

# Sugar & Gur Monthly Research Report

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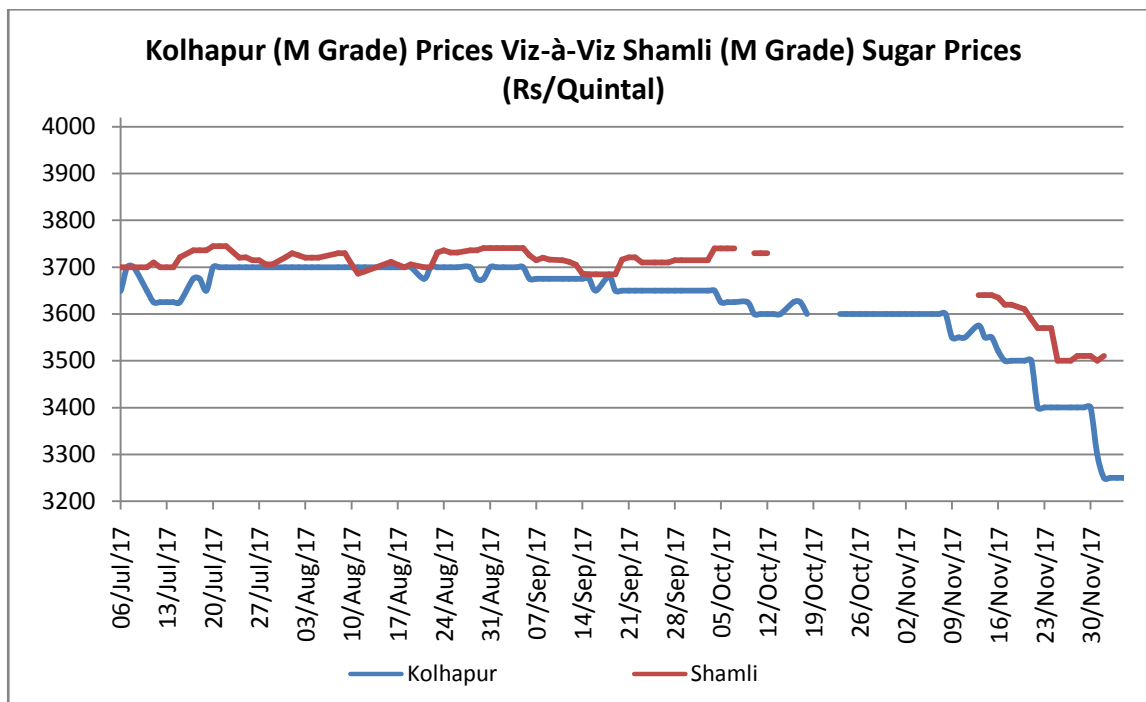
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### Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market traded steady to weak following subdued domestic demand from stockiest and bulk consumers.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3250 per quintal this week compared to Rs 3467 per quintal the previous week. Similarly, spot sugar prices for the same variety/grade in Shamli district fell by 1.16% to Rs 3597 per quintal this week.



### Price Outlook:

Agriwatch predicts spot sugar prices to fall in the weeks ahead as market is expected to get supplied with excessive sugar with the onset of crushing season in India.

### Price Projection for the Next Month

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3000 - 3500 per quintal for next month.

### Domestic Market Highlights

#### Recent Updates

- The Indian Sugar Mills Association (ISMA) estimates the average cost of producing sugar in the 2017-18 season at Rs 3,300-3,350 a quintal.
- The government is considering removing stock limits on sugar to arrest falling prices after a bumper harvest.
- Private mills in Uttar Pradesh are selling sugar in distress to clear their cane arrears to farmers.
- Crushing units in Maharashtra have sold their new season's output at low prices to meet their daily expenses. The benchmark M-30 variety of sugar has declined by over 3 per cent in November to trade now at Rs 3,694 per quintal in the Vashi Agricultural Produce Market Committee wholesale market
- Mills in western Maharashtra have committed to pay cane farmers Rs 200 above the fair and remunerative price of Rs 255 a quintal and their cost of producing sugar works out to Rs 3,500 a quintal.

- India's sugar production in first 45 days of the crushing season rose by 79.01% as the country produced 13.73 LT of sugar in 2017-18(01st October, 2017 – 15th November, 2017) compared to 7.67 LT of production made in 2016-17 (01st October, 2016 – 15th November, 2016).
- 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.

### Sugar Import/Export Opportunity

Indian indicative raw sugar CIF prices sourced from Brazil to JNPT (India) was quoted at \$511.62 per ton (including 50% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at \$541.23 per ton.

On International front, Brazil sugar FOB prices quoted at \$607.12 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.64.79) as on 06 Dec, 2017			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$607.12	NA/390.80	\$541.23

### Sugar Domestic Balance Sheet

		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)	<b>33.38</b>	<b>34.98</b>	37.65	144.80	80.78	<b>34.98</b>

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

As per the Agriwatch estimate, India's sugar production is expected to rise to 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 (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.

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



- Sugar spot prices at benchmark Kolhapur market closed at Rs 3400/quintal for November month.
- Next resistance and support level for the coming week has been seen at Rs 3700 and Rs 3200 per quintal.

**Domestic Sugar Market Technical Analysis (Future Market)**
**SUGAR Continuous Chart**

**Technical Commentary:**

- Sugar prices increased while O.I remained steady for the month.
- RSI is hovering in a neutral zone
- MACD signal line and center line denotes bearish crossover.

**Strategy: Sell**

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Dec	2950	2900	3368	3450	3550
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Dec	<b>Sell</b>	Below 3200	3100	3000	3140

## International Sugar Market Summary

International sugar prices noticed firm tone during the week as cane crushing is about to get end soon in top producer Brazil, resulting into a rise in prices.

## International Market Highlights

### Recent Updates

- As per the latest UNICA report Brazil's main C.S region produced 1.88 MMT of sugar in the second half of October, 2017 which was 4.80% lower than the sugar crushed in the first half of October, 2017.

### Previous Updates

- Green Pool predicted a global sugar surplus of 9.8 MMT in 2017-18 (01st October 2017 – 30th September 2018).
- 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 (White Sugar Exchange) Future Market Sugar Scenario (Mar'18 Contract)**

**Technical Commentary**

- LIFE future market trends upward for the week.
  - The last candlestick depicts bullishness in the market.
- Strategy: Buy at 400.2 with a target of 421.07

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
<b>LIFFE Sugar (US \$/MT)</b>	<b>Mar'18</b>	400.2	421.07



### ICE (Raw Sugar Exchange) Future Market Scenario (Mar'18 Contract)



#### Technical Commentary:

- ICE raw sugar futures trend upward for the week.
  - Last candlestick depicts bullishness in the market.
- Strategy: Buy at 15.50 with a target of 16.05

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'18	15.50	16.05



### Gur Market Scenario

Spot gur market mostly traded dormant during the week following mounting stock of the commodity on constant arrivals into the market. Notably, prices of Achhu variety of gur from Bijapur fell to Rs 2825/ quintal from 3063/ quintal.

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



- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2825/quintal this month.
- Next resistance and support level for the coming month has been seen at Rs 3200 and Rs 2700 per quintal.

### Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			November,17	October,17	
Delhi	Delhi	M-Grade	3692	3784	-92
	Delhi	S-Grade	3672	3764	-92
Uttar Pradesh	Khatauli	M-Grade	3714	3810	-96
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3629	3703	-73
	Dhampur	S-Grade Ex-Mill	3609	3683	-73

	Dhampur	L-Grade Ex-Mill	3679	3753	-73
Maharashtra	Mumbai	M-Grade	3828	3899	-71
	Mumbai	S-Grade	3622	3748	-126
	Nagpur	M-Grade	3631	3736	-106
	Nagpur	S-Grade	3532	3635	-103
	Kolhapur	M-Grade	3506	3611	-106
	Kolhapur	S-Grade	3407	3510	-103
Assam	Guhawati	S-Grade	3722	3827	-105
Meghalaya	Shillong	S-Grade	3727	3830	-103
Andhra Pradesh	Vijayawada	M-Grade	3890	3993	-103
	Vijayawada	S-Grade	3883	3933	-50
West Bengal	Kolkata	M-Grade	4010	4128	-118
Tamil Nadu	Chennai	S-Grade	3767	3785	-17
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)

Spot Jaggery (Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			November,17	October,17	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	2919	3557	-637
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	193000	106000	87000
	Muzaffarnagar	Khurpa (Fresh)	2657	3183	-526
	Muzaffarnagar	Laddoo (Fresh)	2984	3474	-491
	Muzaffarnagar	Rascut (Fresh)	2296	2662	-365
	Hapur	Chaurasa	2508	2930	-422
	Hapur	Balti	2495	2967	-472
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4911	5168	-257
	Belgaum	Mudde (Average)	3743	3740	3
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3547	3784	-237
	Gulbarga	Other (Average)	3845	3858	-13
	Mahalingapura	Penti (Average)	3719	3851	-132
	Mandya	Achhu (Medium)	3276	4100	-824
	Mandya	Kurikatu (Medium)	3222	3887	-665
	Mandya	Other (Medium)	3133	3774	-641
	Mandya	Yellow (Medium)	3263	4079	-816
	Shimoga	Achhu (Average)	4358	4457	-99



International Sugar Prices (Monthly)				
	Contract Month	29-Nov-17	31-Oct-17	Change
ICE Sugar #11 (US Cent/lb)	18-Mar	15.07	14.74	0.33
	18-May	15.03	14.82	0.21
	18-Jul	15.05	14.91	0.14
LIFFE Sugar (US \$/MT)	18-Mar	389.3	384.40	4.90
	18-May	391.9	384.80	7.10
	18-Aug	396.8	390.70	6.10

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