Sugar & Gur Monthly Research Report

Contents

Domestic Sugar Market Summary

Domestic sugar prices went up during the month driven by pickup in demand from retailers and bulk consumers amidst thin supplies from mills.

Price Projection for The Next Month

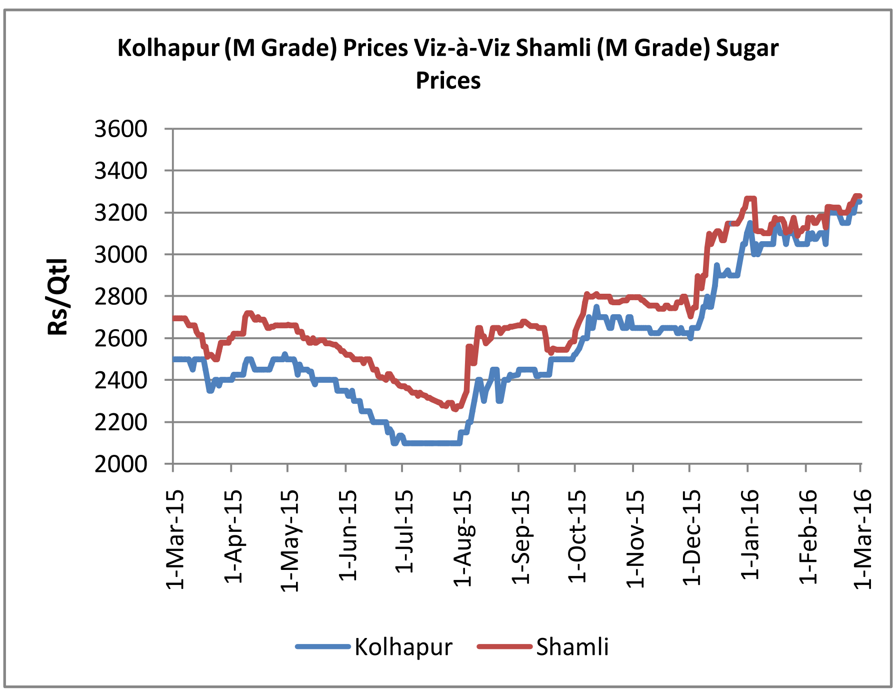
Spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3200 - 3500 per quintal next month.

International Sugar Market Summary

Global sugar prices traded steady to firm as crushing operation almost winded up in the top producer, Brazil.

Domestic Market Fundamentals

- Indian sugar production rose by 1.99% as the country produced 199.47 lakh ton of sugar in 2015-16 (01st Oct, 2015 – 29th Feb, 2016) compared to 195.58 lakh tons of sugar in 2014-15 (01st Oct, 2014 – 28th Feb, 2015).
- Early closure of some mills (due to non availability of cane to crush) in drought hited Maharashtra led the state to produce 70.40 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 29th Feb, 2016) which was 5.86% lower than the sugar crushed last year during the same period.
- Sugar production rose by 8.19% in U.P which produced 53.65 lakh tons of sugar in 2015-16(01st Oct, 2015 – 29th Feb, 2016) compared to 49.59 lakh tons of production made last year during the corresponding period.



- 64 sugar mills in Karnataka had produced 36.07 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 29th Feb, 2016) which was 8.94% higher than the sugar produced (by 63 mills) last year during the corresponding period.

- The combined sugar production of Andhra Pradesh & Telangana fell by 8.09% as the states produced 6.70 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 29th Feb, 2016) compared to 7.29 lakh tons of production in 2014-15 (01st Oct, 2014 – 28th Feb, 2015).
- 38 sugar mills in Tamil Nadu had produced 5.30 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 29th Feb, 2016) which was 0.52 lakh tons higher than the production made last year during the correspondence period.
- Sugar production rose by 8.62% in Gujarat which produced 9.20 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 29th Feb, 2016) compared to 8.47 lakh tons of production in 2014-15 (01st Oct, 2014 – 28th Feb, 2015).
- Bihar produced 4.50 lakh tons of sugar in 2015-16 (01st Oct, 2015 -29th Feb, 2016) which was 4.46% lower than the sugar produced last year during the corresponding period.
- Uttarakhand, Punjab, Haryana and M.P had produced 2.05 lakh tons, 4.25 lakh tons, 3.60 lakh tons and 3.35 lakh tons of sugar respectively in 2015-16 (01st Oct, 2015 – 29th Feb, 2016).
- Indian sugar mills had made contract for export of 12.5 lakh tons of sugar this season i.e. 2015-16 (01st Oct, 2015 – 30th Sep, 2016).
- In a bid to achieve 5% ethanol blending target with petrol, the Indian OMCs (Oil Marketing Companies) are planning to raise procurement of ethanol from 67 crore in 2014-15 to 120 crore in 2015-16.
- 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.

Sugar Import/Export Opportunity

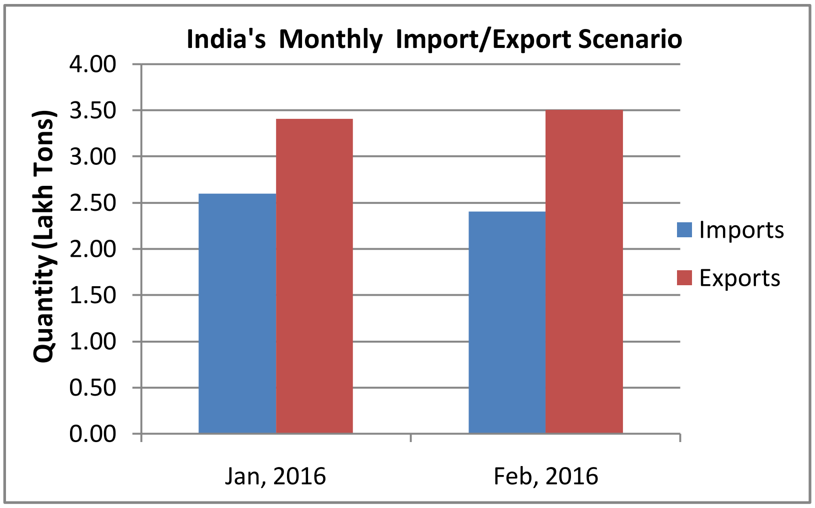
Indian indicative raw sugar CIF prices from Brazil quoted at $513.01 per ton (including 40% import duty) and Indian domestic Kolhapur based refined sugar FOB prices quoted at $487.59 per ton.

On International front, Brazil sugar FOB prices quoted at $420.90/ Ton.
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

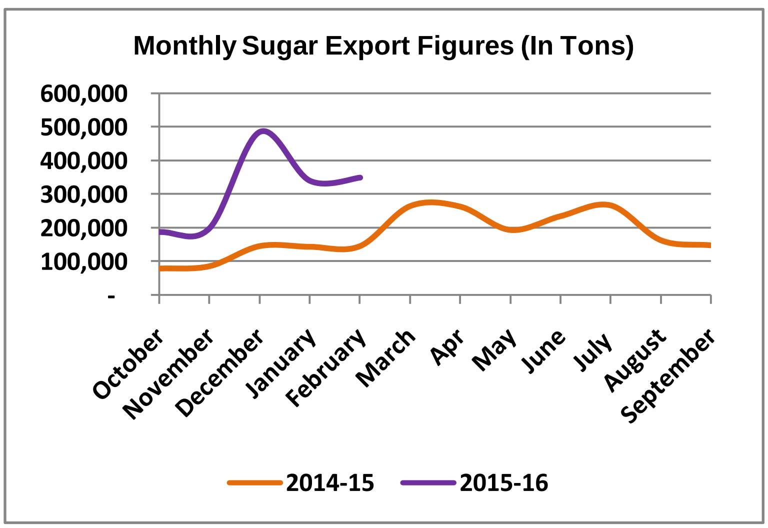
Indicative Sugar FOB Prices (USD/MT) ($=Rs.67.29) till 04th Mar, 2016			
	Brazil	Thailand (100 Icumsa Mar Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	$420.90	$425.10/414.70	$487.59

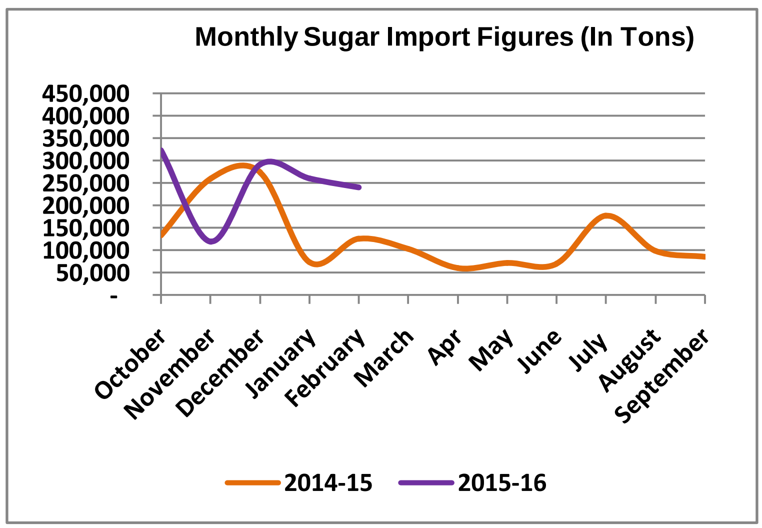
Sugar Import and Export Scenario

India exported 3.49 lakh tons of sugar while imported 2.40 lakh tons of sugar in February, 2016. However, the country exported 3.40 lakh tons of sugar last month in January, 2016 relative to 2.59 lakh ton of imports during the same period.



Indian sugar imports rose by 90.4% (when compared with the sugar imported last year in February, 2015) 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 commencement of crushing operation In India and initiation of various export promotion schemes had boosted the country's sugar export during the month of February.

Notably, Myanmar had emerged as the leading sugar importing country from India and had imported 1.75 lakh tons of sugar during the month followed by Sudan and Berbera which imported 0.36 lakh tons and 0.30 lakh tons of sugar during the month.

Domestic Sugar Market Technical Analysis (Future Market)

SUGAR Continuous Chart (C1)

Technical Commentary:

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

Strategy: We advise market participants to Buy

Positional Supports & Resistances			**S2**	**S1**	**PCP**	**R1**	**R2**
Sugar	NCDEX	C1 Chart	2950	3070	3195	3400	3480
Intraday Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Sugar	NCDEX	C1 Chart	**Buy**	Above 3190	3290	3340	3130

Sugar Domestic Balance Sheet

(Lakh Ton)

		2014-15	2015-16*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
A	Opening sugar stock	39.94	64.21	64.21	246.18	189.57	111.12
B	Estimated sugar production	280.30	260.00	260.00	0.00	0.00	0.00
C	Imports	15.33	21.53	7.34	5.49	5.70	3.00
D	Estimated sugar availability (A + B + C)	335.57	345.74	331.55	251.67	195.27	114.12
E	Exports	21.36	33.22	8.72	11.00	7.50	6.00
G	Availability for domestic consumption (D - E)	314.21	312.52	322.83	240.67	187.77	108.12
H	Estimates sugar consumption	250.00	255.50	76.65	51.10	76.65	51.10
I	Ending stock (G - H)	**64.21**	**57.02**	246.18	189.57	111.12	**57.02**

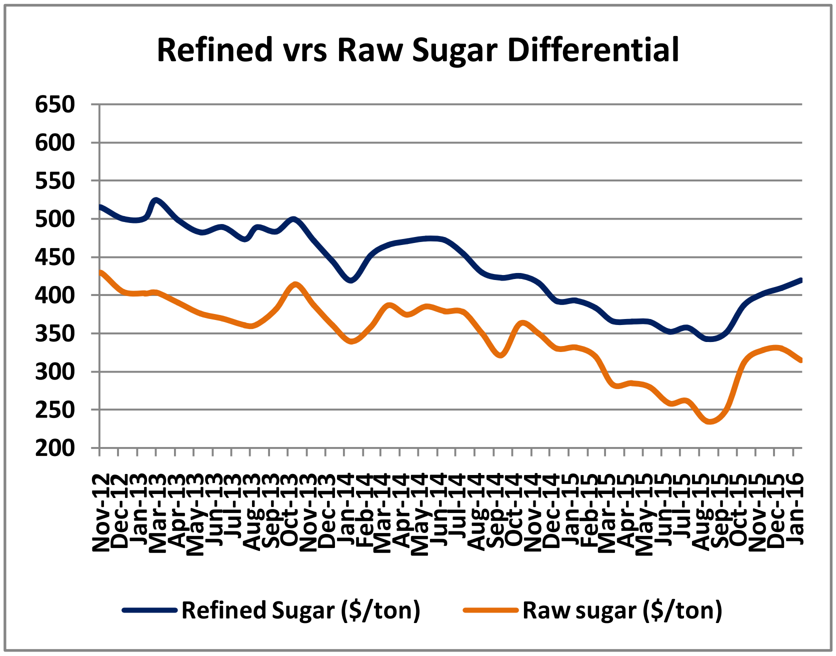
Note: Indian sugar marketing year begins from October – September**.**

Sugar domestic balance sheet showed higher carryover stock for marketing year 2015-16 owing to surplus sugar production last year and a fall in exports.

However, sugar production is expected to decline this year amidst lower production estimate in top producing states such as Maharashtra and Karnataka.

Notably, sugar domestic consumption rises at an annual compound growth rate of 2.2 percent per annum.

International Market Fundamentals



- Australian sugar production is projected to increase by 6.25% in 2016-17 (from 4.8 MT in 2015-16) on back of an expected increase in cane plantings and an improvement in yields.
- Datagro predicted a global sugar supply deficit of 4.37 MT in 2015-16 against a sugar surplus of 3.64 MT in 2014-15.
- F.O Litch raised its global sugar supply deficit forecast to 6.50 MT in 2015-16 on back of lower production yield in India and Thailand (due to adverse El nino effect in these countries) .
- Datagro predicted a higher sugar production (33.8 MT) in Brazil's main centre south region during 2016-17 due to an expected improvement in sugar content within the cane due to the revival of normal weather condition during that time.
- As per the latest UNICA report, Brazil's main C.S region had churned around 2.69 MT of sugarcane in the first half of February, 2016 to produce 0.05 MT of sugar thereon.
- International Sugar Organization (ISO) upraised its global sugar deficit forecast from 3.5 MT to 5 MT in 2015-16 (01^{st} Oct, 2015 – 30^{th} Sep, 2016).
- FC Stone predicted a surge in Brazilian (C.S region) cane production in 2016-17 amidst an expected improvement in prevailing weather condition during that period. Notably, the organization predicted the region to produce 619 MT of sugarcane in 2016-17 as against 599.9 MT of cane in 2015-16.
- Brazil is expected to have contracted at least three lakh tons of "CXL quota" sugar which is meant for shipment in March/April 2016. Notably, "CXL quota" is the raw cane sugar which has preferential access to the EU market.
- Thailand announced tender for the sale of 50,000 tons of raw sugar which is due for shipment in between 01st Jul, 2016 to 15th Sep, 2016.
- Brazil's agricultural waterway, Tiete-Parana; which has been closed since 2014 due to drought and better utilization of water for electricity, has been reopened for transportation.

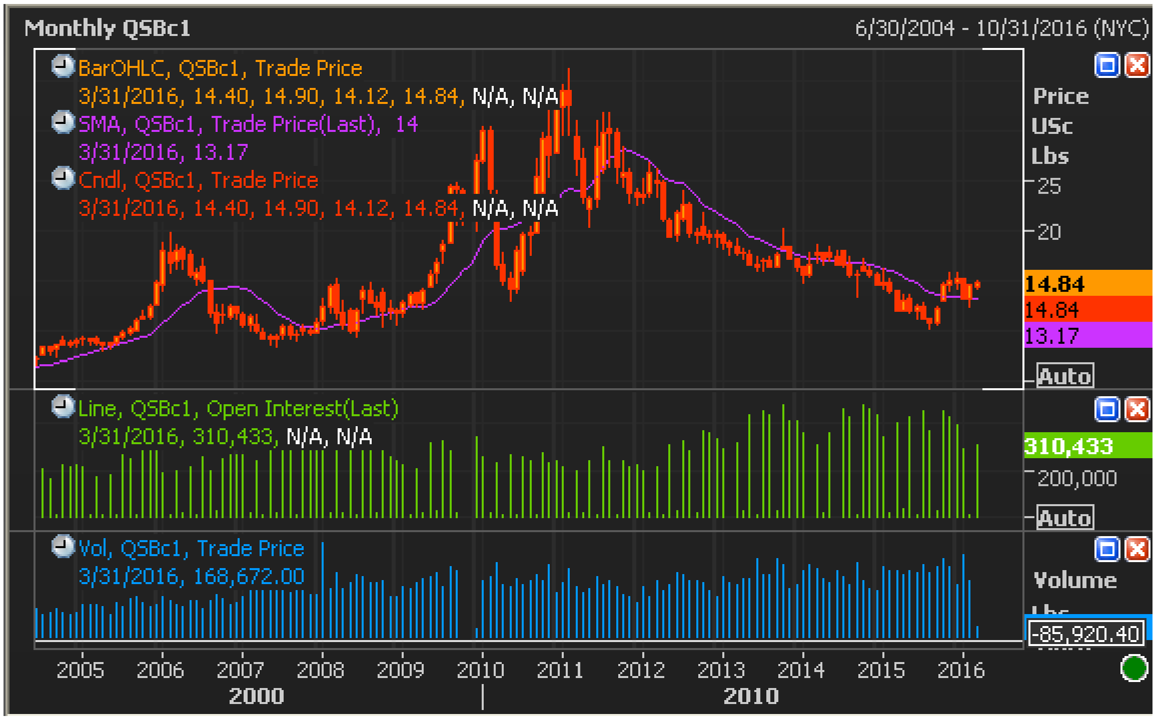
LIFFE Future Market Sugar Scenario (May'16 Contract)

Source: Reuters Eikon

As of **29th Feb, 2016,** prices of Refined Sugar London exchange traded at $406.9 per ton. On monthly chart, $369.8 per ton is the immediate support level; breach of the mentioned level would take the prices down to $336.6 per ton.

On the upper side, $436.3 and $471.4 per ton are the next resistance levels.

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



Source: Reuters Eikon

As of **<u>29th Feb 2016,</u>** ICE Raw sugar prices settled at 14.56 cents per lbs. On monthly chart, 12.24 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 10.73 cent per lbs.

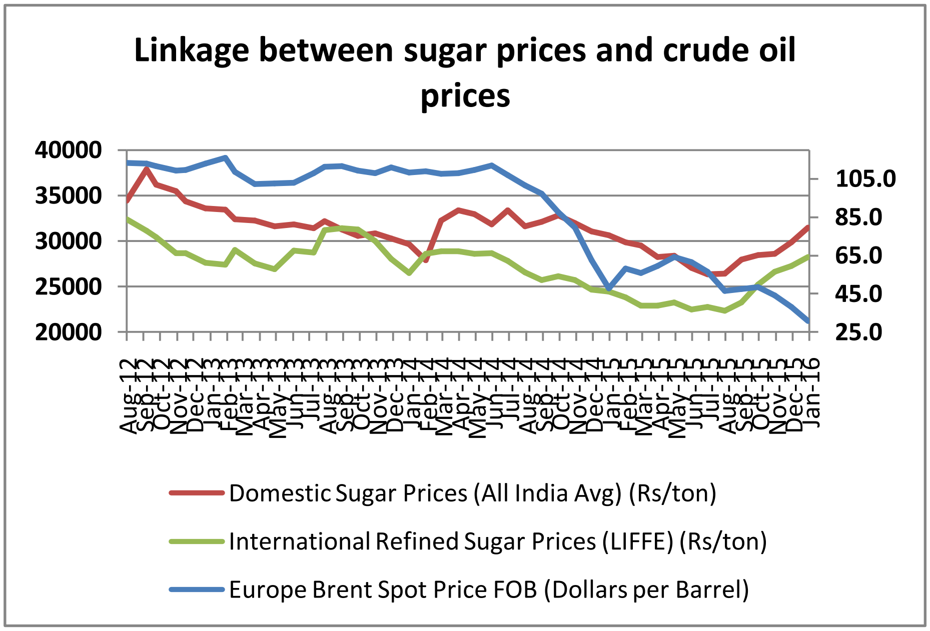
On the upper side, 15.27 and 16.38 cents per lbs are the resistance levels.

Linkage between sugar prices (domestic and international) & crude oil prices

Crude oil prices continued to slide down amidst global supply glut prevailing in the market. Besides, a paling consumption demand from countries like China, Russia and Brazil too supported the fall in prices.

On the other hand, international (white) sugar prices continued to surge as crushing operation almost winded up in the largest producer, Brazil.

Domestic sugar market too 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.



Gur Market Scenario

Spot gur mainly remained dormant with price declining in majority of the trading region. Prices of Mudde (Average) variety of gur from Bangalore fell by Rs 426/quintal this month from Rs 3607/quintal to Rs 3181/quintal. Similarly, prices of Kurikatu (Medium) variety of gur from Mandya fell by Rs 82/quintal to Rs Rs 2200/quintal in the month of February. Prices of Laddoo (Fresh) and ChakuSukha(Cold) variety of gur from from key Muzzafar Nagar market too fell by Rs 38 and Rs 24 per quintal to Rs 2545 and Rs 2566 per quintal respectively.

Spot Jaggery (Gur) Prices Scenario (Weekly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			Feb,16	Jan,16	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	2566	2591	-24
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	186000	141000	45000
	Muzaffarnagar	Khurpa (Fresh)	2414	2417	-3
	Muzaffarnagar	Laddoo (Fresh)	2545	2583	-38

	Muzaffarnagar	Rascut (Fresh)	2418	2410	9
	Hapur	Chaursa	2320	2345	-25
	Hapur	Balti	2260	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	3181	3607	-426
	Belgaum	Mudde (Average)	2388	2400	-13
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	2548	2561	-12
	Mahalingapura	Penti (Average)	2665	2649	16
	Mandya	Achhu (Medium)	2333	2377	-45
	Mandya	Kurikatu (Medium)	2200	2282	-82
	Mandya	Other (Medium)	2257	2255	2
	Mandya	Yellow (Medium)	2335	2377	-42
	Shimoga	Achhu (Average)	2760	2814	-54

Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			Feb,16	Jan,16	
Delhi	Delhi	M-Grade	3239	3186	53
	Delhi	S-Grade	3217	3150	67
Uttar Pradesh	Khatauli	M-Grade	3247	3181	66
	Ramala	M-Grade	NA	2999	-
	Dhampur	M-Grade Ex-Mill	3176	3075	101
	Dhampur	S-Grade Ex-Mill	3156	3055	101
	Dhampur	L-Grade Ex-Mill	3226	3125	101
Maharashtra	Mumbai	M-Grade	3352	3274	78
	Mumbai	S-Grade	3216	3154	61
	Nagpur	M-Grade	3200	3099	101
	Nagpur	S-Grade	3065	3015	50
	Kolhapur	M-Grade	3154	3070	84

	Kolhapur	S-Grade	3049	2970	79
Assam	Guhawati	S-Grade	3358	3278	80
Meghalaya	Shillong	S-Grade	3369	3290	79
Andhra Pradesh	Vijayawada	M-Grade	3447	3400	47
	Vijayawada	S-Grade	3287	3228	59
West Bengal	Kolkata	M-Grade	3337	3278	58
Tamil Nadu	Chennai	S-Grade	3041	3098	-57
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)					

International Sugar Prices (Monthly)				
	Contract Month	**29-Feb-16**	**29-Jan-16**	**Change**
ICE Sugar #11 (US Cent/lb)	**16-Mar**	14.36	13.08	1
	16-May	14.2	13.05	1
	16-Jul	14.31	13.24	1
LIFFE Sugar (US $/MT)	**16-May**	403.6	394.0	10
	16-Aug	400.0	386.1	14
	16-Oct	401.0	382.0	19

Indian Sugar Production Scenario Up to 29th February, 2016

States	Sugar Produced (Lakh Tons)	
	2015-16	**2014-15**
Maharashtra	70.40	74.78
Uttar Pradesh	53.65	49.59
Karnataka	36.07	33.11
Gujarat	9.20	8.47
A.P +Telangana	6.70	7.29
Tamil Nadu	5.30	4.78
Bihar	4.50	4.71
All India	**199.47**	**195.58**

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

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