



Sugar & Gur Monthly Research Report

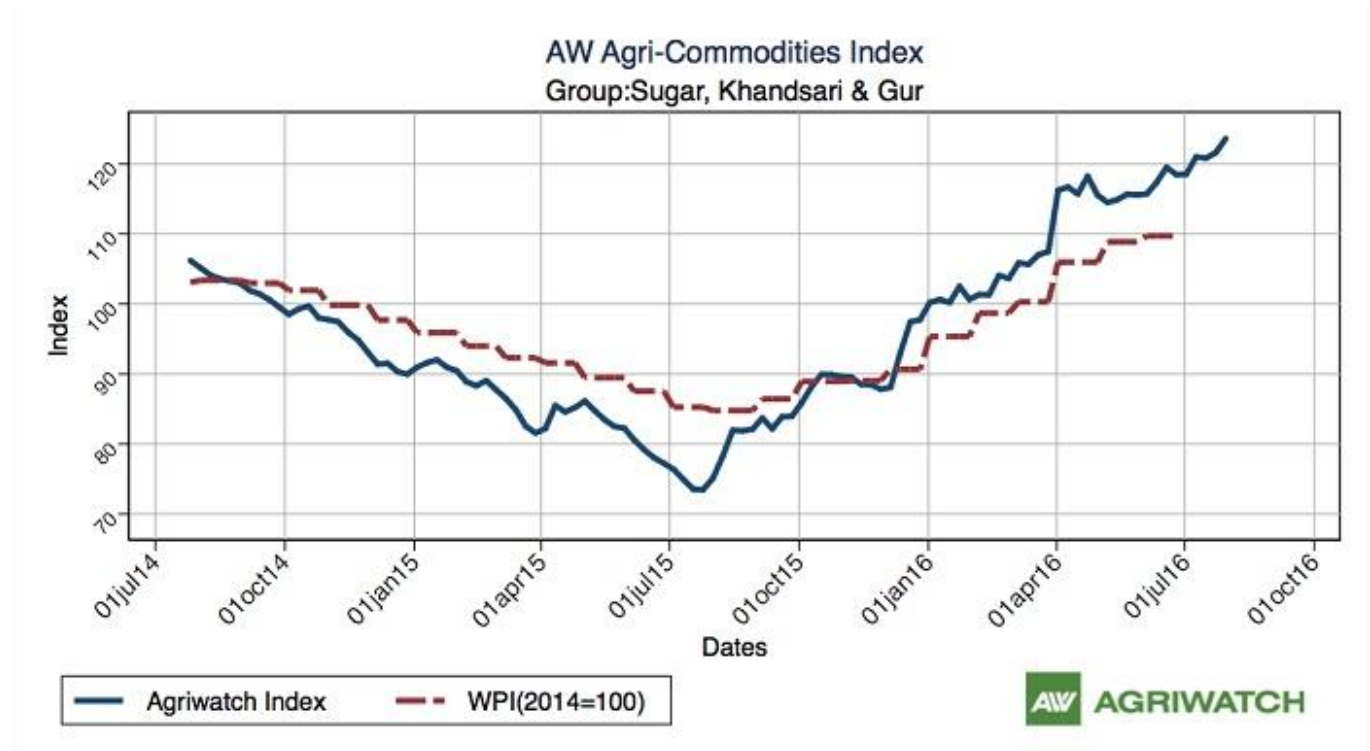
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Domestic Sugar Market Summary

Spot sugar prices in benchmark Kolhapur market declined in the month of August pressurized by government initiative to control soaring sugar prices and a fall in demand. Also, as per the Agriwatch estimate sugar prices are expected to decline in the month ahead.

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. 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

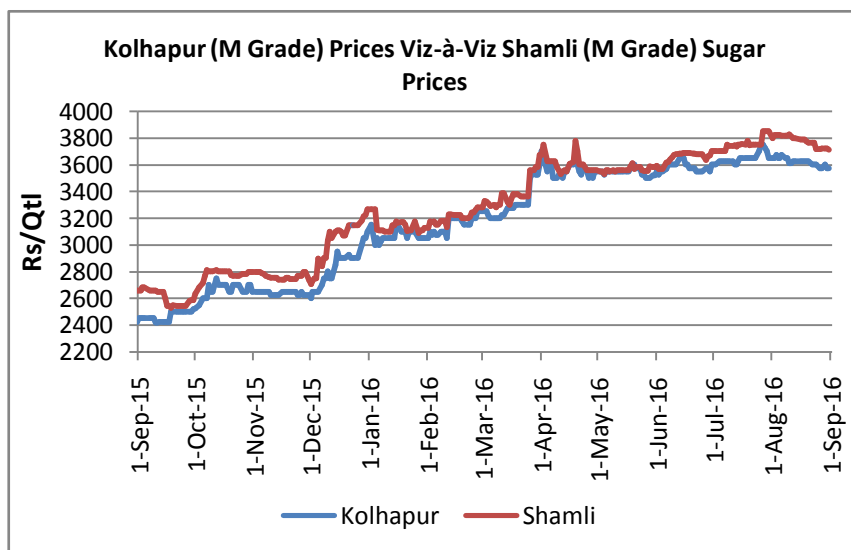
According to Agriwatch, the spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3400 - 3675 per quintal in the month of September.

International Sugar Market Summary

Strong pace of cane harvesting in Brazil's main centre south region and a sluggish demand kept international sugar prices low during the month of August. Also, as per the Agriwatch estimate, international prices are expected to remain steady to low in the month ahead.

Domestic Market Fundamentals

- The Indian govt. imposed sugar stockholding limit of 37% (September) and 24% (October) to the domestic sugar millers in the country. It implies that the Indian millers can now stock hold only a certain percentage of their total sugar produce during these two months and the excess quantity has to be sold out in the market during the stipulated time. Thus, the measure is expected to control soaring sugar prices (especially during the festive season) in the country by injection of more supplies in the market
- As per the weekly planting report by Ministry of Agriculture, the total sown area under sugarcane cultivation remained unchanged from the previous week at 45.55 lakh hectares in 2016-17 (till 26th Aug, 2016) compared to 49.60 lakh hectares in 2015-16 (till 26th Aug, 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.
- In order to check soaring sugar prices and to avoid speculation in future trade market, the Indian govt. had asked SEBI to ban sugar future trading.



- For the current marketing season 2015-16 (October – September); sugar mills in India owed around Rs 5,368 crore as the pending cane arrears till 31st July, 2016. Amongst the outstanding amount, U.P owes Rs 2,877 crore while Tamil Nadu, Maharashtra, Punjab, Uttarakhand, Gujarat, Haryana and Karnataka owes Rs 1,030 crore, Rs 411 crore, Rs 226 crore, Rs 209 crore, Rs 203 crore, Rs 126 crore and Rs 108 crore respectively.
- The Indian govt. extended the subsidy benefit to the sugar millers in the country even if they export 50% of their sugar export quota. Notably, the govt. had earlier announced to pay a direct cane subsidy of Rs 4.50/quintal to the farmers provided the millers exports 80% of their export quota sugar.
- 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 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.

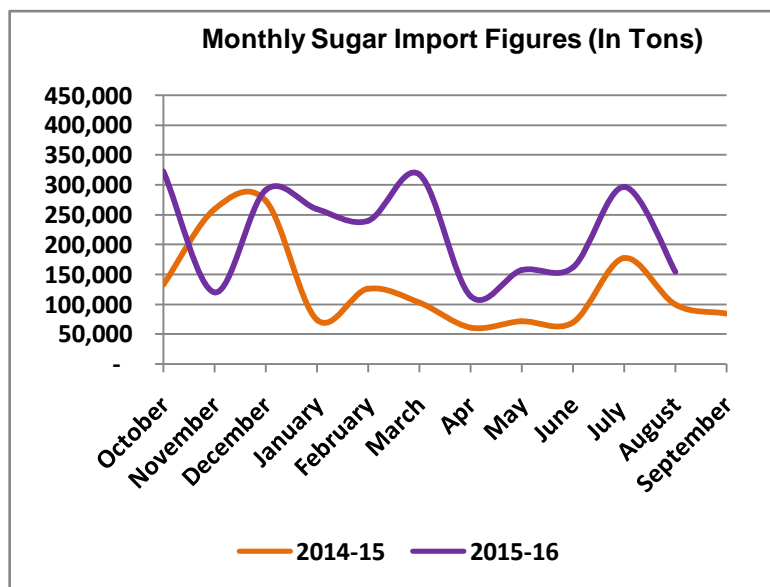
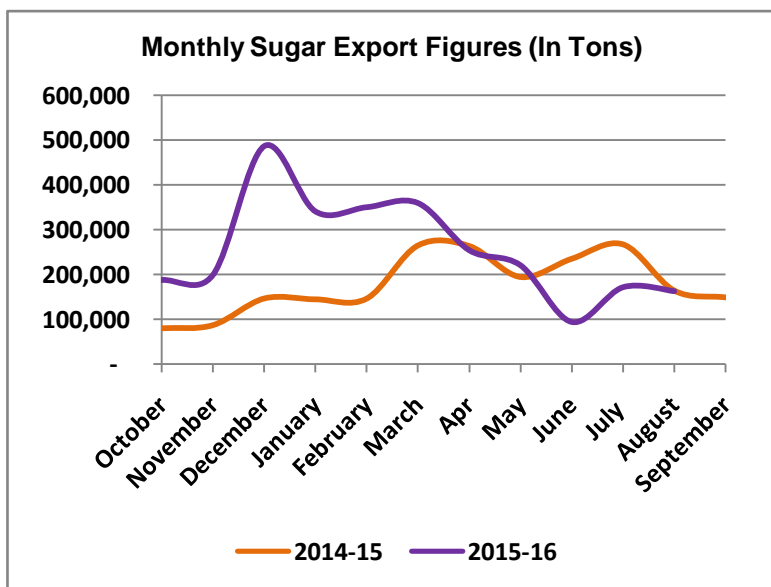
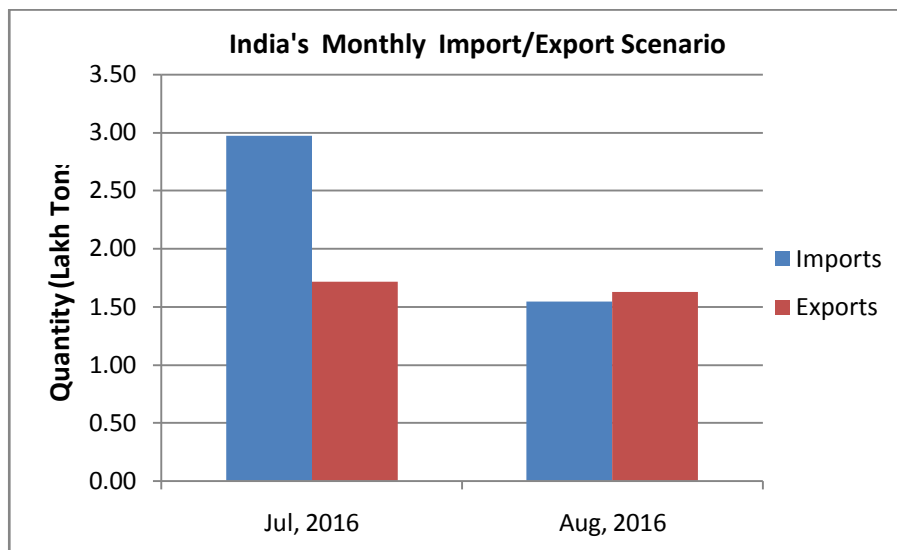
On International front, Brazil sugar FOB prices quoted at \$542.7/ Ton.

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

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.66.85) as on 02 Sep, 2016			
	Brazil	Thailand (100 Icumsa Oct Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$530.8	\$582.20/529.10	\$541.51

Sugar Import and Export Scenario

India exported 1.63 lakh tons of sugar while imported 1.54 lakh tons of sugar in August, 2016. However, the country exported and imported 1.71 lakh tons and 2.97 lakh tons of sugar respectively last month in July, 2016.



An y-o-y comparison shows that the country's sugar imports rose by 55.07% from 0.99 lakh tons last year ; while exports fell down by 0.63% from 1.64 lakh tons in August, 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 August.

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 3622/quintal in the month of August.
- Next resistance and support level for the coming month has been seen at Rs 3700 and Rs 3547 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	102.29
B	Estimated sugar production	280.30	250.00	79.85	157.15	10.00	3.00
C	Imports	15.33	25.02	7.34	8.75	4.33	4.60
D	Estimated sugar availability (A + B + C)	335.57	339.23	151.40	231.93	184.62	109.89
E	Exports	21.36	29.94	8.72	10.54	5.68	5.00
G	Availability for domestic consumption (D - E)	314.21	309.29	142.68	221.39	178.94	104.89
H	Estimates sugar consumption	250.00	255.50	76.65	51.10	76.65	51.10
I	Carry out stock (G - H)	64.21	53.79	66.03	170.29	102.29	53.79

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

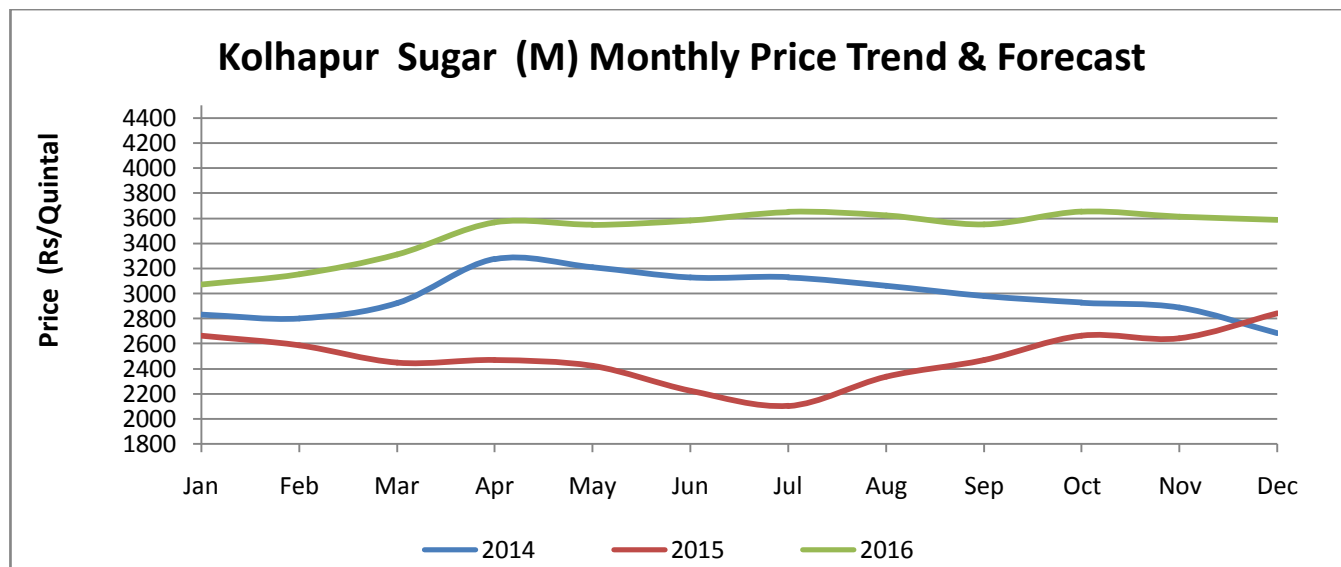
Sugar domestic balance sheet showed higher carry in stock for marketing year 2015-16 owing to surplus sugar production last year and a fall in exports.

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	Aug	3622
Projected Price	Sep	3550
	Oct	3650
	Nov	3614
	Dec	3585
	Jan	3549



Indian sugar prices are expected to fall down in the months ahead (except for the month of October, where in festive seasonal demand grows) amidst onset of sugar crushing season in the country soon and government's initiative to take each and every possible measure to keep domestic price under control.

International Market Fundamentals

- Agriwatch estimated a global sugar supply deficit of around 5.3 MT in 2016-17 (October – September). However, Rabobank and International Sugar Organization (ISO) projected a global sugar supply deficit of 5.5 MT and 7.05 MT in 2016- 17 (October–September).
- Favorable dry weather supported cane crushing in Brazil's C.S region resulting in a sugar production of 3.1 MT in the second half of July, 2016 which was 9.68% higher than the sugar produced during the first half of the month.
- China imported 4.2 lakh tons of sugar in the month of July, 2016 which was 13.6% lower than the imports made last year in July, 2015.
- Brazil's raw sugar export rose by 5.49% as the country exported 2.45 MT of sugar in July, 2016 compared to 2.32 MT of exports in June, 2016.
- 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).
- 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.
- 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.
- 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.
- 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 **03 Sep, 2016**, prices of Refined Sugar London exchange traded at \$539.0 per ton. On monthly chart, \$518.86 per ton is the immediate support level; breach of the mentioned level would take the prices down to \$507.62 per ton.

On the upper side, \$552.56 and \$564.6 per ton are the next resistance levels.

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



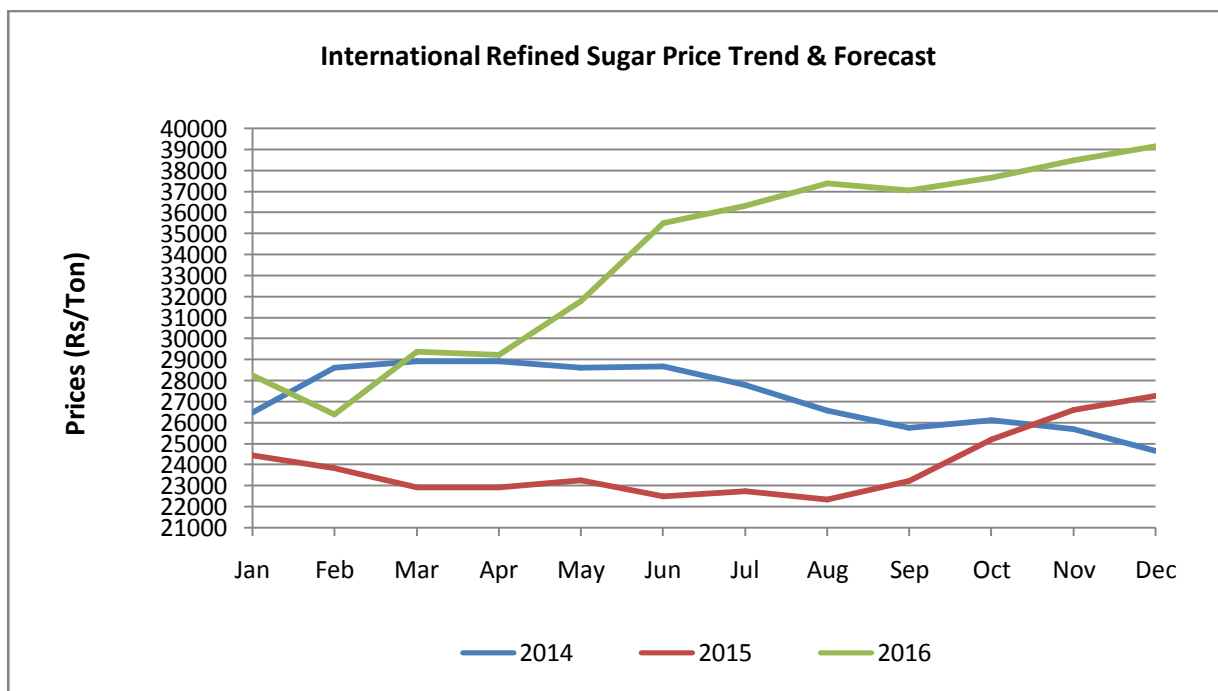
Source: Reuters Eikon

As on **03 Sep, 2016**, ICE Raw sugar prices settled at 20.18 cents per lbs. On monthly chart, 19.11 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 18.41 cent per lbs.

On the upper side, 21.12 and 21.86 cents per lbs are the resistance levels.

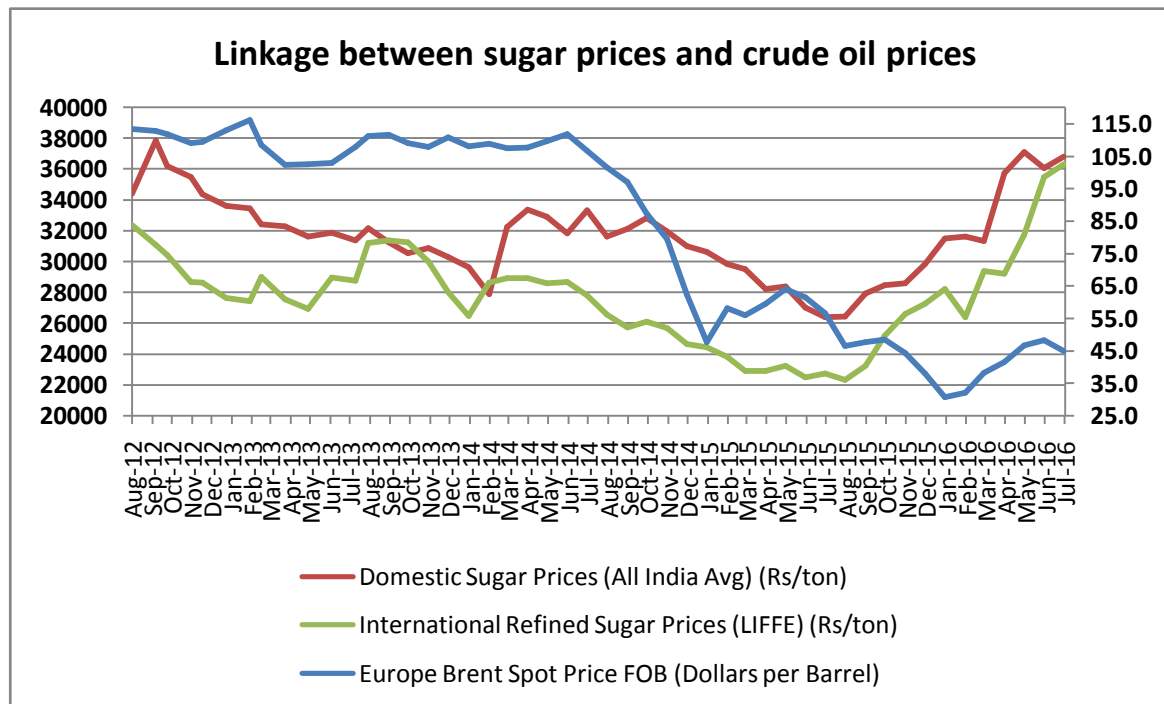
International Refined Sugar Price Projection

		(Rs/Ton)
Current Average Price	Jul	36315
Projected Price	Aug	37401
	Sep	37059
	Oct	37648
	Nov	38484
	Dec	39161



International refined sugar prices are expected to rise from September- October onwards as cane crushing in Brazil almost start winding up after these two months and sugar mills in the country got closed for repair and maintenance work.

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



Domestic sugar prices surged during the month of July amid thin supply from mills and a surge in domestic sugar demand (particularly from retailers, stockiest and bulk consumers).

International sugar price too shoots up during the month amid reports of a global sugar supply deficit this year. However, a brisk cane harvesting in Brazil's main centre south region during the month capped the gain.

Crude oil (Europe Brent) spot prices decreased by 6.84% from \$48.3/bbl in June, 2016 to \$45/bbl in July, 2016.

Gur Market Scenario

Spot gur market mainly remained buoyant with price rising in all the major markets during the month of August. Prices of Achhu (Average) variety of gur from Shimoga rose by Rs 326/quintal from Rs 4143/quintal to Rs 4468/quintal in the month of August. Similarly, prices of Achhu (Medium), Kurikatu (Medium) and Yellow (Medium) variety of gur from Mandya rose by Rs 289, Rs 172 and Rs 251 per quintal to Rs 3591, Rs 3352 and Rs 3567 per quintal during the month of August.

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



- Prices of chaku variety of gur in key Muzaffarnagar market closed at Rs 3493/quintal for the month of August.
- Next resistance and support level for the coming month has been seen at Rs 3630 and Rs 3232 per quintal.

Spot Jaggery (Gur) Prices Scenario (Weekly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			August,16	July,16	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3398	3374	25
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	NA	3450	-
	Hapur	Chaursa	NA	3172	-
	Hapur	Balti	NA	3175	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4507	4321	186
	Belgaum	Mudde (Average)	3459	3306	153
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	3667	3632	35
	Mahalingapura	Penti (Average)	3799	3741	59
	Mandya	Achhu (Medium)	3591	3302	289
	Mandya	Kurikatu (Medium)	3352	3180	172
	Mandya	Other (Medium)	3254	3036	218
	Mandya	Yellow (Medium)	3567	3316	251
	Shimoga	Achhu (Average)	4468	4143	326

Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			August,16	July,16	
Delhi	Delhi	M-Grade	3797	3774	23
	Delhi	S-Grade	3776	3754	22
Uttar Pradesh	Khatauli	M-Grade	3839	3819	20
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3765	3759	7
	Dhampur	S-Grade Ex-Mill	3745	3739	7
	Dhampur	L-Grade Ex-Mill	3815	3809	7
Maharashtra	Mumbai	M-Grade	3864	3836	28
	Mumbai	S-Grade	3699	3688	11
	Nagpur	M-Grade	3747	3775	-28
	Nagpur	S-Grade	3647	3675	-28
	Kolhapur	M-Grade	3622	3650	-28
	Kolhapur	S-Grade	3522	3550	-28
Assam	Guhawati	S-Grade	3838	3867	-29
Meghalaya	Shillong	S-Grade	3842	3870	-28
Andhra Pradesh	Vijayawada	M-Grade	4050	3965	85
	Vijayawada	S-Grade	3923	3838	86
West Bengal	Kolkata	M-Grade	3900	3893	7
Tamil Nadu	Chennai	S-Grade	3517	3470	46
Chattisgarh	Ambikapur	M-Grade (Without Duty)	2943	3035	-92
	Ambikapur	S-Grade (Without Duty)	2943	3035	-92
Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)					

International Sugar Prices (Monthly)				
	Contract Month	30-Aug-16	29-Jul-16	Change
ICE Sugar #11 (US Cent/lb)	Oct-16	19.50	19.05	0.45
	Mar-17	21.01	19.44	1.57
	May-17	20.42	18.86	1.56
LIFFE Sugar (US \$/MT)	Oct-16	537.50	528.4	9.10
	Dec-16	545.30	529.4	15.90
	Mar-17	549.30	527.7	21.60

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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