

Sugar & Gur Monthly Research Report

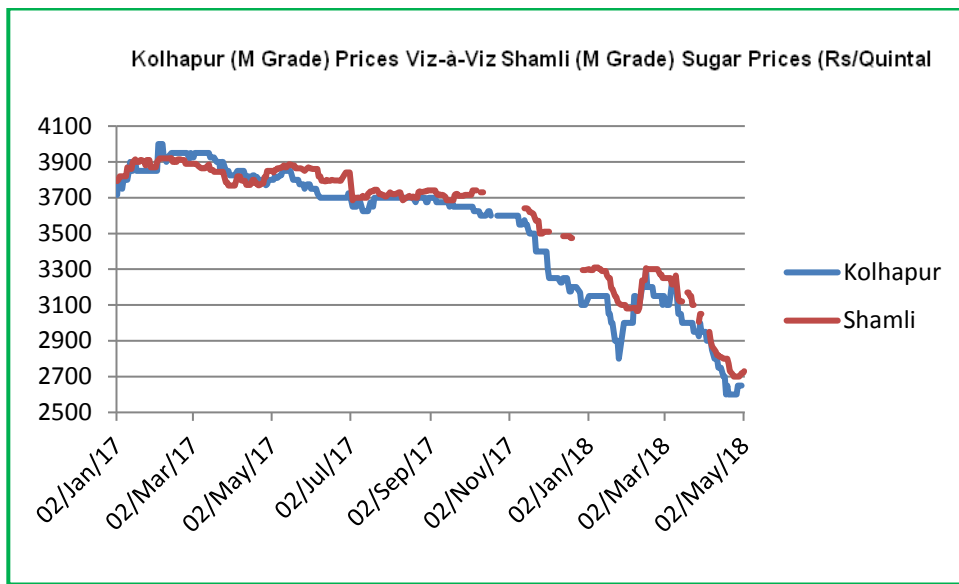
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Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market traded weak during the month following subdued domestic demand from stockiest and bulk consumers.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs2730 per quintal this month compared to Rs 3047 per quintal the previous month. Similarly, spot sugar prices for the same variety/grade in Shamli district was Rs 2786 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 2600 –Rs 3300 per quintal for next month.

Domestic Market Highlights

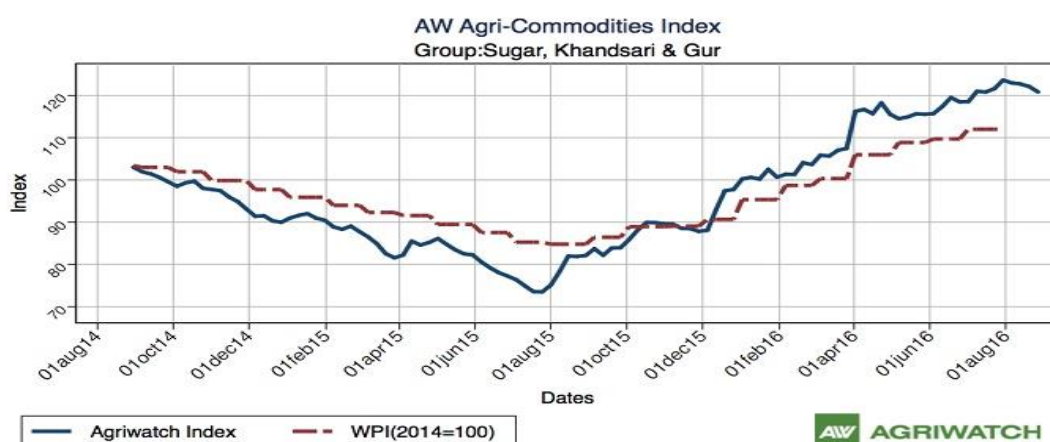
Recent Updates

- Sugar output in the 2017-18 (October-September) season is estimated at over 310 lt against an estimated domestic consumption of about 240 lt. A similar surplus is expected in the coming season. Sugar prices have dropped to Rs 28 a kg, against a cost of production of Rs35. Mills' overdues to sugarcane farmers is pegged at about Rs 18,000 crore.

- The Council is expected to take up a proposal to impose a 5 per cent levy on sugar. This is expected to translate into an increase in retail price of up to Rs 3 a kg. Money collected through cess will be used to provide financial support to the sugarcane farmers.
- Sugar July raw sugar was down 0.09 cents, or 0.8 percent, at 11.66 cents per lb by 1122 GMT. Prices fell sharply in the prior session in tandem with white sugar, after India approved plans to subsidise its cane farmers, which could pave the way for exports to the world market.
- Till April 30, 2018, sugar mills have produced 31.03 MT sugar in the current season. With 130 sugar mills still operating, majorly in Uttar Pradesh, it is expected that sugar production during the current season might end up between 31.5-32 MT," Indian Sugar Mills Association (ISMA).
- India, the world's top sugar producer after Brazil, will spend 15.4 billion rupees (\$231 million) this year to subsidize a part of cane payments made by mills to farmers amid falling prices of the sweetener. India's cabinet approved a payment of 5.5 rupees per 100 kilograms of sugar cane to the farmers in the year that began on Oct. 1, Ravi Shankar Prasad, law and information technology minister, said on last week.
- Running against the principles of the Goods and Services Tax, the Council's 27th meeting being held via video-conferencing on Friday may clear the imposition of a 5% Sugar cess. Currently, the government levies GST Compensation cess to compensate States that may incur losses in the first five years of GST implementation.
- Farmer's cane arrear issue is likely to adding up pressure on govt and sugar mills as well which is expected to direct centre governing body to maintain/ revise upward domestic sugar prices in medium term.
- Sugar prices have declined to their lowest level in 28 months owing to distress sales by mills on account of storage problems. Storage problems are because of a production glut this season. With the output being 30 million tonnes by mid-April.
- Moving further, though at reduced pace, 227 sugar mills are still crushing sugarcane and may likely to drag up 2017-18 sugar output to 31 mln ton.
- Looking at current juncture, ambiguous government policy towards sugar economy, normal S-W monsoon forecasts, depressed global sugar market, panic sugar selling from millers, hand to mouth sugar demand, piling of cane dues, and surging sugar output directs prices to trade on negative note in moving forward.
- The Minister said that reducing the GST on ethanol from the current 18 per cent to, say, 5 per cent will encourage more diversion of sugarcane into ethanol production. The possibility of increasing ethanol price paid by oil marketing companies from the current Rs 40.85 per litre can also be considered. The production subsidy could be similar to the Rs4.5 per quintal subsidy given to sugarcane farmers in 2015. There may be a need to increase it to at least Rs 7-8 per quintal this time, an industry source said.
- As per the latest update on sugarcane arrears across the country, as on April 15, total cane arrears have touched Rs 20,683.35 crore. The maximum arrears are from Uttar Pradesh (Rs 8,976.59 crore), Maharashtra (Rs 2,457.55 crore), Karnataka (Rs 2,643.21 crore) and Tamil Nadu (Rs 2,007.27 crore). The cane arrears have occurred mainly because of steep slide in sugar realization, which is almost lower than Rs 500-600 per quintal when compared with its production cost.
- The association demanded that the government should provide production-linked incentive to cane farmers as it was done in 2015-16 marketing year.
- Sugar production in Maharashtra has almost reached its past record and mills produced 10.49 million tonnes up to April 15, 2018. Mills in Uttar Pradesh produced record 10.48 million tonnes of sugar. Crushing operations are almost over in Karnataka and only one sugar mill was operational as on April 15, 2018. The state has so far produced 3.63 million tonnes of sugar.

- Sugar prices have been under severe pressure in the last 4-5 months and have fallen by Rs 9 per kg across the country. As compared to the cost of production, the current ex-mill sugar prices are around Rs 8 per kg lower and the sugar mills are incurring substantial losses.
- Despite government making it mandatory for sugar mills to export 2 million tonne sugar in 2017-18 marketing year as per the quota allocated to individual mills, India has not started sugar export due to lack of export parity. While mills are hopeful that the central government may announce export incentives, domestic market sugar prices have slid to Rs 26/kg, a new low for the year.
- The area sown under cane in UP has been growing consistently over the years. This year, too, it is estimated to increase by 100,000 hectares.
- The area sown under cane in UP has been growing consistently over the years. This year, too, it is estimated to increase by 100,000 hectares.
- Falling sugar prices continue to be a cause for concern for millers in Maharashtra, leaving them with little in hand to make cane payments to the farmers. With the Maharashtra State Cooperative Bank (MSCB) deciding to reduce valuations of pledged sugar by Rs 120 per quintal, the sugar mills are facing a further cash crunch.
- The lack of a market-linked procurement mechanism for sugarcane is coming back to haunt the government, industry and investors. Excess output in India has coincided with higher output in Thailand, bringing down global prices. That has meant that even as domestic prices have turned weak, exports are not looking viable either.
- Food Minister Ram Vilas Paswan told cane-growing states that the Centre was in no mood to compromise with sugar mills over farmers' dues, which stood at over Rs 160 billion as on March 31. He instructed states to take necessary action against sugar mills that have defaulted on their payment to farmers.
- Sugar surplus could swell to 5.3 million tonnes as production for the 2017/18 crop year is set to surge to a record 30.3 million tonnes as output rises from the top two producing states, the Western India Sugar Mills Association (WISMA) said.

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 2730 /quintal this month
- Next resistance and support level for the coming month has been seen at Rs 3100 and Rs 2700 per quintal respectively.
- Relative Strengths Indicator is moving in neutral region which indicate range bound movement.

Domestic Sugar Market Technical Analysis (Future Market)

Sugar

Technical Commentary:

- Sugar prices closed slightly lower this month has compared to previous month.
- Candlestick pattern show fall in prices.
- Sugar prices decreased while volume and O.I decreased for the day
- MACD signal line and center line denotes bearish crossover.



Strategy: wait

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Mar	3050	3100	2712	3300	3500
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Mar	Wait	-	-	-	-

Note: There is no trade volume in near month future contract. Market participants are advised to wait until trade in volume starts

Sugar Domestic Balance Sheet

	2015-16	2016-17	2017-18	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	90.8	77	38.24	38.24	58.18	176.99	123.87
Estimated sugar production	251.25	202.85	300	94.64	169.76	23.58	12.02
Imports	0	4.46	2.85	1	1.85	0	0
Estimated sugar availability (A + B + C)	342.05	284.31	341.09	133.88	229.79	200.57	135.89
Exports	16.56	0.46	2	0	0	1	1
Availability for domestic consumption (D - E)	325.49	283.85	339.09	133.88	229.79	199.57	134.89
Estimates sugar consumption	248.49	245.61	260	75.7	52.8	76.7	54.8
Carry out stock (G - H)	77	38.24	79.09	58.18	176.99	122.87	80.09

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

As per the Agriwatch estimate, India's sugar production is expected to rise to 300 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)

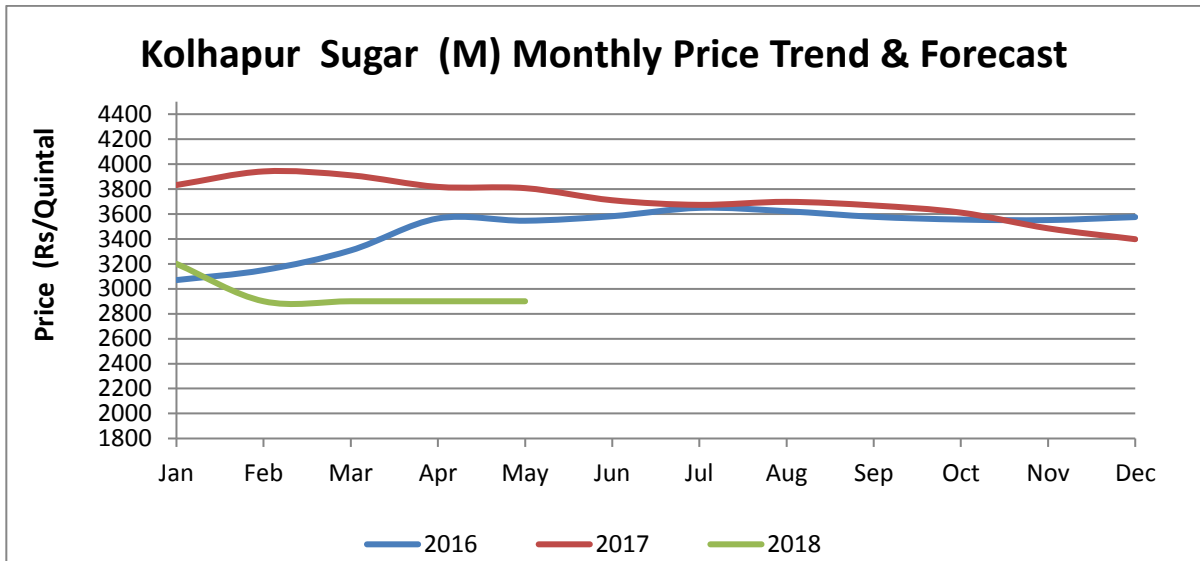
In addition, Uttar Pradesh is also expected to produce a large quantity of sugar this year too due to a surge in cane area, yield and sugar recovery. Agriwatch is expecting U.P to produce 102 LT of sugar in 2017-18 (01st October, 2017 -30th September, 2018); while Karnataka is expected to produce 21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

On the other hand, sugar domestic consumption is expected to rise to 260.00 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 decline from 3.00 LT in 2016-17 to 2.00 LT in 2017-18. As even good production in Thailand, Brazil and other our neighbor countries expecting less export demand

Domestic Sugar (M- grade) Price Projection for next 5 months

		(Rs/Qtl)
Current Average Price	Apr	2900
Projected Price	May	2900
	Jun	2900
	July	2900
	Aug	3000
	Sep	3000



International Market Highlights

- Sugar mills in Brazil's Centre/South crushed 22.214 million tonnes of cane in the first half of April, up from 7.758 mln in the second half of March and also above 17.681 mln in the same period a year ago, Unica data showed.
- Production updates from world's largest sugar producer and exporter (Brazil), in the end of crushing season 2017-18, its mills crushed 596.31 mln ton cane with resulted sugar output of 36.05 mln ton which is marginally up (1.21%) compared to previous season's 35.62 mln ton.
- According to data from brokerage and consultancy INTL FCS tone, compiled by Reuters, Brazilian exportable surplus would fall from 30 million tonnes in the 2016-17 global crop year (October/September) to 22.2 million tonnes in the current crop year.
- The world's biggest and second biggest sugar producers, Brazil and Thailand, as well as Australia, Asia's second biggest sugar exporter, are working together to raise awareness of the issue at a meeting of the Global Sugar Alliance in May, with the aim of stopping India and Pakistan from subsidizing sugar exports, said Sirivuth Siamphakdee, chairman of the Thai Sugar Millers Corporation (TSMC).
- The International Sugar Organization projected the global sugar surplus in 2017/18 (October/September) would be 5.15 million tons, up from a previous forecast of 5.03 million tons

- China's (official) sugar imports reached 380,000 tonnes in March 2018, up sharply from 22,943 in the previous month and the highest monthly count since January 2017, customs data showed.
- As the sugar market awaits a global surplus this season and the next, Thailand and India look set to drive up supplies, regardless of Brazil's production slowdown.
- Kenya expects its sugar production to rise to 420,000-450,000 tonnes in 2018 as the country recovers from a drought-induced drop the previous year, said Solomon Odera, the head of the Sugar Directorate.
- Brazilian sugar exports are expected to fall to 21.3 mln tonnes in the new 2018/19 (Apr/Mar) crop year, down 6.5 mln from 27.8 mln a year earlier due to a smaller cane crush and falling sugar production in both the Centre/South and Northeast regions, according to local consultancy JOB Economia.
- The National Sugar Council (CONADESUCA) reduced its sugar production forecast for the current 2017/18 season to 5,981,309 tonnes, tel quel, from 6,054,787 forecast in early February.
- EU members exported 262,000 tonnes of sugar in March 2018, down from 268,000 in February but up sharply from just 84,300 tonnes in the same month last year, preliminary EU data show.
- Mexico produced 253,596 tonnes of sugar, in the week to April 7, down a bit from 256,177 in the previous week and also below 256,860 in the same week a year ago, official data showed.
- Hydrous ethanol sales in Brazil's Centre-South reached 1.38 billion litres (364 million gallons) last month, a 29.69% year-on-year increase, local sugarcane industry association Unica announced on Tuesday. Anhydrous ethanol sales stood at 773.41 million litres, bringing all ethanol sales to 2.23 billion litres in March. According to Unica, around 79.02 million litres of the biofuel were intended for export while 2.15 billion litres were sold on the domestic market.
- Brazilian mills have been producing much more ethanol as this year's cane crop begins than seen last year, as the fuel is currently more profitable than sugar and demand for ethanol in Brazil is strong. At the same time, Borges says, mills are avoiding closing large export deals as international sugar prices remain low. Brazil, the world's largest producer and exporter of sugar, is finding increasing competition abroad, as Europe, Thailand and India boost output.
- In global markets during April 2017-March 2018, white sugar prices in London averaged at Rs 25.1 per kg (year on year fall of 28.9 per cent) and raw sugar prices in New York averaged at Rs 20.6 per kg (year on year decline of 28 per cent), while small grade sugar prices in Mumbai averaged at Rs 35.9 per kg (year on year fall of 3.3 per cent).
- Brazil has proposed that China introduce a quota for imports of Brazilian sugar that would face a 50 percent levy to solve a trade spat between both countries but China is resisting the plan, a person close to the negotiations told Reuters on Friday.
- China currently allows 1.94 million tonnes of total sugar imports a year at a tariff of 15 percent as part of its commitment to the World Trade Organization (WTO). Imports beyond that level face a 50 percent levy. Last May, China introduced an additional 45 percent duty on imports from several countries, including top growers such as Brazil and Thailand, to protect its industry from what it identified as a surge in imports.
- The US exported 827.9 million liters (218.6 million gallons) of ethanol in February, 58% higher than a year ago and up 148% month on month, US Census Bureau data showed Wednesday. It was the highest monthly export total on record and much higher than market expectations. "I guess we should look at the average of January and February and use that number for January and February," said one source.

Gur Market Scenario

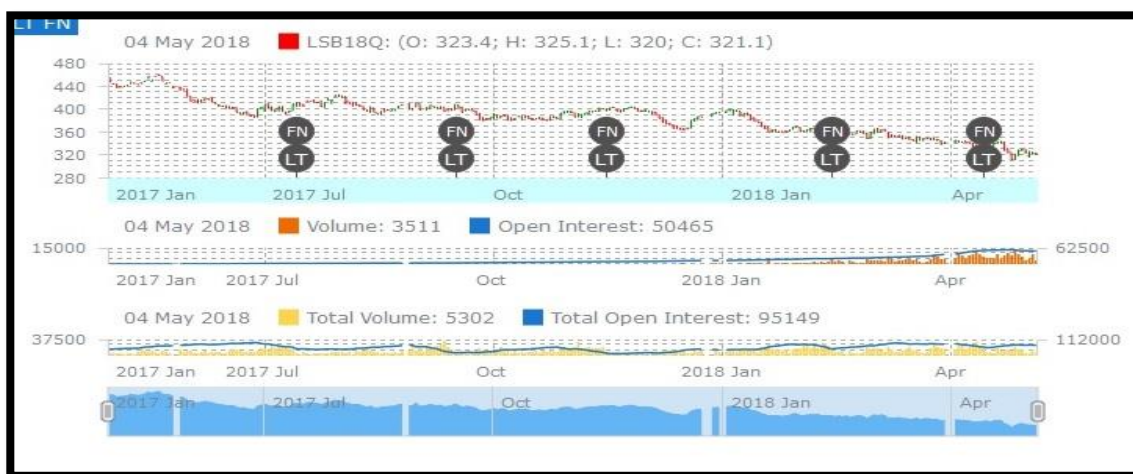
Technical Analysis - Gur (Chaku) at Spot (Muzaffarnagar) market



- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2286 /quintal this month
- Next resistance and support level for the coming month has been seen at Rs 2600 and Rs 2250 per quintal respectively.

- **International Sugar Futures Price Projection**
- **LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Mar'18 Contract)**
- **Technical Commentary**
- LIFE future market trends weak for the week.
- Last candlestick depicts bearishness in the market.
- Strategy: sell below 330, T1 340

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	May'18	321	300-340





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

Technical Commentary:

- ICE raw sugar futures trend downward for the month.
- Last candlestick depicts bearishness in the market. Strategy: sell below 13.00 with a target of 14.00

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'18	11.51	11-14



Spot Sugar Prices Scenario (Monthly):

NCDEX Stock & Fed Position					
Stocks	Grade	Demat	In-Process	Total	FED
		28-Apr-18	28-Apr-18	28-Apr-18	23-Apr-18
Delhi	M	-	-	-	-
Sangli	M	-	-	-	-
Sholapur	M	-	-	-	-
Kolhapur	M	-	-	-	-
Belgaum	M	-	-	-	-
Delhi	S	-	-	-	-
Sangli	S	-	-	-	-
Sholapur	S	-	-	-	-
Kolhapur	S	50	0	50	50
Belgaum	S	-	-	-	-

Sugar Futures ICE& LIFFE as on 27 th April,2018					
ICE Sugar Futures (In Cents/Pound)					
Contract	Open	High	Low	Close	+/-
May-18	10.99	11.38	10.82	11.22	0.25
July-18	11.39	11.68	11.18	11.52	0.14
Oct-18	11.71	11.94	11.51	11.79	0.09
LCE Sugar Futures (In US\$/MT)					
Contract	Open	High	Low	Close	+/-
Aug-18	322.70	329.90	318.20	327.60	5.90
Oct-18	321.70	327.40	316.20	325.10	5.40
Dec-18	328.10	332.40	323.00	330.40	4.10

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Sugar			30-Apr-18	28-Apr-18	
Delhi	Delhi	M-Grade	2910	3010	-100
	Delhi	S-Grade	2890	2990	-100
Uttar Pradesh	Khatauli	M-Grade	2785	2764	21
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	2660	2660	Unch
	Dhampur	S-Grade Ex-Mill	2640	2640	Unch
	Dhampur	L-Grade Ex-Mill	2710	2710	Unch

Maharashtra	Mumbai	M-Grade	3012	3016	-4
	Mumbai	S-Grade	2746	2740	6
	Nagpur	M-Grade	2775	2775	Unch
	Nagpur	S-Grade	2675	2675	Unch
	Kolhapur	M-Grade	2650	2650	Unch
	Kolhapur	S-Grade	2550	2550	Unch
Assam	Guhawati	S-Grade	2852	2852	Unch
Meghalaya	Shillong	S-Grade	2870	2870	Unch
Andhra Pradesh	Vijayawada	M-Grade	3100	3100	Unch
	Vijayawada	S-Grade	3040	3040	Unch
West Bengal	Kolkata	M-Grade	NA	NA	-
Tamil Nadu	Chennai	S-Grade	3000	3000	Unch
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)

Jaggery (Gur) Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			30-Apr-18	28-Apr-18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2653	2625	28
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	3000	2500	500
	Muzaffarnagar	Khurpa (Fresh)	2430	2425	5
	Muzaffarnagar	Laddoo (Fresh)	2640	2613	28
	Muzaffarnagar	Rascut (Fresh)	2105	2100	5
	Hapur	Chaurasa	Closed	2250	-
	Hapur	Balti	Closed	2250	-
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4400	4400	Unch
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	3030	3040	-10
	Gulbarga/Kalaburgi	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	2917	NA	-
	Mandya	Achhu (Medium)	3250	3300	-50
	Mandya	Kurikatu (Medium)	3200	3100	100
	Mandya	Other (Medium)	3200	3150	50
	Mandya	Yellow (Medium)	NA	NA	-
	Shimoga/Shivamogga	Achhu (Average)	NA	NA	-

Spot Prices of Sugar at NCDEX Delivery Centers:					
Centre	% Change over previous year	Today	Week ago	Month Ago	Year Ago
		30-Apr-18	23-Apr-18	30-Mar-18	30-Apr-17
Sugar S Grade					
Erode	-	NA	NA	NA	4070
Kolhapur	-31.24	2600	2674	2939	3781
Kolkata	-	NA	NA	NA	NA
Vashi	-	NA	NA	NA	NA
Sugar M Grade					
Delhi	-28.14	2781	2802	2955	3870
Erode	-	NA	NA	NA	4145
Kanpur	-30.92	2766	2823	3096	4004
Kolhapur	-28.57	2700	2788	3056	3780
Kolkata	-28.58	2914	2916	3200	4080
Muzaffar Nagar	-29.84	2718	2747	3070	3874
*NA: Not Available					

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