

Executive Summary:

The recent government announcement for compulsory sugar export (minimum four million tons) and reports of lower sugar production estimate in 2015-16 caused the Indian domestic sugar prices to shoot up in the month of September. The forthcoming demand of Dussehra and Diwali in October and November too weighted on domestic sugar prices; however, ample stock position within the country capped the gain.

Price projection for the next month:

Sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 2480 - 2620 per quintal next month.

Major Happenings in Domestic Sugar Industry:

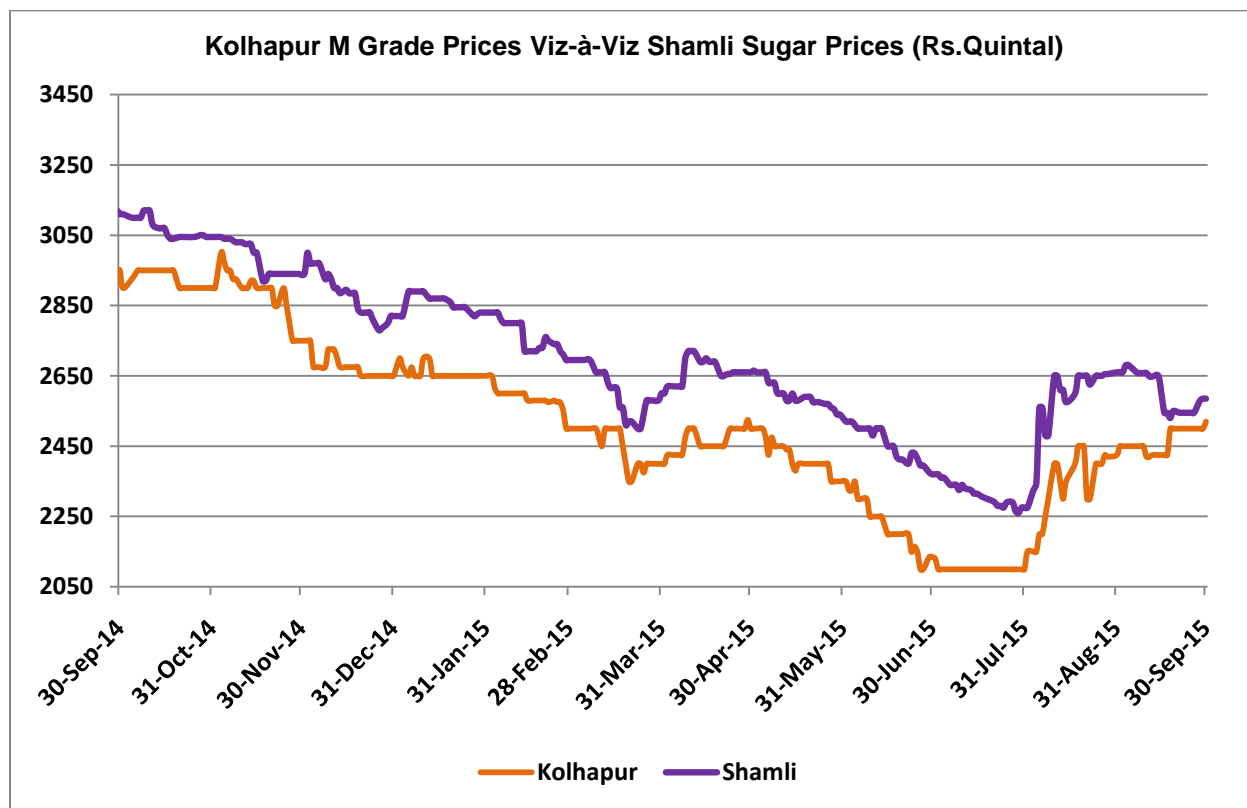
- With a view to reduce the expected sugar accumulation within the country, the Indian govt. had made it compulsory to export minimum four million tons of sugar in MY 2015-16 (1st Oct, 2015 – 30th Sep, 2016).
- The Uttar Pradesh government had recently announced financial aid worth Rs 2070 crore as cane SOP to the sugar millers in the State. Notably, the govt. had earlier made promise to pay up to Rs 40/100 kg of cane SOP, of which only Rs11.40/100kg of cane SOP had been actually approved, while the remaining amount of Rs 28.60/kg was recently announced.
- In a bid to promote sugar exports from the country, the Indian govt. has done away with the mandatory requirement of obtaining Registration Certificate (RCs) by the Indian exporters. Notably, till now the exporters were required to obtain RCs (up to a maximum quantity of 50,000 tons) from Director General of Foreign Trade (DGFT) for making any export deal.
- ISMA has revised its sugar production estimate from 280 lakh tons to 270 lakh tons in marketing year 2015-16 (1st Oct, 2015 – 30th Sep, 2016). For Maharashtra, ISMA is predicting that the state could produce 90 lakh tons of sugar in 2015-16 which is 14.33% less than the actual sugar produced during marketing year 2014-15.

- ISMA also projected U.P, Karnataka and Tamil Nadu to produce 75 lakh, 46 lakh and 13.5 lakh tons of sugar respectively in MY 2015-16.
- As per the govt. officials, 48.84 lakh hectares of sugarcane area in India had been sown so far for this marketing year (till 24th Sep, 2015) compared to 48.74 lakh hectares a year before.
- Cane sown area has increased by 0.29% in highest producing state of Uttar Pradesh this year (till 24th Sep, 2015) compared to 21 lakh hectare in 2014-15 (till 11th Sep, 2014).
- About 10 lakh hectares of sugarcane area has been sown till 24th Sep, 2015 in Maharashtra which was 11.82% less than the area sowed during the corresponding period of last year.
- In Karnataka 3.96 lakh hectares of cane area had been sown in 2015-16 (till 24th Sep, 2015) compared to 3.2 lakh hectares of area in 2014-15 (till 24th Sep, 2015).
- An absolute fall of 0.08 lakh hectares of cane-sown area was seen in Andhra Pradesh where 1.17 lakh hectares of area had been sown so far compared to an area of 1.25 lakh hectares during the corresponding period of last year.
- Cane sown area has increased by 17.13% in Tamil Nadu this year where 2.94 lakh hectares of area had been sown till 24th Sep, 2015 compared to 2.51 lakh hectares of area the previous year (24th Sep, 2014).

Domestic Price Comparison:

As visible from the chart below, the spread between the benchmark markets (Kolhapur in Maharashtra and Shamli in Uttar Pradesh) narrowed down further indicating a lower price differential in the two markets.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 2465 per quintal this month compared to Rs 2334 per quintal in the month of August. Similarly, sugar prices for the same variety/grade in Shamli district rose by 0.94% from Rs 2578 per quintal in August to Rs 2602 per quintal in the month of September.



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 \$422.64 per ton (including 40% import duty) and Indian domestic refined sugar FOB prices quoted at \$382.13 per ton Kolhapur based.

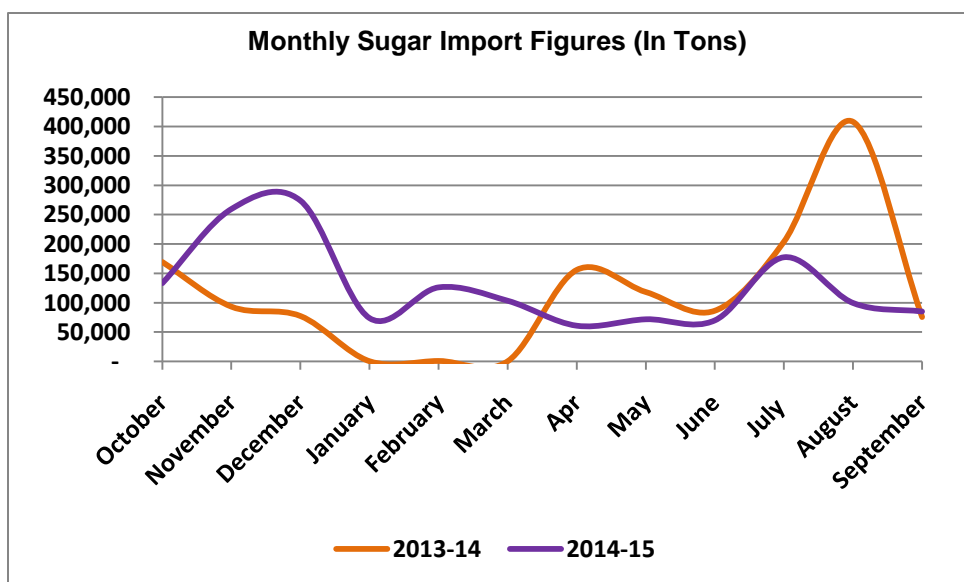
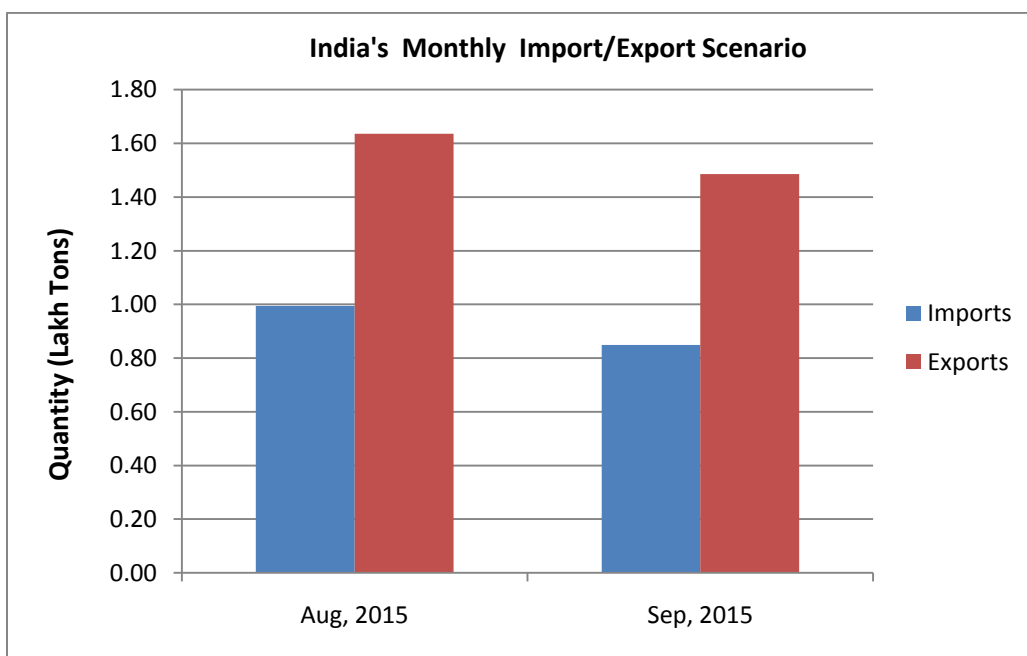
On International front, Brazil sugar FOB prices quoted at \$350.25/ Ton.

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

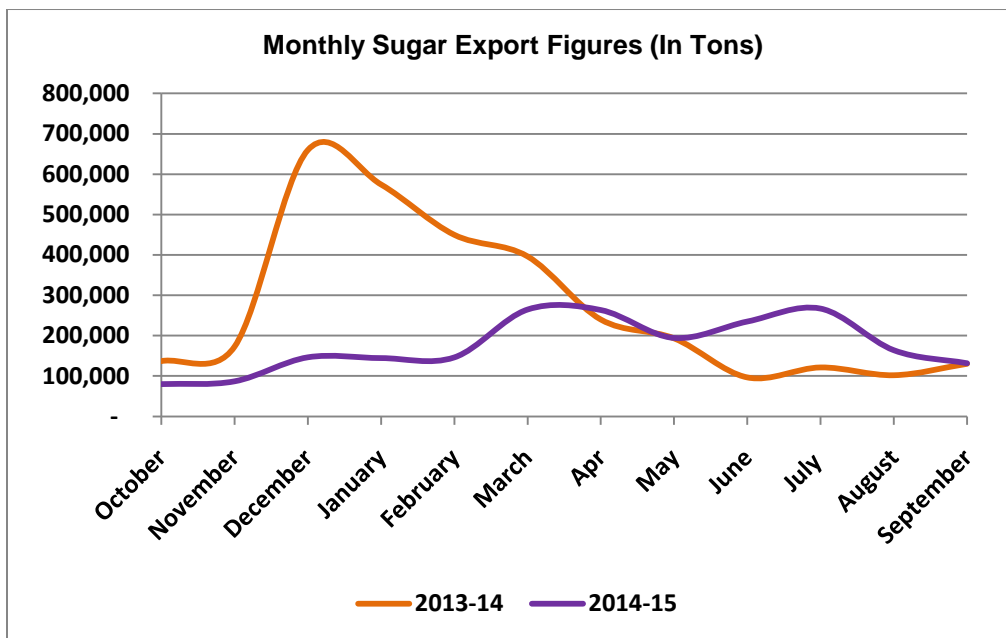
Indicative Sugar FOB Prices (USD/MT) (\$=Rs.65.58) till 01st Oct, 2015			
	Brazil	Thailand (100 Icumsa Aug Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$350.25	\$391.90/361.60	\$382.13

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 1.49/0.85 lakh tons of sugar in the month of September compared to 1.64/0.99 lakh tons sugar in the month of August.



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 13% in September, 2015 compared to 0.75 lakh tons imports last year in September, 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 9% this month compared to 1.63 lakh tons in August, 2015. While, a y-o-y comparison shows that the Indian sugar export had 14% this year compared to 1.30 lakh tons in September, 2014.

Sugar Domestic Balance Sheet:

		Estimated Balance Sheet	
Qty in lakh Ton	2013-14	2014-15	2015-16
Opening Sugar stock	58.89	39.94	63.75
Estimated sugar production	245.00	280.30	276.50
Imports(IBIS)	13.86	14.84	13.00
Estimated sugar availability	317.75	335.08	353.25
Total Export (IBIS)	32.81	21.33	28.00
Total Available for domestic consumption (D-E)	284.94	313.75	325.25
Estimates sugar consumption	245.00	250.00	255.50
Ending Stock	39.94	63.75	69.75

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario Monthly (Average)				
Commodity	Centre	30-Sep-15	31-Aug-15	Change
Sugar	Delhi - Grade M	2613	2546	67
	Delhi - Grade S	2572	2474	98
	UP- Khatauli Grade M	2700	2641	59
	UP- Ramala Grade M	NA	2300	-
	UP- Dhampur Grade M Ex-Mill	2552	2538	14
	UP- Dhampur Grade S Ex-Mill	2532	2518	14
	UP- Dhampur Grade L Ex-Mill	2602	2588	14
	Mumbai –Grade M	2685	2546	139
	Mumbai –Grade S	2563	2401	162
	Kolhapur – Grade M	2466	2329	137
	Kolhapur – Grade S	2366	2228	138
	Guhawati – Grade S	2666	2525	141
	Shillong – Grade S	2686	2548	138
	Vijayawada – Grade M	2898	2679	219
	Vijayawada- Grade S	2754	2583	171
	Nagpur – Grade M	2678	2617	61
	Nagpur – Grade S	2600	2510	90
	Kolkata – Grade M	2727	2605	122
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	2574	2480	94
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	2835	2835	Unch
	Chennai - Grade S	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 Mudde variety from Bangalore rose by Rs 219/quintal from Rs 3245/quintal to Rs 3464/quintal this month. Similarly, price of Penti (Average) variety of gur from Mahalingapura rose by Rs 84/quintal this month from Rs 2231/quintal the previous month.

On the other hand, prices of Achhu (Average) variety from Shimoga fell by Rs 43/quintal this month from Rs 2965/quintal last month. Price of Yellow (Medium) variety from Mandya too declined this month from Rs 2245/quintal in August to Rs 2218/quintal in September.

Spot Jaggery (Gur) Prices Scenario (Monthly):

Gur Spot Prices Scenario Monthly (Average)				
Markets	Variety	30-Sep-15	31-Aug-15	Change
Muzaffar Nagar	Chaku	2502	2506	-4
	Chaku(Arrival-Sum)	NA	NA	-
	Khurpa	2330	2349	-19
	Laddu	NA	2573	-
	Rascut	2705	2655	50
Hapur	Chaurasa	NA	NA	-
	Balti	NA	NA	-
Maharashtra	Latur(Lal Variety)	NA	NA	-
BANGALORE	Mudde	3464	3245	219
Belgaum	Mudde	2193	2194	-1
Belthangadi	Yellow (Average)	3998	NA	-
Bijapur	Achhu	NA	NA	-
Gulbarga	Other (Average)	2579	2588	-9
Mahalingapura	Penti (Average)	2315	2231	84
Mandya	Achhu (Medium)	2297	2312	-15
	Kurikatu (Medium)	2108	2014	94
	Other (Medium)	2111	2083	28
	Yellow (Medium)	2218	2245	-27
Shimoga	Achhu (Average)	2922	2965	-43

Commodity: Sugar
Contract: Continuous Chart

Exchange: NCDEX

SUGAR Continuous Chart (C1)

Technical Commentary:

- Sugar prices are rising while volume and O.I fell down for the month.
- 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	2335	2390	2490	2640	2680
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	C1 Chart	Buy	Above 2460	2560	2610	2400

International Scenario

International sugar prices improved a little this month as the crushing operation halted in Brazil's main centre south region due to heavy rainfall in the area. Moreover, mills in Brazil diverted more of their cane towards ethanol production this year as compared to the previous year. However, ample stock position worldwide and a depreciating currency Real weighed on prices.

International Market News Highlights:

- International Sugar Organization (ISO) projected a global sugar deficit of 6.2 MT in 2016-17 compared to 2.5 MT deficit in 2015-16.
- Market player, Platts' Kingsman projected 3.2 MT of sugar supply deficit globally for marketing year 2015 -16 (Oct, 2015 – Sep, 2016).
- INTL FCStone forecasted global sugar supply deficit of 3.8 MT in 2015-16 as against a supply surplus of 0.5 MT in 2014-15.
- 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 agency, Copersucar forecasted a global sugar deficit of 1.50 MT in marketing year 2015-16.
- Market participant, JOB Economia, projected Brazil's center south cane production at 590 MT in 2015-16 as against 571 MT in 2014-15. The company also predicted a 6.45% decline in sugar production at center south region from 31.96 MT in 2014-15 to 29.9 MT in 2015-16.
- Sugar and ethanol consultancy, Datagro, forecasted a total cane production of 604.6 MT in Brazil's main centre south region for 2015-16. The organization also expects the region to produce 31.4 MT of sugar during the same period.
- 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.

- Brazil's raw sugar export declined by 24.4% this month as the country exported only 1.48 MT of sugar (raw) in August 2015 compared to 1.95 MT sugar the previous month.

- Heavy rain disrupted cane processing in Brazil's main centre south region resulting into a mere production of 1.68 MT of sugar in the first half of September, 2015.

Impact of Rainfall on Sugarcane Crop in Major Growing Areas:

States	Normal Yield (Kg/Ha)	Normal Area('000 ha)	Rainfall status as on 23 rd Sep, 2015	Production ('000 tons)		
				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	16%	15263	14580	14700
Bihar	50980	2.56	-25%	12583	13642	13171
Gujarat	69735	1.83	-25%	12872	13178	13221
Haryana	73197	0.87	-35%	7271	6479	6484
Karnataka	89716	3.55	-11%	38362	36600	36481
Maharashtra	81280	8.71	-32%	78668	94896	88697
Punjab	70467	0.77	-29%	5923	4970	4906
Tamil Nadu	105207	2.73	-19%	33951	35777	35458
Uttar Pradesh	59417	18.18	-41%	130234	133728	133561
Uttarakhand	59637	0.74	-27%	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 (Mar15 Contract):

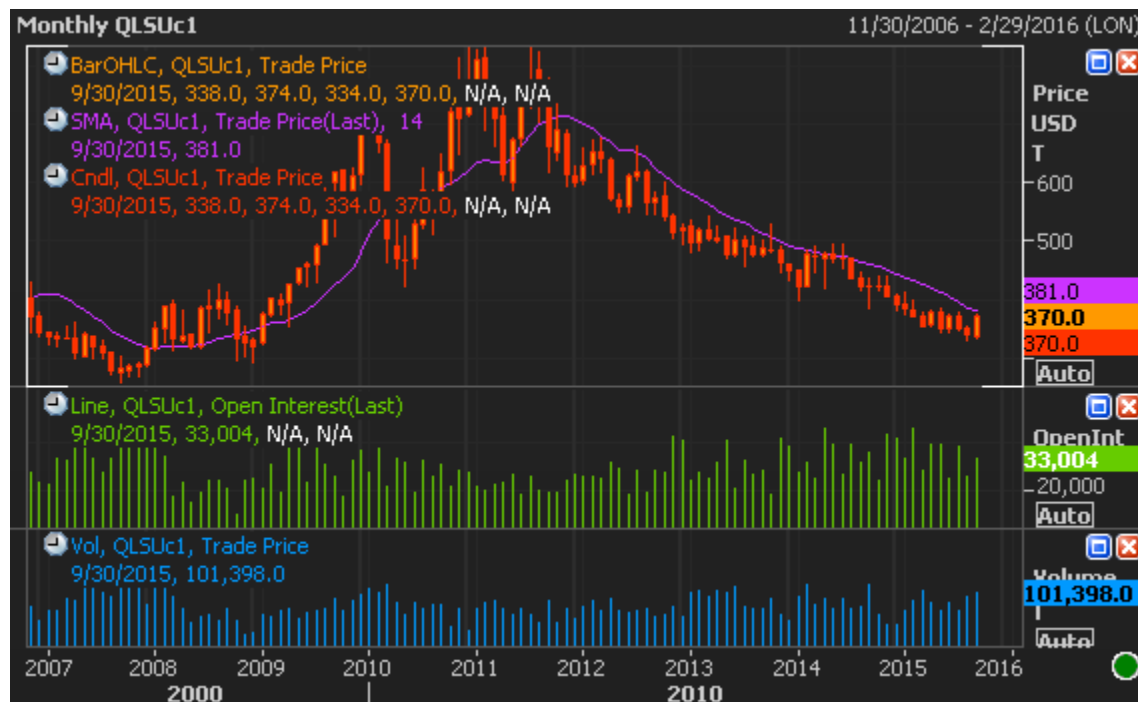


Source: Reuters Eikon

As of **01st Oct 2015**, ICE Raw sugar prices settled at 12.17 cents per lbs. On monthly chart, 10.25 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 9.43 cent per lbs.

On the upper side, 13.17 and 14.15 cents per lbs are the resistance levels.

LIFFE Future Market Sugar Scenario (Dec15 Contract):



Source: Reuters Eikon

As of **01st Oct, 2015**, Prices of Refined Sugar London exchange traded at \$370 per ton. Here, prices gained support at \$327.3 per ton. A breach could test \$307.3 per ton. On the northward direction, \$390.3 & \$419.5 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	29-Sep-15	28-Aug-15	Change
ICE Sugar #11 (US Cent/lb)	15-Oct	11.76	10.97	0.79
	16-Mar	12.46	11.96	0.50
	16-May	12.38	12.08	0.30
LIFFE Sugar (US \$/MT)	15-Dec	361.6	341.4	20.20
	16-Mar	357	340.8	16.20
	16-May	357	339.8	17.20

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