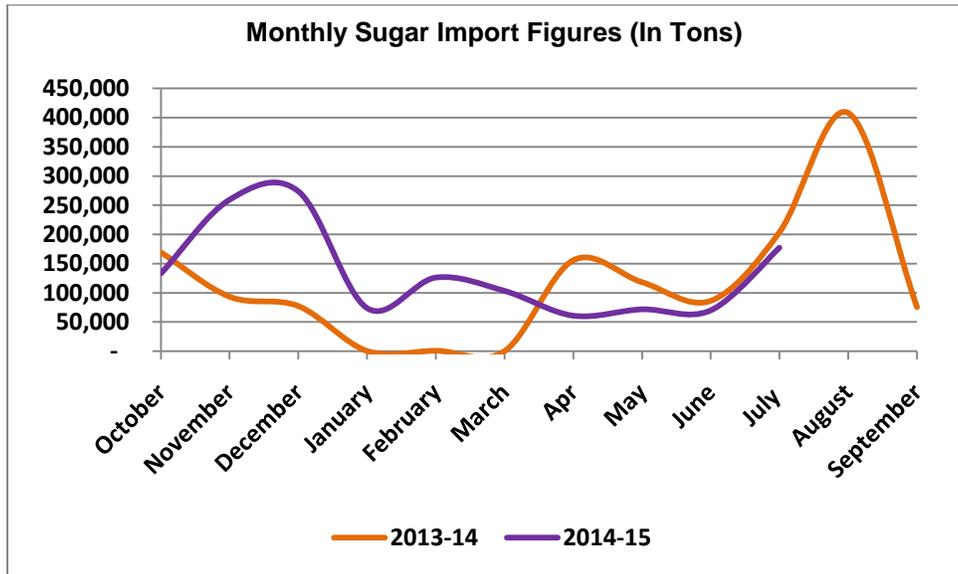
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.64.04) till 31 <sup>st</sup> July, 2015			
	Brazil	Thailand (100 Icumsa Aug Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$330.75	\$373.70/357.20	\$334.17

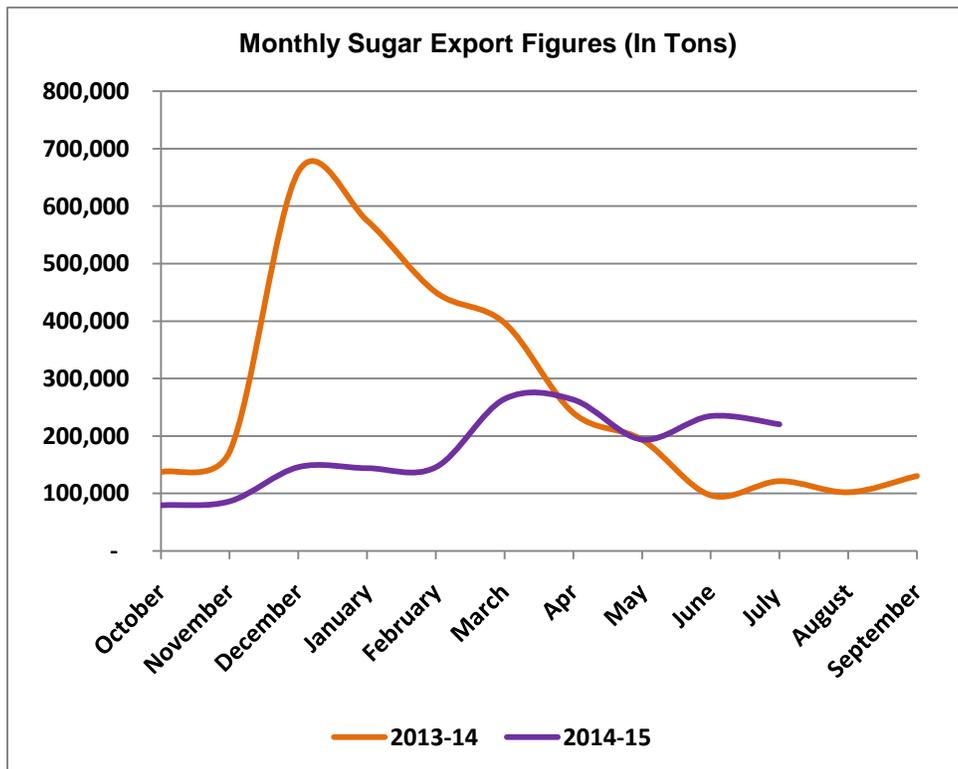
### Sugar Import and Export Scenario:

Indian sugar trade scenario remained positive this month as the country exported more sugar in comparison to the imports made during the period. However, a m-o-m comparison showed a deteriorating trend where sugar imports increased significantly from last month, while exports declined during the same interval.





The Indian sugar imports showed a drastic improvement this month, as the country imported 1.77 lakh tons of sugar in July, 2015 compared to 0.70 lakh tons in June, 2015. While a y-o-y comparison depicts a little slowdown of 13% this year compared to 2.03 lakh tons sugar in July, 2015.



On the other hand, lower sugar demand overseas and a depreciating Brazilian currency, real outpaced India's exporting competitiveness to the world market, leading to a fall in exports this month. Notably, the country exported 2.20 lakh tons of sugar in July, 2015 compared to 2.34 lakh tons sugar in June, 2015. However, the situation seems to be pretty much bounty when compared to the last year; when the country exported only 1.21 lakh tons of sugar during the same period.

Sudan Somalia and Pakistan were amongst the biggest importers of Indian sugar this month with a total sugar import of 53.8, 39.5 and 27.0 thousand tons of sugar respectively.

**Sugar Domestic Balance Sheet:**

		Estimated Balance Sheet	
Qty in lakh Ton	2013-14	2014-15	2015-16
Opening Sugar stock	58.89	39.94	27.96
Estimated sugar production	245.00	280.50	278.72
Imports (IBIS)	13.86	14.27	15.00
Estimated sugar availability	317.75	334.71	321.68
Total Export (IBIS)	32.81	20.08	19.51
Total Available for domestic consumption (D-E)	284.94	314.63	302.17
Estimates sugar consumption	245.00	286.67	284.85
Ending Stock	39.94	27.96	17.32

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

Spot Sugar Prices Scenario Monthly				
Commodity	Centre	Prices (Rs/Qtl)		Change
		31-Jul-15	30-Jun-15	
Sugar	Delhi - Grade M	2384	2518	-134
	Delhi - Grade S	2328	2465	-137
	Delhi - Grade L	NA	NA	-
	UP- Khatauli Grade M	2395	2535	-140
	UP- Ramala Grade M	2281	2491	-210
	UP- Dhampur Grade M Ex-Mill	2320	2452	-132
	UP- Dhampur Grade S Ex-Mill	2300	2432	-132
	UP- Dhampur Grade L Ex-Mill	2370	2502	-132
	Mumbai –Grade M	2507	2641	-134
	Mumbai –Grade S	2216	2362	-146
	Kolhapur – Grade M	2101	2224	-123
	Kolhapur – Grade S	2001	2121	-120
	Guhawati – Grade S	2295	2416	-121
	Shillong – Grade S	2321	2441	-120
	Vijayawada – Grade M	2559	2745	-186
	Vijayawada- Grade S	2519	2685	-166
	Nagpur – Grade M	2392	2464	-72
	Nagpur – Grade S	2300	2412	-112
	Kolkata – Grade M	2409	2531	-122
	Chennai - Grade S	2174	2330	-156
Ambikapur (Chattisgarh)- Grade M (Without Duty)	2835	2835	Unch	
Ambikapur (Chattisgarh)- Grade S (Without Duty)	2835	2835	Unch	

### Gur Market Scenario and Outlook:

Spot gur market remained dormant this month with prices falling in almost all the major trading market except Gulbarga and Shimoga.

The Mudde variety of gur from Bangalore registered the largest loss this month with its price falling down from Rs 4203/quintal to Rs 3524/quintal in July. Similarly, prices of Achhu (Medium), Kurikatu (Medium), other (Medium) and Yellow (Medium) variety of gur from Mandya fell down by Rs 331, Rs 374, Rs 361 & Rs 366 per quintal to Rs 2104, Rs 1900, Rs 1963 and Rs 2080 per quintal this month. Prices of Laddu variety from key Muzaffarnagar market too declined by Rs 202/quintal from Rs 2800/quintal last month to Rs 2598/quintal in the month of July. The Mudde variety of gur from Belgaum district of Karnataka also fell down to Rs 2262/quintal this month from Rs 2410/quintal in last month.

However, prices of Achhu (Average) variety of gur from Shimoga increased by Rs 113/quintal this month from Rs 2730/quintal in the last month. Similarly, the other (Average) variety from Gulbarga increased by Rs 32/quintal from Rs 2542/quintal to Rs 2574/quintal this month.

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

Gur Spot Prices Scenario (Monthly-Average)				
Markets	Variety	31-Jul-15	30-Jun-15	Change
Muzaffar Nagar	Chaku	2451	2572	-121
	Chaku (Arrival-Sum)	NA	1250	-
	Khurpa	2447	2499	-53
	Laddu	2598	2800	-202
	Rascut	2557	2633	-76
Hapur	Chaurasa	NA	NA	-
	Balti	NA	NA	-
Maharashtra	Latur(Lal Variety)	NA	NA	-
Bangalore	Mudde	3524	4203	-679
Belgaum	Mudde	2262	2410	-148
Belthangadi	Yellow (Average)	3165	NA	-
Bijapur	Achhu	NA	NA	-
Gulbarga	Other (Average)	2574	2542	32
Mahalingapura	Penti (Average)	2119	2410	-291
Mandya	Achhu (Medium)	2104	2435	-331
	Kurikatu (Medium)	1900	2274	-374
	Other (Medium)	1963	2324	-361
	Yellow (Medium)	2080	2446	-366
Shimoga	Achhu (Average)	2843	2730	113

Commodity: Sugar  
Contract: Continuous Chart

Exchange: NCDEX



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

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	2040	2100	2246	2300	2380
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	C1 Chart	<b>Sell</b>	Below 2250	2170	2130	2298

## 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 the latest UNICA report, Brazil's Centre South region had churned around 1.44 MT of sugar (from 29.3 MT of cane) in the first half of July, 2015 which was 43% lower than the sugar crushed in second half of June, 2015.
- Thai Cane and Sugar Corp (TCSC), Thailand is planning to open a tender to sell 170,000 tons of sugar for shipment between March and September next year.
- Indonesia had issued 596 thousand tons of raw sugar import license for 3Q15 which was much below the market expectation of 630 thousand tons of import license.
- The International Sugar Organization (ISO) forecasted a global sugar deficit of 2.50 MT in 2015-16 (Oct- Sep) which could increase to 6.20 MT in marketing year 2016-17 (Oct – Sep).
- Similarly, market participant, Datagro forecasted a global (sugar) supply deficit of 1.40 MT in 2015-16 compared to a surplus of 3.9 MT in marketing year 2014-15.
- Brazilian agency, Copersucar forecasted a global sugar deficit of 1.50 MT in marketing year 2015-16.
- As per the latest data released by Brazil's Trade Ministry, the country exported 1.50 MT of raw sugar in June, 2015 which was 0.79% higher than the export made last year in June, 2014.
- In a bid to support local cane millers, the Brazilian govt. had raised import tariff on ethanol from 9.25 per cent to 11.75 per cent. The step is likely to boost the domestic ethanol production while combating the mass shipment from largest ethanol producer U.S.
- The Indonesian Sugar Association forecasted the country's total sugar (white) production between 2.45-2.60 million tons for 2015-16 which was last recorded at 2.58 million tons in 2014-15.
- The U.S Department of Agriculture forecasted Australia sugarcane production to 6.48 million tons in 2015-16, led by surge in production area and yield per hectare.



- Sugar production in Thailand is expected to rise to 11.4 MT in 2015-16 due to 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 is 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. The step is expected to enhance sugar production capacity of Thailand by facilitating more sugar mills within the nation
- 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.

**Impact of Rainfall on Sugarcane Crop in Major Growing Areas:**

States	Normal Yield (Kg/Ha)	Normal Area('000 ha)	Rainfall status as on 29th Jul, 2015	Production ('000 tons)		
				5 year Average production	2015-16 (Normal Expected Production)	Sugar production below normal rain (les than 5% or 5-10%)
Andhra Pradesh	79352	1.40	2%	15263	14580	14700
Bihar	50980	2.56	-29%	12583	13642	13171
Gujarat	69735	1.83	27%	12872	13178	13221
Haryana	73197	0.87	-15%	7271	6479	6484
Karnataka	89716	3.55	-22%	38362	36600	36481
Maharashtra	81280	8.71	-26%	78668	94896	88697
Punjab	70467	0.77	-18%	5923	4970	4906
Tamil Nadu	105207	2.73	-4%	33951	35777	35458
Uttar Pradesh	59417	18.18	-24%	130234	133728	133561
Uttarakhand	59637	0.74	-8%	6334	5872	5846
Others	877870	1.28		9341	10193	10049
<b>Grand Total</b>	<b>70111</b>	<b>42.61</b>	<b>-3%</b>	<b>350564</b>	<b>364382</b>	<b>362356</b>

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



Source: Reuters Eikon

As of **03<sup>rd</sup> Aug 2015**, ICE Raw sugar prices settled at 11.14 cents per lbs. On monthly chart, 10.90 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 9.78 cent per lbs.

On the upper side, 13.20 and 13.84 cents per lbs are the resistance levels.

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



Source: Reuters Eikon

As of **03<sup>rd</sup> Aug, 2015**, Prices of Refined Sugar London exchange traded at \$349.40 per ton. Here, prices gained support at \$340.38 per ton. A breach could test \$321.03per ton. On the northward direction, \$382.08 & \$400.73 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	30-Jul-15	30-Jun-15	Change
ICE Sugar #11 (US Cent/lb)	15-Oct	11.27	12.28	-1.01
	16-Mar	12.52	12.47	0.05
	16-May	12.60	13.76	-1.16
LIFFE Sugar (US \$/MT)	15-Oct	353.50	370.3	-16.80
	15-Dec	348.30	364.6	-16.30
	16-Mar	347.90	364.2	-16.30

#### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>  
© 2014 Indian Agribusiness Systems Pvt Ltd.