



Sugar & Gur Monthly Research Report

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Domestic Sugar Market Summary

Spot sugar prices rose in the month of June amid pickup in seasonal demand from retailers and bulk consumers such as soft-drink and ice-cream makers. In addition, buoyancy in international sugar market too supported the upsurge in domestic sugar market. Meanwhile, as per the Agriwatch analysis, long term aspect of the sugar industry seems to be bullish with price expected to rise further in future.

Agriwatch Sweeteners (Sugar, Gur & Khandsari) Index– Jul 02, 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. The daily indices are available on subscription. Please contact for more details."

According to Agriwatch, Sweeteners (Sugar, Gur & Khandsari) Index rose by 0.06% to 118.54 during the week ending on Jul 2, 2016. Notably, the base for the Index is 2014 (= 100).

Price Projection for The Next Month

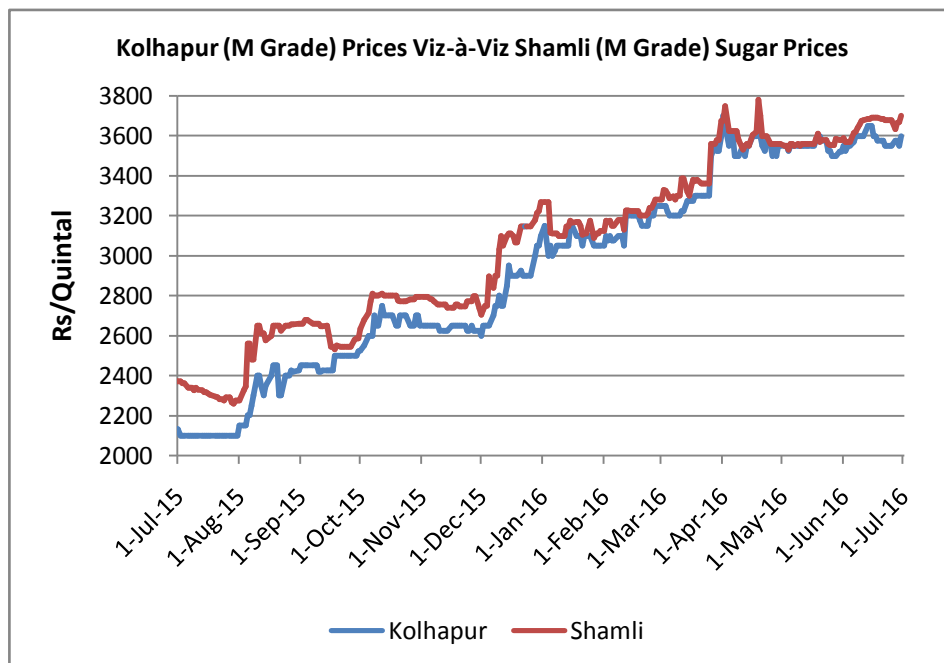
According to Agriwatch, the spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3500 - 3750 per quintal in the month of August.

International Sugar Market Summary

International sugar prices jumped up in the month of June on back of delayed harvest, rain and crop damaging frost in Brazil's main centre south region. In addition, rain also aggravated port congestion within the country which further led to an upsurge in prices. However, as per the Agriwatch estimate, prices are expected to slide down soon as we expect a favorable weather condition in main centre south region in the months ahead.

Domestic Market Fundamentals

- With a view to control soaring sugar prices and to contain the shipments from India, the Indian govt. had imposed an export duty of 20% on exports of sugar (raw, white or refined).
- The Karnataka govt. exempted purchase tax and cess (for the next two years i.e. till 31st March, 2018) for sugar millers in the State who comply with the payment of pending cane arrears to the farmers for the past three years i.e. 2013-14, 2014-15 and 2015-16. Notably, the Karnataka govt. generally levies a purchase tax of Rs 45/ton and Rs 35/ton on



sugarcane with a recovery rate of 10.5% and less than 10.5% respectively..

- On the recommendation of CACP (Commission for Agricultural Costs and Prices), the centre had fixed all India sugarcane FRP (Fair Remunerative Prices) at Rs 2300/ton for marketing year 2016-17 (October – September).
- Payment of pending cane arrears had been fastened this year in India and the sugar mills in the country had already paid 92% of their cane due of MY 2015-16 (now liable to pay only Rs 42.3 billion for this season) compared to a pending arrear of Rs 218 billion last year. Various government initiated schemes for timely and full payment to the farmers (along with Direct Benefit Transfer facility) could be cited responsible for the change made.
- To combat the problem of surging sugar prices in the country 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 implemented with 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 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.
- 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

Sugar Import/Export Opportunity

Indian indicative raw sugar CIF prices from Brazil quoted at \$607.82 per ton (including 40% import duty) and Indian domestic Kolhapur based refined sugar FOB prices quoted at \$534.85 per ton.

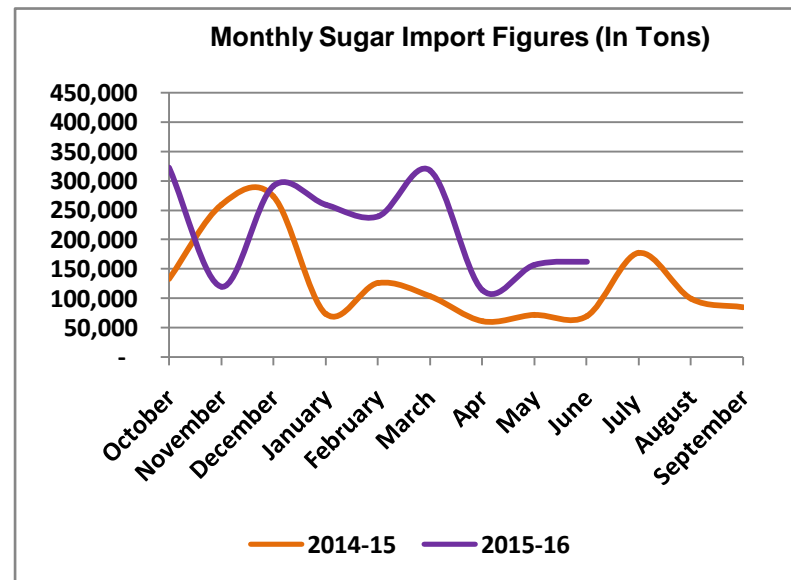
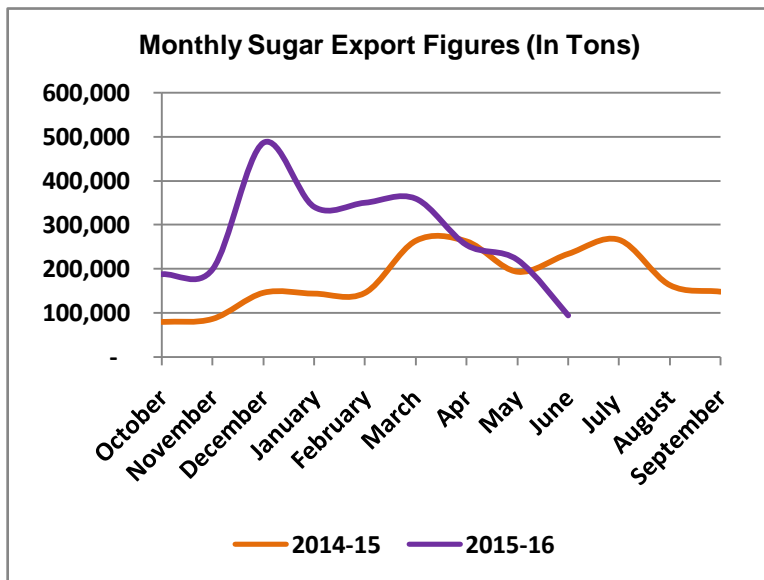
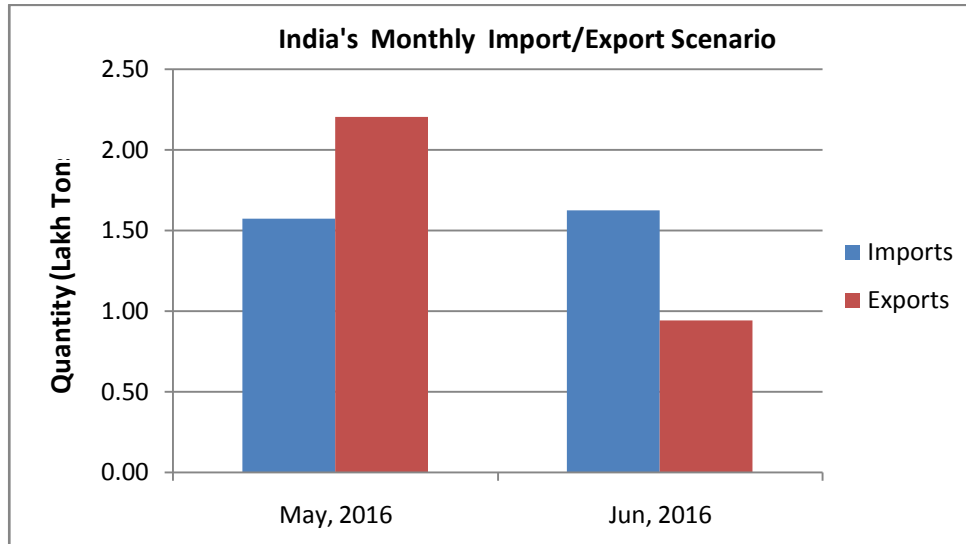
On International front, Brazil sugar FOB prices quoted at \$551.1/ Ton.

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

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.67.44) as on 01 Jul, 2016			
	Brazil	Thailand (100 Icumsa Aug Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$551.1	\$591.30/568.20	\$534.85

Sugar Import and Export Scenario

India exported 0.94 lakh tons of sugar while imported 1.62 lakh tons of sugar in June, 2016. However, the country exported 2.20 lakh tons of sugar in May, 2016 and imported 1.57 lakh ton of sugar during the same period last year.



Indian sugar exports fell by 57% in the month of June as the government imposed export duty of 20% on exports of sugar (raw, white or refined) which contain the shipments from India. Notably, the step was taken in wake of two consecutive droughts in the country which eventually hit sugarcane output in the country. On the other hand, reports of widening global sugar deficit this year and summer seasonal demand for the sweetener contributed to a surge in sugar imports during the month.

Domestic Sugar Market Technical Analysis (Future Market)


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


- Spot sugar prices at benchmark Kolhapur market closes at Rs 3600/quintal in the month of June.
- Next resistance and support level for the coming month has been seen at Rs 3700 and Rs 3500 per quintal.

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	66.03	170.29	101.64
B	Estimated sugar production	280.30	250.00	79.85	157.15	10.00	3.00
C	Imports	15.33	23.41	7.34	8.75	4.00	3.32
D	Estimated sugar availability (A + B + C)	335.57	337.62	151.40	231.93	184.29	107.96
E	Exports	21.36	30.26	8.72	10.54	6.00	5.00
G	Availability for domestic consumption (D - E)	314.21	307.36	142.68	221.39	178.29	102.96
H	Estimates sugar consumption	250.00	255.50	76.65	51.10	76.65	51.10
I	Carry out stock (G - H)	64.21	51.86	66.03	170.29	101.64	51.86

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

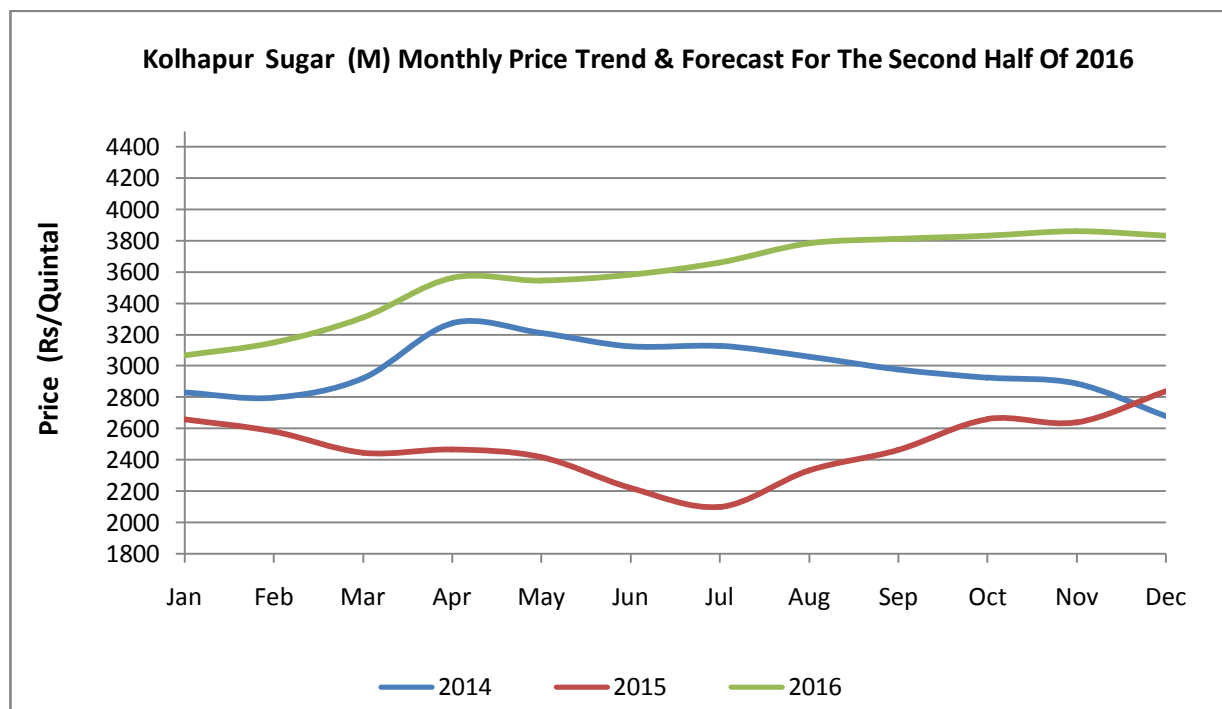
Sugar domestic balance sheet showed higher carry in stock for marketing year 2015-16 owing to surplus sugar production last year and a fall in exports.

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	Jun	3582
Projected Price	Jul	3662
	Aug	3783
	Sep	3812
	Oct	3831
	Nov	3863



Domestic sugar prices are expected to surge out soon as market is projected to face a supply shortage in a short while due to lower production estimate for the country this year

International Market Fundamentals

- Market player, Agroconsult predicted a higher cane crop of 640 MT in Brazil's C.S region for 2017-18 (against 628 MT for 2016-17) on back of an expanded planting and crop care next year in the region.
- As per the latest UNICA report, Brazil's centre south region had crushed around 32.43 MT of sugarcane in the second half of May, 2016 to produce 1.68 MT of sugar there on. However, the number seems to be a little disappointing when compared to the sugar produced during the first half of May, 2016, as rain in the later part of the month disrupted cane harvesting in the region.
- The Indonesian govt. issued import permit for shipment of one lakh ton of white sugar in between June – October, 2016.
- Rabobank increased its global sugar supply deficit forecast (from 6.8 MT to 8.5 MT) for 2015-16 amid lower than expected production figures received in major Asian countries such as India, Thailand and China.
- The Indonesian govt. had decided to increase its raw sugar import quota by 3.81 lakh tons this year, which was in addition to a previous quota made of 1.92 lakh tons. The decision has been taken particularly to stabilize the domestic sugar market which is facing a sugar supply shortage this year.
- 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.
- 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 an expected higher 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.
- 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.
- 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) .
- 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.

LIFFE Future Market Sugar Scenario (Aug'16 Contract)



Source: Reuters Eikon

As on **05 Jul, 2016**, prices of Refined Sugar London exchange traded at \$564.9 per ton. On monthly chart, \$528.1 per ton is the immediate support level; breach of the mentioned level would take the prices down to \$496.7 per ton.

On the upper side, \$587.4 and \$630.3 per ton are the next resistance levels.

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



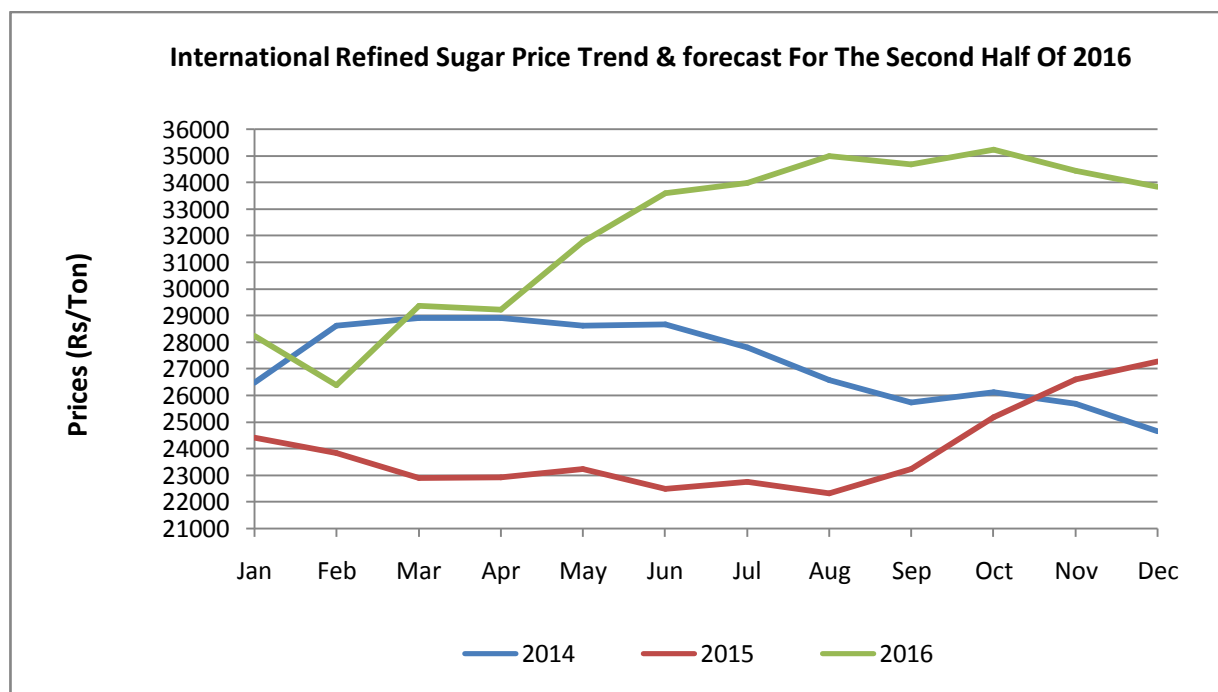
Source: Reuters Eikon

As on **05 Jul, 2016**, ICE Raw sugar prices settled at 20.78 cents per lbs. On monthly chart, 19.65 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 18.08 cent per lbs.

On the upper side, 22.14 and 23.28 cents per lbs are the resistance levels.

International Refined Sugar Price Projection

		(Rs/Ton)
Current Average Price	May	31773
Projected Price	Jun	33605
	Jul	33984
	Aug	35000
	Sep	34680
	Oct	35231



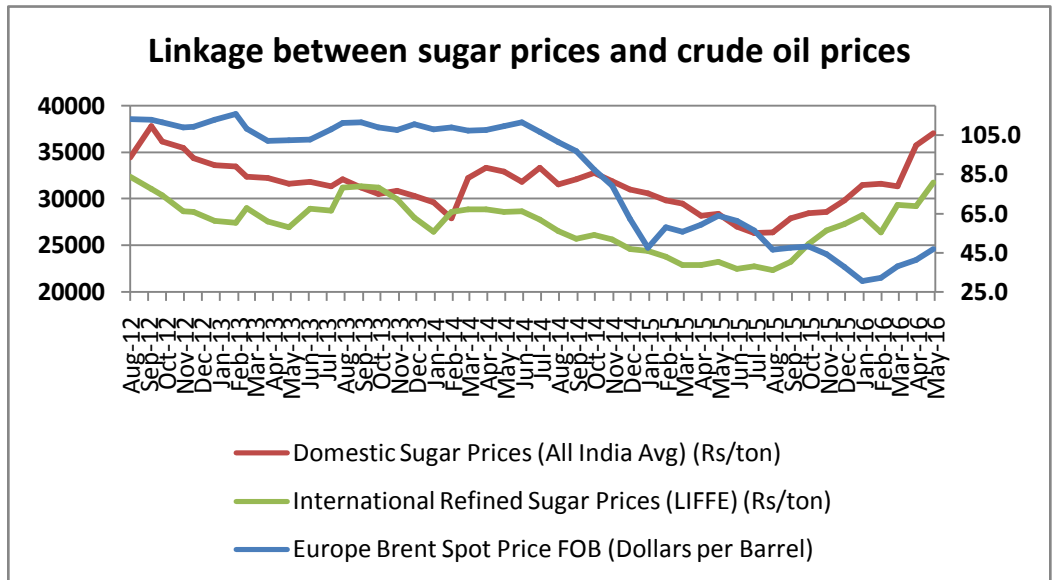
International refined sugar prices are expected to rise from June onwards as rain forecast during the period is expected which could disrupt cane harvesting and port loading in the main centre south Brazil.

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

Crude oil (Europe Brent) spot prices increased by 12.67% from \$41.6/bbl in April, 2016 to \$46.9/bbl in May, 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 market too traded firm amid summer seasonal demand for the product; however, the imposition of stock limit on sugar kept bulk buyers away from huge buying and thus capping the gain.

International sugar prices climbed in the month of May as the rain showers in top producer Brazil slowed down the pace of cane harvesting and aggravated port congestion within the country.



Gur Market Scenario

Spot gur market mainly remained buoyant with price rising in all the major markets except a few. Price of Yellow (Average) variety of gur from Belthangadi district of Maharashtra rose from Rs 3100/quintal to Rs 3989/quintal in the month of June. Similarly, prices of Laddoo (Fresh) and Rascut (Fresh) variety of gur from key Muzzaffarnagar market rose by Rs 208 and Rs 214 per quintal this month to Rs 3188/quintal and Rs 2781/quintal respectively.

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



- Prices of chaku variety of gur in key Muzaffarnagar market closed at Rs 3240/quintal for the month of June.
- Next resistance and support level for the coming month has been seen at Rs 3460 and Rs 2973 per quintal.

Spot Jaggery (Gur) Prices Scenario (Weekly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			June,16	May,16	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	3147	2980	167
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	40500	-
	Muzaffarnagar	Khurpa (Fresh)	2800	2809	-9
	Muzaffarnagar	Laddoo (Fresh)	3188	2980	208
	Muzaffarnagar	Rascut (Fresh)	2781	2568	214
	Hapur	Chaurasa	2891	2877	13
	Hapur	Balti	2936	2854	83
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4231	4000	231
	Belgaum	Mudde (Average)	3231	2836	396
	Belthangadi	Yellow (Average)	3989	3100	889
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	3642	3587	55
	Mahalingapura	Penti (Average)	3623	3343	279
	Mandya	Achhu (Medium)	3054	3113	-59
	Mandya	Kurikatu (Medium)	2885	2867	18
	Mandya	Other (Medium)	2838	2781	57
	Mandya	Yellow (Medium)	3044	3046	-2
	Shimoga	Achhu (Average)	4311	4132	179

Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			June,16	May,16	
Delhi	Delhi	M-Grade	3675	3558	116
	Delhi	S-Grade	3654	3540	114
Uttar Pradesh	Khatauli	M-Grade	3699	3610	88
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3648	3555	94
	Dhampur	S-Grade Ex-Mill	3628	3535	94
	Dhampur	L-Grade Ex-Mill	3698	3605	94
Maharashtra	Mumbai	M-Grade	3794	3755	39
	Mumbai	S-Grade	3641	3643	-2
	Nagpur	M-Grade	3707	3666	40
	Nagpur	S-Grade	3607	3566	41
	Kolhapur	M-Grade	3582	3542	40
	Kolhapur	S-Grade	3482	3442	40
Assam	Guhawati	S-Grade	3798	3757	40
Meghalaya	Shillong	S-Grade	3802	3762	40
Andhra Pradesh	Vijayawada	M-Grade	3914	3909	5
	Vijayawada	S-Grade	3814	3778	35
West Bengal	Kolkata	M-Grade	3830	3748	82
Tamil Nadu	Chennai	S-Grade	3429	3482	-53
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3035	3035	Unch
	Ambikapur	S-Grade (Without Duty)	3035	3035	Unch
Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)					

International Sugar Prices (Monthly)				
	Contract Month	30-Jun-16	30-May-16	Change
ICE Sugar #11 (US Cent/lb)	Oct-16	20.82	17.520	3.30
	Mar-17	21.01	17.680	3.33
	May-17	21.02	17.95	3.07
LIFFE Sugar (US \$/MT)	Aug-16	568.20	485.20	83.00
	Oct-16	565.00	486.10	78.90
	Dec-16	561.20	486.20	75.00

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

State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
India (FRP)	1298	1391	1450	1700	2100	2200	2300
UP	2300	2050	2400	2800	2800	2800	2800
Maharashtra	2264	2000	1800-2050	2100-2500	2360	-	-
Punjab	2080	2120	2200	2400	2800	2850	2800-2950
Haryana	2450	2150	2210	2710	2950	3050	3000-3100
Gujarat	2450	1500-1700	-	2500	-	-	-
Andhra Pradesh	1885	1800-2000	2000	2500	2600	-	2360-2400
Karnataka	2400	1740	2000	2400	2500	2500	2300 -2625
Tamil Nadu	1663	1948	2100	2350	2550	2650	2850



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