

## Price Outlook:

**Indian Sugar market remained firm by Rs.100-130 in August compared to previous month.** We expect sugar prices may trade firm in September also due arrival of festive season and lower sales quota for the month at 19.5 LT announced by the ministry. The sugar export subsidy incentive introduced by the government will also support the prices in the coming months in new season. Crushing is going to start from October'19 mainly in UP and crushing might be delayed in Maharashtra and Karnataka. Sugar consumption is likely to increase in the month due to upcoming festivals and export demand is likely to support the sugar prices.

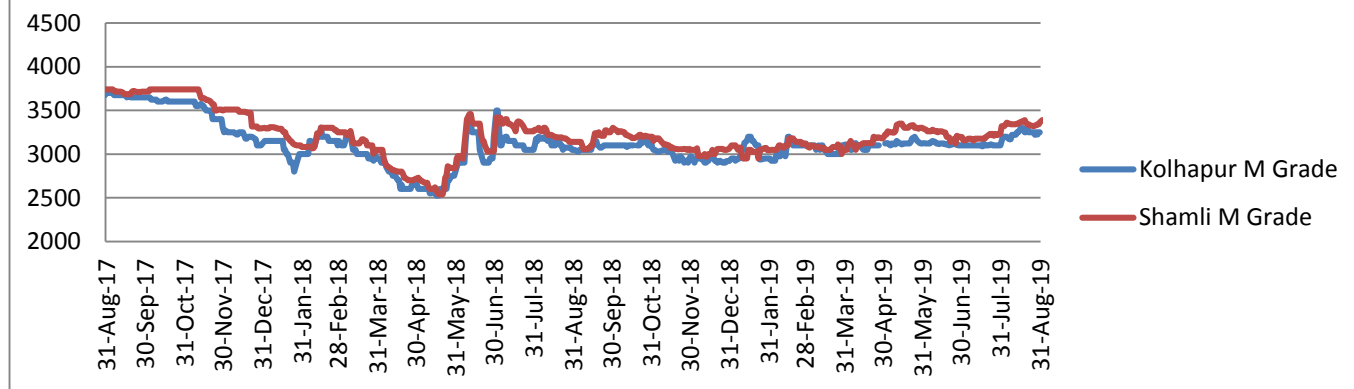
## Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3200–Rs 3400 per quintal for August month.

## Domestic Sugar Market Summary:

However, the average price for sugar 'M' grade in key Kolhapur market settled at Rs.3231 per quintal in July month up by INR 129 from the previous month; while spot sugar prices for the same grade in Shamli district is 3343.8 per quintal at the end of July month, up by 153.3 INR against previous month's average price Rs. 3190.5.

## 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
Indian Sugar Mills Association expects to export a record 7 million MT of sugar in 2019/20 to reduce its huge stockpiles, up from 3 million MT in 2018/19	Bullish
The announcement of export subsidy incentive of Rs.10.48/kg of sugar upto 6 mln tonne would help clear sugar stock piles in 2019-20 season	Bullish
Tightening of restriction on monthly sales	Bullish

**Domestic Market Highlights**

**Recent Updates:**

**All India sugarcane sowing progress released by Government of India, as on 30<sup>th</sup> Aug'19, the sowing has almost been completed under sugarcane.** A slight increase in total area stood is reported, 52.41 lakh ha area has been covered this year lower by 3.06 lakh ha (5.5%) but higher by 4.4% than normal area as on date. The acreage in Tamil Nadu, Maharashtra, Telangana, AP, and UP declined this year by 0.81 lakh ha, 2.6 lakh ha, 0.07 lakh ha, 0.11 lakh ha and by 0.56 lakh ha respectively due to unfavourable prolonged drought conditions (delayed monsoon) in all the states.

**Monthly sales quota has been announced by the government for September at 19.5 LT to each 535 mills in India.** This month's quota is slightly higher by 0.5 LT compared to previous month in the view of upcoming festivals which would stabilize the sugar prices, maintain the supply demand balance and to improve their liquidity position. 9 sugar mills face action for selling excessive sugar quota and were issued by Show Cause Notices (SCNs) for violation of stock holding order for the month of April 2019.

**Crushing licenses in 2019-20 season will be issued to the same sugar mills in Maharashtra, which have paid 100% of the crushing season 2018-19 of the farmers.** State sugar commissioner Shekhar Gaikwad told that there is still a balance of Rs 589.59 crore left on the state's sugar mills. He said that out of 195 sugar mills in the state, 130 sugar mills have paid 100 percent so far. He said that sugar mills have time till 31 September 2019 to pay the dues.

**The cabinet has approved to give the export subsidy incentives to the sugar mills as long awaited by the millers since last month.** The government has approved Rs.10,448 per tonne of sugar upto 6 million tonnes in the marketing year 2019-20 with an estimated cost of Rs. 6268 crore against the current year's Rs.11000 per tonne for 5 million tonnes of sugar. The subsidy will be covering expenses on marketing, handling, processing and transport

charges, and the amount will be credited directly to farmers' accounts on behalf of mills against cane price dues and if anything left, it will go to the mills directly. This move would encourage the exports clearing the cane arrears mounted on the sugar millers to the farmers and would also help clearing the stock as much as possible with an advantage of lower estimated crop this year, thus, supporting the prices in the coming season.

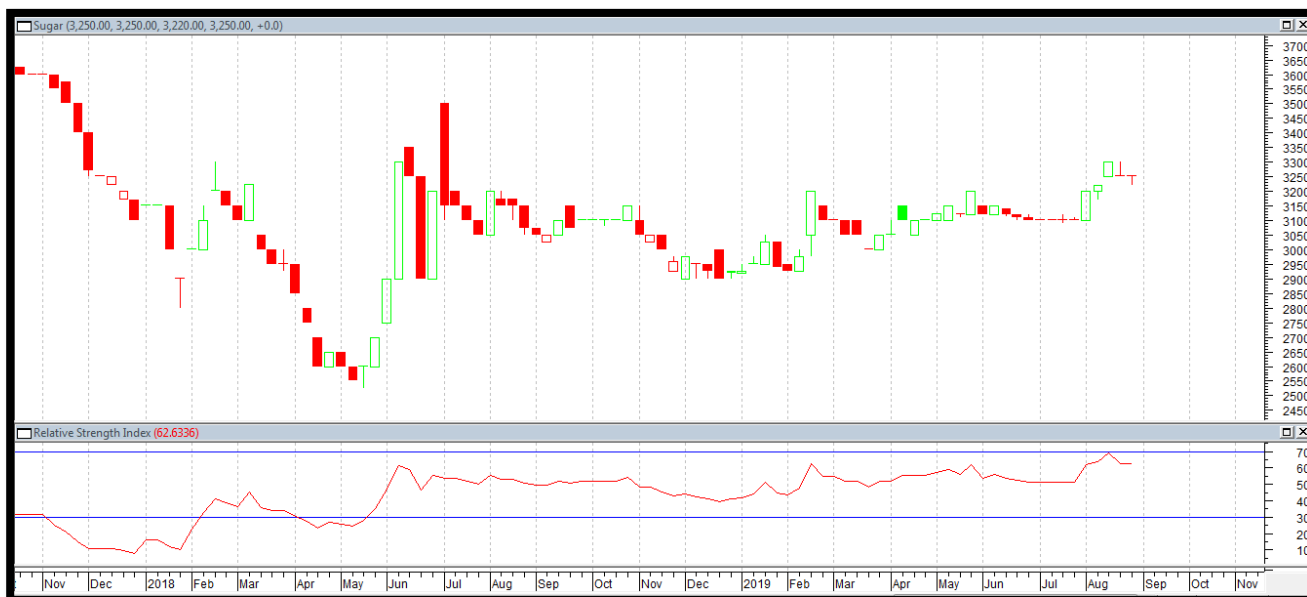
**The world sugar prices is on declining trend after the announcement made by the Indian government for export subsidy incentive spending Rs.6268 crores** in an effort to cut the nation's record stock piles. Already the world inventory is on high and addition to this, recently the Brazil government last week agreed to increase tariff-free U.S. ethanol imports to 800 mln liters per year from the current 600 mln liters per year. The increased imports from the U.S. may prompt Brazil's sugar mills to decrease ethanol output in favor of increased sugar production. Also, Mexico will likely try to export as much as 500,000 metric tons into the world market to clear some storage space before the next season begins on 1<sup>st</sup> Oct'19.

**The cabinet approved rising the ethanol prices for supply to Public Sector Oil Marketing Companies for procurement of ethanol with the effect from 1<sup>st</sup> Dec'19 for one year.** The price of ethanol from **C heavy** molasses route increased from Rs.43.46 per litre to Rs.43.75 per litre. The price of ethanol from **B heavy** molasses route be increased from Rs.52.43 per litre to Rs.54.27 per litre. The price of ethanol from **sugarcane juice/sugar/sugar syrup** route be fixed at Rs. 59.48 per litre. Remunerative price to ethanol suppliers will help in reduction of cane farmer's arrears, in the process contributing to minimizing difficulty of sugarcane farmers.

**Maharashtra millers have requested to delay crushing in the coming season which usually starts from 1<sup>st</sup> of October and likely to start from second week of November'19.** Sugarcane which has survived from recent floods will require time to revive (around 75,000 ha in Kolhapur, Sangli & Satara) and similarly the drought affected cane also requires time to mature as these areas have received sufficient amount of rainfall. The number of days for crushing is also expected to reduce by 30-35 days from 160 to 130 days and around 50 mills are unlikely to crush cane for 2019-20 season due to lack of availability.

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

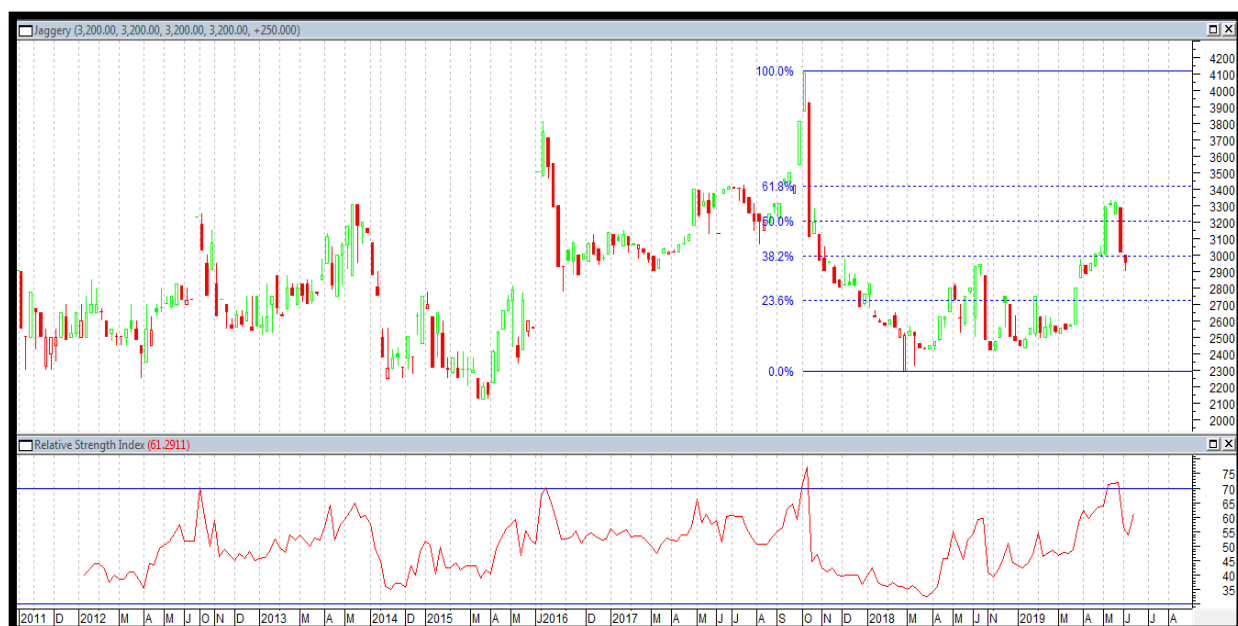
- Sugar spot prices at benchmark Kolhapur market closed higher at Rs.3250 quintal this week.
- Next resistance and support level for the coming week is expected at Rs.3350 and Rs.3200 per quintal respectively.
- RSI is in the neutral region.



### 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

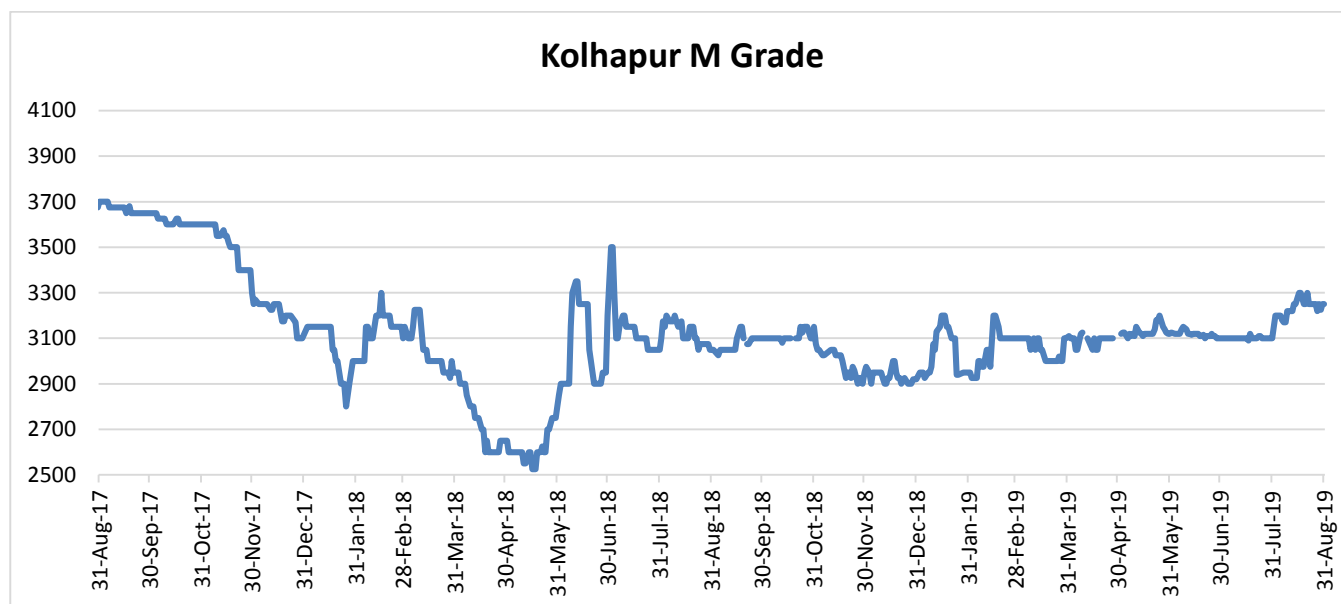
- **Note:** Indian sugar marketing year begins from October – September.
- As per the Agriwatch latest estimate, India's sugar production is expected to be 330.09 LT in 2018/19 than 321 last year. A couple of major cane growing regions of Maharashtra, including Marthawada, had poor rainfall this season. 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 decline 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 from 40 LT in 2018-19.

**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

3200-3350



### International Sugar Market Summary:

ICE Oct Contract raw sugar on 3<sup>rd</sup> Sep closed lower at \$11.19 (cent/lb) as compared to \$12.02 of previous month and LIFFE Sugar on 3<sup>rd</sup> Sep closed down by \$304 MT as compared to \$323.7MT of previous month. As the global sugar industry is expecting to move much lower, therefore, there is no purchases taking place. The prices in near term has declined after Brazil government has accepted to increase tariff-free U.S. ethanol imports to 800 mln liters per year from the current 600 mln liters per year. Sugar prices also remain under pressure on concern about larger exports from India. India's government approved extending sugar subsidies to subsidize exports of as much as 6 MMT of sugar in 2019/20, which is bearish for sugar prices since those exports will add to global sugar supplies.

### 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	Bearish
World sugar production in 2019/20 (Apr/Mar) will fall by 2.3% y/y to 172 MMT (USDA) in 2019/20 (ISO)	Bullish
Brazil's state-owned agency Conab Conab shows that 2019-2020 sugarcane crop is poised to grow by 9.5% to 31.8 million tonnes	Bearish
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 spot prices remained firm in August month. And the prices may get further support in the coming season as there is likely to be global sugar deficit of nearly 4.76 mln tonnes in 2019-20 driven partly by lower production in India and Thailand. According to the ISO report, Global production is falling by 2.35 per cent to 171.98 million tonnes, while consumption will rise by 1.34 per cent to 176.74 mt in 2019-20 (FY20) season which begins on 1st Oct'19.

**The sugar exports reached 1.66 mln tonnes in August according to the ministry of trade.** This is 8.6% lower than the previous month and 1.9% lower than August'18. Exports so far this season till August at 7.8 mln tonnes, down 9% from 8.6 mln tonnes last year. The greatest amount was bought by China and the second largest by Algeria.

**According to Thai Sugar Millers Corporation, Thailand exported 71,782 tonnes of white sugar and 4.82 lakh tonnes of raw sugar in July'19.** Total of 4.03 lakh tonnes of white sugar at an average FOB \$320/tonne and 32.26 lakh tonnes of raw sugar at an average FOB \$292.5/tonne has been exported so far till July'19 from January'19.

**After the data released by Unica, sugar prices went lower since it showed that sugar production in Brazil's Center-South region in the first half of Aug rose by +24.27% y/y to 2.126 MMT,** although cumulative sugar production in the 2019-20 marketing year through mid-Aug fell -6.3% y/y to 15.4574 MMT. On the positive side, Unica projects that increased ethanol output in Brazil will cut Brazil 2019/20 Center-South sugar production by -5.7% y/y to 25 MMT, a 14-year low.

**According to Australian Sugar report released by Australian sugar milling council, the weekly crush in the week ending on 1<sup>st</sup> Sep'19 jumped to 1.534 lakh tonnes** reaching 14.33 lakh tonnes (46.5%) total crush from the beginning of the season. The crush as on 2<sup>nd</sup> Sep'18, was around 3.26 lakh tonnes higher at 17.59 lakh tonnes compared to 2019-20 crushing.

### International Sugar Futures Price Projection

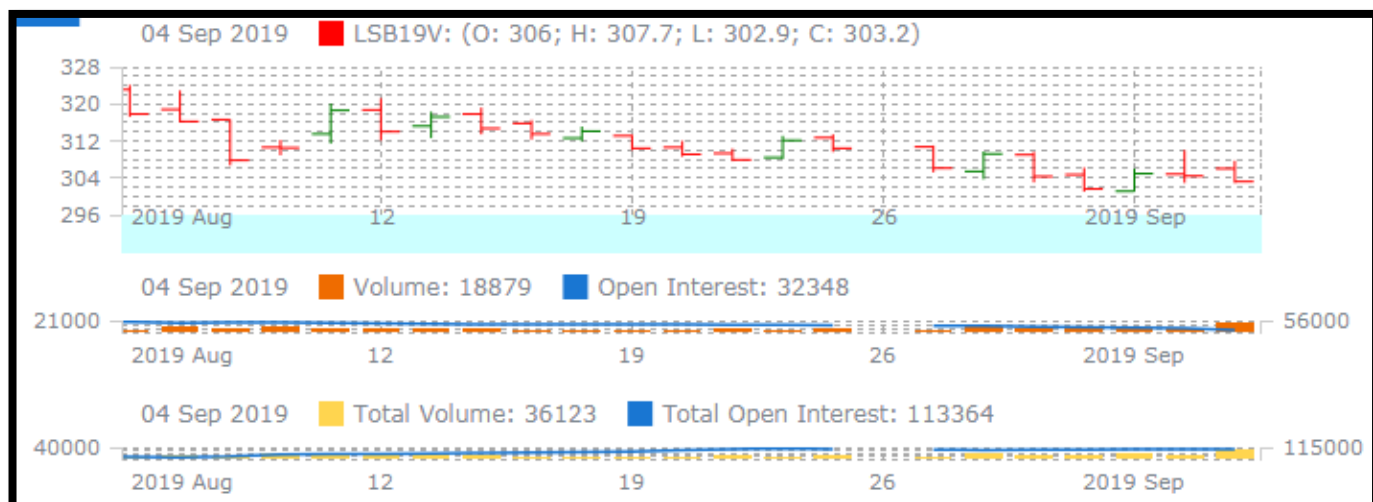
#### LIFFE (White Sugar Exchange) Future Market Sugar Scenario (AUG 19 Contract)

##### Technical Commentary

- LIFFE future market bear for the month.
- Both Total volume and open interest has been increased over a month.
- Strategy: Sell at level 301, T1 315

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Aug'19	303.2	300-320



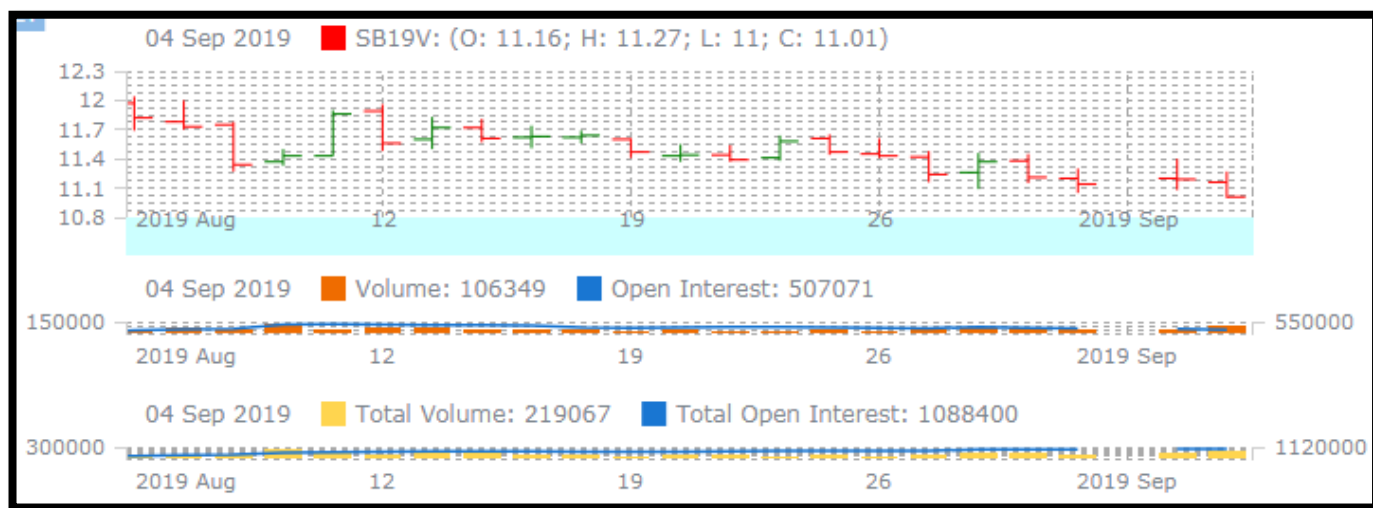


### ICE (Raw Sugar Exchange) Future Market Scenario (July'19 Contract)

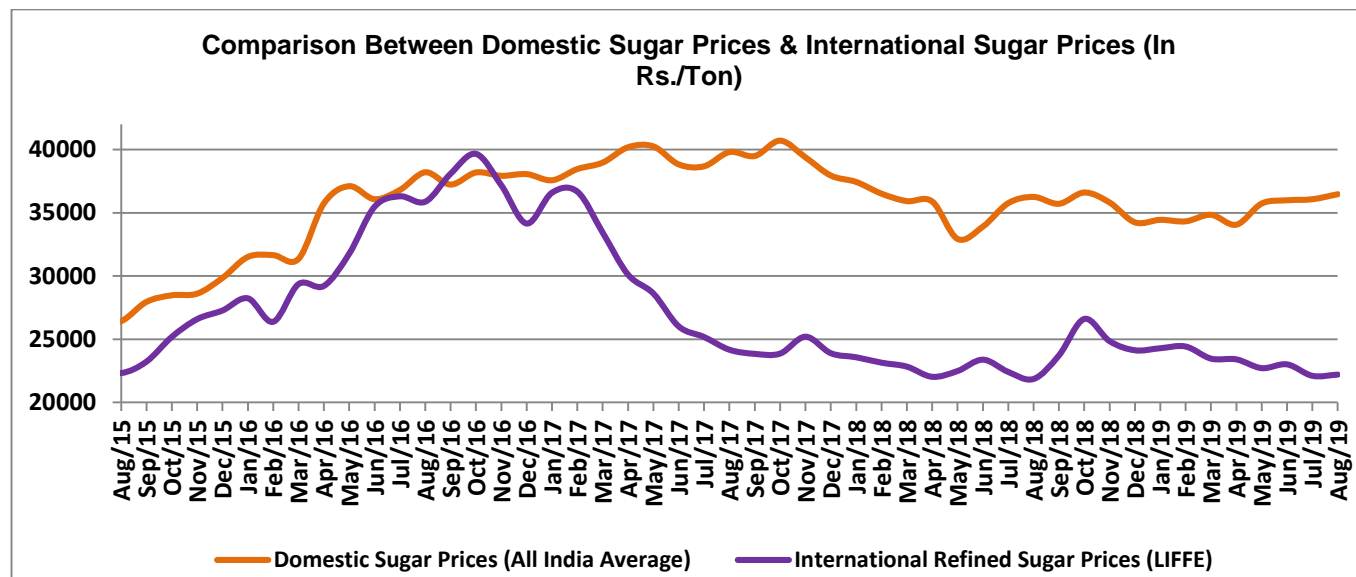
#### Technical Commentary:

- ICE raw sugar futures were weaker in the month.
- Last candle stick of the week depicts buy in future market as open position is increasing.
- Both Volume & open interest increased.
- Strategy: Buy at rate 11 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	11.01	10.5-15



## 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			August,19	July,19	
Delhi	Delhi	M-Grade	3319	3185	135
	Delhi	S-Grade	3299	3165	135
Uttar Pradesh	Khatauli	M-Grade	3411	3289	122
	Ramala	M-Grade	0	0	Unch
	Dhampur	M-Grade Ex-Mill	3308	3193	115
	Dhampur	S-Grade Ex-Mill	3288	3173	115
	Dhampur	L-Grade Ex-Mill	3358	3243	115
Maharashtra	Mumbai	M-Grade	3529	3320	209
	Mumbai	S-Grade	3307	3227	81
	Nagpur	M-Grade	3332	3226	106
	Nagpur	S-Grade	3248	3184	64
	Kolhapur	M-Grade	3207	3101	106
	Kolhapur	S-Grade	3123	3059	64
Assam	Guhawati	S-Grade	3434	3369	65
Meghalaya	Shillong	S-Grade	3443	3379	64
Andhra Pradesh	Vijayawada	M-Grade	3668	3569	99
	Vijayawada	S-Grade	3608	3509	99

West Bengal	Kolkata	M-Grade	3652	3607	45
Tamil Nadu	Chennai	S-Grade	3623	3596	27
	Dindigul	M-Grade	3597	3553	43
	Coimbatore	M-Grade	3574	3626	-52
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3398	3350	48

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)			August,19	July,19	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	0	0	Unch
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	0	0	Unch
	Muzaffarnagar	Khurpa (Fresh)	0	0	Unch
	Muzaffarnagar	Laddoo (Fresh)	0	0	Unch
	Muzaffarnagar	Rascut (Fresh)	0	0	Unch
	Hapur	Chaurasa	200	833	-633
	Hapur	Balti	0	0	Unch
Andhra Pradesh	Chittur	Gold	4292	2215	2077
		White	3245	995	2250
		Black	3239	1815	1424
Maharashtra	Latur	Lal Variety	0	0	Unch
Karnataka	Bangalore	Mudde (Average)	4568	4183	385
	Belgaum	Mudde (Average)	674	1306	-632
	Belthangadi	Yellow (Average)	0	0	Unch
	Bijapur	Achhu	2585	2814	-228
	Gulbarga	Other (Average)	2301	2651	-350
	Mahalingapura	Penti (Average)	3150	3068	82
	Mandya	Achhu (Medium)	3370	3076	294
	Mandya	Kurikatu (Medium)	3061	2928	133
	Mandya	Other (Medium)	3039	2870	169
	Mandya	Yellow (Medium)	3374	3093	281
	Shimoga	Achhu (Average)	3917	3496	421

Spot Sugar Prices Scenario (Monthly):

International Sugar Prices (Monthly)				
	Contract Month	30-Aug-19	31-Jul-19	Change
ICE Sugar #11 (US Cent/lb)	19-Oct	11.01	13.47	-2.46
	20-Mar	12.04	12.21	-0.17
	20-May	12.18	13.20	-1.02
LIFFE Sugar (US \$/MT)	19-Oct	301.60	324.00	-22.40
	19-Dec	311.30	333.50	-22.20
	20-Mar	320.80	345.10	-24.30

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