

Sugar & Gur Monthly Research Report

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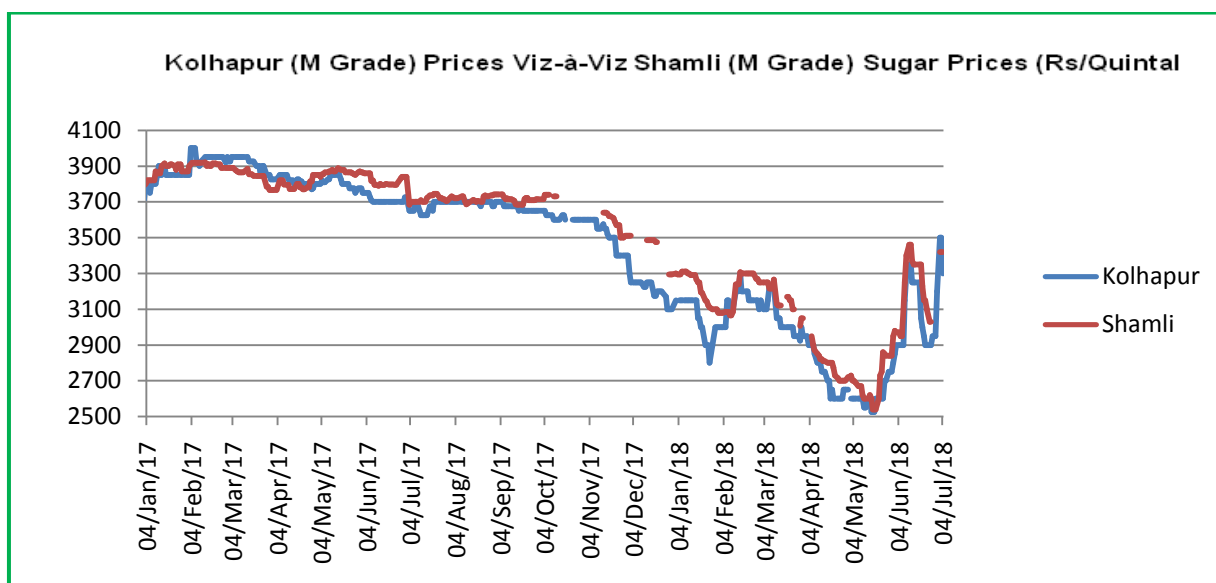
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Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market gained after a series of government interventions to control the free falling sugar prices as the stocks surges in the sugar mills.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3046 per quintal this week gaining INR 61 per quintal from previous month.

However monthly spot sugar prices for the same variety/grade in Shamli district is 3187 per quintal this week gaining by 201 rupees per quintal against last week average prices



Price Outlook:

- Most of the sugar prices were witnessed steady to firm during the month, as they are already close to the government mandated floor of Rs.2900 per quintal at most producing centers, the government hiked ethanol price by almost Rs 3 per litre in a bid to give higher price for sugarcane and After 2.1 million tonnes for June, the government on 29th June allowed mills to sell 1.6 million tonnes of sugar in July.

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 2900–Rs 3400 per quintal for next month.

Fundamental summary:

Price Drivers	Impact
Speculation of government measures like creation of a buffer stock, fixing a minimum selling price	Bullish
India pitching to export 1.5 mn tons of sugar to China under China's 50% tariff category	Bullish
Surplus sugar production of 32 mn tonnes against only 20.3 mn tonnes last year	Bearish
Higher cane acreage for 2018-19	Bearish

Domestic Market Highlights
Recent Updates

- After 2.1 million tonnes for June, the government on 29th June allowed mills to sell 1.6 million tonnes of sugar in July against traders' expectations of over 2 million tonnes, which is equivalent to the monthly average release of nearly 2.13 million tonnes.
- The directorate of sugar under the food ministry has allocated total sales quota of 11.60 lakh tonnes to mills in Uttar Pradesh for June and July, while Maharashtra has got 15.77 lakh tonnes for these two months, leaving the mills in the largest producer befuddled.
- In the current season 2017-18, the total production of molasses stood at over 5.32 million tonnes (MT). However, only 2.97 MT of the stock was lifted, leaving unsold stock of almost 2.55 MT with mills (total stock includes the opening stock from the previous sugar season).
- In June, sugar mills in Maharashtra could not finish sale of their allotted quota at Rs 2,900 a quintal. The quantity of their unsold stocks is estimated to be 200,000 tonnes," said Praful Vithalani, Chairman, All India Sugar Trade Association (AISTA).
- The UP Sugar Cane Authority has written to the central government to increase the quota of sugar that mills can sell to 10 lakh tonnes per month in view of the pending dues of farmers accounting Rs 12000 crores. As per quota fixed by the central government, mills in the state can sell sugar worth Rs 1,650 crore every month, thereby making it all more difficult for them to clear dues.
- The total sugarcane sown area as on 29th June 2018, as per reports received from States, stands at 50.01 lakh hectares as compared to 49.48 lakh hectares at this time last year.
- The government is considering a proposal to raise the fair and remunerative price (FRP) of cane to Rs 275 per quintal for the marketing year starting October, against Rs255 this year.
- The current month quota is insufficient to meet consumers' demand despite being lean season, with lack of festivals and wedding or any other such occasions in this month. The release quantity is 23 per cent lower than the average monthly consumption of 2.13 million tonnes,
- The government on last month hiked the price of ethanol produced from C molasses by Rs 2.85 per litre to Rs 43.70 for the new season starting December. In a first, it also fixed the price of ethanol produced from

B heavy molasses at Rs 47.49 per litre in its bid to encourage sugar mills to divert cane for producing ethanol over sugar to bail out the sugar mills.

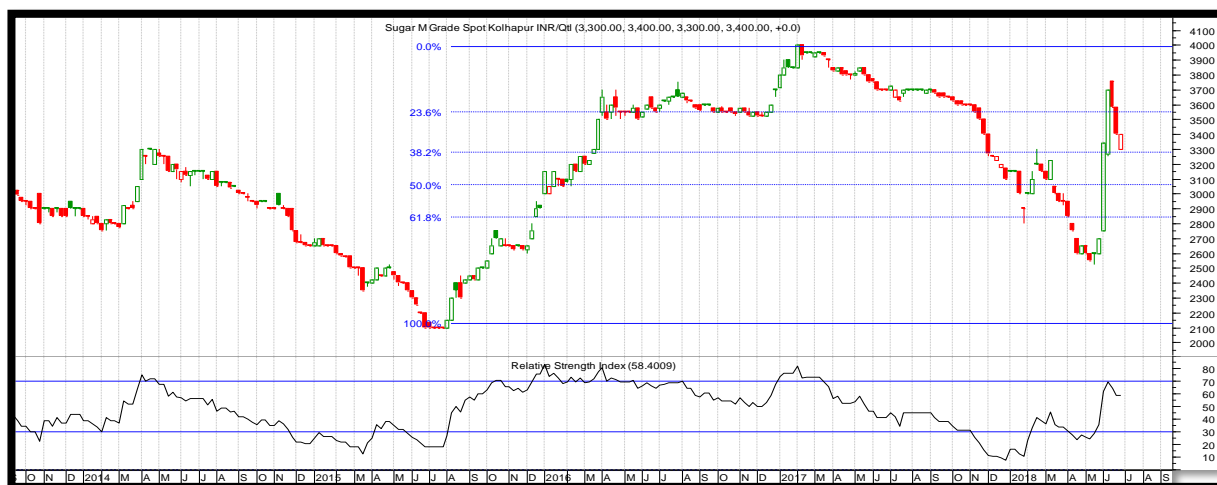
- Sugar Industry demanded that the sugar MSP be revised to almost Rs 35/kg for Uttar Pradesh, the country's top producer, and Rs 33/kg for mills located in the western and southern regions, notably Maharashtra, Karnataka and Tamil Nadu.
- To create a buffer stock of 3 million tonnes (MT) of sugar to help the industry tide over a glut in production, the government has provisionally allocated quota of sugar that could be maintained by different sugar mills as buffer stock. The authorities have given the mills time till 27 June to decide whether they want to participate in the scheme as well as to decide whether they would settle for a lesser quantum than that has been tentatively allocated.
- The Directorate of sugarcane development Lucknow has reported sowing of 50.05 lakh hectares this sugar season against 49.48 lakh hectares last season. The sowing is at par to the normal sowing of 50.05 lakh hectares. The sowing is almost complete.

Previous Updates

- The Rs 8500 crore bailout package for the sugar sector announced by the government earlier this week will help clear over 40% of the payment sugar mills owe farmers.
- Concerned over rising farmer's discontent over lower payments and the build up of cane arrears, the government has approved a Rs 8,500 crore package that aims to increase farmers income by creating a buffer stock for sugar and enhancing ethanol production capacity allowing additional outlet for sugarcane produce in a bumper season.
- As per the Cabinet decision, a sum of Rs 4,440 crore will be provided as soft loan to the sector for building ethanol production capacity to absorb the cane and a buffer stock of 3 million tonnes. In addition, for the first time Rs 29 per kg has been fixed as the minimum price below which mills cannot sell the sweetener. These decisions are aimed at helping mills in clearing part of over Rs 22,000-crore arrears to cane farmers.
- As per the sowing data released by the Agriculture Ministry, as on 1 June 2018, sugarcane has been planted in around 49.32 lakh hectares (lh) across the country, higher than 48.72 lh in the corresponding week last year and normal of 45.02 lh till date.
- India has last week made a strong pitch to export 1.5 mn tons of sugar to China under the 50% tariff category to reduce surplus. China imports 4-5 mn tonnes sugar annually but India's sugar export to China has been thus far very small. The deal is expected to be finalised by August & exports to China might begin after September this year.
- 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.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3258 quintal this week.
- Next resistance and support level for the coming month has been seen at Rs3300 and Rs 3 per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.



Sugar Domestic Balance Sheet

		2016-17	2017-18	2018-19	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
A	Carry in stock	77	38.24	98.09	188.09	212.95	235.05	202.83
B	Estimated sugar production	202.85	320	355	100.66	187.78	46.48	20.08
C	Imports	4.46	2.85	0	0	0	0	0
D	Estimated sugar availability (A + B + C)	284.31	361.09	453.09	288.75	400.73	281.53	222.91
E	Exports	0.46	3	2	0	0	1	1
F	Availability for domestic consumption (D - E)	283.85	358.09	451.09	288.75	288.75	280.53	221.91
G	Estimates sugar consumption	245.61	260	263	75.8	53.7	77.7	55.8
H	Carry out stock (F - H)	38.24	98.09	188.09	212.95	235.05	202.83	166.11

Source: Agriwatch and ISMA

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

As per the Agriwatch estimate, India's sugar production is expected to rise to 355 LT in 2018/19 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 10-15% of more sugar in 2018-19 (01st October, 2018 -30th September, 2019)

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 125 LT of sugar in 2018-19 (01st October, 2017 -30th September, 2018); while Karnataka is expected to produce 40 to 45 LT of sugar during the same duration.

On the other hand, sugar domestic consumption is expected to rise to 263 lakh tonnes in 2018-19 (01st October, 2018 – 30th September, 2019).

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 200 LT in 2018-19.

World sugar balance sheet (1000MT)

	2016-17	2017-18	2018-19*
Beginning Stocks	44,094	41,978	49,524
Beet Sugar Production	40,075	43,670	43,014
Cane Sugar Production	1,33,905	1,48,143	1,45,237
Production	1,73,980	1,91,813	1,88,251
Raw Imports	37,829	37,730	36,463
Refined Imp.(Raw Val)	16,341	15,972	16,054
Imports	54,170	53,702	52,517
Total Supply	2,72,244	2,87,493	2,90,292
Raw Exports	37,325	37,716	37,648
Refined Exp.(Raw Val)	21,394	25,367	25,154
Exports	58,719	63,083	62,802
Human Dom. Consumption	1,70,773	1,74,125	1,77,593
Other Disappearance	774	761	742
Total Disappearance	1,71,547	1,74,886	1,78,335
Ending Stocks	41,978	49,524	49,155

Source: USDA * Estimated

Domestic Sugar Market Technical Analysis (Future Market)
Commodity: Sugar
Exchange: NCDEX
Contract: Sugar 1 M(July) 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.

International Market Highlights

Recent Updates

- Australian sugar production is forecast to increase by 2.8% to 4.830 million tonnes in 2018/19 from 4.700 mln a year ago, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) said in its quarterly update in June.
- Brazil exported only 1.946 million tonnes of sugar, raw value, in June 2018, down from 2.120 mln a month earlier and significantly below 3.128 mln in the same month last year, Trade Ministry data showed.
- Kazakhstan will keep its customs exemptions regarding sugar imports within the Eurasian Economic Union (EAEU), Interfax reported with reference to the Minister of National Economy, Timur Suleimenov.
- Russia's first sugar beet test for the 2018/19 crop, showed an average root weight of only 81 grams, below last year's 92g and sharply below the five-year average of 119.2g, Russian Sugar Producers Union (Soyuzrossakhar) data show.
- Mexico's sugar season has almost drawn to a close with only one mill remaining active as of the end of June.

Previous Updates

- The US exported 614.7 million liters (162.27 million gallons) of ethanol in April, 86% more than in April 2017, but down 24.51% month on month, US Census Bureau data showed last week.
- Brazil was the largest buyer of fuel-grade ethanol in April, imported 230.78 million liters (60.9 million gallons) after taking 363.15 million liters in March
- Thailand's sugar production increased by 54% in raw value, industry data showed, as its season comes to an end.

Gur Market Scenario

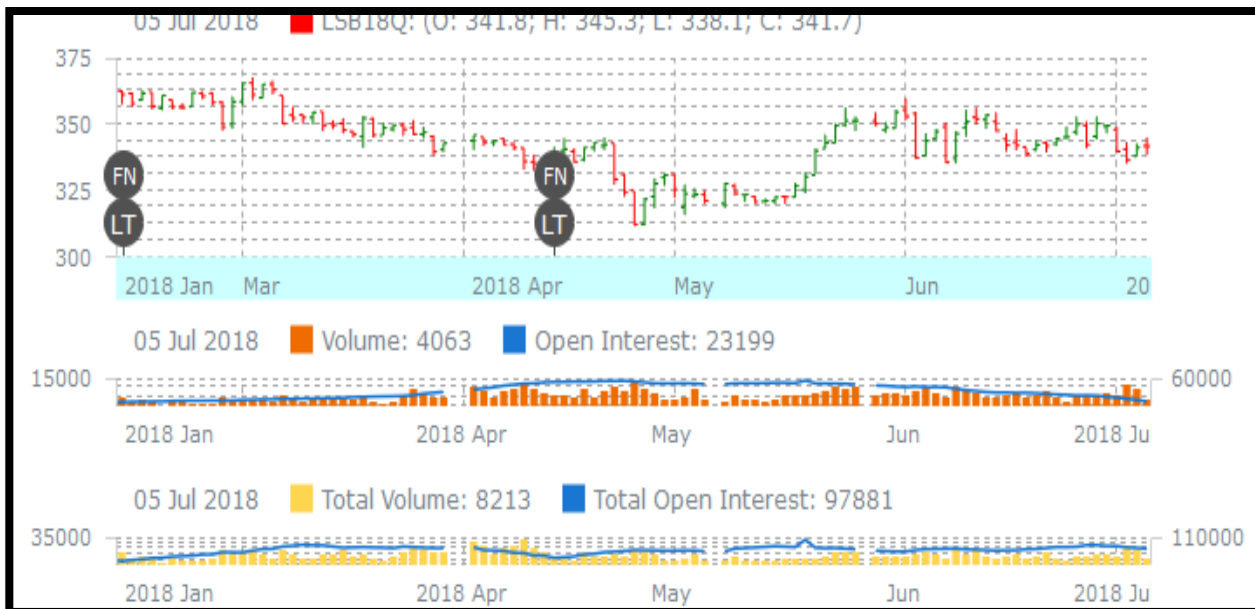
- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 3940/quintal this week
- Next resistance and support level for the coming month has been seen at Rs 3000 and Rs 2600 per quintal respectively

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



International Sugar Futures Price Projection

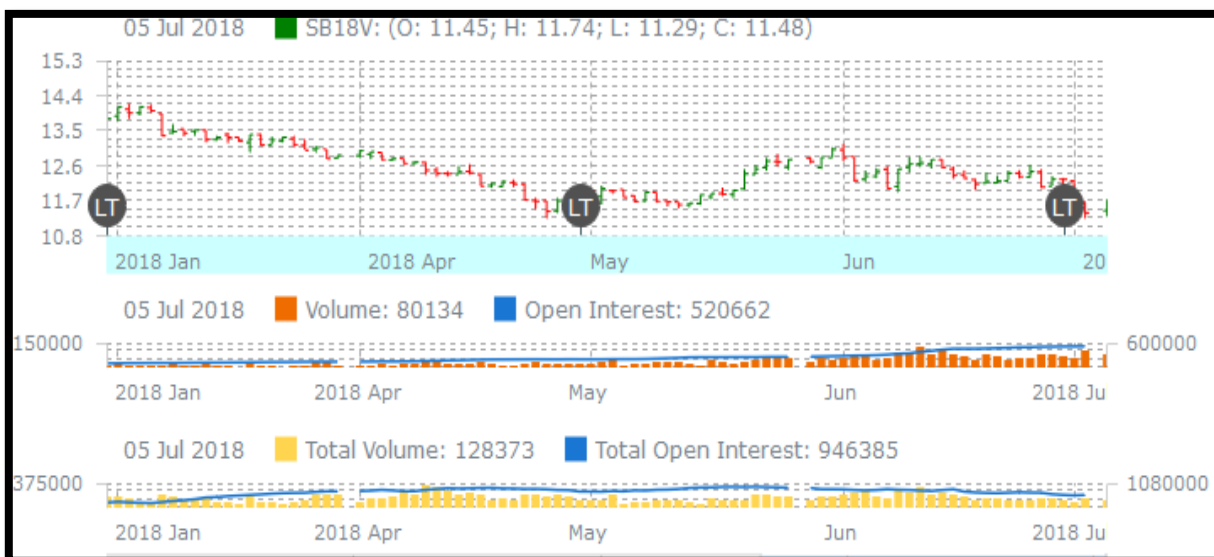
LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Aug'18 Contract)



Technical Commentary

- LIFE future market trends strong for the week.
- Last candlestick depicts bearishness in the market.
- Strategy: sell below 3450, T1 360

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Aug'18	341	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 targeting 13.80

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Jul'18	11.48	11-14

Spot Sugar Prices Scenario (Monthly-Average)

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
			June,18	May,18	
Delhi	Delhi	M-Grade	3286	2902	383
	Delhi	S-Grade	3266	2882	383
Uttar Pradesh	Khatauli	M-Grade	3320	2795	526
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3182	2669	513
	Dhampur	S-Grade Ex-Mill	3162	2649	513

	Dhampur	L-Grade Ex-Mill	3232	2719	513
Maharashtra	Mumbai	M-Grade	3322	2954	367
	Mumbai	S-Grade	3104	2725	379
	Nagpur	M-Grade	3171	2746	425
	Nagpur	S-Grade	3095	2646	449
	Kolhapur	M-Grade	3046	2621	425
	Kolhapur	S-Grade	2970	2521	449
Assam	Guhawati	S-Grade	3278	2823	456
Meghalaya	Shillong	S-Grade	3290	2841	449
Andhra Pradesh	Vijayawada	M-Grade	3529	3088	441
	Vijayawada	S-Grade	3472	3026	446
West Bengal	Kolkata	M-Grade	3443	2741	702
Tamil Nadu	Chennai	S-Grade	3325	2885	440
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)			June,18	May,18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2796	2709	87
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	3500	68600	-65100
	Muzaffarnagar	Khurpa (Fresh)	2694	2443	251
	Muzaffarnagar	Laddoo (Fresh)	3079	2643	436
	Muzaffarnagar	Rascut (Fresh)	2407	2215	192
	Hapur	Chaurasa	2527	2320	208
	Hapur	Balti	2523	2401	123
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4313	4400	-88
	Belgaum	Mudde (Average)	2905	3080	-175
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	2924	2806	117
	Gulbarga	Other (Average)	2842	2810	32
	Mahalingapura	Penti (Average)	3014	2798	216
	Mandya	Achhu (Medium)	3393	3460	-68
	Mandya	Kurikatu (Medium)	3115	3194	-79
	Mandya	Other (Medium)	3135	3223	-88
	Mandya	Yellow (Medium)	3345	3299	46
	Shimoga	Achhu (Average)	3754	3738	17



International Sugar Prices (Monthly)				
	Contract Month	29-Jun-18	30-May-18	Change
ICE Sugar #11 (US Cent/lb)	18-Jul	11.86	12.60	-0.74
	18-Oct	12.25	12.82	-0.57
	19-Mar	12.95	13.60	-0.65
LIFFE Sugar (US \$/MT)	18-Aug	349.50	348.90	0.60
	18-Oct	343.90	346.20	-2.30
	18-Dec	343.90	350.40	-6.50

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