

### Price Outlook:

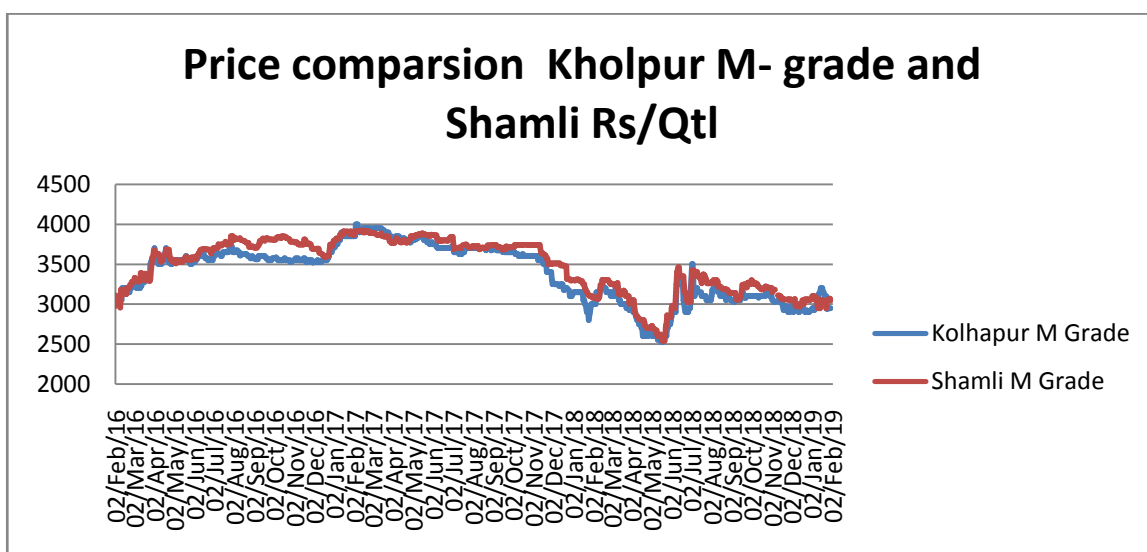
**Indian Sugar markets were slightly firm during last month.** We expect sugar prices may trade lower as good physical supplies from mills are continuing in the physical market. Prices will be supportive in coming months due to the expectation of weak cane crush this season in the key producing states of UP, Maharashtra and Karnataka. After demanding the UP and Maharashtra sugar mills on extra sales quota the government has released 21.00 Lakh MT of sugar for Feb higher than the previous month.

### 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 Sugar Market Summary:

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3037 per quintal Jan month gaining INR 105 from the previous month; while spot sugar prices for the same grade in Shamli district is 3040 per quintal at the end of last month, Gaining 16 INR against previous month's average price.



### Bullish and Bearish factors for Domestic sugar:

Factors	Impact
2018-19 SS Production is estimated to be lower considering the adverse impact of weather and rainfall in the three largest sugarcane producing States.	Bullish
After announcement of the export incentives for sugar millers in the country & Announcement for creation of 3 mn tonnes of buffer stock	Bullish
Higher cane acreage for 2018-19	Bearish
Tightening of restriction on monthly sales	Bullish

### **Domestic Market Highlights**

#### **Recent Updates:**

**Sugar production has increased by 8 percent as on January 31, 2019, to 185.19 lakh tonne** during the current sugar season (SS), against 171.23 tonne in the year-ago period. However, considering the trend of yields, recoveries and as well as the diversion of some 'B' heavy molasses to ethanol, sugar production in the current season is ISMA estimated to be 307 lakh tonne, a 5-6 percent lower than the 325-lakh tonne output in the previous season,

**Cane price arrears across the country had reached about Rs 20,000 crore** at the end of January 2019. Considering the pace of crushing in the remaining three peak months of current SS and if the current average all India domestic ex-mill price remains at Rs 29-30 per kilo, millers might not be able to clear the dues on time. Further sugar exports were also not happening at the desired pace. Several mills are either not voluntarily willing to export sugar against their allocated export quotas or do not find it viable enough to do so. Therefore, to ensure that all mills fulfil their allocated export quotas, the government should enforce the quotas.

**Production, as on January 31, 2019, in Maharashtra, this season, sugar production had been 70.70 lakh tonne** so far, against 63.08 lakh tonne produced last year in the same period. There were 191 mills operating as against 182 mills in the same period last year. The production in Maharashtra this year is expected to be less than actual production of last year.

**In Uttar Pradesh, 117 mills were in operation and had produced 53.36 lakh tonne till January 31,** against 53.98 lakh tonne produced by 119 mills till the corresponding date of last year. Sugar recovery achieved this season is 0.81 percent higher than what was achieved last year. In Karnataka, 65 mills have produced 33.40 lakh tonne, against 26.78 lakh tonne produced by 58 mills last year in the same period. In Tamil Nadu, 29 sugar mills commenced their crushing operations so far for the current SS and had produced 3.10 lakh tonne, against 2.12 lakh tonne by 30 mills in 2017-18 SS on the corresponding date.

**Sugar millers in India are urging the government to increase the benchmark price of the commodity to help them pay off about \$2.7 billion they owe to farmers.** The Indian Sugar Mills Association sent a letter to the government asking for the minimum selling price to be raised to Rs 35-36 (\$0.49-\$0.51) a kilogram at factory gates from Rs 29 currently.

**According to a report published in TimesofIndia.com, 36 sugar factories in Kolhapur and Sangli district have deposited Rs 2,207 crore in the bank accounts of farmers.** The factories in two districts still owe Rs 1,207 crore to the farmers. Total amount payable to farmers in Kolhapur and Sangli

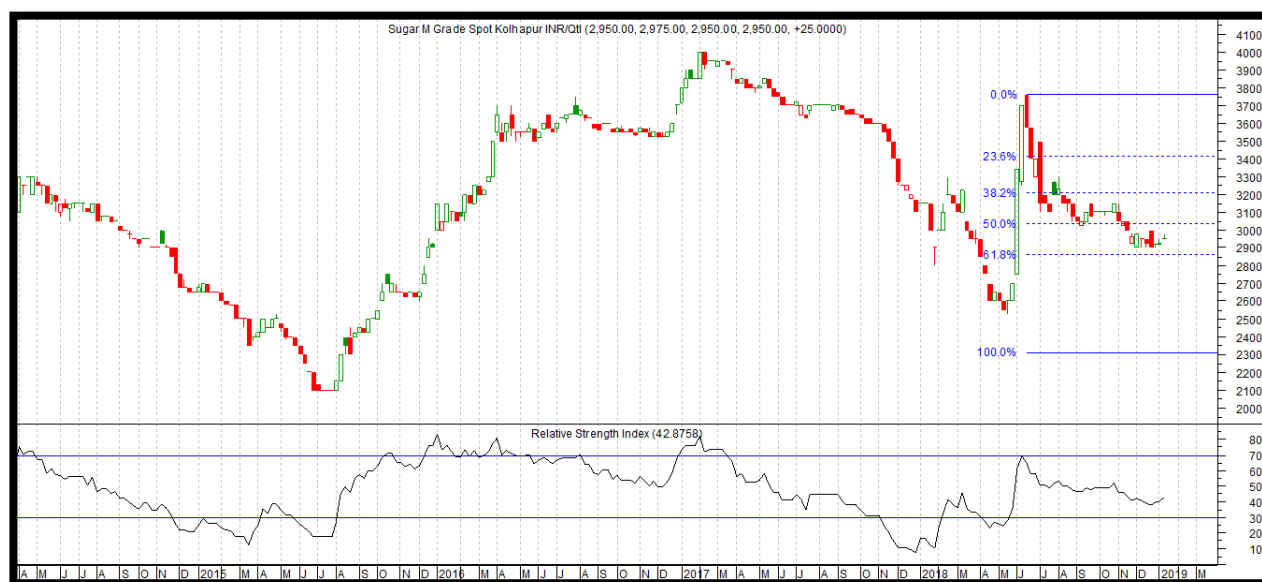
district is Rs 3,114 crore till January 31. It has been almost three months of crushing commencement, and still many mills have yet not paid the first installment. The rule mandates that FRP amount should be deposited to the farmers' bank accounts within 14 days after the sugarcane harvest is handed over to the factory owners.

**Indian Sugar Mills Association (ISMA) has lowered India's 2018-19 sugar production estimate by 2.5% to 307 lakh tonnes from first advance estimate of 315 lakh tonnes issued in October 2018.**

ISMA has procured the satellite images of cane area already harvested and remaining unharvested area in the fields, across the country during mid-season i.e. in the second week of January 2019. On the basis of these images of harvested and balance area, trend of yields and sugar recoveries achieved till now as also expected yield/sugar recovery in the balance period of the sugar season, sugar production in the current season is estimated to be around 307 lakh tonnes, against the first advance estimates of 315 lakh tonnes released by ISMA in October 2018. This is after considering estimated diversion of 5 lakh tonnes of sugar into production of ethanol through 'B' heavy molasses.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 2932 quintal this Month.
- Next resistance and support level for the coming month has been seen at Rs 3100 and Rs 2900 per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.



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

##### Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2553/quintal this month
- Next resistance and support level for the coming month has been seen at Rs 3400 and Rs 2500 per quintal respectively.



### Domestic Sugar Market Technical Analysis (Future Market)

Commodity: Sugar

Exchange: NCDEX

Contract: Sugar 1 M Con (Dec)



Strategy: Wait

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Dec	2850	2900	2989	3200	3250
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Dec	Wait				

\* Do not carry-forward the position next day

**Technical Commentary:**

- There is no trade volume in near month future contract. Market participants are advised to wait until trade in volume starts.
- In the daily chart the prices has gained but there is no bullish reversal pattern has evolved.
- Seems that the prices are to consolidate in the range with good probability of touching the recent lows again.
- RSI showing some strength with prices remaining below 9 and 18 days EMA.

**Sugar Domestic Balance Sheet**

SUGAR BALNCE SHEET 2018-19(LT)	2016-17	2017-18	2018-19	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	77	34.1	67.95	67.95	87.35	183.85	143.57
Estimated sugar production	202.85	321	320	98.2	160.2	44.42	17.18
Imports	4.46	2.85	0	0	0	0	0
Estimated sugar availability (A + B + C)	284.31	357.95	387.95	166.15	247.55	228.27	160.75
Exports	4.6	30	30	3	10	7	10
Availability for domestic consumption (D - E)	279.71	327.95	357.95	163.15	237.55	221.27	150.75
Estimates sugar consumption	245.61	260	263	75.8	53.7	77.7	55.8
Carry out stock (F - G)	34.1	67.95	94.95	87.35	183.85	143.57	94.95

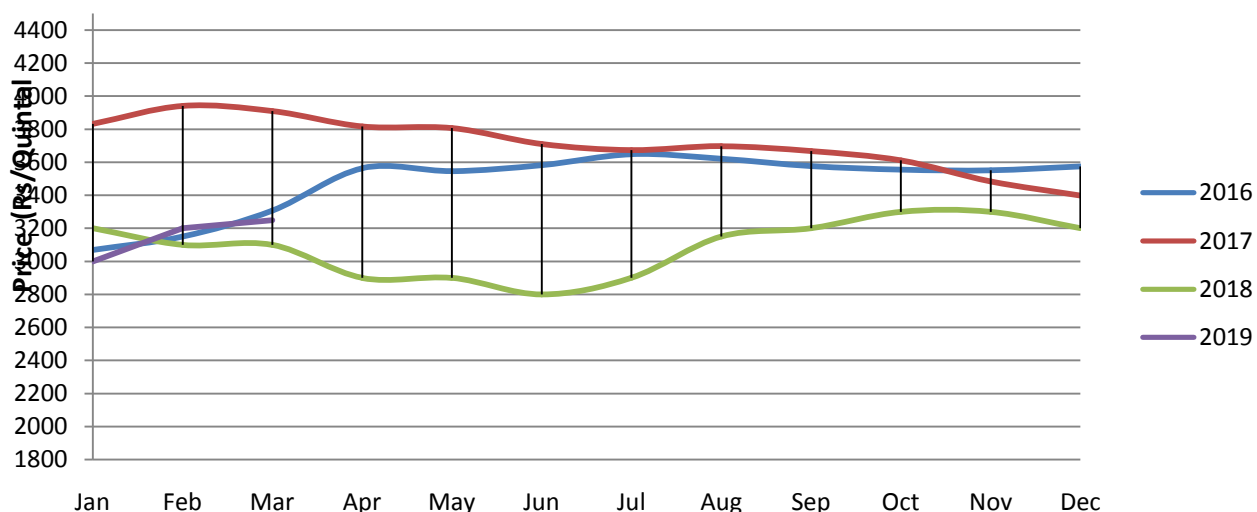
Source: Agriwatch and ISMA

- **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 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 30 LT in 2018-19.

**Domestic Sugar (M- grade) Price Projection for next month**

Pariculars	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	3100-3000
	Mar	3100-3350

### Kolhapur Sugar (M) Monthly Price Trend & Forecast



#### International Sugar Market Summary:

Both markets moved higher during month. The weekly charts in both markets show mixed trends and the market appears to be searching for a direction at this time. Petroleum futures appear to have made some short-term lows at this time, and petroleum futures strength seems to be helping change the tone in Sugar. Brazil has been using a majority of its Sugarcane harvest to produce ethanol this year instead of Sugar.

#### Bullish and Bearish factors for International sugar:

Factors	Impact
Brazil 2018/19 ethanol production estimate to a record 32.2 bln liters (+18.6% y/y), citing the action by Brazil's sugar millers to divert less cane juice to produce sugar.	Bullish
ISO's forecast that global 2018/19 sugar production will rise +0.6% y/y to a record 185.2 MMT and that there will be a 2018/19 sugar surplus of 2.2 MMT (vs 2017/18's 7.3 MMT),.	Bearish
Concern about smaller global production after Unica forecasted that Brazil's Center South 2018/19 sugar production will fall -28% y/y to 26 MMT	Bullish
USDA's FAS forecast for 2018/19 sugar production in India, the world's second-largest sugar producer, to climb +5.2% y/y to a record 35.87 MMT,	Bearish
The recent plunge in crude oil prices to a 17-month low, which is negative for ethanol prices and may prompt Brazil's sugar mills to divert less cane to making ethanol,	Bearish

### International Market Highlights:

**March NY world sugar #11 (SBH19) on Tuesday closed down -0.03 (-0.23%) and March ICE London white sugar (SWH19) closed up +1.90 (+0.56%).** Sugar prices were undercut Tuesday by an updated weather forecast from Somar Meteorologia calling for rain this week in south to central Brazil. Mar NY sugar earlier posted a 1-week high in overnight trading on concern about dry conditions in Brazil's Center-South, its largest sugar-producing region. Mar ICE London sugar closed higher Tuesday on fund short-covering due to the roll of Mar contracts to May as Mar London sugar's last trading day is next Wednesday.

**Unica reported that In the season from April 1 through Jan. 16, the mills crushed 562.7 million tons of cane,** down 3.6% from the same period a year earlier. Sugar production fell nearly 27% to 26.4 million tons, and ethanol output rose almost 20% to 30.2 billion liters. The production mix for the season through Jan. 16 was 35.5% sugar to 64.5% ethanol. A year earlier, the mix was 46.9% sugar and 53.1% ethanol.

**Thailand has crushed 45.1 million tons of Sugarcane this year, from 34.6 million last year.** It has produced 4.5 million tons of Sugar, from 3.4 million tons last year. Dry conditions continue in northern Brazil and there are frequent rains in Rio Grande do Sul. Very good conditions are reported in Thailand, but the next production could be less as farmers might switch to other crops due to low prices for Sugarcane.

**EU members exported 133,000 tonnes of sugar in November 2018, down from 267,000 in October** and sharply below 324,000 in the same month last year, according to the European Commission.

**Mexico produced 225,000 tonnes of sugar,** tel quel, in the week to December 29, up from 221,000 in the corresponding week last year, official data showed.

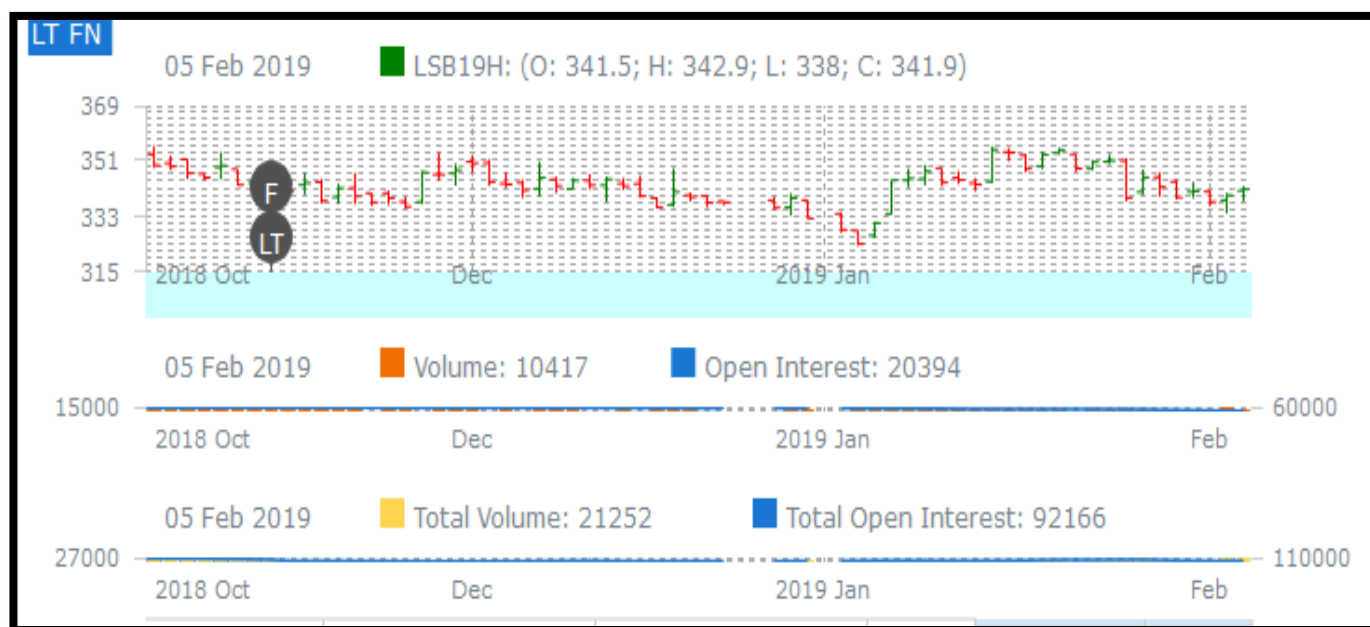
### International Sugar Futures Price Projection

#### LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Mar 19 Contract) Technical Commentary

- LIFFE future market trends firm for the month.
- Last candlestick of the month depicts bullishness in the market.
- Strategy: sell below 345, T1 340

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Mar'19	341	335-342



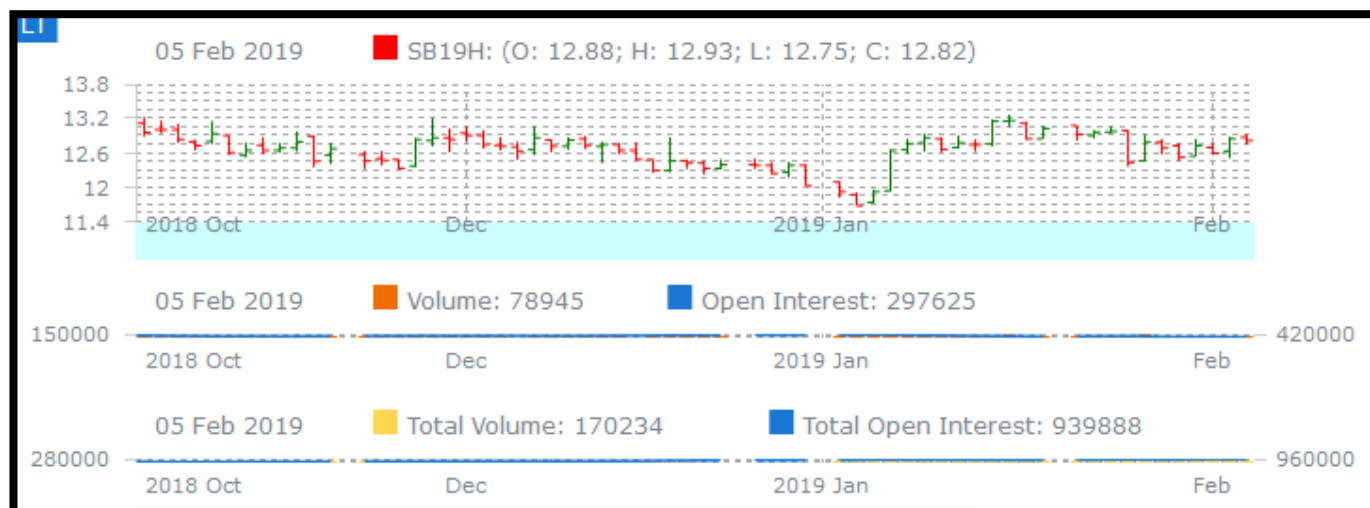


### ICE (Raw Sugar Exchange) Future Market Scenario (Mar'19 Contract)

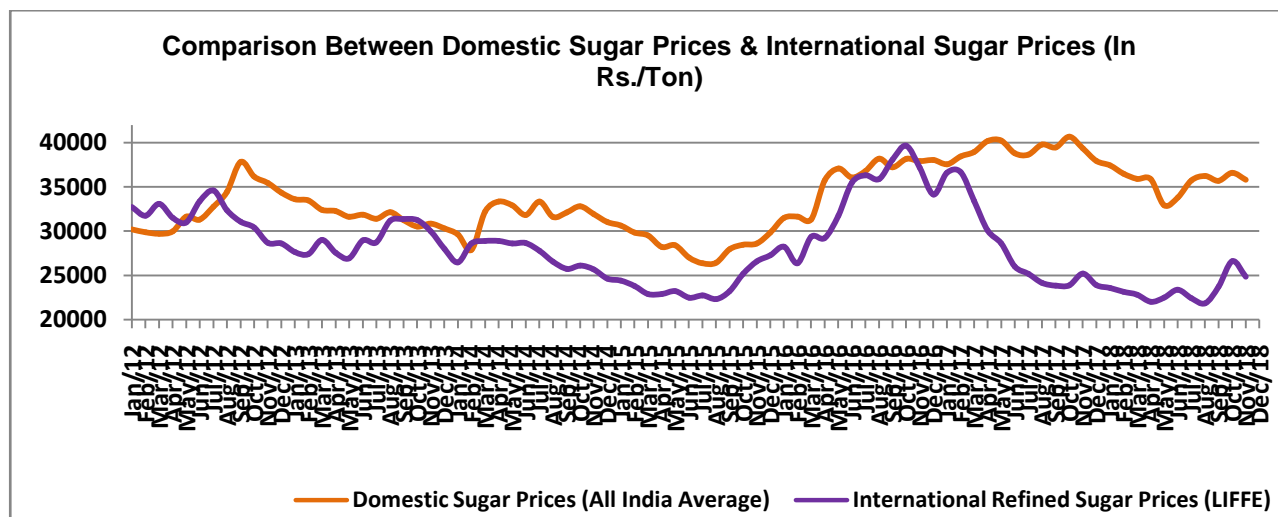
#### Technical Commentary:

- ICE raw sugar futures trend upward for the month.
- Last candlestick of the month depicts bullishness in the market. Strategy: Buy at 12.90 Targeting 14.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'19	12.82	11-14





**Comparison of Indian Sugar Prices (All India Average) and International Refined Sugar Prices (LIFFE)**


Source: USDA and Agmark.net

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

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs./Qtl)		Change
Sugar			Jan,19	Dec,18	
Delhi	Delhi	M-Grade	3064	2974	90
	Delhi	S-Grade	3044	3129	-85
Uttar Pradesh	Khatauli	M-Grade	3300	3131	169
	Ramala	M-Grade	0	448	-448
	Dhampur	M-Grade Ex-Mill	3075	2998	77
	Dhampur	S-Grade Ex-Mill	3055	2984	71
	Dhampur	L-Grade Ex-Mill	3125	3054	71
Maharashtra	Mumbai	M-Grade	3200	3269	-69
	Mumbai	S-Grade	3092	3101	-9
	Nagpur	M-Grade	3150	3059	91
	Nagpur	S-Grade	3050	2909	141
	Kolhapur	M-Grade	3025	2983	42
	Kolhapur	S-Grade	2925	2917	8
Assam	Guhawati	S-Grade	3233	3213	20
Meghalaya	Shillong	S-Grade	3245	3226	19
Andhra Pradesh	Vijayawada	M-Grade	3440	3460	-20
	Vijayawada	S-Grade	3400	3427	-27
West Bengal	Kolkata	M-Grade	3530	3428	102
Tamil Nadu	Chennai	S-Grade	3150	3076	74

	Dindigul	M-Grade	0	3381	-3381
	Coimbatore	M-Grade	0	3383	-3383
Chattisgarh	Ambikapur	M-Grade (Without Duty)	0	3461	-3461

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)			Jan,19	Dec,18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2475	2352	123
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	6000	150000	-144000
	Muzaffarnagar	Khurpa (Fresh)	2263	2143	120
	Muzaffarnagar	Laddoo (Fresh)	2528	2494	34
	Muzaffarnagar	Rascut (Fresh)	2075	1890	185
	Hapur	Chaurasa	2175	1982	193
	Hapur	Balti	2163	2008	155
Andhra Pradesh	Chittur	Gold	Closed	4004	-
		White	Closed	3748	-
		Black	Closed	3394	-
Maharashtra	Latur	Lal Variety	0	0	Unch
Karnataka	Bangalore	Mudde (Average)	4150	4195	-45
	Belgaum	Mudde (Average)	3200	3218	-18
	Belthangadi	Yellow (Average)	0	0	Unch
	Bijapur	Achhu	2350	2809	-459
	Gulbarga	Other (Average)	3050	3193	-143
	Mahalingapura	Penti (Average)	3024	2998	26
	Mandya	Achhu (Medium)	2700	2752	-52
	Mandya	Kurikatu (Medium)	2600	2581	19
	Mandya	Other (Medium)	2600	2598	2
	Mandya	Yellow (Medium)	2750	2803	-53
	Shimoga	Achhu (Average)	3200	3186	14

International Sugar Prices (Monthly)				
	Contract Month	31-Jan-19	31-Dec-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	12.73	12.53	0.20
	19-Mar	12.81	12.03	0.78
	19-May	13.01	12.1	0.91
LIFFE Sugar (US \$/MT)	18-Oct	341.30	346.1	-4.80
	19-Dec	352.80	351.7	1.10
	19-Mar	358.80	332.5	26.30

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