Executive Summary:

Sugar prices surged in the month of August amid speculation of government's decision to export surplus Indian sugar to other countries through barter trade. In addition, the market also saw a surge in domestic demand due to the arrival of festivities such as Ganesh Chaturthi and Rakshabandhan.

Price projection for the next month:

Sugar prices (M grade) in benchmark Kolhapur market are likely to range in between Rs 2370 - 2520 per quintal next month.

Major Happenings in Domestic Sugar Industry:

- The Maharashtra govt. had announced a soft- loan worth Rs 187.76 crore to the 22 cooperative sugar mills in the state who were found non-eligible for the central government soft- loan scheme.

- As per the govt. officials, 48.84 lakh hectares of sugarcane area in India had been sown so far for this marketing year (till 21st Aug, 2015) compared to 47.17 lakh hectares area a year before.

- As per the preliminary estimates made by ISMA, India is expected to produce 280 lakh tons of sugar for the year 2015-16 (1st Oct, 2015 – 30th Sep, 2016); wherein Maharashtra, U.P, Karnataka and Tamil Nadu are expected to produce 97 lakh tons, 73.5 lakh tons, 49.8 lakh tons and 12.7 lakh tons of sugar respectively.

- Cabinet panel on economic affairs sanctioned soft loan worth Rs 6,000 crore to the Indian sugar millers who had been struggling hard to make their pending cane arrears to the farmers.

- With a view to help the cash starved sugar industry; the Indian govt. is planning to make it compulsory for 10% ethanol blending with petrol. Notably, the country is currently obliged to blend only 5% ethanol with petrol out of which also around 2% of ethanol blending actually took place.

- The Indian govt. proposed barter export trade of four million tons of sugar from the country, which is expected to support domestic sugar prices by reducing excessive sugar surplus within the country.

- Late monsoon arrival in Maharashtra had adversely affected sugarcane sowing area in the region where only 644 lakh out of hectares of area has been sowed so far out of 8861 lakh hectares of total area under cultivation

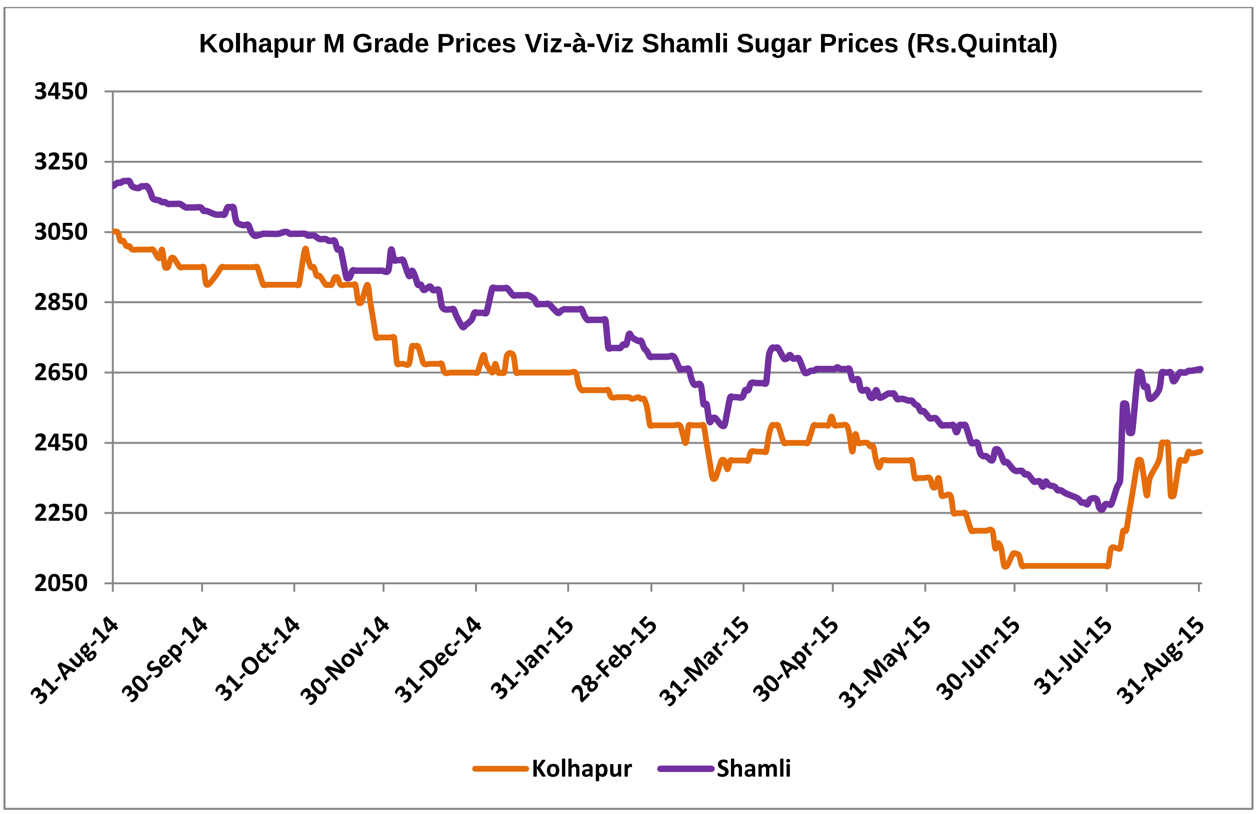
- The Karnataka govt. had put forth a proposal to the centre asking for a subsidy of Rs 900 crore which could be utilized for meeting up the pending cane arrears by local sugar millers in the state.

- 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.

Domestic Price Comparison:

As visible from the chart below, sugar prices soared up this month both in the benchmark markets of Kolhapur (Maharashtra) and Shamli (Uttar Pradesh).

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 2334 per quintal this month compared to Rs 2101 per quintal in the month of July. Similarly, sugar prices for the same variety/grade in Shamli district rose by 11.48% from Rs 2312 per quintal in July to Rs 2578 per quintal in the month of August.



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:

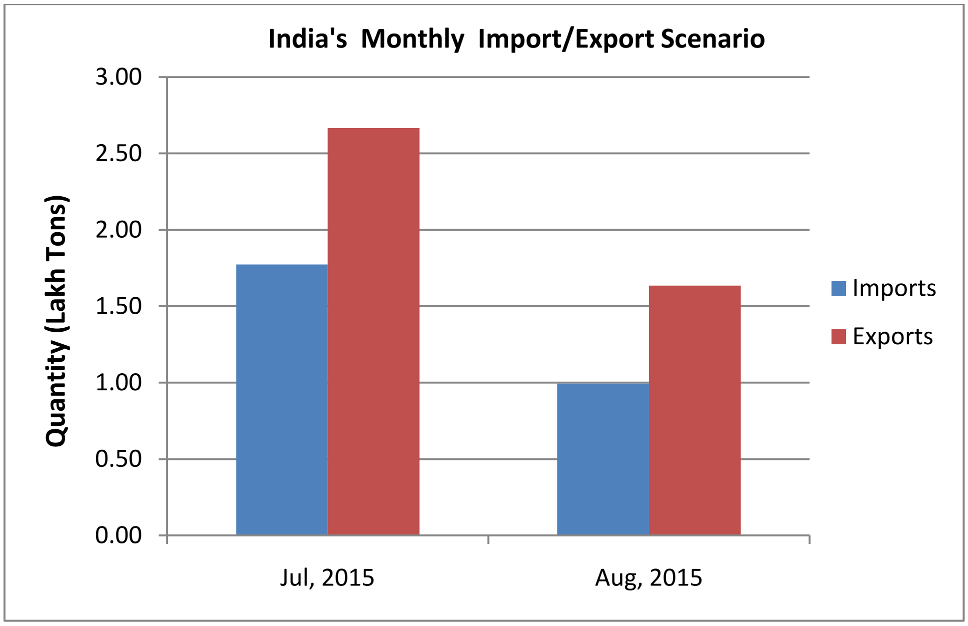
Indian indicative raw sugar CIF prices from Brazil quoted at $390.72 per ton (including 40% import duty) and Indian domestic refined sugar FOB prices quoted at $362.79 per ton Kolhapur based.

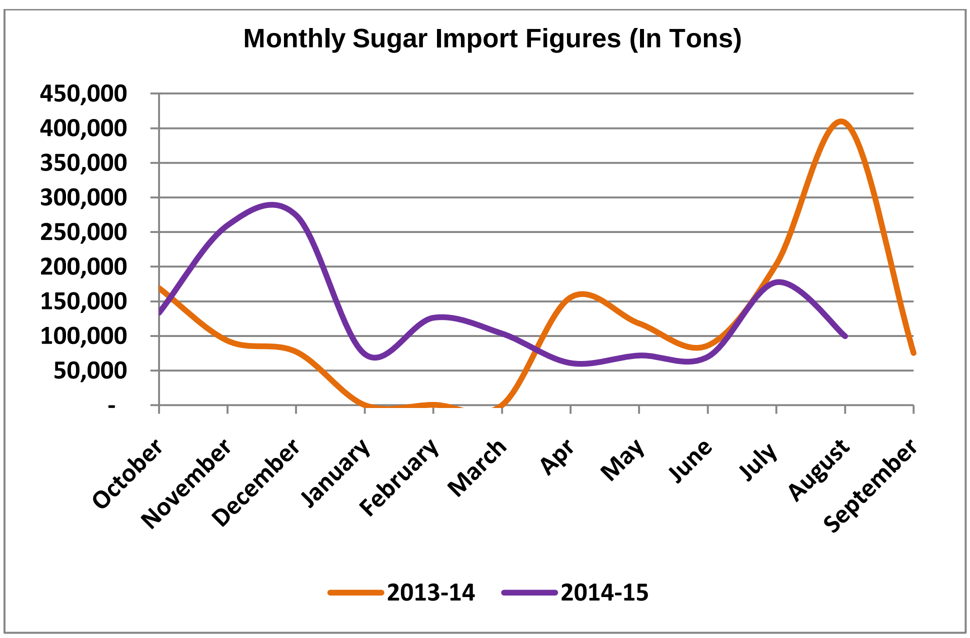
On International front, Brazil sugar FOB prices quoted at $334.50/ Ton.
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

Indicative Sugar FOB Prices (USD/MT) ($=Rs.66.43) till 01st Sep, 2015			
	Brazil	Thailand (100 Icumsa Aug Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	$334.50	$365.50/343.90	$362.79

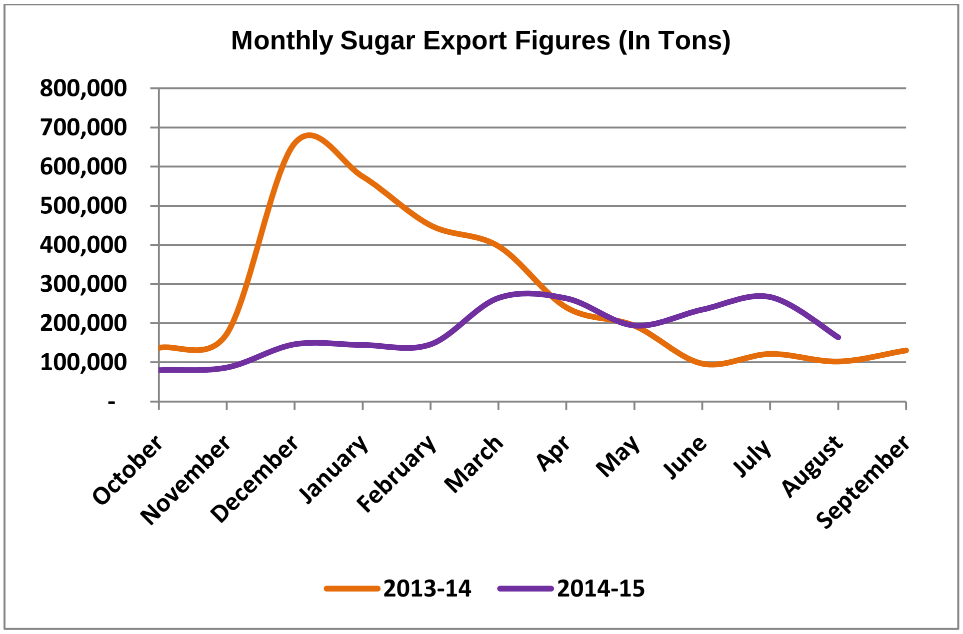
Sugar Import and Export Scenario:

Indian sugar trade scenario remained lackluster this month amid prevailing sugar surplus worldwide and a slack in demand. Notably, the country exported/imported 1.64/0.99 lakh tons of sugar in the month of August compared to 2.67/1.77 lakh tons sugar in the month of July.





Massive sugar production in India this year caused domestic sugar prices to fall to a six year low making it hardly viable for the country to import from Brazil. Thus, Indian sugar imports fell by 76% in August, 2015 compared to 4.07 lakh tons imports last year in August, 2014.



On the other hand, lower sugar demand overseas and a depreciating Brazilian currency, Real outpaced India's exporting competitiveness in the world market, leading to a fall in exports this month. Notably, the country's sugar exports fell by 39% this month compared to 2.66 lakh tons in July, 2015. While, a y-o-comparison showed Indian sugar export to rise by 60% this year compared to 1.02 lakh tons in August, 2014.

Sugar Domestic Balance Sheet:

Qty in lakh Ton	2013-14	Estimated Balance Sheet 2014-15	2015-16
Opening Sugar stock	58.89	39.94	63.48
Estimated sugar production	245.00	280.30	277.00
Imports(IBIS)	13.86	14.56	13.00
Estimated sugar availability	317.75	334.80	353.48
Total Export (IBIS)	32.81	21.32	28.00
Total Available for domestic consumption (D-E)	284.94	313.48	325.48
Estimates sugar consumption	245.00	250.00	255.50
Ending Stock	39.94	63.48	69.98

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario Monthly				
Commodity	Centre	Prices (Rs/Qtl)		Change
		31-Aug-15	31-Jul-15	
Sugar	Delhi - Grade M	2546	2384	161
	Delhi - Grade S	2474	2328	146
	Delhi - Grade L	NA	NA	-
	UP- Khatauli Grade M	2641	2395	246
	UP- Ramala Grade M	2300	2281	19
	UP- Dhampur Grade M Ex-Mill	2538	2320	219
	UP- Dhampur Grade S Ex-Mill	2518	2300	219
	UP- Dhampur Grade L Ex-Mill	2588	2370	219
	Mumbai –Grade M	2546	2507	39
	Mumbai –Grade S	2401	2216	185
	Kolhapur – Grade M	2329	2101	228
	Kolhapur – Grade S	2228	2001	227
	Guhawati – Grade S	2525	2295	230
	Shillong – Grade S	2548	2321	227
	Vijayawada – Grade M	2679	2559	120
	Vijayawada- Grade S	2583	2519	64
	Nagpur – Grade M	2617	2392	224
	Nagpur – Grade S	2510	2300	210
	Kolkata – Grade M	2605	2409	196
	Chennai - Grade S	2480	2174	306
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	2835	2835	Unch
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	2835	2835	Unch

Gur Market Scenario and Outlook:

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

Gur prices of Achhu (Medium), Yellow (Medium), Kurikatu (Medium) and Other (Medium) variety from Mandya district rose by Rs 208, Rs 165, Rs 114 and Rs 120 per quintal this month from Rs 2104, Rs 2080, Rs 1900 and Rs 1963 in the month of July. Similarly, price of Achhu (Average0 variety from Shimoga increased by Rs 122/quintal this month from Rs 2843/quintal the previous month.

On the other hand, prices of Mudde variety of gur from Bangalore fell by Rs 278/quintal this month from Rs 3524/quintal in July, 2015 to Rs 3245/quintal in August, 2015. Similarly, prices of Khurpa and Laddu variety of gur from key Muzaffarnagar market too declined by Rs 98 and Rs 25 per quintal respectively to Rs 2349 and Rs 2573 per quintal this month.

Spot Jaggery (Gur) Prices Scenario (Monthly):

Gur Spot Prices Scenario (Monthly-Average)				
Markets	**Variety**	**31-Aug-15**	**31-Jul-15**	**Change**
Muzaffar Nagar	Chaku	2506	2451	**55**
	Chaku (Arrival-Sum)	NA	NA	**-**
	Khurpa	2349	2447	**-98**
	Laddu	2573	2598	**-25**
	Rascut	2655	2557	**98**
Hapur	Chaursa	NA	NA	**-**
	Balti	NA	NA	**-**
Maharashtra	Latur(Lal Variety)	NA	NA	**-**
Bangalore	Mudde	3245	3524	**-278**
Belgaum	Mudde	2194	2262	**-67**
Belthangadi	Yellow (Average)	NA	3165	**-**
Bijapur	Achhu	NA	NA	**-**
Gulbarga	Other (Average)	2588	2574	**14**
Mahalingapura	Penti (Average)	2231	2119	**112**
Mandya	Achhu (Medium)	2312	2104	**208**
	Kurikatu (Medium)	2014	1900	**114**
	Other (Medium)	2083	1963	**120**
	Yellow (Medium)	2245	2080	**165**
Shimoga	Achhu (Average)	2965	2843	**122**

Commodity: Sugar
Contract: Continuous Chart
Exchange: NCDEX

SUGAR Continuous Chart (C1)	
Technical Commentary: • Sugar prices, volume and O.I are rising indicating long build up in the market. • Also RSI is hovering in a neutral zone. • The last candlestick depicts bullishness in the market.	

Strategy: We advise market participants to Buy

Positional Supports & Resistances			**S2**	**S1**	**PCP**	**R1**	**R2**
Sugar	NCDEX	C1 Chart	2270	2320	2416	2580	2670
Intraday Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Sugar	NCDEX	C1 Chart	Buy	Above 2410	2510	2560	2450

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:

- Sugar and ethanol consultancy, Datagro, forecasted a total cane production of 604.6 MT in Brazil's main centre south region for 2015-16. Also, the organization expects the region to produce 31.4 MT of sugar during the same period.

- Drier weather condition continued to support sugarcane harvesting in Brazil thereby helping the main centre south region to produce 2.86 MT of sugar (from 47.41 MT of sugarcane) in the first half of August, 2015.

- The International Sugar Organization (ISO) projected a global sugar deficit of 2.49 MT in 2015-16. Meanwhile, the organization also raised its sugar surplus forecast from 2.22 MT to 3.37 MT for 2014-15.

- Thai Cane and Sugar Corp (TCSC) announced opening of a tender for sale of 144,000 tons of high polarization (hpol) sugar for shipment between March and September, 2016. Notably, the opening date for tender was fixed at 25th Aug, 2015.

- Market participant, Conab, projected a total sugarcane production of 655.1 MT in Brazil this year (1st Apr, 2015 – 31st Mar, 2015) wherein the main centre south region is expected to produce 593.96 MT of cane.

- Market player, Archer revised its Brazilian C.S sugar production estimate from 32.6 MT to 29.8 MT for 2015-16. However, the consultancy maintained the cane sugar production estimate at the previous level (581 MT) and attributed the decline in sugar production estimate to a fall in recoverable sugar levels (ATR) and greater diversion towards ethanol production.

- World's largest cane refiner, ASR Group predicted a global sugar supply deficit of 2.7 MT in 2015-16 compared to a 3.7 MT sugar surplus in 2014-15.

- Brazilian raw sugar export rose by 30.34% this month from 1.50 MT in June, 2015 to 1.95 MT in July, 2015. However, a y-o-y comparison shows that the country's raw sugar export fell by 4.13% from 2.04 MT in July, 2014.

- 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.

- Brazilian agency, Copersucar forecasted a global sugar deficit of 1.50 MT in marketing year 2015-16.

- The U.S Department of Agriculture forecasted Australia's sugarcane production at 6.48 million tons in 2015-16, led by surge in production area and yield per hectare.

Impact of Rainfall on Sugarcane Crop in Major Growing Areas:

				Production ('000 tons)		
States	**Normal Yield (Kg/Ha)**	**Normal Area('000 ha)**	**Rainfall status as on 02nd Sep, 2015**	**5 year Average production**	**2015-16 (Normal Expected Production)**	**Sugar production below normal rain (less than 5% or 5-10%)**
Andhra Pradesh	79352	1.40	1%	15263	14580	14700
Bihar	50980	2.56	-20%	12583	13642	13171
Gujarat	69735	1.83	-16%	12872	13178	13221
Haryana	73197	0.87	-35%	7271	6479	6484
Karnataka	89716	3.55	-27%	38362	36600	36481
Maharashtra	81280	8.71	-32%	78668	94896	88697
Punjab	70467	0.77	-35%	5923	4970	4906
Tamil Nadu	105207	2.73	-8%	33951	35777	35458
Uttar Pradesh	59417	18.18	-36%	130234	133728	133561
Uttarakhand	59637	0.74	-20%	6334	5872	5846
Others	877870	1.28		9341	10193	10049
Grand Total	70111	42.61	-12%	350564	364382	362356

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

Source: Reuters Eikon

As of **01st Sep 2015,** ICE Raw sugar prices settled at 10.69 cents per lbs. On monthly chart, 10.45 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 9.47 cent per lbs.

On the upper side, 11.75 and 12.56 cents per lbs are the resistance levels.

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

Source: Reuters Eikon

As of **01st Sep, 2015,** Prices of Refined Sugar London exchange traded at $341.4 per ton. Here, prices gained support at $324.3 per ton. A breach could test $303.5 per ton. On the northward direction, $375.4 & $398.1 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	28-Aug-15	30-Jul-15	Change
ICE Sugar #11 (US Cent/lb)	15-Jul	10.97	11.27	-0.30
	15-Oct	11.96	12.52	-0.56
	15-Mar	12.08	12.60	-0.52
LIFFE Sugar (US $/MT)	15-Aug	341.40	353.50	-12.10
	15-Oct	340.80	348.30	-7.50
	15-Dec	339.80	347.90	-8.10