

## **Executive Summary**

Indian domestic sugar market remained buoyant in the month of December amidst rising speculation of surge in sugar prices due to the government's decision to increase the cess rate. Moreover, a strong wedding demand during the month and a lower production estimate in top producer Brazil and India also supported the upsurge in prices.

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

Sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 2950 - 3200 per quintal next month.

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

- 470 sugar mills in India had produced 79.85 lakh tons of sugar in 2015-16 (01<sup>st</sup> Oct, 2015 – 31<sup>st</sup> Dec, 2015). compared to 74.95 lakh tons of sugar production (made by 490 mills) in 2014-15 (01<sup>st</sup> Oct, 2014 – 31<sup>st</sup> Dec, 2014).
- Maharashtra sugar production rose by 3.4% as the state produced 33.75 lakh tons of sugar in 2015-16 (01<sup>st</sup> Oct, 2015 – 31<sup>st</sup> Dec, 2015) compared to 32.64 lakh tons of production during corresponding period of last year.
- Sugar recovery rate has improved in States like Uttar Pradesh (from 9.2% to 10%) which had produced 18.32 lakh tons of sugar in 2015-16 (01<sup>st</sup> Oct, 2015 – 31<sup>st</sup> Dec, 2015) compared to 16.95 lakh tons of sugar in 2014-15 (01<sup>st</sup> Oct, 2014 – 31<sup>st</sup> Dec, 2014).
- Karnataka had produced 15.50 lakh tons of sugar in 2015-16 (01<sup>st</sup> Oct, 2015 – 31<sup>st</sup> Dec, 2015). which was 3.07 lakh tons higher than the production made last year in 2014-15 (01<sup>st</sup> Oct, 2014 – 31<sup>st</sup> Dec, 2014).
- The combined sugar production of Andhra Pradesh and Telangana stood at 2.15 lakh tons sugar in 2015 -16 (till 31<sup>st</sup> Dec, 2015) which was 16.02% less than the production made last year during the same interval.

- Sugar production this year remained almost the same as of previous year in Tamil Nadu which had produced 0.80 lakh tons of sugar both in 2014-15 and 2015 -16 (till 31<sup>st</sup> December).
- Sugar production rose by 13.4% in Gujarat which had produced 4.40 lakh tons of sugar in in 2015-16 (01<sup>st</sup> Oct, 2015 – 31<sup>st</sup> Dec, 2015) compared to 3.88 lakh tons of production in 2014-15 (01<sup>st</sup> Oct, 2014 – 31<sup>st</sup> Dec, 2014).
- Bihar, Haryana, Punjab, Uttarakhand and M.P had produced 1.40 lakh tons, 1.00 lakh tons, 0.95 lakh tons, 0.70 lakh tons and 0.75 lakh tons of sugar in 2015-16 (01<sup>st</sup> Oct, 2015 – 31<sup>st</sup> Dec, 2015).
- The Indian govt. is planning to impose Sugar Cess (Amendment) Bill, 2015, under which the ceiling rate of sugar cess would be increased to Rs 200/quintal from Rs 25/quintal at present. Notably, till now the govt. levied a sugar cess of Rs 24/quintal, but with the enactment of the bill, the govt. could charge a higher sugar cess of Rs124/quintal. However, the cess is expected not to affect the retail sugar prices, as it would be collected only when sugar prices are low.

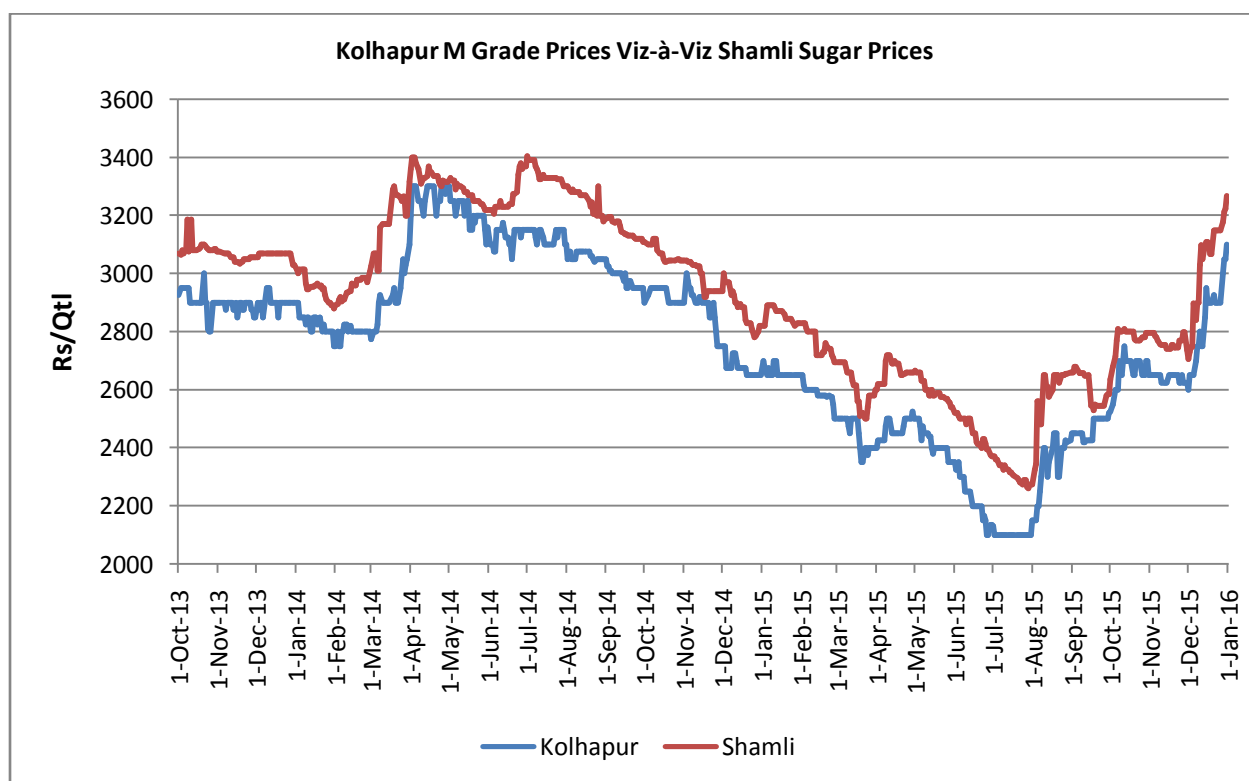
### Indian Sugar Production Scenario Up to 31st December, 2015

States	Sugar Produced (Lakh Tons)	
	2015-16	2014-15
Maharashtra	33.75	32.64
Uttar Pradesh	18.32	16.95
Karnataka	15.50	12.43
Gujarat	4.40	3.88
A.P +Telangana	2.15	2.56
Tamil Nadu	0.80	0.80
<b>All India</b>	<b>79.85</b>	<b>74.95</b>

## Domestic Price Comparison

As shown in the chart below, the spread between the two-benchmarks widened this month depicting a larger price differential between the two markets.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 2839 per quintal this month compared to Rs 2641 per quintal in the month of November. Similarly, sugar prices for the same variety/grade in Shamli district rose by 9.66% from Rs 2765 per quintal in November to Rs 3032 per quintal in the month of December.



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

State	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>India (FRP)</b>	1391	1450	1700	2100	2200	2300
<b>UP</b>	2050	2400	2800	2800	2800	-
<b>Maharashtra</b>	2000	1800-2050	2100-2500	-	-	-
<b>Punjab</b>	2120	2200	2400	2800	2850	2800-2950
<b>Haryana</b>	2150	2210	2710	2950	3050	3000-3100
<b>Gujarat</b>	1500-1700	-	2500	-	-	-
<b>Andhra Pradesh</b>	1800-2000	2000	2500	2600	-	2360-2400
<b>Karnataka</b>	1740	2000	2400	2500	2500	2300-2625
<b>Tamil Nadu</b>	1948	2100	2350	2650	2650	-

**Raw Sugar Import/Export Opportunity**

Indian indicative raw sugar CIF prices from Brazil quoted at \$515.64 per ton (including 40% import duty) and Indian domestic Kolhapur based refined sugar FOB prices quoted at \$466.56 per ton.

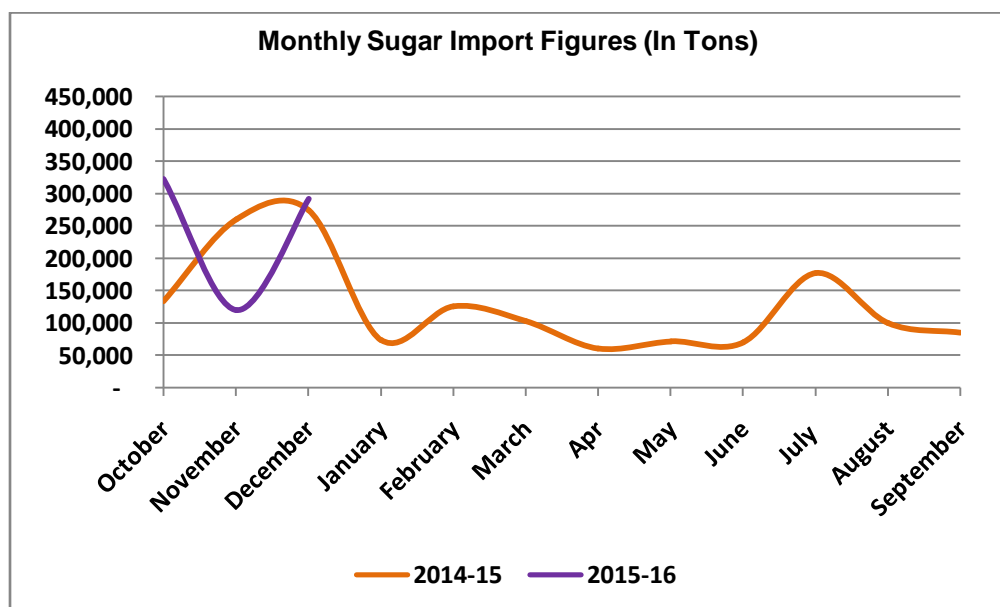
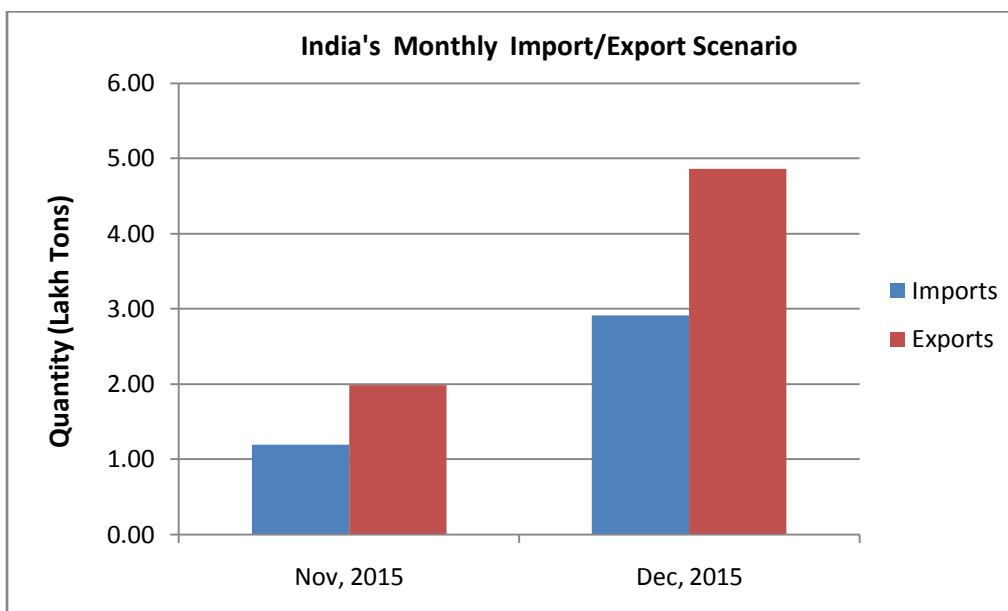
On International front, Brazil sugar FOB prices quoted at \$415.05/ Ton.

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

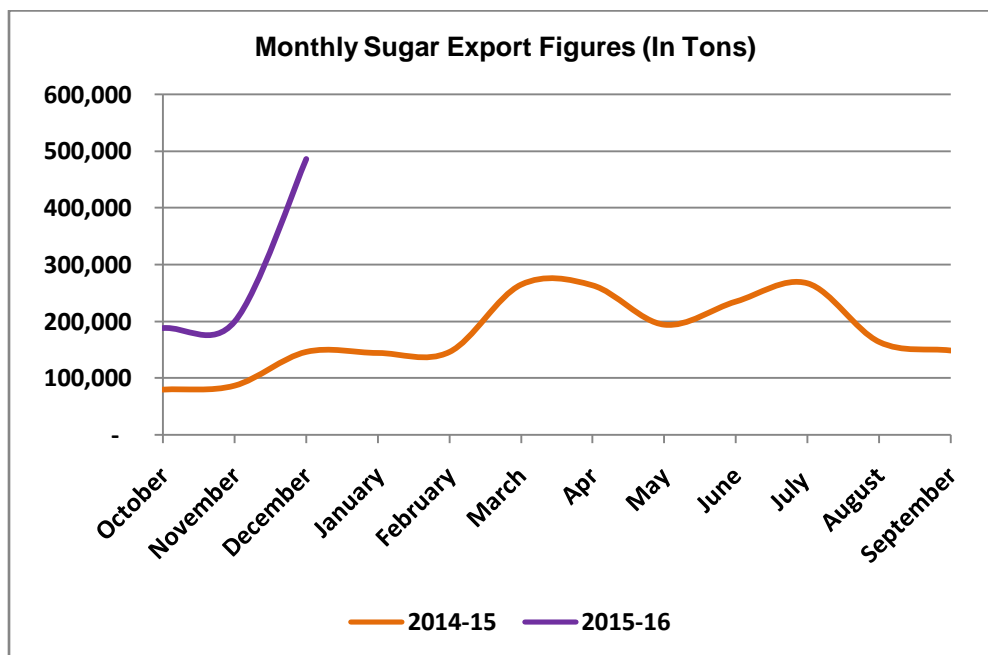
<b>Indicative Sugar FOB Prices (USD/MT) (\$=Rs.66.23) till 02<sup>nd</sup> Jan, 2016</b>			
	<b>Brazil</b>	<b>Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)</b>	<b>India (100 Icumsa)</b>
Comparative Sugar FOB Prices	\$415.05	\$436.80/414.80	\$466.56

## Sugar Import and Export Scenario

Indian sugar trade scenario improved in the month of December as the country exported 4.86 lakh tons of sugar compared to 2.91 lakh tons of sugar imports.



However, speculation of increase in sugar prices (due to government's decision to increase the cess rate) and reports of global sugar deficit this year caused the country to import 2.91 lakh tons of sugar in December, 2015 compared to 2.73 lakh tons of sugar in December, 2014.



An early startup of crushing operation in India and an overall improvement in sugarcane recovery rate (at least in majority of cane producing areas) led the country to produce more sugar this marketing year i.e. 2015-16 compared to the production made last year in 2014-15. And this is the reason that the country exported 4.86 lakh tons of sugar in December, 2015 compared to 1.45 lakh tons of exports last year in December, 2014.

Moreover, the direct cane production subsidy (of Rs 45/ ton of cane produced) announced by the govt. and fixation of minimum amount of sugar export policy too helped the country to increase its sugar exports.

Notably, Myanmar had emerged as the leading sugar importing country from India and had imported 0.30 lakh tons of sugar during the month followed by Somalia and Sri Lanka which imported 0.03 lakh tons and 0.02 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	16.00
Estimated sugar availability	335.57	356.21
Total Export (IBIS)	21.36	28.70
Total Available for domestic consumption (D-E)	314.21	327.51
Estimates sugar consumption	250.00	255.50
Ending Stock	64.21	72.01

**Spot Sugar Prices Scenario (Monthly)**

Spot Sugar Prices Scenario (Monthly-Average)				
Commodity	Centre	Prices (Rs/Qtl)		Change
		31-Dec	30-Nov	
Sugar	Delhi - Grade M	3009	2798	211
	Delhi - Grade S	2980	2816	164
	UP- Khatauli Grade M	3081	2928	153
	UP- Ramala Grade M	2885	NA	-
	UP- Dhampur Grade M Ex-Mill	3019	2728	291
	UP- Dhampur Grade S Ex-Mill	2999	2708	291
	UP- Dhampur Grade L Ex-Mill	3069	2778	291
	Mumbai –Grade M	2992	2857	135
	Mumbai –Grade S	2888	2742	146
	Kolhapur – Grade M	2825	2642	183
	Kolhapur – Grade S	2726	2542	184
	Guhawati – Grade S	3031	2844	187
	Shillong – Grade S	3046	2862	184
	Vijayawada – Grade M	3127	2984	143
	Vijayawada- Grade S	2962	2824	138
	Nagpur – Grade M	2892	2888	4
	Nagpur – Grade S	2759	2770	-11
	Kolkata – Grade M	3109	2890	219
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	2835	2835	Unch
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	2835	2835	Unch
	Chennai - Grade S	2851	2751	100



## Gur Market Scenario and Outlook

Mixed sentiments were recorded in spot gur market this month with prices rising in some markets while declining in others. Prices of Chaursa variety of gur from Hapur rose by Rs 99/quintal from Rs 2229/quintal to Rs 2328/quintal this month. . Similarly, price of Chaku and Khurpa variety of gur from key Muzaffar Nagar market rose by Rs 53 and Rs 43 per quintal during the month to Rs 2661 and Rs 22427per quintal respectively.

On the other hand, prices of Achhu (Average) variety of gur from Shimoga fell by Rs 140/quintal from Rs 2900/quintal to Rs 2760/quintal this month. And, price of Achhu (Medium) variety of gur from Mandya too fell by Rs 82/quintal to Rs 2398/quintal in the month of December.

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

Jaggery(Gur) Spot Prices Scenario (Monthly-Average)				
Markets	Variety	31-Dec	30-Nov	Change
Muzaffar Nagar	Chaku	2661	2608	53
	Chaku(Arrival-Sum)	156500	145500	11000
	Khurpa	2427	2381	46
	Laddu	2668	2651	17
	Rascut	2379	NA	-
Hapur	Chaursa	2328	2229	99
	Balti	NA	NA	-
Maharashtra	Latur(Lal Variety)	NA	NA	-
Bangalore	Mudde	3572	3600	-28
Belgaum	Mudde	2337	2291	46
Belthangadi	Yellow (Average)	NA	NA	-
Bijapur	Achhu	NA	NA	-
Gulbarga	Other (Average)	2582	2587	-5
Mahalingapura	Penti (Average)	2488	2433	55
Mandya	Achhu (Medium)	2398	2480	-82
	Kurikatu (Medium)	2235	2222	13
	Other (Medium)	2217	2280	-63
	Yellow (Medium)	2400	2463	-63
Shimoga	Achhu (Average)	2760	2900	-140

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 Sell

Positional Supports & Resistance:			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	3075	3150	3221	3260	4000
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	C1 Chart	<b>Sell</b>	Below 3230	3130	3080	3290

## **International Scenario**

Global sugar prices traded steady to firm as crushing operation winded in almost entire Brazil including the main centre south region.

## **International Market News Highlights**

- Brazil's main C.S region had churned around 0.64 MT of sugar in the first half of December, 2015 which was 66% higher than the sugar crushed last year during the same interval.
- Imposition of import restriction by Chinese govt. caused the country to import 2.59 lakh tons of sugar in November, 2015 which was 14.5% less than the sugar imported last year in November, 2014.
- As expected the Indonesian govt. announced raw sugar import permit of 3.2 MT in 2016 (January, 2016 - December, 2016).
- Conab reduced its sugar production estimate in Brazil's main centre south region (31.3 MT) for 2015-16 as excessive rainfall not only hampered cane processing in the region but also reduced sugar concentration in the cane available.
- Czarnikow revised its global sugar deficit forecast from 4.1 MT to 8.2 MT in 2015-16 on the back of lower sugar production data from top producer Brazil.
- As per the revised estimate of Green Pool Commodity Brazil's centre south sugar production is expected to decline by 1.31% to 30.25 MT this marketing year i.e. 2015-16.
- Rabobank reduced its Brazilian centre south sugar production estimate from 31.5 MT to 30.7 MT in 2015-16.
- Platts Kingsman has estimated the global supply shortage of sugar at 7.8 million tonnes in 2016/17 (Oct. – Sept.), on forecast of higher than expected disappearance/consumption.
- Sucden predicted Brazil's centre south region to crush 599 MT of sugarcane in 2015-16 to generate 30.5 MT of sugar there on.

- Brazilian raw sugar export is expected to decline next year in 1Q16 as continuous heavy rainfall, in Brazil's main centre south region disrupted cane processing in the area and thus resulted in lower sugar production this marketing year.
- Broking firm, JSG Commodities predicted a global sugar supply deficit of 3.5 MT in 2015-16 which is further expected to rise around four or five million tons if weather condition deteriorate in India.

### 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
<b>Grand Total</b>	<b>70111</b>	<b>42.61</b>	<b>-12%</b>	<b>350564</b>	<b>364382</b>	<b>362356</b>

**ICE Raw Sugar Future Market Scenario (Mar'16 Contract)**

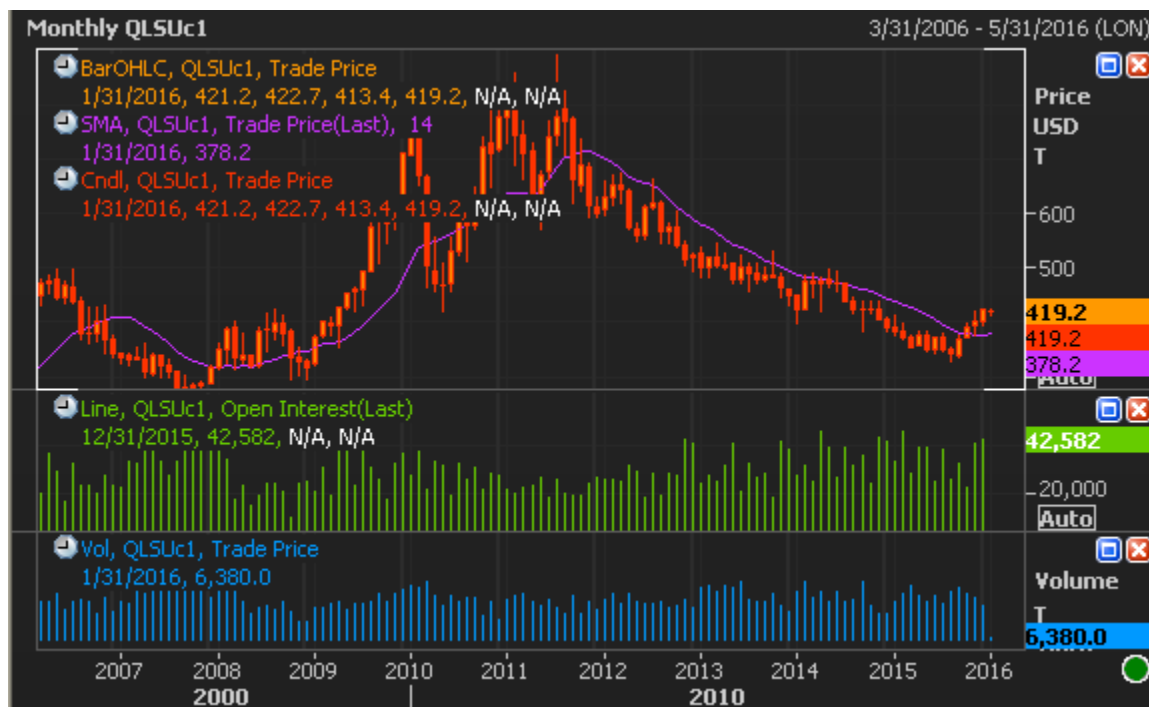


Source: ReutersEikon

As of **05<sup>th</sup> Jan 2016**, ICE Raw sugar prices settled at 14.97 cents per lbs. On monthly chart, 13.82 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 11.92 cent per lbs.

On the upper side, 15.94 and 17.4 cents per lbs are the resistance levels.

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



Source: Reuters Eikon

As of **05<sup>th</sup> Jan, 2016**, prices of Refined Sugar London exchange traded at \$419.2 per ton. Here, prices gained support at \$388.2 per ton. A breach could test \$348 per ton. On the northward direction, \$446.9 & \$472 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	30-Dec-15	30-Nov-15	Change
ICE Sugar #11 (US Cent/lb)	16-Mar	15.15	14.52	0.63
	16-May	14.76	14.17	0.59
	16-Jul	14.48	13.93	0.55
LIFFE Sugar (US \$/MT)	16-Mar	419.00	391.40	27.6
	16-May	415.10	394.80	20.3
	16-Aug	409.90	396.40	13.5

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