

Sugar & Gur Monthly Research Report

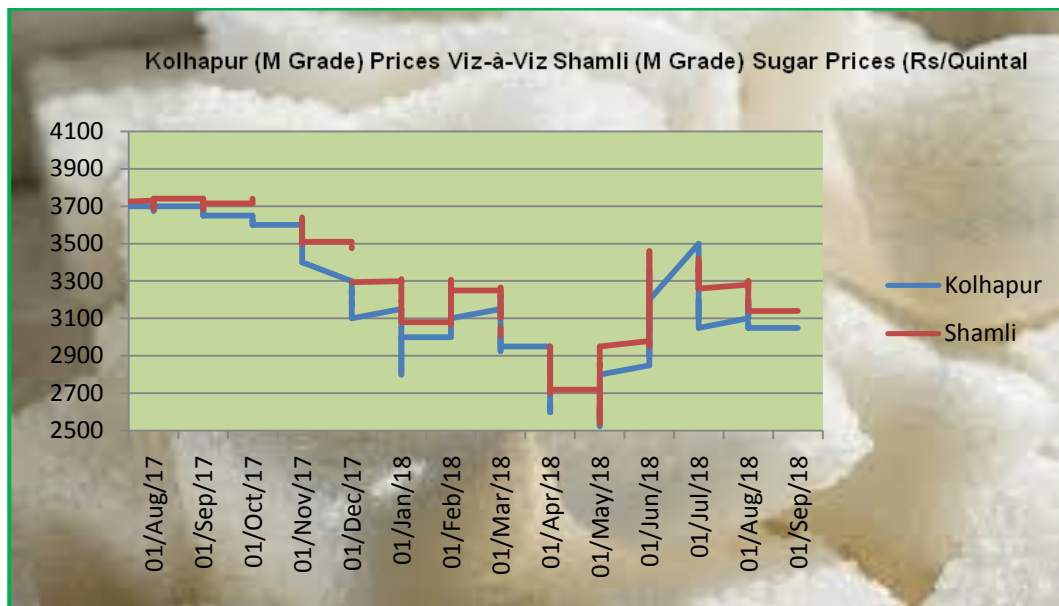
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Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market traded weak during the month.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3123 per quintal this month compared to Rs3144 per quintal the previous month. Similarly, spot sugar prices for the same variety/grade in Shamli district was Rs3213 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. This was despite trade expectations that the release quota of 2.5 million tonnes for Sep was higher than probable demand.

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

- **The Increase in monthly sugar release quota of the country by over 14 per cent to 20 lakh tonnes for September has led to a 2 per cent fall in sugar prices.** Exporters expect millers, who have been sitting on huge sugar stocks, to begin exporting the sweetener as price margin between domestic and export prices reduces slightly.
- **Crushing of cane for the next sugar season (October 2018-September 2019) would commence in October this year** with production Agriwatch expected to be about 35 million tonnes. The mills usually complete crushing of cane by April and they would have to pay a fair remunerative price of Rs 97,000 crore to the farmers next season.
- **ISMA officials had visited several countries, with some delegations led by government officials, to learn about export opportunities.** Refineries and importers in Bangladesh, Dubai, and China have shown

interest to enter into long-term import contracts for raw sugar from October this year. However, exporters are unable to give commitments. These countries want the sugar at prices on a par with countries such as Brazil and Thailand.

- **Till 31st Aug 2018, sugarcane has been sown in 51.94 lakh hectares, 2.1 % higher than 49.86 lakh ha till date last year and 5.6% higher than the normal acreage of 46.36 lakh ha till date.**
- **The food ministry last month extended the deadline for exporting 2 million tonne of sugar by three months to December** as only a fourth of it has been shipped so far. In March, the government had allowed sugar export in view of record domestic output of 32 MT. Mill-wise, Minimum Indicative Export Quotas (MIEQ) were allocated by the ministry in May. Mills can export either sugar produced in the current 2017-18 season or the next 2018-19 season (October-September). As per the official data, only about 5 lakh tonne sugar has been exported so far.
- **The sugarcane crushing season is about to begin & Sugar mills will start the 2019 crushing season with a huge backlog** of unsold stock & huge arrears. Several farmers are yet to get their arrears from the previous season. The outstanding arrears are now Rs 16,600 crore against the peak of Rs 23,232 crore in May-end. Problem of pending payments is particularly acute in UP, which accounts for 64% of the total outstanding arrears.
- **India is finding it difficult to export the surplus sugar due to low international prices and global glut.** Sugar exports under the MEIS (Merchandise Export from India Scheme) till July end were less than 20 per cent of the target and it is quite unlikely that sugar mills will be able to meet the target of 20 lakh tonnes by September 30. Export consignments that have been moved out of mills till the end of July amount to about 3.5 lakh tonnes of sugar. Some consignments are on their way to ports and some are at ports already.
- **The Indian Sugar Industry has urged the union government to raise the minimum sale price of sugar to Rs36/ kg from Rs 29.** If the floor price of the sweetener for sale by mills is fixed at Rs 36, sugar factories will be able to take a loss on the exports without need of financial assistance. The loss on sugar exports currently is around Rs.11-12 a kg over domestic ex- mill prices. The Association has suggested that the government simultaneously make sugar exports to the tune of 20% of each mill's production compulsory. The Association has requested these two policy measures be approved within the next fortnight, as Indian sugar exports have good chance to succeed from October 2018 to January 2019 when other large exporters like Brazil and Thailand are not in the market. If these policy measures get approved, prices of sugar in domestic markets will rise sharply but the central government's willingness to approve these measures may not be too strong in light of the forthcoming state and union elections.
- **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.

Fundamental summary:

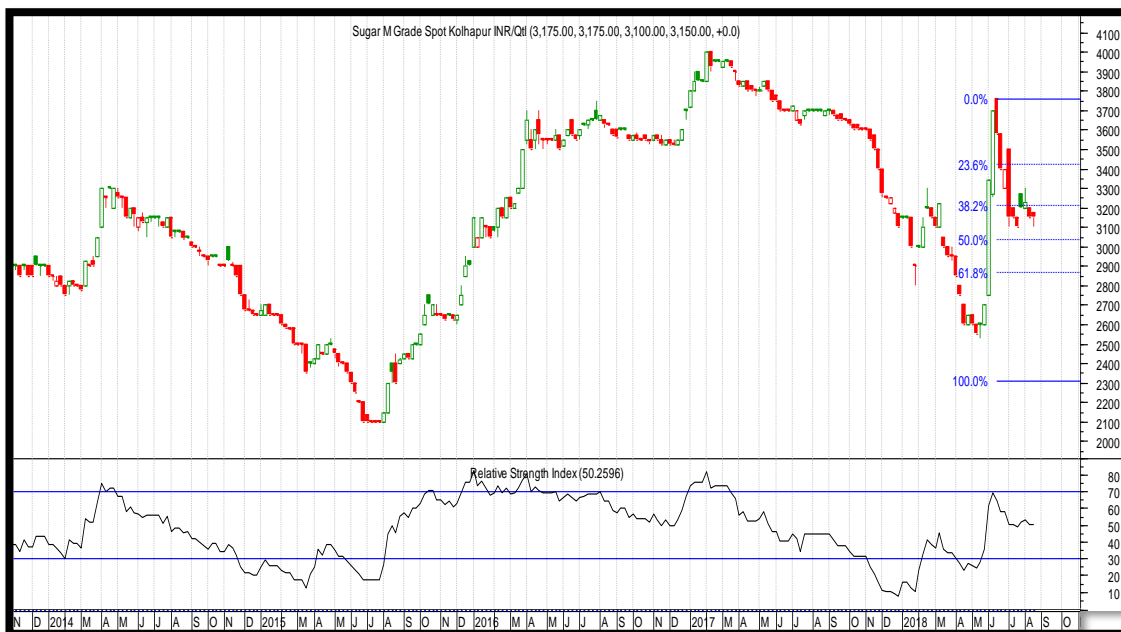
Price Drivers	Impact
Government kept the quantity of sweetener sugar mills can sell in open market in Sep higher than normal monthly limits(Due to festive demand)	Bullish
India pitching to export 1.5 mn tons of sugar to China under China's 50% tariff category	Bullish
Surplus sugar production of 32 mn tonnes against only 20.3 mn tonnes last year	Bearish
Higher cane acreage for 2018-19	Bearish

Monsoon Update

Overall, the monsoon till August 30 has been 6 per cent less than normal, with several districts of north interior Karnataka, Rayalaseema, Bihar, Jharkhand, Saurashtra and Kutch staring at a shortfall. The rainfall, according to agriculture ministry officials, has been well-distributed, though overall quantum might have been low in some regions. This they said won't have any impact on the overall production of kharif crops in 2018, which is poised for another record.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3075/quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3200 and Rs 3000 per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.



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.



Domestic Sugar Market Technical Analysis (Future Market)



Strategy: wait							
Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Oct	3050	3100	3140	3200	3250
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.

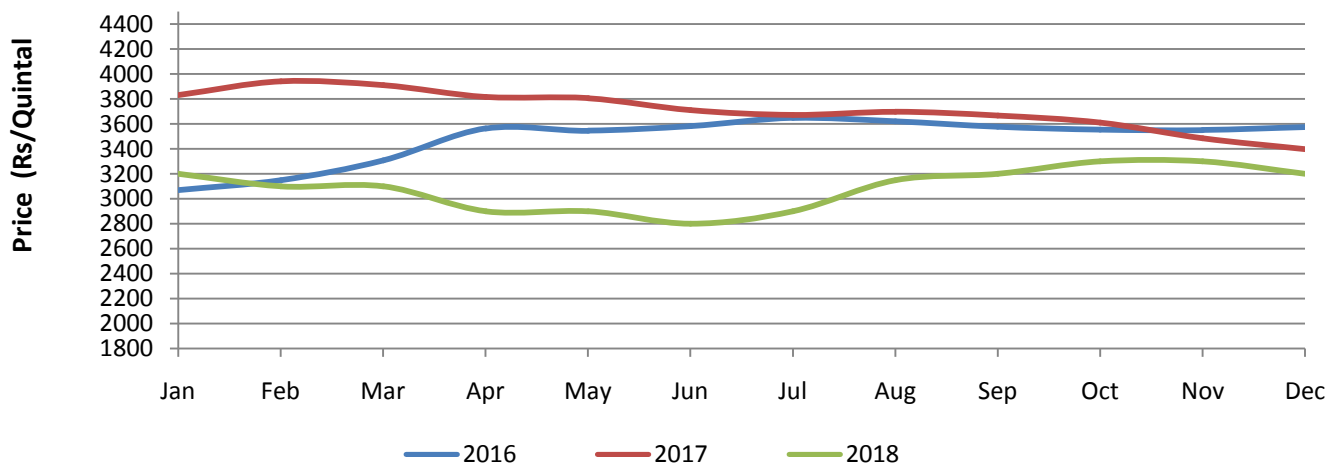
On the other hand, sugar domestic consumption is expected to rise to 263 lakh tonnes in 2018-19 (01st October, 2018 – 30th September, 2019).

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.

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

Particulars	Month	(Rs/Qtl)
Current Average Price	Aug	3120
Projected Price	Sep	2900-3200
	Oct	2900-3300
	Nov	2900-3300
	Dec	2900-3200

Kolhapur Sugar (M) Monthly Price Trend & Forecast



International Market Highlights

- **Some of the recently intense downward pressure on the sugar market was lifted this week as lower EU beet estimates encouraged concerns that white sugar deliveries against the soon-to-expire front month (October) would fail to meet the needed level at current prices.**
- **Raw sugar futures in New York touched a three-week high** as the market continued a rebound from last week's 10-year low of 9.91¢/lb. and expecting Futures will trade at below 13 cents/Lb till March.
- **Brazil expected to produce about 30 million tonnes of sugar in the 2018-19 sugar season** (including North East Brazil), 22 per cent lower than in the previous year. India, on the other hand, is projected to have an output of 35.5 million tonnes in the 2018-19 season (October-September), breaking the record of 32 million tonnes in 2017-18.
- **Ukraine is likely to produce about 1.9 mln tonnes of white sugar in 2018/19 (Sep/Aug)**, down from 2.14 mln in the previous season, according to the National Association of Sugar Producers (Ukrtsukor).
- **According to Agricultural Statistic Agency. Brazil's total cane crush in the current crop at 635 million tonnes compared to 625 million tonnes in its May estimate and 633 million tonnes in the previous crop (2017/18).** The agency, however, lowered its views for sugar production both for the country and for the center-south region. The agency projected center-south cane crush at 587 million tonnes versus 580 million tonnes seen in May and 588 million tonnes reported for the 2017/18 crop.
- **This season sugar beet production in Vinnytsia region is forecasted to increase by 10-15%, as compared to the last year's figures.** Heavy rains in Vinnytsia region at the end of July – in early August added weight to beet roots, but reduced sugar content in it. During the first decade of August, the beet root growth was 113-344 g. The weight of beet root exceeds last year's figures by 50-60 g. But sugar content is lower. It is fixed at 12,1-13,99%.

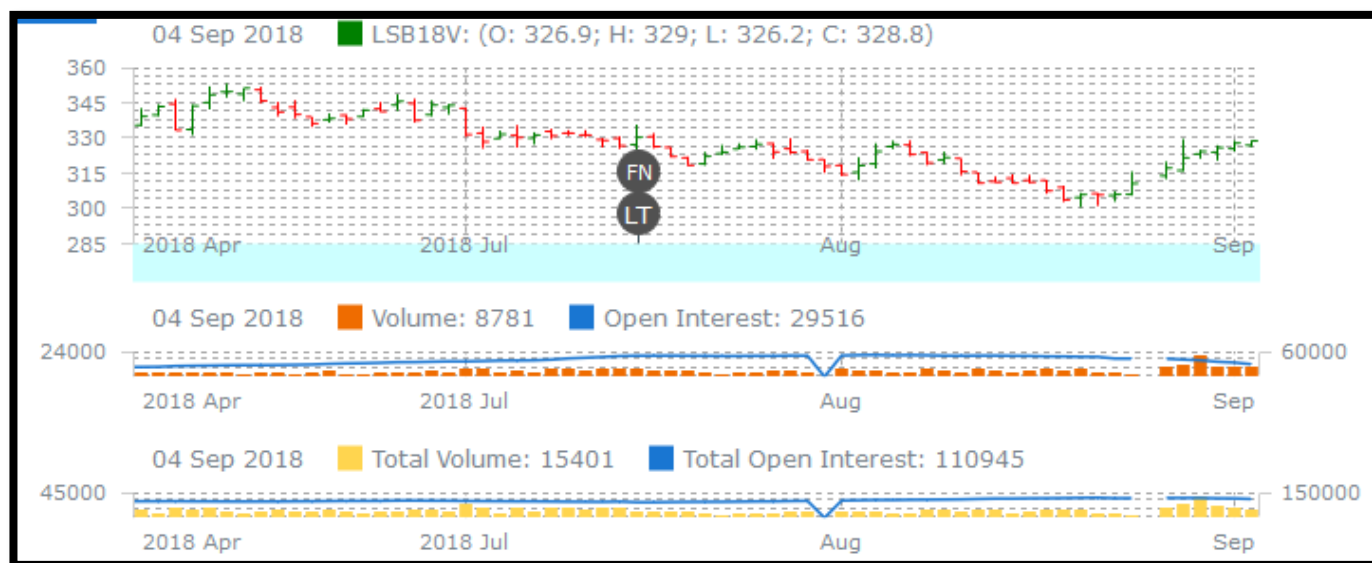
- **Brazil will likely step down to become the world's second-largest sugar producer on low global sugar prices and higher profitability and strong demand for ethanol**, according to a report by Brazilian consulting company JOB Economia e Planejamento. Market incentives for stronger ethanol production in Brazil, combined with expectations of an even larger bumper crop in India in the coming crop season, will likely make India the world's largest sugar producer, according to the report. Brazil's commercial ethanol premium over domestic sugar has ranged from 4% to 40% since October 2017, a trend that is expected to continue for the foreseeable future, the report said.
- **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.

International Sugar Futures Price Projection

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

Technical Commentary

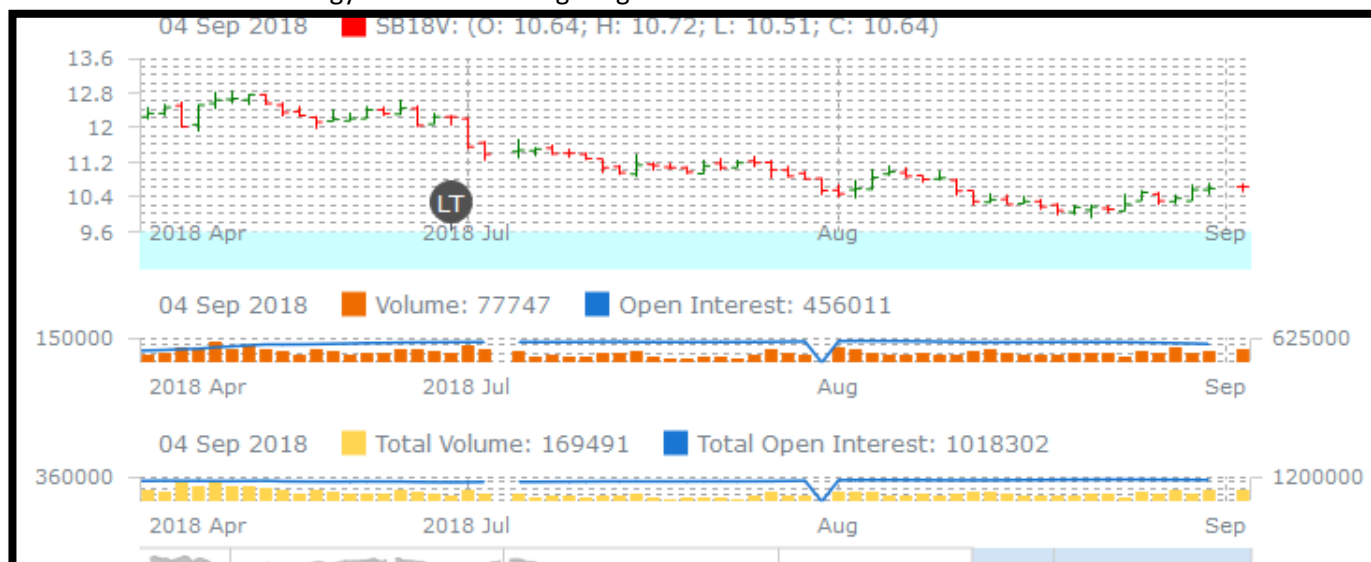
- LIFFE future market trends firm for the week.
- Last candlestick depicts bullishness in the market.
- Strategy: sell below 329, T1 340.



International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Oct'18	328.8	320-340

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 10.70 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	10.64	10-13

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			Aug,18	July,18	
Delhi	Delhi	M-Grade	3188	3305	-117
	Delhi	S-Grade	3168	3285	-117
Uttar Pradesh	Khatauli	M-Grade	3315	3399	-84
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3221	3326	-105
	Dhampur	S-Grade Ex-Mill	3200	3306	-106
	Dhampur	L-Grade Ex-Mill	3270	3376	-106
Maharashtra	Mumbai	M-Grade	3452	3538	-86
	Mumbai	S-Grade	3237	3308	-71
	Nagpur	M-Grade	3248	3269	-21

	Nagpur	S-Grade	3153	3187	-34
	Kolhapur	M-Grade	3123	3144	-21
	Kolhapur	S-Grade	3028	3062	-34
Assam	Guhawati	S-Grade	3223	3371	-148
Meghalaya	Shillong	S-Grade	3280	3382	-102
Andhra Pradesh	Vijayawada	M-Grade	3627	3709	-82
	Vijayawada	S-Grade	3567	3649	-82
West Bengal	Kolkata	M-Grade	3576	3629	-53
Tamil Nadu	Chennai	S-Grade	3460	3501	-41
	Dindigul	M-Grade	3750	3683	67
	Coimbatore	M-Grade	3665	3646	19
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3432	3432	Unch
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)			Aug,18	July,18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	NA	2888	-
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	2689	2642	47
	Hapur	Chaurasa	2750	2774	-24
	Hapur	Balti	NA	NA	-
Andhra Pradesh	Chittur	Gold	4172	3817	355
		White	3919	3506	413
		Black	2700	2606	94
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4176	4300	-124
	Belgaum	Mudde (Average)	2990	2990	Unch
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3030	3030	Unch
	Gulbarga	Other (Average)	3092	2867	225
	Mahalingapura	Penti (Average)	3283	3283	Unch
	Mandya	Achhu (Medium)	3215	3128	87
	Mandya	Kurikatu (Medium)	2940	2940	Unch
	Mandya	Other (Medium)	2976	2968	8
	Mandya	Yellow (Medium)	3188	3174	14
	Shimoga	Achhu (Average)	3846	3846	Unch



International Sugar Prices (Monthly)				
	Contract Month	31-Aug-18	30-Jul-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	10.60	10.82	-0.22
	19-Mar	11.42	11.74	-0.32
	19-May	11.50	11.97	-0.47
LIFFE Sugar (US \$/MT)	18-Oct	325.90	320.80	5.10
	19-Dec	323.40	320.80	2.60
	19-Mar	323.20	325.30	-2.10

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