

Price Outlook:

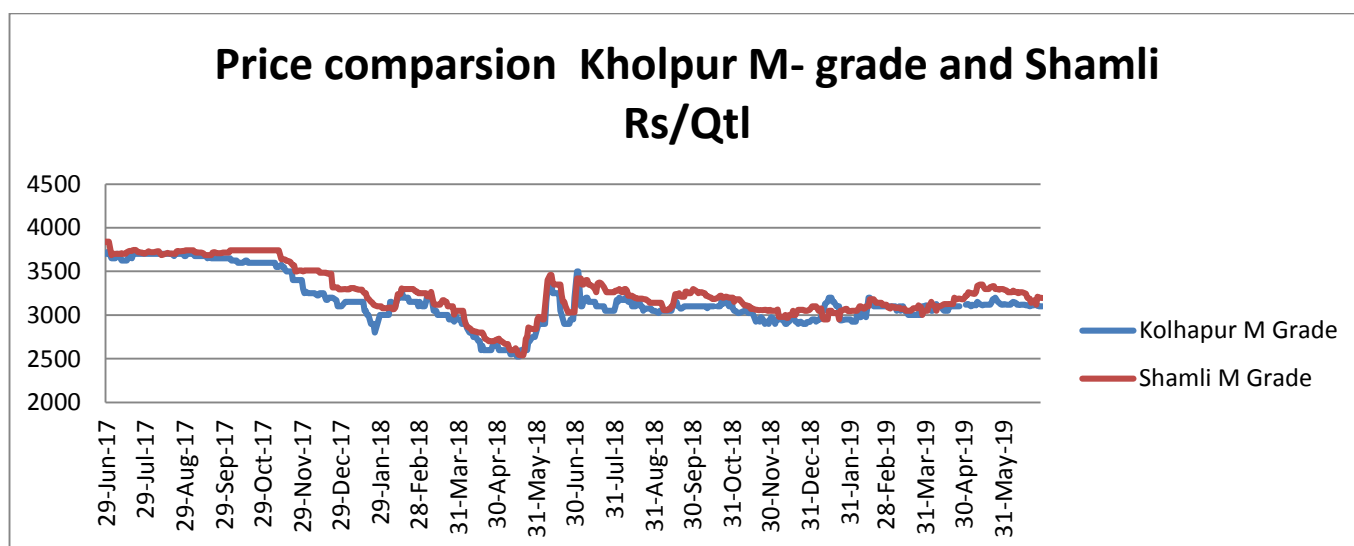
Indian Sugar markets were weaker in June compared to previous month. We expect sugar prices may trade steady in July month due to lower demand in domestic market and lower export demand due to higher domestic prices surplus production at global level. Sales quota announced for June month fixed at 20.5 LT although this month sales quota is slightly lower than June (21.5LT) as the consumption would be less compared to earlier month due to arrival of monsoon.

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 3100–Rs 3200 per quintal for May month.

Domestic Sugar Market Summary:

However, the average price for sugar 'M' grade in key Kolhapur market settled at Rs.3117.70 per quintal in June month down by INR 12.68 from the previous month; while spot sugar prices for the same grade in Shamli district is 3227.29 per quintal at the end of June month, down by 64 INR against previous month's average price Rs. 3291.29.



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 5 mln tonnes of buffer stock	Bullish
Higher cane acreage for 2019-20	Bearish
Tightening of restriction on monthly sales	Bullish

Domestic Market Highlights

Recent Updates:

The food ministry has allocated July month's sales quota at 20.5 LT to each 534 mills in India lower than 21.5 LT in previous month. Due to unsold stocks in the previous month and due to the possibility of less demand in July because of arrival of monsoon, less sales quota has been decided for this month.

Kisan Cooperative Sugar Mill from Uttar Pradesh has got permission from Central government to export 59,000 quintals sugar to Sri Lanka. The government is planning over framing new sugar export policy to reduce surplus and address the concerns of the glut in sugar industry.

Kharif sowing of sugarcane crop was delayed in key growing states like Maharashtra, Karnataka. The total Kharif planting reached 49.81 lakh hectare as on 28th June'19 down by 1.46 lakh ha compared to previous year (50.68 lakh ha) in 2018-19 season. It is expected to pick up the pace due to onset of monsoon in major growing states and the revival of standing sugarcane crop is now on positive side.

Export demand for sugar has been decreasing since last month, exporting around 31LT till May'19. Exports are expected to reach upto 33-35LT till the end of this season (2018-19 SS). Domestic sugar prices are dwindling at or below MSP due to lack of demand against the huge stacks of sugar piles.

ISMA estimates production of about 282 lakh tons of sugar in the season 2019-20, which is about 47 lakh tonnes lower than the current 2018-19 SS production of around 329.5 lakh tonnes, down 14.26%. Uttar Pradesh is estimated to have sugarcane area at 23.60 lakh ha, as against 24.11 lakh ha in 2018-19.

According to Agriwatch, Maharashtra's cane area has estimated down by about 25% to 8.08 lakh ha for 2019-20 SS, due to poor rainfall from September'18 onwards and lack of pre-monsoon rainfall, followed by low reservoir levels, which adversely affected sowing of Adsali crop. Sugarcane area in Karnataka has also decreased for 2019-20 sugar season to be about 3.8 lakh ha as against 4.27 lakh ha in 2018-19, which is lower by about 10%. Sugarcane area in Tamil Nadu for 2019-20 has also decreased to about 2.28 lakh hectare as against 2.60 lakh hectare in 2018-19 SS.

As Indian government is encouraging mills to divert to ethanol from sugar production, as on 17th June'19, ethanol blending has increased around 10 times to 6.2% as compared to 0.67% in 2012-13 and 4.22% in 2017-18. The government plans to achieve 10% blending of ethanol in petrol by 2022 to boost agriculture sector, creating independency on energy imports and promoting the use of environment friendly fuel.

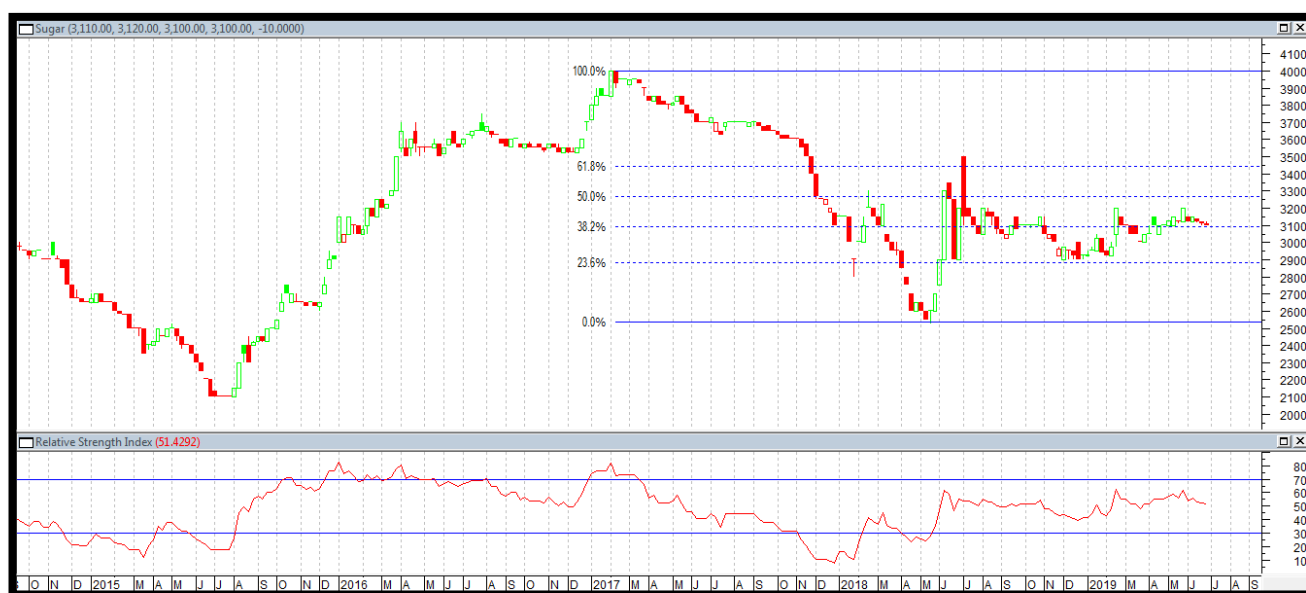
Sugarcane production and yield is likely to decrease in the coming season 2019-20 in major states Maharashtra and Karnataka due to low moisture availability and absence of pre-monsoon rains. Maharashtra is prevailing from drought with around 40% of the state drought –prone.

The Indian government has approved to give the financial assistance to sugar mills for enhancement and augmentation of ethanol production capacity. Among all states, maximum number of mills under the scheme are covered in Maharashtra (30) followed Karnataka (12) and UP (6). The incentives on ethanol diversion will help the sugar industry to liquidate the stock piles in every state.

According to ISMA, this year sugar production is expected to reach 328 LT, 2 LT down from previous estimate. Sugar exports are expected to increase by 5 LT totalling to 35 LT this year. The officials have requested the government to make urgent proposals for sugar export to China. China being the neighbouring country is importing sugar from Brazil and Philippines.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs3100 quintal this week.
- Next resistance and support level for the coming week is expected at Rs 3250 and Rs3100 per quintal respectively.
- RSI is in the neutral region.



Technical Analysis - ChakuSukha-gur(fresh) at Spot (Muzaffarnagar)market. Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market were steady as there were no arrivals in the market.
- The new arrivals will start after October,2019.



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	81.7	81.7	101.1	197.6	157.32
Estimated sugar production	202.85	321	328	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	409.7	179.9	261.3	242.02	174.5
Exports	4.6	16.25	30	3	10	7	10
Availability for domestic consumption (D - E)	279.71	341.7	379.7	176.9	251.3	235.02	164.5
Estimates sugar consumption	245.61	260	263	75.8	53.7	77.7	55.8
Carry out stock (F - G)	34.1	81.7	116.7	101.1	197.6	157.32	108.7

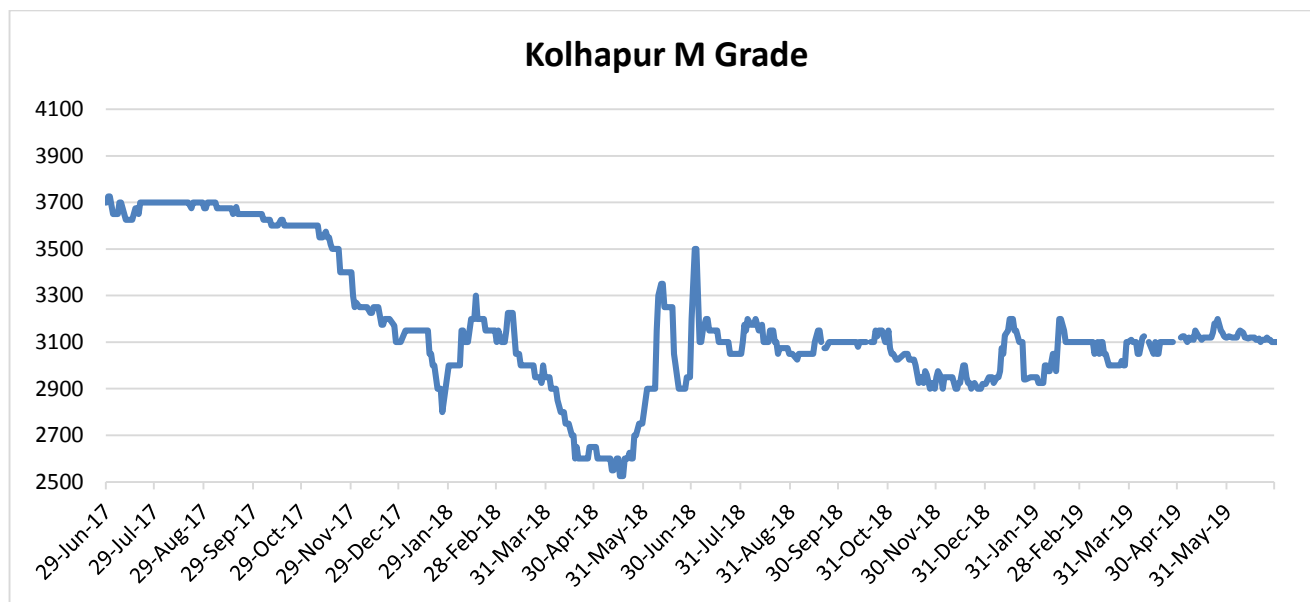
Source: Agriwatch and ISMA

- **Note:** Indian sugar marketing year begins from October – September.
- As per the Agriwatch latest estimate, India's sugar production is expected to be higher at 328 LT in 2018/19 then 321 last year. Although couple of major cane growing regions of Maharashtra, including Marthawada, had poor rainfall this season and mild white grub infestation has been reported in some states but due to higher recovery this year in both North and South India the production is expected to be higher. Apart from that, cane yield and sugar recovery are expected to be 11.5% in U.P and 11.14% in Maharashtra.
- 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 30 LT in 2018-19.

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

Pariculars	Month	(Rs/Qtl)
Current Average Price	Aug'18	3120
Projected Price	Sep	2900-3200
	Oct	2900-3300
	Nov	2900-3300
	Dec	2900-3200
	Jan	2900-3250
	Feb	2900-3000

	Mar	3100-3200
	Apr	3050-3190
	May	3080-3230
	Jun	3060-3250
	July	3050-3150
	Aug	3100-3200
	Sep	3100-3250



International Sugar Market Summary:

ICE July Contract raw sugar on 3rd July closed slightly up at \$13.63 (cent/lb) as compared to \$13.49 of previous month and LIFFE Sugar on 3rd July closed down by \$320.7 MT as compared to \$325.89 MT of previous month. The sugar market may gain momentum as Brazil is focusing on diversion to ethanol instead of sugar production. Sugar prices also have support from reduced sugar output in Brazil. Brazil's 2019/20 Center-South sugar production through mid-June fell -10.4% y/y to 6.71 MMT, as mills crushed 34.04% of total cane for sugar, down from 34.96% last year, and cane crushed for ethanol production increased to 65.96% from 65.04% last year.

Bullish and Bearish factors for International sugar:

Factors	Impact
Conab projects that Brazil 2019/20 sugar production will climb by +17.4% y/y to 34.1 MMT	Bullish
The USDA estimates that global 2019/20 sugar production will climb +1% y/y to 181 MMT	Bearish
Brazil's state-owned agency Conab has pegged cane production in 2019/20 in the centre-south region at 567 mln tn, about 1% lower from a year earlier	Bullish

Brazil's production is forecast to rebound 2.5 million tons to 32.0 million, according to USDA Report	Bullish
The recent gain in crude oil prices, which is positive for ethanol prices and may prompt Brazil's sugar mills to divert more cane to making ethanol,	Bullish

International Market Highlights:

International and domestic market may remain firm in the coming season after a long phase of low prices in the sugar industry. It can be attributed that the major sugar producing countries like Brazil, India and Thailand are going to have low sugar production mostly due to diversion in ethanol and unfavourable weather conditions in India. In the latest meeting held in by ASEAN Sugar Alliance, reported that global sugar deficit of about 2.5 million tonnes in 2019-20.

May month sugar exports of Brazil stood at 17.5 LT higher than previous month which was 12.2 LT (April) due to supportive Brazilian real at 308 \$/ton. The major export destination for Brazil were Algeria, China, Saudi Arabia, UAE and Bangladesh in the current season (April'19-Mar'20) for Brazil.

Brazil expects rise in sugar and ethanol exports demand from European Union. It was announced recently that an agreement has been reached on different terms, allowing 562 million liters of ethanol to enter the EU without a tariff every year, and 250 million liters to receive lower tariffs. Also, the tariff will be zero for 180,000 tonnes of sugar imports per year. This could bring the value of annual exports from Brazil to the EU to BRL 2 billion, up from BRL 600 million in the past.

Unica reported the percentage of cane crushed for ethanol production rising to a record 65.59% from 65.55% last year and that that Brazil's Center-South May domestic ethanol sales rose +50.6% y/y to 2.86 bln liters. Unlikely, Brazil's Center-South mills sold 902 mln liters of hydrous ethanol in the domestic market in the first half of June, down -1.5% y/y. Weaker ethanol demand may encourage Brazil's mills to crush less cane for ethanol and more for sugar, thus increasing sugar supplies.

Sugar production in Brazil's main producing region in the first half of June remained below levels seen at this time in the previous season. Brazil's center-south mills produced 1.87 million tonnes of sugar, 6.1% less than the same period last season, and crushed 42.37 million tonnes of cane, slightly down from a year earlier.

Reduced US corn harvest in 2019 is giving opportunity for Brazil to divert more sugarcane towards ethanol production as prices for cane ethanol may rise in the 2019-20 season. This scenario is likely to erase global sugar surplus of the last two years. US corn prices have risen 25% due to delayed corn planting and threatened production. Ethanol prices have jumped more than 20%.

Vietnam forecasts increase in sugar prices during the coming season usually because of predicted low production of sugar reduced by 2.5 million tonnes in the coming season. Governments of Southeast Asian nations are working to keep the sugarcane industry competitive and meet consumer's demand.

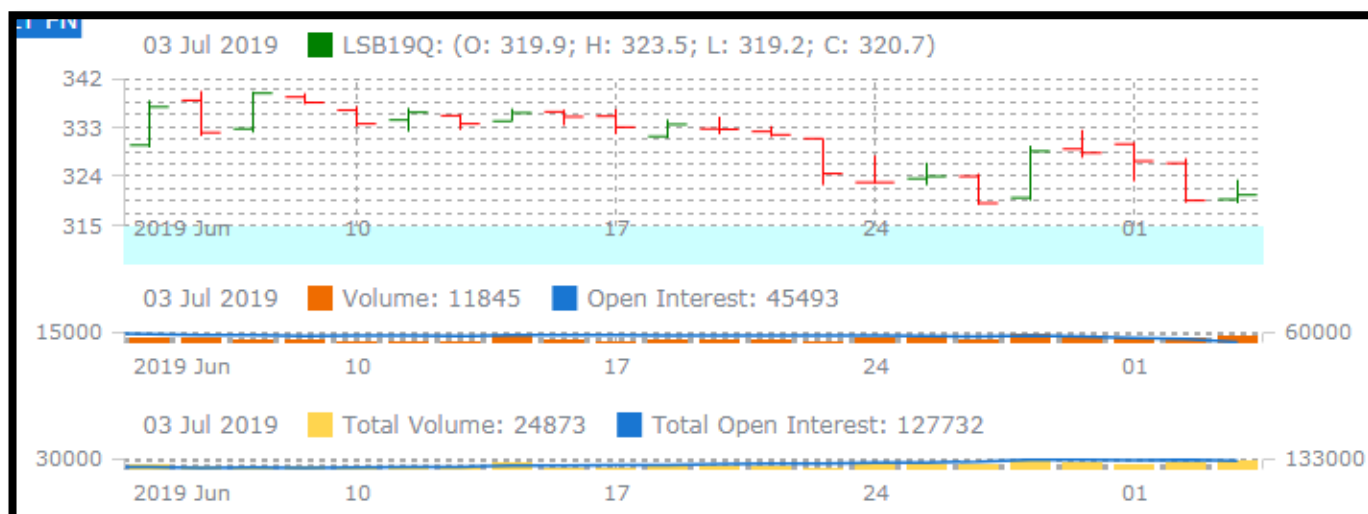
International Sugar Futures Price Projection

LIFFE (White Sugar Exchange) Future Market Sugar Scenario (AUG 19 Contract)

Technical Commentary

- LIFFE future market bullish for the month.
- Total volume and open interest has been increased over a month.
- Strategy: Buy at level 320,T1 332

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Aug'19	320.70	320-330



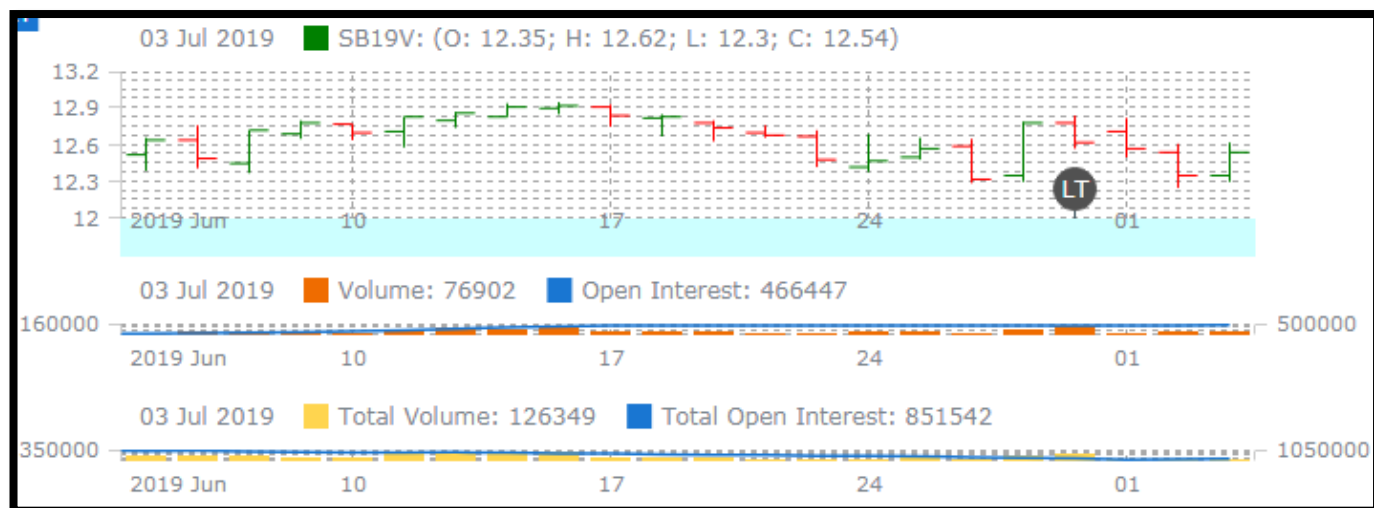
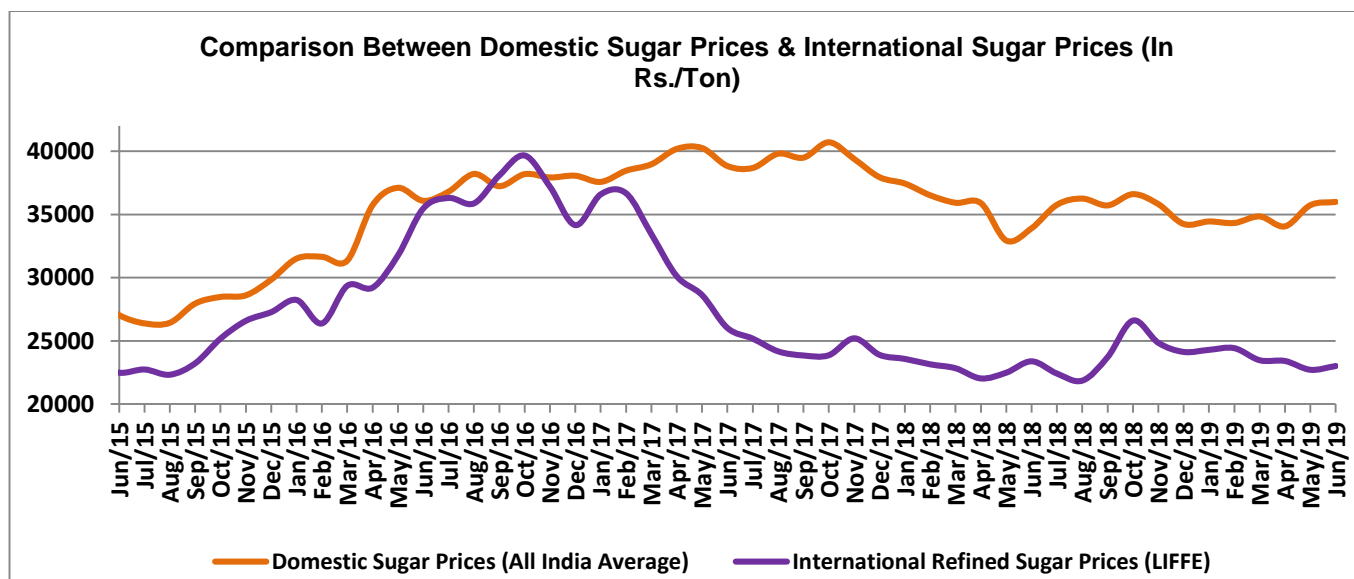
ICE (Raw Sugar Exchange) Future Market Scenario (July'19 Contract)

Technical Commentary:

- ICE raw sugar futures were firm in the month.
- Last candle stick of the week depicts buy in future market as open position is increasing. Volume increased open interest decrease.
- Strategy: Buy at rate 11.50 Targeting 13.2.

International Sugar Futures Price Projection

	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Jul'2019	12.54	12-15


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


Source: USDA and Agmark.net

Domestic Sugar Spot Prices:

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			June,19	May,19	
Delhi	Delhi	M-Grade	3248	3270	-21
	Delhi	S-Grade	3228	3250	-21
Uttar Pradesh	Khatauli	M-Grade	3376	3409	-33
	Ramala	M-Grade	0	0	Unch
	Dhampur	M-Grade Ex-Mill	3276	3263	13
	Dhampur	S-Grade Ex-Mill	3256	3243	13
	Dhampur	L-Grade Ex-Mill	3326	3313	13
Maharashtra	Mumbai	M-Grade	3340	3372	-33
	Mumbai	S-Grade	3239	3247	-7
	Nagpur	M-Grade	3243	3255	-13
	Nagpur	S-Grade	3225	3225	Unch
	Kolhapur	M-Grade	3118	3130	-13
	Kolhapur	S-Grade	3100	3100	Unch
Assam	Guhawati	S-Grade	3410	3410	0
Meghalaya	Shillong	S-Grade	3420	3420	Unch
Andhra Pradesh	Vijayawada	M-Grade	3647	3644	3
	Vijayawada	S-Grade	3587	3583	4
West Bengal	Kolkata	M-Grade	3652	3605	46
Tamil Nadu	Chennai	S-Grade	3598	3583	14
	Dindigul	M-Grade	3551	3590	-39
	Coimbatore	M-Grade	3650	3616	34
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3350	3394	-44
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)			June,19	May,19	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2996	3199	-203
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	750	3777	-3027
	Muzaffarnagar	Khurpa (Fresh)	2902	2848	54
	Muzaffarnagar	Laddoo (Fresh)	3194	3153	41
	Muzaffarnagar	Rascut (Fresh)	2772	2580	192
	Hapur	Chaurasa	2970	2884	85

	Hapur	Balti	2812	2051	761
Andhra Pradesh	Chittur	Gold	4100	3559	541
		White	3720	3393	327
		Black	2818	3030	-212
Maharashtra	Latur	Lal Variety	0	0	Unch
Karnataka	Bangalore	Mudde (Average)	4305	4350	-45
	Belgaum	Mudde (Average)	2843	2783	61
	Belthangadi	Yellow (Average)	0	0	Unch
	Bijapur	Achhu	2966	3009	-43
	Gulbarga	Other (Average)	3172	2769	403
	Mahalingapura	Penti (Average)	3035	3124	-89
	Mandya	Achhu (Medium)	3050	3446	-396
	Mandya	Kurikatu (Medium)	2859	3260	-401
	Mandya	Other (Medium)	2891	3234	-343
	Mandya	Yellow (Medium)	3091	3365	-274
	Shimoga	Achhu (Average)	3722	3700	22

Spot Sugar Prices Scenario (Monthly):

International Sugar Prices (Monthly)				
	Contract Month	28-Jun-19	31-May-19	Change
ICE Sugar #11 (US Cent/lb)	19-Jul	12.32	12.10	0.22
	19-Oct	12.62	12.43	0.19
	20-Mar	13.55	13.34	0.21
LIFFE Sugar (US \$/MT)	19-Aug	328.40	330.60	-2.20
	19-Oct	333.50	335.90	-2.40
	19-Dec	341.10	345.00	-3.90

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