



Sugar & Gur Monthly Research Report

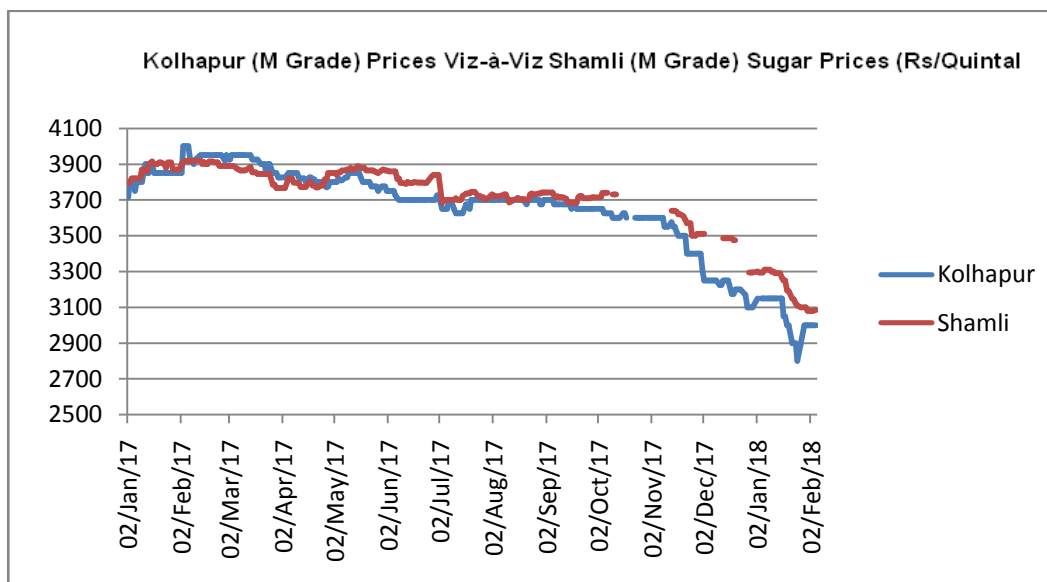
Contents

- ❖ Domestic Sugar Market Summary
- ❖ Price Projection
- ❖ Domestic Market Highlights
- ❖ Agriwatch Sweeteners Index
- ❖ Sugar Export/Import Scenario
- ❖ Sugar Export/Import Opportunity
- ❖ Domestic Sugar Market Technical Analysis (Future Market)
- ❖ Domestic Sugar Market Technical Analysis (Spot Market)
- ❖ International Sugar Market Summary
- ❖ International Market Highlight
- ❖ International Market Technical Analysis (Future Market)
- ❖ Gur Market Scenario/ Technical Analysis (Spot Market)
- ❖ Annexure

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 2980 per quintal this month compared to Rs 3054 per quintal the previous month. Similarly, spot sugar prices for the same variety/grade in Shamli district was Rs 3205 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 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 2700 –Rs 3200 per quintal for next month.

Domestic Market Highlights

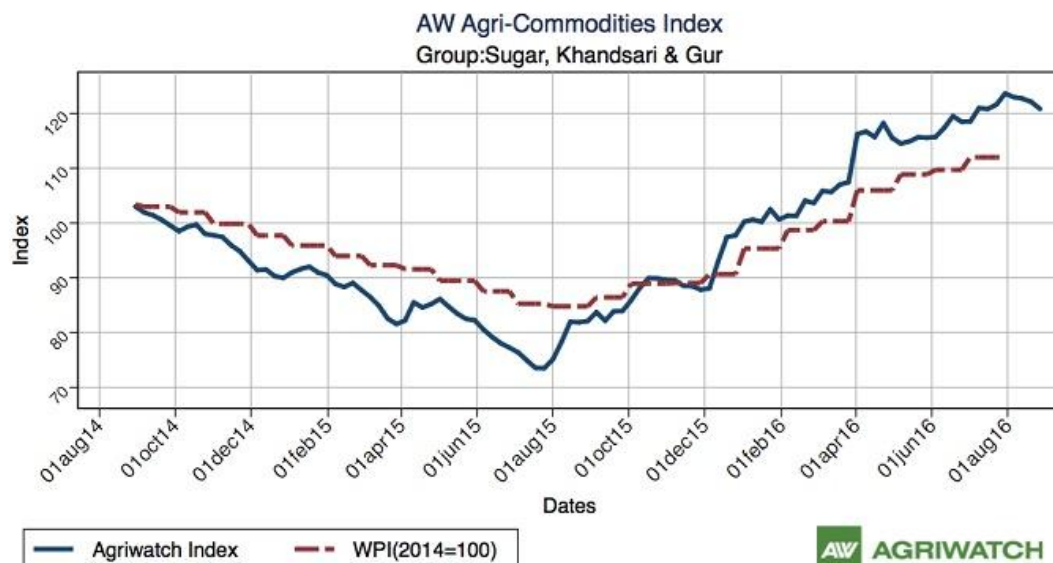
Recent Updates

- Apprehending import of cheaper sugar from Pakistan, the food ministry has pushed for hike in import duty on the sweetener to 100% from current duty of 50%. At present there is no import of sugar, but the proposal is in view of a recent move by Pakistan of hiking the amount of sugar eligible for export subsidies to two million tonnes from five lakh tonnes which could depress sugar prices in the neighboring country- leading to possibilities of import into India. The proposal is currently pending with commerce ministry.
- Further, there are indications that the government may allow export of raw sugar under Duty Free Import Authorization (DFIA) scheme, which was withdrawn in May 2015.
- India's sugar mills produced 3.211 mln tonnes of sugar, white value, in the first half of January, down from 3.386 mln in the previous fortnight but sharply above 2.289 mln in the same period last year.

- Sugar mills' cane arrears for the 2017-18 season stand at Rs 7,826 crore, down 13% from a year ago, according to the food ministry. As on date, cane price arrears in the current season on SAP (state-advised price) basis are at Rs 7,826 crore in comparison with Rs 8,982 crore in the corresponding period of the last sugar season
- As prices have fallen Rs 6-8 per kg since the beginning of the crushing season, traders have lost confidence in the market. If the government comes out with some policy measure, it could give a positive signal to the market.
- The government may marginally raise the corpus for Sugar Development Fund (SDF) slightly to Rs. 500 crore in the Budget for 2018-19. SDF, managed by the food ministry, is used for lending money to mills at lower interest rates. Till last fiscal year, the cess – collected from sugar mills – was deposited in it. When GST kicked in, the sugar cess was scrapped and hence a separate budgetary provision of Rs. 496 crore was made for SDF for 2017-18.
- Sugar mills' cane arrears for the 2017-18 season are down 13% at Rs.7,826 crore on State Advised Price (SAP) basis from a year ago, according to the food ministry.
- 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, month ago, 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 at Kolhapur market



- Sugar spot prices at benchmark Kolhapur market closed at Rs 3000/quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3300 and Rs 2800 per quintal respectively.

Domestic Sugar Market Technical Analysis (Future Market)

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Sugar Domestic Balance sheet

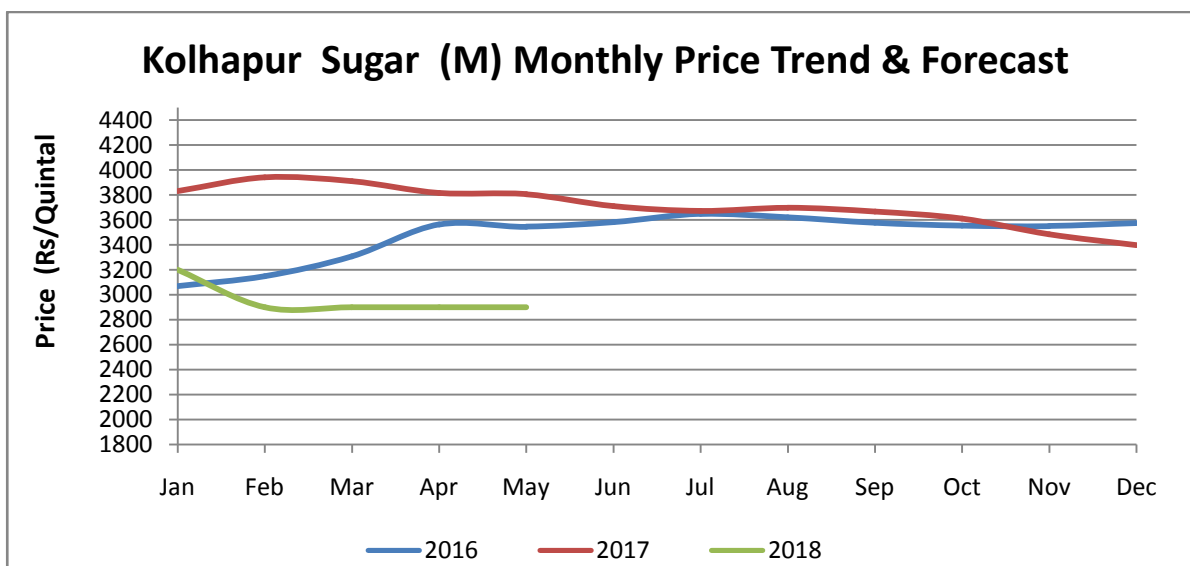
	Qty in Lakh Tons	2016-17*	2017-18*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
A	Carry in stock	61.24	33.38	33.38	37.65	144.80	80.78
B	Estimated sugar production	202.00	252.00	80.64	158.76	9.58	3.02
C	Imports	35.00	25.00	6.25	8.75	3.75	6.25
D	Estimated sugar availability (A + B + C)	298.24	310.38	120.27	205.16	158.12	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 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 for next 5 months

		(Rs/Qtl)
Current Average Price	Jan	3100
Projected Price	Feb	2900
	Mar	2900
	Apr	2900
	May	2900
	Jan	3200



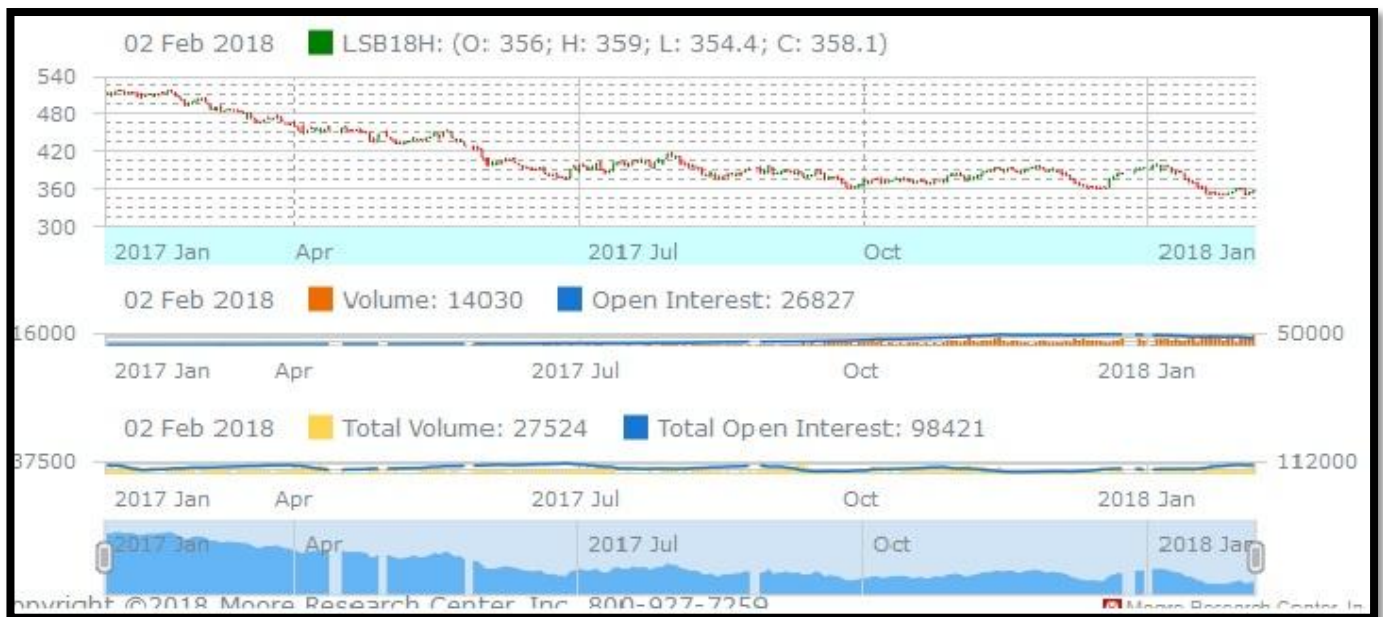
International Market Highlights

- As per USDA data, US domestic consumption of ethanol has eaten through close to a million barrels of ethanol in the week ending January 26, with production falling slightly. Ethanol production remained comfortably above the million barrel mark at 1.04 million barrels a day- a fall of 22,000 barrels per day from the previous week.
- China, the world's top sugar importer, bought 2.29 million tonnes of the sweetener in 2017- down 25.2 percent from the year before and the lowest since 2010. That came in the wake of steps by China's government to protect the local sugar industry. China's December sugar imports dropped 38.7% to 130,000 tonnes, from 220,000 tonnes a year ago, data from the General Administration of Customs showed.
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- 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 359, T1 355

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Mar'18	358	360

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 13.40 with a target of 14.50

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'18	13.40	14.50

Gur Market Scenario

Spot gur market reported weak during the week period. Prices of “Chaku” variety have decreased from 2588/ qtl to 2563/ quintal in Muzaffarnagar market.

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2563/quintal this week
- Next resistance and support level for the coming month has been seen at Rs 2800 and Rs 2500 per quintal respectively.

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

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			January,18	December,17	
Delhi	Delhi	M-Grade	3334	3466	-131
	Delhi	S-Grade	3314	3446	-131
Uttar Pradesh	Khatauli	M-Grade	3332	3484	-152
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3223	3370	-147
	Dhampur	S-Grade Ex-Mill	3203	3350	-147
	Dhampur	L-Grade Ex-Mill	3273	3420	-147
Maharashtra	Mumbai	M-Grade	3444	3612	-168
	Mumbai	S-Grade	3219	3364	-145
	Nagpur	M-Grade	3179	3333	-153
	Nagpur	S-Grade	3123	3236	-113
	Kolhapur	M-Grade	3054	3208	-153
	Kolhapur	S-Grade	2998	3111	-113
Assam	Guhawati	S-Grade	3307	3422	-115
Meghalaya	Shillong	S-Grade	3318	3431	-113
Andhra Pradesh	Vijayawada	M-Grade	3612	3728	-116
	Vijayawada	S-Grade	3552	3645	-93
West Bengal	Kolkata	M-Grade	3632	3738	-106

Tamil Nadu	Chennai	S-Grade	3585	3610	-25
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)			January,18	December,17	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	2666	2822	-156
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	132000	148000	-16000
	Muzaffarnagar	Khurpa (Fresh)	2566	2640	-75
	Muzaffarnagar	Laddoo (Fresh)	2759	2883	-124
	Muzaffarnagar	Rascut (Fresh)	2184	2226	-42
	Hapur	Chaurasa	2434	2476	-41
	Hapur	Balti	2469	2477	-8
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4832	4900	-68
	Belgaum	Mudde (Average)	3589	3728	-138
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	2879	3257	-379
	Gulbarga	Other (Average)	3514	3376	138
	Mahalingapura	Penti (Average)	3267	3455	-188
	Mandya	Achhu (Medium)	3222	3370	-148
	Mandya	Kurikatu (Medium)	3152	3241	-89
	Mandya	Other (Medium)	3087	3172	-85
	Mandya	Yellow (Medium)	3274	3420	-146
	Shimoga	Achhu (Average)	3688	3855	-167

International Sugar Prices (Monthly)				
	Contract Month	30-Jan-18	29-Dec-17	Change
ICE Sugar #11 (US Cent/lb)	18-Mar	13.72	15.16	-1.44
	18-May	13.82	15.02	-1.20
	18-Jul	14.05	15.04	-0.99
LIFFE Sugar (US \$/MT)	18-Mar	362.30	394.70	-32.40
	18-May	365.10	393.20	-28.10
	18-Aug	370.10	394.70	-24.60

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