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# Sugar & Gur Monthly Research Report

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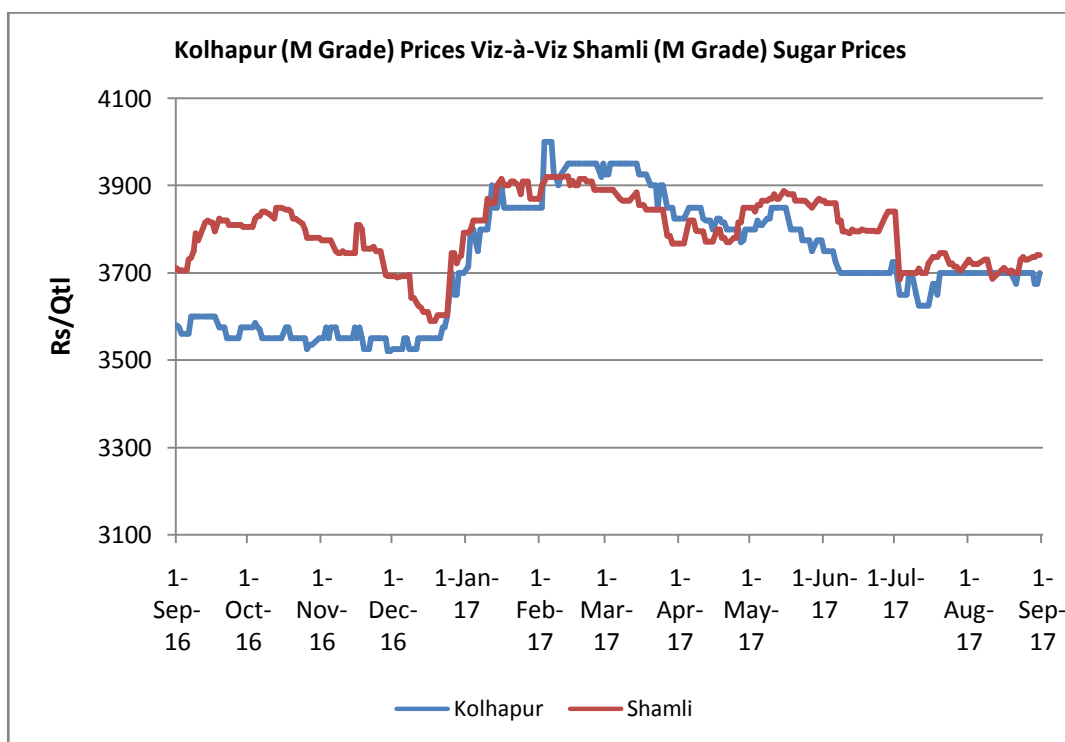
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### Domestic Sugar Market Summary

Spot sugar prices traded steady to firm during the month of August following regular domestic demand and supply onto the market.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3697 per quintal in the month of August compared to Rs 3673 per quintal in the month of July. However, spot sugar prices for the same variety/grade in Shamli district remained constant during the month and stood at a price of Rs 3719 per quintal in the month of August.



### Price Outlook

Agriwatch predicts spot sugar prices to fall 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 3400 - 3800 per quintal in the month of September.

## Domestic Market Highlights

- In a bid to discourage sugar hoarding within the country & to control prices, the Indian govt. Imposed stock limit on sugar, under which, the Indian millers are supposed to keep only a certain percentage of their production with them and the rest they have to sell into the market. Notably, at present, the stock limit has been imposed only for two months i.e. September & October wherein the millers can keep only 21% and 8% of their total production with them.
- The West Indian Sugar Mills Association (WISMA) predicted Maharashtra to produce 7 MT of sugar during 2017-18 (01<sup>st</sup> October, 2017 – 30<sup>th</sup> September, 2018).
- To balance the mismatch between the country's sugar production and consumption level, (during 2016-17) and to control the soaring sugar prices in future, the Indian govt. gave cues of allowing duty free import of an additional 2 lakh tonnes of sugar into the country. Notably, earlier also (during the current marketing year) the govt. had allowed duty free import of 5 lakh tonnes of sugar into the country. Out of which, 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.
- Sugar millers in India owes a total of Rs 4,611 crore as the pending cane arrears for this MY i.e. 2016-17 (01<sup>st</sup> October, 2016 – 30<sup>th</sup> September, 2017). Out of which Uttar Pradesh, Gujarat, Tamil Nadu, Uttarakhand and Punjab owes Rs 2,535 crore, Rs 1,067 crore, Rs 494 crore, Rs 302 crore and Rs 127 crore respectively.
- Owing to an expected increase in cane acreage (9.02 lakh hectares), the state government of Maharashtra had predicted the state to produce 73 lakh tonnes of sugar during 2017-18 (01<sup>st</sup> October, 2017 – 30<sup>th</sup> September, 2018).
- ISMA predicted India to produce 251 LT of sugar next marketing year i.e. 2017 -18 (01<sup>st</sup> October, 2017 – 30<sup>th</sup> September, 2018), where in the top three producers U.P, Maharashtra and Karnataka are collectively expected to produce 198 LT of sugar during the period.
- In order to curtail sugar imports from outside and to maintain domestic sugar prices, the Indian govt. raised import duty on sugar from 40% to 50%.
- With higher cane acreage this year and an expected increase in productivity too, the Rabobank predicted India's sugar production to rise to 26.7 million tonnes in 2017-18 (01<sup>st</sup> October, 2017 – 30<sup>th</sup> September, 2018).
- As per the industry estimates, Tamil Nadu is expected to produce 10-10.5 lakh tonnes of sugar during the current marketing year i.e. 2016-17 (01<sup>st</sup> October, 2016 – 30<sup>th</sup> September, 2017). However, production is expected to decline to somewhat around 6-7 lakh tonnes next marketing year i.e. 2017-18 due to falling cane acreage and productivity in the state.
- ICRA projected India to produce 24 MT of sugar in 2017-18 (01<sup>st</sup> October, 2017 – 30<sup>th</sup> September, 2018) due to a good amount of rainfall received in major producing areas of Uttar Pradesh and Maharashtra during the season.

**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](http://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 \$484.40 per ton (including 50% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at \$587.11 per ton.

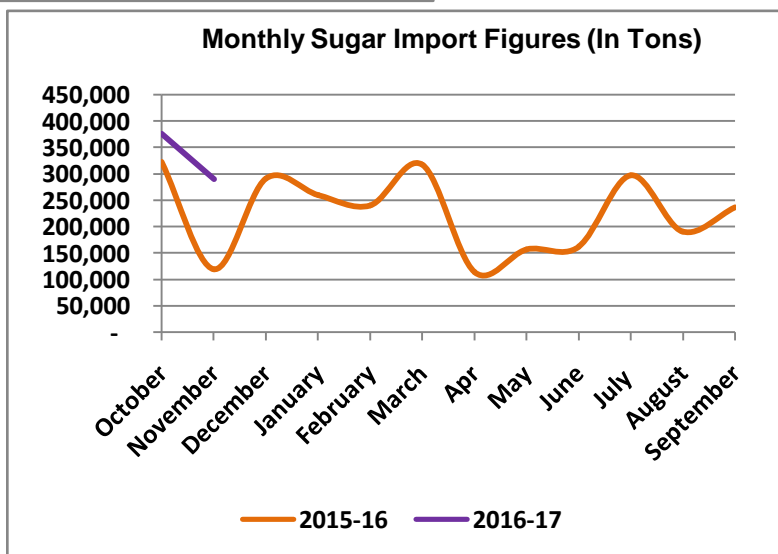
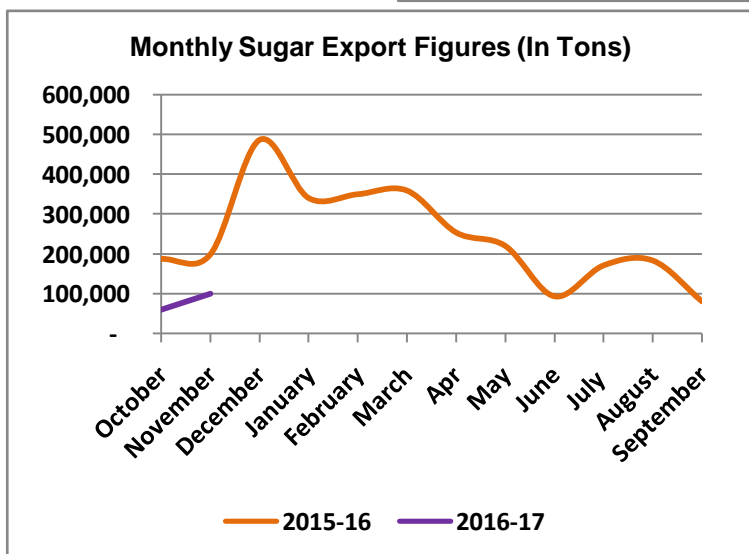
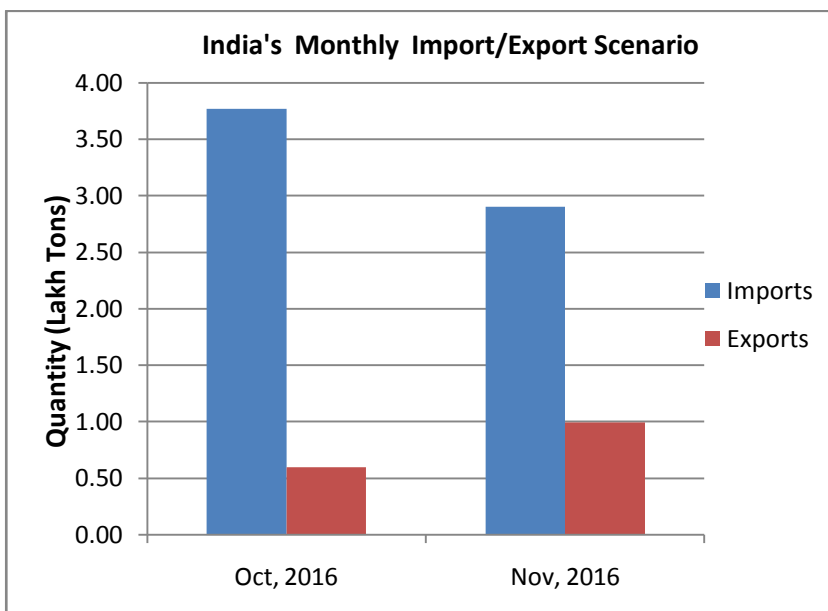
On International front, Brazil sugar FOB prices quoted at \$592.17 Ton.

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

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.64.01) as on 01 Sep, 2017			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$592.17	NA/377.90	\$587.21

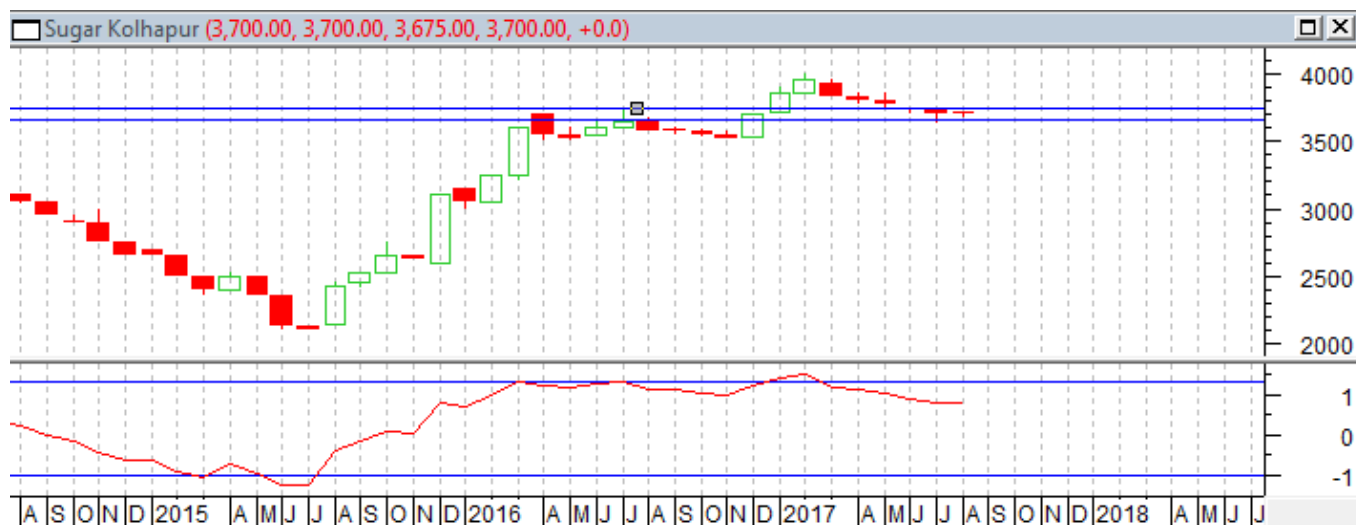
### Sugar Import and Export Scenario

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)**


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


- Spot sugar prices at benchmark Kolhapur market closed at Rs 3697/quintal in the month of August.
- Next resistance and support level for the coming month has been seen at Rs 3750 and Rs 3600 per quintal.

### Sugar Domestic Balance Sheet

Qty (Lakh Ton)

		2016-17*	2017-18*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
A	Carry in stock	61.24	37.38	37.38	40.85	143.30	81.30
B	Estimated sugar production	202.00	242.00	77.44	152.46	9.20	2.90
C	Imports	35.00	25.00	6.25	8.75	3.75	6.25
D	Estimated sugar availability (A + B + C)	298.24	304.38	121.07	202.06	156.24	90.46
E	Exports	19.86	26.40	7.92	10.56	2.64	5.28
G	Availability for domestic consumption (D - E)	278.38	277.98	113.15	191.50	153.60	85.18
H	Estimates sugar consumption	241.00	241.00	72.30	48.20	72.30	48.20
I	Carry out stock (G - H)	<b>37.38</b>	<b>36.98</b>	40.85	143.30	81.30	<b>36.98</b>

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

As per the Agriwatch estimate, India's sugar production is expected to rise to 242 LT in 2017/18 as the country is expecting a good cane crop this marketing year particularly from the state of Maharashtra (which suffered hard last year due to drought). Agriwatch is expecting Maharashtra to produce 72 LT of sugar in 2017-18 (01st October, 2017 -30th September, 2018)

In addition, Uttar Pradesh is also expected to produce a large quantity of sugar this year too due to a surge in cane area, yield and sugar recovery. Agriwatch is expecting U.P to produce 97 LT of sugar in 2017-18 (01st October, 2017 -30th September, 2018); while Karnataka is expected to produce 18 LT of sugar during the same duration.

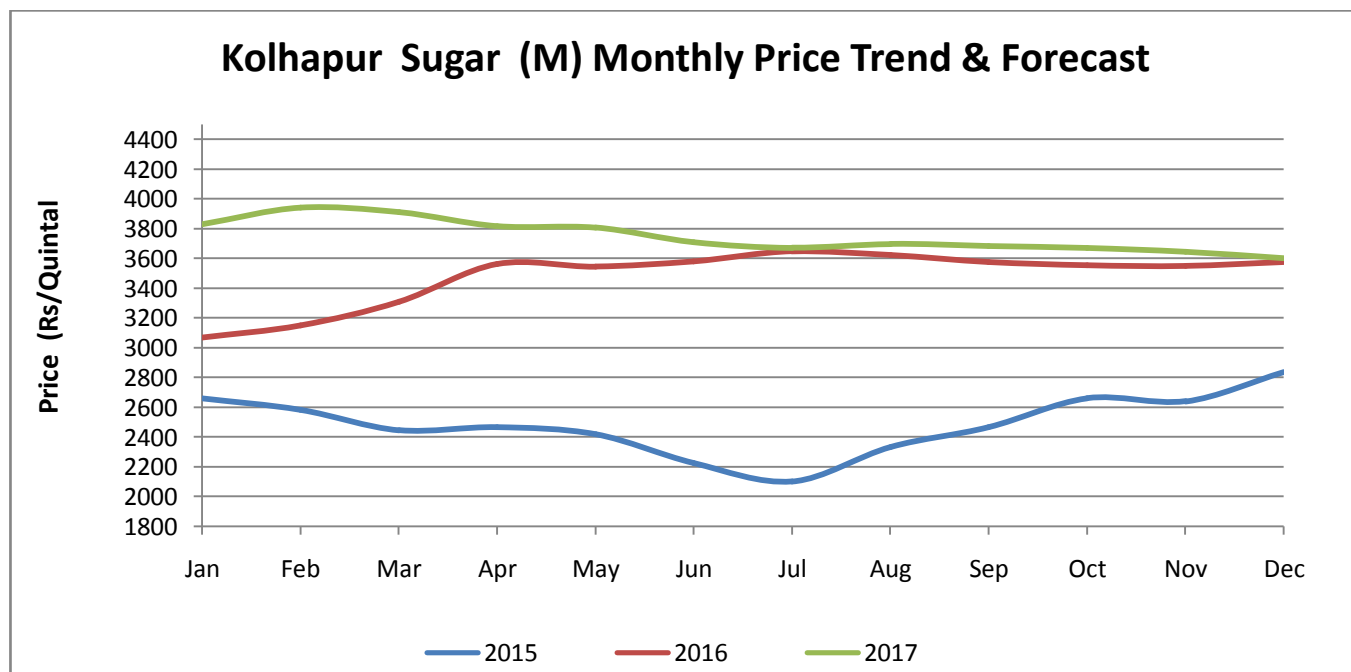
On the other hand, sugar domestic consumption is expected to rise to 241.00 lakh tonnes in 2017-18 (01<sup>st</sup> October, 2017 – 30<sup>th</sup> September, 2018).

At the same time, with a higher domestic sugar production and an urge to earn more foreign exchange, the country's exports are expected to rise from 19.86 LT in 2016-17 to 26.40 LT in 2017-18.



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

		(Rs/Quintal)
Current Average Price	Aug	3697
Projected Price	Sep	3686
	Oct	3671
	Nov	3645
	Dec	3602
	Jan	3580



Spot sugar (M- grade) prices at benchmark Kolhapur market settled at Rs 3697/quintal during the month of August amidst adequate sugar supply and limited domestic demand.

While, Agriwatch predicts prices to remain steady to weak in the months ahead amidst sufficient sugar stock in the market and early start of crushing in the country during the new season.

## International Sugar Market Summary

International sugar prices noticed steady to firm tone during the month of August as cane crushing got slowed down in top most producing country namely, Brazil, wherein the crushing season is about to get end soon.

## International Market Highlights

- The Brazilian govt. is planning to impose an import tariff of 20% on imports of ethanol if imports exceed the limit of 600 million liters per year. Notably, at present there is no such import limit or restriction on import of ethanol by the country. However, with the imposition of the limit, ethanol production is going to get more lucrative for the local sugar millers which in turn will divert more of their cane towards ethanol production that will ultimately affect sugar availability and prices in the international sugar market.
- The Brazilian govt. reduced the federal tax on ethanol (PIS/Cofins) from 32.55 centavos per liter to 24 centavos per liter. With this move, international sugar prices are expected to rise in future as the Brazilian millers will divert more of their cane towards ethanol production instead of sugar.
- Brazil's raw sugar export fell by 17.11% as the country exported 2.18 MT of sugar (raw) in July, 2017 compared to 2.64 MT of exports made in June, 2017.
- As per the latest UNICA report, Brazil's main C.S region produced 3.10 MT of sugar in the first half of July, 2017 compared to 2.84 MT of sugar produced last year during the same interval.
- 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 hit 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 (01<sup>st</sup> April, 2017 – 31<sup>st</sup> March, 2018) compared to 35.6 MT of sugar production in 2016-17 (01<sup>st</sup> April, 2016 – 31<sup>st</sup> March, 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.

### LIFFE Future Market Sugar Scenario (Oct'17 Contract)



Source: Reuters Eikon

As on **06 Sep, 2017**, prices of Refined Sugar London exchange traded at \$377.5 per ton. On monthly chart, \$354.60 per ton is the immediate support level; breach of the mentioned level would take the prices down to \$338.20 per ton.

On the upper side, \$391.20 and \$403.10 per ton are the next resistance levels.

### ICE Raw Sugar Future Market Scenario (Oct'17 Contract)



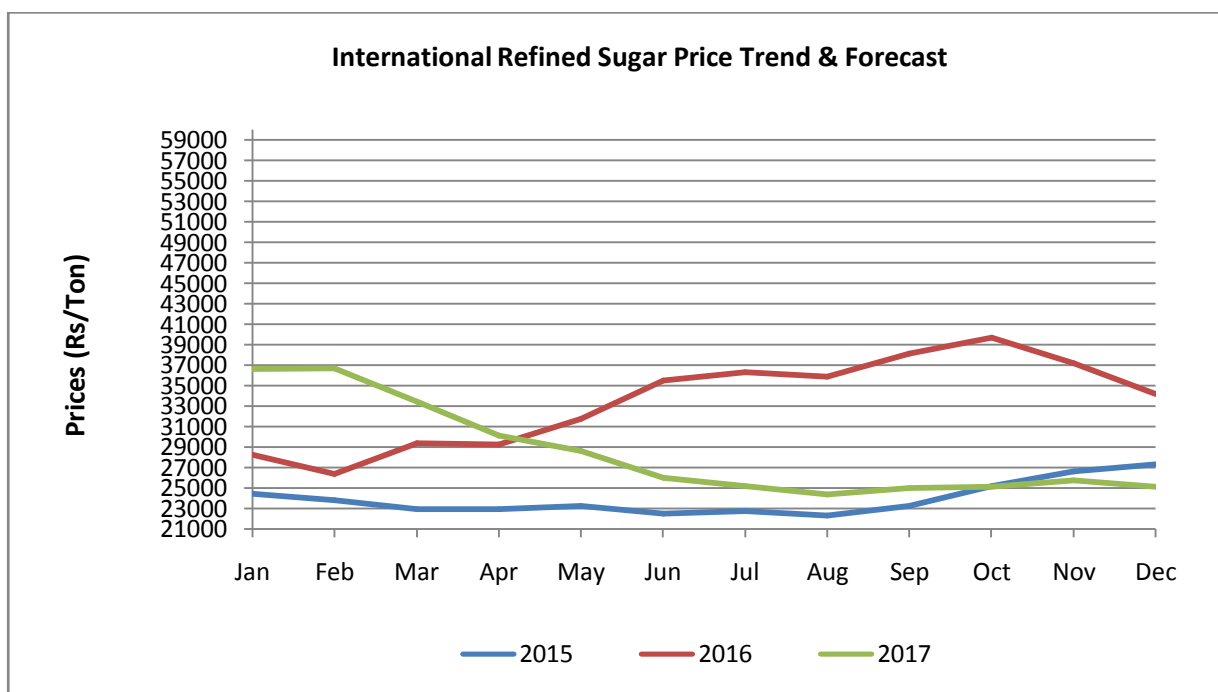
Source: Reuters Eikon

As on **06 Sep, 2017**, ICE Raw sugar prices settled at 14.03 cents per lbs. On monthly chart, 13.17 cents per lbs is the immediate support level, breach of the mentioned level would take the prices down to 12.40 cent per lbs.

On the upper side, 15.20 and 16.04 cents per lbs are the resistance levels.

**International Refined Sugar Price Projection**

		(Rs/Ton)
Current Average Price	Jul	25184
Projected Price	Aug	24374
	Sep	24964
	Oct	25149
	Nov	25724
	Dec	25106



International refined sugar prices traded weak during the month of July and is expected to fall further for a month or two 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

Spot gur market mostly remained dormant during the month of August with price falling in majority of the trading markets. Prices of Achhu variety of gur from Bijapur fell by Rs 212/quintal from Rs 3483/quintal in the month of July to Rs 3271/quintal during the month of August. Similarly, prices of ChakuSukha(Cold) variety of gur from key Muzaffarnagar fell by Rs 143/quintal to Rs 3219/quintal during the month of August. On the other hand, prices of Achhu (Average) variety of gur from Shimoga rose by Rs 76/quintal from Rs 4517/quintal in the month of July to Rs 4593/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 3220/quintal for the month of August.
- Next resistance and support level for the coming month has been seen at Rs 3412 and Rs 3013 per quintal.

Spot Jaggery (Gur) Prices Scenario (Monthly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			August,17	July,17	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3219	3362	-143
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	3184	-
	Muzaffarnagar	Laddoo (Fresh)	NA	3400	-
	Muzaffarnagar	Rascut (Fresh)	2726	2821	-95
	Hapur	Chaurasa	NA	NA	-
	Hapur	Balti	NA	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4848	4856	-9
	Belgaum	Mudde (Average)	3544	3594	-50
	Belthangadi	Yellow (Average)	4600	NA	-
	Bijapur	Achhu	3271	3483	-212
	Gulbarga	Other (Average)	3548	3568	-20
	Mahalingapura	Penti (Average)	3545	3659	-114
	Mandya	Achhu (Medium)	3727	3708	20
	Mandya	Kurikatu (Medium)	3473	3496	-23
	Mandya	Other (Medium)	3377	3442	-65
	Mandya	Yellow (Medium)	3625	3667	-42
	Shimoga	Achhu (Average)	4593	4517	76

Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			August,17	July,17	
Delhi	Delhi	M-Grade	3785	3788	-2
	Delhi	S-Grade	3765	3768	-2
Uttar Pradesh	Khatauli	M-Grade	3786	3799	-13
	Ramala	M-Grade	3705	NA	-
	Dhampur	M-Grade Ex-Mill	3715	3695	20
	Dhampur	S-Grade Ex-Mill	3695	3675	20
	Dhampur	L-Grade Ex-Mill	3765	3745	20
Maharashtra	Mumbai	M-Grade	3961	3923	38
	Mumbai	S-Grade	3803	3777	26
	Nagpur	M-Grade	3823	3797	26
	Nagpur	S-Grade	3750	3736	14
	Kolhapur	M-Grade	3698	3672	26
	Kolhapur	S-Grade	3625	3611	14
Assam	Guhawati	S-Grade	3943	3929	14
Meghalaya	Shillong	S-Grade	3945	3931	14
Andhra Pradesh	Vijayawada	M-Grade	3976	3946	29
	Vijayawada	S-Grade	3918	3890	28
West Bengal	Kolkata	M-Grade	4121	4102	18
Tamil Nadu	Chennai	S-Grade	3859	3819	39
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-Aug-17	28-Jul-17	Change
ICE Sugar #11 (US Cent/lb)	Oct-17	13.91	14.37	-0.46
	Mar-17	14.53	15.09	-0.56
	May-17	14.77	15.27	-0.50
LIFFE Sugar (US \$/MT)	Oct-17	379.60	389.80	-10.20
	Dec-17	381.00	397.10	-16.10
	Mar-17	388.70	406.10	-17.40

**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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