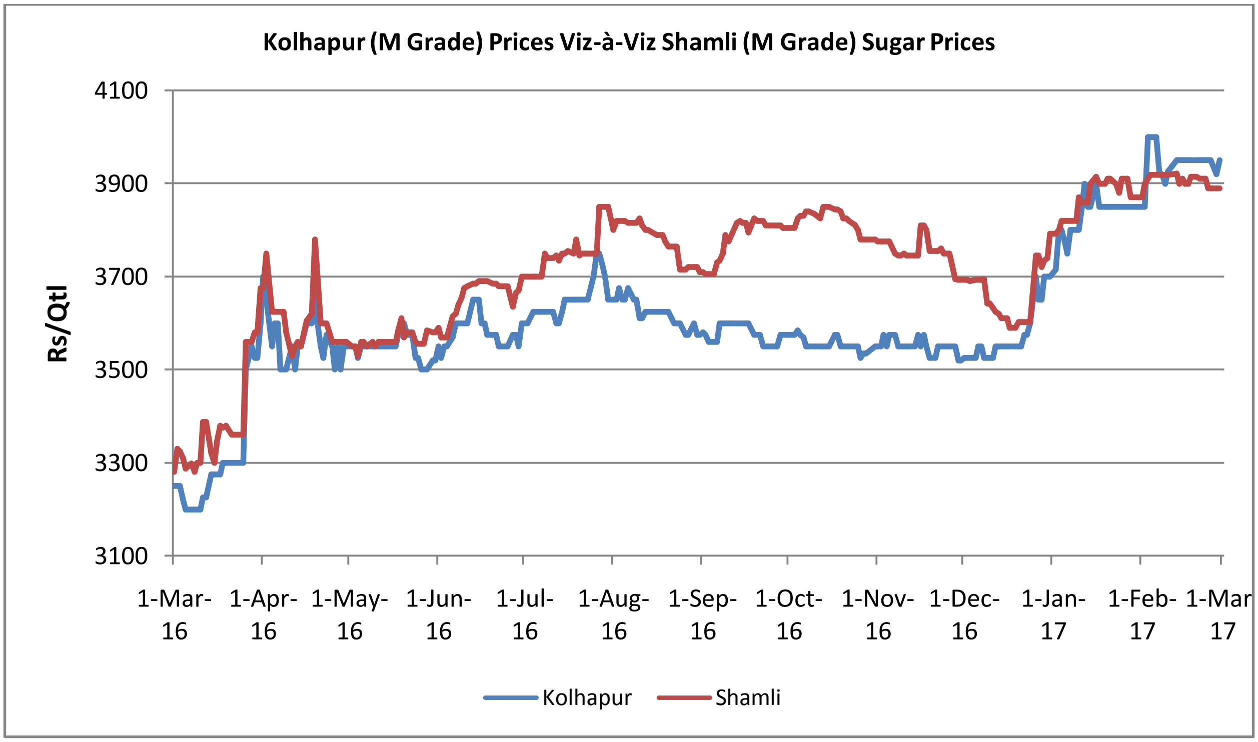
Sugar & Gur Monthly Research Report

Contents

Domestic Sugar Market Summary

Spot sugar market remained buoyant during the month of February following high domestic demand from stockiest and bulk consumer. In addition, reports of a lower sugar production estimate this marketing year further landed support to the surge in prices.

Notably, the average price for sugar ‘M’ grade in key Kolhapur market settled at Rs 3941 per quintal in the month of February compared to Rs 3832 per quintal in the month of January. Similarly, spot sugar prices for the same variety/grade in Shamli district rose by 1% from Rs 3867 per quintal in the month of January to Rs 3906 per quintal in the month of February.



Price Outlook:

Agriwatch predicts spot sugar prices to rise during the month of March as crushing operation almost came to an end in certain parts of the country which could affect sugar stock availability in the country.

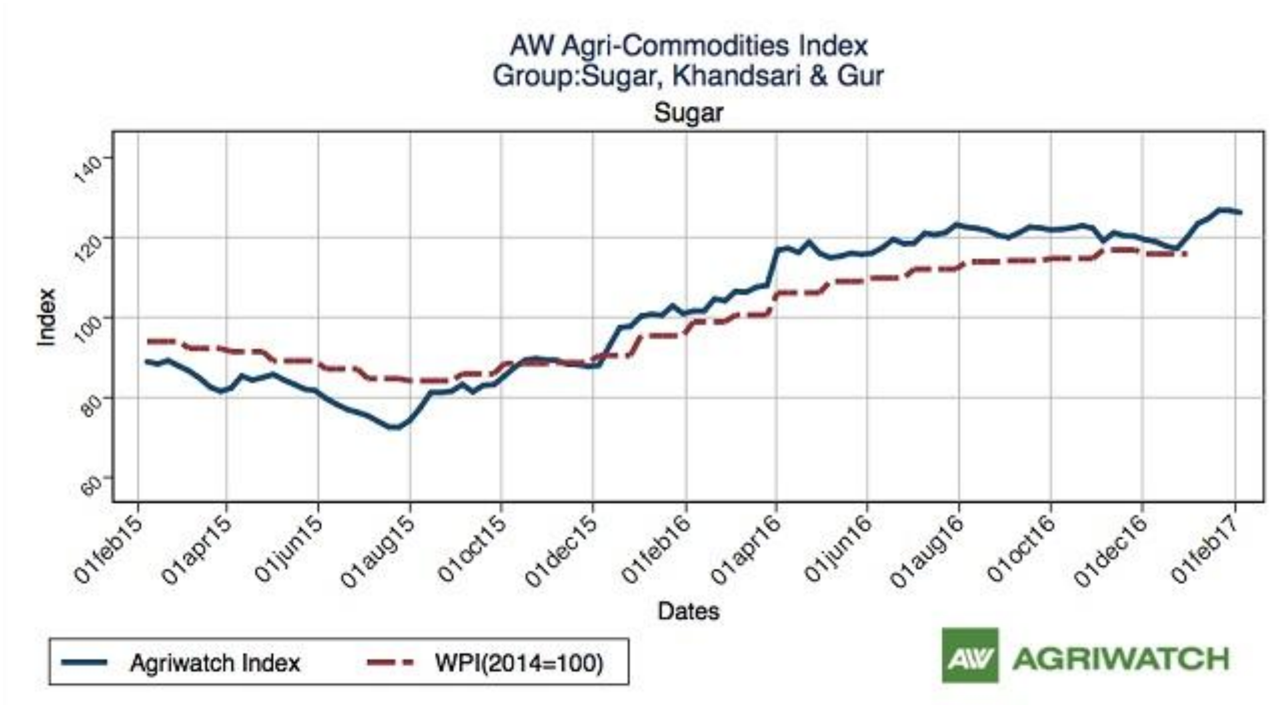
Price Projection for the Next Month

According to Agriwatch, the spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3800 - 4200 per quintal in the month of March.

Domestic Market Highlights

- India produced 162.45 LT of sugar in 2016-17 (01st October, 2016 – 28th February, 2017) which was 18.54% lower than the sugar produced last year during the corresponding period.
- Sugar production in Maharashtra fell down by 41.70% as the state produced 41.15 LT of sugar in 2016-17 (01st October, 2016 – 28th February, 2017) compared to 70.58 LT of production made in 2015-16 (01st October, 2015 – 28th February, 2016).
- 107 sugar mills in U.P had produced 62.46 LT of sugar in 2016-17 (01st October, 2016 – 28th February, 2017) which was 8.95 LT higher than the sugar produced last year in 2015-16 (01st October, 2015 – 28th February, 2016).
- Karnataka sugar production fell by 43.29% as the state produced 20.50 LT of sugar in 2016-17 (01st October, 2016 – 28th February, 2017) compared to 36.15 LT of production made last year during the corresponding period.
- 38 sugar mills in Tamil Nadu produced 6.90 LT of sugar in 2016-17 (01st October, 2016 – 28th February, 2017) which was 30.68% higher than the sugar produced by the same number of mills last year (till 28th February, 2016).
- The combined sugar production of Andhra Pradesh & Telangana fell by 2.21 LT as the states produced 4.30 LT of sugar in 2016-17 (till 28th February, 2017) compared to a sugar production of 6.51 LT made in 2015-16 (till 28th February, 2016).
- Sugar production in Gujarat fell by 12.95% as the state produced 8 LT of sugar in 2016-17 (01st October, 2016 – 28th February, 2017) compared to 9.19 LT of production made in 2015-16 (01st October, 2015 – 28th February, 2016).
- Bihar produced 4.30 LT of sugar in 2016-17 (01st October, 2016 – 28th February, 2017) which was 4.23% lower than the sugar produced last year in in 2015-16 (01st October, 2015 – 28th February, 2016).
- Uttarakhand, Punjab, Haryana and M.P & Chhattisgarh produced 2.45 LT, 4.50 LT, 3.75 LT and 3.70 LT of sugar in 2016-17 (01st October, 2016 – 28th February, 2017).
- Out of the total cane dues of Rs 13,100 crore; sugar millers in U.P had already paid Rs 10,000 crore of pending cane dues for current crushing season 2016-17 (01st October, 2016 – 30th September, 2017).
- 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.

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

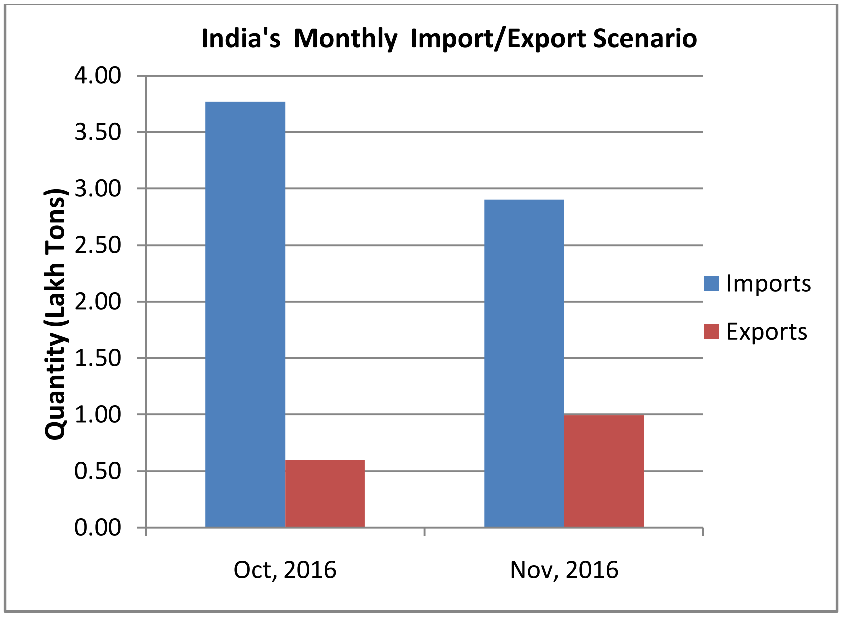
Indian indicative raw sugar CIF prices sourced from Brazil to JNPT (India) was quoted at $647.10 per ton (including 40% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at $595.89 per ton.

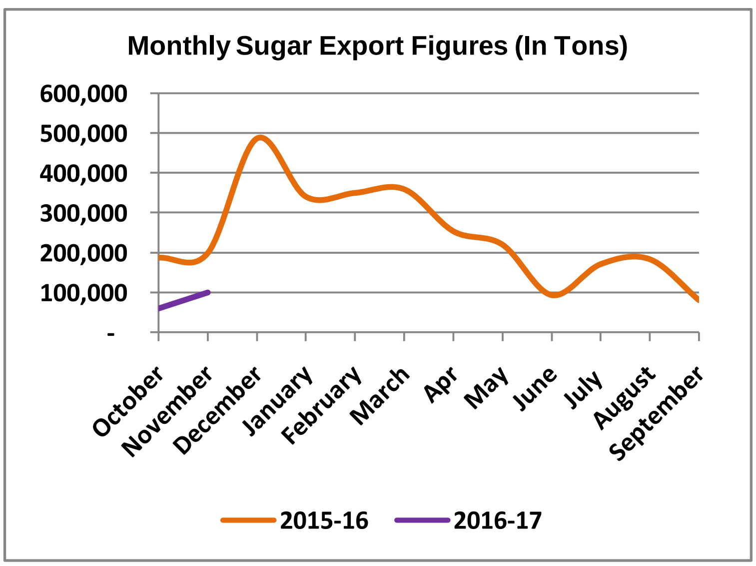
On International front, Brazil sugar FOB prices quoted at $543.6/ Ton.
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

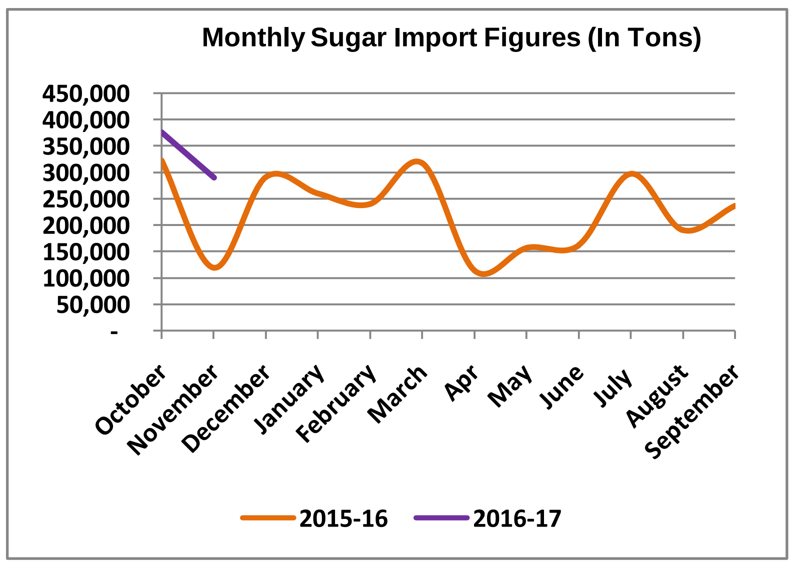
Indicative Sugar FOB Prices (USD/MT) ($=Rs. 66.74) as on 03 Mar, 2017			
	Brazil	**Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)**	**India (100 Icumsa)**
Comparative Sugar FOB Prices	$543.6	NA/539.40	$595.89

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 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	3837	4020	4141
Intraday Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Sugar	NCDEX	C1 Chart	**Buy**	Above 3830	3930	3980	3770

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

- Spot sugar prices at benchmark Kolhapur market closed at Rs 3941/quintal in the month of February.

- Next resistance and support level for the coming month has been seen at Rs 4072 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**.**

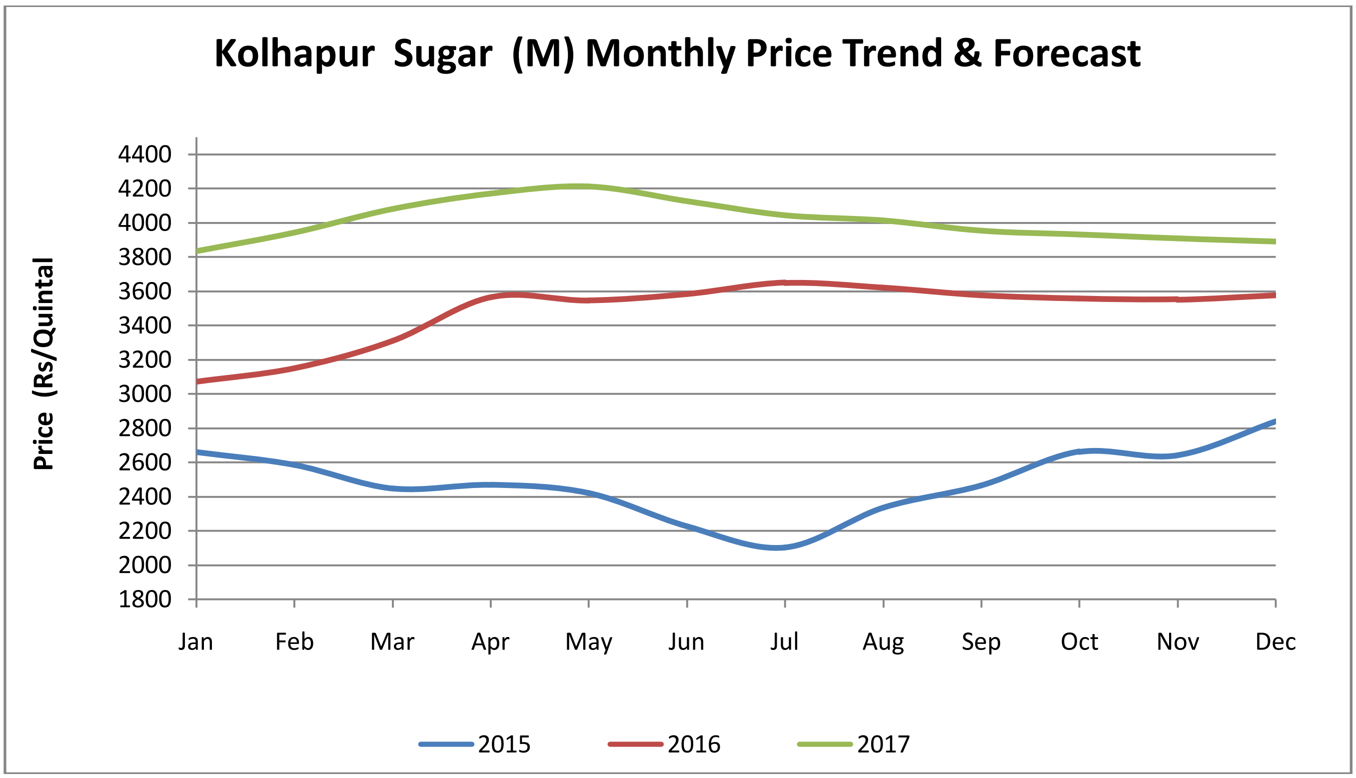
Sugar domestic balance sheet showed a lower carry in stock for marketing year 2016-17 owing to a lower sugar production in 2015-16 (01st October, 2015 – 30th September, 2016).

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	Feb	3941
Projected Price	Mar	4079
	Apr	4169
	May	4211
	Jun	4127
	Jul	4044



Domestic sugar prices at benchmark Kolhapur market rose during the month of February amidst high domestic demand from stockiest and bulk consumers. In addition, reports of a lower sugar production estimate this marketing year too supported the surge in prices.

Meanwhile, Agriwatch also predicts spot sugar prices to rise further till the month of May, with an expected fall in prices after that period.

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

- As per the latest UNICA report, Brazil's main centre south region crushed 0.91 MT of sugarcane in the first half of February, 2017 to obtain 0.01 MT of sugar there on. While, the region in total produced 35.27 MT of sugar in 2016-17 (01st April, 2016 – 15th February, 2017) which was 15.26% higher than the sugar produced last year during the corresponding period.
- Market player FCStone, reduced it sugarcane production forecast for Brazil's main centre south region (from 590.8 MT to 588.8 MT) citing an expected lower yield from the old cane fields in MY 2017-18(April – March).
- The International Sugar Organization (ISO) predicted a global sugar deficit of 5.87 MT in 2016-17 (October – September).
- Platts predicted Brazil's main centre south region to produce 597.3 MT of sugarcane in 2016-17 while the region is expected to produce 582 MT of cane in 2017-18.
- Agroconsult, Archer Consulting and FCStone projected Brazil's main centre south region to produce 595 MT, 586 MT and 597.4 MT of sugarcane respectively in 2017 -18 (01st April, 2017 – 31st March, 2018).
- Market player, Licht predicted a global sugar supply surplus of 2 MT in 2017-18 (October – September) following a bumper cane production in world's largest producer Brazil and favorable weather condition in other Asian countries.
- Datagro predicted Brazil's main C.S region to churn 612 MT of sugarcane in 2017-18 (01st April, 2017 – 31st March, 2018) to produce 36.8 MT of sugar there on. However, for 2016-1718 (01st April, 2017 – 31st March, 2018) the organization predicted a cane crop and sugar production of 605.5 MT and 35.62 MT respectively.
- Brazil exported 1.78 million tonnes of raw sugar in January, 2017 which was 14.73% lower than the sugar exported the previous month in December, 2016.
- 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.
- 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.

LIFFE Future Market Sugar Scenario (May'17 Contract)

Source: Reuters Eikon

As on **02 Mar, 2017,** prices of Refined Sugar London exchange traded at $539.4 per ton. On monthly chart, $524.8 per ton is the immediate support level; breach of the mentioned level would take the prices down to $516.9 per ton.

On the upper side, $553.3 and $564.6 per ton are the next resistance levels.

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

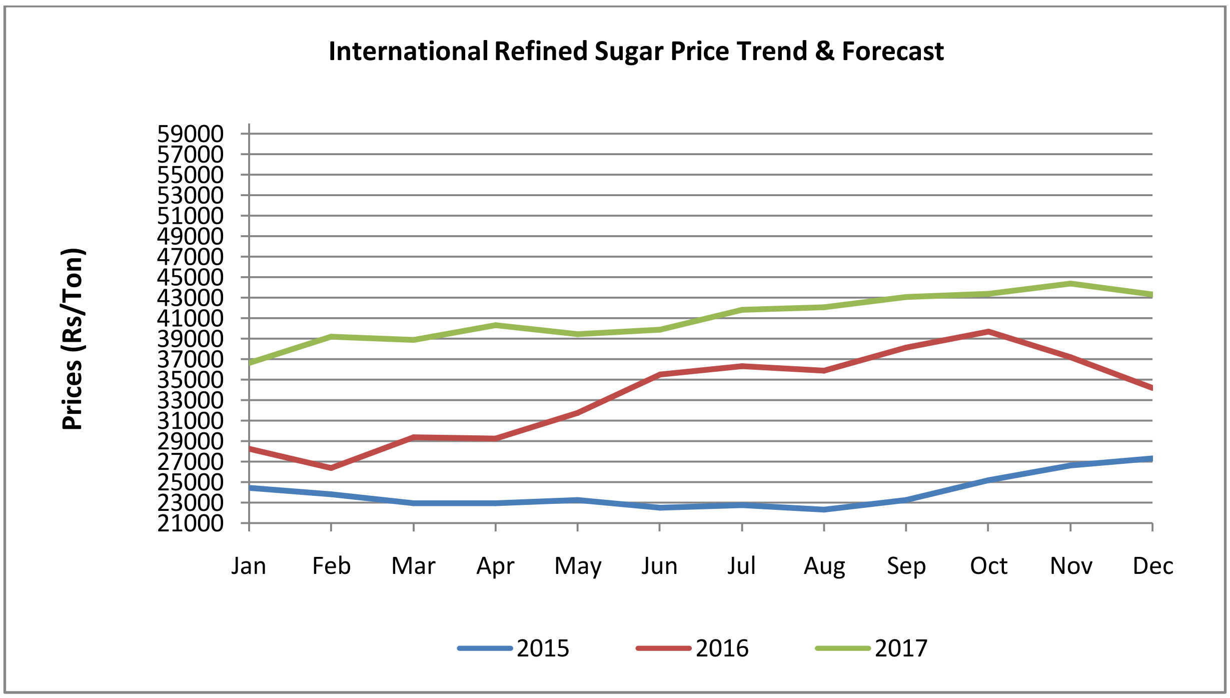
Source: Reuters Eikon

As on **<u>02 Mar, 2017,</u>** ICE Raw sugar prices settled at 19.48 cents per lbs. On monthly chart, 19.07 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 18.37 cent per lbs.

On the upper side, 19.84 and 20.48 cents per lbs are the resistance levels.

International Refined Sugar Price Projection

		(Rs/Ton)
Current Average Price	Jan	36602
Projected Price	Feb	39217
	Mar	38853
	Apr	40288
	May	39466
	Jun	39879



International refined sugar prices noticed firm tone during the month of January as cane harvesting in Brazil's main C.S (centre-south) region slowed down and is expected to wind up soon for the current season.

Gur Market Scenario

Mixed sentiments were recorded in spot gur market with price rising in some market while declining in others. Prices of Mudde (Average) variety of gur from Belgaum rose by Rs 87/quintal during the month from Rs 3294/quintal to Rs 3381/quintal. Similarly, prices of Penti (Average) variety of gur from Mahalingapura rose by Rs 76/quintal to Rs 3802/quintal during the month of February.

On the other hand, prices of Mudde (Average) variety of gur from Bangalore fell by Rs 156/quintal from Rs 4498/quintal to Rs 4342/quintal during the month. Similarly, prices of Laddoo (Fresh) variety of gur from key Muzaffarnagar market fell by Rs 146/quintal to Rs 2963/quintal during the month of February.

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

- Prices of chaku variety of gur in key Muzaffarnagar market closed at Rs 3034/quintal for the month of February.
- Next resistance and support level for the coming month has been seen at Rs 3128 and Rs 2915 per quintal.

Spot Jaggery (Gur) Prices Scenario (Monthly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	**Centre**	**Variety**	**Prices (Rs/Qtl)**		**Change**
Jaggery(Gur)			**Feb,17**	**Jan,17**	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3034	3078	-44
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	210000	150000	60000
	Muzaffarnagar	Khurpa (Fresh)	2819	2900	-81
	Muzaffarnagar	Laddoo (Fresh)	2963	3109	-146
	Muzaffarnagar	Rascut (Fresh)	2576	2559	17
	Hapur	Chaursa	2704	2758	-54
	Hapur	Balti	2724	2819	-95
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4342	4498	-156
	Belgaum	Mudde (Average)	3381	3294	87
	Belthangadi	Yellow (Average)	NR	NR	-
	Bijapur	Achhu	3499	3570	-71
	Gulbarga	Other (Average)	3553	3637	-84
	Mahalingapura	Penti (Average)	3802	3726	76
	Mandya	Achhu (Medium)	3463	3433	30
	Mandya	Kurikatu (Medium)	3333	3363	-30
	Mandya	Other (Medium)	3350	3342	8
	Mandya	Yellow (Medium)	3458	3452	6
	Shimoga	Achhu (Average)	3971	4006	-35

Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			Feb,17	Jan,17	
Delhi	Delhi	M-Grade	3947	3906	**41**
	Delhi	S-Grade	3927	3886	**41**
Uttar Pradesh	Khatauli	M-Grade	3969	3906	**63**
	Ramala	M-Grade	NA	NA	**-**
	Dhampur	M-Grade Ex-Mill	3893	3872	**21**
	Dhampur	S-Grade Ex-Mill	3873	3853	**20**
	Dhampur	L-Grade Ex-Mill	3943	3922	**21**
Maharashtra	Mumbai	M-Grade	4244	4066	**178**
	Mumbai	S-Grade	3988	3836	**152**
	Nagpur	M-Grade	4065	3956	**109**
	Nagpur	S-Grade	3965	3859	**106**
	Kolhapur	M-Grade	3940	3831	**109**
	Kolhapur	S-Grade	3840	3734	**106**
Assam	Guhawati	S-Grade	4161	4054	**107**
Meghalaya	Shillong	S-Grade	4160	4054	**106**
Andhra Pradesh	Vijayawada	M-Grade	4193	4060	**133**
	Vijayawada	S-Grade	4076	3909	**167**
West Bengal	Kolkata	M-Grade	4099	4038	**61**
Tamil Nadu	Chennai	S-Grade	3842	3716	**126**
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	28-Feb-17	31-Jan-17	Change
ICE Sugar #11 (US Cent/lb)	Mar-17	19.09	20.31	-1.22
	May-17	19.15	20.37	-1.22
	Jul-17	19.01	20.12	-1.11
LIFFE Sugar (US $/MT)	May-17	496.50	513.90	-17.40
	Aug-17	493.00	538.00	-45.00
	Oct-17	528.20	542.00	-13.80

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

*****