
Sugar & Gur Monthly Research Report

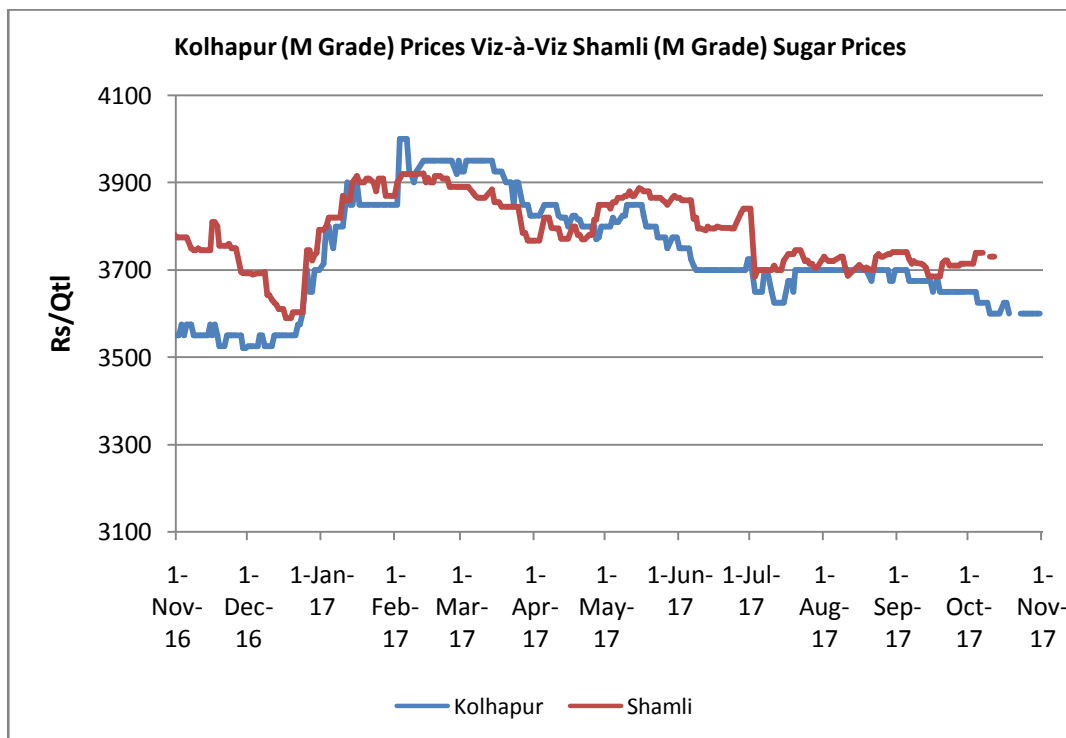
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Domestic Sugar Market Summary

Spot sugar prices traded steady to weak during the month of October amidst adequate sugar supply into the market.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3611 per quintal in the month of October compared to Rs 3668 per quintal in the month of September. However, spot sugar prices for the same variety/grade in Shamli district rose by 0.54% to Rs 3733 per quintal during the month of October.



Price Outlook

With the onset of crushing season in the country and an expected rise in the domestic sugar output this year, Agriwatch predicts spot sugar prices to fall in the months ahead.

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 - 3200 per quintal in the month of November.

Domestic Market Highlights

- The Indian government raised domestic prices of ethanol (by 5%) which was meant for blending with petrol and to be procured by the Oil Marketing Companies (OMCs). Notably, at present (2016-17), the OMCs purchases ethanol from the mills at a rate of Rs 39 per litre which got increase to Rs 40.85 per litre for 2017-18.
- Due to a reduction in sugar subsidy provided by the centre, the Tamil Nadu government had raised sugar prices meant to be sold through public distribution system (PDS) in the state.
- The Commission for Agricultural Costs and Prices (CACP) had recommended an all India cane FRP (Fair and Remunerative Price) of Rs 275 per quintal for next marketing year i.e. 2018-19 (01st October 2018 – 30th September 2019). Notably, at present, FRP (minimum cane price fixed by the government to be paid to the farmers) for 2017-18 (01st October 2017 – 30th September 2018) has been fixed at Rs 255 per quintal.
- With a view to control domestic sugar prices, the Indian govt. had further extended the existing stock limit on sugar till 28th April, 2018. Initially, the govt. had announced a stock limit on sugar in April, 2016, wherein states are required to hold sugar stock of up to a limit of 500 tonnes with a turnover limit of 30 days except for West Bengal (where stock limit was fixed at 1,000 tonnes).
- The Uttar Pradesh govt. had announced a cane SAP (State Advisory Price) of Rs 315/quintal for 2017-18 (01st October, 2017 – 30th September, 2018) which was Rs 305/quintal in 2016-17 (01st October, 2016 – 30th September, 2017).
- The Indian govt. predicted India to produce 25 MMT of sugar in 2017-18 (01st October, 2017 – 30th September, 2018) which was 23.6% higher than the sugar produced last year in 2016-17 (01st October, 2016 – 30th September, 2017); whereas ISMA had predicted the country to produce 25.1 MMT of sugar during 2017-18.
- The Haryana govt. had raised cane SAP (State Advisory Price) from Rs 3200/quintal in 2016-17 (01st October, 2016 – 30th September, 2017) to Rs 3300/quintal for 2017-18 (01st October, 2017 – 30th September, 2018).
- As per the state agriculture minister of Haryana, cooperative sugar mills in the state are expected to operate earlier this marketing year and would start their crushing operation from 01st November, 2017.
- According to the official figures, sugarcane has been sown on 49.95 lakh hectares as on October 13, 2017 across the country compared to 45.64 lakh hectares during the same period previous year.
- 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).

Sugar Import/Export Opportunity

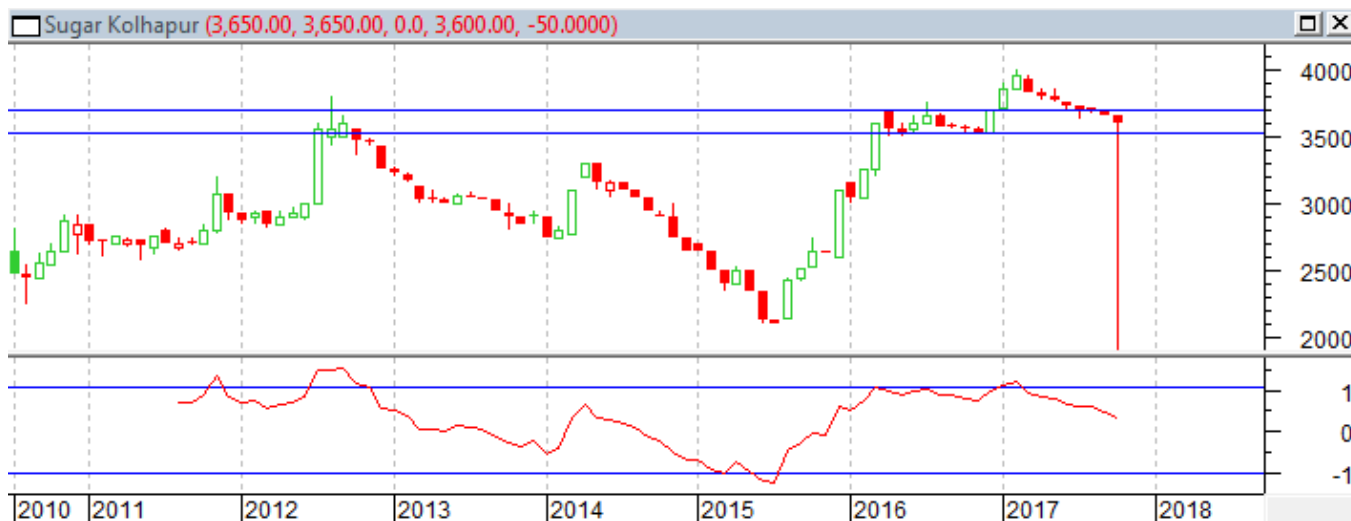
Indian indicative raw sugar CIF prices sourced from Brazil to JNPT (India) was quoted at \$479.15 per ton (including 50% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at \$563.55 per ton.

On International front, Brazil sugar FOB prices quoted at \$586.32 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.64.59) as on 02 Nov, 2017			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$586.32	NA/373.40	\$563.55

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



- Spot sugar prices at benchmark Kolhapur market closed at Rs 3611/quintal in the month of October.
- Next resistance and support level for the coming month has been seen at Rs 3700 and Rs 3525 per quintal.

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.



Strategy: We advise market participants to Sell.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	3000	3100	3310	3500	3700
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	C1 Chart	Sell	Below 3350	3250	3200	3410

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	33.38	33.38	37.65	144.80	80.78
B	Estimated sugar production	202.00	252.00	80.64	158.76	9.58	3.02
C	Imports	35.00	25.00	6.25	8.75	3.75	6.25
D	Estimated sugar availability (A + B + C)	298.24	310.38	120.27	205.16	158.12	90.06
E	Exports	19.86	26.40	7.92	10.56	2.64	5.28
G	Availability for domestic consumption (D - E)	278.38	283.98	112.35	194.60	155.48	84.78
H	Estimates sugar consumption	245.00	249.00	74.70	49.80	74.70	49.80
I	Carry out stock (G - H)	33.38	34.98	37.65	144.80	80.78	34.98

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

As per the Agriwatch estimate, India's sugar production is expected to rise to 252 LT in 2017/18 as the country is expecting a good cane crop this marketing year particularly from the state of Uttar Pradesh & Maharashtra. Agriwatch is expecting Maharashtra to produce 75 LT of sugar in 2017-18 (01st October, 2017 -30th September, 2018)

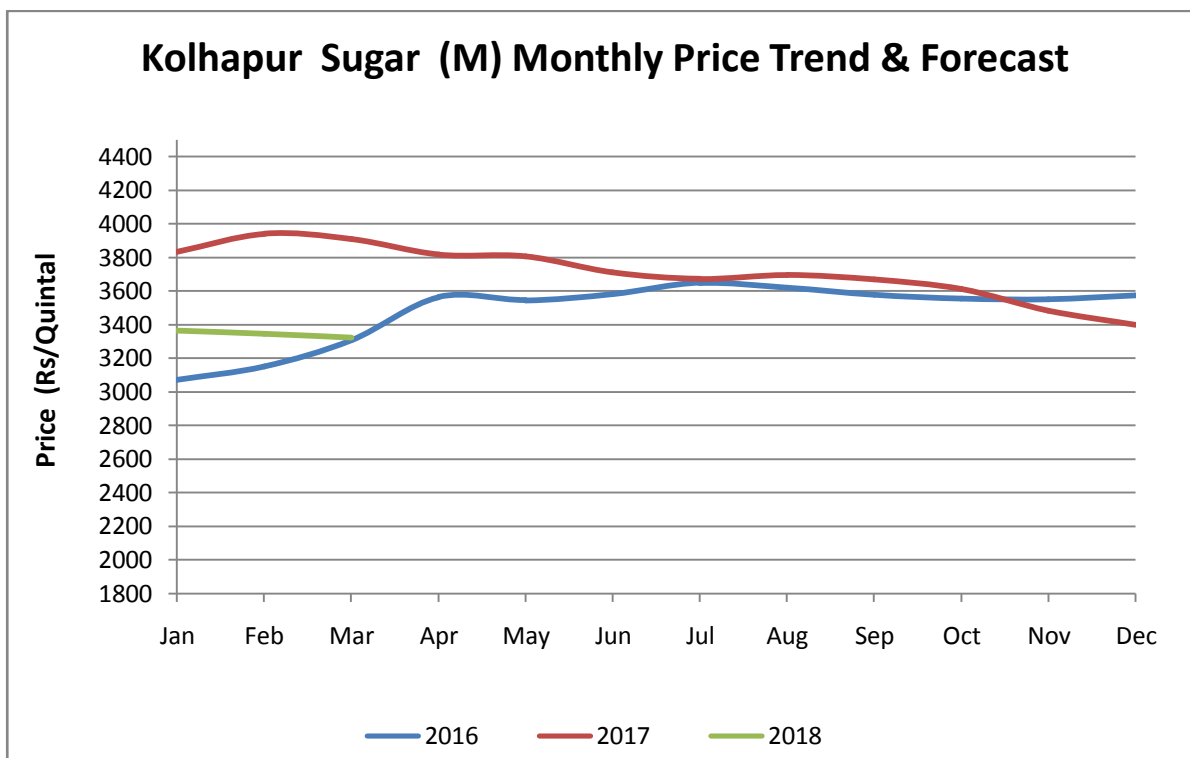
In addition, Uttar Pradesh is also expected to produce a large quantity of sugar this year too due to a surge in cane area, yield and sugar recovery. Agriwatch is expecting U.P to produce 102 LT of sugar in 2017-18 (01st October, 2017 -30th September, 2018); while Karnataka is expected to produce 21 LT of sugar during the same duration.

On the other hand, sugar domestic consumption is expected to rise to 249.00 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	Oct	3611
Projected Price	Nov	3485
	Dec	3397
	Jan	3364
	Feb	3347
	Mar	3323



Spot sugar (M- grade) prices at benchmark Kolhapur market settled at Rs 3611/quintal during the month of October amidst adequate sugar supply and limited domestic demand.

While, Agriwatch predicts prices to fell down further in the months ahead amidst surplus sugar supply into the market with the onset of crushing season in the country.

International Sugar Market Summary

International sugar prices noticed steady to weak tone during the month of September amidst sufficient sugar availability in the international sugar market.

International Market Highlights

- Green Pool predicted a global sugar surplus of 9.8 MMT in 2017-18 (01st October 2017 – 30th September 2018).
- As per the latest UNICA report, Brazil's main C.S region churned around 1.98 MMT of sugar in the first half of October, 2017 which was 12.28% lower than the sugar crushed last year during the corresponding period.
- According to China's General Administration of Customs, China imported 1.83 million metric tonnes of sugar during the period January –September 2017, a decline of 29.8% compared to the same period previous year amid higher tariffs on imports. In the month of September 2017, China's imports of sugar declined by 67.5% to 160,000 metric tonnes.
- China's sugar production in marketing year (MY) 2017/18 is expected to increase for the second consecutive year amid expanded acreage for both sugar cane and sugar beets. This increased domestic production, coupled with the safeguard measure on sugar imports, is expected to result in lower imports in MY 2017/18.
- According to consultancy, Canaplan, Brazil's 2017/18 center-south cane crop is expected to reach 588 million metric tonnes, higher than the previous projection of 575 million metric tonnes.
- On the back of a higher production estimate in Thailand & Europe, the Rabobank predicted a world sugar surplus of 4.5 MMT in 2017-18 (01st October, 2017 – 30th September, 2018).
- 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.
- According to Ukrtsukor sugar makers, Ukraine has so far produced 309,800 tonnes of white sugar from the 2017 sugar beet harvest as of Oct. 2, 2017.
- 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).
- 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.

LIFFE Future Market Sugar Scenario (Dec'17 Contract)



Source: Reuters Eikon

As on **05 Nov, 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 (Mar'18 Contract)



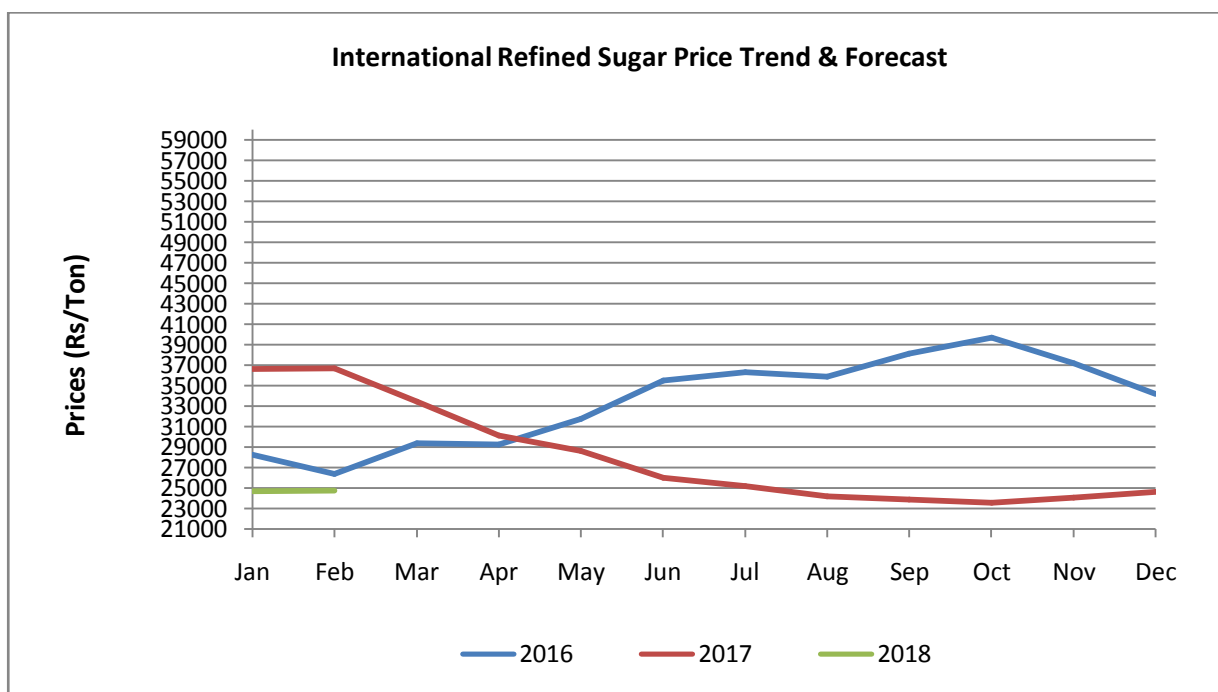
Source: Reuters Eikon

As on **05 Nov, 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	Sep	23850
Projected Price	Oct	23529
	Nov	24068
	Dec	24645
	Jan	24683
	Feb	24752



International refined sugar prices traded weak during the month of September and are expected to fall further in the month of October as well. However, AW predicts prices to rise afterwards as crushing will almost get over in the top producing nation Brazil.

Gur Market Scenario

Spot gur market mostly remained buoyant during the month of October with price rising in almost all the major trading market. Prices of Kurikatu (Medium) of gur from Mandya rose by Rs 318/quintal from Rs 3569/quintal in the month of September to Rs 3887/quintal during the month of October. Similarly, prices of Chaku Sukha (Cold) variety of gur from key Muzaffarnagar market rose by Rs 175/quintal to Rs 3557/quintal during the month of October.

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



- Prices of chaku variety of gur in key Muzaffarnagar market closed at Rs 3557/quintal for the month of October.
- Next resistance and support level for the coming month has been seen at Rs 3812 and Rs 3250 per quintal.

Spot Jaggery (Gur) Prices Scenario (Monthly)

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			October,17	September,17	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3557	3382	175
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	106000	NA	-
	Muzaffarnagar	Khurpa (Fresh)	3183	NA	-
	Muzaffarnagar	Laddoo (Fresh)	3474	NA	-
	Muzaffarnagar	Rascut (Fresh)	2662	2842	-180
	Hapur	Chaurasa	2930	NA	-
	Hapur	Balti	2967	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	5168	5138	29
	Belgaum	Mudde (Average)	3740	3561	179
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3784	3583	201
	Gulbarga	Other (Average)	3858	3585	273
	Mahalingapura	Penti (Average)	3851	3758	93
	Mandya	Achhu (Medium)	4100	3803	298
	Mandya	Kurikatu (Medium)	3887	3569	318
	Mandya	Other (Medium)	3774	3517	257
	Mandya	Yellow (Medium)	4079	3793	286
	Shimoga	Achhu (Average)	4457	4349	108

Spot Sugar Price Scenario (Monthly)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			October,17	September,17	
Delhi	Delhi	M-Grade	3784	3766	18
	Delhi	S-Grade	3764	3746	18
Uttar Pradesh	Khatauli	M-Grade	3810	3768	42
	Ramala	M-Grade	NA	3727	-
	Dhampur	M-Grade Ex-Mill	3703	3698	5
	Dhampur	S-Grade Ex-Mill	3683	3678	5
	Dhampur	L-Grade Ex-Mill	3753	3748	5
Maharashtra	Mumbai	M-Grade	3899	3928	-29
	Mumbai	S-Grade	3748	3760	-12
	Nagpur	M-Grade	3736	3790	-54
	Nagpur	S-Grade	3635	3711	-76
	Kolhapur	M-Grade	3611	3665	-54
	Kolhapur	S-Grade	3510	3586	-76
Assam	Guhawati	S-Grade	3827	3904	-77
Meghalaya	Shillong	S-Grade	3830	3906	-76
Andhra Pradesh	Vijayawada	M-Grade	3993	3993	Unch
	Vijayawada	S-Grade	3933	3933	Unch
West Bengal	Kolkata	M-Grade	4128	4143	-16
Tamil Nadu	Chennai	S-Grade	3785	3874	-89
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)					

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	3150
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	3200	3300
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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