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# Sugar & Gur Monthly Research Report

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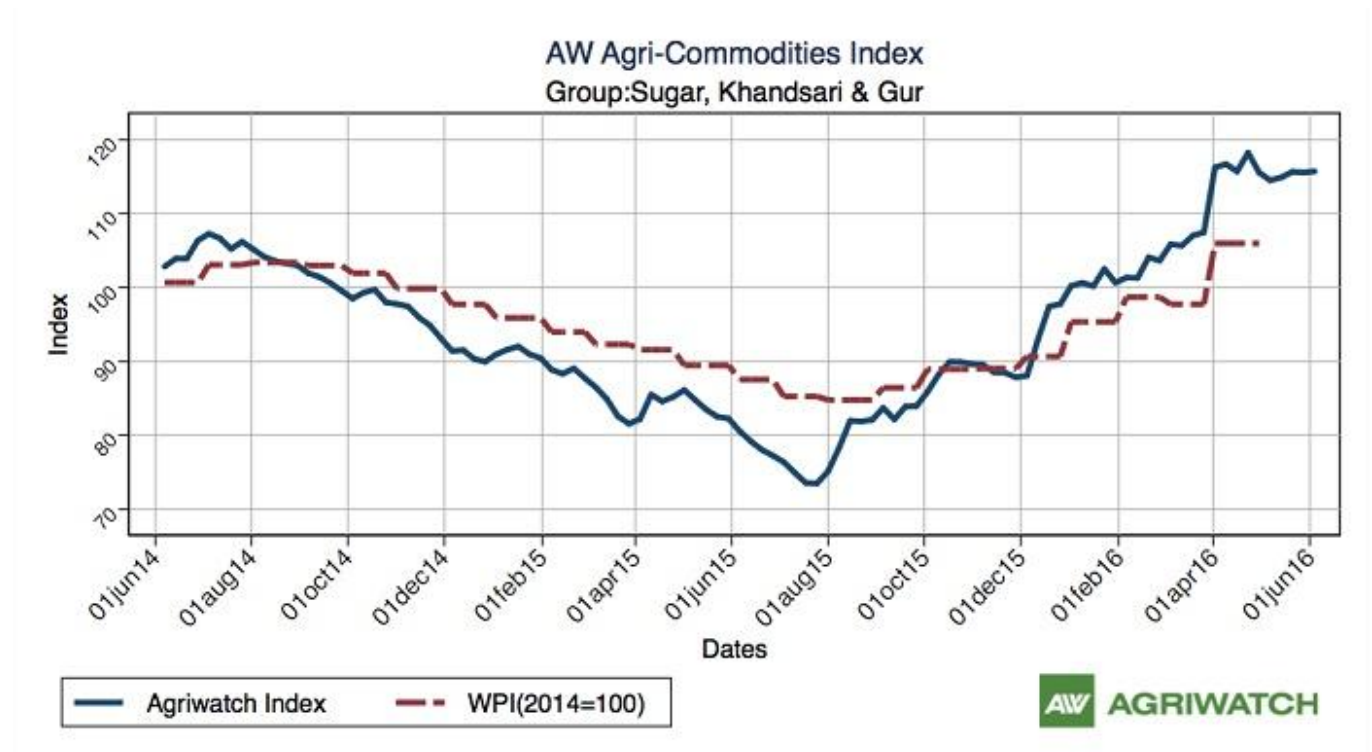
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## Domestic Sugar Market Summary

Spot sugar market remained dormant in the month of May amidst government decision to impose stock limit on sugar which restrict bulk buying from large traders and wholesalers. In addition the market was also flooded with the huge sugar supply that further inserted downward pressure on prices. However, according to Agriwatch, long term aspect of the sugar industry seems to be bullish with price expected to rise in future.

## Agriwatch Sweeteners (Sugar, Gur & Khandsari) Index– Jun 04, 2016



"Agriwatch has recently launched its AW Agri Commodity Indices to enable organizations access independent Indices to track and use to benchmark their purchases and sales. The Indices are based on the daily prices in the key benchmark markets for each commodity that AW has been covering for the past decade. The indices include an Aggregate Index, Category Indices and individual commodity indices. The weekly indices are free to access on our website [www.agriwatch.com](http://www.agriwatch.com). The daily indices are available on subscription. Please contact for more details."

According to Agriwatch, Sweeteners (Sugar, Gur & Khandsari) Index, sweeteners price rose by 0.13% to 115.71 during the week ending on Jun 04, 2016. Notably, the base for the Index is 2014 (= 100).

### Price Projection for The Next Month

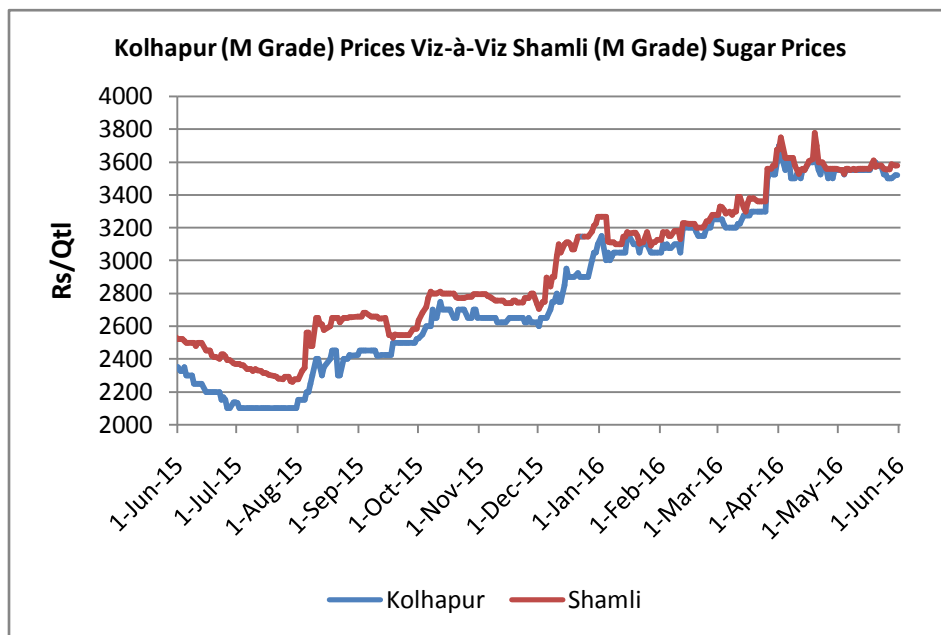
According to Agriwatch, the spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3200 - 3600 per quintal next month.

### International Sugar Market Summary

International sugar market remained buoyant in the month of May as rain slowed down cane harvesting and port handling in top producer/exporter Brazil. Also, as per the Agriwatch estimate prices are expected to surge up further amid forecast of heavy rainfall in main centre south region in the month of June.

### Domestic Market Fundamentals

- With a view to control soaring sugar prices, the govt. of India had allowed States to levy stock limit on sugar. And taking the initiative further, the Maharashtra govt. notified sugar stock limit of 500 MT and 50 MT respectively to the wholesalers and retailers in the State that needs to be implemented with an immediate effect from 29th April, 2016 to 25th October, 2016. As per the notification, any person or agency holding sugar stock up to the limit mentioned above has to clear the position within one month of receiving the stock.



- The Indian government had withdrawn its direct cane subsidy (of Rs 45/tons) support to the farmers which was initially introduced to promote sugar export from the country by lowering the burden of cane payment to those Indian sugar millers who export a certain amount of sugar abroad. But, with the withdrawal of the facility, the Indian sugar exports are expected to decline in the months ahead.

- With a view to combat a surge in sugar prices (due to reports of deficit in domestic and international sugar market) the Indian government is planning to lower the sugar import duty or even ban the sugar exports from the country (if need arises so) to maintain a supply balance within the country.
- India is soon expected to scrap its mandatory sugar export promotion scheme which made it mandatory for mills to export 3.2 MT of sugar during the year 2015-16. Lower sugar production estimate this year as well as next year could be cited responsible for the decision made. If implemented, the move is expected to bring down domestic sugar prices by increasing the domestic stock availability.
- As per the Agriwatch estimate, India is expected to produce 250 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 30th Sep, 2016) and India's sugar import is expected to rise to 24.79 lakh tons during the same period
- India produced 246 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 30th Apr, 2016) which was 10.87% lower than the sugar produced during the corresponding period last year. However, as per the Agriwatch estimates India is expected to produce 250 lakh tons of sugar during MY 2015-16.
- India's largest sugar producing State, Maharashtra produced 83.75 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 30th Apr, 2016) compared to 103.47 lakh tons of sugar produced during the corresponding period of last year.
- A lower cane crushing in U.P this year led the State to produce only 68 lakh tons of sugar (though achieved a higher recovery rate of 10.60%) in 2015-16(01st Oct, 2015 – 30th Apr, 2016) compared to 70.42 lakh tons of production made last year during the same interval.
- Sugar production in Karnataka fell by 16% as the State produced 40.37 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 30th Apr, 2016) compared to 48.06 lakh tons of production made during the corresponding period of last year.
- 35 sugar mills in Tamil Nadu had produced 10.50 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 30th Apr, 2016) which was 10.76% higher than the sugar produced during the corresponding interval last year.
- Gujarat, Uttarakhand, Bihar, Punjab, Haryana, M.P and Andhra Pradesh produced 11.60 lakh tons, 2.68 lakh tons, 5.01 lakh tons, 6.35 lakh tons, 5.40 lakh tons, 3.67 lakh tons and 8.10 lakh tons of sugar in 2015-16 (01<sup>st</sup> Oct, 2015 – 30<sup>th</sup> Apr, 2016).

### Sugar Import/Export Opportunity

Indian indicative raw sugar CIF prices from Brazil quoted at \$594.98 per ton (including 40% import duty) and Indian domestic Kolhapur based refined sugar FOB prices quoted at \$532.29 per ton.

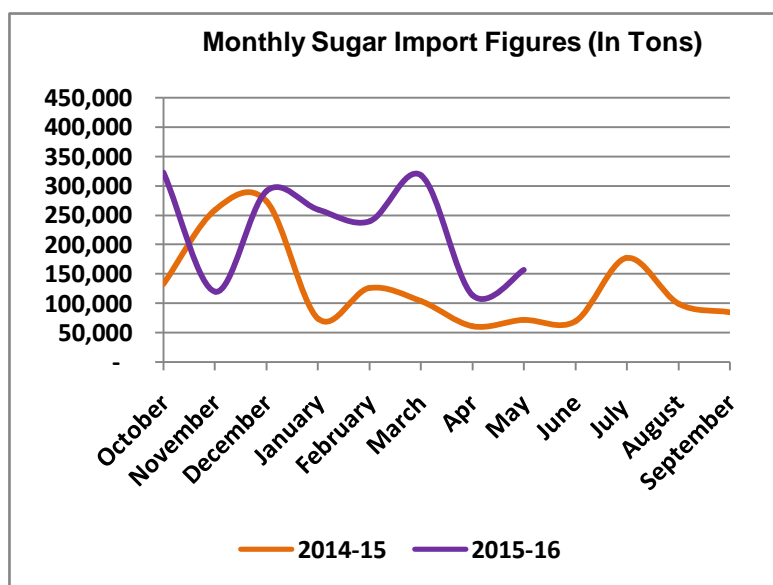
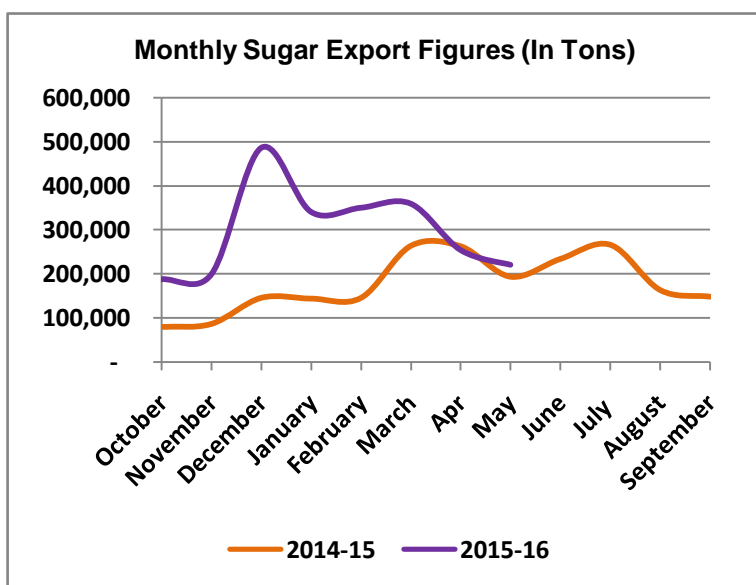
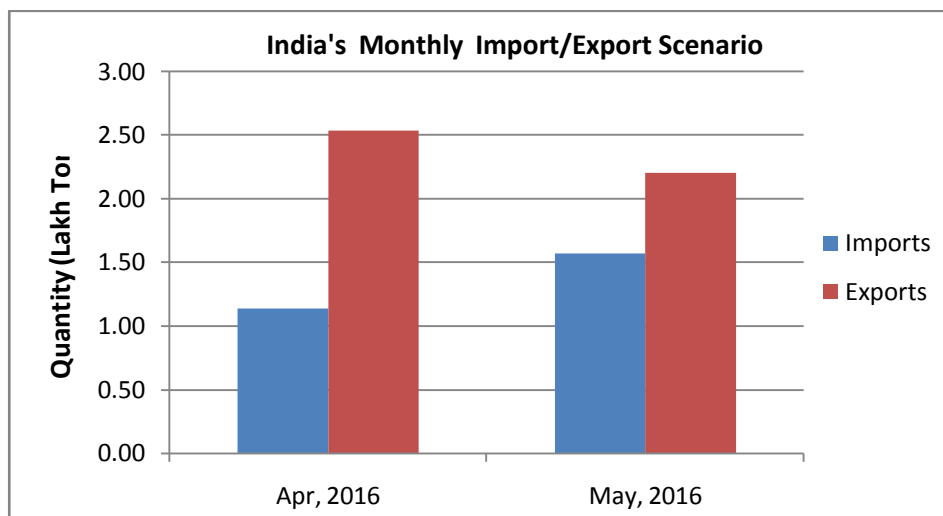
On International front, Brazil sugar FOB prices quoted at \$526.42/ Ton.

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

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.67.35) as on 01 Jun, 2016			
	Brazil	Thailand (100 Icumsa Aug Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$526.42	\$528.20/485.20	\$532.29

### Sugar Import and Export Scenario

India exported 2.20 lakh tons of sugar while imported 1.57 lakh tons of sugar in May, 2016. However, the country exported 2.53 lakh tons of sugar in April, 2016 relative to 1.57 lakh ton of imports during the same period.



Indian sugar exports fell by 13% this month amidst removal of government direct cane subsidy (of Rs 45/tons) support to the farmers which was initially introduced to promote sugar export from the country. In addition, reports of government plans to scrap the mandatory sugar export promotion scheme are also doing the rounds which further discouraged the Indian sugar exporters to trade.

**Domestic Sugar Market Technical Analysis (Future Market)**


**Technical Analysis - Sugar (M grade) Spot Market at Kolhapur market**


- Sugar spot prices at benchmark Kolhapur market closes at Rs 3520/quintal in the month of May.
- Next resistance and support level for the coming week has been seen at Rs 3615 and Rs 3470 per quintal.

**Sugar Domestic Balance Sheet**

(Lakh Ton)

		<b>2014-15</b>	<b>2015-16*</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sep</b>
A	Carry in stock	39.94	64.21	64.21	66.03	170.29	101.34
B	Estimated sugar production	280.30	250.00	79.85	157.15	10.00	3.00
C	Imports	15.33	24.79	7.34	8.75	5.70	3.00
D	Estimated sugar availability (A + B + C)	335.57	339.00	151.40	231.93	185.99	107.34
E	Exports	21.36	33.26	8.72	10.54	8.00	6.00
G	Availability for domestic consumption (D - E)	314.21	305.74	142.68	221.39	177.99	101.34
H	Estimates sugar consumption	250.00	255.50	76.65	51.10	76.65	51.10
I	Carry out stock (G - H)	<b>64.21</b>	<b>50.24</b>	66.03	170.29	101.34	<b>50.24</b>

**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.

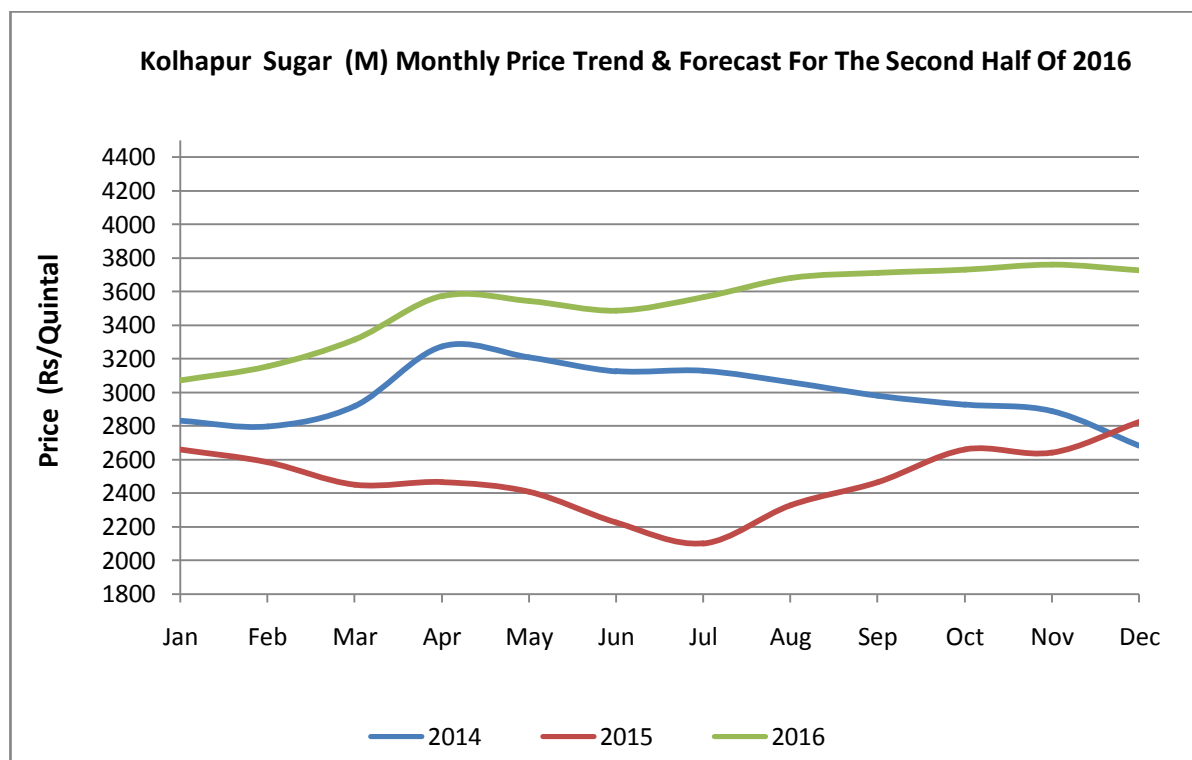
However, sugar production is expected to decline this year amidst lower production estimate in top producing States such as Maharashtra and Karnataka.

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



**Domestic Sugar (M- grade) Price Projection (Kolhapur Market) for next 5 months**

		(Rs/Quintal)
Current Average Price	May	3546
Projected Price	Jun	3488
	Jul	3566
	Aug	3682
	Sep	3712
	Oct	3730

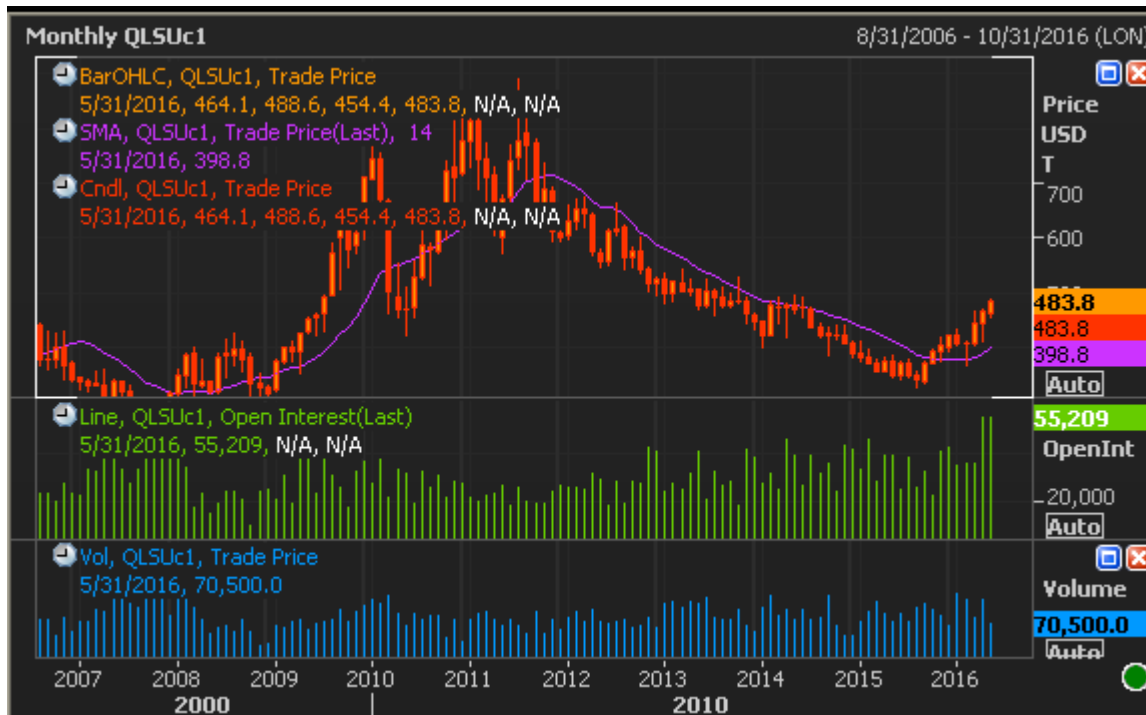


We expect domestic sugar prices to slid down slightly in the month of June as market could be supplied with sufficient sugar stock and a lower domestic demand (from the stockiest and bulk consumers). However, the trend is expected to turn upside soon from July onwards when we expect a shortage of sugar supply in the market.

## International Market Fundamentals

- Green Pool predicted a global sugar supply deficit of 8.51 MT in 2015-16 (October – September) and a deficit of 6.5 MT in 2016-17 (October – September) following a drop in sugarcane crop in India and Thailand due to the adverse El Nino effect.
- According to the latest data released by UNICA, Brazil's C.S region had crushed 1.81 MT of sugar in the second half of April, 2016 which was 71% higher than the sugar produced during the same interval last year. Relatively drier weather condition and larger participation of mills this year could be cited responsible for the surge made.
- FCStone raised its global sugar supply deficit forecast from 7 MT to 9.3 MT in 2015-16 (October, 2015 – September, 2016). However, the organization reduced the deficit forecast for 2016-17 (7.8 MT) on back of higher sugar production estimate next year in top producer Brazil.
- Kingsman predicted Brazil's C.S region to produce 36.4 MT of sugar next MY i.e. 2016 -17 (October- March) on back of a higher expected cane production during the year.
- Datagro predicted a global sugar supply deficit of 6.49 MT and 6.09 MT respectively in successive marketing year 2015-16 and 2016-17.
- The Thailand govt. had sold 72,000 tons of raw sugar to Bunge BG.N at a premium of 137 points over global futures via a tender.
- Favorable dry weather condition and a good harvest this year led Brazil to export 1.23 MT of raw sugar in April, 2016 compared to 0.62 MT of exports made last year in April, 2015.
- Indonesia's sugar production is expected to decline to 2.5 MT owing to El Nino related weather factors prevailing during the year 2016
- Indonesia is expected to impose import permit of 9.68 lakh tons of raw sugar in the second quarter (April – June) of 2016 which was same as that imposed for the first quarter (January – March) of year.
- 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.
- Many Brazilian States are making tax changes in the price of gasoline and ethanol; in which the tax changes are moving in favor of latter while not in favor of 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.

### LIFFE Future Market Sugar Scenario (Aug'16 Contract)

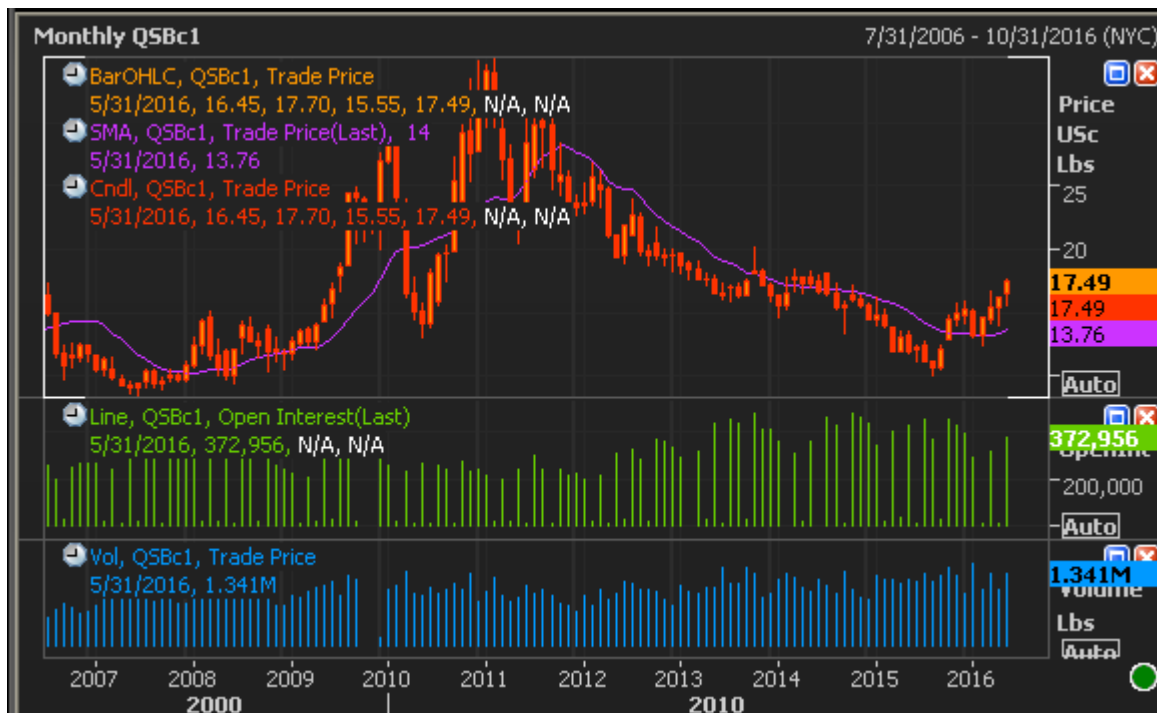


Source: Reuters Eikon

As on **01 Jun, 2016**, prices of Refined Sugar London exchange traded at \$483.8 per ton. On monthly chart, \$446.7 per ton is the immediate support level; breach of the mentioned level would take the prices down to \$424.1 per ton.

On the upper side, \$499.4 and \$519.0 per ton are the next resistance levels.

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



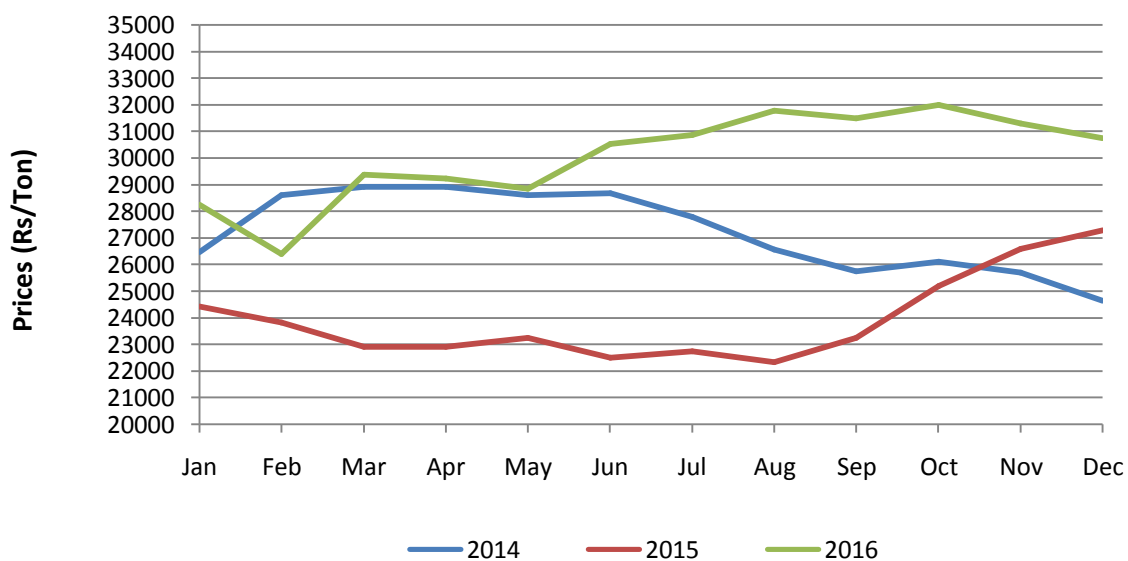
Source: Reuters Eikon

As on **01 Jun, 2016**, ICE Raw sugar prices settled at 17.49 cents per lbs. On monthly chart, 16.14 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 15.27 cent per lbs.

On the upper side, 18.00 and 18.86 cents per lbs are the resistance levels.

**International Refined Sugar Price Projection**

		(Rs/Ton)
Current Average Price	Apr	29222
Projected Price	May	28859
	Jun	30524
	Jul	30868
	Aug	31791
	Sep	31500

**International Refined Sugar Price Trend & forecast For The Second Half Of 2016**


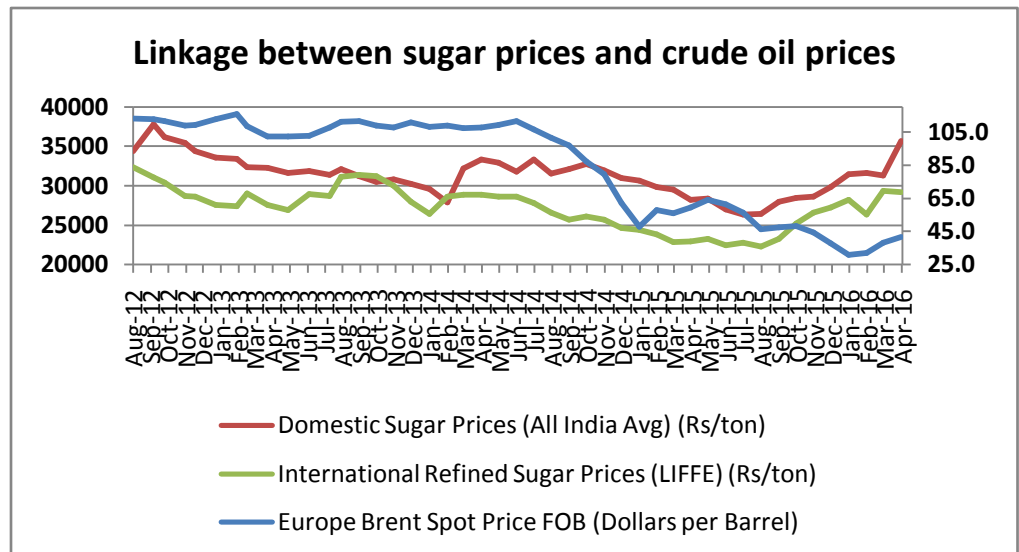
International refined sugar prices are expected to rise from June onwards as rain forecast during the period is expected which could disrupt cane harvesting and port loading in the main centre south Brazil.

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

Crude oil (Europe Brent) spot prices increased by 8.82% from \$38.2/bbl in March, 2016 to \$41.6/bbl in April, 2016 on back of slowing global oil production especially in Canada, Libya and Nigeria. In addition, U.S oil stockpiles are also reducing due to drilling cutback and surging refinery demand.

Similarly, domestic sugar prices surged in the month of April amidst spurt in demand on back of greater than expected global sugar deficit forecast for this year.

However, international sugar prices fell in the month of April amid sufficient supply from the world's biggest producer, Brazil.



### Gur Market Scenario

Mixed sentiments were recorded in spot gur market with price rising in some markets while declining in others. Prices of Achhu (Average) variety from Shimoga rose by Rs 391/quintal from Rs 3741/quintal to Rs 4132/quintal in the month of May, 2016. Prices of Chaku Sukha(Cold) variety of gur from key Muzzafarnagar market too rose by Rs 124/quintal this month on back of lower arrival in the market.

On the other hand, prices of Yellow (Average) variety of gur from Belthangadi fell by Rs 184/quintal from Rs 3284/quintal to Rs 3100/quintal this month. Similarly, prices of Achhu (Medium) and Yellow (Medium) variety of gur from Mandya fell by Rs 151 and Rs 129 per quintal to Rs 3113 and Rs 3046 per quintal respectively.

### Technical Analysis - Gur (Chaku) at Spot (Muzaffarnagar) market



- Prices of chaku variety of gur in key Muzaffarnagar market closed at Rs 3000/quintal in the month of May.
- Next resistance and support level for the coming month has been seen at Rs 3075 and Rs 2945 per quintal.

**Spot Jaggery (Gur) Prices Scenario (Weekly)**

<b>Spot Jaggery(Gur) Prices Scenario (Monthly-Average)</b>					
<b>Commodity</b>	<b>Centre</b>	<b>Variety</b>	<b>Prices (Rs/Qtl)</b>		<b>Change</b>
<b>Jaggery(Gur)</b>			<b>May,16</b>	<b>April,16</b>	
<b>Uttar Pradesh</b>	Muzaffarnagar	Chaku Sukha(Cold)	2980	2857	124
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	40500	109500	-69000
	Muzaffarnagar	Khurpa (Fresh)	2809	2704	104
	Muzaffarnagar	Laddoo (Fresh)	2980	2939	41
	Muzaffarnagar	Rascut (Fresh)	2568	2546	22
	Hapur	Chaurasa	2877	2672	205
	Hapur	Balti	2854	2670	184
<b>Maharashtra</b>	Latur	Lal Variety	NR	NR	-
<b>Karnataka</b>	Bangalore	Mudde (Average)	4000	3798	202
	Belgaum	Mudde (Average)	2836	2694	142
	Belthangadi	Yellow (Average)	3100	3284	-184
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	3587	3410	177
	Mahalingapura	Penti (Average)	3343	3448	-105
	Mandya	Achhu (Medium)	3113	3264	-151
	Mandya	Kurikatu (Medium)	2867	2800	67
	Mandya	Other (Medium)	2781	2844	-63
	Mandya	Yellow (Medium)	3046	3175	-129
	Shimoga	Achhu (Average)	4132	3741	391



Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			May,16	April,16	
Delhi	Delhi	M-Grade	3558	3613	-55
	Delhi	S-Grade	3540	3593	-53
Uttar Pradesh	Khatauli	M-Grade	3610	3637	-27
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3555	3555	-1
	Dhampur	S-Grade Ex-Mill	3535	3535	-1
	Dhampur	L-Grade Ex-Mill	3605	3605	-1
Maharashtra	Mumbai	M-Grade	3755	3754	1
	Mumbai	S-Grade	3643	3659	-16
	Nagpur	M-Grade	3666	NR	-
	Nagpur	S-Grade	3566	NR	-
	Kolhapur	M-Grade	3542	3573	-31
	Kolhapur	S-Grade	3442	3468	-26
Assam	Guhawati	S-Grade	3757	3784	-27
Meghalaya	Shillong	S-Grade	3762	3788	-26
Andhra Pradesh	Vijayawada	M-Grade	3909	3992	-83
	Vijayawada	S-Grade	3778	3834	-55
West Bengal	Kolkata	M-Grade	3748	3767	-19
Tamil Nadu	Chennai	S-Grade	3482	3570	-88
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3035	3039	-4
	Ambikapur	S-Grade (Without Duty)	3035	3036	-1
Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)					

International Sugar Prices (Monthly)				
	Contract Month	30-May-16	30-Apr-16	Change
ICE Sugar #11 (US Cent/lb)	Jul-16	17.520	16.16	1.36
	Oct-16	17.680	16.32	1.36
	Mar-17	17.95	16.59	1.36
LIFFE Sugar (US \$/MT)	Aug-16	485.20	467.40	17.80
	Oct-16	486.10	463.40	22.70
	Dec-16	486.20	462.30	23.90

**Indian Sugar Production Scenario Up to 30<sup>th</sup> April, 2016**

States	Sugar Produced (Lakh Tons)	
	2015-16	2014-15
Maharashtra	83.75	103.47
Uttar Pradesh	68.00	70.42
Karnataka	40.37	48.06
Gujarat	11.60	11.35
A.P +Telangana	8.10	8.80
Tamil Nadu	10.50	9.48
Bihar	5.01	5.23
<b>All India</b>	<b>246.03</b>	<b>276.04</b>

**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	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	2850

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