Sugar & Gur Monthly Research Report

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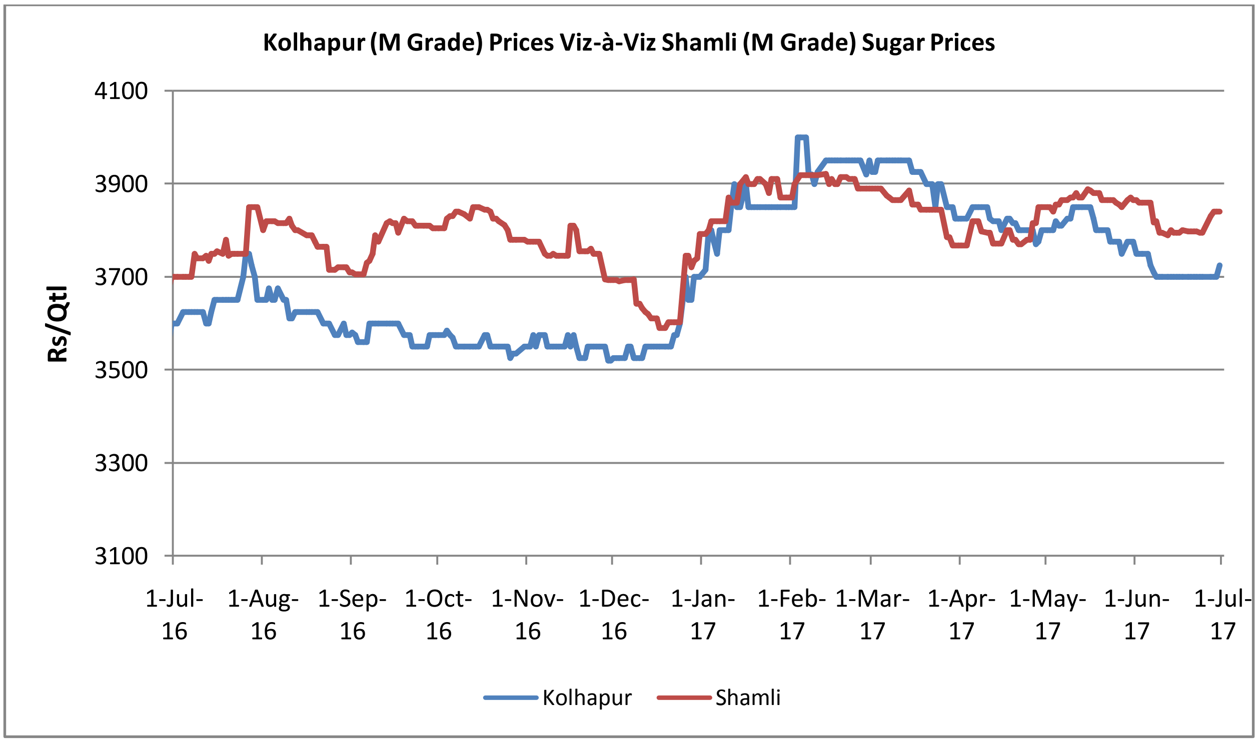
Domestic Sugar Market Summary

Spot sugar prices traded steady to weak during the month of June amidst adequate supply and muted demand in the domestic spot market.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3710 per quintal in the month of June compared to Rs 3807 per quintal in the month of May However, spot sugar prices for the same variety/grade in Shamli district fell by 1.25% from Rs 3866 per quintal in the month of May to Rs 3817 per quintal in the month of June.



Price Outlook

Agriwatch predicts spot sugar prices to fell during the months ahead amidst adequate sugar supply in the market.

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 - 4000 per quintal in the month of June.

Domestic Market Highlights

- ICRA projected India to produce 24 MT of sugar in 2017-18 (01st October, 2017 – 30th September, 2018) due to a good amount of rainfall received in major producing areas of Uttar Pradesh and Maharashtra during the season.
- According to the official figures, sugarcane has been sown on 47.52 lakh hectares as on June 16, 2017 across the country compared to 44.82 lakh hectares during the same period previous year.
- Considering the low prices prevailing in the global sugar market, the Indian govt send cues of raising the import duty on sugar if required. Notably, at present import duty on sugar has been levied at 40% which could be raised to 60% in order to discourage exports from outside.
- India is likely to produce more sugar in the 2017-18 crop year following higher production in top two producing¬ states of Uttar Pradesh and Maharashtra. In 2016-17 crop year, India had to import around 500,000 tonnes of sugar to meet its domestic demand. In the 2017-18 crop year, India's sugar production is expected to increase by a quarter to 25 million tonnes compared to previous amid expected good monsoon. In Uttar Pradesh, production is expected to increase by 5 percent to a record 9.2 million tonnes and in Maharashtra, it is expected to increase by 62 per cent to 6.8 million tonnes in 2017 -18.
- The Indian govt. raised Fair & Remunerative Price (FRP) for sugarcane by 10.87% from Rs 2,300/ton in 2016-17 (01st October, 2016 – 30th September, 2017) to Rs 2,500/ton in 2017-18 (01st October, 2017 – 30th September, 2018). This could lead to a rise in sugar prices as well as the input cost for sugar production got increased.
- Rating agency, CRISIL predicts India to produce 25 MT of sugar in 2017-18 (01st October, 2017 – 30th September, 2018) wherein; U.P and Maharashtra are expected to produce 9 and 7 million tonnes of sugar respectively in 2017-18.
- To balance the mismatch between the country's sugar production and consumption level, the Indian govt. allowed duty free import of 5 lakh tonnes of raw sugar in the country. Out of the total quantity, 3 lakh tonnes of quota has been allocated to the mills in south, 1.5 lakh tonnes to the mills in west and 0.5 lakh tonnes to the mills in east. Notably, the govt. estimates India to produce 22.5 MT of sugar this marketing year i.e. 2016-17 (01st October, 2016 – 30th September, 2017) while AW predicts sugar production of 19.5 MT during the same period.
- In a move to ensure sugar availability within the country and to avoid hoarding, the Indian govt. extended the duration for imposing stock limit on sugar. Notably, the limit has now been stretched by another six months to 29th April, 2017 – 28th October, 2017; while the quantity of stock limit remains the same as 1,000 tonnes for traders in West Bengal and 500 tonnes for all the others.
- Owing to the recovery from drought and an increase in cane recovery rate especially in state like Uttar Pradesh, Licht predicts India to produce 24.4 MT of sugar in 2017-18 (01st October, 2017 – 30th September, 2018) compared to 20.3 MT of production projected in 2016-17 (01st October, 2016 – 30th September, 2017).
- ISMA had revised India's sugar production forecast from 20.3 MT to 20.2 MT for 2016-17 (01st October, 2016 – 30th September, 2017).

Agriwatch Sweeteners (Sugar, Gur & Khandsari) Index– Mar 25, 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 0.44% to 125.31 during the week ending on March 25, 2017. Notably, the base for the Index is 2014 (= 100).

Sugar Import/Export Opportunity

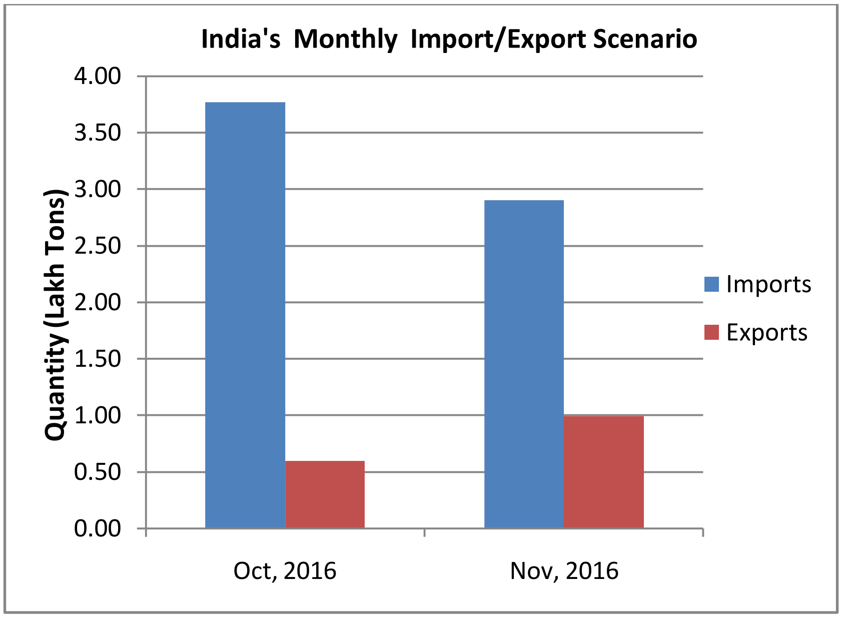
Indian indicative raw sugar CIF prices sourced from Brazil to JNPT (India) was quoted at $466.15 per ton (including 40% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at $583.81 per ton.

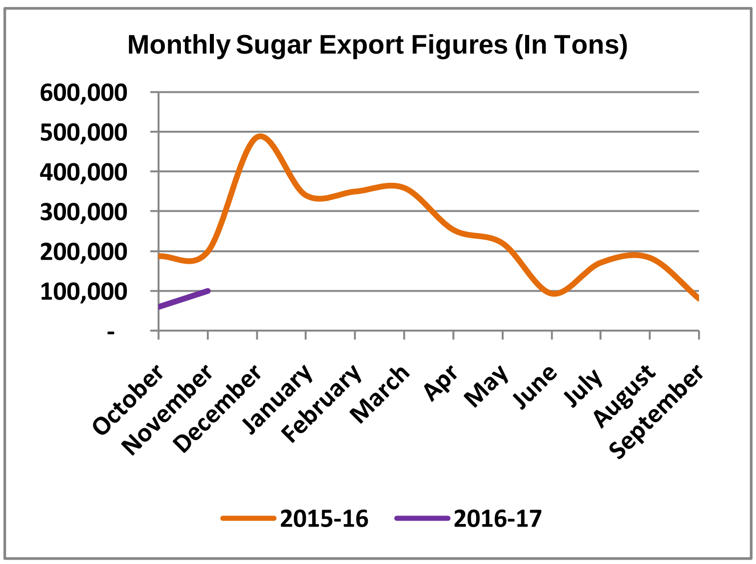
On International front, Brazil sugar FOB prices quoted at $587.7 Ton.
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

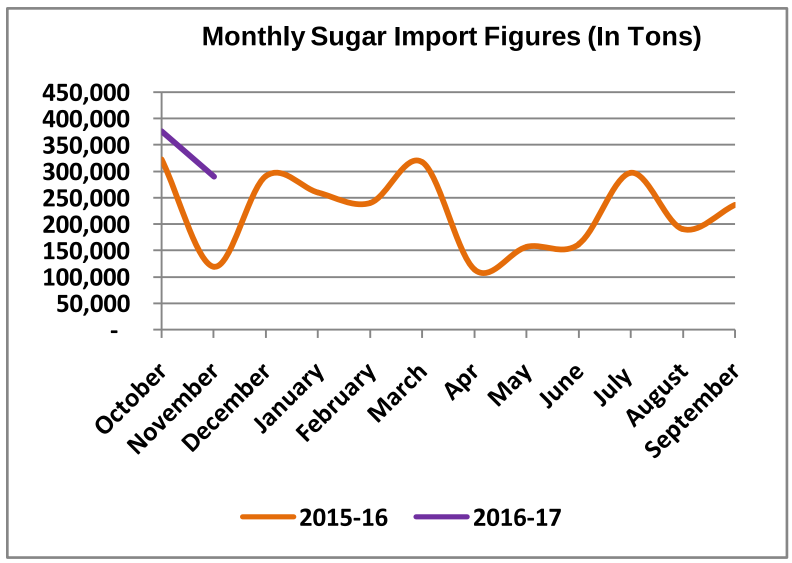
Indicative Sugar FOB Prices (USD/MT) ($=Rs.64.73) as on 30 Jun, 2017			
	Brazil	**Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)**	**India (100 Icumsa)**
Comparative Sugar FOB Prices	$587.7	NA/392.50	$583.81

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 decreased while volume and O.I remained constant for the month.
- RSI is hovering in a neutral zone.
- MACD signal line and center line denotes bullish hovering.
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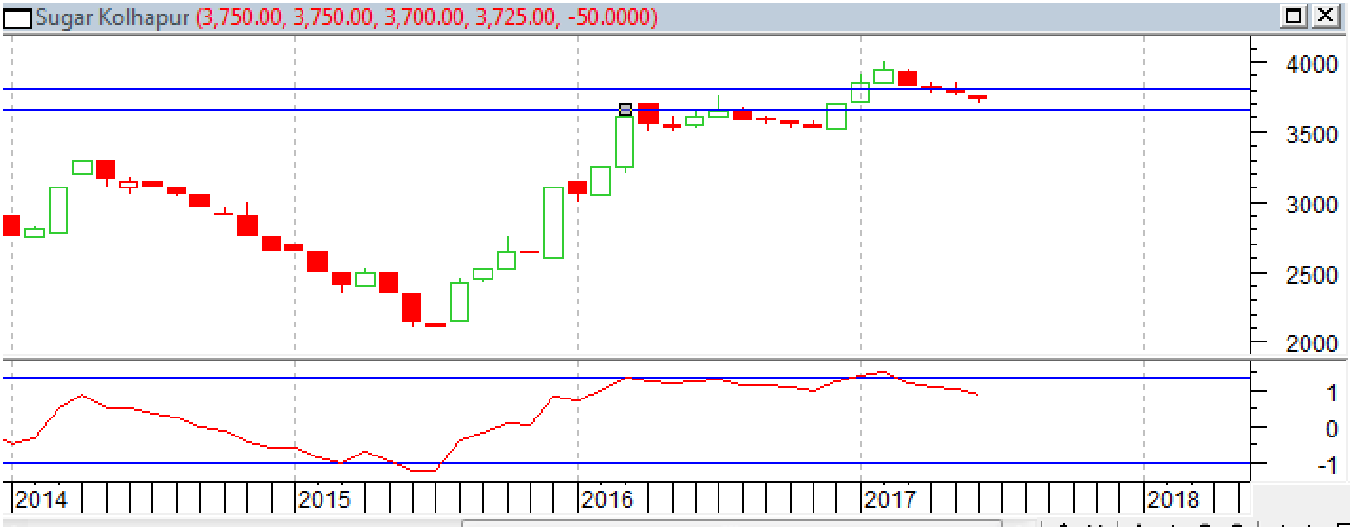
Strategy: We advise market participants to Buy.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	3400	3520	3670	4020	4141
Intraday Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Sugar	NCDEX	C1 Chart	Buy	Above 3650	3750	3800	3590

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



- Spot sugar prices at benchmark Kolhapur market closed at Rs 3710/quintal in the month of June.

- Next resistance and support level for the coming month has been seen at Rs 3806 and Rs 3655 per quintal.

Sugar Domestic Balance Sheet

(Lakh Ton)

		2015-16	2016-17*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
A	Carry in stock	60.91	61.24	61.24	54.13	133.09	71.46
B	Estimated sugar production	250.50	195.00	62.40	122.85	7.41	2.34
C	Imports	27.09	35.00	8.75	12.25	5.25	8.75
D	Estimated sugar availability (A + B + C)	338.50	291.24	132.39	189.23	145.75	82.55
E	Exports	29.26	19.86	5.96	7.94	1.99	3.97
G	Availability for domestic consumption (D - E)	309.24	271.38	126.43	181.29	143.76	78.58
H	Estimates sugar consumption	248.00	241.00	72.30	48.20	72.30	48.20
I	Carry out stock (G - H)	**61.24**	**30.38**	54.13	133.09	71.46	**30.38**

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

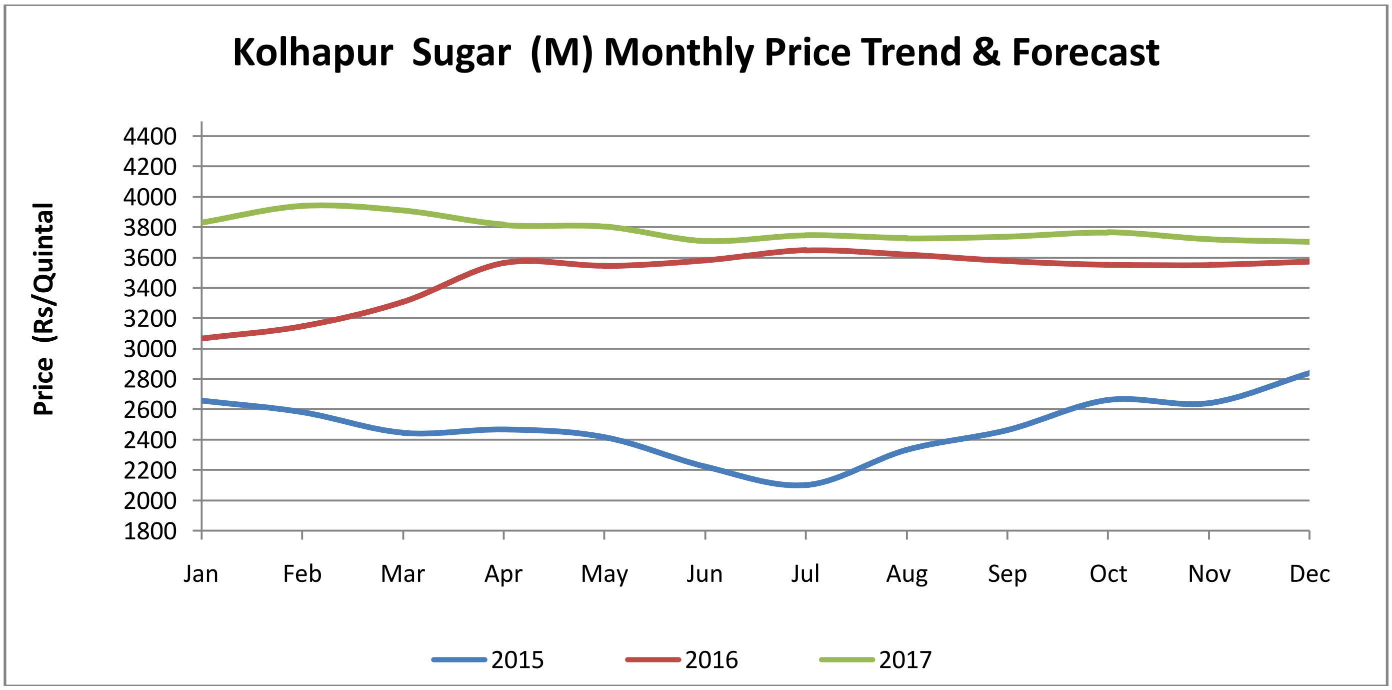
India's sugar production is expected to decline to 195 LT in 2016/17 as draught in major producers Maharashtra and Karnataka has negatively affected both the cane acreage and productivity in the two states resulting into a lower sugar production estimates for 2016-17. However, an expected surge in cane area, yield and sugar recovery in Uttar Pradesh is expected to offset the losses incurred in Maharashtra and Karnataka.

This fall in production estimate (which also means lower sugar availability in the domestic market) basically gave rise to the domestic sugar prices in India.

On the other hand, sugar domestic consumption is expected to decline to 241.00 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	Jun	3710
Projected Price	Jul	3747
	Aug	3728
	Sep	3740
	Oct	3766
	Nov	3721



Spot sugar (M- grade) prices at benchmark Kolhapur market settled at Rs 3710/quintal during the month of June amidst adequate sugar supply and muted domestic demand.

While, Agriwatch predicts prices to rise in the month of July as there could be shortage of supply due to non arrival of any new stock into the market In addition, summer seasonal demand and festive demand during the period could boost domestic sugar prices.

International Sugar Market Summary

International sugar prices noticed weak tone during the month of May as cane crushing is happening at full pace in top producer Brazil, resulting into a fall in prices.

International Market Highlights

- Owing to a favorable dry weather condition, the Indonesia govt. expects the country's white sugar production to rise by 13.6% from 2.2 MT in 2016 to 2.5 MT in 2017.The govt. also projects the country to produce 2.8 MT and 3.3 MT of white sugar in MY 2018 and 2019 respectively.
- Also, as per the govt. officials, Indonesia had issued import permit of 1.754 MT of raw sugar in the second half of year 2017 (July – December).
- On the back of destructive cyclone, Debbie, the Australian govt reduced its sugar production forecast for the country from 5.16 MT to 4.8 MT in 2017-18. Notably, the cyclone had hitted the north east coast of Australia in March, 2017 which had resulted into a huge loss of sugarcane crop.
- Owing to a higher production estimate in India, Thailand and E.U, Sucden projected the world sugar production to rise to 183 MT in 2017-18 with a global sugar surplus of 3.5 MT during the same period. It also projected Brazil's main centre south region to produce 34.9 MT of sugar in 2017-18 (01st April, 2017 – 31st March, 2018) compared to 35.6 MT of sugar production in 2016-17 (01st April, 2016 – 31st March, 2017).
- Brazil's main C.S region crushed 1.75 MT of sugar in the second half of May, 2017 which was 16.7% lower than the sugar crushed in the first half of May, 2017.
- The International Sugar Organization (ISO) predicted a global sugar surplus of 3 million tonnes in 2017-18 (October – September), while the year 2016-17 is projected to undergo a deficit of 5.9 million tonnes.
- Due to a fall in global sugar prices Copersucar reduced Brazil's C.S sugar production forecast from 36 MT to 35.5 MT for 2017-18. According to the organization, fall in sugar prices will induce the local millers to divert more of their cane towards production of ethanol.
- Brazil's raw sugar export rose by 77% as the country exported 1.99 MT of raw sugar in May, 2017 compared to 1.12 MT of exports made in April, 2017.
- INTL FCStone predicts Brazil's C.S region to crush 588 MT of sugarcane in MY 2017-18 (April, 2017 – 31st March, 2018) to produce 35.6 MT of sugar there on.
- Due to an expected fall in sugar production in Brazil's C.S region this year; industry body, UNICA predicts the region's exports to fell down by 1.41% from 28.28 MT in 2016-17 to 27.88 MT in 2017-18.
- Market player, F. O Licht predicts world sugar production to rise by 7.57% from 176.9 MT in 2016-17 to 190.3 MT in 2017-18. This rise has been attributed to an increased production estimate in India, Thailand and European Union (E.U)
- While, an end to European sugar quota could lead European Union (E.U) to produce 18.4 MT of sugar in 2017-18 compared to 15.4 MT of production made in 2016-17 (as per the projection made by Licht).

LIFFE Future Market Sugar Scenario (Aug'17 Contract)

Source: Reuters Eikon

As on **03 May, 2017,** prices of Refined Sugar London exchange traded at $450.1 per ton. On monthly chart, $443.37 per ton is the immediate support level; breach of the mentioned level would take the prices down to $422.83 per ton.

On the upper side, $480.6 and $501.79 per ton are the next resistance levels.

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

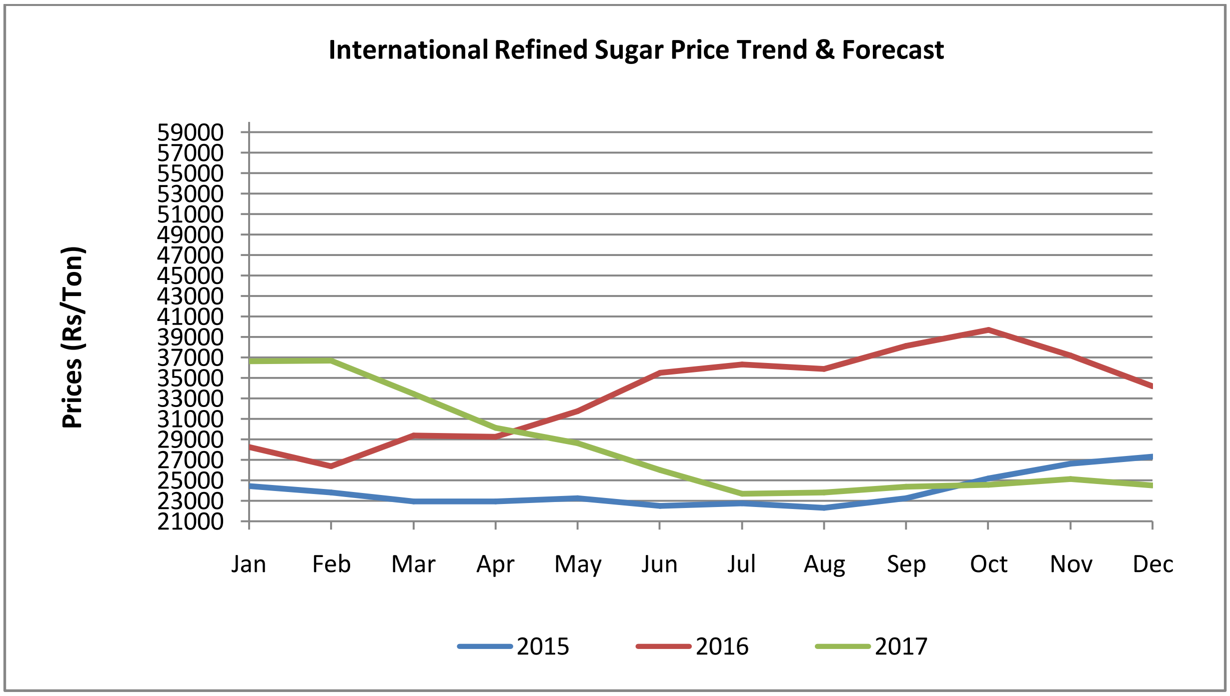
Source: Reuters Eikon

As on **03 May, 2017,** ICE Raw sugar prices settled at 15.73 cents per lbs. On monthly chart, 15.39 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 14.85 cent per lbs.

On the upper side, 16.52 and 16.91cents per lbs are the resistance levels.

International Refined Sugar Price Projection

		(Rs/Ton)
Current Average Price	Jun	26021
Projected Price	Jul	23654
	Aug	23807
	Sep	24384
	Oct	24564
	Nov	25126

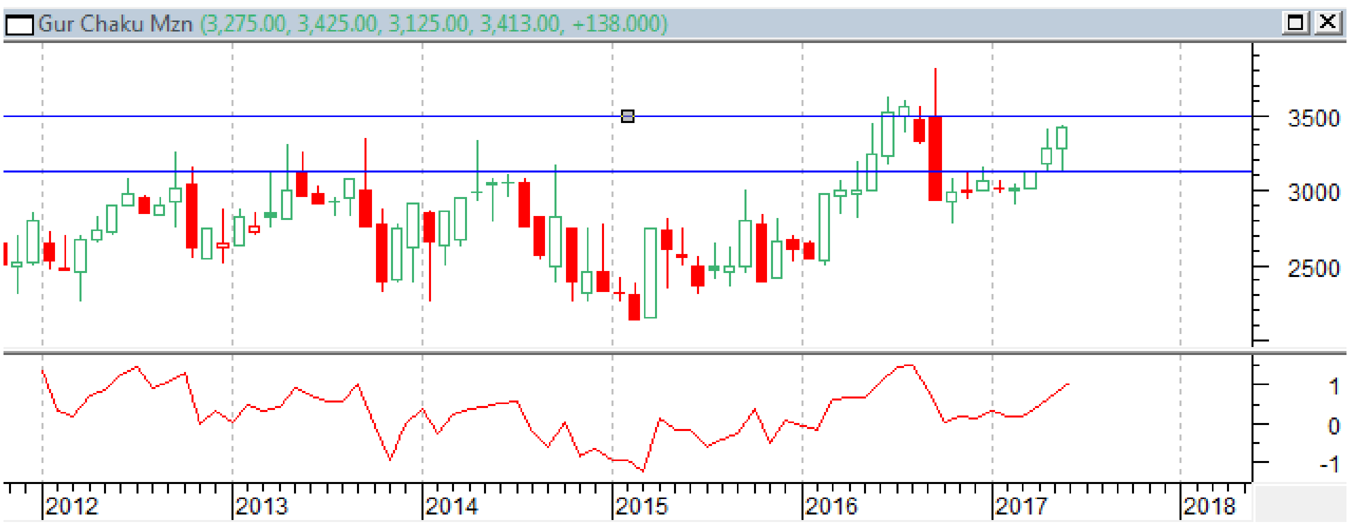


International refined sugar prices traded weak during the month of June and is expected to fall further in the month of July as the main sugar producing nation, Brazil is expecting a huge cane crop this year which will certainly increase sugar availability in the international market leading to a fall in prices.

Gur Market Scenario

Mixed sentiments were recorded in spot gur market with price rising in some market while declining in others. Prices of Chaursa variety of gur from Hapur rose by Rs 230/quintal from Rs 3020/quintal in the month of May to Rs 3250/quintal during the month of June. However, prices of Achhu (Medium) and Kurikatu (Medium) variety of gur from Mandya fell by Rs 252/quintal and Rs 261/quintal to Rs 3892/quintal and Rs 3718/quintal during the month of June.

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



- Prices of chaku variety of gur in key Muzaffarnagar market closed at Rs 3211/quintal for the month of June
- Next resistance and support level for the coming month has been seen at Rs 3490 and Rs 3125 per quintal.

Spot Jaggery (Gur) Prices Scenario (Monthly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			June,17	May,17	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3268	3296	-28
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	5550	69100	-63550
	Muzaffarnagar	Khurpa (Fresh)	3131	2976	155
	Muzaffarnagar	Laddoo (Fresh)	3408	3304	103
	Muzaffarnagar	Rascut (Fresh)	2748	2585	163
	Hapur	Chaursa	3250	3020	230
	Hapur	Balti	NA	3060	-
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4948	4938	9
	Belgaum	Mudde (Average)	3495	3615	-120
	Belthangadi	Yellow (Average)	NA	NR	-
	Bijapur	Achhu	3366	3306	60
	Gulbarga	Other (Average)	3601	3633	-32
	Mahalingapura	Penti (Average)	3426	3511	-85
	Mandya	Achhu (Medium)	3892	4144	-252
	Mandya	Kurikatu (Medium)	3718	3979	-261
	Mandya	Other (Medium)	3618	3833	-215
	Mandya	Yellow (Medium)	3887	3939	-52
	Shimoga	Achhu (Average)	4552	4821	-269

Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			June,17	May,17	
Delhi	Delhi	M-Grade	3863	3922	-59
	Delhi	S-Grade	3843	3902	-59
Uttar Pradesh	Khatauli	M-Grade	3853	3899	-46
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3775	3835	-60
	Dhampur	S-Grade Ex-Mill	3755	3815	-60
	Dhampur	L-Grade Ex-Mill	3825	3885	-60
Maharashtra	Mumbai	M-Grade	4006	4117	-111
	Mumbai	S-Grade	3847	3907	-60
	Nagpur	M-Grade	3835	3932	-97
	Nagpur	S-Grade	3781	3866	-85
	Kolhapur	M-Grade	3710	3807	-97
	Kolhapur	S-Grade	3656	3741	-85
Assam	Guhawati	S-Grade	3974	4061	-86
Meghalaya	Shillong	S-Grade	3976	4061	-85
Andhra Pradesh	Vijayawada	M-Grade	4122	4121	2
	Vijayawada	S-Grade	4064	4081	-17
West Bengal	Kolkata	M-Grade	4022	4110	-88
Tamil Nadu	Chennai	S-Grade	3734	3750	-16
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-Jun-17	30-May-17	Change
ICE Sugar #11 (US Cent/lb)	Jul-17	13.30	15.02	-1.72
	Oct-17	13.50	15.28	-1.78
	Mar-17	14.19	15.87	-1.68
LIFFE Sugar (US $/MT)	Aug-17	399.70	438.40	-38.70
	Oct-17	384.20	423.30	-39.10
	Dec-17	384.90	423.10	-38.20

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	2017-18
India (FRP)	1298	1391	1450	1700	2100	2200	2300	2300	2550
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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