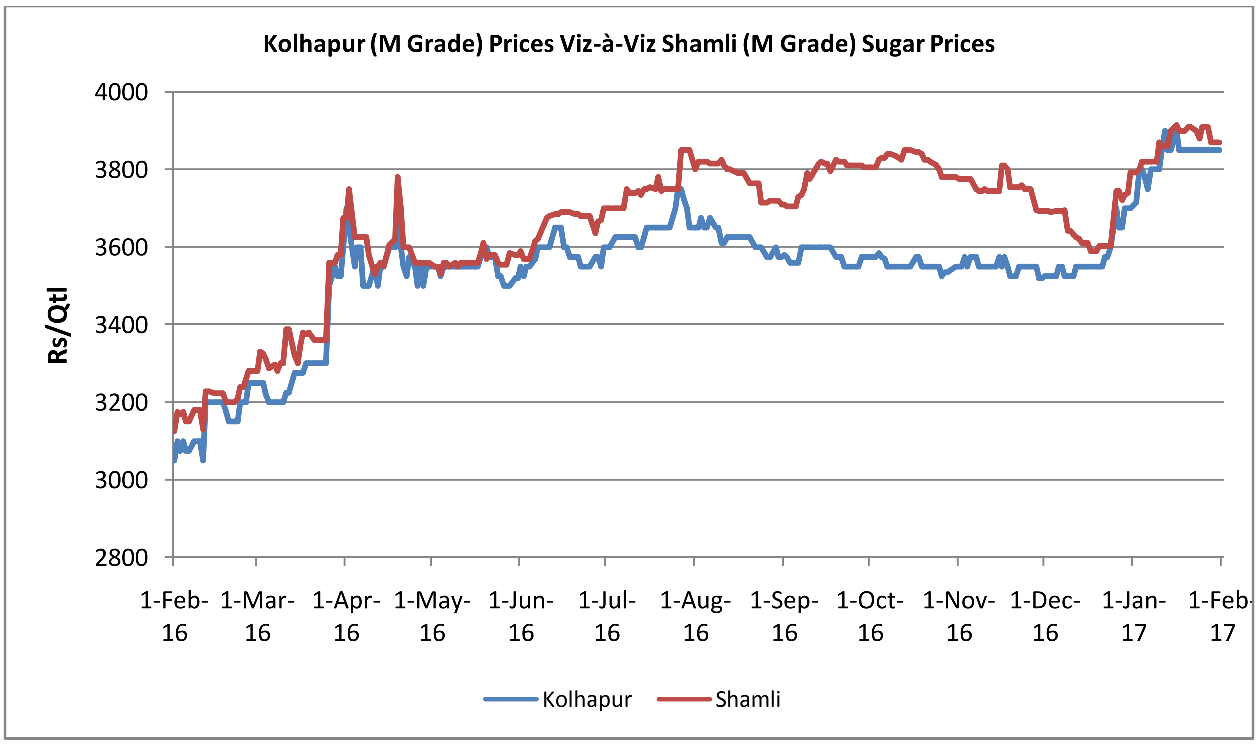
Sugar & Gur Monthly Research Report

Contents

Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market traded steady to firm during the month of January following strong domestic demand 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 3832 per quintal in the month of January compared to Rs 3575 per quintal in the month of December. Similarly, spot sugar prices for the same variety/grade in Shamli district rose by 5.63% from Rs 3661 per quintal in the month of December to Rs 3867 per quintal in the month of January.



Price Outlook:
Agriwatch predicts spot sugar prices to trade steady to weak in the months ahead as crushing operation is at its full swing during this period.

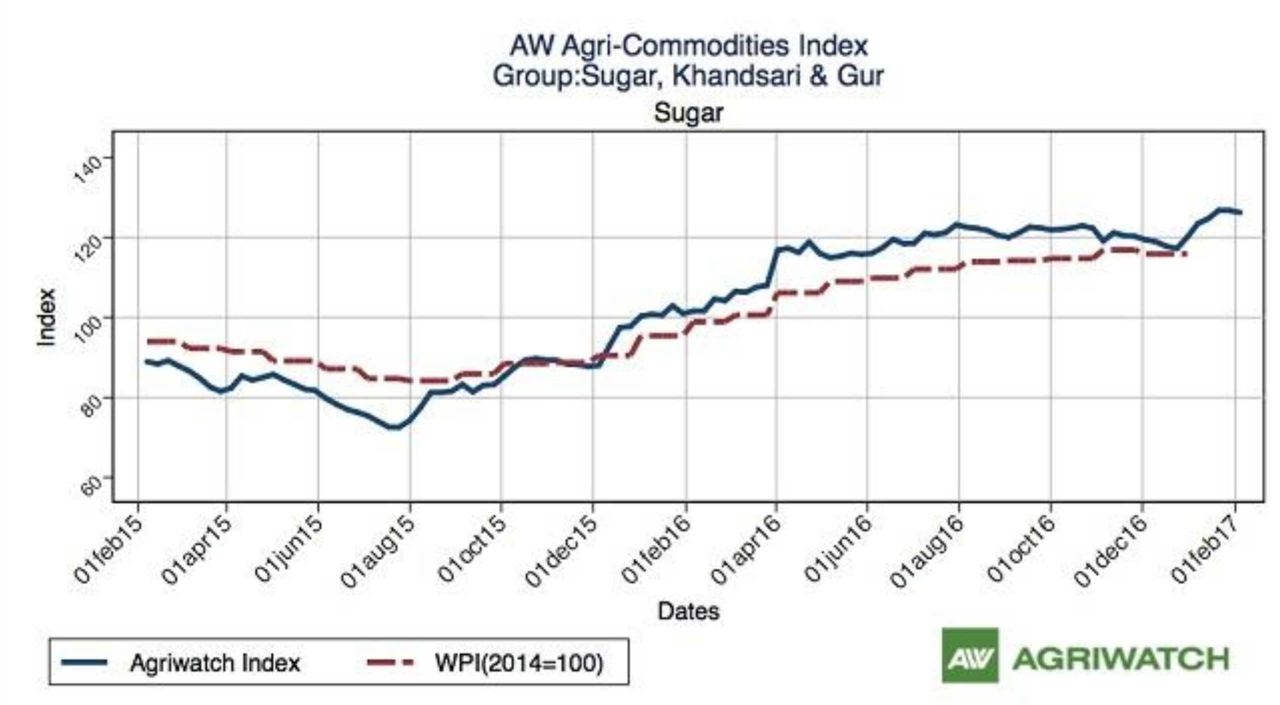
Price Projection for the Next Month

According to Agriwatch, the spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3700 - 4070 per quintal in the month of February.

Domestic Market Highlights

- India produced 128.55 LT of sugar in 2016-17 (01st October, 2016 – 31st January, 2017) which was 9.98% lower than the sugar produced last year in 2015 -16 (01st October, 2015 – 31st January, 2016).
- Higher cane acreage and better recovery rate caused U.P to produce 45.59 LT of sugar in 2016-17 (01st October, 2016 – 31st January, 2017) compared to 35.94 LT of production made in 2015 -16 (01st October, 2015 – 31st January, 2016).
- 58 sugar mills in Maharashtra produced 36.76 LT of sugar in 2016-17 (01st October, 2016 – 31st January, 2017) which was 32.14% lower than the sugar produced last year during the corresponding period.
- Sugar production in Karnataka fell by 24.78% as the state produced 20.25 LT of sugar in 2016-17 (01st October, 2016 – 31st January, 2017) compared to 26.92 LT of sugar produced in 2015 -16 (01st October, 2015 – 31st January, 2016).
- 36 sugar mills in Tamil Nadu produced 3.50 LT of sugar in 2016-17 (01st October, 2016 – 31st January, 2017) which was 0.84 LT more than the sugar produced last year by approximately the same number of mills in the state.
- Gujarat's sugar production fell by 17.74% as the state produced 5.75 LT of sugar in 2016-17 (01st October, 2016 – 31st January, 2017) compared to 6.99 LT of production made in 2015 -16 (01st October, 2015 – 31st January, 2016).
- The combined sugar production of Andhra Pradesh & Telangana lies at 3.50 LT for 2016-17 (01st October, 2016 – 31st January, 2017) which was 14.63% lower than the production made in 2015 -16 (01st October, 2015 – 31st January, 2016).
- Bihar and Punjab each produced 3.00 LT of sugar in MY 2016-17 (01st October, 2016 – 31st January, 2017) while Uttarakhand and Haryana produced 1.73 LT and 2.6 LT of sugar respectively during the same period.
- M.P & Chhattisgarh too combinedly produced 2.60 LT of sugar in 2016-17 (01st October, 2016 – 31st January, 2017) which was 36.84% higher than the sugar produced last year during the corresponding period.
- As per the second advance estimate of ISMA, India is projected to produce 213 LT of sugar in 2016-17 (01st October, 2016 – 30th September, 2017). The govt. of India also projected the country to produce 225 LT of sugar in 2016-17 (01st October, 2016 – 30th September, 2017).However, as per the latest advance estimate by AW, India is projected to produce 210 LT of sugar in 2016-17 (01st October, 2016 – 30th September, 2017) wherein U.P, Maharashtra and Karnataka are expected to produce 81.4 LT, 48.5 LT and 23.4 LT of sugar respectively.
- Currently the Centre pays a subsidy of Rs.18.5/kg for people to get sugar at Rs.13.5/kg at ration shops which costs the Centre annually Rs.4500 crore for 30 states. In the upcoming budget, there will be a likely reduction in the subsidy given by the Centre. States may have to bear major share of the sugar subsidy if sugar is to be sold under public distribution system at cheaper rates.
- As per the latest notification of NCDEX, an additional special cash margin of 20% on long side will be imposed on all the running & yet to be launched contracts of sugar (M grade) w.e.f. 16th January, 2017.

Agriwatch Sweeteners (Sugar, Gur & Khandsari) Index– Feb 4, 2017



"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 fell by 0.35% to 125.57 during the week ending on February 4, 2017. Notably, the base for the Index is 2014 (= 100).

Sugar Import/Export Opportunity

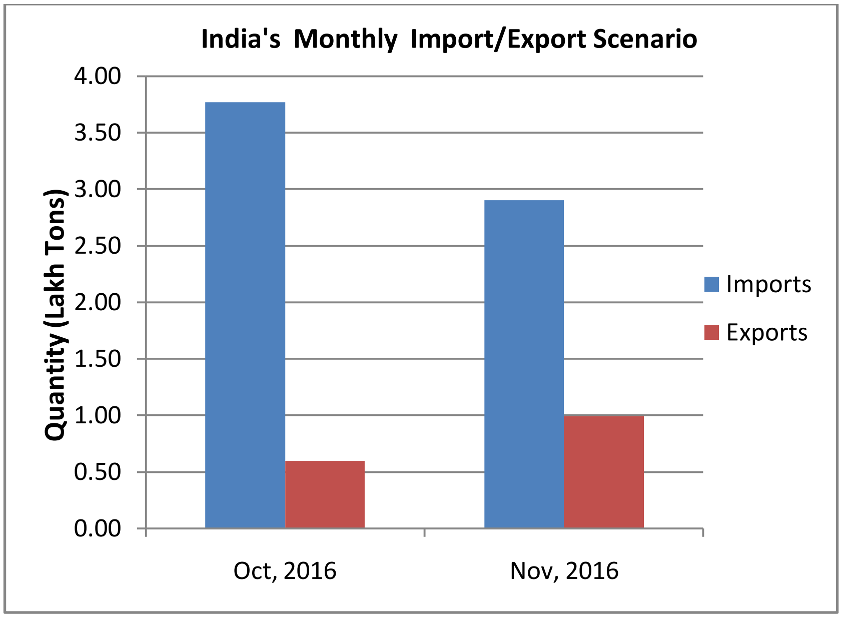
Indian indicative raw sugar CIF prices sourced from Brazil to JNPT (India) was quoted at $674.63 per ton (including 40% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at $576.74 per ton.

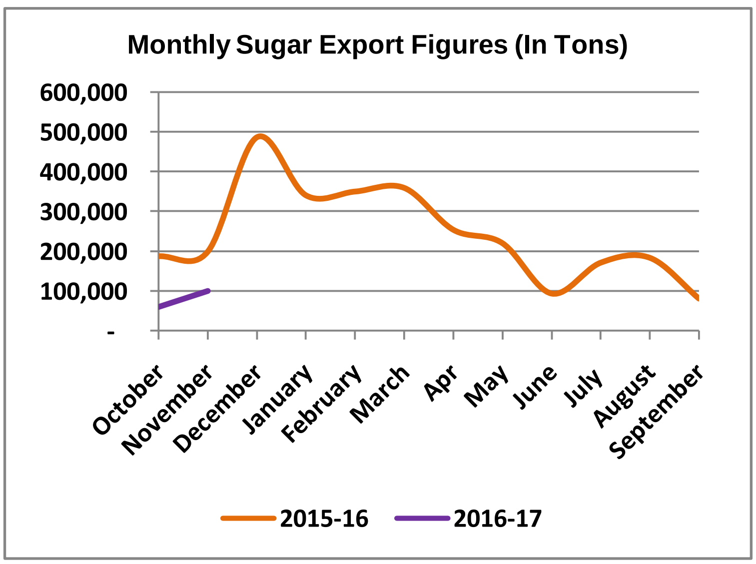
On International front, Brazil sugar FOB prices quoted at $542.9/ Ton.
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

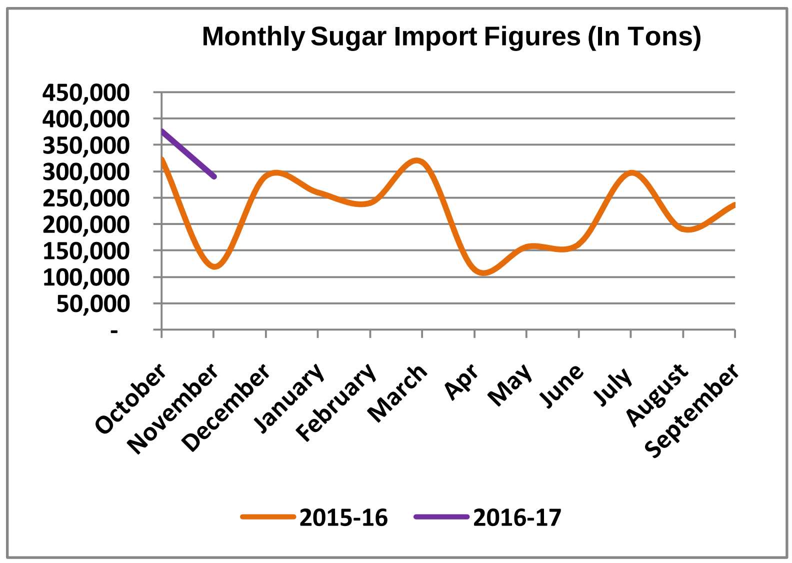
Indicative Sugar FOB Prices (USD/MT) ($=Rs.67.45) as on 03 Feb, 2017			
	Brazil	**Thailand (100 Icumsa Oct Contract/45 Icumsa Spot)**	**India (100 Icumsa)**
Comparative Sugar FOB Prices	$542.9	NA/546.50	$576.74

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, volume and O.I increased indicating long build up in the market.
- RSI is hovering in an overbought region.
- MACD signal line and center line denotes neutral hovering.
  .

Strategy: We advise market participants to Sell.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	3450	3600	3811	4020	4141
Intraday Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Sugar	NCDEX	C1 Chart	**Sell**	Below 3850	3750	3700	3910

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

- Spot sugar prices at benchmark Kolhapur market closed at Rs 3832/quintal in the month of January

- Next resistance and support level for the coming month has been seen at Rs 3920 and Rs 3700 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	44.38	122.36	53.94
B	Estimated sugar production	250.50	210.00	67.20	132.30	7.98	2.52
C	Imports	27.09	28.40	7.10	9.94	4.26	7.10
D	Estimated sugar availability (A + B + C)	341.80	295.44	131.34	186.62	134.60	63.56
E	Exports	29.26	31.45	9.44	12.58	3.15	6.29
G	Availability for domestic consumption (D - E)	312.54	263.99	121.90	174.04	131.46	57.27
H	Estimates sugar consumption	255.50	258.40	77.52	51.68	77.52	51.68
I	Carry out stock (G - H)	**57.04**	**5.59**	44.38	122.36	53.94	**5.59**

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

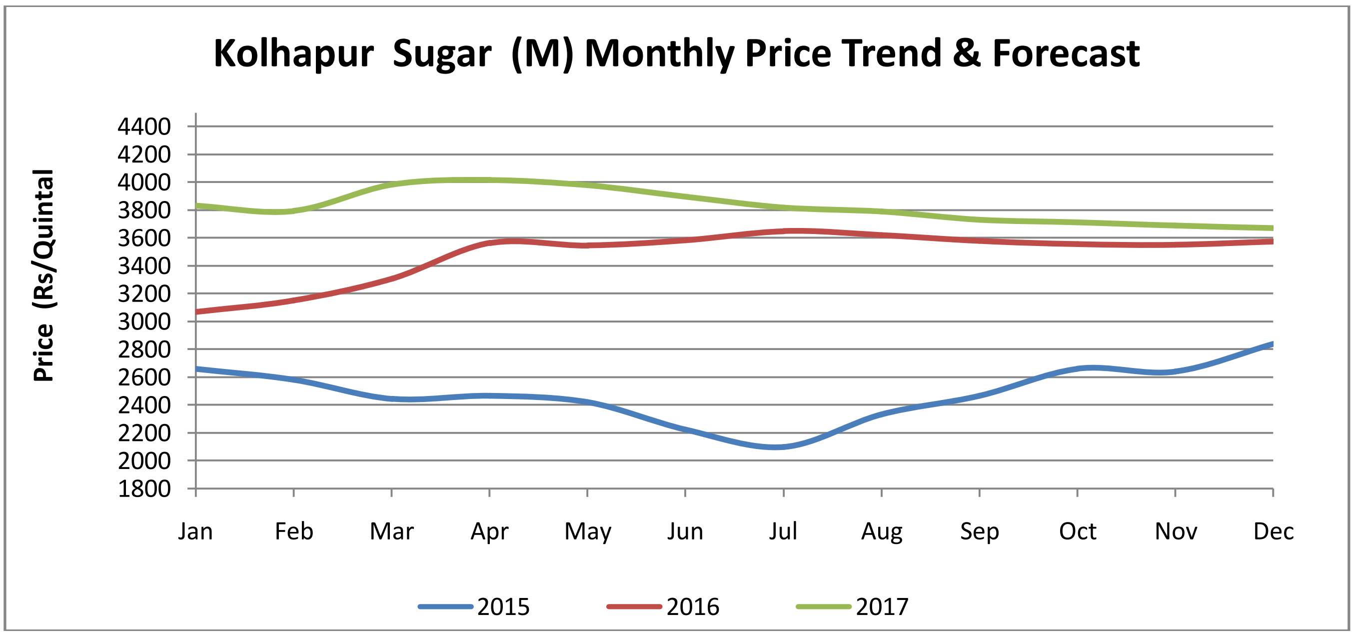
Sugar domestic balance sheet showed a lower carry in stock for marketing year 2016-17 owing to a lower sugar production in 2015-16 (01st October, 2015 – 30th September, 2016).

This year too in 2016-17, India's sugar production is expected to decline to 210.00 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	Jan	3832
Projected Price	Feb	3794
	Mar	3984
	Apr	4018
	May	3978
	Jun	3898



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 January. However, Agriwatch predicts spot prices to fell down in February, 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 noticed firm tone during the week as cane harvesting in Brazil's main C.S (centre-south) region winded up early during the season.

International Market Highlights

- Brazil's main C.S region crushed 0.04 MT of sugar in the first half of January, 2017 which was 34.62% higher than the sugar crushed during corresponding interval last year.
- According to the Agriculture Ministry officials, sugar output in Iran is estimated to exceed 1.52 million tons by the end of the current fiscal year. Domestic demand for sugar is around 2.2 million tons and another 700,000 tons needs to be imported.
- The Indonesian govt. allowed import permit for1.5 MT of raw sugar in the first half of MY 2017 i.e. 01st January, 2017- 30th June, 2017.
- Brazil's raw sugar export rose by 0.72% as the country exported 2.09 MT of sugar (raw) in December, 2016 compared to 2.07 MT of sugar in November, 2016.
- According to IKAR agriculture consultancy, Russia may produce 5.82 million tonnes of sugar in the 2016-17 marketing year which started on 1 August 2016. It produced 5.2 million tonnes of sugar during the previous season.
- 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.
- 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 **<u>03 Feb, 2017,</u>** prices of Refined Sugar London exchange traded at $542.9 per ton. On monthly chart, $529.5 per ton is the immediate support level; breach of the mentioned level would take the prices down to $518.2 per ton.

On the upper side, $554.7 and $564.6 per ton are the next resistance levels.

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

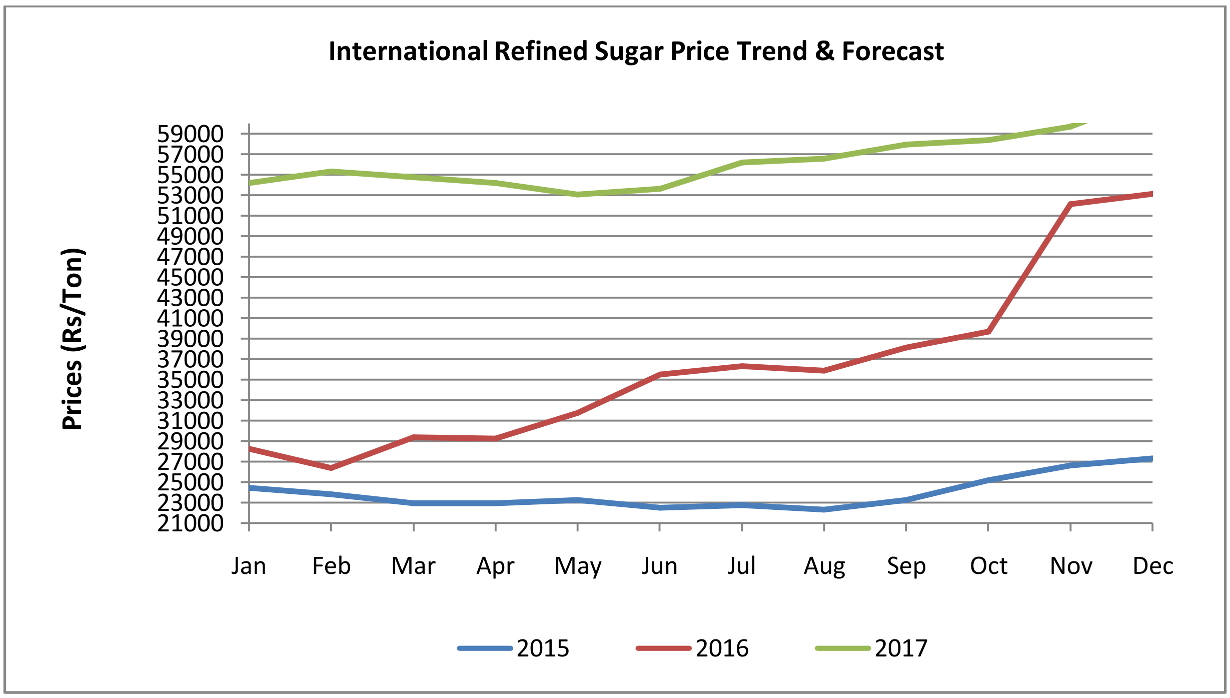
Source: Reuters Eikon

As on **03 Feb, 2017,** ICE Raw sugar prices settled at 20.55 cents per lbs. On monthly chart, 19.78 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 19.04 cent per lbs.

On the upper side, 21.53 and 22.65 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

Spot gur market mainly remained buoyant with prices rising in majority of the market. Prices of Chaku variety of gur from key Muzaffarnagar market rose by Rs 71/quintal during the month of January on back of lower arrival during the period. Similarly, prices of Achhu (Average) variety of gur from Shimoga rose by Rs 212/quintal from Rs 3794/quintal to Rs 4006/quintal during the month of January.

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

- Prices of chaku variety of gur in key Muzaffarnagar market closed at Rs 3078/quintal for the month of January.
- Next resistance and support level for the coming month has been seen at Rs 3238 and Rs 2828 per quintal.

Spot Jaggery (Gur) Prices Scenario (Weekly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			Jan,17	Dec,16	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3078	3007	71
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	150000	172000	-22000
	Muzaffarnagar	Khurpa (Fresh)	2900	2799	101
	Muzaffarnagar	Laddoo (Fresh)	3109	3044	65
	Muzaffarnagar	Rascut (Fresh)	2559	2486	73
	Hapur	Chaursa	2758	2663	95
	Hapur	Balti	2819	2739	80
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4498	4422	76
	Belgaum	Mudde (Average)	3294	3343	-49
	Belthangadi	Yellow (Average)	NR	NR	-
	Bijapur	Achhu	3570	NR	-
	Gulbarga	Other (Average)	3637	3504	133
	Mahalingapura	Penti (Average)	3726	3621	105
	Mandya	Achhu (Medium)	3433	3429	5
	Mandya	Kurikatu (Medium)	3363	3305	58
	Mandya	Other (Medium)	3342	3279	63
	Mandya	Yellow (Medium)	3452	3417	35
	Shimoga	Achhu (Average)	4006	3794	212

Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			Jan,17	Dec,16	
Delhi	Delhi	M-Grade	3906	3728	178
	Delhi	S-Grade	3886	3708	178
Uttar Pradesh	Khatauli	M-Grade	3906	3718	188
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3872	3635	237
	Dhampur	S-Grade Ex-Mill	3853	3613	241
	Dhampur	L-Grade Ex-Mill	3922	3685	237
Maharashtra	Mumbai	M-Grade	4066	3841	225
	Mumbai	S-Grade	3836	3622	214
	Nagpur	M-Grade	3956	3696	260
	Nagpur	S-Grade	3859	3596	263
	Kolhapur	M-Grade	3831	3571	260
	Kolhapur	S-Grade	3734	3471	263
Assam	Guhawati	S-Grade	4054	3787	267
Meghalaya	Shillong	S-Grade	4054	3791	263
Andhra Pradesh	Vijayawada	M-Grade	4060	3899	161
	Vijayawada	S-Grade	3909	3791	118
West Bengal	Kolkata	M-Grade	4038	3855	183
Tamil Nadu	Chennai	S-Grade	3716	3459	257
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	31-Jan-17	30-Dec-16	Change
ICE Sugar #11 (US Cent/lb)	Mar-17	20.31	19.51	0.80
	May-17	20.37	19.25	1.12
	Jul-17	20.12	18.85	1.27
LIFFE Sugar (US $/MT)	Dec-16	513.90	524.20	-10.30
	Mar-17	538.00	518.00	20.00
	May-17	542.00	509.50	32.50

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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