Sugar & Gur Monthly Research Report

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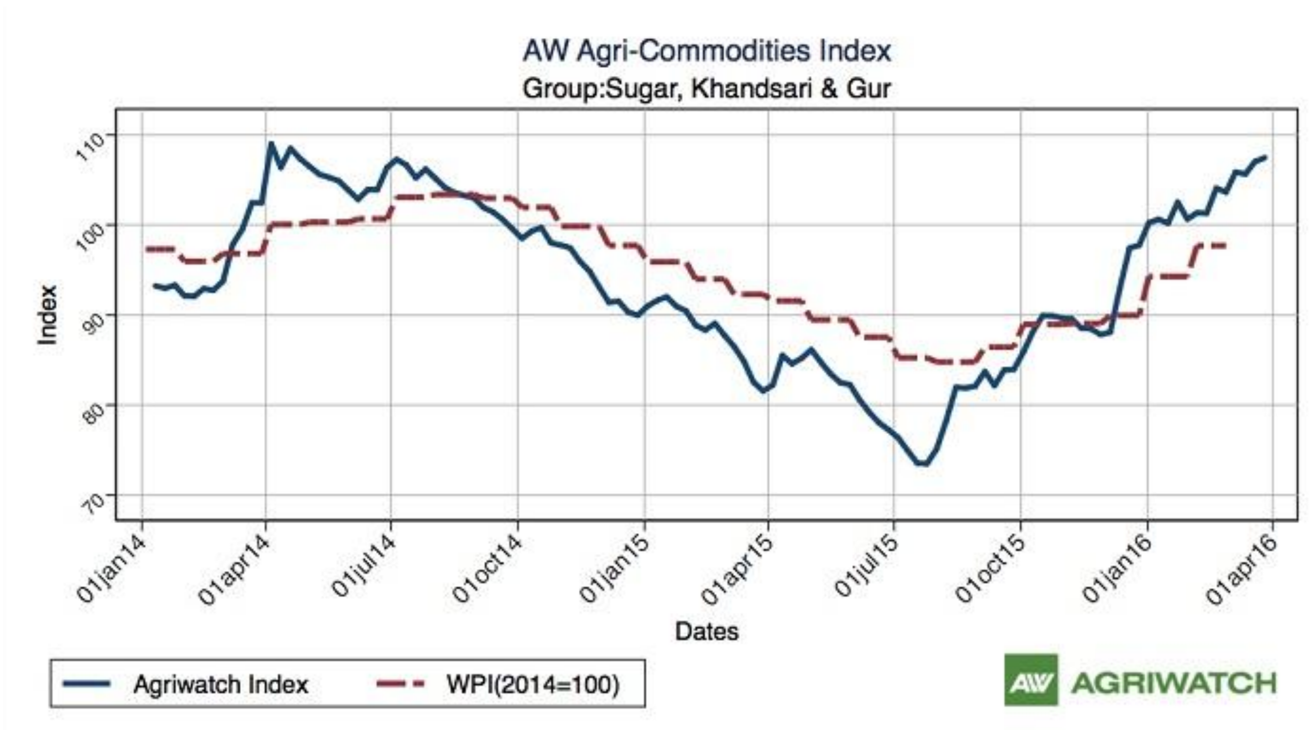
Domestic Sugar Market Summary

Spot sugar prices rose in the month of March amidst increased buying from stockiest and bulk consumers against restricted supplies from the domestic millers. In addition, reports of a global sugar supply deficit this marketing year too supported the upsurge in prices. While, as per the Agriwatch analysis; the percentage growth in sugar prices is expected to slow down soon amidst increased production from world's largest sugar producer, Brazil which had already started an early cane crushing for MY 2016-17.

Agriwatch Sweeteners (Sugar, Gur & Khandsari) Index– Mar 27, 2016



According to Agriwatch Sweeteners (Sugar, Gur & Khandsari) Index, sweeteners price rose by 0.41% during the week ending on Mar 26, 2016. Notably, the base for the Index is 2014 (= 100).

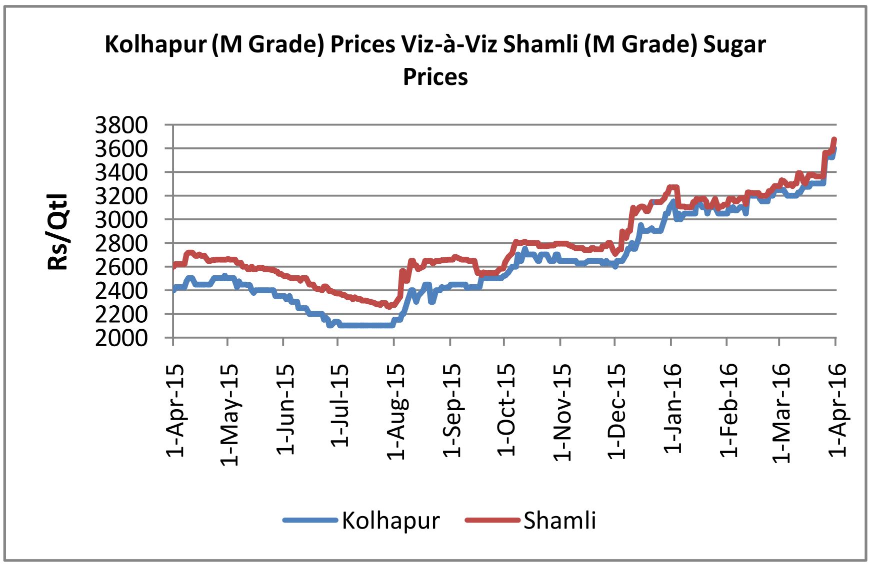
Price Projection for The Next Month

According to Agriwatch, the spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3275 - 3750 per quintal next month.

International Sugar Market Summary

Global sugar prices surged up during the month amidst a tighter supply outlook from top three leading producers, viz; Brazil, India and Thailand. In addition, a strengthening of Brazilian currency Real (against the U.S dollar) too supported this upsurge in prices as it discouraged the Brazilian sugar exporters to sell more of their produce in the world market.

Domestic Market Fundamentals



- Indian sugar export rose by 16% as the country exported 86 thousand tons of sugar this week (ending 20th March, 2016) compared to 73.9 thousand tons of exports made in the previous week.
- The Maharashtra govt. exempted purchase tax on sugarcane for millers in the state who would export 12% of their current season (sugar) output. Till now, the mills are supposed to pay purchase tax of 3% on the fair and remunerative price (FRP) which turns out equivalent to approx Rs 9 per quintal of sugarcane.
- As per the ISMA estimate, India is expected to export 1.9 – 2 million tons of sugar in 2015 -16 (01st Oct, 2015 – 30th Sep, 2016). Till date, 1.4 MT of export contracts have been already made with a likelihood of further 5 – 6 lakh tons of exports by September end of 2016.
- The Indian Sugar Mills Association (ISMA) revised its annual Indian sugar production forecast from 26 MT to 25.5 MT for this marketing year; 2015-16 (01st Oct, 2015 – 30th Sep, 2016). The revision had been primarily made after considering lower cane availability this year in the major growing areas.
- Indian Oil Marketing companies (OMCs) have been contracted for sale of over 136 crore litres of ethanol this MY i.e. 2015 -16. With this quantity of ethanol it is possible to attain the mandatory requirement of 5% ethanol blending with petrol.

- India had produced 221.30 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016) which was 0.12% lower than the sugar produced last year during the corresponding period.
- Sugar production fell by 8.68% in Maharashtra which produced 76.77 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016) compared to 84.07 lakh tons of sugar in 2014-15 (01st Oct, 2014 – 15th Mar, 2015).
- 85 sugar mills in U.P had produced 60.82 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016) which was 8.12% higher than the production made last year during the corresponding period.
- Sugar production in Karnataka rose by 2.08% as the state produced 38.79 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016) compared to 38 lakh tons of production made in 2014-15 (01st Oct, 2014 – 15th Mar, 2015).
- Andhra Pradesh & Telangana together produced 7.47 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016) while Tamil Nadu produced 6.8 lakh tons of sugar during the same interval.
- Gujarat, Bihar, Punjab and Haryana had produced 10.25 lakh tons, 4.94 lakh tons, 4.9 lakh tons and 4.2 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016).
- Uttarakhand and Madhya Pradesh had produced 2.38 lakh tons and 3.5 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016).
- India has contracted to sell 1.3 MT of sugar in 2015-16 (01st Oct, 2015 – 30th Sep, 2016) and has already exported 1 MT.
- The Commission for Agricultural Cost and Prices (CACP) has recommended a cane FRP (Fair Remunerative Price) of Rs 230/quintal for next MY 2016-17 (01st Oct, 2016 – 30th Sep, 2017) which is exactly the same as that fixed for 2015-16 (01st Oct, 2015 – 30th Sep, 2016).

Sugar Import/Export Opportunity

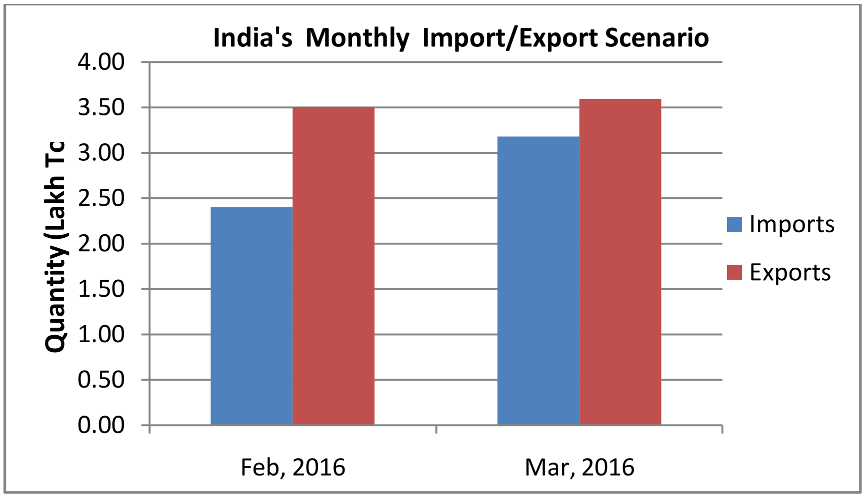
Indian indicative raw sugar CIF prices from Brazil quoted at $528.79 per ton (including 40% import duty) and Indian domestic Kolhapur based refined sugar FOB prices quoted at $539.40 per ton.

On International front, Brazil sugar FOB prices quoted at $447.70/ Ton.
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

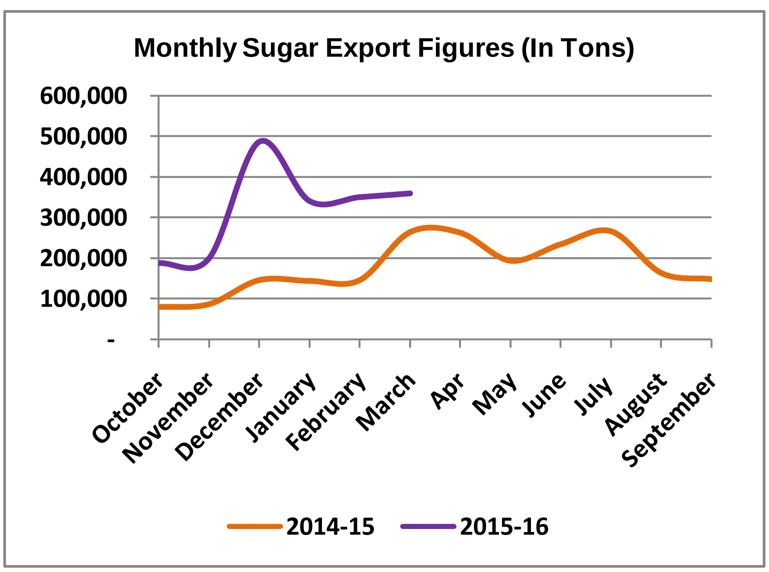
Indicative Sugar FOB Prices (USD/MT) ($=Rs.66.37) till 01st Apr, 2016			
	Brazil	**Thailand (100 Icumsa Mar Contract/45 Icumsa Spot)**	**India (100 Icumsa)**
Comparative Sugar FOB Prices	$444.70	$502.15/454.40	$539.40

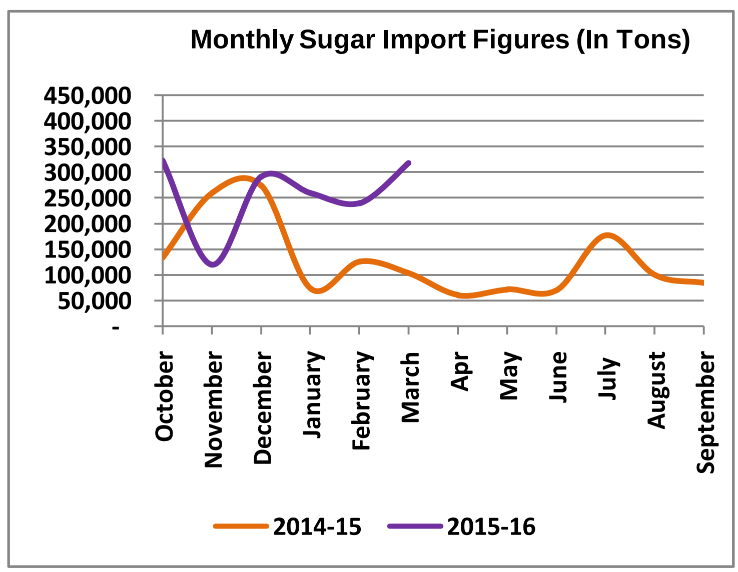
Sugar Import and Export Scenario

India exported 3.59 lakh tons of sugar while imported 3.18 lakh tons of sugar in March, 2016. However, the country exported 3.50 lakh tons of sugar in February, 2016 relative to 2.40 lakh ton of imports during the same period.



Indian sugar imports rose by 207.6% (when compared with the sugar imported last year in March, 2016) 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 re-exports the refined sugar to the nearby countries.





Domestic Sugar Market Technical Analysis (Future Market)

SUGAR Continuous Chart (C1)

Technical Commentary:

- Sugar prices, volume and O.I increased indicating long build up in the market.
- RSI is hovering in an over bought region.
- MACD signal line and center line denotes neutral hovering.

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Strategy: We advise market participants to Buy

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	3500	3550	3636	3800	3860
Intraday Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Sugar	NCDEX	C1 Chart	**Buy**	Above 3630	3730	3780	3570

Sugar Domestic Balance Sheet

(Lakh Ton)

		2014-15	2015-16*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
A	Carry in stock	39.94	64.21	64.21	246.18	192.08	113.63
B	Estimated sugar production	280.30	260.00	260.00	0.00	0.00	0.00
C	Imports	15.33	24.04	7.34	8.00	5.70	3.00
D	Estimated sugar availability (A + B + C)	335.57	348.25	331.55	254.18	197.78	116.63
E	Exports	21.36	33.22	8.72	11.00	7.50	6.00
G	Availability for domestic consumption (D - E)	314.21	315.03	322.83	243.18	190.28	110.63
H	Estimates sugar consumption	250.00	255.50	76.65	51.10	76.65	51.10
I	Carry out stock (G - H)	**64.21**	**59.53**	246.18	192.08	113.63	**59.53**

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

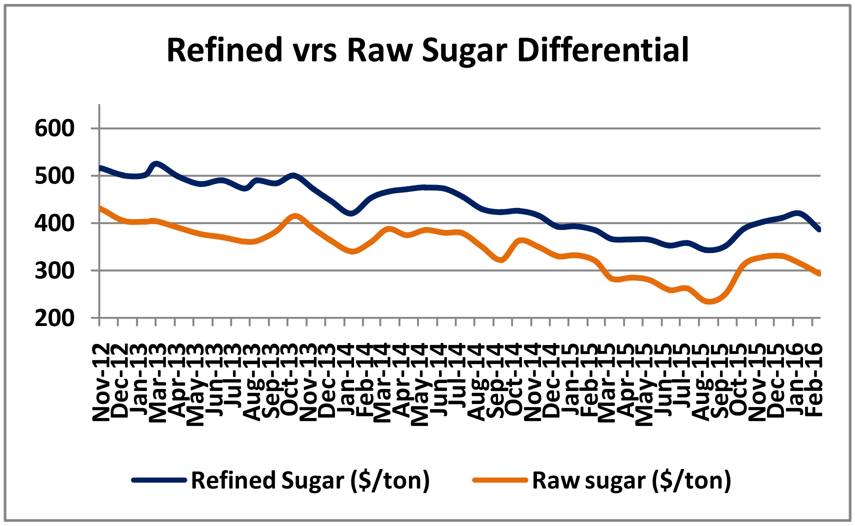
Sugar domestic balance sheet showed higher carry in stock for marketing year 2015-16 owing to surplus sugar production last year and a fall in exports.

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.

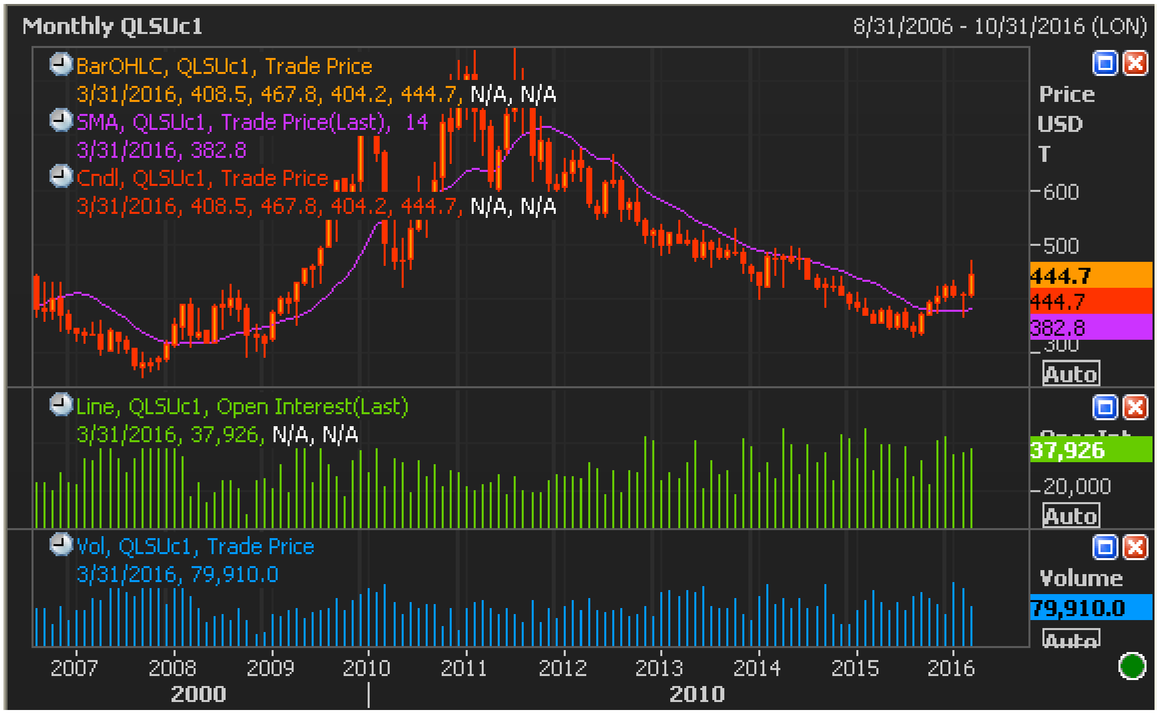
International Market Fundamentals

- With an early commencement of crushing operation for 2016-17 (01st Apr, 2016 – 31st Mar, 2017); Brazil's main centre south region had crushed 1.39 lakh tons of sugar in the first half of March, 2016.
- Platts Kingsman raised its global sugar supply deficit to 7.62 MT in 2015-16 amidst lower production figure received from India, Thailand and Northeast Brazil.
- Green Pool predicted a global sugar supply deficit of 6.65 MT in 2015 -16 and a deficit of 4.95 MT in 2016-17.
- Indonesia is expected to impose import permit of 9.68 lakh tons of raw sugar in the second quarter (April – June) of 2016 which is same as that imposed for the first quarter (January – March) of year.



- China's sugar import declined by 13.5% as the country imported 1.10 lakh tons of sugar in February, 2016 compared to 1.27 lakh tons of imports made in February, 2015. A surge in international sugar prices, restriction on import permits and growing stockpiles within the countries could be cited responsible for the fall in imports.
- Thailand's sugar export is expected to decline to 7.1 MT in 2016 on back of lower production supply (due to drought) and increased consumption demand within the country.
- The white sugar refining premium remained buoyant amid rising Chinese demand for the white sugar and restricted world supply of the commodity. In addition, the pre- Ramdan demand for the commodity too played an active role in raising the premium.
- F.O Licht raised its global sugar supply deficit forecast (from 6.5 MT to 7.2 MT) for 2015-16 on back of damage to the Chinese cane crop (due to frost) .
- An expected fall in sugar production in India and Thailand caused Rabobank to raise its global sugar supply deficit forecast to 6.8 MT in 2015-16.
- A depreciation of Brazilian currency real caused the country to export 2.27 MT of raw sugar in the month of February which was 77.4% higher than the exports made in the month of January.
- Many Brazilian states are making tax changes in the price of gasoline and ethanol; wherein the tax changes are moving in favor of latter while opposing the former. The changes had been primarily made to increase ethanol competitiveness (over gasoline) in the market so that more cane could be diverted towards ethanol production in the country.
- Australian sugar production is projected to increase by 6.25% in 2016-17 (from 4.8 MT in 2015-16) owing to 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.
- 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.
- International Sugar Organization (ISO) raised its global sugar deficit forecast from 3.5 MT to 5 MT in 2015-16 (01st Oct, 2015 – 30th 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.

LIFFE Future Market Sugar Scenario (May'16 Contract)

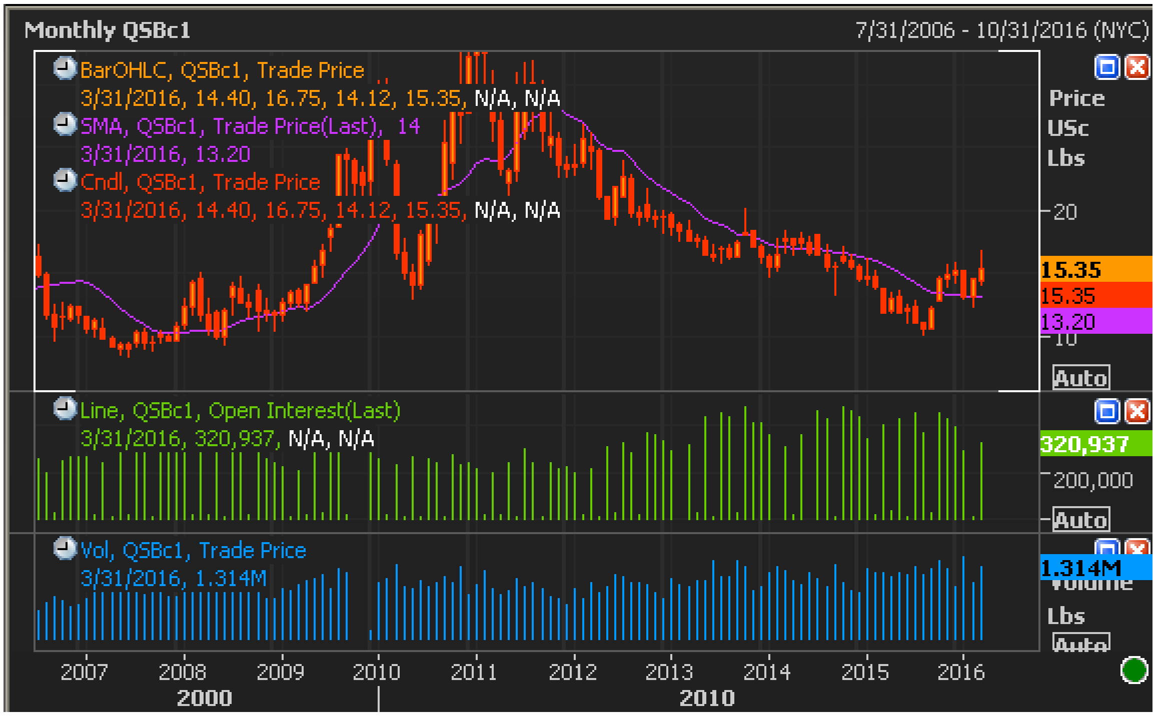


Source: Reuters Eikon

As of **<u>01st Apr, 2016,</u>** prices of Refined Sugar London exchange traded at $444.7 per ton. On monthly chart, $399.8 per ton is the immediate support level; breach of the mentioned level would take the prices down to $376.4 per ton.

On the upper side, $473.5 and $500.3 per ton are the next resistance levels.

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



Source: Reuters Eikon

As of **01st Apr 2016,** ICE Raw sugar prices settled at 15.35 cents per lbs. On monthly chart, 13.07 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 11.91 cent per lbs.

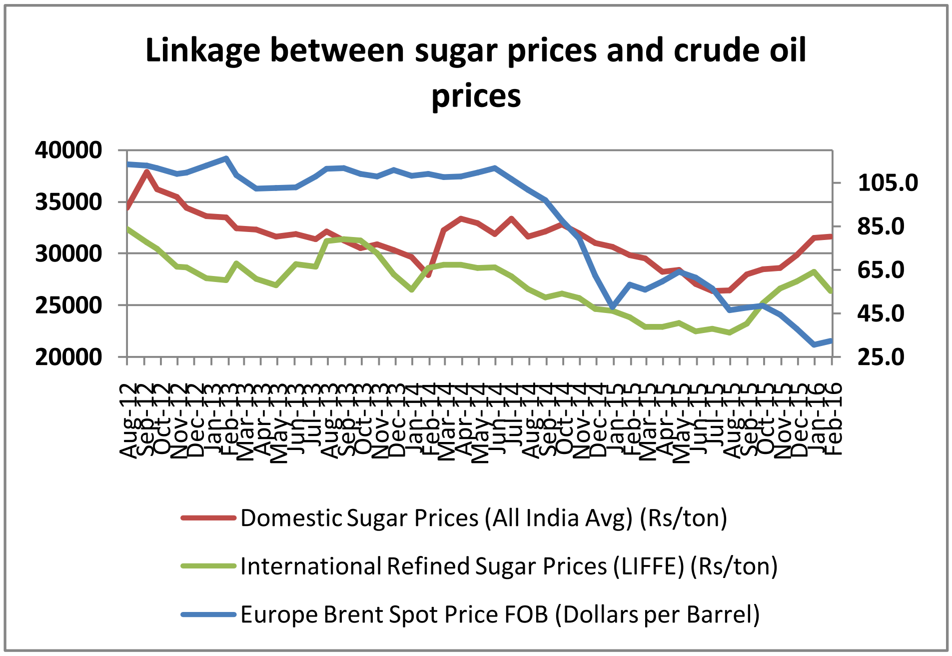
On the upper side, 17.18 and 19.42 cents per lbs are the resistance levels.

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

Crude oil (Europe Brent) spot prices increased by 4.82% from $30.7/bbl in January, 2016 to $32.2/bbl in February, 2016.

Domestic sugar market too remained buoyant in the month of February driven by pickup in demand from retailers and bulk consumers amidst thin supplies from mills.

On the other hand, international sugar prices fell in the month of February owing to a greater than expected late season sugar output in top producer, Brazil. In addition, a fall in global crude oil prices too led the Brazilian millers to divert more of their cane towards sugar production thus adding on to the available supplies.



Gur Market Scenario

Spot gur mainly remained buoyant with price rising in majority of the trading region. Prices of Penti (Average) variety from Mahalingapura rose by Rs457/quintal this month from Rs 2649/quintal to Rs 3106/quintal. Similarly, prices of Achhu (Medium) and Yellow (Medium) variety of gur from Mandya rose by Rs 400 and Rs 357 per quintal to Rs 2777 and Rs 2734 per quintal respectively.

However, prices of Mudde (Average) variety from Bangalore fell by Rs 350/quintal from Rs 3607/quintal to Rs 3257/quintal this month. Similarly, prices of Chaku Sukha(Cold) variety of gur from from key Muzzafar Nagar market fell from Rs 2591/quintal to Rs 2554/quintal this month.

Spot Jaggery (Gur) Prices Scenario (Weekly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			Mar,16	Feb,16	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2554	2591	-37
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	116000	141000	-25000
	Muzaffarnagar	Khurpa (Fresh)	2432	2417	15
	Muzaffarnagar	Laddoo (Fresh)	2586	2583	3
	Muzaffarnagar	Rascut (Fresh)	2458	2410	49
	Hapur	Chaursa	2416	2345	71
	Hapur	Balti	2395	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	3257	3607	-350
	Belgaum	Mudde (Average)	2425	2400	25
	Belthangadi	Yellow (Average)	2461	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	2570	2561	9
	Mahalingapura	Penti (Average)	3106	2649	457
	Mandya	Achhu (Medium)	2777	2377	400
	Mandya	Kurikatu (Medium)	2595	2282	314
	Mandya	Other (Medium)	2526	2255	272
	Mandya	Yellow (Medium)	2734	2377	357
	Shimoga	Achhu (Average)	2975	2814	161

Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			Mar,16	Feb,16	
Delhi	Delhi	M-Grade	3444	3239	**206**
	Delhi	S-Grade	3423	3217	**207**
Uttar Pradesh	Khatauli	M-Grade	3339	3247	**92**
	Ramala	M-Grade	3240	NA	**-**
	Dhampur	M-Grade Ex-Mill	3243	3176	**68**
	Dhampur	S-Grade Ex-Mill	3224	3156	**69**
	Dhampur	L-Grade Ex-Mill	3293	3226	**68**
Maharashtra	Mumbai	M-Grade	3471	3352	**120**
	Mumbai	S-Grade	3373	3216	**158**
	Nagpur	M-Grade	3300	3200	**100**
	Nagpur	S-Grade	3200	3065	**135**
	Kolhapur	M-Grade	3319	3154	**165**
	Kolhapur	S-Grade	3219	3049	**170**
Assam	Guhawati	S-Grade	3525	3358	**167**
Meghalaya	Shillong	S-Grade	**3533**	3369	**164**
Andhra Pradesh	Vijayawada	M-Grade	3603	3447	**155**
	Vijayawada	S-Grade	3443	3287	**155**
West Bengal	Kolkata	M-Grade	3559	3337	**223**
Tamil Nadu	Chennai	S-Grade	3157	3041	**116**
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3029	2835	**194**
	Ambikapur	S-Grade (Without Duty)	3027	2835	**192**
Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)					

International Sugar Prices (Monthly)				
	Contract Month	30-Mar-16	29-Feb-16	Change
ICE Sugar #11 (US Cent/lb)	16-May	15.87	14.36	2
	16-Jul	15.96	14.20	2
	16-Oct	16.08	14.31	2
LIFFE Sugar (US $/MT)	16-May	454.40	403.60	51
	16-Aug	448.50	400.00	49
	16-Oct	444.00	401.00	43

Indian Sugar Production Scenario Up to 15th March, 2016

States	Sugar Produced (Lakh Tons)	
	2015-16	2014-15
Maharashtra	76.77	84.07
Uttar Pradesh	60.82	56.25
Karnataka	38.79	38.00
Gujarat	10.25	9.50
A.P +Telangana	7.47	8.10
Tamil Nadu	6.80	6.20
Bihar	4.94	5.20
All India	**221.30**	**221.57**

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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