

### Price Outlook:

**Indian Sugar remained weaker in July compared to previous month.** We expect sugar prices may trade firm in August due arrival of festive season and lower sales quota for the month at 19 LT announced by the ministry. Sugar consumption is likely to increase in the month due to upcoming festivals and export demand is likely to support the sugar prices.

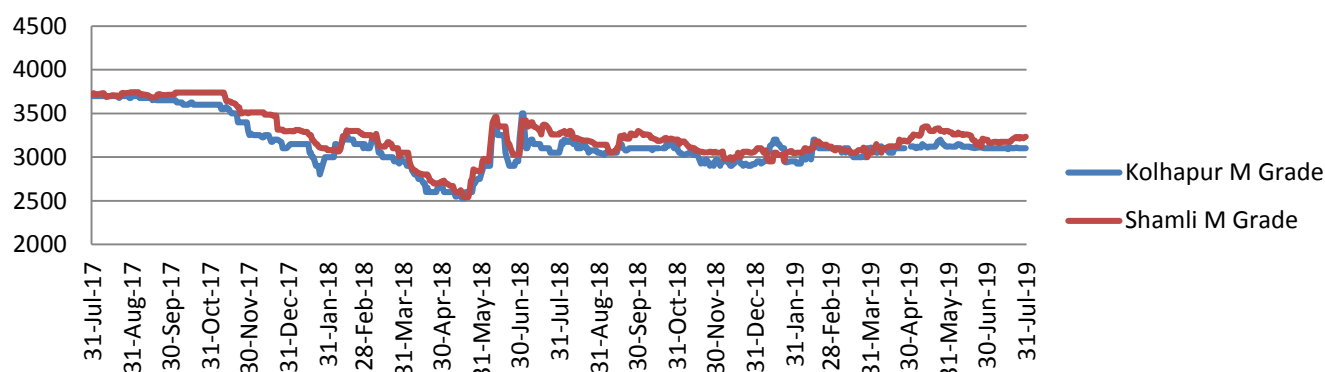
### Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3100–Rs 3350 per quintal for August month.

### Domestic Sugar Market Summary:

However, the average price for sugar 'M' grade in key Kolhapur market settled at Rs.3101.11 per quintal in July month down by INR 16.59 from the previous month; while spot sugar prices for the same grade in Shamli district is 3190.5 per quintal at the end of July month, down by 36.79 INR against previous month's average price Rs. 3227.29.

**Price comparsion Kholpur M- grade and Shamli Rs/Qtl**



### Bullish and Bearish factors for Domestic sugar:

| Factors  | Impact  |
|--|---------|
| 2019-20 SS Production is estimated to be lower considering the adverse impact of weather and rainfall in the three largest sugarcane producing States. | Bullish |
| Announcement of the export incentives for sugar millers in the country before the commencement of new sugar season.                                    | Bullish |
| Higher cane acreage for 2019-20  | Bearish |
| Tightening of restriction on monthly sales   | Bullish |

**Domestic Market Highlights****Recent Updates:**

**August month's sugar quota have been fixed at 19 LT to each 535 mills in India** along with added incentivised quota to those mills who have completed their export targets under MIEQ Quota. The government has increased the buffer stock to 40 LT that would help to maintain the supply and demand. Also, the festive demand will help the sugar mills to liquidate the stocks in the August month.

**The Agriculture Ministry has released the sugarcane sowing data on 2<sup>nd</sup> Aug'19. Sugarcane acreage remained same at 52.30 lakh ha from last week.** The area is higher by 4.56 lakh ha compared to the normal area and lagging behind by 3.15 lakh ha from that in corresponding period previous year. Largest decrease in acreage is seen in Maharashtra, Tamil Nadu, UP and Gujarat by 2.6 lakh ha, 0.81 lakh ha, 0.56 lakh ha and 0.47 lakh ha respectively from last year.

**Maharashtra millers demanded the central government's nod to convert existing sugar to ethanol**, an alternate to C- Heavy Molasses, B Heavy Molasses and juice into ethanol. As oil companies are expecting 110 crore liters of ethanol from Maharashtra to meet E10 fuel (gasoline containing 10 percent ethanol). The crop in 2019-20 season is estimated lower in Maharashtra due to unavailability of water, therefore, the shortfall of B- heavy molasses may occur. The availability of ethanol will get restricted to 70 crore litre, 5 crore litre totalling 75 crore litre through the B Heavy Molasses and Juice routes separately.

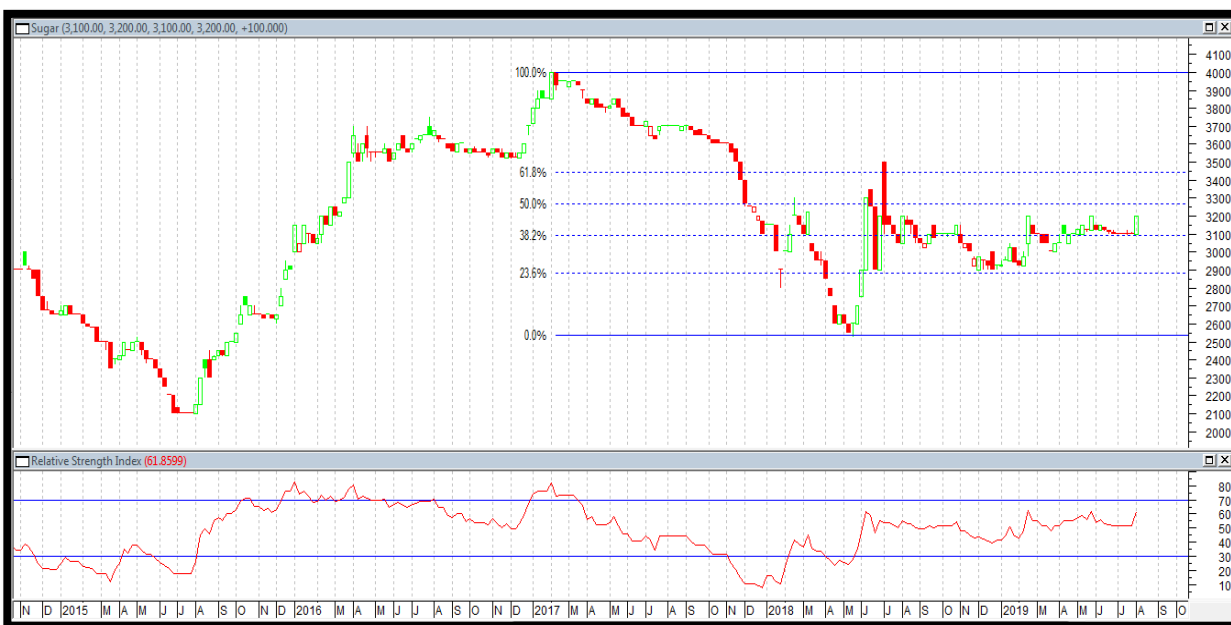
**Heavy rains in Maharashtra filled up the existing desiccated dams and received a surplus rainfall of 7%** whereas Marathwada region is still deficit of rain by around 27 to 30%. Heavy rains in Satara and Sangli districts have ensured a healthy water stock in dams. The Koyna dam the largest source of water of the state has filled up to 74.89 TMC of its 105 TMC capacity.

**Farmers are more likely to send the cane for fodder as they are getting better prices instead of selling to the sugar mills.** A lot of dried cane in the last month is sent for fodder. In Maharashtra, the Marathwada regions rainfall since June has been 29% lower than normal, while Vidarbha saw rains that were 19% below average, according to IMD. But the arrival of monsoon has brought some relief but several area are still suffering from scanty rainfall.

**The sugar industry is awaiting for the new export policy to be announced from the government for 2019-20 season.** As in 2018-19 sugar season, the mills are unable to export sugar due to lower global sugar prices which are ranging in 11 to 12 cents/ lbs. With just two months for the current sugar season to end, mills have signed export deals of 3.8-3.9 mln tn, and have shipped out only 3.3-3.4 mln tn of the sweetener till now.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs3200 quintal this week.
- Next resistance and support level for the coming week is expected at Rs 3350 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   |
| <b>Sugar</b>                    | NCDEX | Dec | 2850 | 2900  | 2989 | 3200 | 3250 |
| Intraday Trade Call             |       |     | Call | Entry | T1   | T2   | SL   |
| <b>Sugar</b>                    | 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**

| <b>SUGAR BALNCE SHEET 2019-20(LT)</b>         |                |                |                 |                 |                |                |                |                |
|---|----------------|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| <b>SUGAR BALNCE SHEET 2018-19(LT)</b>         | <b>2016-17</b> | <b>2017-18</b> | <b>2018-19*</b> | <b>2019-20*</b> | <b>Oct-Dec</b> | <b>Jan-Mar</b> | <b>Apr-Jun</b> | <b>Jul-Sep</b> |
| Carry in stock                                | 77             | 34.1           | 82.67           | 120.76          | 120.76         | 124.18         | 190.86         | 143.49         |
| Estimated sugar production                    | 202.85         | 321.96         | 330.09          | 279.34          | 83.50          | 136.53         | 41.27          | 18.04          |
| Imports                                       | 4.46           | 2.85           | 0               | 0.00            | 0.00           | 0.00           | 0.00           | 0.00           |
| Estimated sugar availability (A + B + C)      | 284.31         | 358.91         | 412.76          | 400.10          | 204.26         | 260.71         | 232.12         | 161.54         |
| Exports                                       | 4.6            | 16.24          | 40              | 50.00           | 5.00           | 16.67          | 11.67          | 16.67          |
| Availability for domestic consumption (D - E) | 279.71         | 342.67         | 372.76          | 350.10          | 199.26         | 244.05         | 220.46         | 144.87         |
| Estimates sugar consumption                   | 245.61         | 260            | 252             | 260.50          | 75.08          | 53.19          | 76.96          | 55.27          |
| Carry out stock (F - G)                       | 34.1           | 82.67          | 120.76          | 89.60           | 124.18         | 190.86         | 143.49         | 89.60          |

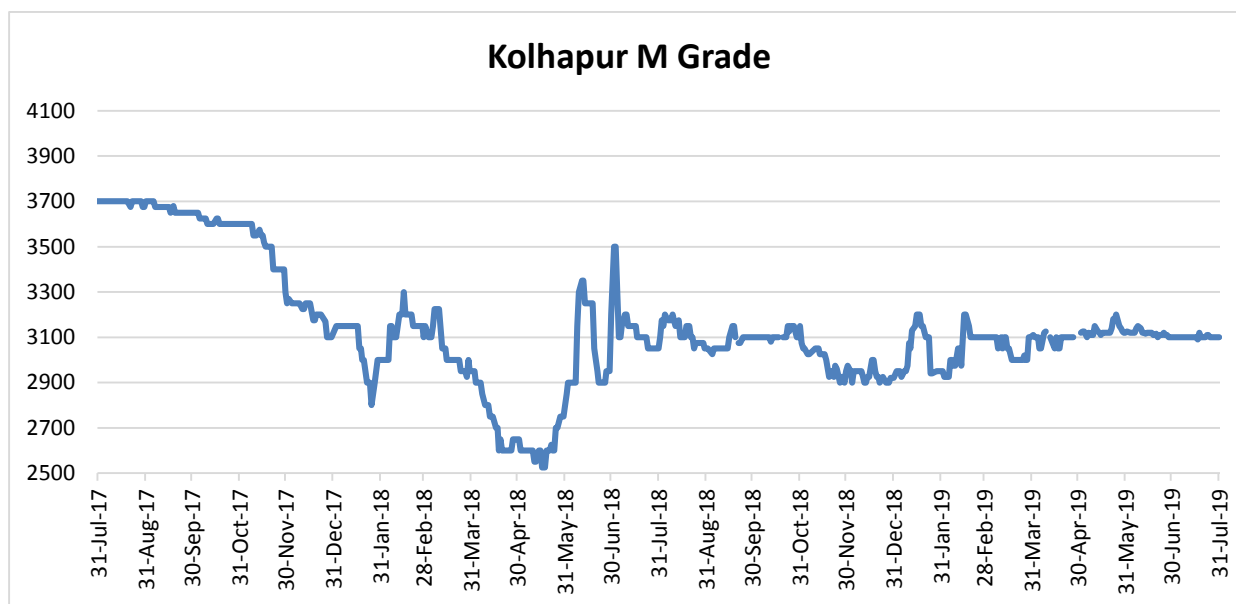
Source: Agriwatch and ISMA

- **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 330.09 LT in 2018/19 then 321 last year. Till 30<sup>th</sup> June, 328 lakh tonnes have been reported by ISMA. 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 go down to 252 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 to 40 LT in 2018-19 as till 30<sup>th</sup> of June total exports is expected to have reached at 35.21 LT.

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

| <b>Pariculars</b>     | <b>Month</b> | <b>(Rs/Qtl)</b> |
|-----------------------|--------------|-----------------|
| 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  | 3150-3300 |
|  | Sep  | 3150-3350 |



### International Sugar Market Summary:

ICE July Contract raw sugar on 2<sup>nd</sup> Aug closed lower at \$12.02 (cent/lb) as compared to \$13.63 of previous month and LIFFE Sugar on 2<sup>nd</sup> July closed down by \$323.7MT as compared to \$320.7 MT of previous month. As the global sugar industry is expecting to move much lower, therefore, there is no purchases taking place. Also undercutting sugar prices in the last week was due to the Brazilian real to a 1-1/2 month low against the dollar, which encouraged export selling by Brazil's sugar producers. An increase in monsoon rain in India is also negative for sugar prices after India's Meteorological Department announced that India's July monsoon rains were 298.4 mm, 4.6% more than the long-term average.

### 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 |
| World sugar production in 2019/20 (Apr/Mar) will climb +1% y/y to 180.7 MMT (USDA) after the +0.6% y/y rise to a record 185.2 MMT in 2018/19 (ISO)   | 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 |
| 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.

**Brazilian Sugar exports has slumped down to 21% in the first half of the new season (2019-20) compared to the same period of 2018-19 season.** Demand continues to be weaker as the buyers have already enough unsold stock. Due to which the departure of sugar from the ports of Brazil is slacking at the time when the exports increases as Brazil is approaching in its peak season.

**According to the Thailand government, the tax on sugar has been surged again second time this year which is going to take effect from 1<sup>st</sup> October'19.** Also, third increase is scheduled for 1<sup>st</sup> Oct'21. This will impact the sugar consumption so as to promote a better and healthy life. Many countries, like the United Kingdom, France, Ireland, Saudi Arabia, & Portugal have introduced a tax on sugary drinks over the past few years.

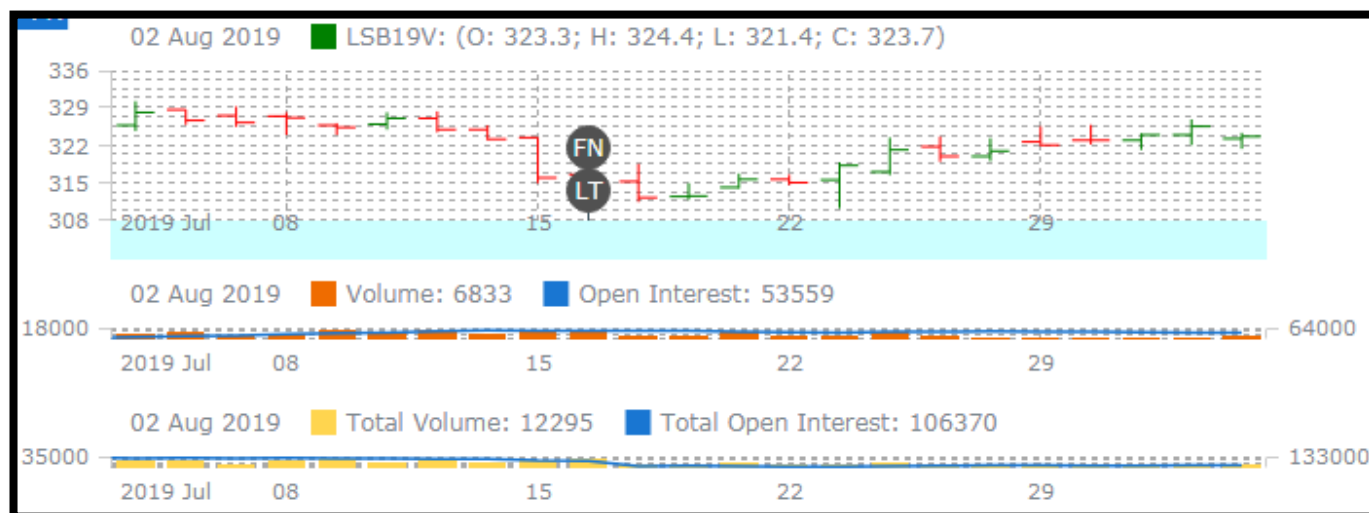
**International Sugar prices were boosted after the Unica's report that sugar production in Brazil's Center-South region in the first half of July fell sharply by -19.1% y/y to 1.939 MMT,** with cumulative production in the 2019-20 marketing year through mid-July falling -10.8% compared to last year to 10.857 MMT. World sugar production in 2019-20 (Apr/Mar) will climb +1% to 180.7 MMT according to USDA after the +0.6% rise to a record 185.2 MMT in 2018/19. The world sugar surplus in 2018-19 fell to 1.832 MMT from the larger 2017-18 surplus of 7.3 MMT according to ISO.

**According to Australian Sugar report released by Australian sugar milling council, the weekly crush in the week ending on 28th July'19 jumped to 1.473 lakh tonnes** reaching 6.82 lakh tonnes (21.7%) total crush from the beginning of the season. The crush as on 29th July'18, was around 3 lakh tonnes higher at 9.82 lakh tonnes compared to 2019-20 crushing.

**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 decreased over a month.
- Strategy: Sell at level 323, T1 328

| International Sugar Futures Price Projection |                |               |                                     |
|--|----------------|---------------|-------------------------------------|
|  | Contract Month | Present Quote | Expected Price level for next Month |
| LIFFE Sugar (US \$/MT)                       | Aug'19         | 323.70        | 320-338                             |



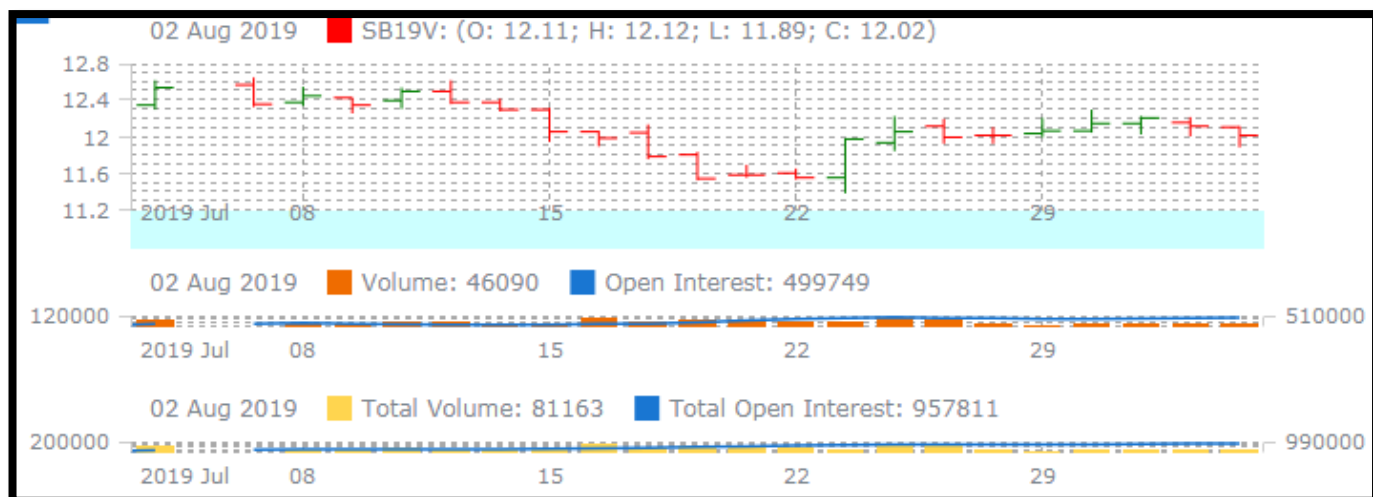
### ICE (Raw Sugar Exchange) Future Market Scenario (July'19 Contract)

#### Technical Commentary:

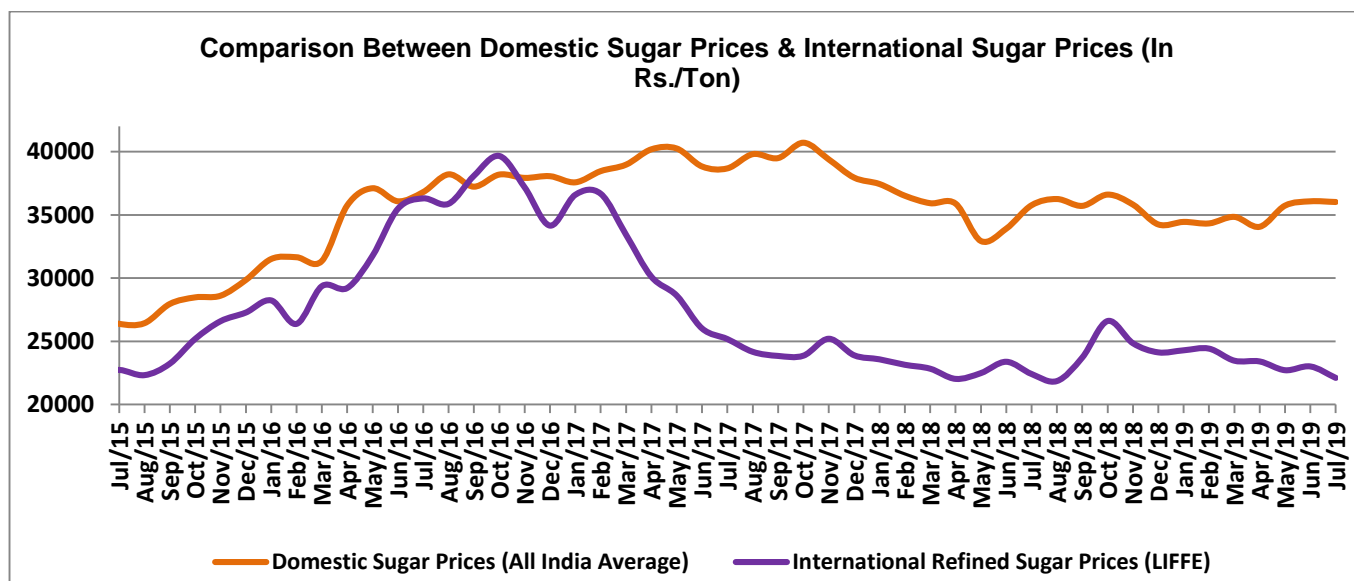
- ICE raw sugar futures were firm in the month.
- Last candle stick of the week depicts buy in future market as open position is increasing.
- Volume decreased open interest increased.
- Strategy: Buy at rate 11.5 Targeting 14.

| International Sugar Futures Price Projection |                |               |                                     |
|--|----------------|---------------|-------------------------------------|
|  | Contract Month | Present Quote | Expected Price level for next month |
| ICE Sugar #11 (US Cent/lb)                   | Jul'2019       | 12.02         | 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  |            |                        | July,19                 | June,19 |        |
| Delhi  | Delhi      | M-Grade                | 3185                    | 3248    | -64    |
|  | Delhi      | S-Grade                | 3165                    | 3228    | -64    |
| Uttar Pradesh                                | Khatauli   | M-Grade                | 3289                    | 3376    | -87    |
|  | Ramala     | M-Grade                | 0                       | 0       | Unch   |
|  | Dhampur    | M-Grade Ex-Mill        | 3193                    | 3276    | -82    |
|  | Dhampur    | S-Grade Ex-Mill        | 3173                    | 3256    | -82    |
|  | Dhampur    | L-Grade Ex-Mill        | 3243                    | 3326    | -82    |
| Maharashtra                                  | Mumbai     | M-Grade                | 3320                    | 3340    | -19    |
|  | Mumbai     | S-Grade                | 3227                    | 3239    | -13    |
|  | Nagpur     | M-Grade                | 3226                    | 3243    | -17    |
|  | Nagpur     | S-Grade                | 3184                    | 3225    | -41    |
|  | Kolhapur   | M-Grade                | 3101                    | 3118    | -17    |
|  | Kolhapur   | S-Grade                | 3059                    | 3100    | -41    |
| Assam  | Guhawati   | S-Grade                | 3369                    | 3410    | -42    |
| Meghalaya                                    | Shillong   | S-Grade                | 3379                    | 3420    | -41    |
| Andhra Pradesh                               | Vijayawada | M-Grade                | 3569                    | 3647    | -78    |
|  | Vijayawada | S-Grade                | 3509                    | 3587    | -78    |
| West Bengal                                  | Kolkata    | M-Grade                | 3607                    | 3652    | -45    |
| Tamil Nadu                                   | Chennai    | S-Grade                | 3596                    | 3598    | -1     |
|  | Dindigul   | M-Grade                | 3553                    | 3551    | 2      |
|  | Coimbatore | M-Grade                | 3626                    | 3650    | -24    |
| Chattisgarh                                  | Ambikapur  | M-Grade (Without Duty) | 3350                    | 3350    | 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)  |               |                          | July,19         | June,19 |        |
| Uttar Pradesh                                       | Muzaffarnagar | Chaku Sukha(Cold)        | 0               | 2996    | -2996  |
|   | Muzaffarnagar | Chaku(Arrival)(40kg Bag) | 0               | 750     | -750   |
|   | Muzaffarnagar | Khurpa (Fresh)           | 0               | 2902    | -2902  |
|   | Muzaffarnagar | Laddoo (Fresh)           | 0               | 3194    | -3194  |
|   | Muzaffarnagar | Rascut (Fresh)           | 0               | 2772    | -2772  |
|   | Hapur         | Chaurasa                 | 833             | 2970    | -2136  |

|                |               |                   |      |      |              |
|----------------|---------------|-------------------|------|------|--------------|
|                | Hapur         | Balti             | 0    | 2812 | <b>-2812</b> |
| Andhra Pradesh | Chittur       | Gold              | 2215 | 4100 | <b>-1885</b> |
|                |               | White             | 995  | 3720 | <b>-2725</b> |
|                |               | Black             | 1815 | 2818 | <b>-1002</b> |
| Maharashtra    | Latur         | Lal Variety       | 0    | 0    | <b>Unch</b>  |
| Karnataka      | Bangalore     | Mudde (Average)   | 4183 | 4305 | <b>-122</b>  |
|                | Belgaum       | Mudde (Average)   | 1306 | 2843 | <b>-1537</b> |
|                | Belthangadi   | Yellow (Average)  | 0    | 0    | <b>Unch</b>  |
|                | Bijapur       | Achhu             | 2814 | 2966 | <b>-153</b>  |
|                | Gulbarga      | Other (Average)   | 2651 | 3172 | <b>-521</b>  |
|                | Mahalingapura | Penti (Average)   | 3068 | 3035 | <b>33</b>    |
|                | Mandya        | Achhu (Medium)    | 3076 | 3050 | <b>26</b>    |
|                | Mandya        | Kurikatu (Medium) | 2928 | 2859 | <b>69</b>    |
|                | Mandya        | Other (Medium)    | 2870 | 2891 | <b>-21</b>   |
|                | Mandya        | Yellow (Medium)   | 3093 | 3091 | <b>1</b>     |
|                | Shimoga       | Achhu (Average)   | 3496 | 3722 | <b>-226</b>  |

### Spot Sugar Prices Scenario (Monthly):

| International Sugar Prices (Monthly) |                |           |           |              |
|--------------------------------------|----------------|-----------|-----------|--------------|
|                                      | Contract Month | 31-Jul-19 | 28-Jun-19 | Change       |
| ICE Sugar #11 (US Cent/lb)           | 19-Oct         | 13.47     | 12.32     | <b>1.15</b>  |
|                                      | 20-Mar         | 12.21     | 12.62     | <b>-0.41</b> |
|                                      | 20-May         | 13.20     | 13.55     | <b>-0.35</b> |
| LIFFE Sugar (US \$/MT)               | 19-Aug         | 359.90    | 328.40    | <b>31.50</b> |
|                                      | 19-Oct         | 324.00    | 333.50    | <b>-9.50</b> |
|                                      | 19-Dec         | 333.50    | 341.10    | <b>-7.60</b> |

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