

Sugar & Gur Monthly Research Report

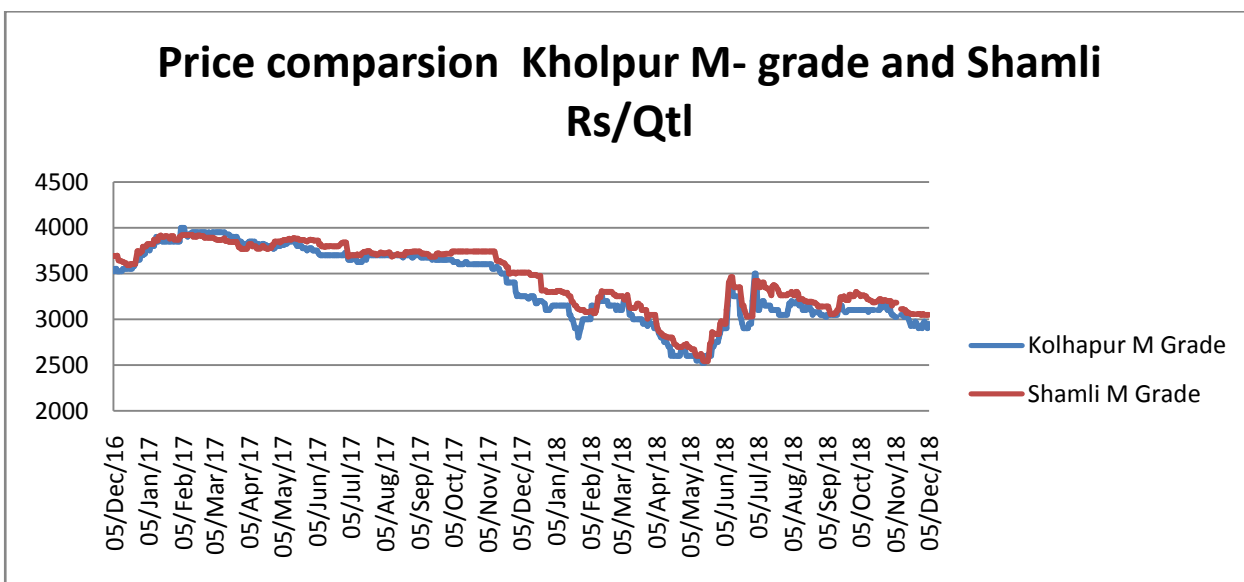
Contents

- ❖ Domestic Sugar Market Summary
- ❖ Price Projection
- ❖ Domestic Market Highlights
- ❖ Agriwatch Sweeteners Index
- ❖ 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 noticed weak during the month.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3050 per quintal last month declined INR 62 per quintal from the previous month; while spot sugar prices for the same grade in Shamli district is 3095 per quintal at the end of last month, lost 128 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 1.9 million tonnes for dec was slightly lower 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

- *More than 20 % fall in acreages can happen in Karnataka for 2019/20 due to deficient rains and pest attack, around 5-10 % of area had been affected by white grub and 5 percent of area had been uprooted in the state, the average yield expected around 65-70 tonnes per ha compared to 80-90 tonnes in previous year.*
- *As per sources, the government in Uttar Pradesh may rise the sugarcane price by about Rs 10 a quintal for the current crushing season. On the other hand, banks have put sugar on the negative list owing to uncertainties around sugarcane-sugar pricing and demand-supply mismatch. In the previous year, the UP government had raised the state-advised price (SAP) by Rs 10 a quintal from Rs 305 a quintal to Rs 315 a*

quintal for the common variety of sugarcane. Government can increase the SAP soon for 2018-19. On the other hand, the farmers have demanded the cane price to be hiked to almost Rs 400 a quintal due to high extra expenses like farm inputs, including diesel, labour and fertilisers.

- India is set to push Brazil to second position in sugar production during 2018-19 after 15 years. India's sweetener production is estimated to touch 35.9 million tonnes (MTs), registering an increase of about 5.2% over last year, according to the latest report of the US Department of Agriculture (USDA). The report by USDA's Foreign Agricultural Service wing released on last week has estimated Brazil's sugar production to dip by 8.3 MTs and bringing its total production to 30.6 MTs during this sugar year.
- According to the industry body, India have contracted to export about 8 lakh tonnes of the sweetener so far to countries like Middle East and Sri Lanka. Out of the total contracted quantity, raw sugar comprises 6 lakh tonnes and the rest 2 lakh tonnes are white sugar. Industry is negotiating with various countries to boost export of sugar. China has agreed to buy and talks are on with Indonesia as well.
- According to National Federation of Cooperative Sugar Factories, Indian sugar mills have produced 10.80 lakh tonne sugar till November 13 as against 19 lakh tonnes they had produced during same period of previous year. The country is expected to produce 324 lakh tonnes of sugar during 2018-19. Sugar mills from Maharashtra have produced 5.60 lakh tonnes of sugar, while Karnataka and Uttar Pradesh have produced 2.30 lakh tonnes and 1.20 lakh tonnes respectively.
- Uttar Pradesh, the state government is likely to do a marginal increase for the state advised price (SAP) on sugarcane. Last year, the state government had increased prices by 3.3% to Rs 315 a quintal. The state is expecting a 12% increase in cane production this year at 213.1 million tons and a similar increase in sugar production at 12.5-13 million tons. As 51 mills out of the 121 in the state already started cane crushing.
- According to the industry body, India have contracted to export about 8 lakh tonnes of the sweetener so far to countries like Middle East and Sri Lanka. Out of the total contracted quantity, raw sugar comprises 6 lakh tonnes and the rest 2 lakh tonnes are white sugar. Industry is negotiating with various countries to boost export of sugar. China has agreed to buy and talks are on with Indonesia as well,
- Sugar Mills are quoting lower prices now on the back of poor demand as buyers have already made purchases for the festival. Increased selling pressure on domestic mills due to high sales quota for November also weighed on prices. Prices of sugar, however, are likely to rise later this month on the back of renewed demand and due to a cut in production estimate for 2018-19 (Oct-Sep) by the Indian Sugar Mills Association.
- Ministry of Commerce said on last month that India will start exporting raw sugar to China from the beginning of next year. This step will help to bridge the trade deficit with neighboring countries. In a statement, the ministry said, An agreement has been made for the export of 15,000 tonnes of raw sugar between the Indian Sugar Mill Association (ISMA) and the Chinese government's public sector undertaking, Kauffo. It has been reported that China plans to import 2 million tonnes of raw sugar from the beginning of next year.

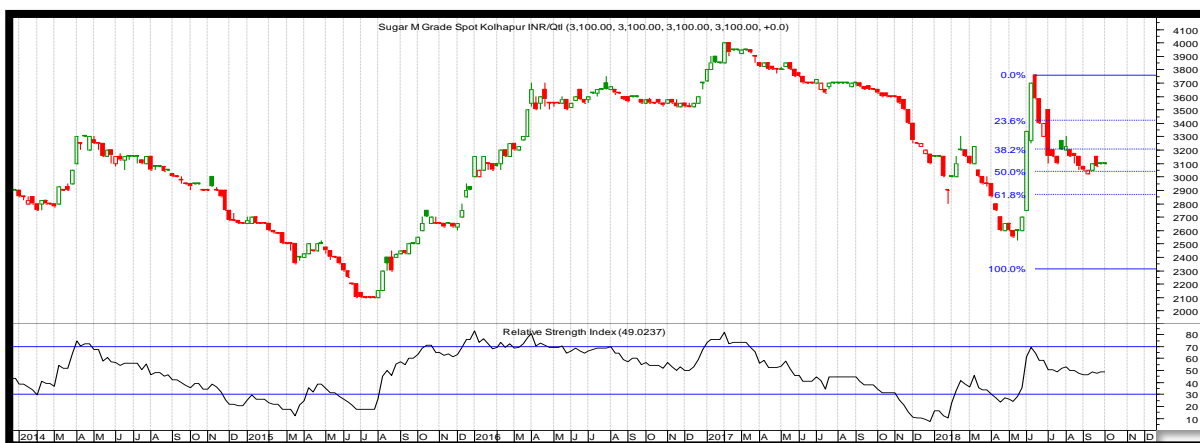
- *About 10 sugar mills have started crushing operations in UP and another seven-eight are likely to start this week. The government is confident that by mid-November, a majority of the state's 119 mills would be operational, including 94 private mills, 24 cooperatives and one sugar corporation plant. When UP had clocked sugar production of over 12 million tonnes (mt) with farmers' payables touching Rs 354 billion.*
- *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.*

Fundamental summary:

Price Drivers	Impact
<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>	Bullish
<i>After announcement of the export incentives for sugar millers in the country & Festive demand</i>	Bullish
<i>Higher cane acreage for 2018-19</i>	Bearish
<i>Tightening of restriction on monthly sales</i>	Bullish
<i>MSP at Mill gate fixed at Rs 2900/ Qtl for refined Sugar</i>	Bullish
<i>Announcement for creation of 3 mn tonnes of buffer stock</i>	Bullish

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

- *Sugar spot prices at benchmark Kolhapur market closed at Rs 3050 quintal this month.*
- *Next resistance and support level for the coming month has been seen at Rs 3200 and Rs 2900 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 Rs2740 /quintal this month
- Next resistance and support level for the coming month has been seen at Rs 3200 and Rs 2700 per quintal respectively.



Technical Analysis (Future Market)


Strategy: wait							
Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Oct	2800	2900	3004	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)								
	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	321	320	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	362.09	418.09	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	359.09	415.09	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	99.09	152.09	121.49	227.59	193.31	154.6
								7

Source: Agriwatch and ISMA

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

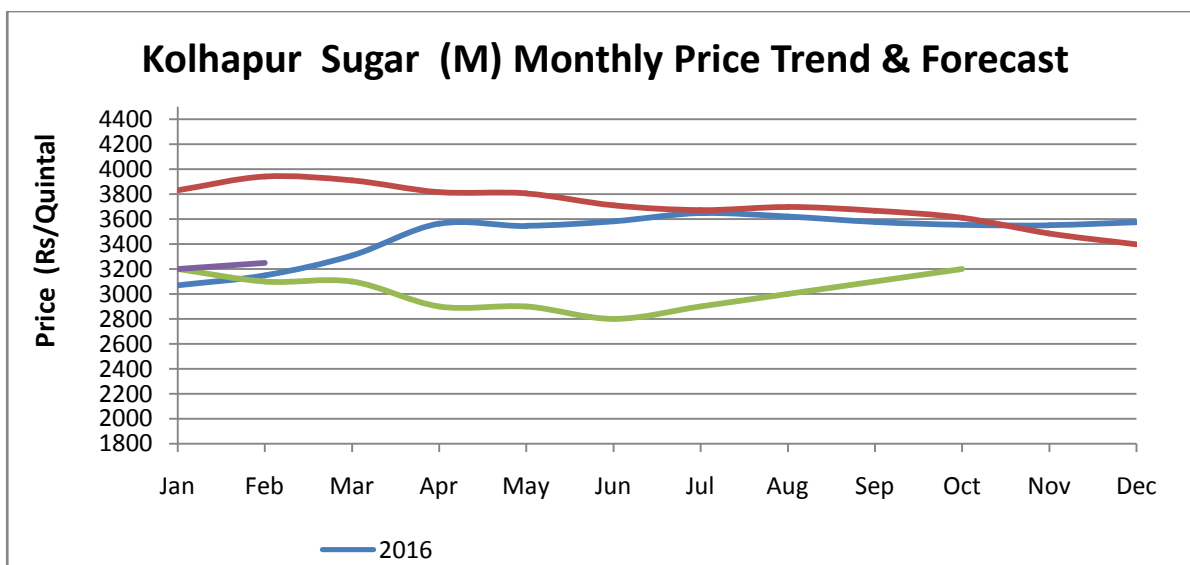
As per the Agriwatch latest estimate, India's sugar production is expected to be 320 LT in 2018/19 then 321 last year. A couple of major cane growing regions of Maharashtra, including Marthawada, had poor rainfall this season. And mild white grub infestation has been reported in States of Karnataka and 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 (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 300 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	2900-3250
	Feb	3100-3250



International Market Highlights

- *Sugar mills in Brazil's North/Northeast (NNE) region produced 981,103 tonnes of sugar in the 2018/19 crush as of November 1, up 28.1% from 765,989 at the same time a year ago, AgMin data showed.*
- *The US Department of Agriculture (USDA) has increased its sugar production estimate for 2017/18 (Oct/Sep) by 44,294 short tons, raw value, to 9.293 mln based on stronger-than-expected production in the month of September for both beet sugar and cane sugar.*
- *Indonesia is keen to buy sugar from India however it wants import duty to be reduced by 45% and 5% on Refined Palm-oil and sweetener respectively by Indian government. India is one the second biggest sugar producer of the World and continue trying to export surplus sugar so that it can help sugar mills to reduce its stockpiles. Currently, Indonesia is in view that the Comprehensive Economic Cooperation Agreement (CECA) between India and Malaysia will come into effect from January next year that provides for a preferential import duty of 45 per cent on refined oil as opposed to 50 per cent duty under the India-ASEAN FTA further easy trading. Currently, India has imposed import duty of 100% on Sugar. India has produced 32.5 MT of sugar in 2017-18 marketing year (October-September). The government of India has advised to sugar millers to export 5MT of sugar this year ensuring to help needy financial sources. The country has shipped total 8,00,000 tonnes the Sweetener.*
- *As per sources, China may explore to imports sugar from India in next month. If import deals will set with the government, prices may get support to rise in expectation of bulk buying quantity of sugar from China, Thailand and Malaysia. However, China is not in view for bulk buying quantities as it don't want to stockpile the sugar.*
- *According to the Indian Sugar Mills Association, total sugar stocks of India are likely to increase during the 2018/19 season despite an expected dip in production to 31.5 million tonnes from the previous season's 32.5 million tonnes. Indian sugar consumption may stand near 26 million tonnes and exports figure is likely to touch the target of 5 million as a result stocks may reach to 11.2 million tonnes from 10.7 million. The average price of cane in India was \$42.30 per tonne in the 2017/18 season, compared with \$24.06 in Australia, \$25.11 in Brazil and \$27.45 in Thailand. India is offering higher sugar prices to its farmers.*
- *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.*

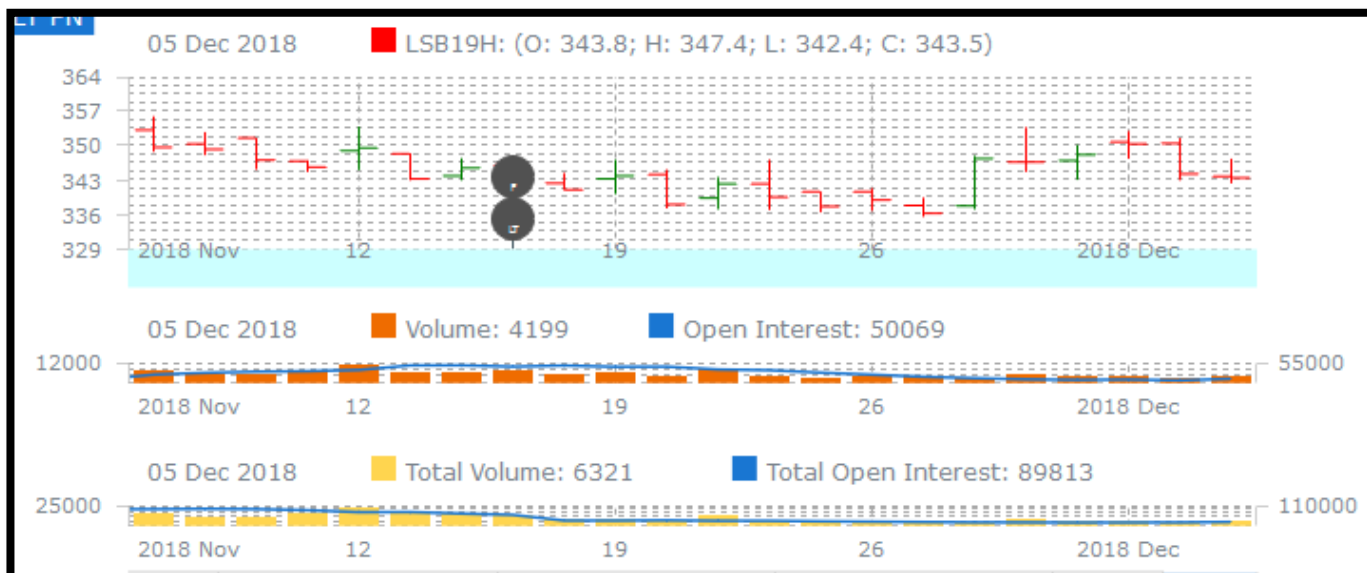
International Sugar Futures Price Projection

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

Technical Commentary

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

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Dec'18	343.5	340-350

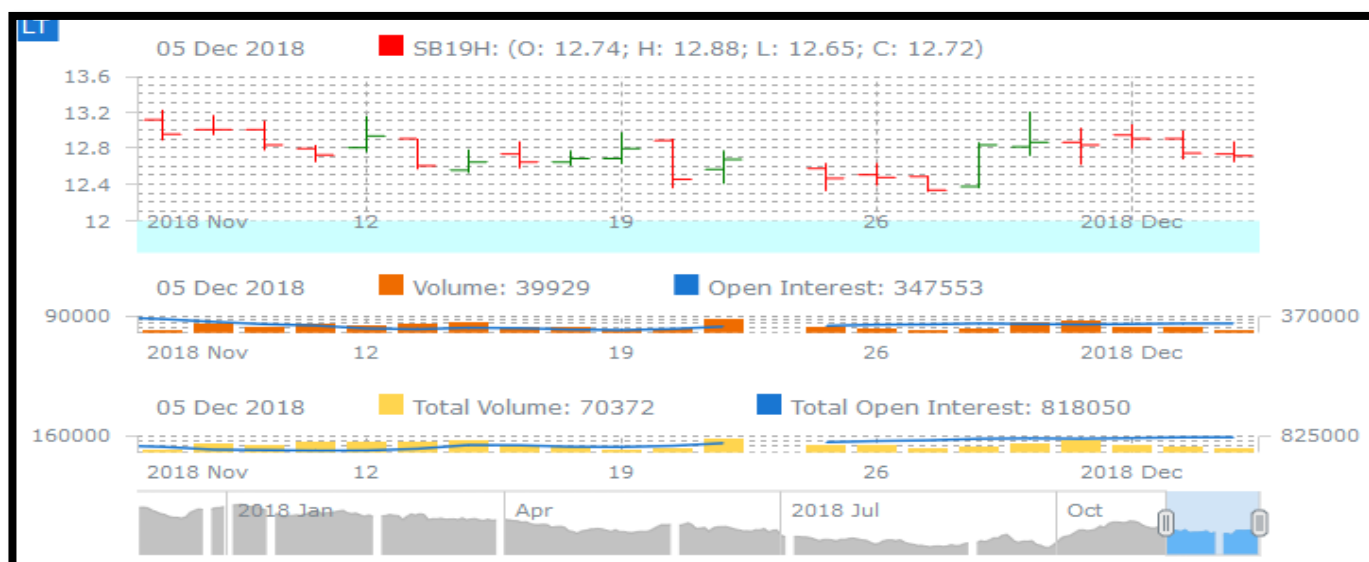


ICE (Raw Sugar Exchange) Future Market Scenario (Mar'18 Contract)

Technical Commentary:

- ICE raw sugar futures trend downward for the month.
- Last candlestick depicts bearishness in the market. Strategy: sell at 13.00 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	12.72	12-15


Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qt)		Change
Sugar			Nov-18	Oct-18	
Delhi	Delhi	M-Grade	3039	3208	-169
	Delhi	S-Grade	3019	3188	-169
Uttar Pradesh	Khatauli	M-Grade	3245	3422	-177
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3110	3231	-121
	Dhampur	S-Grade Ex-Mill	3090	3211	-121
	Dhampur	L-Grade Ex-Mill	3160	3281	-121
Maharashtra	Mumbai	M-Grade	3333	3386	-53
	Mumbai	S-Grade	3143	3215	-72
	Nagpur	M-Grade	3112	3235	-123
	Nagpur	S-Grade	3043	3135	-92
	Kolhapur	M-Grade	2987	3110	-123
	Kolhapur	S-Grade	2918	3010	-92
Assam	Guhawati	S-Grade	3226	3319	-93
Meghalaya	Shillong	S-Grade	3238	3330	-92
Andhra Pradesh	Vijayawada	M-Grade	3551	3600	-49
	Vijayawada	S-Grade	3491	3540	-49
West Bengal	Kolkata	M-Grade	3580	3589	-9
Tamil Nadu	Chennai	S-Grade	3177	3258	-81
	Dindigul	M-Grade	3522	3553	-31
	Coimbatore	M-Grade	3582	3610	-28

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)			Nov-18	Oct-18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2739	NA	-
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	2443	NA	-
	Muzaffarnagar	Laddoo (Fresh)	2697	NA	-
	Muzaffarnagar	Rascut (Fresh)	2091	3242	-1151
	Hapur	Chaurasa	2267	2750	-483
	Hapur	Balti	2250	NA	-
Andhra Pradesh	Chittur	Gold	3916	3304	612
		White	3656	3526	130
		Black	3020	3415	-395
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4250	4270	-20
	Belgaum	Mudde (Average)	3226	3021	205
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	2937	3036	-99
	Gulbarga	Other (Average)	3467	3227	240
	Mahalingapura	Penti (Average)	3133	3127	6
	Mandya	Achhu (Medium)	3040	3155	-115
	Mandya	Kurikatu (Medium)	2937	3015	-78
	Mandya	Other (Medium)	2865	2921	-56
	Mandya	Yellow (Medium)	3063	3188	-125
	Shimoga	Achhu (Average)	3446	3573	-127

International Sugar Prices (Monthly)				
	Contract Month	Nov 18	Oct 18	Change
ICE Sugar #11 (US Cent/lb)	19-Mar	12.84	13.54	-0.70
	19-May	12.95	13.19	-0.24
	19-Jul	13.30	13.3	Unch
LIFFE Sugar (US \$/MT)	18-Dec	365.70	363.8	1.90
	19-May	352.10	367.4	-15.30
	19-Mar	348.20	355.7	-7.50



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 © 2018 Indian Agribusiness Systems Ltd.