

# Sugar & Gur Monthly Research Report

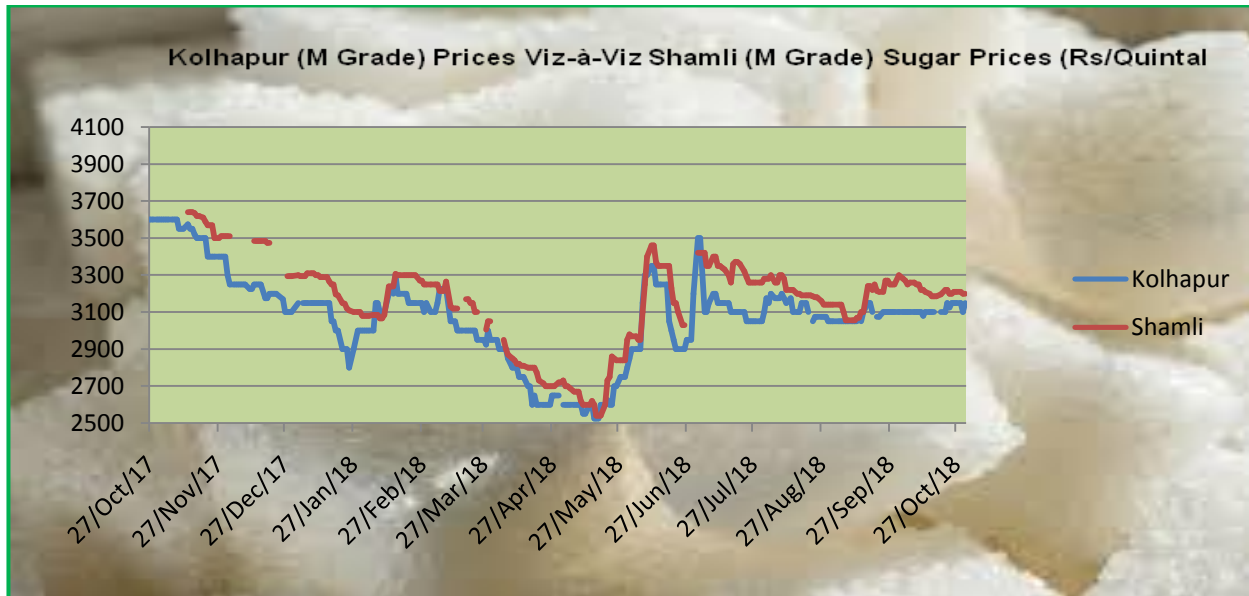
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## Domestic Sugar Market Summary

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 3112 per quintal last month gaining INR 37 per quintal from the previous month; while spot sugar prices for the same grade in Shamli district is 3223 per quintal at the end of last month, gaining 46 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 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

- Around 18 sugar factories in Maharashtra have commenced crushing for 2018-19 season, crushing some 3.5 lakh to 4 lakh tonnes of cane. Factories in the state have slowly started the operations, full fledged operations are expected to commence after Diwali. However the farmers have demanded more money for this season's crop, beyond what is considered as fair and remunerative prices (FRP) a farmers' association, has announced that it will not let the mills operate until they agree to pay Rs 200 per tonne over and above the FRP of sugarcane.
- The earlier ISMA estimates of sugar production reaching to 35 million tonnes in 2018-19 (October to September) sugar season, the industry now estimates output to be around 31.5 million tonnes, which is

even lower than 32.5 million tonnes produced in the 2017-18 season which ended last month. Sugar production during the current 2018-19 SS is estimated to be lower considering the adverse impact of weather and rainfall in the three largest sugarcane producing States of UP, Maharashtra and Karnataka and white grub infestation in Maharashtra and North Karnataka. Sugar production in 2018-19 would be around 32 million tonnes and considering diversion for ethanol, production is estimated at 31.5 million tonnes.

- According to ISMA, sugar production in UP was expected to be higher because of higher cane area under the high yielding variety Co0238. However, several areas in UP have had untimely rainfall in September 2018 which has adversely affected the growth of the sugarcane at this very important maturity period. Further, some areas have reported water-logging and in some parts of Western UP, there has been sugarcane lodging also. As a result, sugarcane yields and sugar recovery would be impacted. Accordingly, ISMA has revised its sugar production estimates for UP from 13-13.5 MT tonne made in July 2018 to 12.1 MT, which is almost similar to 12.04 MT in 2017-18. In Maharashtra, sugar production is estimated at around 9.5 MT as against 10.72 MT in 2017-18. In July, ISMA had pegged output at 11-11.5 MT. Sugar production in Karnataka is now estimated at 4.2 MT from 4.48 MT projected in July.
- Sugar mills in India have hit a sweet spot with the government export subsidy to bring down inventory and signs of firming international prices after the recent cut in global production estimates to 187 million tonnes (mt) for the year 2018-19 against 203 mt logged in the previous year. The global sugar output this year is almost equal to consumption of 186 mt, though the carry-forward stock of 16 mt will limit any sharp spike in prices. India has an inventory of about 10 mt. Sugar companies have so far exported about 8.3 lakh tonnes of sugar. Of this, about 4.5 lakh tonnes has been traded by sugar mills from Uttar Pradesh.
- Sugarcane crushing in Uttar Pradesh had been started from last month, in the shadow of farmers' outstanding of Rs 78 billion for the previous 2017-18 season. There are 119 mills in UP, of which 94 are privately owned and 24 are run by cooperatives. Late rains and hailstorms in some western UP districts, coupled with higher night temperatures, have delayed maturity of the sugarcane crop. In the last 4-5 days, the night temperatures have started to fall below 20 degree Celsius and there is marked difference in day and night temperatures, which would hasten the process of maturity and result in speedier crushing operations and higher recovery as well.
- This year, UP cane acreage is estimated at 2.6 million hectares (MH), up 18 per cent from about 2.2 MH during 2017-18, when UP had clocked sugar production of over 12 million tonnes (mt), with farmer's payables touching Rs 354 billion. With higher acreage this season, the farmers' payouts are likely to top last year's record levels and add to the woes in the backdrop of mute sugar prices and market glut, both locally and globally.
- As per the Agriwatch latest estimate, India's sugar production is expected to decline to 322 LT in 2018/19 then 322.5 last year. A couple of major cane growing regions of Maharashtra, including Marthawada, had poor rainfall this season. And mild white grub infestation has been reported in States of Karnataka and few parts of Maharashtra. Apart from from that, cane yield and sugar recovery are expected to decline in Uttar Pradesh due to water logging in the fields.

- *The Maharashtra government has started issuing the mandatory crushing licences required for the mills to begin production in the country's top sugar producing state. More than 30 of the 196 mills which will operate this season have taken licences from the state's sugar commissionerate, said. A few mills from Pune and Ahmednagar region will kick-start crushing operations this week. However, Kolhapur-Sangli region, which accounts for about a quarter of the state's sugar production, will have to wait to commence crushing of sugarcane, according to the industry. Mills from Marathwada will also have to wait another fortnight to begin sugar production.*
- *The cabinet has approved more incentives to encourage cash-strapped mills to export sugar in the 2018/19 season to trim bulging domestic stockpiles. However, the Indian sugar mills may be able to export only 3 million tonnes (mt) of sugar and not 5 mt as stipulated by the government, since the international prices of the sweetener is expected to remain weak during the season that has just commenced on account of expected bumper production in Thailand and the European Union. The price on the domestic National Commodity Exchange (NCDEX) is significantly higher at Rs 3,100/quintal. Thus sugar-mills are unlikely to find the export option attractive even after the newly announced incentive.*
- *Drought-like conditions delayed sugarcane planting in Maharashtra and other parts of peninsular India that will substantially reduce 2019-20 sugar production of India and help ease pressure on global sugar prices as India begins export of surplus in a couple of years. World sugar prices are under pressure as India will begin export of its surplus sugar production. For 2018-19 sugar year from October to September, Maharashtra government has already reduced the production estimate from 10.5 million tonnes to 10 million tonnes.*

**Fundamental summary:**

Price Drivers	Impact
<b><i>Sugar production during the current 2018-19 SS is estimated to be lower considering the adverse impact of weather and rainfall in the three largest sugarcane producing States.</i></b>	<b>Bullish</b>
<b><i>After announcement of the export incentives for sugar millers in the country &amp;Festive demand</i></b>	<b>Bullish</b>
<b><i>Higher cane acreage for 2018-19</i></b>	<b>Bearish</b>
<b><i>Tightening of restriction on monthly sales</i></b>	<b>Bullish</b>
<b><i>MSP at Mill gate fixed at Rs 2900/ Qtl for refined Sugar</i></b>	<b>Bullish</b>
<b><i>Announcement for creation of 3 mn tonnes of buffer stock</i></b>	<b>Bullish</b>

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3112 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 3228 /quintal this month
- Next resistance and support level for the coming month has been seen at Rs 3300 and Rs 3100 per quintal respectively.



**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**

	SUGAR BALNCE SHEET 2018-19(LT)	2016-17	2017-18	2018-19	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
A	Carry in stock	77	38.24	98.09	98.09	121.49	227.59	193.31
B	Estimated sugar production	202.85	320	322.5	99.2	160.8	44.42	18.16
C	Imports	4.46	2.85	0	0	0	0	0
D	Estimated sugar availability (A + B + C)	284.31	361.09	420.59	197.29	282.29	272.01	211.47
E	Exports	0.46	3	3	0	1	1	1
F	Availability for domestic consumption (D - E)	283.85	358.09	417.59	197.29	281.29	271.01	210.47
G	Estimates sugar consumption	245.61	260	263	75.8	53.7	77.7	55.8
H	Carry out stock (F - G)	38.24	98.09	154.59	121.49	227.59	193.31	154.67

Source: Agriwatch and ISMA

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

As per the Agriwatch latest estimate, India's sugar production is expected to decline to 322 LT in 2018/19 then 320 last year. A couple of major cane growing regions of Maharashtra, including Marthawada, had

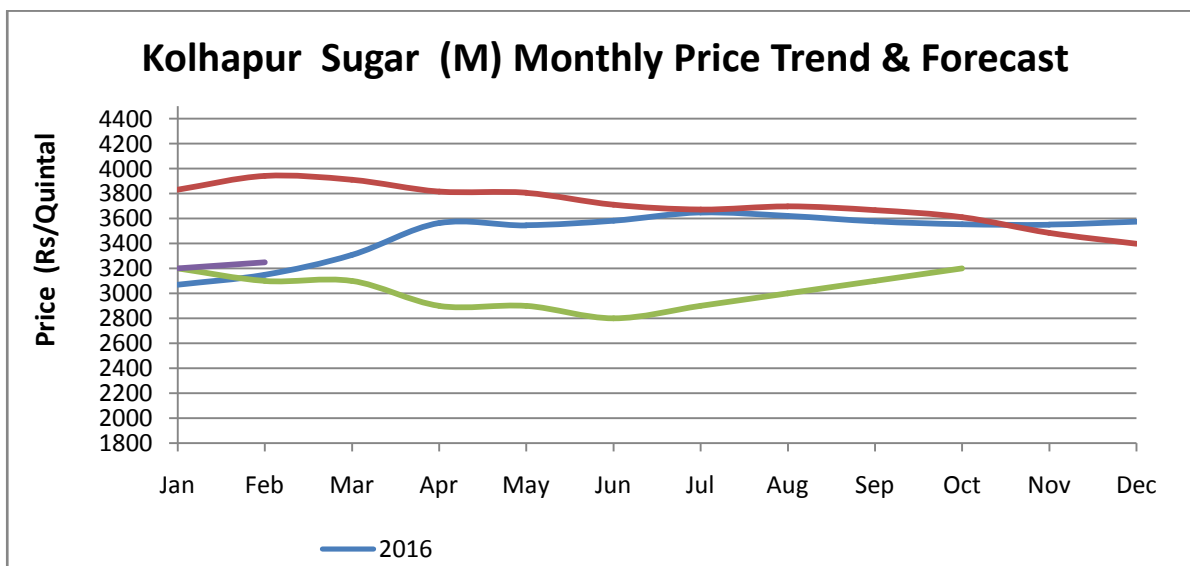
poor rainfall this season. And mild white grub infestation has been reported in States of Karnataka and few parts of Maharashtra. Apart from that, cane yield and sugar recovery are expected to decline in Uttar Pradesh due to water logging in the fields.

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	3120
Projected Price	Sep	2900-3200
	Oct	2900-3300
	Nov	2900-3300
	Dec	2900-3200
	Jan	3100-3250
	Feb	3100-3250



### International Market Highlights

- Brazil's center-south is expected to produce 26.38 million tonnes in the 2018/19 season – which is heading into its final weeks** – the lowest amount in 12 years due to a smaller cane crop and higher ethanol production. Previous estimate for the season was for production of 27.28 million tonnes. It projected the new sugar season, which starts in April next year, at a similar level with an output seen at 26.4 million tonnes.



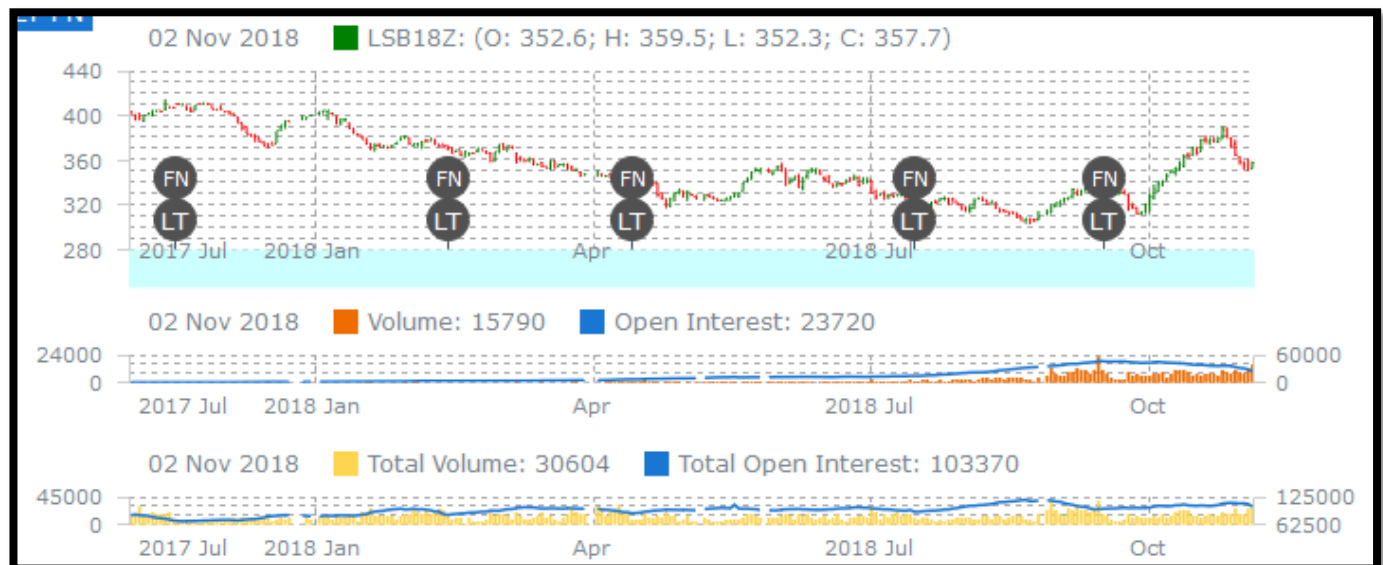
- **Lower Brazilian sugar production this year and next are seen helping to swing global sugar supply from a surplus to a deficit, favoring a recovery in benchmark raw sugar prices in New York.** “Despite the late spike in sugar prices, ethanol continues to give better returns to mills in Brazil, so we expect them to continue to give preference to the fuel next season,” Datagro’s chief analyst Plinio Nastari told reporters at the consultancy’s annual international conference in Sao Paulo.
- **Sugar mills in India have hit a sweet spot with the government export subsidy to bring down inventory and signs of firming international prices after the recent cut in global production estimates to 187 million tonnes (mt) for the year 2018-19** against 203 mt logged in the previous year. The global sugar output this year is almost equal to consumption of 186 mt, though the carry-forward stock of 16 mt will limit any sharp spike in prices. India has an inventory of about 10 mt. Sugar companies have so far exported about 8.3 lakh tonnes of sugar. Of this, about 4.5 lakh tonnes has been traded by sugar mills from Uttar Pradesh.
- **Sugar output from the main producing region in Brazil fell 43 percent in the first half of October as rains delayed cane processing and mills continued to favor ethanol production over sugar, cane industry group Unica said on last week.** Mills in Brazil’s center-south region produced 1.11 million tonnes of sugar in the first half of October compared to 1.28 million tonnes in the previous two-week period and 2 million tonnes at the same time last year, Unica said. Cane crushing fell to 25.58 million tonnes versus 27.64 million tonnes in the second half of the previous month and 32.5 million tonnes seen at this time last year.
- **The sugar factories processed 5.89 mln tonnes of beet into 757,900 tonnes of sugar as of October 24,** the National Association of Sugar Producers (Ukrtsukor) reported.
- **Sugar beet was harvested from an area of 79,300 ha by October 26, or 79.8% of the 99,300 ha** (300 ha less than previously assumed) to be harvested this season, according to the Ministry of Agriculture.
- **The world sugar market could see a shortfall in 2019/20 after two years of over-supply as Brazil and the European Union cut production,** but strong Indian output will still weigh on the market, ADM Investor Services International said on last week. The market could swing to a deficit of roughly 2 million tonnes in the 2019/2020 season, from an expected surplus of 4-5 million tonnes in the current 2018/19 season.
- **U.S. sugar supply for 2017/18 is decreased by 58,022 short tons, raw value (STRV). The decrease reflects a reduction in estimated Louisiana cane sugar production for the month of September 2018 and a net reduction in imports.** Imports under tariff-rate quotas (TRQs) are reduced by 62,527 STRV but are partially offset by a 10,000 -STRV increase in high- tier tariff imports and a 1,404-STRV increase in re-export imports. U.S. sugar supply for 2018/19 is reduced by 99,496 STRV. The reduction reflects lower beginning stocks and lower production partially offset by a shift in free trade agreement 2018 calendar year TRQ imports from the third quarter of 2018 to the fourth quarter. Beet sugar production for 2018/19 is reduced 106,719 STRV on a lower sugarbeet production forecast by NASS. Cane sugar production in Louisiana is increased by 40,724 STRV on NASS increases for both sugarcane area and yield forecasts.



**International Sugar Futures Price Projection**
**International Sugar Futures Price Projection**
**LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Dec'18 Contract)**
**Technical Commentary**

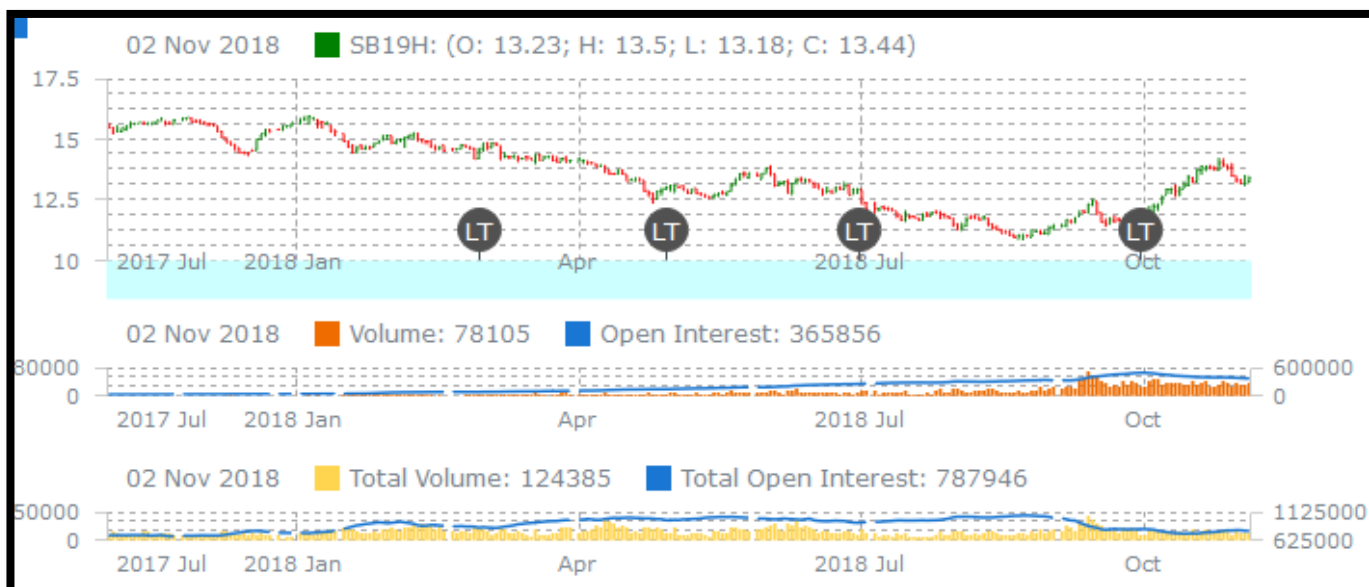
- LIFFE future market trends weak for the week.
- Last candlestick depicts bearishness in the market.
- Strategy: sell below 360, T1 370

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Dec'18	357.7	350-370


**ICE (Raw Sugar Exchange) Future Market Scenario (Mar'18 Contract)**
**Technical Commentary:**

- ICE raw sugar futures trend downward for the week.
- Last candlestick depicts bearishness in the market. Strategy: sell at 14.00 Targeting 15.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'18	13.44	12-15


**Spot Sugar Prices Scenario (Monthly):**

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			Oct,18	Sep,18	
Delhi	Delhi	M-Grade	3208	3104	104
	Delhi	S-Grade	3188	3084	104
Uttar Pradesh	Khatauli	M-Grade	3422	3311	111
	Ramala	M-Grade	NA		-
	Dhampur	M-Grade Ex-Mill	3231	3153	78
	Dhampur	S-Grade Ex-Mill	3211	3133	78
	Dhampur	L-Grade Ex-Mill	3281	3203	78
Maharashtra	Mumbai	M-Grade	3386	3360	26
	Mumbai	S-Grade	3215	3186	29
	Nagpur	M-Grade	3235	3203	32
	Nagpur	S-Grade	3135	3103	32
	Kolhapur	M-Grade	3110	3078	32
	Kolhapur	S-Grade	3010	2978	32
Assam	Guhawati	S-Grade	3319	3238	81
Meghalaya	Shillong	S-Grade	3330	3298	32
Andhra Pradesh	Vijayawada	M-Grade	3600	3593	7
	Vijayawada	S-Grade	3540	3530	10
West Bengal	Kolkata	M-Grade	3589	3583	6
Tamil Nadu	Chennai	S-Grade	3258	3267	-9
	Dindigul	M-Grade	3553	3535	18
	Coimbatore	M-Grade	3610	3642	-32
Chattisgarh	Ambikapur	M-Grade (Without Duty)	0	0	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	01-Sep-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)	3242	2795	447
	Hapur	Chaurasa	2750	3175	-425
	Hapur	Balti	NA	NA	-
Andhra Pradesh	Chittur	Gold	3304	3986	-682
		White	3526	3782	-256
		Black	3415	2620	795
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4270	4364	-94
	Belgaum	Mudde (Average)	3021	4828	-1807
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3036	3043	-7
	Gulbarga	Other (Average)	3227	3226	1
	Mahalingapura	Penti (Average)	3127	3124	3
	Mandya	Achhu (Medium)	3155	3125	30
	Mandya	Kurikatu (Medium)	3015	3025	-10
	Mandya	Other (Medium)	2921	2959	-38
	Mandya	Yellow (Medium)	3188	3129	59
	Shimoga	Achhu (Average)	3573	3820	-247

International Sugar Prices (Monthly)				
	Contract Month	31-Oct-18	27-Sep-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	13.54	10.42	3.12
	19-Mar	13.19	11.2	1.99
	19-May	13.30	11.29	2.01
LIFFE Sugar (US \$/MT)	18-Oct	363.80	331.4	32.40
	19-Dec	367.40	320.5	46.90
	19-Mar	355.70	319.7	36.00



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