

# **Sugar & Gur Monthly Research Report**

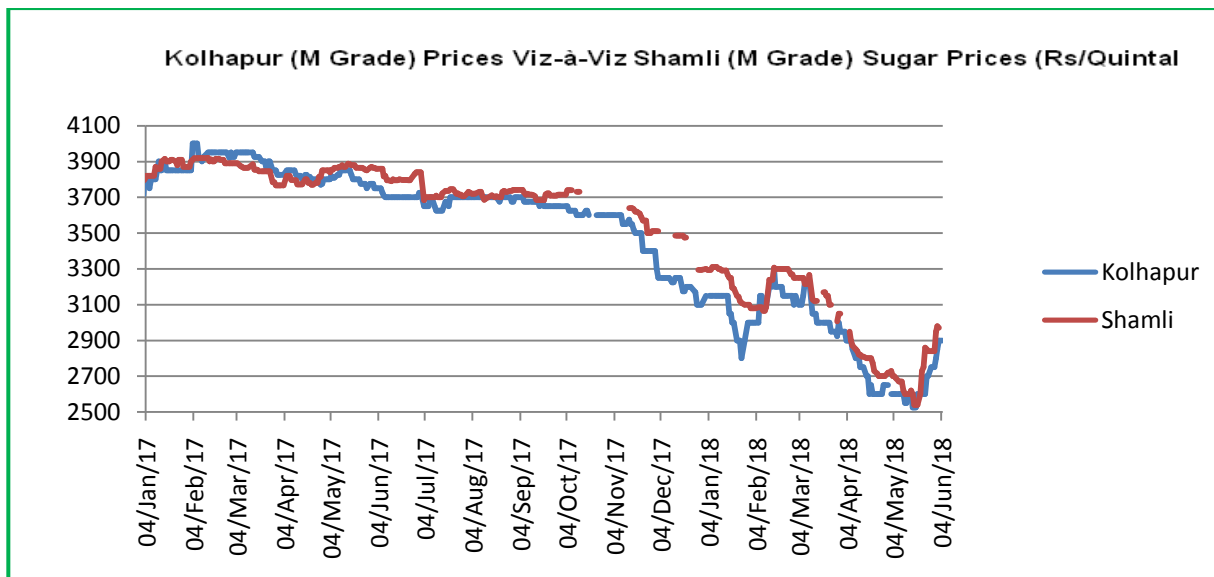
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## Domestic Sugar Market Summary

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 Rs 2621 per quintal this month compared to Rs 2730 per quintal the previous month. Similarly, spot sugar prices for the same variety/grade in Shamli district was Rs 2719 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 3200 per quintal for next month.

## Domestic Market Highlights

### Recent Updates

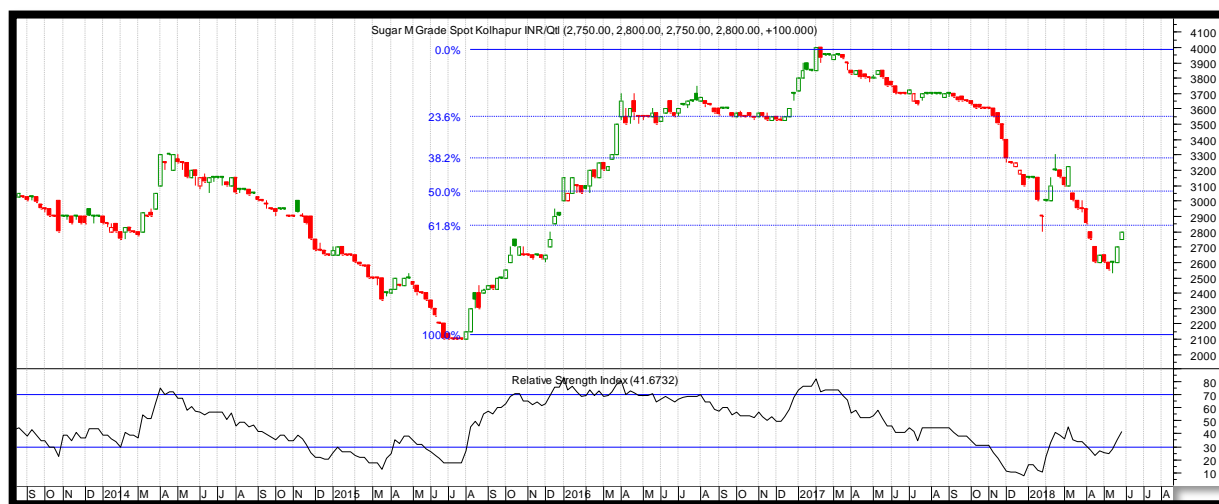
- The Uttar Pradesh government has written to the ministry of consumer affairs, food and public distribution, requesting it to fix the ex-factory sugar price at a minimum of Rs 3,400 a quintal so as to enable the mills to clear off their pending dues.
- Goods and Services Tax (GST) rates could rise by 1% to finance a Farmer Welfare Fund, according to a proposal under consideration of a Group of Ministers (GoM) set up by the GST Council. The hike is seen as an alternative to a sugar cess that had been proposed by the government to alleviate distress among sugar cane farmers.
- UP's sugar production has increased by about 36 per cent from 87.73 lakh tonnes in the previous year to 119.12 lakh tonnes, and still counting, in the current year. The state's sugar production is expected to go up further in the 2018-19 crushing season.

- India's sugar output is likely to scale record highs in the next marketing season, with farmers choosing to plant the crop despite falling prices and around 200 billion rupees (\$2.96 billion) in delayed payments from mills for the current harvest.
- The Centre may create a 3-million-tonne sugar buffer stock to help sugar mills to tide over the crisis triggered by overproduction, Union Food Minister Ram Vilas Paswan said on last week.
- At the current sowing there are expectations that sugar production to a fresh peak in the next marketing season. It is noted that the sowing is 1.7% high against last year till last week. And with the good monsoon prospects the yield and sugar recovery is expected to remain high. Markets is expecting production to be higher than 32 million ton of this year. Further in Maharashtra Apart from new plantings, large amounts of ratoon crops will also be available due to the low cost of taking a second harvest.
- The Cabinet is likely to approve a plan to set a minimum price at which millers can sell sugar, among a series of steps, to help improve domestic prices that have fallen below the cost of production amid a glut in production.
- The cooperative sugar mills in Haryana has crushed 443.13 lakh quintal of sugarcane producing 44.15 lakh quintal sugars according to Haryana Sugarfed.
- Ongoing sugar campaign is sowing increased area this year. The cultivated area of sugarcane has increased by 1.6 per cent over that of the previous year. Till 25th of May 48.67 lakh hectares has been brought under sugar.
- With policy support from government sugar mills in Maharashtra are planning to sign export contracts with neighboring countries before the start of the next season. Mills are targeting 3-3.5 million tonnes (mt) exports of raw sugar to Bangladesh and China and another 2-2.5 mt of white sugar to Sri Lanka.
- Maharashtra's current sugar season officially ended on Wednesday with the last of the 187 mills ceasing operations. The state has produced 10.7 mt of sugar, the highest in the last 10 years. Last year Maharashtra produced just 4.2 mt of sugar.
- Millers are planning to start the new season crushing a month early as compared to beginning in post Diwali and plan to produce only raw sugar for exports. The total export of raw sugar is expected to be 5-6 mt, in coming season. As the international prices has firmed up indianugar has gained parity for exports.
- The Ministry Consumer Affairs, Food and Public Distribution has moved a draft Cabinet note on creating a sugar buffer stock of three million tonnes and fixing a minimum ex-mill price to help cash-starved millers clear cane arrears which have surged to about Rs 22,000 crore.
- In Punjab with the bumper production of Sugar the molasses prices has also crashed with the prices tumbled to INR 120 .per quintal against the prices of INR 600 per quintal last year.
- According to data accessed from cane commissioner office, all 16 sugar mills (private and cooperative combined) crushed around 840 lakh quintals of cane this year as compared to 675 lakh quintals last year. The sugar recovery this year was 81 lakh quintals compared to 66 lakh quintals in 2016-17.

- The molasses produced in the state this year is anywhere between 33.6-37.8 lakh quintals. Around 95 per cent of molasses in the state is used by distillery and the remaining by cattle feed industry.
- Sugar exports have not started even after centre gave cane farmers a Rs 1,540-crore financial assistance package, seeking to flush out last year's surplus stock in the world's biggest consumer market of the natural sweetener.
- Nearly 40 per cent of the sugar mills in the country may not be able to take advantage of the recently-announced financial assistance package by the Centre. This is because many in the sector, which is reeling under a supply glut, may not fulfil an important eligibility condition.
- Cane dues for the sugar season 2017-18 in Uttar Pradesh continue to mount – over Rs 12,000 crore at last count.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 2814 quintal this week.
- Next resistance and support level for the coming month has been seen at Rs2900 and Rs 2700 per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.

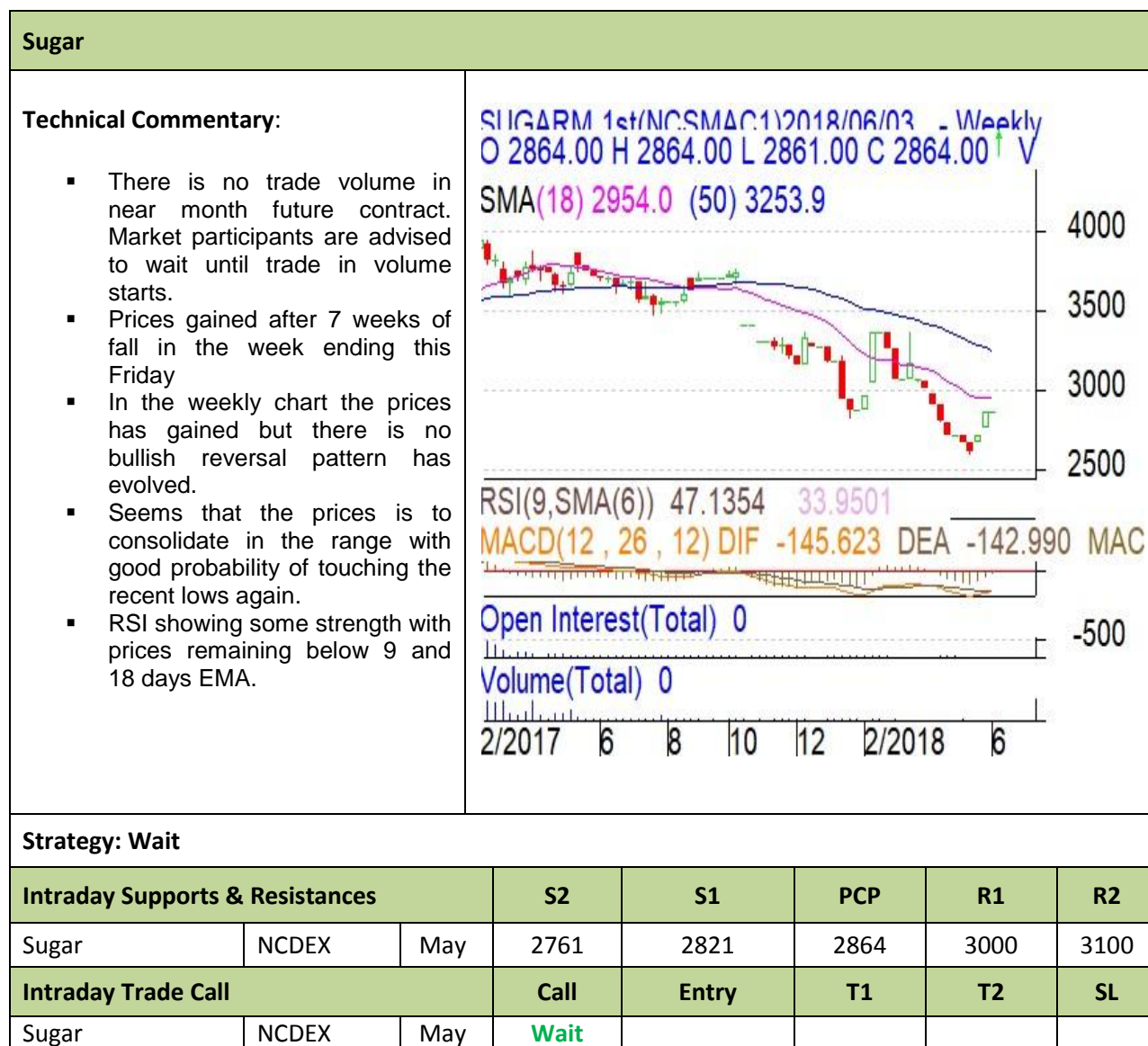


## Domestic Sugar Market Technical Analysis (Future Market)

Commodity: Sugar

Exchange: NCDEX

Contract: Sugar 1 M Cont



\* Do not carry-forward the position next day.

**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)

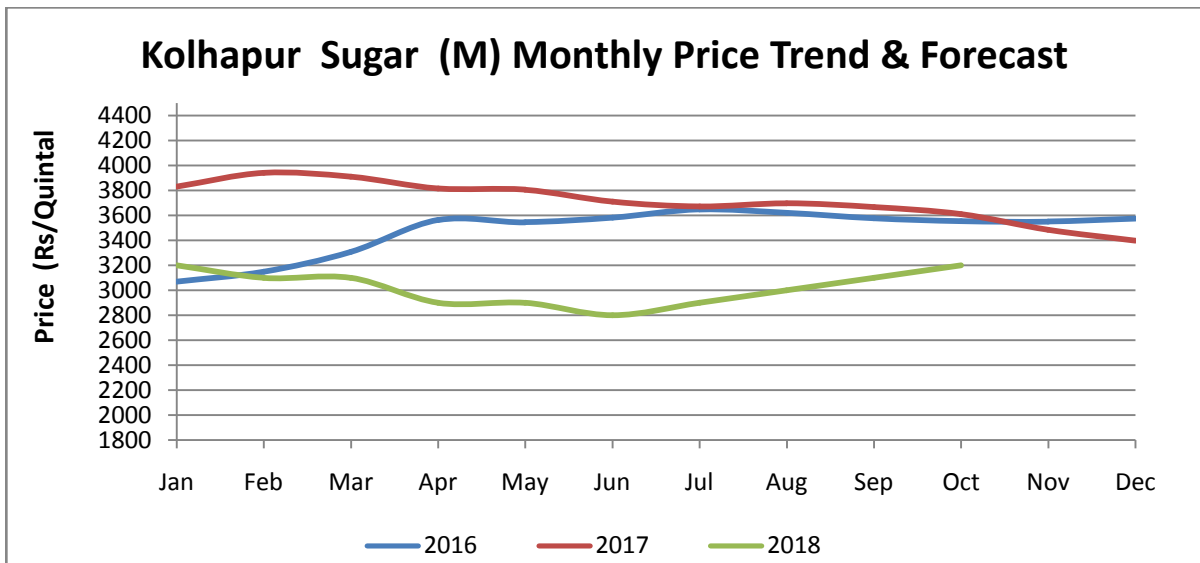
In addition, Uttar Pradesh is also expected to produce a large quantity of sugar this year too due to a surge in cane area, yield and sugar recovery. Agriwatch is expecting U.P to produce 102 LT of sugar in 2017-18 (01st October, 2017 -30th September, 2018); while Karnataka is expected to produce 21 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 (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 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 4months

		(Rs/Qtl)
Current Average Price	Apr	2900
Projected Price	May	2900
	Jun	2900
	July	2900
	Aug	3000
	Sep	3100
	Oct	3200



#### International Market Highlights

- Brazil's truck strike has continued for 10<sup>th</sup> day and has started to affect global commodity markets as the country's vast sugar industry shuts down more of its processing plants. However the impact on sugar will be short lived as the supplies in world is huge.
- Coming in the opening months of Brazil's harvest season – and at a time when more remunerative ethanol returns are drawing cane away from the sweetener - the country's ongoing trucker strike is helping to fuel a recently firmer than expected trend in the futures markets.
- Thailand's record sugarcane crush ends at almost 135 mln tones. The last mills ended the record-breaking 2017/18 season on May 31, after 182 days of operations.
- Mexico produced 121,891 tonnes of sugar, tel quel, in the week to May 26, down from 141,103 a week earlier but above 94,209 in the same week a year ago, official data showed.
- Raw sugar futures in New York built on their gains of the previous sessions despite an easing of production and export disruptions in Brazil and a large global supply glut.
- Brazil's centre-south, the world's largest sugar producing region, is likely to have less cane to process this year than previously expected due to a prolonged period without widespread.
- Sugar production in Cuba is 40% down over heavy rainfall and unsupportive government policy. Cuba used to produce 1.8 million tons which this year is expected to be around 1.1 million tons.
- Brazilian mills are expected to have allocated only 37.7 percent of cane to sugar, the lowest for that period since 2015/16. Rest is expected to be used for the production of ethanol. Some Brazilian sugar mills in the

centre-south region have reduced cane harvesting work because of short diesel fuel supplies owing to a nationwide truckers protest.

- Brazilian sugar producers operations have been affected by nationwide truckers protests against high diesel prices that entered a third day on Wednesday.
- Indonesia has issued import permits for 635,000 tonnes of raw sugar for household consumption for March-September 2018 delivery, according to the Trade Ministry.
- According to a statement on China Merchandise Reserve Management Center, Indian sugar refiners and exporters will meet Chi-nese importers and processors in Beijing next month to discuss opening up market access. India hopes to export more of its sugar to China before and after the next cane-crushing season in the South Asian country, which starts in October this year.
- Beet sugar sowing is under way in the Volga region, Ukraine and EU and the price decline has been a concern to the farmers. As sugar prices were attractive in 2017, beet growers prepared for the end of quotas by increasing their production areas for the 2017/2018 campaign. Last season France and Germany, the two main producers, increased land under sugar beet by 25%. This year however the acreages are low in France. The EU abolished limits on sugar beet production at the end of September 2017, dramatically boosting output and paving the way for the EU to become a net exporter for the first time in more than a decade.

### Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2760/quintal this week
- Next resistance and support level for the coming month has been seen at Rs 2900 and Rs 2600 per quintal respectively.

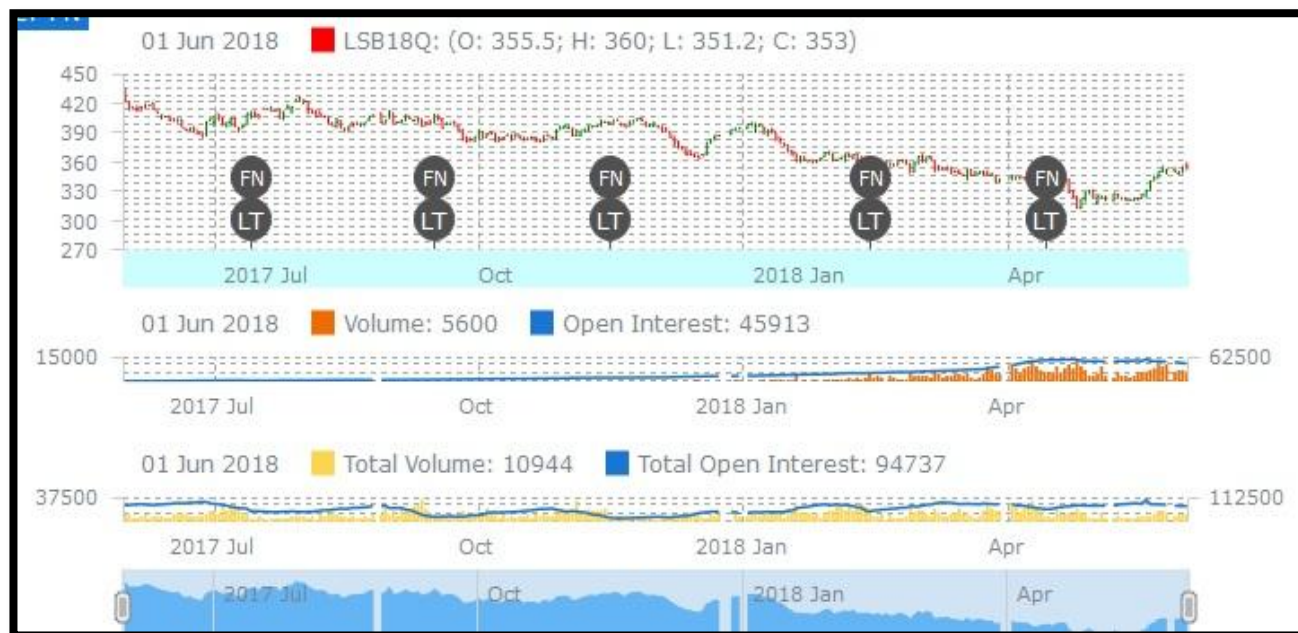
### Technical Analysis - Gur (Chaku) at Spot (Muzaffarnagar) market.





## International Sugar Futures Price Projection

### LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Aug'18 Contract)



#### Technical Commentary

- LIFE future market trends strong for the week.
- Last candlestick depicts bearishness in the market.
- Strategy: sell below 360,T1 370

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Aug'18	353	340-360

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

#### Technical Commentary:

- ICE raw sugar futures trend upward for the week.

- Last candlestick depicts bullishness in the market. Strategy: sell at 12.78 targeting 12.60

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Jul'18	12.52	11-13



Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			May,18	April,18	
Delhi	Delhi	M-Grade	2902	3060	-158
	Delhi	S-Grade	2882	3040	-158
Uttar Pradesh	Khatauli	M-Grade	2795	2901	-106
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	2669	2802	-133
	Dhampur	S-Grade Ex-Mill	2649	2782	-133
	Dhampur	L-Grade Ex-Mill	2719	2852	-133
Maharashtra	Mumbai	M-Grade	2954	3162	-208
	Mumbai	S-Grade	2725	2873	-148
	Nagpur	M-Grade	2746	2855	-109

	Nagpur	S-Grade	2646	2755	-109
	Kolhapur	M-Grade	2621	2730	-109
	Kolhapur	S-Grade	2521	2630	-109
<b>Assam</b>	Guhawati	S-Grade	2823	2933	-110
<b>Meghalaya</b>	Shillong	S-Grade	2841	2950	-109
<b>Andhra Pradesh</b>	Vijayawada	M-Grade	3088	3362	-275
	Vijayawada	S-Grade	3026	3302	-276
<b>West Bengal</b>	Kolkata	M-Grade	2741	3188	-448
<b>Tamil Nadu</b>	Chennai	S-Grade	2885	3184	-299
<b>Chattisgarh</b>	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)			May,18	April,18	
<b>Uttar Pradesh</b>	Muzaffarnagar	ChakuSukha(Cold)	2709	2515	194
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	68600	108000	-39400
	Muzaffarnagar	Khurpa (Fresh)	2443	2268	175
	Muzaffarnagar	Laddoo (Fresh)	2643	2502	141
	Muzaffarnagar	Rascut (Fresh)	2215	2002	213
	Hapur	Chaurasa	2320	2117	203
	Hapur	Balti	2401	2121	280
<b>Maharashtra</b>	Latur	Lal Variety	NA	NA	-
<b>Karnataka</b>	Bangalore	Mudde (Average)	4400	4401	-1
	Belgaum	Mudde (Average)	3080	3538	-458
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	2806	2774	33
	Gulbarga	Other (Average)	2810	2815	-5
	Mahalingapura	Penti (Average)	2798	3088	-290
	Mandya	Achhu (Medium)	3460	3389	71
	Mandya	Kurikatu (Medium)	3194	3202	-8
	Mandya	Other (Medium)	3223	3195	28
	Mandya	Yellow (Medium)	3299	3374	-75
	Shimoga	Achhu (Average)	3738	3759	-22



International Sugar Prices (Monthly)				
	Contract Month	30-May-18	27-Apr-18	Change
ICE Sugar #11 (US Cent/lb)	18-Jul	12.60	13.08	-0.48
	18-Oct	12.82	13.23	-0.41
	19-Mar	13.60	13.50	0.10
LIFFE Sugar (US \$/MT)	18-Aug	348.90	327.60	21.30
	18-Oct	346.20	325.10	21.10
	18-Dec	350.40	330.40	20.00

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