Executive Summary

Domestic sugar market remained buoyant in the month of January amidst increased buying by stockiest and bulk consumers due to the uptick in demand. In addition, reports of a lower production (sugar) estimate globally this year also weighed on domestic sugar prices and brought the upsurge in the market.

Price projection for the next month

Sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3150 - 3400 per quintal next month.

Major Happenings in Domestic Sugar Industry

- 510 sugar mills in India had produced 142.53 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 31st Jan, 2016) which was 4.57% higher than the sugar produced last year by 517 mills during the corresponding period.

- Sugar production rose by 0.09% in Maharashtra this year which produced 54.42 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 31st Jan, 2016) compared to 54.37 lakh tons of production last year during the same interval.

- Uttar Pradesh had produced 36.15 lakh tons of sugar in MY 2015-16 (01st Oct, 2015 – 31st Jan, 2016) which was 7.11% higher than the sugar produced last year in 2014-15 (01st Oct, 2014 – 31st Jan, 2015)

- Sugar production rose by 3.76 lakh tons in Karnataka which produced 26.89 lakh tons of sugar during the MY 2015-16 (till 31st January, 2016) compared to 23.13 lakh tons in MY 2014-15 (till 31st January, 2015).

- 37 sugar mills in Tamil Nadu had produced 2.30 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 31st Jan, 2016) compared to 2.11 lakh tons of sugar production (by 39 mills) in 2014-15 (01st Oct, 2014 – 31st Jan, 2015).

- Sugar production rose by 11.47% in Gujarat which produced 6.90 lakh tons of sugar during 2015-16 (01^{st} Oct, 2015 – 31^{st} Jan, 2016) compared to 6.19 lakh tons of production in 2014 -15 ((01^{st} Oct, 2014 – 31^{st} Jan, 2015).

- The combined sugar production of Andhra Pradesh & Telangana fell by 13.41% as the States produced 4.26 lakh tons of sugar in 2015 -16 (01^{st} Oct, 2015 – 31^{st} Jan, 2016) compared to 4.92 lakh tons of sugar in 2014 -15 (01^{st} Oct, 2014 – 31^{st} Jan, 2015).

- Bihar, Uttarakhand, Punjab, Haryana and M.P had produced 3.05 lakh tons, 1.43 lakh tons, 2.60 lakh tons, 2.40 lakh tons and 1.90 lakh tons of sugar in 2015 -16 (01^{st} Oct, 2015 – 31^{st} Jan, 2016).

- As per the second advance estimate released by ISMA, Maharashtra sugar production is expected to fall to 87 lakh tons in 2015-16 amidst lower production yield due to water scarcity in the area. Sugar production in Karnataka too is expected to fall to 43 lakh tons in 2015-16 amidst a deficient rainfall in the region.

- On the other hand, a better sugar recoveries in U.P this year could cause the State to produce 71.5 lakh tons of sugar in 2015-16. Similarly, Tamil Nadu is also expected to produce 13.9 lakh tons of sugar this marketing year.

- The Indian govt. had enforced Sugar Cess (Amendment) Bill, 2015, under which the ceiling rate of sugar cess has been increased to Rs 200/quintal from Rs 25/quintal at present. Notably, until now the govt. used to levy 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.

- The Uttar Pradesh govt. announced cane SAP (State Advisory Price) at Rs 280/quintal for MY 2015-16 (01^{st} Oct, 2015 – 30^{th} Sep, 2016) which was same as the price fixed last year for 2014-15.

- Indian sugar mills made contracts to sell 900,000 tons of sugar so far in 2015/16 marketing year as companies try to reduce inventories, according to Indian Sugar Mills Association (ISMA). India is primarily exporting to Asian countries like Myanmar, Sri Lanka and Bangladesh.

Indian Sugar Production Scenario Up to 31st January, 2016

States	Sugar Produced (Lakh Tons)	
	2015-16	2014-15
Maharashtra	54.42	54.37
Uttar Pradesh	36.15	33.75
Karnataka	26.89	23.13
Gujarat	6.90	6.19
A.P +Telangana	4.26	4.92
Tamil Nadu	2.30	2.11
All India	**142.53**	**136.30**

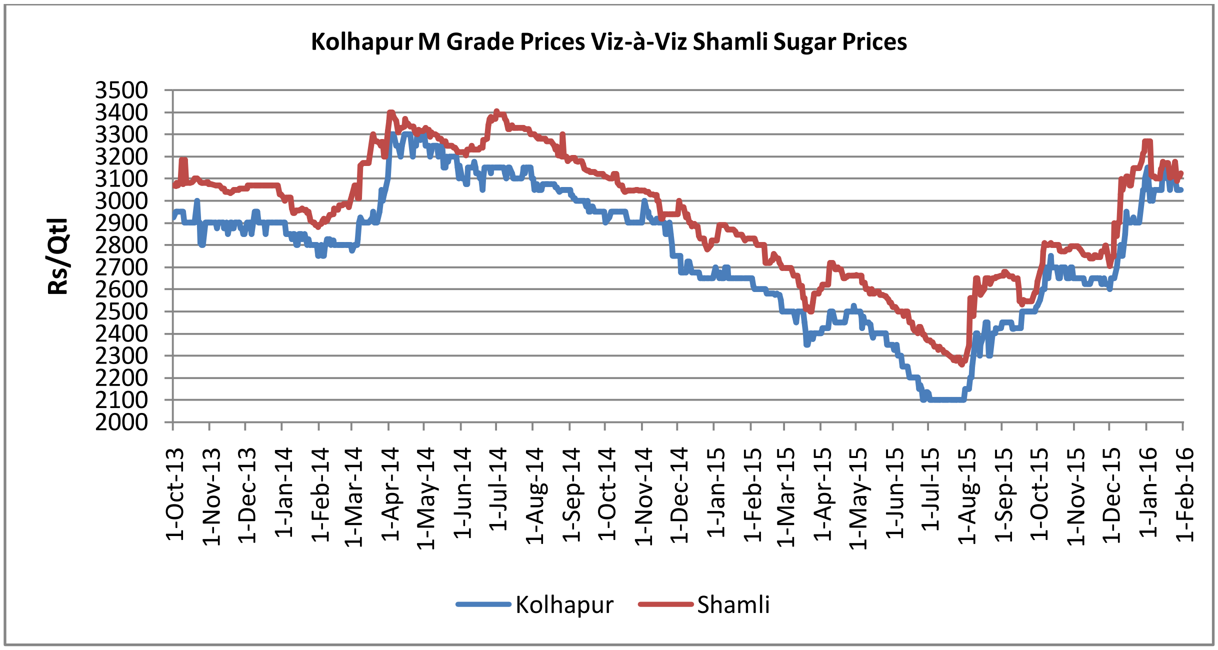
Total India & State wise Sugarcane Price (Rs/Ton)

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

Domestic Price Comparison

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

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3070 per quintal this month compared to Rs 2839 per quintal in the month of December. Similarly, sugar prices for the same variety/grade in Shamli district rose by 3.54% from Rs 3032 per quintal in December to Rs 3139 per quintal in the month of January.



Raw Sugar Import/Export Opportunity

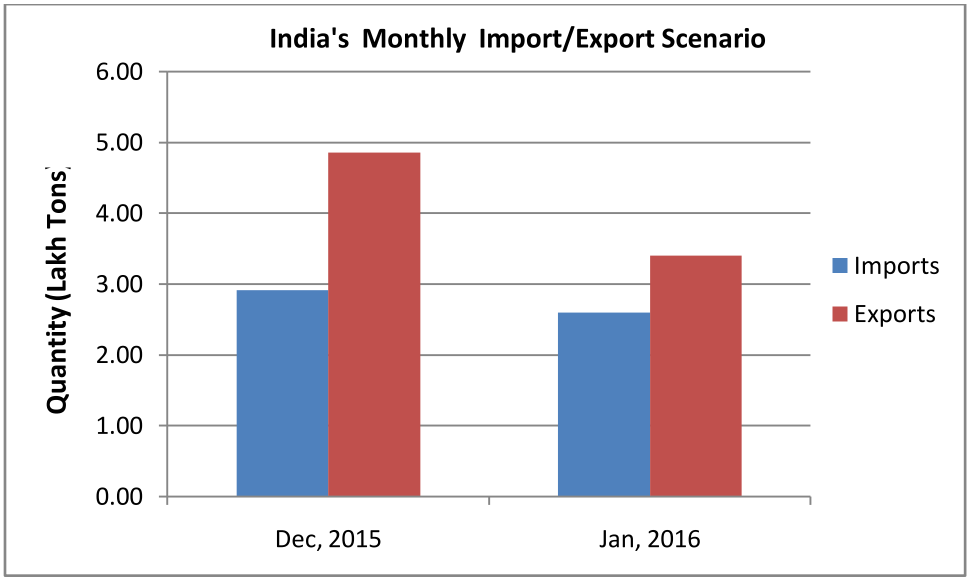
Indian indicative raw sugar CIF prices from Brazil quoted at $392.14 per ton (including 40% import duty) and Indian domestic Kolhapur based refined sugar FOB prices quoted at $458.71per ton.

On International front, Brazil sugar FOB prices quoted at $427.29/ Ton.
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

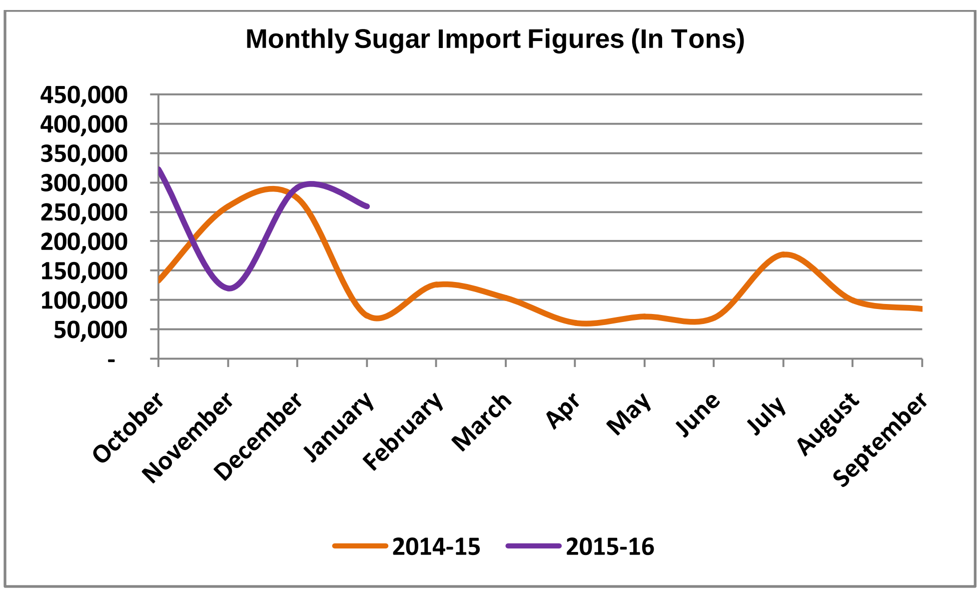
Indicative Sugar FOB Prices (USD/MT) ($=Rs.67.69) till 05th Feb, 2016			
	Brazil	**Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)**	**India (100 Icumsa)**
Comparative Sugar FOB Prices	$427.29	$447.65/399.40	$458.71

Sugar Import and Export Scenario

India exported 3.40 lakh tons of sugar while imported 2.60 lakh tons of sugar in January, 2016. However, the country exported 4.86 lakh tons of sugar in December, 2014 compared to 2.91 lakh ton of imports during the same period.

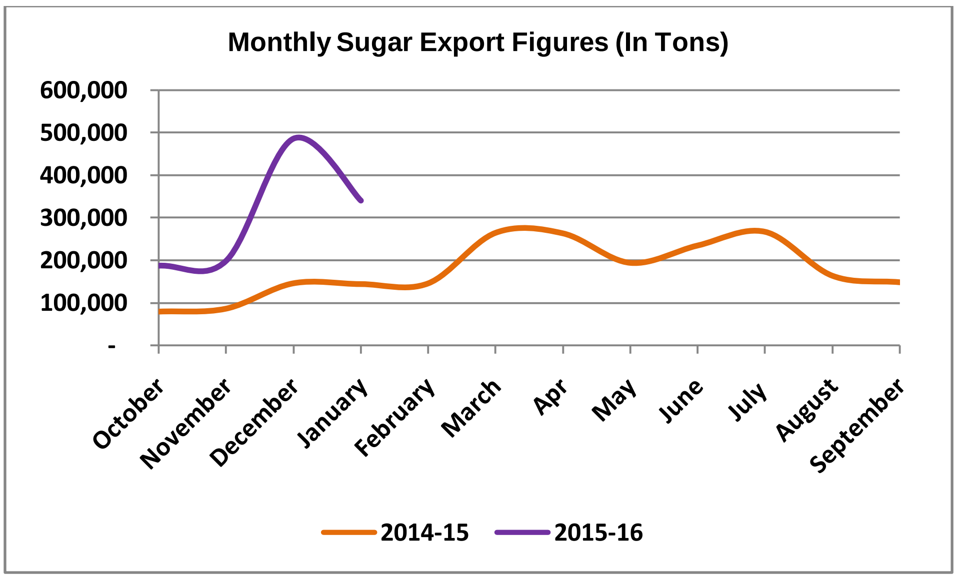


Indian sugar imports rose drastically this year amidst low cost raw sugar availability from top producer Brazil on one hand and rising demand for its refined sugar from major importers on the other. Notably, India primarily imports raw sugar from Brazil and then re-exports the refined sugar to the nearby countries.



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 3.40 lakh tons of sugar in January, 2016 compared to 1.44 lakh tons of exports last year in January, 2015.

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 this year.



However, a m-o-m comparison shows the country's sugar export to decline (29.9%) amidst rising speculation of surge in domestic sugar prices due to government's decision to increase the cess rate.

Notably, Myanmar had emerged as the leading sugar importing country from India and had imported 2.07 lakh tons of sugar during the month followed by Berbera and Sri Lanka which imported 0.236 lakh tons and 0.231 lakh tons of sugar respectively during the month.

Sugar Domestic Balance Sheet

	2014-15	2015-16*
Opening Sugar stock	39.94	64.21
Estimated sugar production	280.30	262.00
Imports(IBIS)	15.33	19.34
Estimated sugar availability	335.57	345.55
Total Export (IBIS)	21.36	29.22
Total Available for domestic comsumption (D-E)	314.21	316.33
Estimates sugar consumption	250.00	255.50
Ending Stock	64.21	60.83

Spot Sugar Prices Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			Jan,16	Dec,15	
Delhi	Delhi	M-Grade	3186	3009	**177**
	Delhi	S-Grade	3150	2980	**170**
Uttar Pradesh	Khatauli	M-Grade	3181	3081	**100**
	Ramala	M-Grade	2999	2885	**114**
	Dhampur	M-Grade Ex-Mill	3075	3019	**56**
	Dhampur	S-Grade Ex-Mill	3055	2999	**56**
	Dhampur	L-Grade Ex-Mill	3125	3069	**56**
Maharashtra	Mumbai	M-Grade	3274	2992	**282**
	Mumbai	S-Grade	3154	2888	**266**
	Nagpur	M-Grade	3099	2892	**207**
	Nagpur	S-Grade	3015	2759	**256**
	Kolhapur	M-Grade	3070	2825	**245**
	Kolhapur	S-Grade	2970	2726	**244**
Assam	Guhawati	S-Grade	3278	3031	**247**
Meghalaya	Shillong	S-Grade	3290	3046	**244**
Andhra Pradesh	Vijayawada	M-Grade	3400	3127	**273**
	Vijayawada	S-Grade	3228	2962	**266**
West Bengal	Kolkata	M-Grade	3278	3109	**169**
Tamil Nadu	Chennai	S-Grade	3098	2851	**247**
Chattisgarh	Ambikapur	M-Grade (Without Duty)	2835	2835	**Unch**
	Ambikapur	S-Grade (Without Duty)	2835	2835	**Unch**
Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)					

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 Penti (Average) variety from Mahalingapura registered the biggest gain with its price rising to Rs 2649/quintal from Rs 2488/quintal last week. Similarly, prices of Mudde (Average) variety from Belgaum and Bangalore rose by Rs 63 and Rs 35 per quintal from Rs 2337 and Rs 3572 per quintal.

On the other hand, prices of Laddoo (Fresh) and ChakuSukha(Cold) variety of gur from key Muzaffar Nagar market fell by Rs 85 and Rs 70 per quintal respectively from Rs 2668 and Rs 2661 per quintal to Rs 2583 and Rs 2591 per quintal this month.

Spot Jaggery(Gur) Prices Scenario (Monthly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			Jan,16	Dec,15	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	2591	2661	-70
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	141000	1565000	-1424000
	Muzaffarnagar	Khurpa (Fresh)	2417	2427	-10
	Muzaffarnagar	Laddoo (Fresh)	2583	2668	-85
	Muzaffarnagar	Rascut (Fresh)	2410	2379	31
	Hapur	Chaursa	2345	2328	17
	Hapur	Balti	NA	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	3607	3572	35
	Belgaum	Mudde (Average)	2400	2337	63
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	2561	2582	-21
	Mahalingapura	Penti (Average)	2649	2488	161
	Mandya	Achhu (Medium)	2377	2398	-21
	Mandya	Kurikatu (Medium)	2282	2235	47
	Mandya	Other (Medium)	2255	2217	38
	Mandya	Yellow (Medium)	2377	2400	-23
	Shimoga	Achhu (Average)	2814	2760	54

Commodity: Sugar **Exchange: NCDEX**
Contract: Continuous Chart

SUGAR Continuous Chart (C1)

Technical Commentary:

- Sugar prices fell down while volume and O.I increased for the month.
- Also RSI is hovering in a neutral zone.
- MACD signal line and center line denotes neutral hovering..

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Strategy: We advise market participants to Sell

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	3075	3150	3158	3260	4000
Intraday Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Sugar	NCDEX	C1 Chart	**Sell**	Below 3150	3050	3000	3210

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 exported 1.28 MT of raw sugar in January 2016 which was 41.5% less than the sugar exported last month in December, 2015.
- Brazil's centre south region had crushed 1.82 MT of sugarcane in the first half of January, 2016 thereby yielding 0.03 MT of sugar there on.
- Indonesia had issued import permit of 968,143 tons of raw sugar in the first quarter of 2016 (January – March).
- 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.
- Platts Kingsman reduced its 2015-16 global sugar deficit forecast from 5.26 MT to 4.86 MT amidst improving prospects for the crop in top producer Brazil.
- 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.

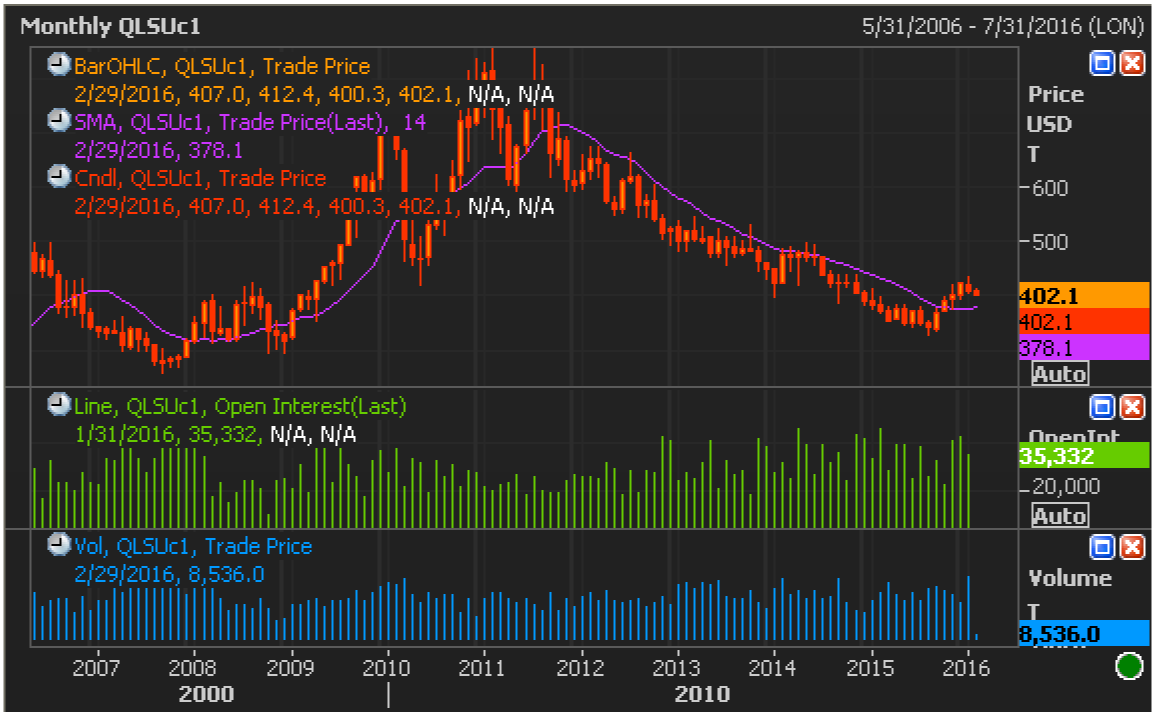
ICE Raw Sugar Future Market Scenario (Mar'16 Contract)

Source: ReutersEikon

As of **31st Jan 2016,** ICE Raw sugar prices settled at 13.14 cents per lbs. On monthly chart, 16.33 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 10.53 cent per lbs.

On the upper side, 16.33 and 18.15 cents per lbs are the resistance levels.

LIFFE Future Market Sugar Scenario (Mar'16 Contract)



Source: Reuters Eikon

As of **31st Jan, 2016,** prices of Refined Sugar London exchange traded at $407 per ton. Here, prices gained support at $391.3 per ton. A breach could test $367.9 per ton. On the northward direction, $439.5 & $478 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	30-Jan-16	30-Dec-15	Change
ICE Sugar #11 (US Cent/lb)	16-Mar	13.14	15.15	-2
	16-May	13.08	14.76	-2
	16-Jul	13.05	14.48	-1
LIFFE Sugar (US $/MT)	16-Mar	407.0	419.0	-12
	16-May	394.0	415.1	-21
	16-Aug	386.1	409.9	-24