

Price Outlook:

Indian Sugar market remained firm by Rs.30-50 in September compared to previous month. We expect sugar prices may trade firm in October also due arrival of festive season (Dussehra and Diwali) and sales quota for the month of 21 LT announced by the ministry higher compared to 19.5 LT last month. Crushing has start from October'19 mainly in UP and crushing is delayed in Maharashtra mainly would commence after Diwali. Whereas, Karnataka would probably start crushing before Diwali. Sugar consumption is likely to increase in new season due to upcoming festivals and export demand is likely to support the sugar prices.

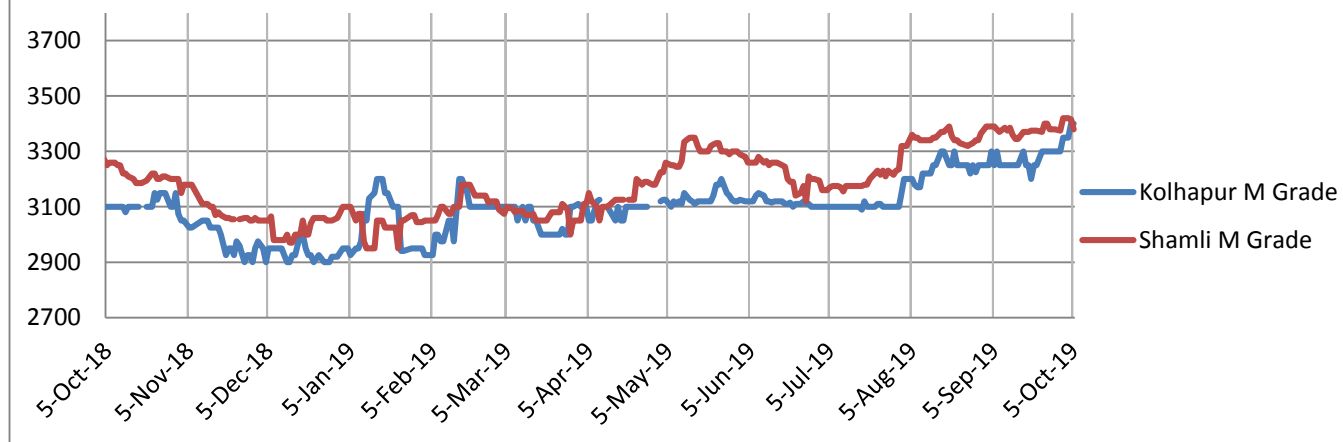
Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3200–Rs 3450 per quintal for September month.

Domestic Sugar Market Summary:

However, the average price for sugar 'M' grade in key Kolhapur market settled at Rs.3268 per quintal in Sep month up by INR 37 from the previous month; while spot sugar prices for the same grade in Shamli district is 3377 per quintal at the end of Sep month, up by 34 INR against previous month's average price Rs. 3343.

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	Bearish

Domestic Market Highlights

Recent Updates:

All India sugarcane sowing progress released by Government of India, as on 4th Oct'19, the sowing has been completed under sugarcane. A slight increase in total area stood is reported, 54.29 lakh ha area has been covered this year lower by 1.72 lakh ha (3.07%) but higher by 7.9% 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 0.78 lakh ha respectively due to unfavourable prolonged drought conditions (delayed monsoon) in all the states and major decline has been reported in Maharashtra due to floods in three districts in Kolhapur, Sangli and Satara.

The Food Ministry has allocated 21LT monthly sales quota for October which is higher than previous month allocation of 19.5 LT to each of 535 mills in India along with added incentivized quota to those mills who have completed their export targets under MIEQ Quota. The allocated quota is 1 LT lower than previous year's allocated quota which stood at 22LT. The prices would remain firm amid upcoming Indian festivals along with export demand this year would supplement the sugar market.

Till 29th Sep'19, around 171 sugar mills have applied for online crushing license with the maximum mills reported from Solapur district (24 mills). The crushing in Maharashtra is going to start quite late this year after Diwali. Recently, the Sugar commissioner office extended the deadline for issuing the crushing license to 30 September. It has become difficult for the mills to get the crushing license as recently the government has that the same sugar mills will be issued crushing licenses for the new season, which will pay the farmers fair and remunerative price (FRP) within 14 days.

The sugar mills are all set to export the sugar stock piles from Oct'19 instead of waiting for the new sugar crop to become available to utilize the time until April, when supplies from rival Brazil start to flood in the market. India is likely to export sugar to China, East Africa, Bangladesh, Iran and Sri Lanka with the shipments starting from next month. As the accelerating exports might affect the global prices, therefore, Australia, Brazil and Guatemala have jointly asked the WTO to set up a panel to challenge India's subsidies. But from the point of view of India, the ever since 2 years piled sugar stocks can be relieved in the new season to clear off the cane arrears.

The current hike in ethanol prices should result in enhancement of the ethanol production addition to the subsidised loans, the long-term policy on ethanol pricing and procurement policies. As India targeted to achieve 20% ethanol blending by 2020, then there is need to introduce fuel cars to utilize ethanol blended fuel. For 2018-19, 10% blending requires 3.3 bln litres annually and contracts were entered into for 2.4 bn litres (over 7% blend levels). As per the current supplies, about 6% blending is expected and India currently has over 80-90 lakh tonne of surplus sugar. The drawback in achieving the target is the lack of current capacity which is only 3.5 billion litres but the country has huge demand which requires around 7-8 billion litres.

The department of Food and Public Distribution issued a notification yesterday to facilitate export of sugar during the sugar season 2019-20 thereby improving the liquidity position of sugar mills enabling them to clear cane price dues of farmers for sugar season 2019-20. It notified the Scheme for providing assistance to sugar mills for expenses on marketing costs including handling, upgrading and other processing costs and costs of international and internal transport and freight charges on export of sugar. However, to become eligible to get assistance a sugar mill would be required to export at least 50% of its MAEQ. The department will also review the performance of sugar mills on quarterly basis and in case of non-performing mills, their Maximum Admissible Export Quantity (MAEQ) may be reduced and accordingly MAEQ of performing and willing sugar mills may be increased.

The recent floods in Kolhapur, Sangli and Satara had created havoc in the districts by damaging around 50-60 lakh tonnes of cane and another 30-40 lakh tonnes of cane was drastically affected by the drought in earlier of season. Cooperative sugar millers in Maharashtra have urged state sugar commissioner Shekhar Gaikwad to postpone the crushing season of 2019-20 to December 1 which is requested to be delayed by around 1 month.

First distillery unit which will produce ethanol from direct juice going to be establish in Gorakhpur district of Uttar Pradesh in the coming 2 years. The unit is likely to crush 1,250 tonnes of cane/day and produce 95,000 liters of ethanol. The Centre has also provided soft loans to sugar mills to build new distilleries and enhance existing ones in India. The government has recently hiked the prices of ethanol made from 100% cane juice and C-heavy molasses

to 59.48 rupees a ltr and 43.75 rupees a ltr respectively encouraging the ethanol production so as reduce sugar production.

According to the trade sources, India exported around 2.7 LT of sugar in Aug'19 around 1.5 LT higher than previous month. Iran imported maximum quantity of sugar from India around 78056 tonnes at \$347/tonne FOB followed by Sri Lanka which imported 30995 tonnes at \$344/tonne FOB and Somalia importing around 29619 tonne at \$346/tonne.

Uttar Pradesh government has recently hiked the molasses reserved quota from 12.5% to 16% for the state manufacturers of country made liquor. This was done in order to meet the adequate demand as this year distilleries faced the lack of supply of molasses which declined from 5.5 MT to 4.7 MT molasses to produce country made liquor.

Nepal has lifted import restriction on Indian sugar, therefore, India can export sugar to Nepal in the coming season as a hope of opportunity to India to decrease the existing sugar stock. Nepal has contracted to import 20,000 metric tonnes of sugar. Out of this, Food Management and Trade Company Limited and Salt Trading Corporation Limited to import 10,000 metric tonnes of sugar each. The ban earlier was imposed due to the excessive supply of cheaper foreign sugar in the Nepal domestic market which had lowered the demand for comparatively costly Nepali sugar.

In order to reduce the crude imports to India, OMCs have made decision to increase the ethanol blending and a step to promote ethanol production from molasses, sugarcane juice, sugar syrup and distilleries producing ethanol. For the current year 2019-20, OMCs are likely to buy 5.11 billion liters of ethanol which is 55% higher than the preceding year which stood at 3.29 billion liters. The recent hike in ethanol prices from C-heavy, B-heavy and from direct juice along with surge in the requirement of ethanol by OMCs would help government in achieving the target of 10% blending of ethanol in petrol by 2020.

Maharashtra this year have been in the adverse weather conditions with 50% area in dry and remaining area in flooded conditions. The total loss of sugarcane in Maharashtra is expected to around 35-40% according to the trade sources. The sugarcane loss is included from the Marathwada region (20-25%) and from the flooded affected region in Kolhapur, Satara and Sangli (15-20%). The farmers are selling sugarcane in the cattle feed market, which is getting Rs 3,500 per tonne higher from Rs.2750 per tonne which is offered by the mills. Sugarcane was sold for cattle feed due to lack of fodder in several districts of Marathwada, Vidarbha along with some districts of western Maharashtra in the state, which gave attractive returns to farmers.

Sugar factories are planning to start crushing before Diwali whereas Maharashtra will start only after Diwali due to the upcoming elections. The Karnataka sugar mills could benefit from this while Maharashtra will face challenges due to the early crushing in the neighbouring state. Usually Karnataka pulls sugarcane from the bordering districts of Karnataka from Maharashtra (Kolhapur & Sangli). As the two districts ;Kolhapur and Sangli results in higher recovery compared to Karnataka, therefore, they tend to carry sugarcane from Maharashtra.

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

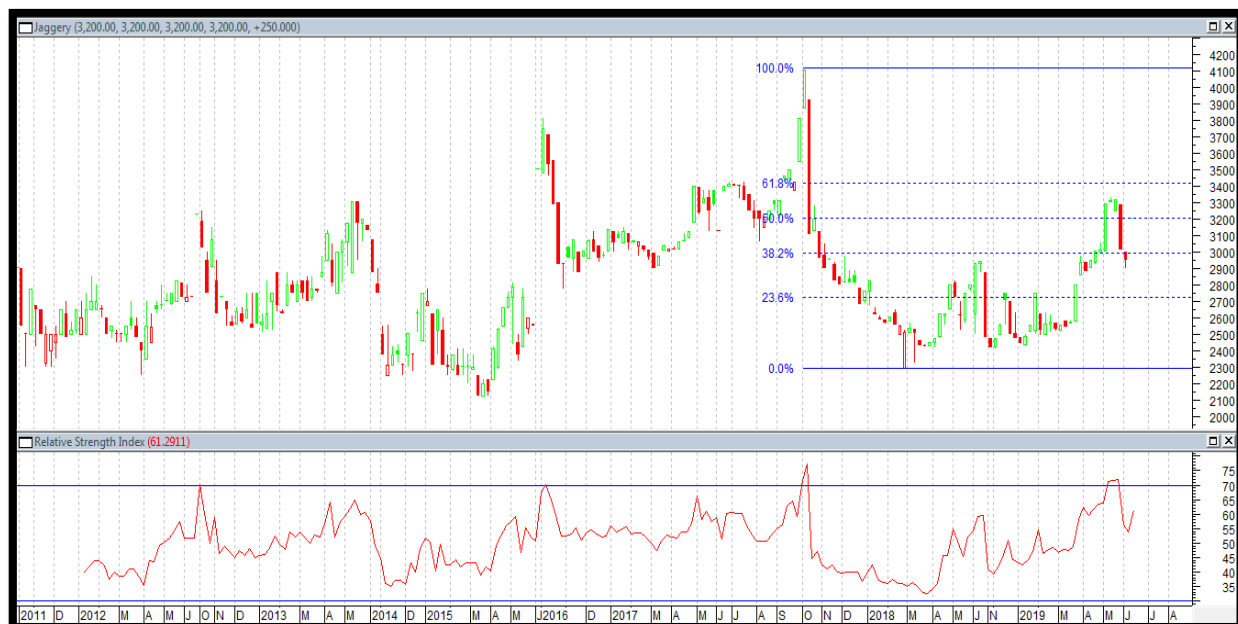
- Sugar spot prices at benchmark Kolhapur market closed higher at Rs.3400 quintal this week.
- Next resistance and support level for the October month is expected at Rs.3350 and Rs.3450 per quintal respectively.
- RSI is in the neutral region.



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

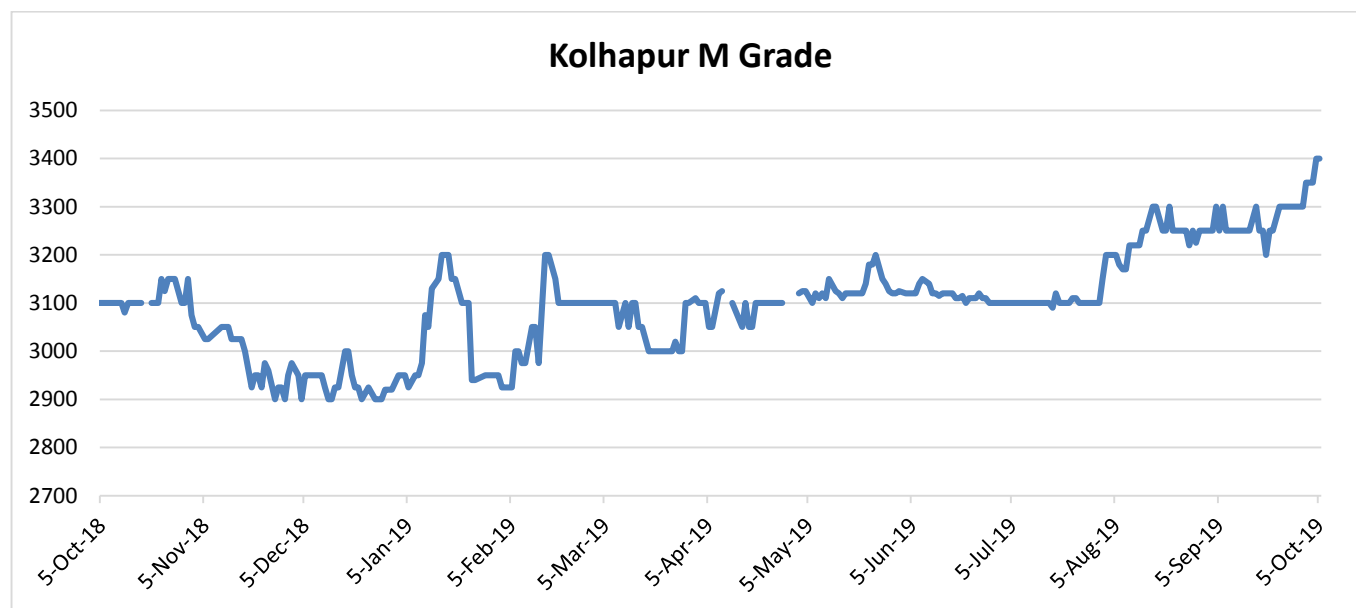
SUGAR BALNCE SHEET 2019-20(LT)								
SUGAR BALNCE SHEET 2018-19 (LT)	2016-17	2017-18	2018-19*	2019-20*	Oct- Dec	Jan- Mar	Apr- Jun	Jul-Sep
Carry in stock	77	34.1	82.67	114.67	114.67	116.34	179.31	130.16
Estimated sugar production	202.85	321.96	330	275.16	82.25	134.49	40.65	17.77
Imports	4.46	2.85	0	0.00	0.00	0.00	0.00	0.00
Estimated sugar availability (A + B + C)	284.31	358.91	412.67	389.83	196.92	250.83	219.96	147.93
Exports	4.6	16.24	40	55.00	5.50	18.33	12.83	18.33
Availability for domestic consumption (D - E)	279.71	342.67	372.67	334.83	191.42	232.50	207.12	129.60
Estimates sugar consumption	245.61	260	258	260.50	75.08	53.19	76.96	55.27
Carry out stock (F - G)	34.1	82.67	114.67	74.33	116.34	179.31	130.16	74.33

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 reach upto 330 LT in 2018/19 whereas the new season expects to decline by around 16% at 275.16 LT in 2019-20.
- On the other hand, sugar domestic consumption is expected to decline to 258 lakh tonnes in 2018-19 (01st October, 2018 – 30th September, 2019) whereas the consumption is estimated to increase to 260.5 LT in 2019-20.
- Although the production is estimated to decline, due to the higher ending stock of 114.67 LT which is enough to supply the demand.
- India exported around 40 LT against export target of 5 mln tonnes in 2018-19 but to clear the mounting sugar stocks from 2018-19, government has released the sugar export incentives for 60LT target which could help clear the stock as well as the arrears of cane farmers.

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

Particulars	Month	(Rs/Qtl)
Current Average Price	Sep'19	3269
Projected Price	Oct	3300-3450
	Nov	3200-3300
	Dec	3000-3150



International Sugar Market Summary:

ICE Mar'20 Contract raw sugar on 4th Oct closed steady at \$12.76 (cent/lb) as compared to \$12.23 of previous month and LIFFE Sugar on 4th Oct, the Dec'19 contract closed down by \$344.5 MT as compared to \$313.4MT of previous month. As the global sugar industry is expecting to move higher, after the decline in estimation of sugar production in India and Thailand amid bad weather conditions followed by Brazil which is more focusing ethanol production. Thailand's sugar-growing regions received only 40% of average rain in the past month, which has stunted cane growth. India's government has extended 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 Agricultural Trade Office estimates Brazil's marketing year (MY April-March) 2019/20 sugarcane crush at 635 million metric tons (mmt)	Bearish
The 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 September month. ISO sees global 2019/20 sugar production falling by -2.3% y/y to 172 MMT and a 2019/20 global sugar deficit of -4.8 MMT (after 2018/19's surplus of 1.7 MT). And Green Pool Commodity Specialists also raised their 2019/20 global sugar deficit estimate to 5.3 MMT from an Aug estimate of -3.8 MMT.

Imports of sugar in China stood at 4.7 lakh tonnes in the month of August'19 around 217.6% higher than last year in the same period. The total imports till Aug'19 stood at 4.3 mln tonnes which is around 1% lower compared to last year. From 1st Oct'19, Indian sugar producers are likely to start exporting sugar to China and among some other countries like Iran, East Africa, Bangladesh, Iran, Sri Lanka & Indonesia. After the sugar incentives subsidy announcement by India boosted the bookings of shipments across the countries for export among which Indonesia and Nepal already finalized the deal for importing Indian sugar from upcoming season.

Earlier Indonesia had asked India to cut its tariff on refined palm oil matching the levy faced by rival producer Malaysia, and **offered market access for Indian sugar in exchange.** Indonesia has agreed to import sugar and rice from India. This move will help to reduce trade deficit between the two sides and push trade volume to \$ 50 billion by 2025.

Thailand is making every effort to reduce the excess stock which has increased more than ever during the season of 2018-19. Sugar cane production in Thailand currently stands at 131 million tonnes in 2018-19 marketing year higher against the earlier estimates of 115 – 120 mln tonnes. The demand for sugar has dropped and there is a struggle to find a buyer for sugar traders in Thailand. According to the Thai Sugar Millers Corporation estimates, in January-June, the major buyers of Thai sugar, Myanmar and Cambodia, reported a sharp decline in refined sugar imports at 1.5 million tonnes and 2.5 million tonnes, respectively, down 8 percent and 8 percent throughout the year.

According to Thai Sugar Millers Corporation, Thailand exported 3.85 lakh tonnes of refined sugar and 4.59 lakh tonnes of raw sugar in Aug'19. Total of 18.99 lakh tonnes of refined sugar (-29.59%) has been exported at an average FOB \$353.32/tonne and 36.86 lakh tonnes (-10.6% y/y) of raw sugar at an average FOB \$293.49/tonne

much lower sugar has been exported so far till Aug'19 from January'19 because of lower sugar demand in 2018-19. Whereas the refined sugar exports in 2018-19 was at 26.97 lakh tonnes and 41.24 lakh tonnes of raw sugar was exported during Jan'18 to Aug'18.

Unica reported that sugar production in Brazil's Center-South fell -5.6% against last year to 2.037 MT in the first half of Sep and that total 2019-20 sugar output through mid-Sep fell -4.9% to 20.01 MMT. The cane crush so far reached 437.74 mln tones as of 16th Sep'19 against 432.51 mln tonnes in 2018-19. Unica projects that increased ethanol output in Brazil will cut Brazil 2019/20 Center-South sugar production by -5.7% y/y to a 14-year low of 25 MMT.

According to Australian Sugar report released by Australian sugar milling council, the weekly crush in the week ending on 29th Sep'19 fall to 13.83 lakh tonnes and the total crush reached 202.31 lakh tonnes (66%) total crush from the beginning of the season. The weekly crush as on 30th Sep'18, was around 15.33 lakh tonnes and total crush as on date was 236.47 lakh tonnes (71.6%) compared to 2019-20 crushing as this year the country is facing from drought conditions..

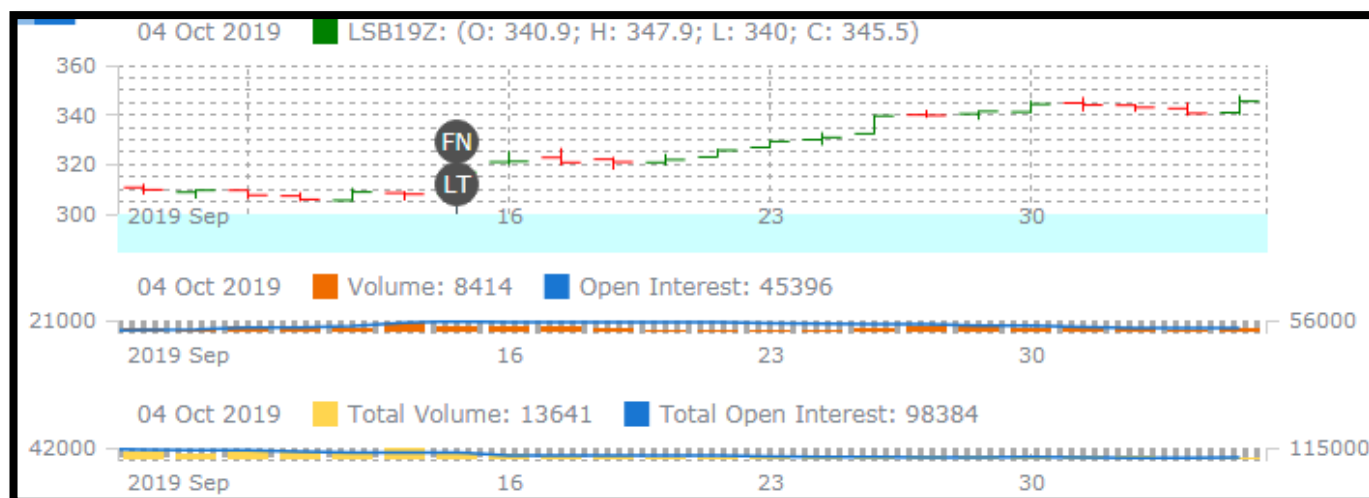
International Sugar Futures Price Projection

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

Technical Commentary

- LIFFE future market bullish for the month.
- Both Total volume and open interest has been decreased over a month.
- Strategy: Sell at level 343, T1 346

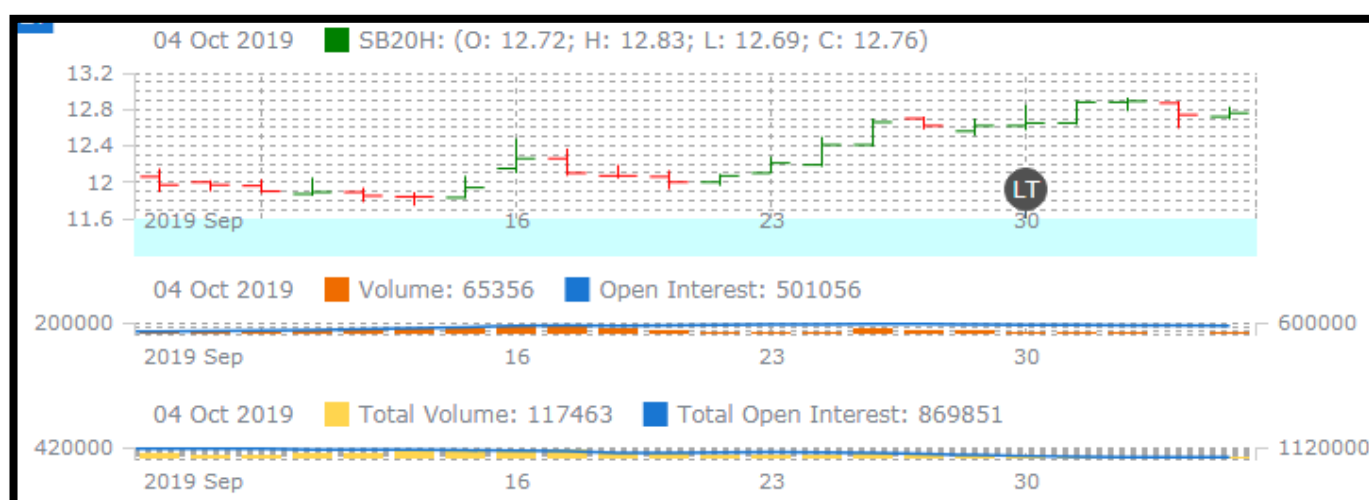
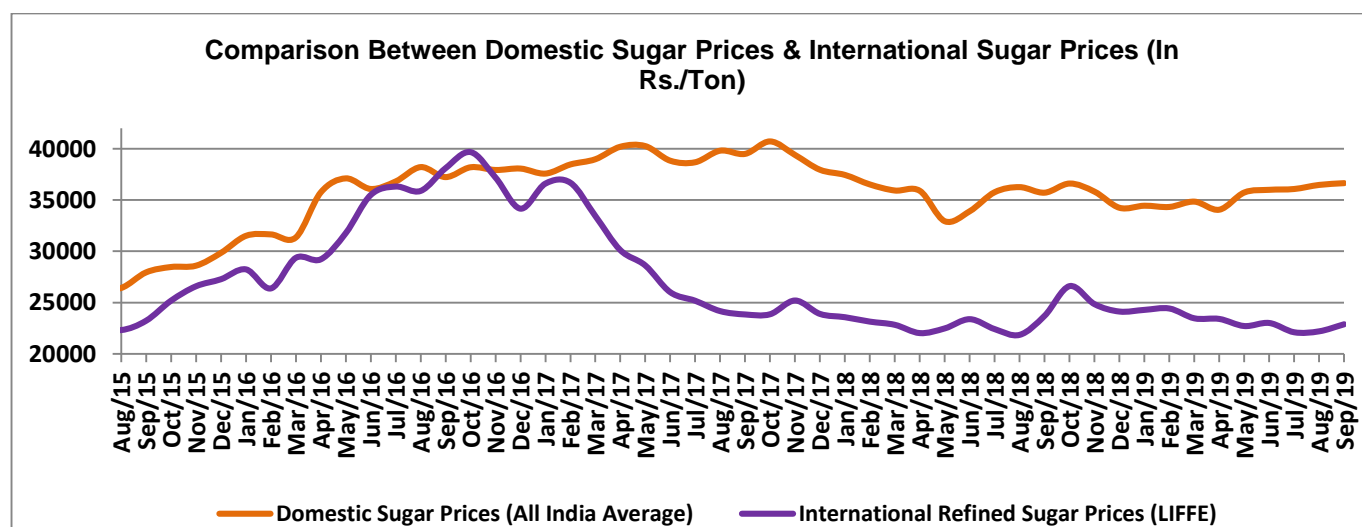
International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Dec'19	345.5	340-350



ICE (Raw Sugar Exchange) Future Market Scenario (Mar'20 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.
- Both Volume & open interest decreased.
- 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)	Mar'2020	12.76	11-18


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			September,19	August,19	
Delhi	Delhi	M-Grade	3396	3319	77
	Delhi	S-Grade	3376	3299	77
Uttar Pradesh	Khatauli	M-Grade	3462	3411	51
	Ramala	M-Grade	0	0	Unch
	Dhampur	M-Grade Ex-Mill	3388	3308	80
	Dhampur	S-Grade Ex-Mill	3368	3288	80
	Dhampur	L-Grade Ex-Mill	3438	3358	80
Maharashtra	Mumbai	M-Grade	3572	3529	43
	Mumbai	S-Grade	3353	3307	45
	Nagpur	M-Grade	3395	3332	62
	Nagpur	S-Grade	3278	3248	30
	Kolhapur	M-Grade	3270	3207	62
	Kolhapur	S-Grade	3153	3123	30
Assam	Guhawati	S-Grade	3464	3434	31
Meghalaya	Shillong	S-Grade	3473	3443	30
Andhra Pradesh	Vijayawada	M-Grade	3800	3668	133
	Vijayawada	S-Grade	3740	3608	133
West Bengal	Kolkata	M-Grade	3712	3652	60
Tamil Nadu	Chennai	S-Grade	3743	3623	120
	Dindigul	M-Grade	3698	3597	101
	Coimbatore	M-Grade	3683	3574	109
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3564	3398	166

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)			September,19	August,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	0	200	-200
	Hapur	Balti	0	0	Unch
Andhra Pradesh	Chittur	Gold	4500	4292	208

		White	3989	3245	744
		Black	2794	3239	-445
Maharashtra	Latur	Lal Variety	0	0	Unch
Karnataka	Bangalore	Mudde (Average)	4411	4568	-157
	Belgaum	Mudde (Average)	482	674	-192
	Belthangadi	Yellow (Average)	0	0	Unch
	Bijapur	Achhu	2440	2585	-145
	Gulbarga	Other (Average)	2218	2301	-82
	Mahalingapura	Penti (Average)	2768	3150	-382
	Mandya	Achhu (Medium)	3055	3370	-315
	Mandya	Kurikatu (Medium)	2915	3061	-146
	Mandya	Other (Medium)	2908	3039	-132
	Mandya	Yellow (Medium)	3080	3374	-294
	Shimoga	Achhu (Average)	3830	3917	-87

Spot Sugar Prices Scenario (Monthly):

International Sugar Prices (Monthly)				
	Contract Month	30-Sep-19	30-Aug-19	Change
ICE Sugar #11 (US Cent/lb)	19-Oct	11.16	11.01	0.15
	20-Mar	12.17	12.04	0.13
	20-May	12.27	12.18	0.09
LIFFE Sugar (US \$/MT)	19-Oct	328.89	301.60	27.29
	19-Dec	320.95	311.30	9.65
	20-Mar	325.90	320.80	5.10

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 © 2019 Indian Agribusiness Systems Ltd.