

Sugar & Gur Monthly Research Report

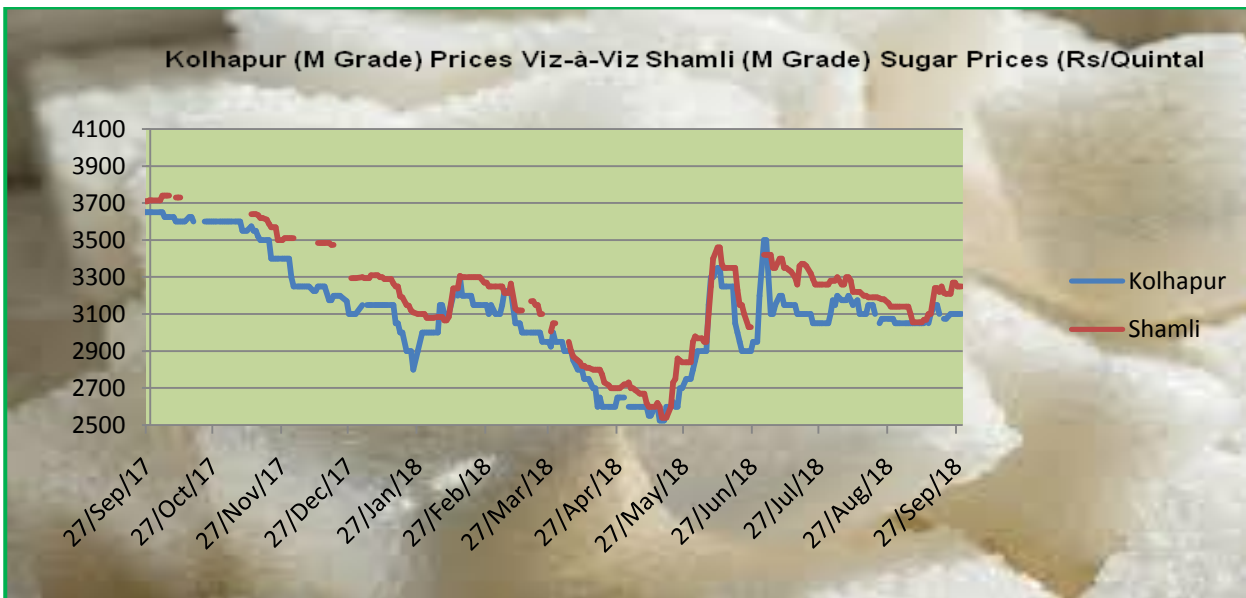
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Domestic Sugar Market Summary

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

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3075 per quintal last month declined INR 46 per quintal from the previous month; while spot sugar prices for the same grade in Shamli district is 3177 per quintal at the end of last month, declined 42 rupees per quintal against previous month's average price.



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 2.2 million tonnes for Oct 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 1st advance estimate of production of sugarcane for 2018-19 have been released by the Department of Agriculture, Cooperation and Farmers Welfare on 26th September, 2018. The Production of **Sugarcane** is estimated at 383.89 million tonnes which is higher by 6.99 million tonnes than the last years production of 376.90 million tonnes. Further, it is higher by 41.85 million tonnes than the average production of last five years.
- The Union government on last month announced a Rs 5,500 crore package for the sugar industry, including over two-fold jump in production aid to cane growers and transport subsidy to mills for exports. The Centre will provide assistance to mills by compensating expenditure towards internal transport, freight, handling and other charges to facilitate 5 million tonnes (MT) export during the 2018-19

(October-September). A transport subsidy of Rs 1,000 per tonne will be given for mills located within 100 kms from the ports, Rs 2,500 per tonne for mills located beyond 100 kms from the port in the coastal states and Rs 3,000 per tonne for mills located in other than coastal states or actual expenditure, whichever is lower.

- The union cabinet on last month increased the procurement price of ethanol produced from B-heavy molasses (also called as intermediary molasses) to Rs 59 a litre from the current Rs 47.13 a litre and that produced from C-heavy molasses to Rs 53 a litre from the existing Rs 43.46 a litre, an increase of 25 per cent. Such an increase might lead to more sugar production as more mills start producing ethanol. In Such case sugar output likely to drop marginally if mills make ethanol directly from B-molasses.
- Crushing of cane for the 2018-19 sugar season (October-September) set to begin in just over a month, the BJP government in Uttar Pradesh is set to approve a Rs 5,535-crore package to help mills clear their outstanding payment dues to growers, which are now almost at Rs 10,000 crore. The Rs 5,535-crore amount would include Rs 1,010 crore to be disbursed to 24 cooperative factories and Rs 25 crore to the sole state corporation-owned mill. The balance Rs 4,500 crore will be given to private sugar mills — Rs 500 crore as grant and Rs 4,000 crore in the form of soft loans.
- According to trade sources, the sugar mills are likely to crush 325 million tonnes of sugarcane crush between October 2018 and April 2019. The total sugar cane payment is estimated at Rs. 1,00,000 crore on present sugarcane price fixed by the government. Center has fixed the appropriate and remunerative price (FRP) 275 per quintal for sugar acquisition of 10 percent for marketing year 2018-19.
- The Indian Sugar Mills Association had asked the government earlier this month to allow exports of around 6 mn-7 mn mt for the next season and to raise the minimum selling price of sugar to Rupees 36,000/mt. However, it is yet to be seen what route the government will take to encourage mills to export next season and support domestic prices.
- 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.
- Sugar mills in Brazil's Centre/South crushed 43.306 mln tonnes of cane in the second half of August, up from 33.562 mln in the rain-affected first half of the month and also above 39.076 mln in the same period a year ago, Unica data showed.

Fundamental summary:

Price Drivers	Impact
After announcement of the export incentives for sugar millers in the country	Bearish

Higher cane acreage for 2018-19 & Agriwatch production estimated to rise 35.5 mn tonnes in 2018-19	Bearish
Tightening of restriction on monthly sales	Bullish
MSP at Mill gate fixed at Rs 2900/ Qtl for refined Sugar	Bullish
Announcement for creation of 3 mn tonnes of buffer stock	Bullish

Monsoon Update

The Indian Meteorological Department (IMD) defines average, or normal, rainfall as between 96 percent and 104 percent of a 50-year average of 89 cm for the entire four-month season. The IMD adopted a so-called dynamic model, based on a US model tweaked for India, for the first time last year to improve the accuracy of its forecasts. The IMD had predicted that the June-September monsoon, crucial for a host of cash and food crops in India, will set to start receding from the northwest from Saturday onwards. The monsoon usually starts withdrawing in the first week of September, but this year it has been delayed by nearly four weeks. Meanwhile, an extraordinarily dry spell in the month of September has meant an overall deficit of roughly nine percent in the Southwest Monsoon.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3078 quintal this month.
- Next resistance and support level for the coming month has been seen at Rs 3300 and Rs 3000 per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.



Technical Analysis - Chaku Sukha-gur(Cold))at Spot (Muzaffarnagar) market.

Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 3175/quintal this month

- Next resistance and support level for the coming month has been seen at Rs 3400 and Rs 3100 per quintal respectively.



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.

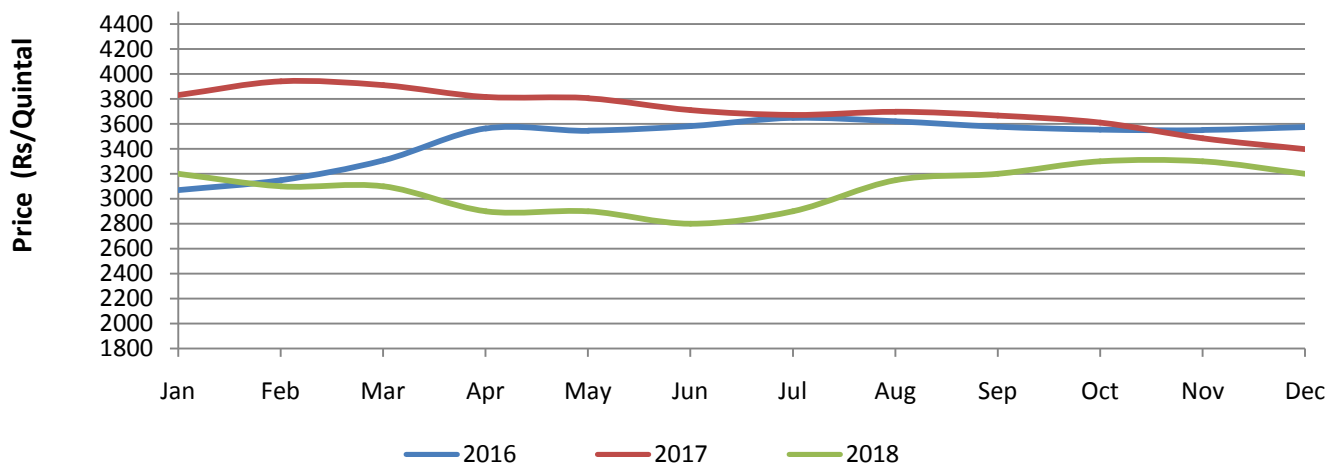
On the other hand, sugar domestic consumption is expected to rise to 263 lakh tonnes in 2018-19 (01st October, 2018 – 30th September, 2019).

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



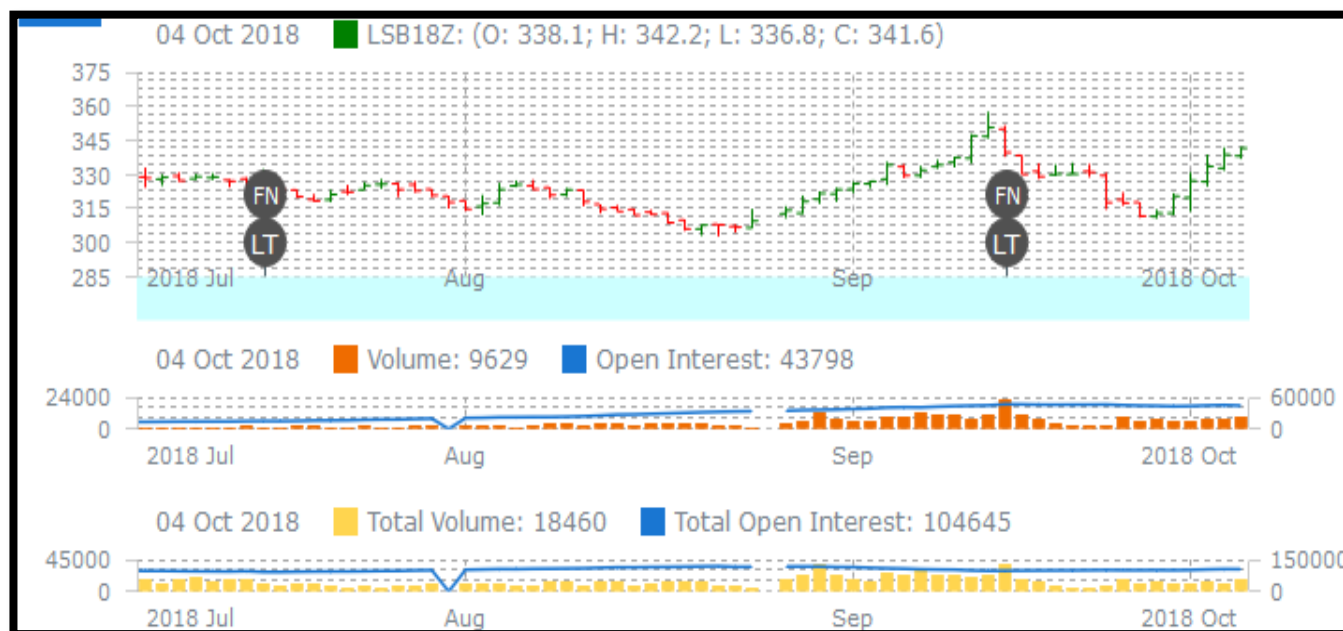
International Market Highlights

- U.S. beet sugar production for 2018/19 is projected up 235,923 short tons, raw value (STRV) to 5.343 million. The increase is based on sugar beet area and yield forecasts made by NASS in Crop Production, on improved sugar extraction based on processor-reported field conditions heading into the harvest campaign, and on a lower projected beet pile shrink. Based on NASS sugarcane yield and area harvested and processors' forecast area for seed, 2018/19 cane sugar production in Louisiana is increased by 4,021 STRV to 1.785 million. Projected imports from Mexico are reduced to 842,150 STRV and projected high-tier tariff imports are increased to 45,000 STRV. There are no changes to 2018/19 sugar use. Ending stocks for 2018/19 are projected at 1.687 million STRV for a stocks-to-use ratio of 13.5 percent.*
- Mexico ending stocks estimated for 2017/18 are increased by 21,140 metric tons (MT) to 1.268 million. The 2017/18 stocks estimate represents sufficient supplies to cover domestic consumption in 2018/19 before the start of the campaign and 264,000 MT of unsold sugar that is expected to be converted into export certificates by the Fideicomiso Maestro para la Exportación de Excedentes de los Ingenios (FIMAE) and that will be required to be exported in 2018/19 before December 31. For 2018/19, exports are decreased by 431,857 MT to 994,892. This change reflects lower exports to the United States based on a forecast reduction in U.S. Needs as defined in the amended Suspension Agreements that are offset by increased exports to other destinations for sugar under FIMAE. Ending stocks for 2018/19 are projected residually at 1.461 million MT.*
- 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.*
- Sugar prices have fallen to their lowest levels in a decade and are likely to remain under pressure as record world-wide production collides with rising trend of health conscious food habits which limits the intake of sugar in diets. Raw sugar futures traded on the ICE Futures U.S. exchange settled at 10.23 cents a pound on Friday, the lowest finish for a front-month contract since June 10, 2008.*

- 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.

International Sugar Futures Price Projection

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



Technical Commentary

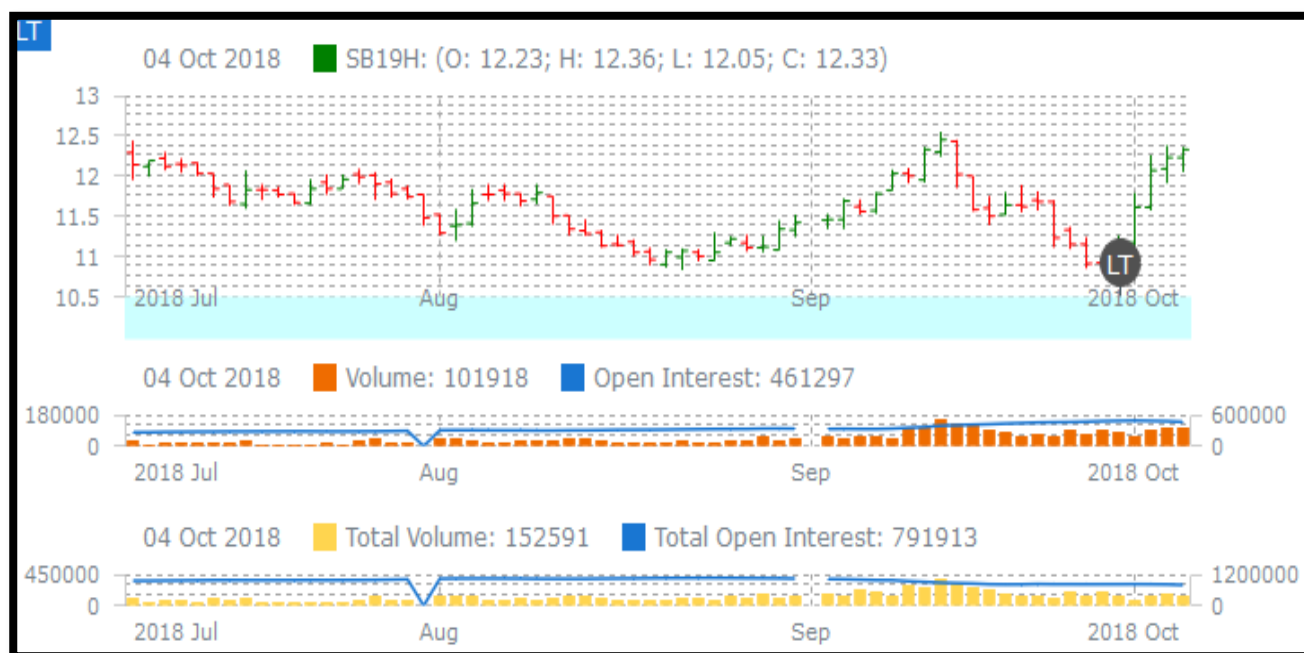
- LIFFE future market trends firm for the month.
- Last candlestick depicts bullishness in the market.
- Strategy: sell below 345, T1 350.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Oct'18	320.50	330-350

ICE (Raw Sugar Exchange) Future Market Scenario (Mar'19 Contract)
Technical Commentary:

- ICE raw sugar futures trend downward for the MONTH.
- 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)	Mar'19	11.20	10-13


Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			Sep,18	Aug,18	
Delhi	Delhi	M-Grade	3104	3188	-84
	Delhi	S-Grade	3084	3168	-84
Uttar Pradesh	Khatauli	M-Grade	3311	3315	-4
	Ramala	M-Grade		NA	-
	Dhampur	M-Grade Ex-Mill	3153	3221	-68
	Dhampur	S-Grade Ex-Mill	3133	3200	-67

	Dhampur	L-Grade Ex-Mill	3203	3270	-67
Maharashtra	Mumbai	M-Grade	3360	3452	-92
	Mumbai	S-Grade	3186	3237	-51
	Nagpur	M-Grade	3203	3248	-45
	Nagpur	S-Grade	3103	3153	-50
	Kolhapur	M-Grade	3078	3123	-45
	Kolhapur	S-Grade	2978	3028	-50
Assam	Guhawati	S-Grade	3238	3223	15
Meghalaya	Shillong	S-Grade	3298	3280	18
Andhra Pradesh	Vijayawada	M-Grade	3593	3627	-34
	Vijayawada	S-Grade	3530	3567	-37
West Bengal	Kolkata	M-Grade	3583	3576	7
Tamil Nadu	Chennai	S-Grade	3267	3460	-193
	Dindigul	M-Grade	3535	3750	-215
	Coimbatore	M-Grade	3642	3665	-23
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3422	3432	-10
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)			Sep,18	Aug,18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	NA	NA	-
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	2795	2689	106
	Hapur	Chaurasa	3175	2750	425
	Hapur	Balti	NA	NA	-
Andhra Pradesh	Chittur	Gold	3986	4172	-186
		White	3782	3919	-137
		Black	2620	2700	-80
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4364	4176	188
	Belgaum	Mudde (Average)	4828	4325	503
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3043	3030	13
	Gulbarga	Other (Average)	3226	3092	134
	Mahalingapura	Penti (Average)	3124	3283	-159
	Mandya	Achhu (Medium)	3125	3215	-90

	Mandya	Kurikatu (Medium)	3025	2940	85
	Mandya	Other (Medium)	2959	2976	-17
	Mandya	Yellow (Medium)	3129	3188	-59
	Shimoga	Achhu (Average)	3820	3846	-26

International Sugar Prices (Monthly)				
	Contract Month	27-Sep-18	31-Jul-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	10.42	10.6	-0.18
	19-Mar	11.20	11.42	-0.22
	19-May	11.29	11.5	-0.21
LIFFE Sugar (US \$/MT)	18-Oct	331.40	325.9	5.50
	19-Dec	320.50	323.4	-2.90
	19-Mar	319.70	323.2	-3.50

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