

# **Sugar & Gur Monthly Research Report**

---

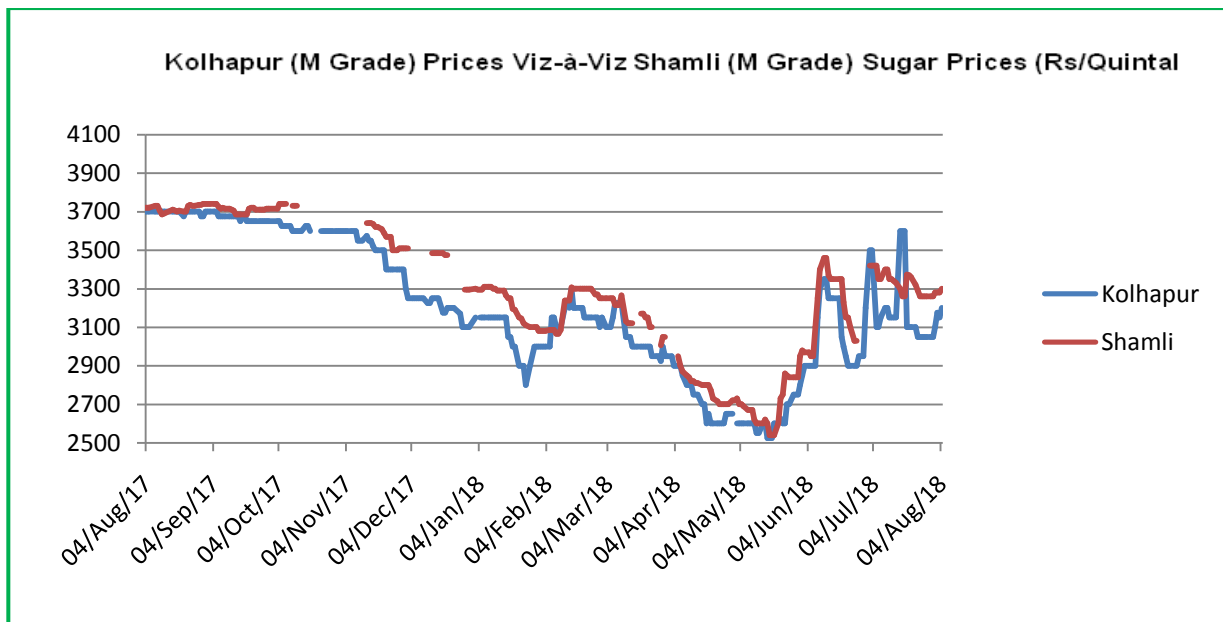
## **Contents**

- ❖ 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 firm during the month. 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 following subdued domestic demand from stockiest and bulk consumers.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3144 per quintal this month compared to Rs 3046 per quintal the previous month. Similarly, spot sugar prices for the same variety/grade in Shamli district was Rs3336 per quintal this month.



## Price Outlook:

Agriwatch predicts spot sugar prices are supportive 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 2900 –Rs 3300 per quintal for next month.

## Domestic Market Highlights

### Recent Updates

- **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 states 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.
- **The FAO Sugar Price Index fell six per cent to a nearly three-year low**, largely driven by improved production prospects in India and Thailand, both important sugar-producing countries. Expectations of lower output in Brazil, the world's largest producer and exporter, limited the fall in international sugar prices.
- **India's move to find new markets for its sugar ahead of the 2018-19 crushing season** has met with partial success so far, with Bangladesh and Malaysia showing interest in importing raws from the country while Indonesia wants India to lower the import duties on palm oil before it allows import of sugar. Bangladesh, Indonesia, Malaysia, and China are the four countries that India has targeted in the first phase to export surplus raw sugar either through government-to-government deals or even otherwise. Negotiations are still on with China, and while India can potentially export 1.5-2.0 million tonnes of raw sugar to China, Beijing recently imposed a huge tariff on sugar imports, hurting any possibility of India making headway.
- **Sugarcane arrears to farmers have come down to Rs 16,600 crore** from the peak of Rs 23,232 crore in May-end due to various measures taken by the government to help the sugar industry.
- **Nearly 4,00,000 tonnes of sugar is in the process of being exported from India** to the Middle East and Sri Lanka. Mills are required to export 20 lakh tonnes of sugar in the current MY 2017-18 (October-September) to avail of a subsidy of Rs 55 per tonne offered by the government.
- **ISMA made a presentation to CACP on 24<sup>th</sup> July 2018, regarding pricing policy on sugarcane for 2019-20** sugar season, strongly recommending that for Indian sugar to be competitive globally, cane prices need rationalization and policy must be at par with world practice. Rangarajan Committee report on cane price fixation should be implemented at the earliest, and mills should be allowed to pay 75% of revenue realized from sugar as cane price. Alternatively if FRP has to be fixed by the government, the premium over the minimum recovery should be equally shared between the millers and farmers. Also with government fixing the minimum price of sugar, ISMA said CACP should prescribe the sugar price which supports the recommended FRP.
- **The government has hiked the fair and remunerative price (FRP) of sugarcane by Rs 20 to Rs 275 per quintal for the next marketing year (2018-2019)** starting October. At present, the FRP price is linked to a basic recovery rate of 9.5 per cent, subject to a premium of Rs 2.68 per quintal for every 0.1 per cent point increase in recovery rate.
- **Industry body ISMA has estimated production of 350 - 355 lakh tonnes of sugar in the season 2018-19.** This is about 28 - 33 lakh tonnes higher than the current 2017-18 sugar season production of around

322.5 lakh tones assuming normal rainfall. Based on the satellite images procured in the latter part of June 2018, the total acreage under sugarcane in the country is estimated to be around 54.35 lakh hectares in 2018-19 sugar season, which is about 8 per cent higher than 2017-18 sugar season's cane area of around 50.42 lakh ha. It is also noted that area is almost similar to the area reported in 2013-14 and 2014-15 and slightly below 54 lakh ha.

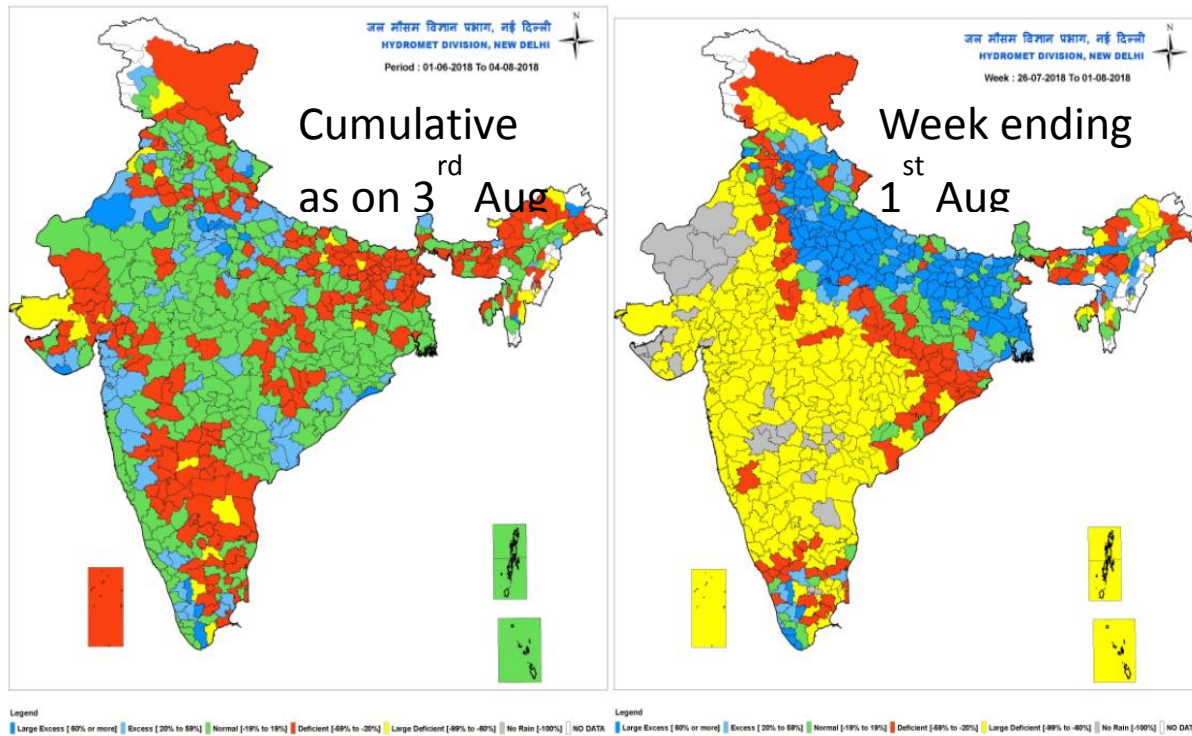
- **Uttar Pradesh, the leading sugarcane producing state in the country, is estimated to have higher sugarcane area at 23.40 lakh hectares,** as against 23.30 lakh ha. in 2017-18 sugar season. ISMA is expecting a better yield in 2018-19 sugar season due to further increase in area under the high yielding cane variety Co0238. That will increase the sugarcane production and availability for crushing by sugar mills. Thus, sugar production in U.P. in 2018-19 sugar season is estimated to increase and be around 130 - 135 lakh tonnes. Meanwhile, **Maharashtra's cane area has gone up by about 25 per cent in 2018-19** sugar season, mainly due to timely and adequate rainfall from June to September 2017. As against the cane area of 9.15 lakh ha in 2017-18 sugar season, area is expected to increase to 11.42 lakh ha in 2018-19. **Sugarcane area in Karnataka is also expected to increase in 2018-19 sugar season to about 5.02 lakh** ha as against 4.15 lakh ha in 2017-18. Sugar production in 2018-19 sugar season is estimated to be around 44.80 lakh tonnes, as against 36.54 lakh tonns expected to be produced in 2017-18 sugar season.
- **The government on last week 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.
- **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.

## Fundamental summary:

Price Drivers	Impact
Government kept the quantity of sweetener sugar mills can sell in open market in July – Aug lower than normal monthly limits	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

## Cumulative Rainfall as on 4th August

Monsoon rainfall deficit is at 9% as on 4th August. Cumulative rainfall has much improved in east and UP whereas prolonged dryness has let the South Peninsular losing initial gains with most of the region towards the leeward side of the westernghats are in deficit. The deficits subdivisions include North Interior Karnataka, Telangana, AP and South Maharashtra.



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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3200 quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3400 and Rs 3000 per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.



# Sugar Monthly Report

06 Aug 2018

## Domestic Sugar Market Technical Analysis (Future Market)



<b>Strategy: wait</b>							
Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Oct	3050	3100	3200	3300	3400
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Oct	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

		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)

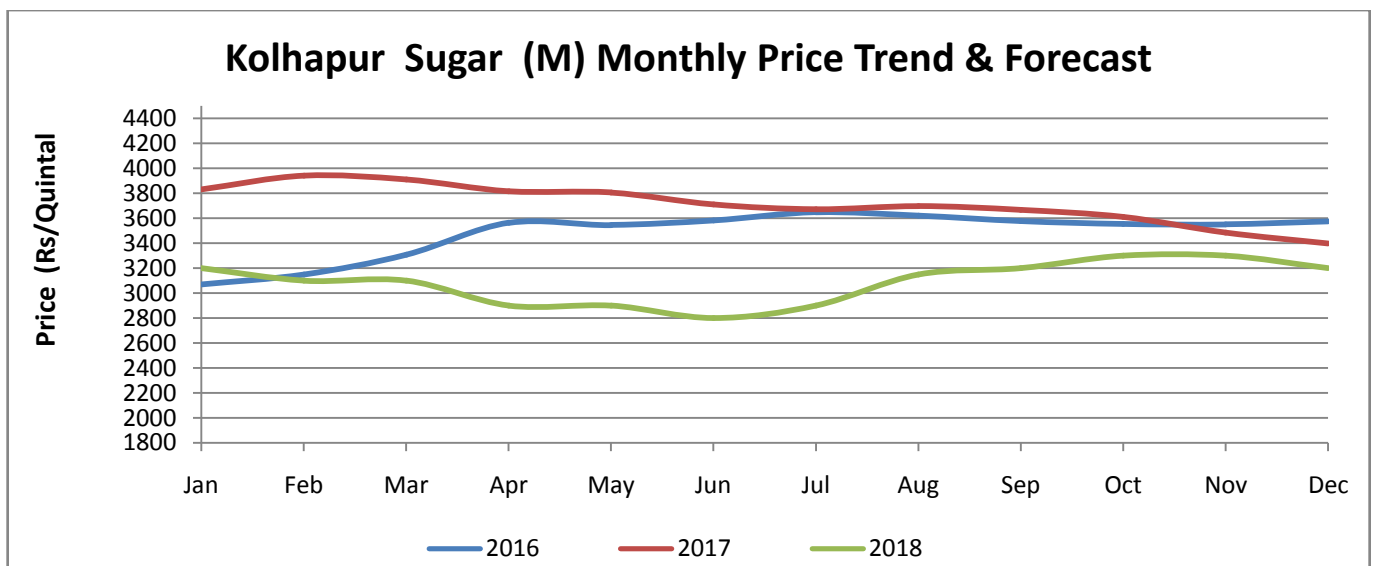
In addition, Uttar Pradesh is also expected to produce a large quantity of sugar this year too due to a surge in cane area, yield and sugar recovery. Agriwatch is expecting U.P to produce 125 LT of sugar in 2018-19 (01st October, 2017 -30th September, 2018); while Karnataka is expected to produce 40 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 (01<sup>st</sup> October, 2018 – 30<sup>th</sup> 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.

## Domestic Sugar (M- grade) Price Projection for next 3 months

Particulars	Month	(Rs/Qtl)
Current Average Price	Aug	3150
Projected Price	Sep	3200
	Oct	3300
	Nov	3300
	Dec	3200





## International Market Highlights

- **Currently, global sugar prices are hovering around 10.58 cents/lb.** Global Trade experts expects world sugar price to remain below 13 cents/lb till March'19.
- **Brazil exported only 1.885 million tonnes of raw sugar in July 2018,** down from 1.946 million a month earlier and significantly below 2.703 million in the same month last year.
- **Australian Sugar mills crushed 1.608 million tonnes of cane in the week to July 29,** up from 1.548 million last week and also above the 1.526 million in the same week in 2017.
- **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.
- **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.
- **With less than one month to go in the current 2017/18, Philippines is unlikely to hit** its production target of 2.27 million tonnes of sugar, which was already below the 2.5 mln seen in 2016/17.
- **The final price for sugar is in and the estimated value for the 2017-2018 crop is not sweet news for farmers who will be paid an estimated 45 dollars and 47 cents per ton.** That's the figure released today by American Sugar Refinery/Belize Sugar Industry to the three cane farmers' associations in the north. For the previous crop, farmers received approximately 53 dollars per ton of sugar cane taken to the mills. The new estimated price will now see farmers get a second payment of between three dollars and ninety cents and six dollars and thirty-four cents per ton when compared to last year when they received over eleven dollars.
- **U.S. beet sugar production for 2017/18 is increased 55,000 STRV to 5.276 million** based on processor reporting of late season sucrose recovery from sugar beet slicing to a robust 15.2 percent. High-tier tariff imports are increased 15,000 STRV. Deliveries for human consumption are reduced by 65,000 STRV to 12.235 million on a continuing slow pace as refiners' inventories of raw stocks remain elevated.
- **Mexico production for 2017/18 is increased to 6.009 million metric tons (MT)** on official preliminary reporting of the completed harvest season. Ending stocks for 2017/18 are estimated at 1.246 million MT based on domestic consumption in 2018/19 before the start of the campaign and sugar that can be exported to the United States in 2018/19 at a return that is expected to be higher than can currently be obtained in the world market. Exports for 2017/18 to non-U.S. destinations are residually increased by 36,375 MT. For 2018/19, exports to the United States are increased by a small amount to 1.417 million MT to equal U.S. Needs as defined in the amended Suspension Agreements.

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

### Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 3060/quintal this week
- Next resistance and support level for the coming month has been seen at Rs 3000 and Rs 2750 per quintal respectively.



- There are no arrivals at market.

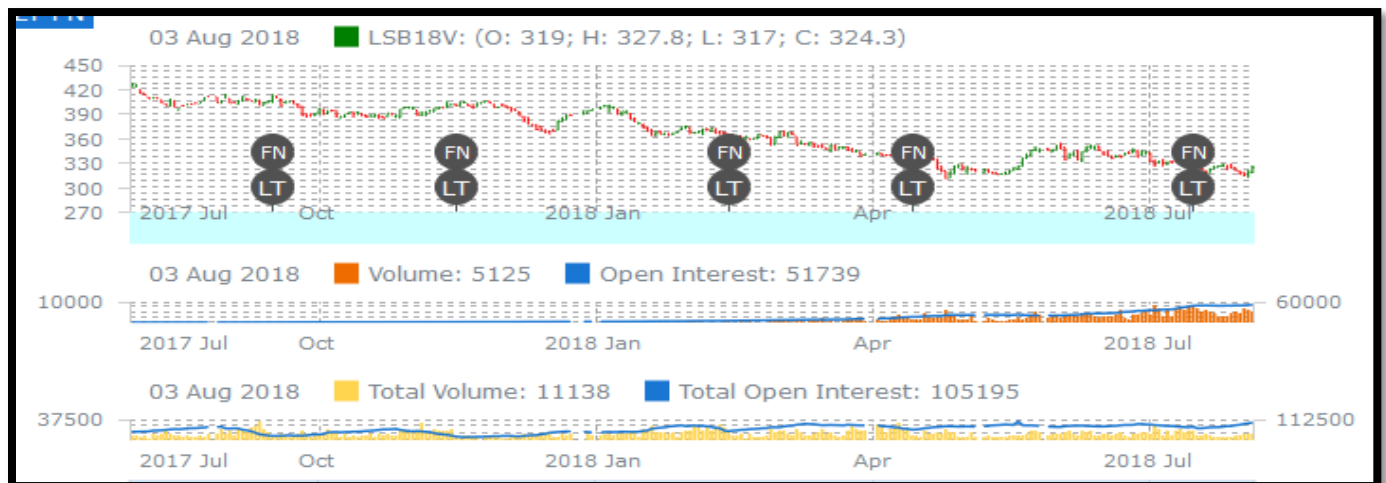


## International Sugar Futures Price Projection

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

#### Technical Commentary

- LIFFE future market trends weak for the week.
- Last candlestick depicts bearishness in the market.
- Strategy: sell below 320, T1 340.

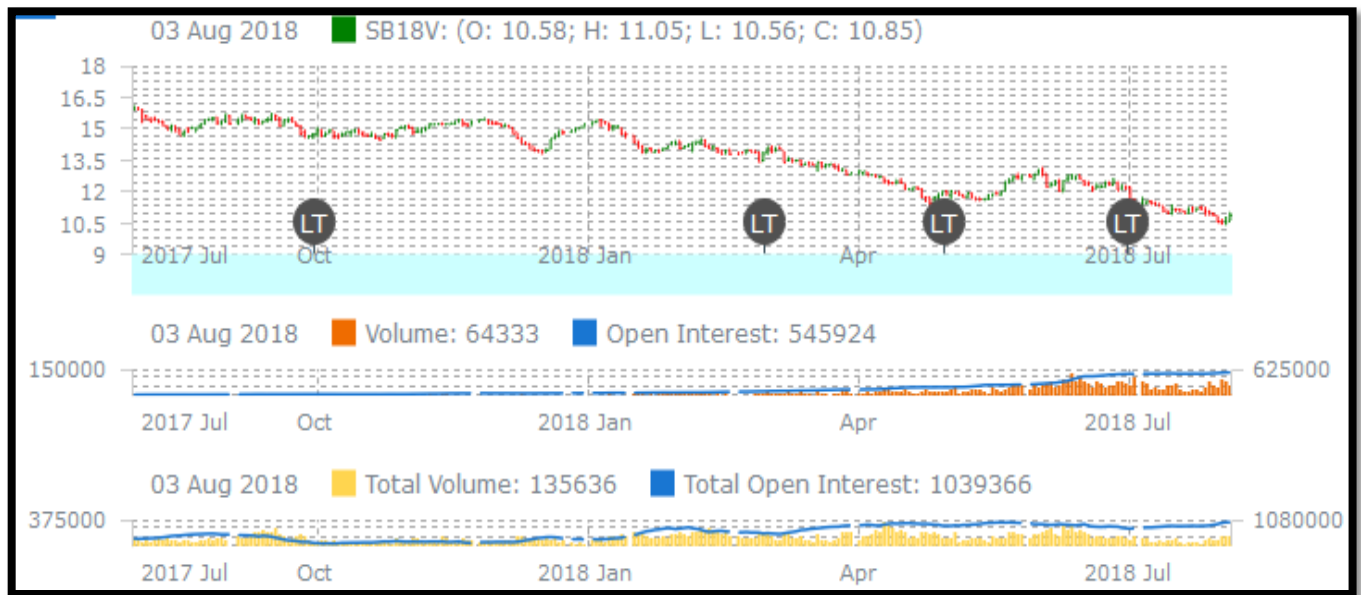


International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Oct'18	317	300-340

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

### Technical Commentary:

- ICE raw sugar futures trend downward for the week.
- Last candlestick depicts bearish in the market. Strategy: sell at 11.00 targeting 13



International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Oct'18	10.85	10-13

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			July,18	June,18	
Delhi	Delhi	M-Grade	3305	3286	19
	Delhi	S-Grade	3285	3266	19
Uttar Pradesh	Khatauli	M-Grade	3399	3320	79
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3326	3182	144
	Dhampur	S-Grade Ex-Mill	3306	3162	144
	Dhampur	L-Grade Ex-Mill	3376	3232	144
Maharashtra	Mumbai	M-Grade	3538	3322	216
	Mumbai	S-Grade	3308	3104	204
	Nagpur	M-Grade	3269	3171	98
	Nagpur	S-Grade	3187	3095	92
	Kolhapur	M-Grade	3144	3046	98
	Kolhapur	S-Grade	3062	2970	92
Assam	Guhawati	S-Grade	3371	3278	93
Meghalaya	Shillong	S-Grade	3382	3290	92
Andhra Pradesh	Vijayawada	M-Grade	3709	3529	180
	Vijayawada	S-Grade	3649	3472	177
West Bengal	Kolkata	M-Grade	3629	3443	186
Tamil Nadu	Chennai	S-Grade	3501	3325	176
	Dindigul	M-Grade	3683	NR	-
	Coimbatore	M-Grade	3646	NR	-
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3432	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)			July,18	June,18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2888	2796	92
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	3500	-
	Muzaffarnagar	Khurpa (Fresh)	NA	2694	-
	Muzaffarnagar	Laddoo (Fresh)	NA	3079	-
	Muzaffarnagar	Rascut (Fresh)	2642	2407	235
	Hapur	Chaursa	2774	2527	246

	Hapur	Balti	NA	2523	-
Andhra Pradesh	Chittur	Gold	3817	NA	-
		White	3506	NA	-
		Black	2606	NA	-
Maharashtra	Latur	Lal Variety	NR	NA	-
Karnataka	Bangalore	Mudde (Average)	4300	4313	-13
	Belgaum	Mudde (Average)	2990	2905	85
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3030	2924	106
	Gulbarga	Other (Average)	2867	2842	25
	Mahalingapura	Penti (Average)	3283	3014	269
	Mandya	Achhu (Medium)	3128	3393	-265
	Mandya	Kurikatu (Medium)	2940	3115	-175
	Mandya	Other (Medium)	2968	3135	-167
	Mandya	Yellow (Medium)	3174	3345	-171
	Shimoga	Achhu (Average)	3846	3754	92

International Sugar Prices (Monthly)				
	Contract Month	30-Jul-18	29-Jun-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	10.82	12.25	-1.43
	19-Mar	11.74	12.95	-1.21
	19-May	11.97	13.04	-1.07
LIFFE Sugar (US \$/MT)	18-Oct	320.80	343.90	-23.10
	19-Dec	320.80	343.90	-23.10
	19-Mar	325.30	346.60	-21.30

#### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2017 Indian Agribusiness Systems Ltd.