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# Sugar & Gur Monthly Research Report

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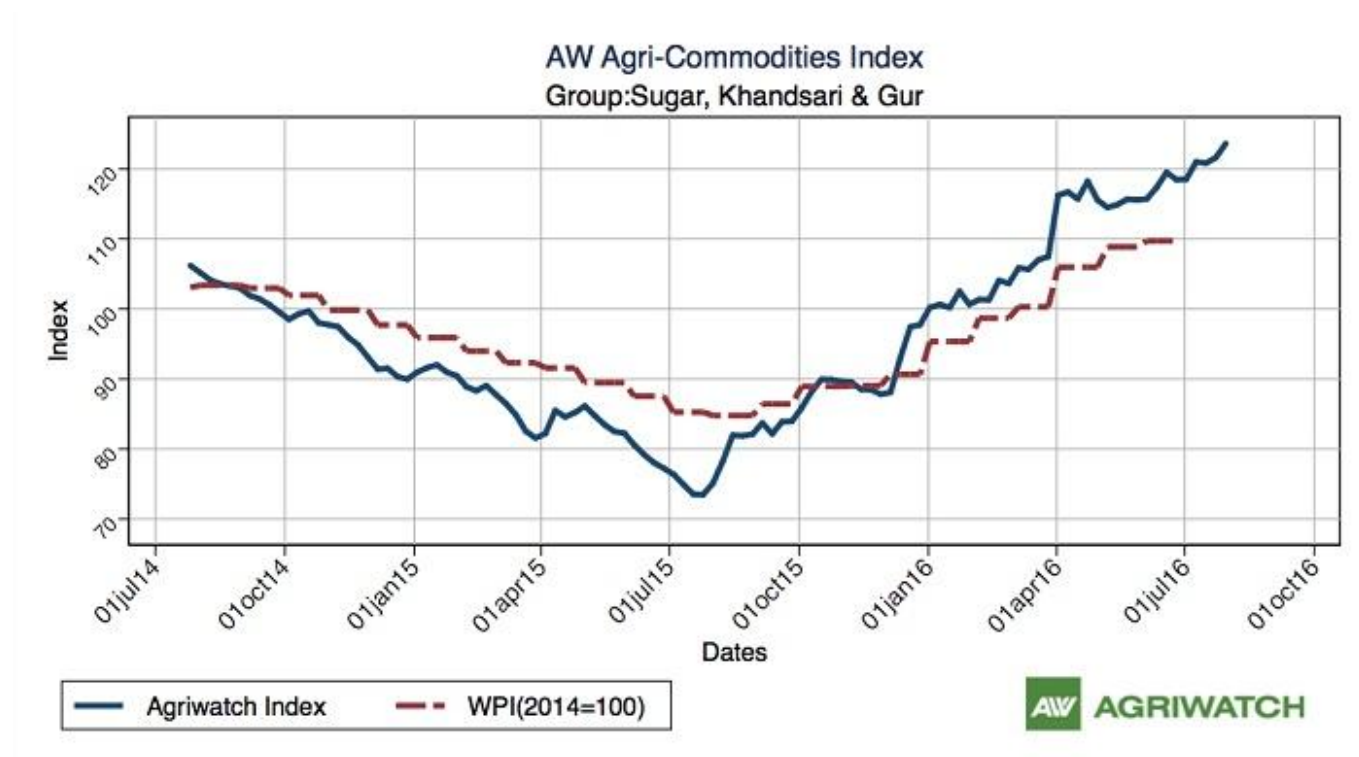
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## Domestic Sugar Market Summary

Spot sugar prices in benchmark Kolhapur market rose in the month of July amid thin supply from mills and a surge in domestic sugar demand (particularly from retailers, stockiest and bulk consumers). Agriwatch also estimates sugar prices to trade steady to firm in the coming few weeks.

## Agriwatch Sweeteners (Sugar, Gur & Khandsari) Index– Jul 30, 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 rose by 1.65% to 123.63 during the week ending on Jul 30, 2016. Notably, the base for the Index is 2014 (= 100).

### Price Projection for The Next Month

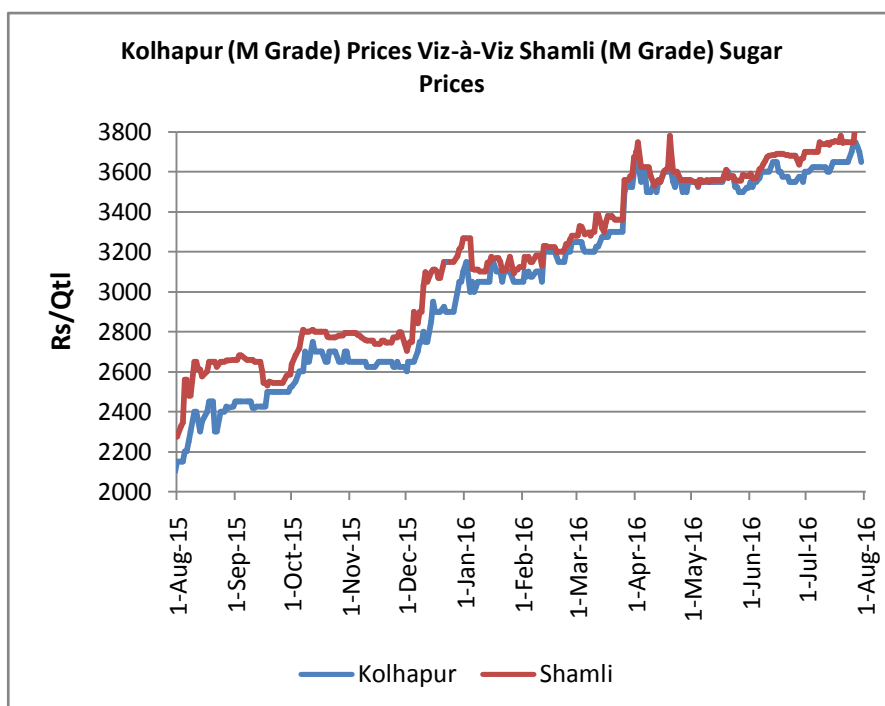
According to Agriwatch, the spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3600 - 3800 per quintal in the month of August.

### International Sugar Market Summary

International sugar prices came down in the month of July as a favorable dry weather supported brisk cane harvesting in Brazil's main centre south region. Also, as per the Agriwatch estimate, prices are expected to remain steady to low in the coming month.

### Domestic Market Fundamentals

- As per the weekly planting report by Ministry of Agriculture, the total sown area under sugarcane cultivation in India had reached 45.41 lakh hectares in 2016-17 (till 22nd July, 2016) compared to 47.40 lakh hectares in 2015-16 (till 22nd July, 2015). However, as per the Agriwatch estimate, the country is expected to sow 47.60 lakh hectares of area under sugarcane cultivation during 2016-17.
- The Indian govt. had cut down its export duty exemption on organic sugar to 2,500 tons for MY 2015-16. Notably, the govt. had earlier exempted export duty on 10,000 ton of organic sugar in March, 2011. The move is likely to restrict greater sugar export from the country and thus will help in lowering down the domestic prices.



- As per the Agriwatch estimate, India is expected to produce 23.64 MT of sugar in 2016-17, where in Maharashtra, U.P and Karnataka are expected to produce 6.5 MT, 7.7 MT and 3.2 MT of sugar respectively.
- ISMA predicted India's sugar production to decline to 23.26 MT in 2016-17 amid falling cane acreage (due to draught) in major growing areas of Maharashtra and Karnataka. Notably, ISMA predicted Maharashtra and Karnataka to produce 6.15 MT and 3.22 MT of sugar in 2016-17 compared to 8.40 MT and 4.07 MT of production respectively in 2015-16.
- With adequate rainfall this season and an improvement in expected yield; ISMA projected Uttar Pradesh and Tamil Nadu to produce 7.54 MT and 1.56 MT of sugar in 2016-17 which is 10.5% and 11.9% higher than the sugar produced last year by these two States.
- Sugar mills in India had paid approximately 92% of their cane due for MY 2015-16 ( 01st October, 2015 – 30th September, 2016) and are now liable to pay only Rs 42.3 billion for this season compared to a pending arrear of Rs 218 billion last year.
- 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 Govt of Karnataka 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).

### Sugar Import/Export Opportunity

Indian indicative raw sugar CIF prices from Brazil quoted at \$648.34 per ton (including 40% import duty) and Indian domestic Kolhapur based refined sugar FOB prices quoted at \$549.68 per ton.

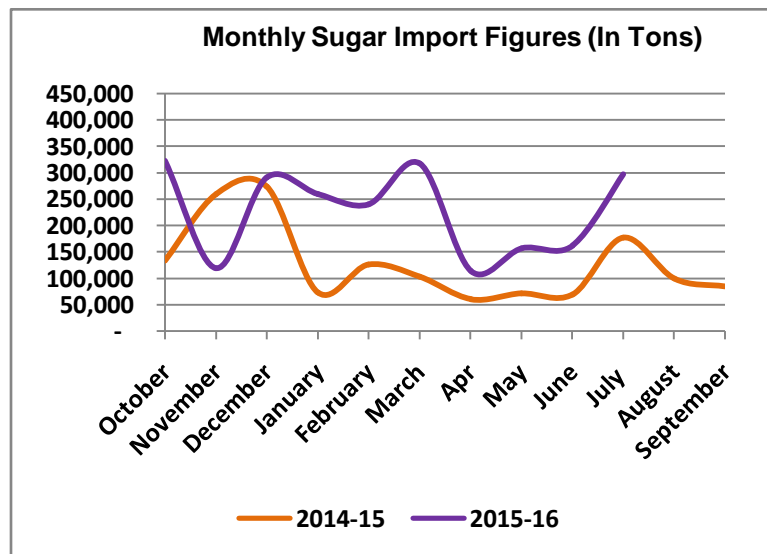
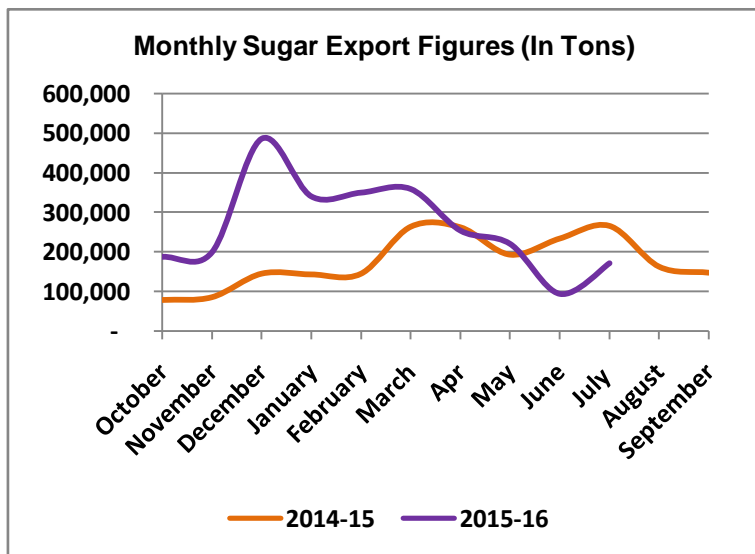
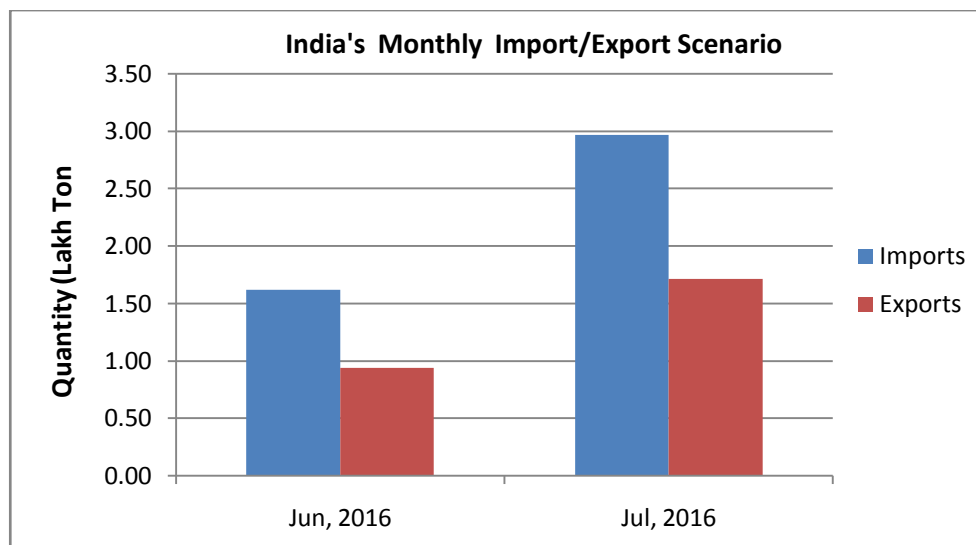
On International front, Brazil sugar FOB prices quoted at \$542.7/ Ton.

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

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.67.13)			
	Brazil	Thailand (100 Icumsa Oct Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$542.7	\$582.20/528.40	\$549.68

### Sugar Import and Export Scenario

India exported 1.71 lakh tons of sugar while imported 2.97 lakh tons of sugar in July, 2016. However, the country exported 0.94 lakh tons of sugar in June, 2016 and imported 1.62 lakh ton of sugar during the same period last month.



Whilst, a y-o-y comparison shows that the country's sugar export rose by 83% from 0.93 lakh tons last year in July, 2015. Notably, Djibouti, Myanmar and Sudan were amongst the top sugar importing nations from India, who imported 45.6 thousand tons, 39.3 thousand tons and 25.5 thousand tons of sugar respectively in the month of July.

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



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


- Spot sugar prices at benchmark Kolhapur market closed at Rs 3650/quintal in the month of July.
- Next resistance and support level for the coming month has been seen at Rs 3772 and Rs 3547 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	102.29
B	Estimated sugar production	280.30	250.00	79.85	157.15	10.00	3.00
C	Imports	15.33	23.74	7.34	8.75	4.33	3.32
D	Estimated sugar availability (A + B + C)	335.57	337.95	151.40	231.93	184.62	108.61
E	Exports	21.36	29.94	8.72	10.54	5.68	5.00
G	Availability for domestic consumption (D - E)	314.21	308.01	142.68	221.39	178.94	103.61
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>52.51</b>	66.03	170.29	102.29	<b>52.51</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.

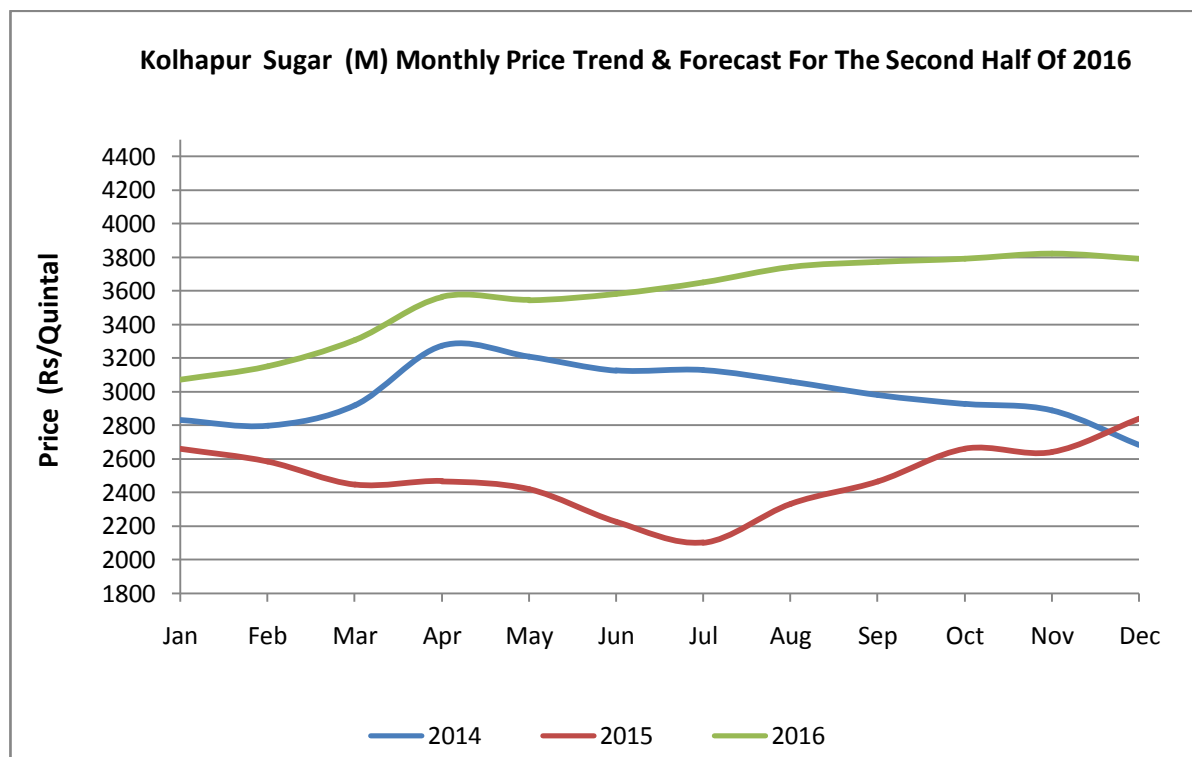
However, sugar production is expected to decline this year amidst lower production estimate in top producing States such as Maharashtra and Karnataka.

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	Jul	3649
Projected Price	Aug	3744
	Sep	3773
	Oct	3792
	Nov	3823
	Dec	3792



Domestic sugar prices are expected to surge further due to lower production estimate this year both in India and international market.

## International Market Fundamentals

- Datagro lowers its 2016-17 sugar production forecast (34.7 MT) for Brazil's C.S region amidst a drier than average weather condition (prevailed during March to June) that could have affected cane crop yield in the region. However, as per the Agriwatch estimate, Brazil's C.S is expected to produce 34 MT of sugar in 2016-17 (April- March).
- Platts Kingsman reduced its global sugar deficit forecast (2016-17) from 7.3 MT to 6.28 MT on back of lower consumption demand from Iran. However, as per the Agriwatch estimate global sugar supply deficit is expected to be around 5.3 MT in 2016-17 (October – September).
- Brazil's main centre south region crushed 47.89 MT of sugarcane in the second half of June, 2016 and thus obtained 2.79 MT of sugar thereon.
- Thailand's sugar production fell by 5.83% in 2015-16 (November – June) and the country produced only 9.7 MT of sugar this season as drought hit cane production and productivity within the country.
- Sucden predicted a global sugar supply deficit of 3 MT in 2016-17 compared to a deficit of 5 MT in 2015-16.
- Czarnikow predicted global sugar supply deficit of 12.5 MT in 2015-16 while a deficit of 9.8 MT in 2016-17.
- 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.
- The Indonesian govt. issued import permit for shipment of one lakh ton of white sugar 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.
- 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 (Oct'16 Contract)



Source: Reuters Eikon

As on **05 Aug, 2016**, prices of Refined Sugar London exchange traded at \$542.7 per ton. On monthly chart, \$523.6 per ton is the immediate support level; breach of the mentioned level would take the prices down to \$507.2 per ton.

On the upper side, \$561.3 and \$599 per ton are the next resistance levels.

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



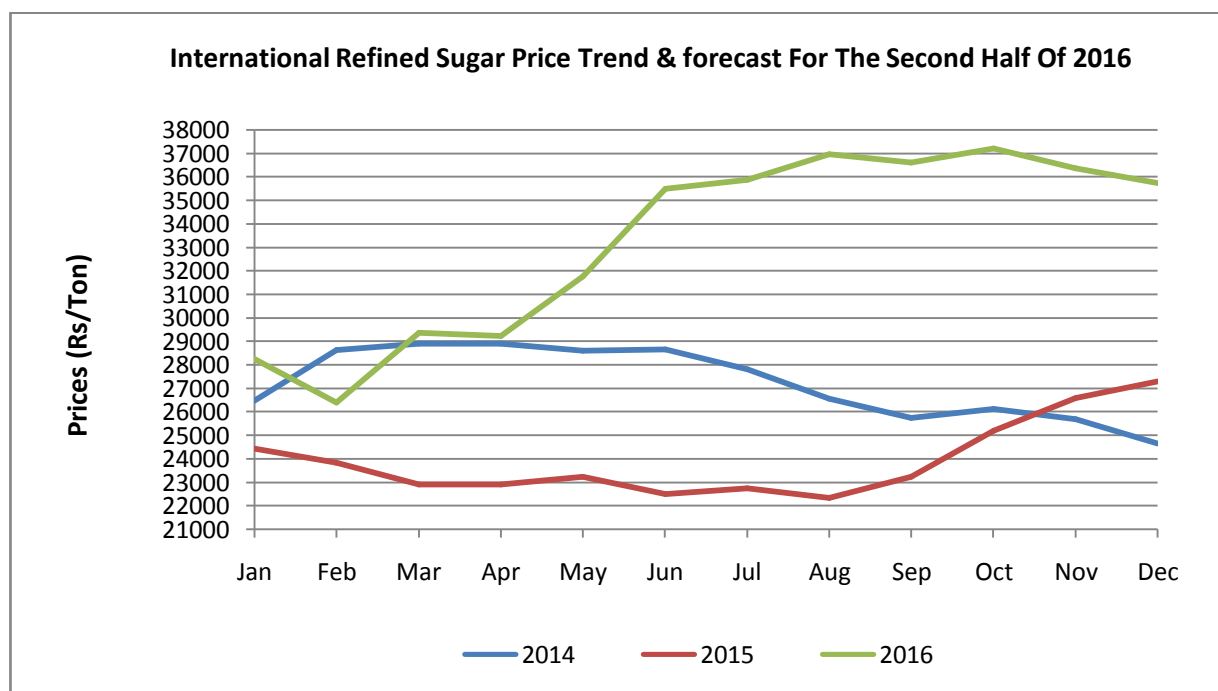
Source: Reuters Eikon

As on **05 Aug, 2016**, ICE Raw sugar prices settled at 19.70 cents per lbs. On monthly chart, 18.37 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 17.17 cent per lbs.

On the upper side, 21.2 and 22.69 cents per lbs are the resistance levels.

**International Refined Sugar Price Projection**

		(Rs/Ton)
Current Average Price	Jun	35491
Projected Price	Jul	35891
	Aug	36964
	Sep	36626
	Oct	37209
	Nov	36384



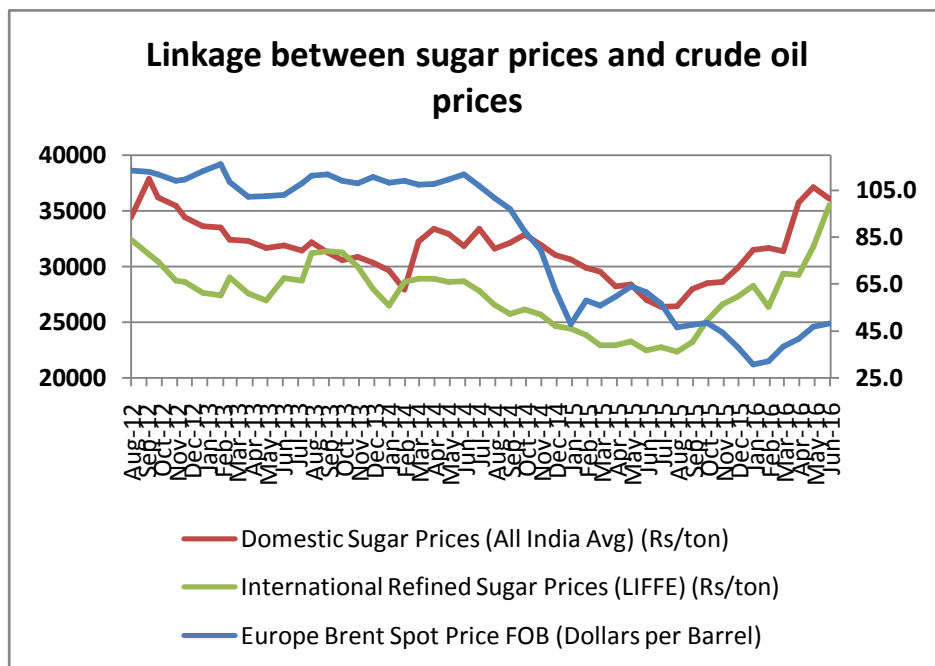
International refined sugar prices are expected to rise from June onwards as rain forecast during the period is expected which could disrupt cane harvesting and port loading in the main centre south Brazil.

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

Crude oil (Europe Brent) spot prices increased by 3.23% from \$46.7/bbl in May, 2016 to \$48.3/bbl in June, 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.

International sugar prices shoots up during the month of June amidst heavy rainfall in main centre south Brazil which not only hampered cane processing in the region but also induced millers to divert more of their cane towards ethanol production.

On the other hand, domestic sugar prices declined marginally on the back of ample stock availability and lack of demand during the month.



### Gur Market Scenario

Spot gur market mainly remained buoyant with price rising in all the major markets except a few. Prices of Rascut (Fresh) variety of gur from key Muzzafarnagar market rose by Rs 669/quintal from Rs 2781/quintal to Rs 3450/quintal. Similarly, price of Kurikatu (Medium) and Yellow (Medium) variety of gur from Mandya rose by Rs 295 and Rs 272 per quintal to Rs 3180 and Rs 3316 per quintal respectively. However, price of Achhu (Average) variety of gur from Shimoga fell by Rs 168/quintal from Rs 4311/quintal to Rs 4143/quintal in the month of July.

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



- Prices of chaku variety of gur in key Muzaffarnagar market closed at Rs 3525/quintal for the month of July.
- Next resistance and support level for the coming month has been seen at Rs 3666 and Rs 3120 per quintal.

Spot Jaggery (Gur) Prices Scenario (Weekly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			July,16	June,16	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3374	3147	227
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	2800	-
	Muzaffarnagar	Laddoo (Fresh)	NA	3188	-
	Muzaffarnagar	Rascut (Fresh)	3450	2781	669
	Hapur	Chaursa	3172	2891	282
	Hapur	Balti	3175	2936	239
Maharashtra	Latur	Lal Variety	NA	NR	-
Karnataka	Bangalore	Mudde (Average)	4321	4231	90
	Belgaum	Mudde (Average)	3306	3231	75
	Belthangadi	Yellow (Average)	NA	3989	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	3632	3642	-10
	Mahalingapura	Penti (Average)	3741	3623	118
	Mandya	Achhu (Medium)	3302	3054	248
	Mandya	Kurikatu (Medium)	3180	2885	295
	Mandya	Other (Medium)	3036	2838	198
	Mandya	Yellow (Medium)	3316	3044	272
	Shimoga	Achhu (Average)	4143	4311	-168



Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			July,16	June,16	
Delhi	Delhi	M-Grade	3774	3675	99
	Delhi	S-Grade	3754	3654	100
Uttar Pradesh	Khatauli	M-Grade	3819	3699	120
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3759	3648	111
	Dhampur	S-Grade Ex-Mill	3739	3628	111
	Dhampur	L-Grade Ex-Mill	3809	3698	111
Maharashtra	Mumbai	M-Grade	3836	3794	42
	Mumbai	S-Grade	3688	3641	47
	Nagpur	M-Grade	3775	3707	68
	Nagpur	S-Grade	3675	3607	68
	Kolhapur	M-Grade	3650	3582	68
	Kolhapur	S-Grade	3550	3482	68
Assam	Guhawati	S-Grade	3867	3798	69
Meghalaya	Shillong	S-Grade	3870	3802	68
Andhra Pradesh	Vijayawada	M-Grade	3965	3914	51
	Vijayawada	S-Grade	3838	3814	24
West Bengal	Kolkata	M-Grade	3893	3830	63
Tamil Nadu	Chennai	S-Grade	3470	3429	41
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	29-Jul-16	29-Jun-16	Change
ICE Sugar #11 (US Cent/lb)	Oct-16	19.05	20.82	-1.77
	Mar-16	19.44	21.01	-1.57
	May-16	18.86	21.02	-2.16
LIFFE Sugar (US \$/MT)	Oct-16	528.4	568.20	-39.80
	Dec-16	529.4	565.00	-35.60
	Mar-16	527.7	561.20	-33.50

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

State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
India (FRP)	1298	1391	1450	1700	2100	2200	2300	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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