



Sugar & Gur Monthly Research Report

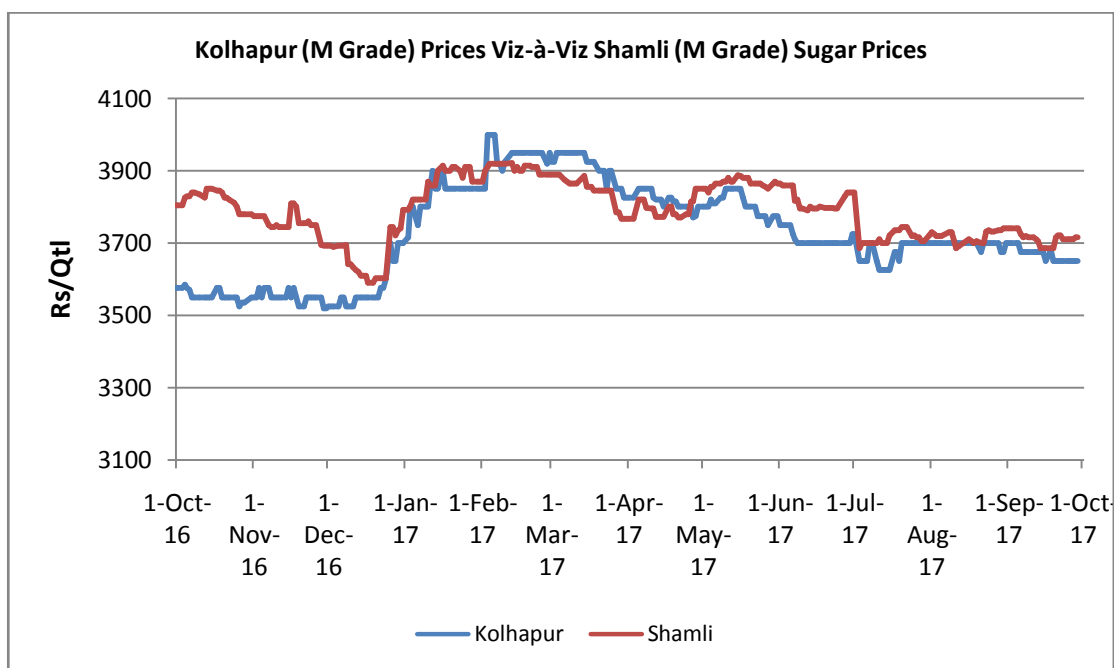
Contents

- ❖ Domestic Sugar Market Summary
- ❖ Price Projection
- ❖ Domestic Market Highlights
- ❖ Agriwatch Sweeteners Index
- ❖ Sugar Export/Import Opportunity
- ❖ Sugar Export/Import Scenario
- ❖ Domestic Sugar Market Technical Analysis - Future Market & Spot Market
- ❖ Sugar Domestic Balance Sheet
- ❖ Domestic Price Projection for next 5 months
- ❖ International Sugar Market Summary & Highlights
- ❖ International Market Technical Analysis (Future Market)
- ❖ International sugar price projection
- ❖ Gur Market Scenario/ Technical Analysis (Spot Market)
- ❖ Annexure

Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market traded steady to pale during the month of September following regular domestic demand and supply onto the market

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3668 per quintal in the month of September compared to Rs 3697 per quintal in the month of August. Similarly, spot sugar prices for the same variety/grade in Shamli district fell by 0.17% to Rs 3713 per quintal during the month of September.



Price Outlook

Agriwatch predicts spot sugar prices to rise in the month of October due to increased domestic buying for the festival of Diwali.

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 3600 - 4000 per quintal in the month of October.

Domestic Market Highlights

- The Cane Control Order, 1966, provides for payment of interest by sugar mills to farmers at 15 per cent per annum, if they do not make cane payment within 15 days of buying the cane. However, this was not implemented by any state. This was implemented by Uttar Pradesh in 2016 -17. Following this, sugar mills from Uttar Pradesh have paid Rs 342 crore as interest on delayed cane payment in 2016-17, their counterparts in Maharashtra will have to pay interest on delayed cane payment from the 2017-18 crushing season.
- In its first advance estimate, the agriculture ministry of India projected the country to produce 338 million tonnes of sugarcane in 2017-18 (01st October, 2017 – 30th September, 2018).
- In order to meet the domestic sugar demand, the Indian govt. is planning to allow imports of 3 lakh tonnes of raw sugar into the country. Notably, earlier also (during the current marketing year, 2016-17) 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.
- 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 (01st October, 2017 – 30th September, 2018).
- 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 (01st October, 2017 – 30th September, 2018).
- ISMA predicted India to produce 251 LT of sugar next marketing year i.e. 2017 -18 (01st October, 2017 – 30th 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 (01st October, 2017 – 30th 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 (01st October, 2016 – 30th 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 (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.

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 \$484.09 per ton (including 50% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at \$564.49 per ton.

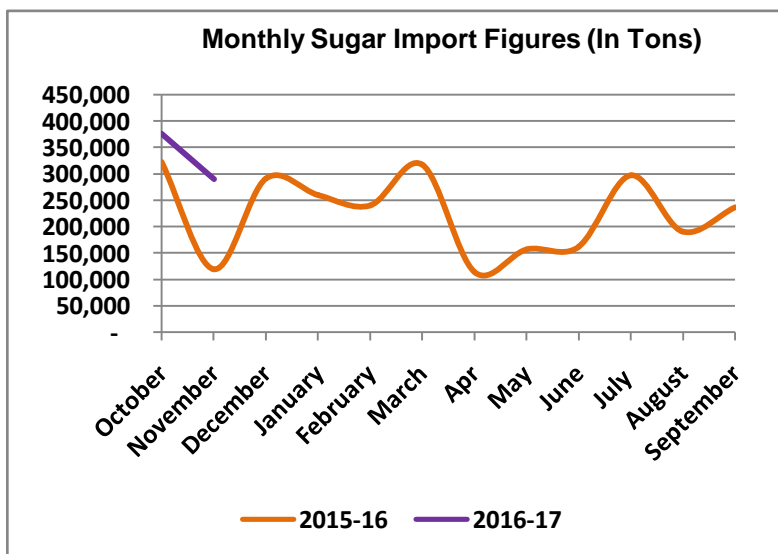
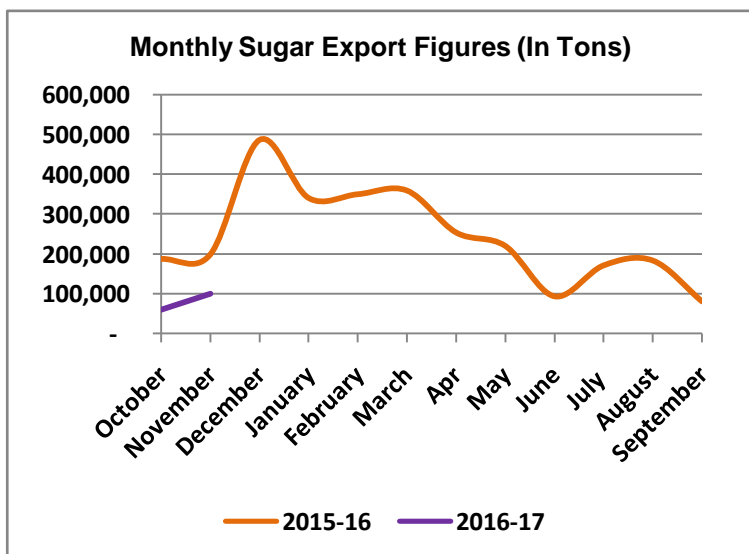
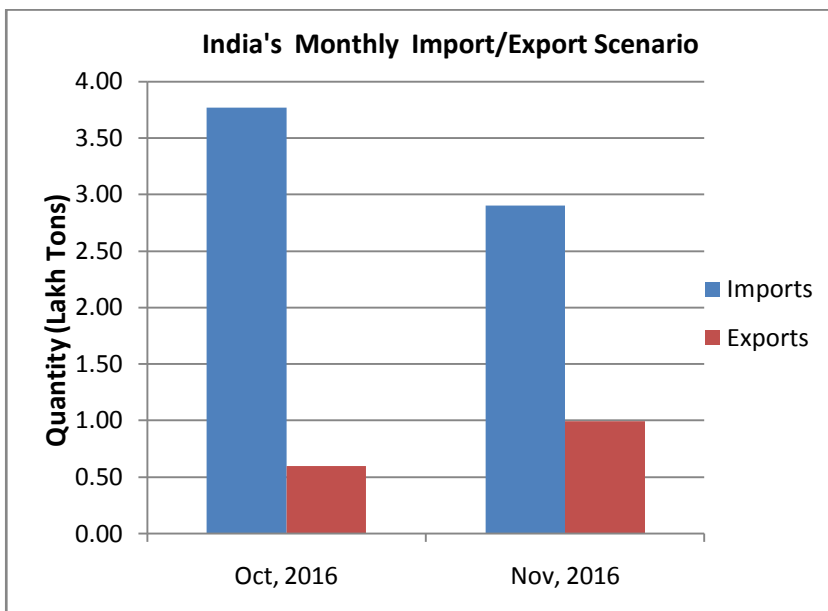
On International front, Brazil sugar FOB prices quoted at \$590.20 Ton.

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

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.65.17) as on 05 Oct, 2017			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$590.20	NA/377.90	\$564.49

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 3668/quintal in the month of September.
- Next resistance and support level for the coming month has been seen at Rs 3828 and Rs 3526 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)	37.38	36.98	40.85	143.30	81.30	36.98

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)

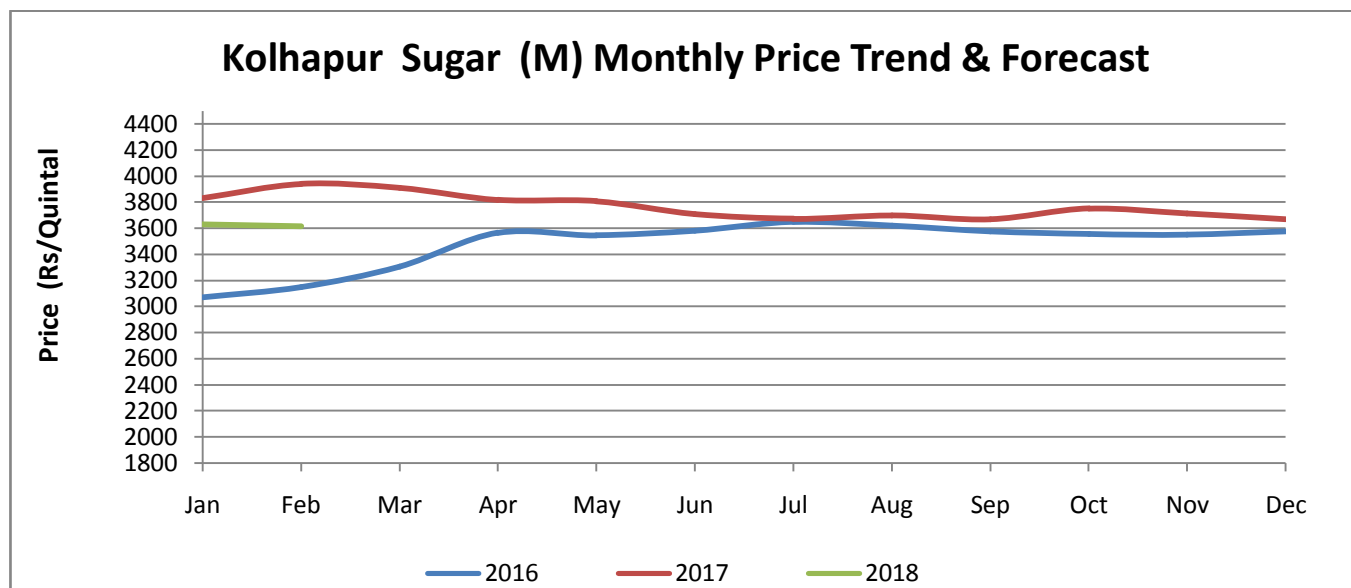
In addition, Uttar Pradesh is also expected to produce a large quantity of sugar this year too due to a surge in cane area, yield and sugar recovery. Agriwatch is expecting U.P to produce 97 LT of sugar in 2017-18 (01st October, 2017 -30th September, 2018); while Karnataka is expected to produce 18 LT 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 (01st October, 2017 – 30th 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	Sep	3668
Projected Price	Oct	3751
	Nov	3713
	Dec	3668
	Jan	3632
	Feb	3614



Spot sugar (M- grade) prices at benchmark Kolhapur market settled at Rs 3668/quintal during the month of September amidst adequate sugar supply and limited domestic demand.

While, Agriwatch predicts prices to rise during the month of October due to increased domestic buying for the festival of Diwali, however, prices are expected to slid down again after October, due the onset of crushing operation in India.

International Sugar Market Summary

International sugar prices noticed steady to firm tone during the month of September 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

- According to USDA attache report, the Australian sugar cane crush for 2017/18 at 34 million MT, up 6 percent compared to the official forecast. Sugar production is forecast at 4.8 million MT in 2017/18 which is same as the official forecast. The harvested area for sugar cane is revised down to 400,000 hectares for 2017/18, due to lower price and competition from other crops.
- According to Archer consulting, Brazil's sugar output is expected at 35.51 million metric tonnes in 2018/19
- The Brazilian govt. imposed an import tariff of 20% on imports of ethanol over & above the prescribed 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.
- Conab projected Brazil to produce 39.38 million tonnes of sugar in 2017-18 (01st April, 2017 – 31st March, 2018) which was 1.8% higher than the sugar produced last year in 2016-17 18 (01st April, 2016 – 31st March, 2017).
- Brazil's raw sugar export fell by 1.1% as the country exported 2.16 MT of sugar (raw) in August, 2017 compared to 2.18 MT of exports made during July, 2017.
- As per the latest UNICA report, Brazil's main C.S region produced 3.16 million tonnes of sugar in the first half of August, 2017 which was 6.04% higher than the sugar produced last year during the same interval.
- 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.
- 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 (01st April, 2017 – 31st March, 2018) compared to 35.6 MT of sugar production in 2016-17 (01st April, 2016 – 31st March, 2017).

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)



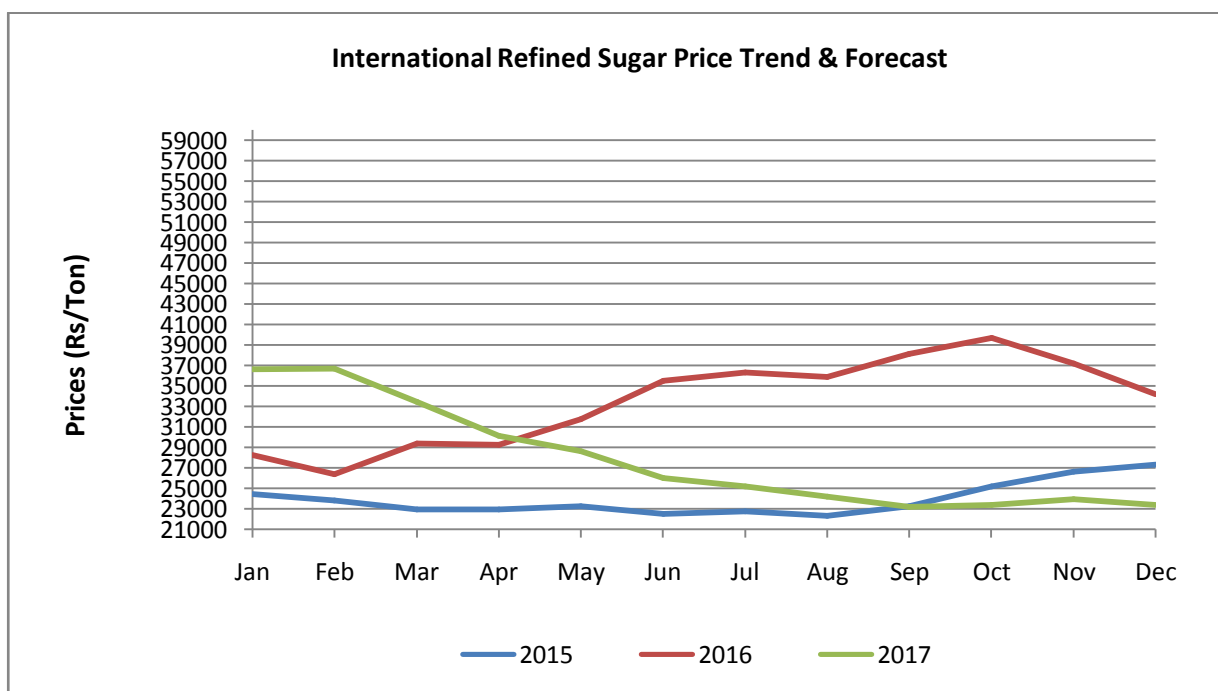
Source: Reuters Eikon

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	Aug	24175
Projected Price	Sep	23206
	Oct	23378
	Nov	23913
	Dec	23338
	Jan	23374



International refined sugar prices traded weak during the month of September 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 buoyant during the month of September with price rising in almost all the major trading market. Prices of Achhu variety of gur from Bijapur rose by Rs 312/quintal from Rs 3271/quintal in the month of August. to Rs 3583/quintal during the month of September. On the other hand, prices of Achhu (Average) variety of gur from Shimoga fell by Rs 244/quintal from Rs 4593/quintal in the month of August to Rs 4349/quintal during the month of September.

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



- Prices of chaku variety of gur in key Muzaffarnagar market closed at Rs 3382/quintal for the month of September.
- Next resistance and support level for the coming month has been seen at Rs 3562 and Rs 3170 per quintal.

Spot Jaggery (Gur) Prices Scenario (Monthly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			September,17	August,17	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3382	3219	163
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	2842	2726	116
	Hapur	Chaurasa	NA	NA	-
	Hapur	Balti	NA	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	5138	4848	290
	Belgaum	Mudde (Average)	3561	3544	17
	Belthangadi	Yellow (Average)	NA	4600	-
	Bijapur	Achhu	3583	3271	312
	Gulbarga	Other (Average)	3585	3548	37
	Mahalingapura	Penti (Average)	3758	3545	212
	Mandya	Achhu (Medium)	3803	3727	75
	Mandya	Kurikatu (Medium)	3569	3473	96
	Mandya	Other (Medium)	3517	3377	139
	Mandya	Yellow (Medium)	3793	3625	168
	Shimoga	Achhu (Average)	4349	4593	-244

Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			September,17	August,17	
Delhi	Delhi	M-Grade	3766	3785	-19
	Delhi	S-Grade	3746	3765	-19
Uttar Pradesh	Khatauli	M-Grade	3768	3786	-18
	Ramala	M-Grade	3727	3705	22
	Dhampur	M-Grade Ex-Mill	3698	3715	-18
	Dhampur	S-Grade Ex-Mill	3678	3695	-18
	Dhampur	L-Grade Ex-Mill	3748	3765	-18
Maharashtra	Mumbai	M-Grade	3928	3961	-33
	Mumbai	S-Grade	3760	3803	-43
	Nagpur	M-Grade	3790	3823	-32
	Nagpur	S-Grade	3711	3750	-39
	Kolhapur	M-Grade	3665	3698	-32
	Kolhapur	S-Grade	3586	3625	-39
Assam	Guhawati	S-Grade	3904	3943	-40
Meghalaya	Shillong	S-Grade	3906	3945	-39
Andhra Pradesh	Vijayawada	M-Grade	3993	3976	17
	Vijayawada	S-Grade	3933	3918	15
West Bengal	Kolkata	M-Grade	4143	4121	23
Tamil Nadu	Chennai	S-Grade	3874	3859	15
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-Sep-17	30-Aug-17	Change
ICE Sugar #11 (US Cent/lb)	Oct-17	13.23	13.91	-0.68
	Mar-17	13.95	14.53	-0.58
	May-17	14.10	14.77	-0.67
LIFFE Sugar (US \$/MT)	Oct-17	390.00	379.60	10.40
	Dec-17	358.70	381.00	-22.30
	Mar-17	364.70	388.70	-24.00

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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