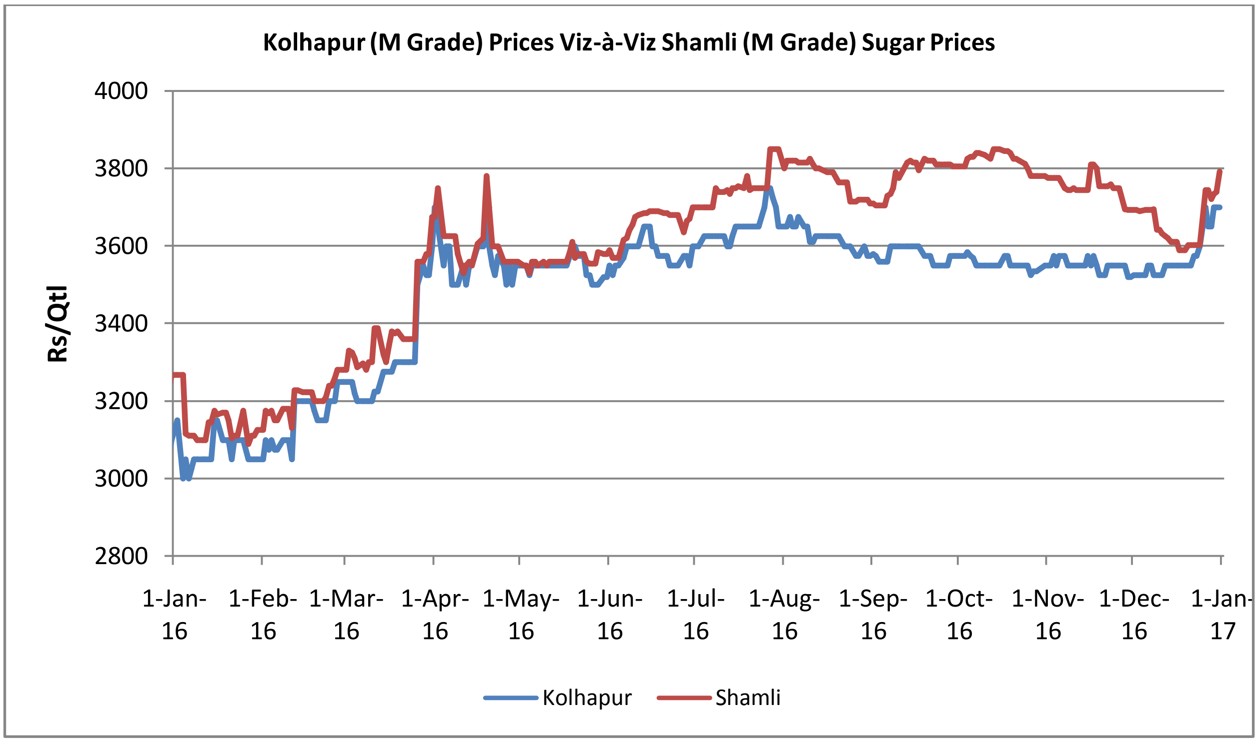
Sugar & Gur Monthly Research Report

Contents

Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market traded firm during the month of December following lower sugar production and an expected deficit in top most sugar producing states of Maharashtra and Karnataka.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3575 per quintal in the month of December compared to Rs 3551 per quintal in the month of November. However, spot sugar prices for the same variety/grade in Shamli district fell by 2.49% from Rs 3755 per quintal in the month of November to Rs 3661 per quintal in the month of December.



Price Outlook:

Agriwatch predicts spot sugar prices to remain steady to firm in the month of January with a possibility of price fall after that.

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 - 3850 per quintal in the month of January.

Domestic Market Highlights

- India produced 80.90 lakh tonnes of sugar in 2016-17 (01st October, 2016 – 31st December, 2016) compared to 80.56 lakh tonnes of production made during the same interval last year.
- Sugar production in U.P rose by 52.48% as the state produced 27.40 lakh tonnes of sugar in 2016-17 (01st October, 2016 – 31st December, 2016) compared to 17.97 lakh tonnes of production in 2015-16 (01st October, 2015 – 31st December, 2015).
- However, sugar production in the top most producing state of Maharashtra fell by 25.07% from 33.70 lakh tonnes in 2015-16 (01st October, 2015 – 31st December, 2015) to 25.25 lakh tonnes in 2016-17 (01st October, 2016 – 31st December, 2016).
- The third largest sugar producing state, Karnataka; had produced 15.60 lakh tonnes of sugar in 2016-17 (01st October, 2016 – 31st December, 2016) which was 0.34 lakh tonnes lower than the sugar produced last year during the same interval. ISMA also expects the state to produce 31 lakh tonnes of sugar in 2016-17 compared to 40.5 lakh tonnes of production made in 2015-16.
- 20 sugar mills in Gujarat had produced 3.50 lakh tonnes of sugar in 2016-17 (01st October, 2016 – 31st December, 2016) compared to 4.61 lakh tonnes of production made in 2015-16 (01st October, 2015 – 31st December, 2015).
- Sugar production in Tamil Nadu rose by 23.76% as the state produced 1.25 lakh tonnes of sugar during 2016-17 (till 31st December, 2016) compared to 1.01 lakh tonnes of production last year during the same period.
- The combined sugar production of Andhra Pradesh & Telangana fell by 9.09% as the states produced 1.80 lakh tonnes of sugar in 2016-17(01st October, 2016 – 31st December, 2016) compared to 1.98 lakh tonnes of production in 2015-s16 (01st October, 2015 – 31st December, 2015).
- 11 sugar mills in Bihar had produced 1.50 lakh tonnes of sugar in 2016-17 (01st October, 2016 – 31st December, 2016) as against 1.37 lakh tonnes of production made by the same number of mills in 2015-16 (01st October, 2015 – 31st December, 2015).
- The combined sugar production made by Haryana, Punjab, M.P, Chhattisgarh and Uttarakhand stood at 4.45 lakh tonnes during 2016-17 (01st October, 2016 – 31st December, 2016) compared to 3.85 lakh tonnes in 2015-16 (01st October, 2015 – 31st December, 2015).
- Domestic sugar prices rose up as there are cues that the Indian government could consider debt restructuring for the sugar sector.
- The government of Tamil Nadu has kept the State Advised Price (SAP) for sugarcane unchanged at Rs.2850/ton in 2016 -17 same as that of previous year. The Sugar industry including farmers and the mill owners are not happy of the same as the decision was taken without consulting them.
- The Kolhapur division in Maharashtra state comprising Kolhapur and Sangli districts, which accounts for 40% of total sugar production in the state is expecting around 30% decline in sugar production this year. In 2016 -17 crushing is expected to decline to 175-180 lakh metric tonnes compared to 227 lakh metric tonnes in 2015 -16 following lack of sufficient rainfall.
- India is likely to produce 23.4 million tonnes of sugar in 2016/17, down by around 7 per cent compared to¬ previous year amid droughts in the top –producing western state of Maharashtra. However, it is likely to have surplus sugar in 2017-18 as farmers have increased acreage under sugar.

Agriwatch Sweeteners (Sugar, Gur & Khandsari) Index– Dec 31, 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 19.20% to 119.48 during the week ending on December 31, 2016. Notably, the base for the Index is 2014 (= 100).

Sugar Import/Export Opportunity

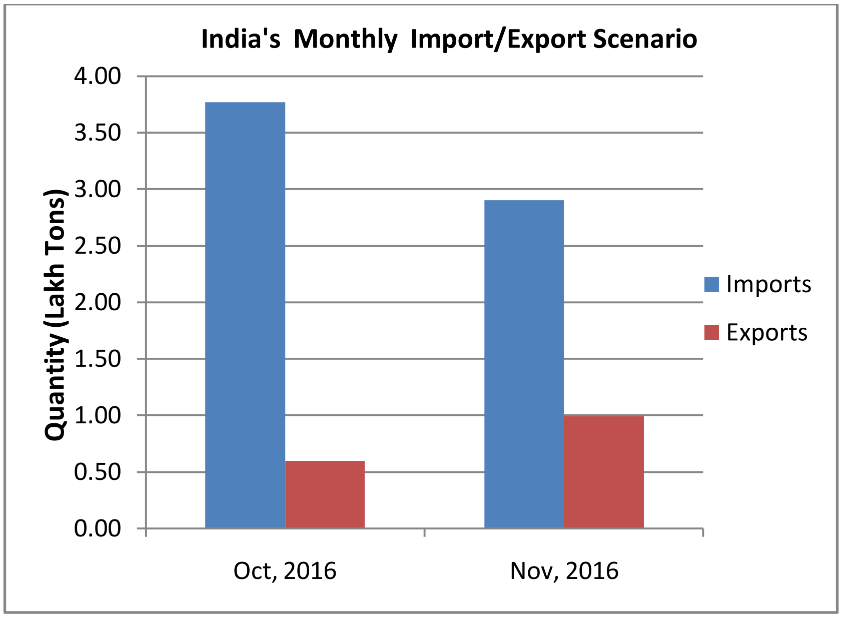
Indian indicative raw sugar CIF prices sourced from Brazil to JNPT (India) was quoted at $637.82 per ton (including 40% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at $531.02 per ton.

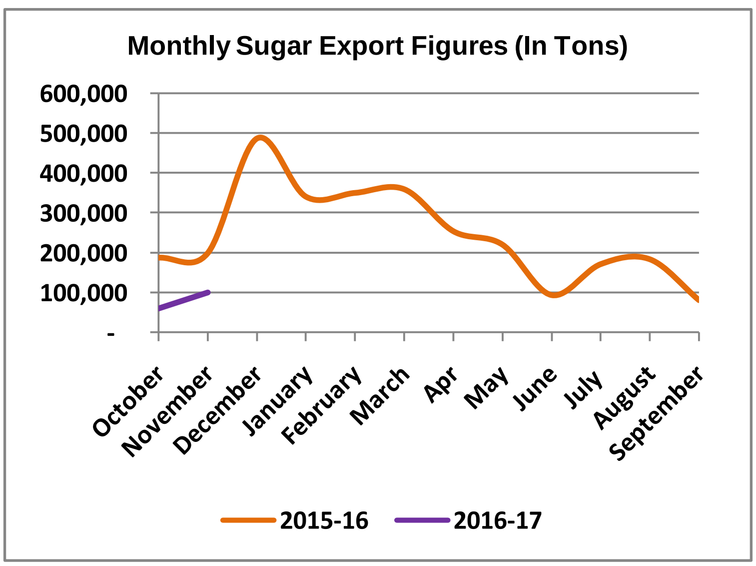
On International front, Brazil sugar FOB prices quoted at $515.3/ Ton.
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

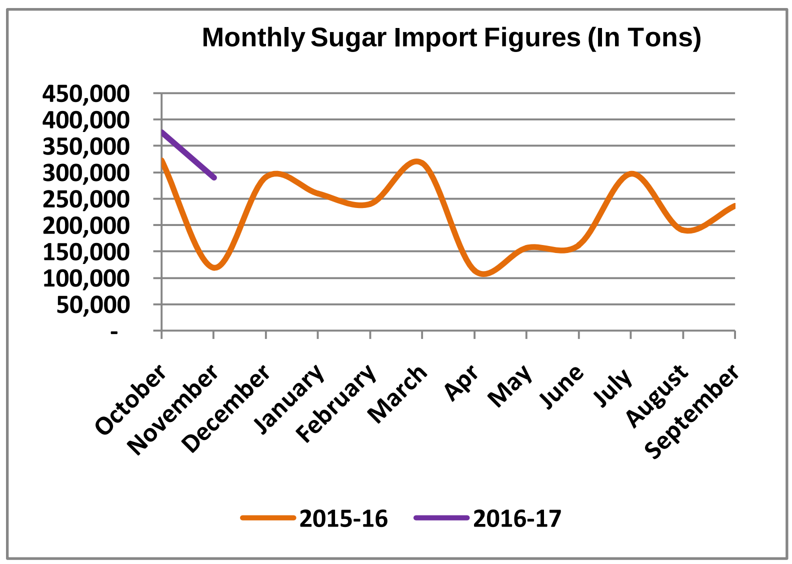
Indicative Sugar FOB Prices (USD/MT) ($=Rs.68.02) as on 02 Jan, 2017			
	Brazil	Thailand (100 Icumsa Oct Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	$515.3	$615.55/526.40	$531.02

Sugar Import and Export Scenario

India exported 0.99 lakh tons of sugar while imported 2.90 lakh tons of sugar in November, 2016. However, the country exported and imported 0.60 lakh tons and 3.76 lakh tons of sugar respectively last month in October, 2016.







An y-o-y comparison shows that the country's sugar imports rose by 143% from 1.19 lakh tons last year; while exports fell by 50% from 1.98 lakh tons in November, 2015 Notably, Myanmar, Somalia and Sudan were amongst the top sugar importing nations from India, who imported 38.8 thousand tons, 10 thousand tons and 7.8 thousand tons of sugar respectively in the month of November, 2016.

Domestic Sugar Market Technical Analysis (Future Market)

SUGAR Continuous Chart (C1)

Technical Commentary: • Sugar prices increased while volume and O.I decreased for the month. • RSI is hovering in a neutral zone. • MACD signal line and center line denotes neutral hovering. .	

Strategy: We advise market participants to Buy.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	3450	3600	3753	4020	4141
Intraday Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Sugar	NCDEX	C1 Chart	**Buy**	Above 3750	3850	3900	3690

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

- Spot sugar prices at benchmark Kolhapur market closed at Rs 3576/quintal in the month of December.
- Next resistance and support level for the coming month has been seen at Rs 3760 and Rs 3425 per quintal.

Sugar Domestic Balance Sheet

(Lakh Ton)

		2015-16	2016-17*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
A	Carry in stock	64.21	57.04	57.04	53.36	149.00	81.64
B	Estimated sugar production	250.50	238.04	76.17	149.97	9.05	2.86
C	Imports	27.09	28.40	7.10	9.94	4.26	7.10
D	Estimated sugar availability (A + B + C)	341.80	323.48	140.31	213.26	162.31	91.60
E	Exports	29.26	31.45	9.44	12.58	3.15	6.29
G	Availability for domestic consumption (D - E)	312.54	292.03	130.88	200.68	159.16	85.31
H	Estimates sugar consumption	255.50	258.40	77.52	51.68	77.52	51.68
I	Carry out stock (G - H)	**57.04**	**33.63**	53.36	149.00	81.64	**33.63**

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

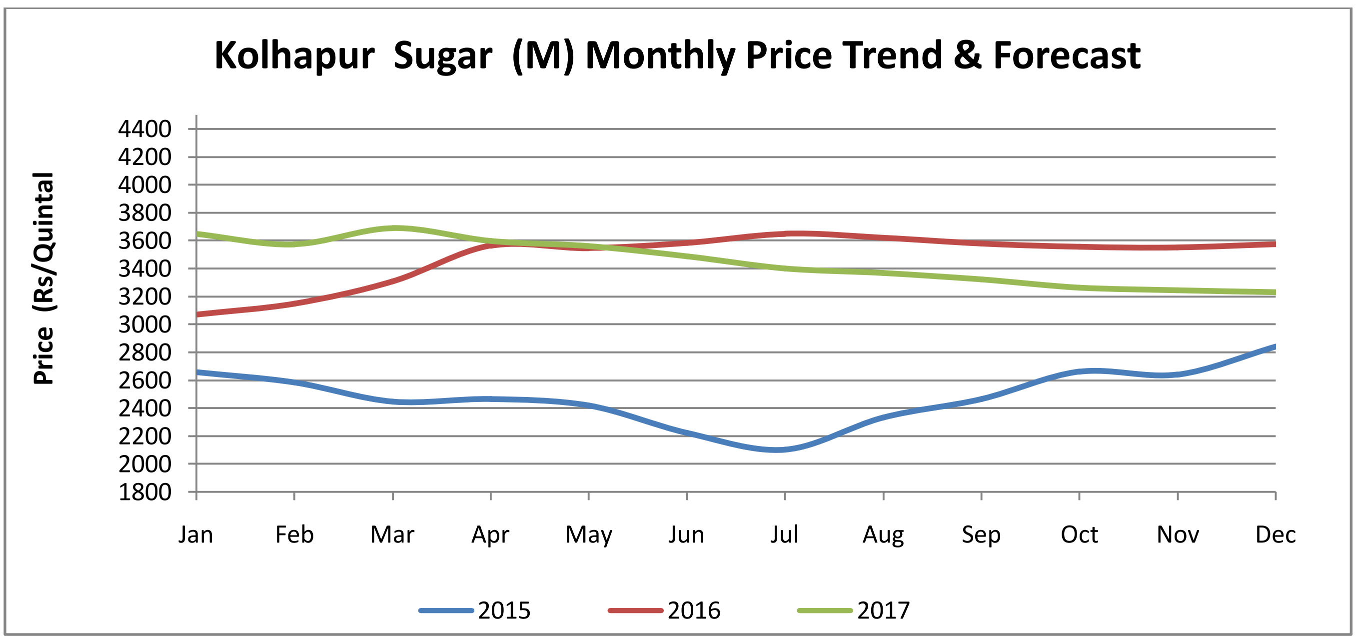
Sugar domestic balance sheet showed a lower carry in stock for marketing year 2016-17 owing to a lower sugar production in 2015-16 (01st October, 2015 – 30th September, 2016).

This year too in 2016-17, India's sugar production is expected to decline to 238.04 lakh tonnes as draught in major sugar producing states Maharashtra and Karnataka had negatively affected cane acreage and productivity in the two states (especially in Karnataka). However, an expected surge in cane area, yield and recovery in the largest cane producing state, Uttar Pradesh could certainly help in raising sugar production within the country.

On the other hand, sugar domestic consumption is expected to rise to 258.40 lakh tonnes in 2016-17 (01st October, 2016 – 30th September, 2017).

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

		(Rs/Quintal)
Current Average Price	Dec	3575
Projected Price	Jan	3647
	Feb	3574
	Mar	3688
	Apr	3596
	May	3560



With higher domestic demand and lower sugar availability in the market (due to late commencement of crushing operation in Maharashtra and Karnataka); spot sugar prices rose during the month of December and are expected to remain steady to firm in January as well. However, Agriwatch predicts spot prices to fell down after January, as crushing will be at its peak during that time which will curtail supply shortage in the market.

International Sugar Market Summary

International sugar prices rose slightly during the month as cane harvesting in Brazil's main C.S (centre-south) region slowed down and finally winded up early in the month of November.

International Market Highlights

- According to the industry group Unica, Brazil center-south cane belt produced 1.13 million tonnes of sugar in¬ the second half of November compared with 1.37 million tonnes in the previous two –week period.
- According to Sucden, global surplus of 1 MMT is expected in 2017/18 (Oct/Sep), backed by strong production in India. Sugar market will return to surplus after deficit of 5 MMT in 2015/16 and 2016/17. Global production is expected to rise to 134.5 MMM in 2017/18 from 125.3 MMT in 2016/17.
- Job Economia raised its Brazil's C.S sugar production forecast from 35 million tonnes to 35.6 million tonnes for¬ 2016-17. However, the cane production forecast is revisited downwards (from 632 million tonnes to 618 million tonnes) indicating a greater diversion of sugarcane towards sugar production during 2016-17.
- The International Sugar Organization (ISO) revised its global sugar deficit forecast from 7.05 million tonnes to¬ 6.19 million tonnes for 2016-17 (01st October, 2016 – 30th September, 2017).
- Following the tender for shipment of high polarization sugar, the Thai Cane and Sugar Corp (TCSC) had sold¬ approximately 1.08 lakh tonnes of sugar meant for delivery in 2017 and 2018.
- As per the USDA report, Australia, the third largest sugar exporter in the world, is projected to churn around 35¬ million tonnes of sugarcane in 2016-17 to produce 5.1 million tonnes of sugar thereon.
- As per the government officials of Thailand, sugarcane output in the country is expected to fall to 91 million¬ tonnes in 2016 -17 compared to 94.05 million tonnes in 2015-16. At the same time, sugar production is also projected to fall during the year (from 9.7 million tonnes to 9.3 million tonnes) as the severe drought not only lowered the cane production in the country but also adversely affected the sugar recovery rate.
- Brazil's raw sugar exports rose by 11.47% as the country exported 2.07 million tonnes of sugar (raw) in¬ November, 2016 compared to 1.86 million tonnes of exports made in the month of October, 2016. An y-o-y comparison also show that the country's sugar exports rose by 3.53% from 2 million tonnes in November, 2015.
- As per the latest UNICA report, Brazil's main C.S region crushed 1.37 million tonnes of sugar in the first half of¬ November, 2016 compared to 1.20 million tonnes of sugar crushed last year during the corresponding period.
- Markey player, Licht predicted a global sugar supply deficit of 6.2 million tonnes in 2016-17 (October –¬ September) compared to a deficit of 9.9 million tonnes in 2015-16 (October – September).

LIFFE Future Market Sugar Scenario (Mar'17 Contract)

Source: Reuters Eikon

As on **06 Jan, 2017,** prices of Refined Sugar London exchange traded at $546.5 per ton. On monthly chart, $523.7 per ton is the immediate support level; breach of the mentioned level would take the prices down to $508.7 per ton.

On the upper side, $565.2 and $578.8 per ton are the next resistance levels.

ICE Raw Sugar Future Market Scenario (Mar'17 Contract)

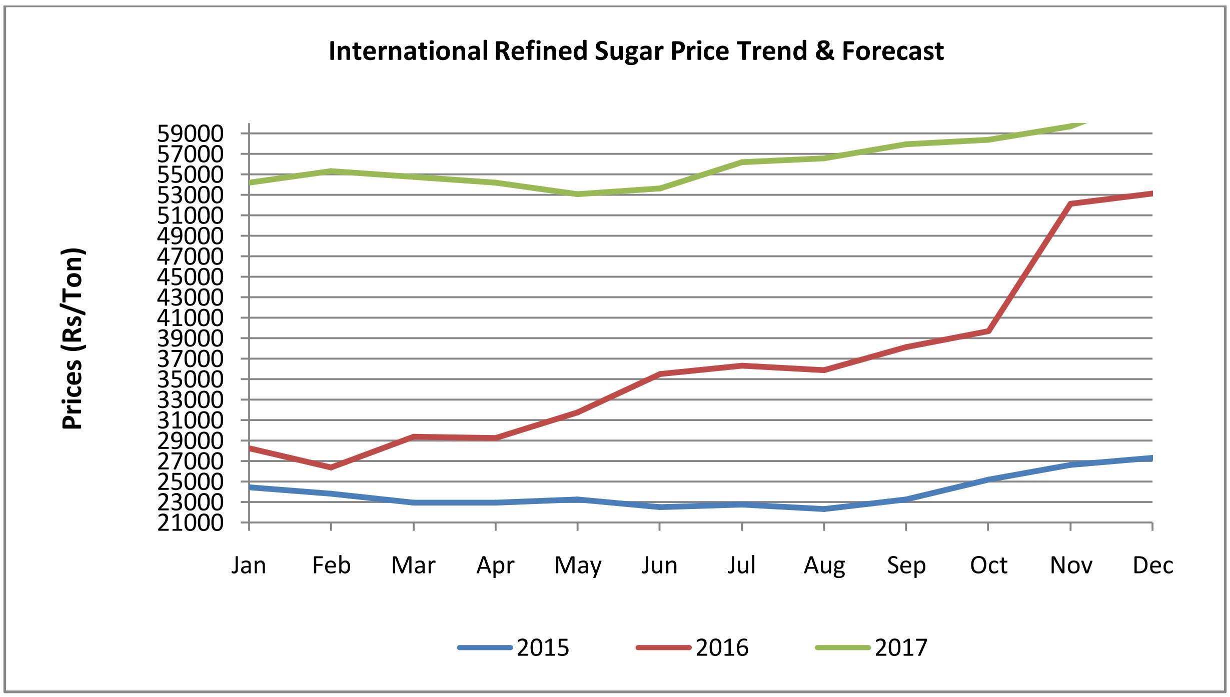
Source: Reuters Eikon

As on **06 Jan, 2017,** ICE Raw sugar prices settled at 20.78 cents per lbs. On monthly chart, 19.37 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 19.06 cent per lbs.

On the upper side, 21.50 and 21.81 cents per lbs are the resistance levels.

International Refined Sugar Price Projection

		(Rs/Ton)
Current Average Price	Nov	52108
Projected Price	Dec	53150
	Jan	54213
	Feb	55297
	Mar	54744
	Apr	54197



International refined sugar prices rose slightly and are expected to rise further as the biggest sugar producing nation, Brazil, is done with the cane crushing for the season and the mills there are now closed for the annual repair and maintenance work.

Gur Market Scenario

Mixed trend was noticed in spot gur market with price rising in some market while declining in others.Prices of Balti and Chaursa variety of gur from Hapur rose by Rs 172 and Rs 102 per quintal to Rs 2739 and Rs 2663 per quintal respectively in the month of December. Similarly, prices of Yellow (Medium) variety of gur from Mandya rose by Rs 141/quintal from Rs 3276/quintal to Rs 3417/quintal this month. However, prices of Mudde (Average) variety of gur from Bangalore fell by Rs 192/quintal from Rs 4614/quintal to Rs 4422/quintal in the month of December.

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

- Prices of chaku variety of gur in key Muzaffarnagar market closed at Rs 3004/quintal for the month of December.
- Next resistance and support level for the coming month has been seen at Rs 3233 and Rs 2895 per quintal.

Spot Jaggery (Gur) Prices Scenario (Weekly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			Dec,16	Nov,16	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3007	2950	57
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	172000	168000	4000
	Muzaffarnagar	Khurpa (Fresh)	2799	2752	47
	Muzaffarnagar	Laddoo (Fresh)	3044	2983	62
	Muzaffarnagar	Rascut (Fresh)	2486	2519	-33
	Hapur	Chaursa	2663	2562	102
	Hapur	Balti	2739	2567	172
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4422	4614	-192
	Belgaum	Mudde (Average)	3343	3418	-75
	Belthangadi	Yellow (Average)	NR	NR	-
	Bijapur	Achhu	NR	NR	-
	Gulbarga	Other (Average)	3504	3643	-139
	Mahalingapura	Penti (Average)	3621	3520	100
	Mandya	Achhu (Medium)	3429	3357	72
	Mandya	Kurikatu (Medium)	3305	3230	74
	Mandya	Other (Medium)	3279	3176	102
	Mandya	Yellow (Medium)	3417	3276	141
	Shimoga	Achhu (Average)	3794	3879	-85

Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			Dec,16	Nov,16	
Delhi	Delhi	M-Grade	3728	3774	-46
	Delhi	S-Grade	3708	3754	-46
Uttar Pradesh	Khatauli	M-Grade	3718	3857	-138
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3635	3726	-91
	Dhampur	S-Grade Ex-Mill	3613	3706	-93
	Dhampur	L-Grade Ex-Mill	3685	3776	-91
Maharashtra	Mumbai	M-Grade	3841	3927	-86
	Mumbai	S-Grade	3622	3628	-5
	Nagpur	M-Grade	3696	3676	20
	Nagpur	S-Grade	3596	3576	20
	Kolhapur	M-Grade	3571	3551	20
	Kolhapur	S-Grade	3471	3451	20
Assam	Guhawati	S-Grade	3787	3766	20
Meghalaya	Shillong	S-Grade	3791	3771	20
Andhra Pradesh	Vijayawada	M-Grade	3899	3934	-35
	Vijayawada	S-Grade	3791	3829	-37
West Bengal	Kolkata	M-Grade	3855	3872	-17
Tamil Nadu	Chennai	S-Grade	3459	3478	-19
Chattisgarh	Ambikapur	M-Grade (Without Duty)	NR	NR	-
	Ambikapur	S-Grade (Without Duty)	NR	NR	-
Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)					

International Sugar Prices (Monthly)				
	Contract Month	30-Dec-16	29-Nov-16	Change
ICE Sugar #11 (US Cent/lb)	Mar-17	19.51	19.66	-0.15
	May-17	19.25	19.12	0.13
	Jul-17	18.85	18.50	0.35
LIFFE Sugar (US $/MT)	Mar-17	524.20	525.20	-1.00
	May-17	518.00	518.80	-0.80
	Aug-17	509.50	506.60	2.90

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	3050
Maharashtra	2264	2000	1800-2050	2100-2500	2360	-	-	2375
Punjab	2080	2120	2200	2400	2800	2850	2800-2950	2900
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	2300-3050
Tamil Nadu	1663	1948	2100	2350	2550	2650	2850	2850

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