

Sugar & Gur Monthly Research Report

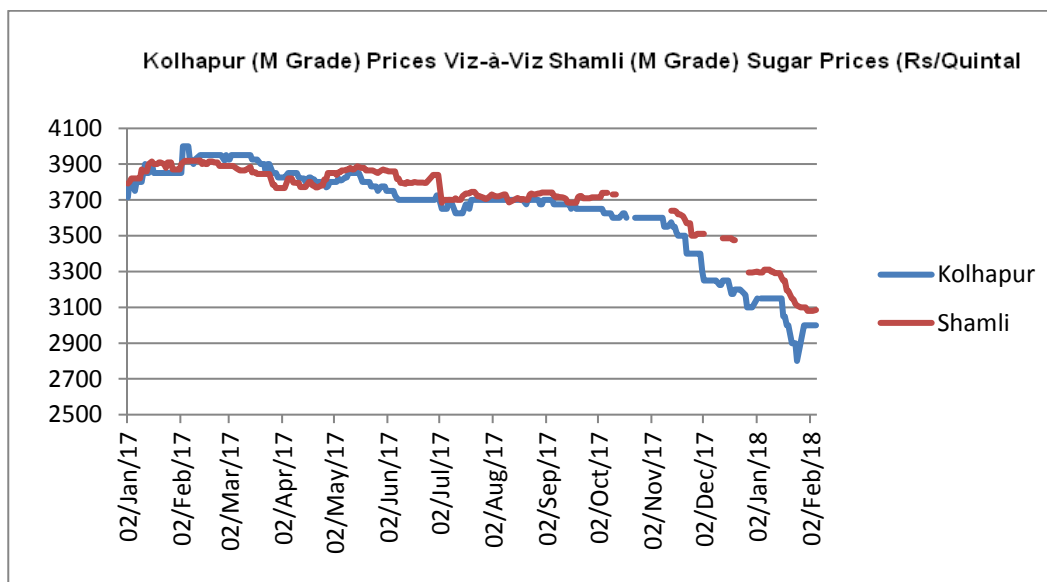
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Domestic Sugar Market Summary

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

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3134 per quintal this month compared to Rs 2980 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 2800 –Rs 3400 per quintal for next month.

Domestic Market Highlights

Recent Updates

- The latest data shows cane crushing in Maharashtra during the current season, as on last month, to have already touched 760.93 lakh tonnes, with the corresponding sugar output at 83.64 lakh tonnes even with a lower recovery of 10.99 per cent. Moreover, all the 185 mills in the state are still running.
- Based on current trends, domestic sugar production for sugar year 2017-18 is anticipated to increase by at least 33% to around 27 million MT (as against its earlier estimate of 26 million MT), although an even

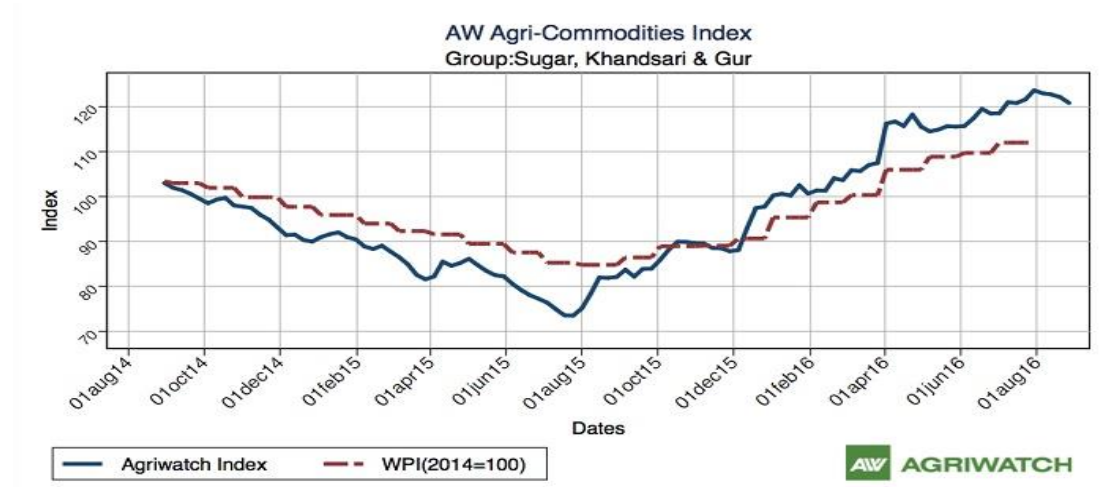
higher production cannot be ruled out at this stage. The consumption is expected to increase to around 25 million MT in sugar marketing year 2017-18 from 24.5 million MT in sugar marketing year 2016-17.

- Currently, the ex-mill sugar prices hover around Rs.34,500-35,000 a tonne but a renewed pressure on prices cannot be ruled out if the final production happens to be higher than the current estimates, the ICRA said.
- Maharashtra State Cooperative Bank (MSC Bank) had revised its valuation of sugar by Rs.130 per quintal from the earlier valuation of Rs.2,970 in the last week, a move that will help sugar mills borrow more from banks and make payments to cane farmers.
- According to Avinash Verma, Director-General of the Indian Sugar Mills' Association (ISMA), the ex-mill price of sugar in Uttar Pradesh, had increased by nearly 13 per cent to Rs.35 a kg in the past ten days.
- India's Sugar production estimate has been recently revised upwards by 4 per cent to 26.1 million tonnes (MT) in the current 2017-18 marketing year (October-September) as against 20.3 MT in 2016-17, as per industry data. The consumption is pegged at 25 MT for this year.
- India may export more sugar than previously forecast as higher yields boost supply in the world's top consumer. Shipments may total 1.5 million metric tons in the next six to eight months, the Indian Sugar Mills Association (ISMA) said.
- Sugar mills in the Maharashtra state had revised their estimate of sugarcane crushing in the current season to 800 lakh tonnes by April this year from the earlier estimate of 700 lakh tonnes.
- To prevent the sugar prices from falling sharply, the food ministry had last week capped the amount of sugar that mills can sell in the open market. According to this plan, mills will have to hold at the end of February 83 per cent of the sugar stock held by them as on January 31; and at the end of March, 86% of the sugar stock held by them as on February 28. These thresholds are in addition to sugar produced during the months of February and March respectively, and less sugar exported during the respective month. Further, it is reported that the government may abolish 20% export duty on sugar to facilitate exports.
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- The central government last month doubled the import duty on raw and refined sugar to 100%. This move is aimed at preventing dumping of heavily subsidized sugar from Pakistan to protect domestic farmers at a time when Indian production is expected to exceed consumption.

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- The Renewable Fuels Association (RFA) data confirms that U.S. ethanol exports set a new record in 2017, with 1.37 billion gallons shipped to more than 60 countries globally. The 2017 export total was up 17 percent from 2016 and beat the previous record set in 2011 by some 174 million gallons (mg).
- Mr. Abinash Verma, director general of the Indian Sugar Mills Association (ISMA), said at the Dubai Sugar Conference last week that the Indian sugar industry will likely export 1 million tonnes in the 2017-2018 marketing year ending 30 September.
- 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.

Agriwatch Sweeteners (Sugar, Gur and Khandsari) Index- August 28 2017

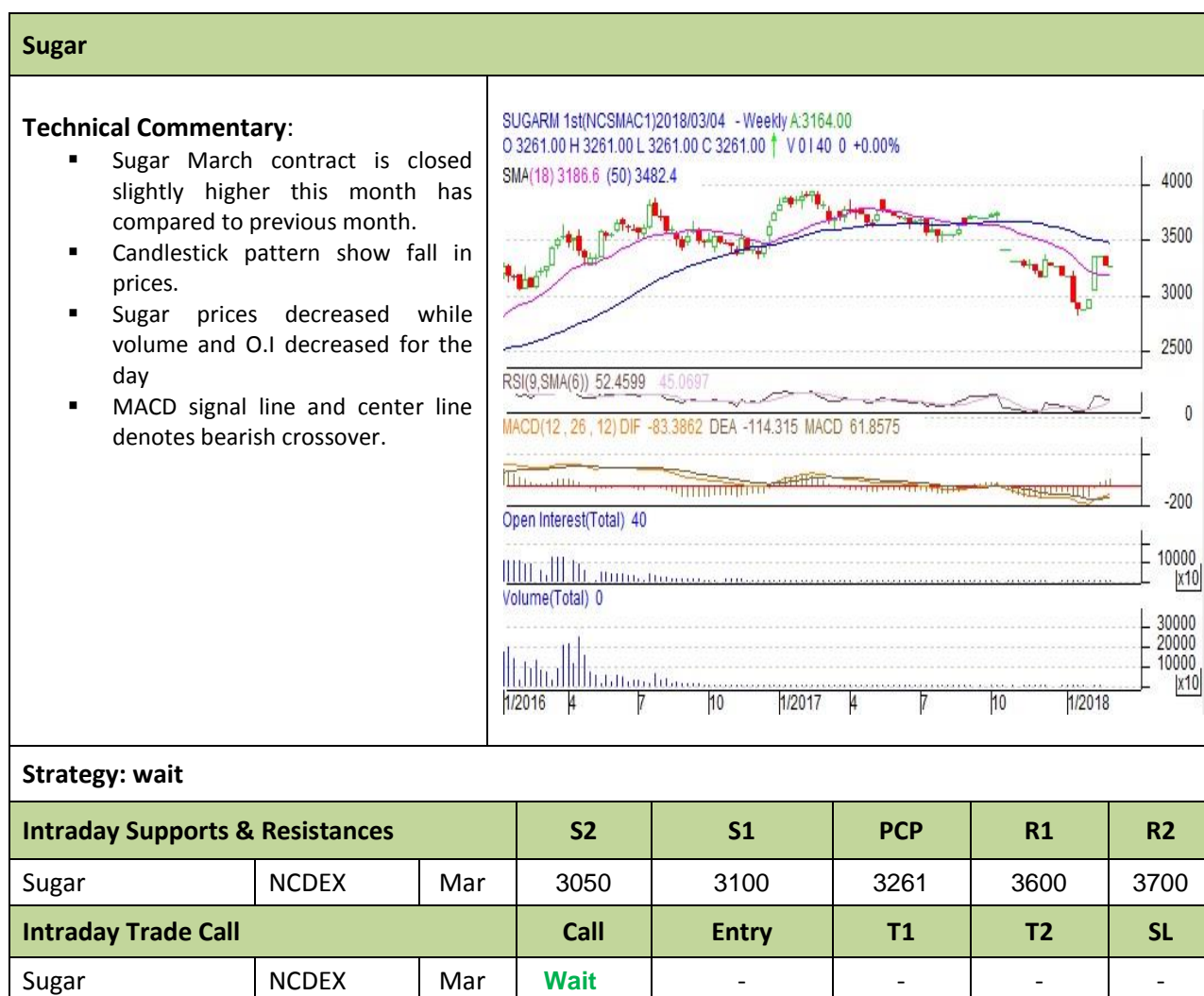


Agriwatch has recently launched its AW Agri Commodity Indices to enable organizations access independent Indices to track and use to benchmark their purchases and sales. The Indices are based on the daily prices in the key benchmark markets for each commodity that AW has been covering for the past decade. 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 3150 /quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3500 and Rs 3000 per quintal respectively.
- Relative Strengths Indicator is moving in neutral region which indicate range bound movement.

Domestic Sugar Market Technical Analysis (Future Market)

Sugar Domestic Balance sheet

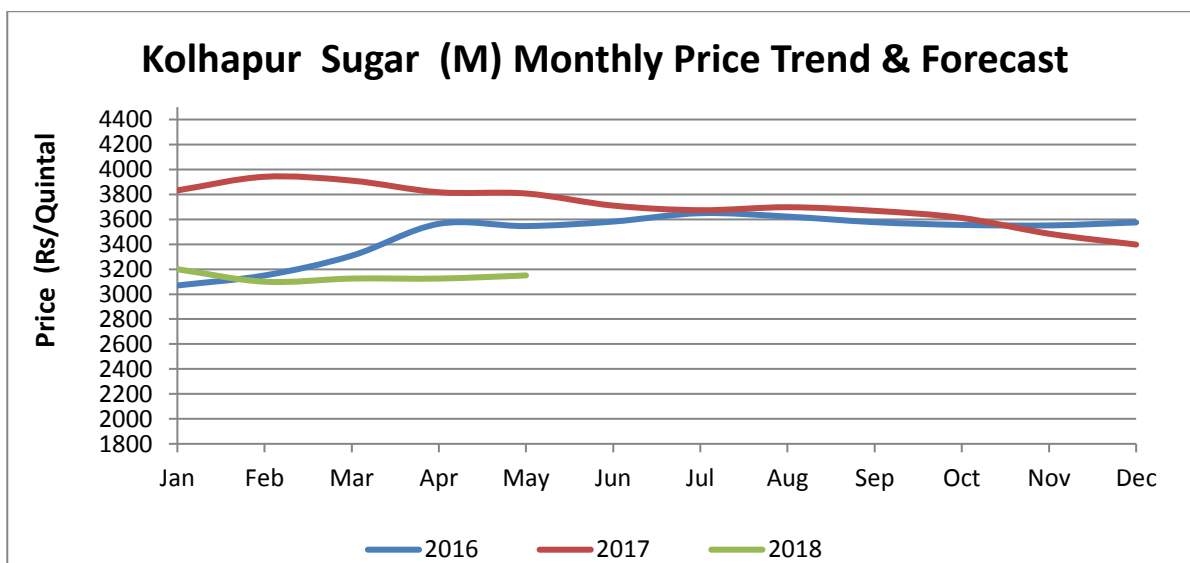
	Qty in Lakh Tons	2016-17*	2017-18*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
A	Carry in stock	61.24	33.38	33.38	37.65	144.80	80.78
B	Estimated sugar production	202.00	252.00	80.64	158.76	9.58	3.02
C	Imports	35.00	25.00	6.25	8.75	3.75	6.25
D	Estimated sugar availability (A + B + C)	298.24	310.38	120.27	205.16	158.12	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	3100
	Mar	3125
	Apr	3125
	May	3150



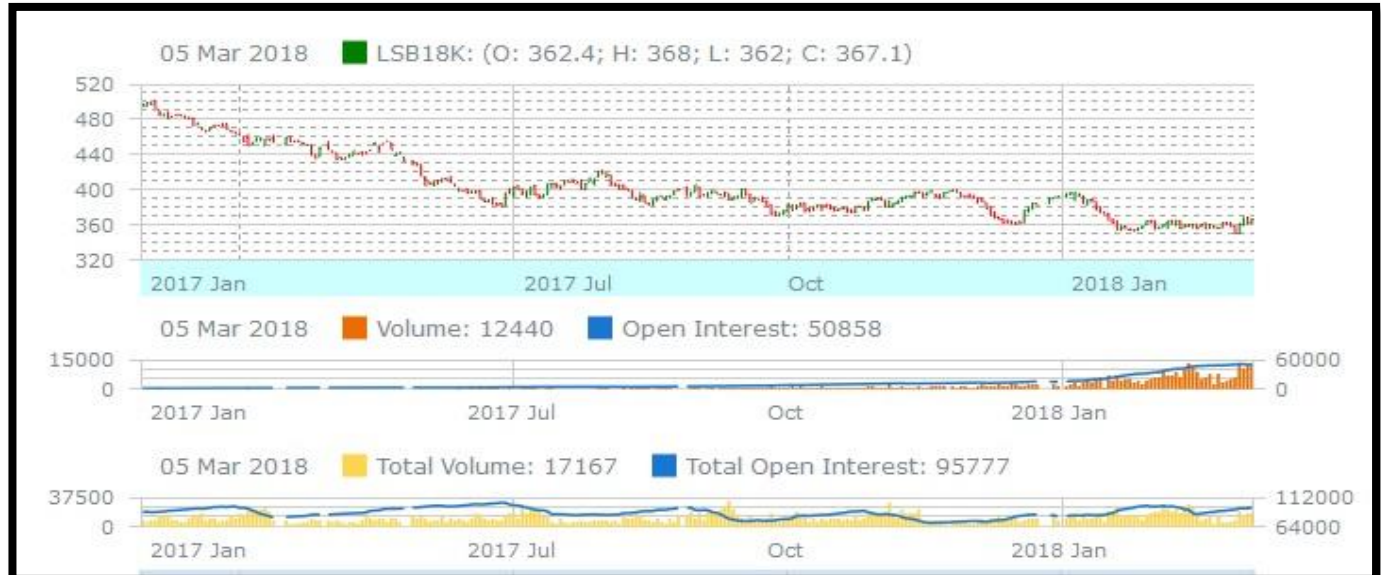
International Market Highlights

- The International Sugar Organization last week raised its forecast for a projected global sugar surplus in 2017-18 (October/September) to 5.15 million tonnes, up from a previous forecast of 5.03 million. The upward revision was driven by lower than previously anticipated consumption of 173.55 million tonnes for 2017-18, down from a prior forecast of 174.41 million and global sugar production was seen at 178.70 million tonnes, slightly down from a previous forecast of 179.45 million, the ISO said in a quarterly report. 3800
- According to Industry Association UNICA, Brazil's Center-South region crushed 407,000 MT of sugarcane in the second half of January, down 30.9% year on year but up 145% from a near four-year low 166,420 mt in the first half of January.
- According to Australian Sugar Milling Council (ASMC), Australia's sugar mills crushed a total of 33.349 million tonnes of cane in the 2017-18 season, an 8% drop from last season.
- According to the National Association of Sugar Producers Ukrtsukor, Sugar exports from Ukraine in September-January of the 2017-2018 marketing year amounted to 250,060 tonnes. Over the same period last year some 409,700 tonnes of sugar were exported. As we see, the current figure is almost half from previous year. This is due to the unfavorable situation in the world market and a certain surplus due to sugar overproduction in India and Brazil.
- 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 370, T1 375

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Mar'18	362	370

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 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 is trading near Rs 2520/ quintal which is similar to last year.

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2520/quintal this week
- Next resistance and support level for the coming month has been seen at Rs 2800 and Rs 2400 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			February,18	January,18	
Delhi	Delhi	M-Grade	3366	3334	32
	Delhi	S-Grade	3346	3314	32
Uttar Pradesh	Khatauli	M-Grade	3399	3332	67
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3161	3223	-62
	Dhampur	S-Grade Ex-Mill	3141	3203	-62
	Dhampur	L-Grade Ex-Mill	3211	3273	-62
Maharashtra	Mumbai	M-Grade	3422	3444	-22
	Mumbai	S-Grade	3178	3219	-41
	Nagpur	M-Grade	3260	3179	81
	Nagpur	S-Grade	3160	3123	37
	Kolhapur	M-Grade	3135	3054	81
	Kolhapur	S-Grade	3035	2998	37
Assam	Guhawati	S-Grade	3344	3307	37
Meghalaya	Shillong	S-Grade	3355	3318	37
Andhra Pradesh	Vijayawada	M-Grade	3664	3612	52
	Vijayawada	S-Grade	3604	3552	52
West Bengal	Kolkata	M-Grade	3662	3632	30
Tamil Nadu	Chennai	S-Grade	3500	3585	-85
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)			February,18	January,18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2559	2666	-107
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	179500	132000	47500
	Muzaffarnagar	Khurpa (Fresh)	2542	2566	-24
	Muzaffarnagar	Laddoo (Fresh)	2548	2759	-211
	Muzaffarnagar	Rascut (Fresh)	2154	2184	-30
	Hapur	Chaurasa	2244	2434	-190
	Hapur	Balti	2219	2469	-250
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4691	4832	-141
	Belgaum	Mudde (Average)	3389	3589	-201
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	2534	2879	-345
	Gulbarga	Other (Average)	3078	3514	-436
	Mahalingapura	Penti (Average)	3311	3267	44
	Mandya	Achhu (Medium)	3334	3222	112
	Mandya	Kurikatu (Medium)	3018	3152	-134
	Mandya	Other (Medium)	3045	3087	-42
	Mandya	Yellow (Medium)	3291	3274	17
	Shimoga	Achhu (Average)	3700	3688	12

International Sugar Prices (Monthly)				
	Contract Month	27-Feb-18	30-Jan-18	Change
ICE Sugar #11 (US Cent/lb)	18-Mar	13.01	13.72	-0.71
	18-May	12.87	13.82	-0.95
	18-Jul	13.03	14.05	-1.02
LIFFE Sugar (US \$/MT)	18-May	350.50	365.10	-14.60
	18-Aug	349.00	370.10	-21.10
	18-Oct	352.80	375.10	-22.30



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