

### Executive Summary:

Domestic sugar prices traded steady to weak this month as higher supplies from mills kept pressure on prices. However, the recent cane subsidy announced by the govt. and hopes of further introduction of some sugar related subsidy and incentives to the millers capped the losses.

### Price projection for the next month:

Sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 2550 - 2700 per quintal next month.

### Major Happenings in Domestic Sugar Industry:

- 351 sugar mills in India had produced 23.6 lakh tons of sugar in MY 2015-16 (01<sup>st</sup> Oct, 2015 – 30<sup>th</sup> Nov, 2015) which is 24.3% higher than the sugar produced last year during the same interval.
- An early start up of crushing operation in Maharashtra this year led the State to produce 12.87 lakh tons of sugar in 2015-16 (01<sup>st</sup> Oct, 2015 – 30<sup>th</sup> Nov, 2015) compared to 11.95 lakh tons of production in 2014-15 (01<sup>st</sup> Oct, 2014 – 30<sup>th</sup> Nov, 2014).
- Cane crushing has been recently started in the State of Uttar Pradesh which had churned out 1.80 lakh tons of sugar in 2015-16 (till 30<sup>th</sup> Nov, 2015) compared to 1.00 lakh tons of sugar in 2014-15 (till 30<sup>th</sup> Nov, 2014).
- Sugar production rose by 77.5% in Karnataka which had produced 5.68 lakh tons of sugar in 2015-16 (01<sup>st</sup> Oct, 2015 – 30<sup>th</sup> Nov, 2015) as compared to 3.20 lakh tons of sugar in 2014-15 (01<sup>st</sup> Oct, 2014 – 30<sup>th</sup> Nov, 2014).
- 18 sugar mills in Gujarat had crushed around 2.25 lakh tons of sugar in 2015-16 (01<sup>st</sup> Oct, 2015 – 30<sup>th</sup> Nov, 2015) which was 33.1% higher than the sugar produced last year during the corresponding period.

- India's raw sugar exports are expected to decline this year as the millers in the country are prioritizing the sale of low quality white sugar to the domestic and international market over and above the export of raw sugar to the international market.
- The Oil Marketing Companies (OMCs) in India had agreed upon acquiring 1,040 million litres of ethanol supply from the country this year in 2015-16 (October September) compared to 780 million litres acquired last year in 2014-15 (October September).
- To combat the situation of accumulating cane arrears, the Government of India announced a direct production subsidy (of Rs 45/ ton of cane produced) to the sugarcane growers in the country.

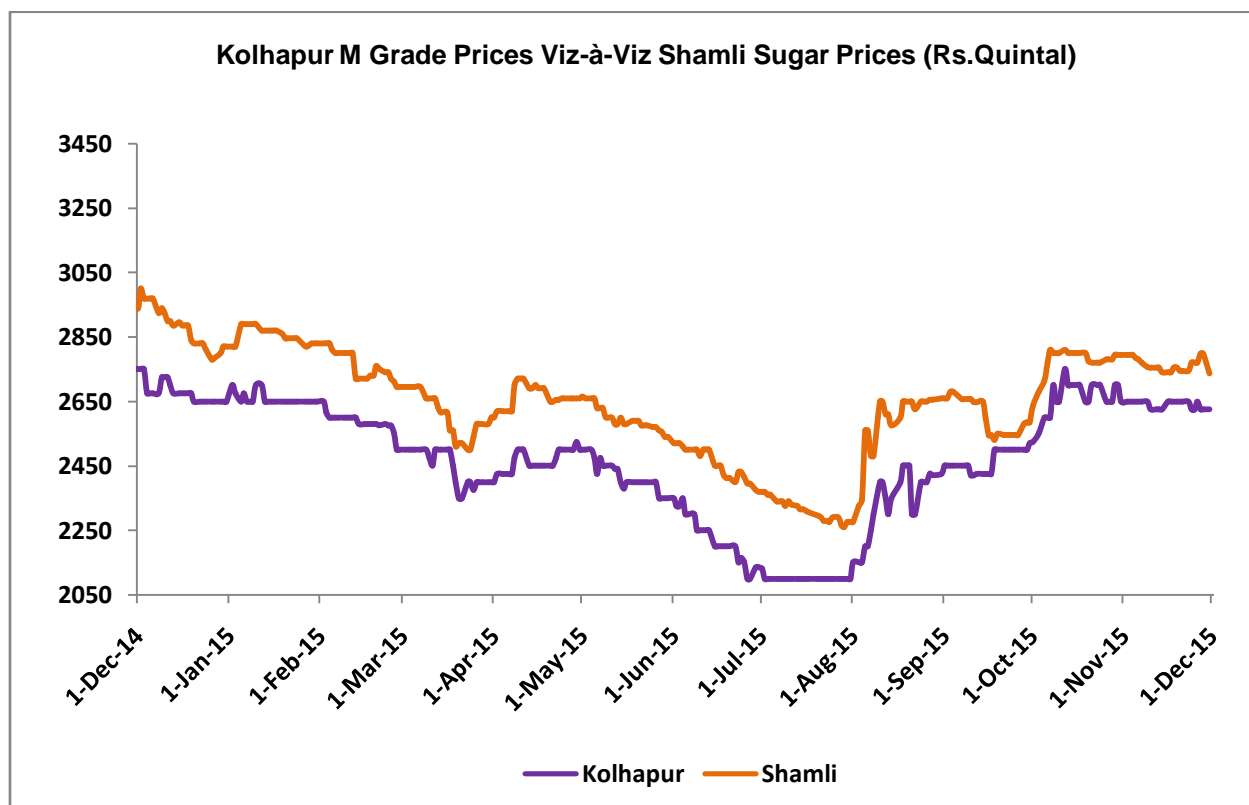
**Indian Sugar Production Scenario Up to 30th November, 2015:**

States	Sugar Produced (Lakh Tons)	
	2015-16	2014-15
Maharashtra	12.87	11.95
Uttar Pradesh	1.80	1.00
Karnataka	5.68	3.20
Gujarat	2.25	1.69
<b>All India</b>	<b>23.60</b>	<b>18.98</b>

### Domestic Price Comparison:

As is visible from the chart below, sugar prices fell marginally 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 2641 per quintal this month compared to Rs 2661 per quintal in the month of October. Similarly, sugar prices for the same variety/grade in Shamli district fell by 0.46% from Rs 2777 per quintal in October to Rs 2765 per quintal in the month of November.



### 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 \$509.92 per ton (including 40% import duty) and Indian domestic Kolhapur based refined sugar FOB prices quoted at \$399.97 per ton.

On International front, Brazil sugar FOB prices quoted at \$417.80/ Ton.

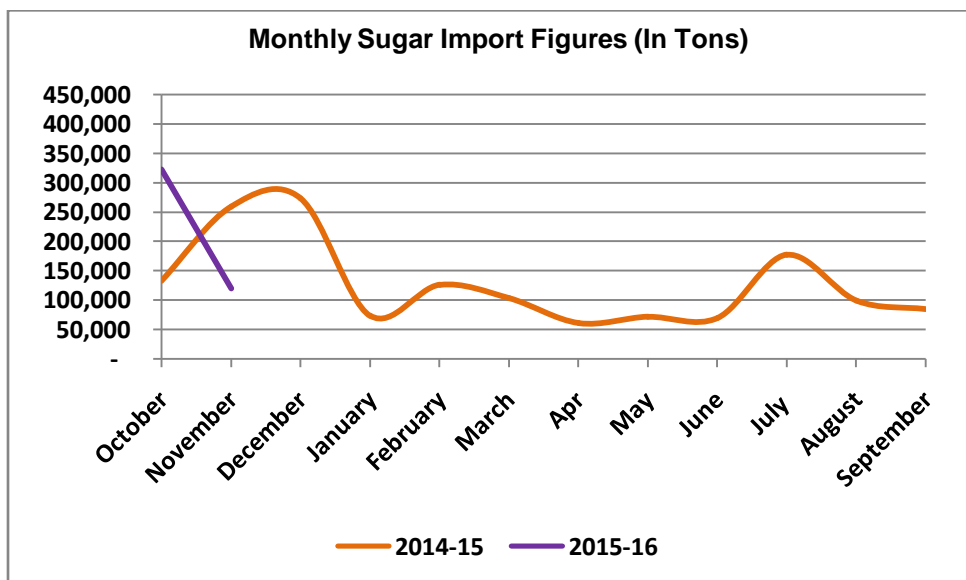
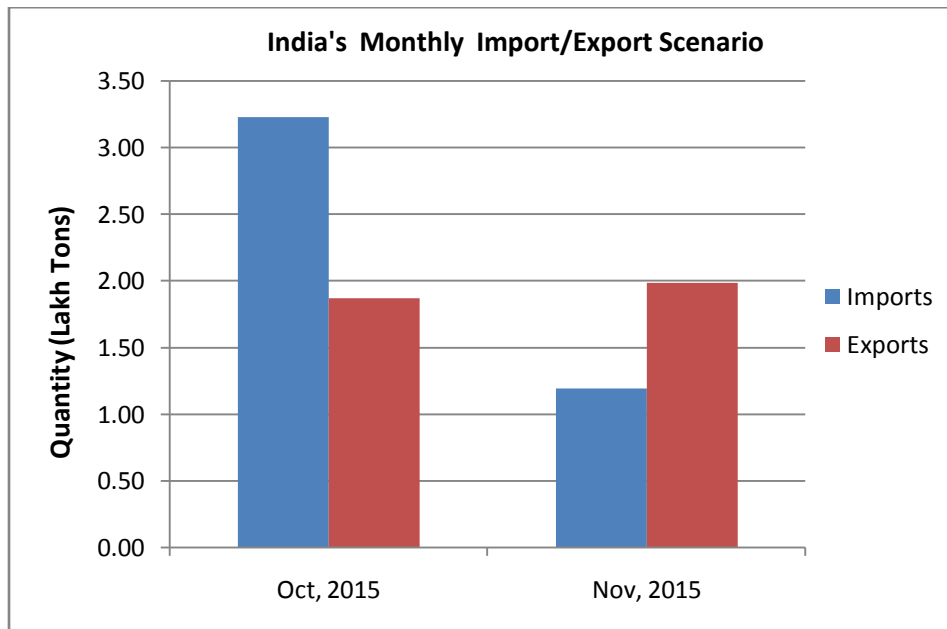
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.66.83) till 04 <sup>th</sup> Dec, 2015			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$417.80	\$436.80/404.60	\$399.97

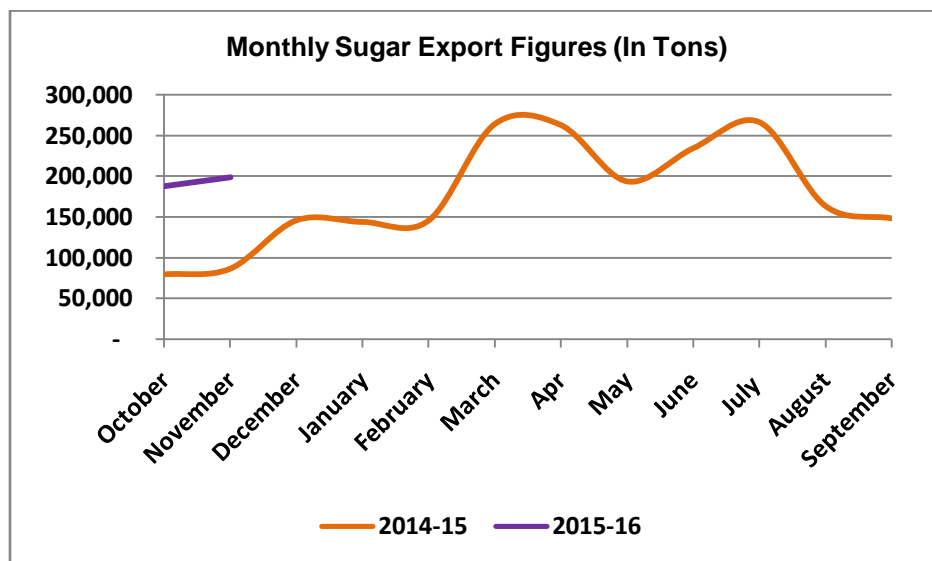
## Sugar Import and Export Scenario:

Indian sugar trade scenario improved this month as the country exported 1.99 lakh tons of sugar during the month compared to 1.19 lakh tons of sugar imports.

The recent cane sugar incentive announced by the govt. and fixation of minimum amount of raw sugar export policy helped the country to increase its sugar exports.



A depreciating Indian currency and a glut worldwide caused Indian sugar imports to fall by 63% this month as the country imported 1.19 lakh tons of sugar in November, 2015 compared to 3.22 lakh tons of imports in October, 2015.



On the other hand, Indian sugar exports rose by 1.03 lakh tons in November, 2015 compared to an y-o-y figure of November, 2014. Notably, the country exported 1.99 lakh tons of sugar in November, 2015 where Myanmar emerged as the biggest sugar importer from the country by importing 0.62 lakh tons of sugar respectively.

**Sugar Domestic Balance Sheet:**

	<b>2014-15</b>	<b>2015-16*</b>
Opening Sugar stock	39.94	64.21
Estimated sugar production	280.30	276.00
Imports(IBIS)	15.33	13.00
Estimated sugar availability	335.57	353.21
Total Export (IBIS)	21.36	28.00
Total Available for domestic consumption (D-E)	314.21	325.21
Estimates sugar consumption	250.00	255.50
Ending Stock	64.21	69.71

### Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly-Average)				
Commodity	Centre	Prices (Rs/Qtl)		Change
		30-Nov	31-Oct	
Sugar	Delhi - Grade M	2798	2827	-29
	Delhi - Grade S	2816	2630	186
	UP- Khatauli Grade M	2928	2935	-7
	UP- Ramala Grade M	NA	2710	-
	UP- Dhampur Grade M Ex-Mill	2728	2770	-42
	UP- Dhampur Grade S Ex-Mill	2708	2750	-42
	UP- Dhampur Grade L Ex-Mill	2778	2820	-42
	Mumbai –Grade M	2857	2891	-34
	Mumbai –Grade S	2742	2759	-17
	Kolhapur – Grade M	2642	2661	-19
	Kolhapur – Grade S	2542	2561	-19
	Guhawati – Grade S	2844	2863	-19
	Shillong – Grade S	2862	2881	-19
	Vijayawada – Grade M	2984	3022	-38
	Vijayawada- Grade S	2824	2862	-38
	Nagpur – Grade M	2888	2886	2
	Nagpur – Grade S	2770	2794	-24
	Kolkata – Grade M	2890	2922	-32
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	2835	2835	Unch
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	2835	2835	Unch
	Chennai - Grade S	2751	2732	19

### Gur Market Scenario and Outlook:



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

Prices of Mudde variety of gur from Belgaum rose by Rs 166/quintal from Rs 2125/quintal in October, 2015 to Rs 2291/quintal in November, 2015. Similarly, prices of Achhu (Medium), Yellow (Medium) and Other (Medium) variety of gur from Mandya district increased by Rs 93, Rs 76 and Rs 75 per quintal respectively to Rs 2222, Rs 2463 and Rs 2280 per quintal this month.

On the other hand, prices of Chaurasa variety of gur from Hapur fell by Rs 168/quintal this month from Rs 2397/quintal to Rs 2229/quintal. Similarly, price of Chaku and Khurpa variety of gur from key Muzaffar Nagar market fell by Rs 83 and Rs 84 per quintal this month to Rs 2608 and Rs 2381 per quintal respectively.

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

Jaggery(Gur) Spot Prices Scenario (Monthly-Average)				
Markets	Variety	31-Nov	31-Oct	Change
Muzaffar Nagar	Chaku	2608	2691	-83
	Chaku(Arrival-Sum)	145500	36500	109000
	Khurpa	2381	2465	-84
	Laddu	2651	2629	22
	Rascut	NA	2504	-
Hapur	Chaurasa	2229	2397	-168
	Balti	NA	NA	-
Maharashtra	Latur(Lal Variety)	NA	NA	-
Bangalore	Mudde	3600	3565	35
Belgaum	Mudde	2291	2125	166
Belthangadi	Yellow (Average)	NA	NA	-
Bijapur	Achhu	NA	NA	-
Gulbarga	Other (Average)	2587	2597	-10
Mahalingapura	Penti (Average)	2433	2485	-52
Mandya	Achhu (Medium)	2480	2387	93
	Kurikatu (Medium)	2222	2187	35
	Other (Medium)	2280	2205	75
	Yellow (Medium)	2463	2387	76
Shimoga	Achhu (Average)	2900	2910	-10

Commodity: Sugar  
Contract: Continuous Chart

Exchange: NCDEX

### SUGARContinuous Chart (C1)

#### Technical Commentary:

- Sugar prices are falling while volume and 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 Buy

Positional Supports & Resistance			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	2600	2640	2705	2880	2920
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	C1 Chart	Buy	Above 2680	2780	2830	2620

## **International Scenario**

Global sugar prices traded steady to firm as the crushing operation halted in Brazil's main centre south region due to heavy rainfall in the area.

### **International Market News Highlights:**

- Brazil raw sugar export declined by 3.35% in the month of November 2015 as the country exported 2 MT of sugar during the month compared to 2.07 MT of exports in October, 2015.
- A buoyant sweetener demand in Brazil led the sugar producers in the country to buy back their sold raw sugar (meant for export) from the trade houses.
- Indonesia's Trade Ministry expects the country to import 3.22 MT of raw sugar in 2016 compared to 3.1 MT of import target this year.
- Kingsman predicted a global sugar supply deficit of 3.3 MT in 2015-16 which is expected to rise further to 6.4 MT in 2016-17 amidst fall in world's total sugar production.
- Brazil's main centre south region crushed only 1.2 MT of sugar in the first half of November, 2015 as excessive rainfall disrupted cane crushing in the region.
- Morgan Stanley predicted a global sugar supply deficit of 3.7 MT in 2015-16 on the back of lower production estimate in Brazil and India.
- China, the world's biggest sugar importer, had imported 3.6 lakh tons of sugar in October, 2015 which was 14.5% less than the sugar imported last year in October, 2014.
- WTO members such as EU (European Union) and Brazil are putting forward a proposal to end agricultural export subsidy by the organization.
- Rising domestic demand could force Indonesia to increase its raw sugar import to approximately 3.25 MT in 2016 compared to 3.1 MT in 2015.
- Broking firm FCStone predicted global sugar supply deficit of 5.6 MT in 2015-16 led by lower sugar output from Europe and India.

- According to Safras, sugar crush in Brazil's main centre south region is expected to decline further (33 MT) in the second half of October 2015 compared to 36.13 MT of sugar crushed in the first half of the month.
- A higher humid climate in Brazil, caused sugar recovery rate to decline this year in 2015 -16 (01st Apr, 2015 – 30<sup>th</sup> Sep, 2015).
- Agroconsult predicted Brazil's C.S region to produce 615-630 MT of sugarcane in 2016-17, which could probably generate 32.9-33.7 MT of sugar thereon.
- A fall in ASIAN raw sugar import duty for 2015 and 2016 enabled the Thai raw sugar exporters to acquire a greater share in the Indonesian sugar market, earlier occupied by the Brazilian counterparts.
- International Sugar Organization (ISO) increased the global sugar deficit to 3.5 MMT from 2.5 MMT primarily on lower production India, EU and Ukraine.
- USDA made a downward revision of Thailand sugar production forecast for MY 2014/15 and MY 2015/16 to 10.8 MMT. Higher amount of sugarcane and sugar shall be used for ethanol due to lower world sugar prices.
- Australia sugar production, earlier estimated at 4.8 MT in April this year, is expected to rise to 5.0 MT in 2015-16.

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

States	Normal Yield (Kg/Ha)	Normal Area('000 ha)	Rainfall status as on 28 <sup>th</sup> Nov, 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	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 (Mar'16 Contract):**



Source: ReutersEikon

As of **05<sup>th</sup> Nov 2015**, ICE Raw sugar prices settled at 14.93 cents per lbs. On monthly chart, 12.94 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 11.94 cent per lbs.

On the upper side, 16.39 and 17.78 cents per lbs are the resistance levels.

**LIFFE Future Market Sugar Scenario (Mar'16 Contract):**



Source: Reuters Eikon

As of **05<sup>th</sup> Nov, 2015**, prices of Refined Sugar London exchange traded at \$403.00 per ton. Here, prices gained support at \$370.57 per ton. A breach could test \$349.3 per ton. On the northward direction, \$423.74 & \$469.32 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	30-Nov-15	31-Oct-15	Change
ICE Sugar #11 (US Cent/lb)	16-Mar	14.97	14.52	0.45
	16-May	14.56	14.17	0.39
	16-Jul	14.27	13.93	0.34
LIFFE Sugar (US \$/MT)	16-Mar	404.60	391.40	13.20
	16-May	406.00	394.80	11.20
	16-Aug	405.40	396.40	9.00

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