

Sugar & Gur Monthly Research Report

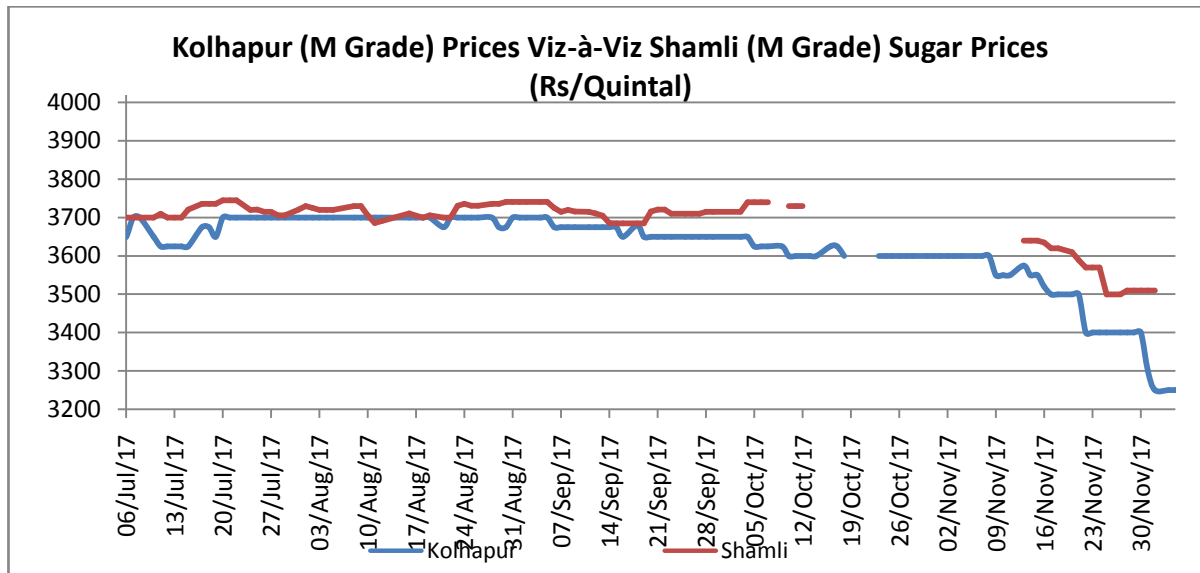
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Domestic Sugar Market Summary

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 3200 per quintal this month compared to Rs 3505 per quintal the previous month. Similarly, spot sugar prices for the same variety/grade in Shamli district was Rs 3405 per quintal this month.



Price Outlook:

Agriwatch predicts spot sugar prices to fall in the month ahead as market is expected to get supplied with excessive sugar with the progress 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 –Rs 3100 per quintal for next month.

Domestic Market Highlights

Recent Updates

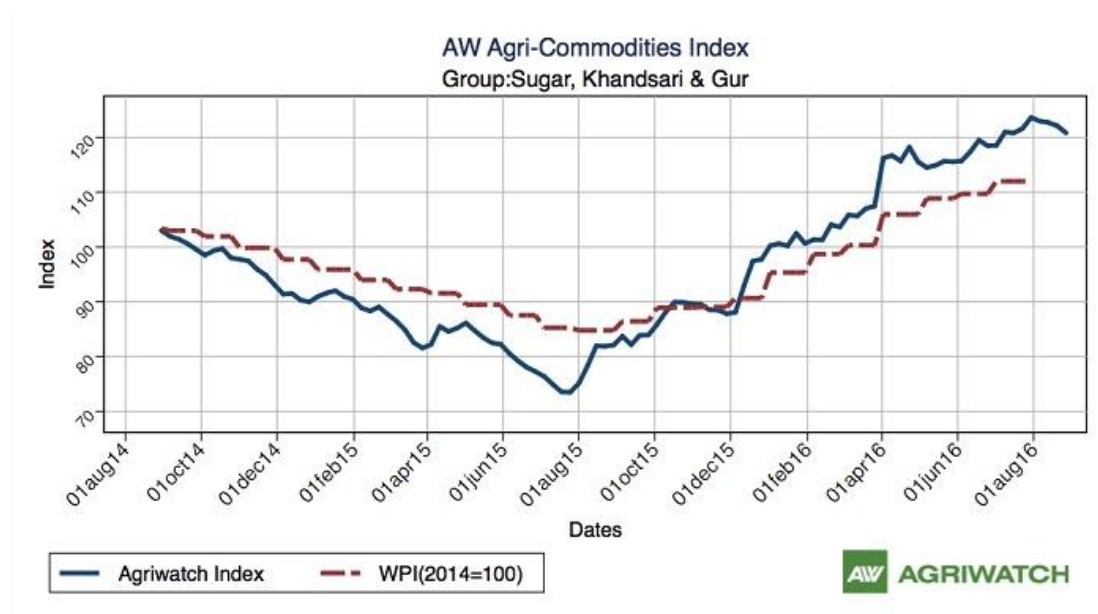
- Sugar output in Uttar Pradesh has increased to 38.80 lakh tonnes in October-December of this season from 26.78 lakh tonnes in the year-ago period. The average recovery rate of the sweetener remained higher in the state at 10.15 per cent.
- In Maharashtra, the output rose to 38.24 lakh tonnes from 25.35 lakh tonnes in the said period. The sugar recovery stood at 10.23 per cent.
- Production in Karnataka, the third biggest producer, rose to 16.17 lakh tonnes in October-December this year from 15.43 lakh tonnes last year.

- Cooperative and private millers from Maharashtra held a meeting to discuss the various issues plaguing the sector. BB Thombare, president of the Western India Sugar Mills Association (WISMA) - the apex body of private millers in Maharashtra - said they have decided to meet the chief minister early in January to discuss the issues. In view of the falling prices, payment of the fair and remunerative price (FRP) to the growers is becoming a major issue for us. Unless there are some policy level tweaks, the mills will soon not be in a position to pay the growers.
- Despite removal of stock limit on sugar last month, sugar prices have not improved much. Lack of demand due to winter season and expectations of higher production are keeping prices subdued. Sugar prices have declined by Rs 3-4 per kg during past two months.
- The total sugar production this year is estimated to be around 249 lakh tonnes against estimated consumption requirement of about 250 lakh tonnes, an official statement said on Tuesday. Given the current comfortable position of production and in order to further ease the supply of sugar in all regions, the government has withdrawn stock holding and turnover limits on dealers of sugar with immediate effect.
- 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.
- 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 December to trade now at Rs 3,100 per quintal in the Vashi Agricultural Produce Market Committee wholesale market
- 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.
- Ethanol supplies by sugar mills and by ethanol producers finalised for the supply period 2017-2018 [December to November] will be 140 crore litres. This is 26% higher than the supply of 111 crore litres in 2015-2016. Ethanol supplies finalised last year were 66.5 crore litres.
- India's sugar production rose 30 per cent to 69.4 lakh tonne during the first two and half months of the current marketing year on higher cane output, according to industry body ISMA.
- Mills have produced 69.40 lakh tonne of sugar till December 15 of the 2017-18 marketing year as compared to 53.46 lakh tonne in the corresponding period of the previous year
- As on December 15, 2017, 469 sugar mills were crushing sugarcane for the year 2017-18 against 449 mills last year same time, it added. ISMA has pegged sugar output of India, the world's second largest producer, at 251 lakh tonne in 2017-18 against 203 lakh tonne in the previous year.
- As per the data, mills in Maharashtra have produced 25.50 lakh tonne of sugar till December 15, up from 17.25 lakh tonne in the year-ago period, In Uttar Pradesh, production rose to 23.37 lakh tonne till

December 15 as compared to 17.66 lakh tonne in the corresponding period last year and Sugar production in Karnataka stood at 11.5 lakh tonne, slightly higher than the year-ago period

- 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.

Agriwatch Sweetners (Sugar, Gur and Khandsari) Index- August 28 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.

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



- Sugar spot prices at benchmark Kolhapur market closed at Rs 3100/quintal for December month.
- Next resistance and support level for the coming month has been seen at Rs 3300 and Rs 2900 per quintal respectively.
- On the lower side if prices breach the level of Rs 3050/ quintal it may touch a level of Rs 2850/ quintal.

Domestic Sugar Market Technical Analysis (Future Market)



Technical Commentary:

- Sugar prices are decreasing in a range bound movement from 3 months.
- RSI is hovering in a neutral zone
- Exponential moving average indicates downtrend in market.

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	Sell	Below 3200	3100	3000	3260

Sugar Domestic Balance sheet

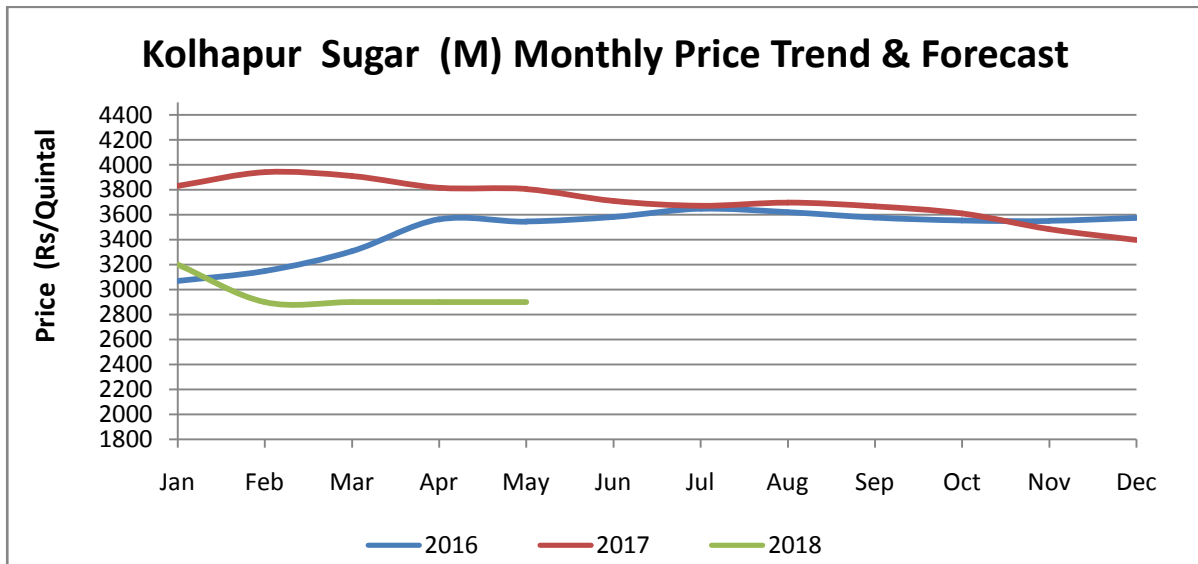
	Qty in Lakh Tons	2016-17*	2017-18*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
A	Carry in stock	61.24	33.38	33.38	37.65	144.80	80.78
B	Estimated sugar production	202.00	252.00	80.64	158.76	9.58	3.02
C	Imports	35.00	25.00	6.25	8.75	3.75	6.25
D	Estimated sugar availability (A + B + C)	298.24	310.38	120.27	205.16	158.12	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

Notes-

- 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 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 283.98 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/Qtl)
Current Average Price	Dec	3397
Projected Price	Jan	3200
	Feb	2900
	Mar	2900
	Apr	2900
	May	2900



International Market Highlights

- 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.
- 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.
- The Brazilian government 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 steady for the month.
- The last candlestick depicts steady market.

Strategy: sell below 400,T1 395

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Mar'18	399	395

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



Technical Commentary:

- ICE raw sugar futures trend downward for the Month.
- Last candlestick depicts bearishness in the market.

Strategy: sell at 15.30 with a target of 14.90

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'18	15.40	14.90

Gur Market Scenario

Spot gur market mostly traded dormant during the month 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 2700/quintal this month.
- Next resistance and support level for the coming month has been seen at Rs 3200 and Rs 2500 per quintal respectively.

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			December,17	November,17	
Delhi	Delhi	M-Grade	3466	3692	-226
	Delhi	S-Grade	3446	3672	-226
Uttar Pradesh	Khatauli	M-Grade	3484	3714	-230
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3370	3629	-259
	Dhampur	S-Grade Ex-Mill	3350	3609	-259
	Dhampur	L-Grade Ex-Mill	3420	3679	-259
Maharashtra	Mumbai	M-Grade	3612	3828	-216
	Mumbai	S-Grade	3364	3622	-258
	Nagpur	M-Grade	3333	3631	-298
	Nagpur	S-Grade	3236	3532	-296
	Kolhapur	M-Grade	3208	3506	-298

	Kolhapur	S-Grade	3111	3407	-296
Assam	Guhawati	S-Grade	3422	3722	-300
Meghalaya	Shillong	S-Grade	3431	3727	-296
Andhra Pradesh	Vijayawada	M-Grade	3728	3890	-162
	Vijayawada	S-Grade	3645	3883	-238
West Bengal	Kolkata	M-Grade	3738	4010	-272
Tamil Nadu	Chennai	S-Grade	3610	3767	-158
Chhattisgarh	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)			December,17	November,17	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	2822	2919	-97
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	148000	193000	-45000
	Muzaffarnagar	Khurpa (Fresh)	2640	2657	-17
	Muzaffarnagar	Laddoo (Fresh)	2883	2984	-101
	Muzaffarnagar	Rascut (Fresh)	2226	2296	-70
	Hapur	Chaurasa	2476	2508	-32
	Hapur	Balti	2477	2495	-17
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4900	4911	-11
	Belgaum	Mudde (Average)	3728	3743	-15
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3257	3547	-289
	Gulbarga	Other (Average)	3376	3845	-469
	Mahalingapura	Penti (Average)	3455	3719	-264
	Mandya	Achhu (Medium)	3370	3276	93
	Mandya	Kurikatu (Medium)	3241	3222	20
	Mandya	Other (Medium)	3172	3133	39
	Mandya	Yellow (Medium)	3420	3263	157
	Shimoga	Achhu (Average)	3855	4358	-504

International Sugar Prices (Monthly)				
	Contract Month	29-Dec-17	29-Nov-17	Change
ICE Sugar #11 (US Cent/lb)	18-Mar	15.16	15.07	0.09
	18-May	15.02	15.03	-0.01



	18-Jul	15.04	15.05	-0.01
LIFFE Sugar (US \$/MT)	18-Mar	394.70	389.3	5.40
	18-May	393.20	391.9	1.30
	18-Aug	394.70	396.8	-2.10

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