

### Price Outlook:

**Indian Sugar market showed mixed trend compared to previous month.** The prices in some states were lower as the millers are trying to sell of their old stocks in lower price before the crushing begins also the consumers are shifting from sugar consumption to dry fruits and other eatables. Whereas the prices in some states were firmer on the back of festivals. We expect sugar prices may trade steady to weak in the next month. According to Agriwatch, Indian sugar prices may trade in range of 3200 to 3550 Rs/q in coming days.

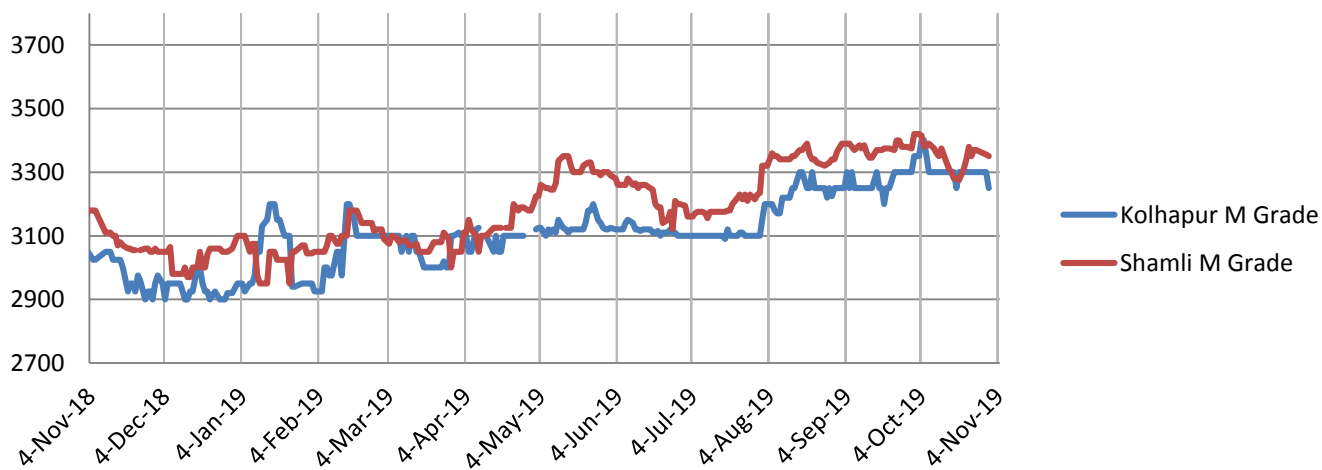
### Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3100–Rs 3400 per quintal for September month.

### Domestic Sugar Market Summary:

However, the average price for sugar 'M' grade in key Kolhapur market settled higher at Rs.3312 per quintal in October month up by INR 42 from the previous month; while spot sugar prices for the same grade in Shamli district is 3351 per quintal at the end of Oct month, down by 20 INR against previous month's average price Rs. 3377.

**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 6 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:**

**Sales quota allocated to the mills this month at 20.5LT on monthly basis for November to each 535 mills in India** lower compared to the previous month's quota of 21LT. The allocated quota of November 2019 is 1.5 LMT lower than the preceding year's November month quota that stood at 22 LMT. The prices are expected to remain stable inspite of no major festivals in November month but the prices could get support from the new export deals from different countries.

**The government has fixed fair and remunerative price (FRP) of sugarcane at Rs. 2.75/quintal for the current marketing year.** Farmers in many states such as Andhra Pradesh, Karnataka and Maharashtra, are paid on the basis of the FRP set by the Centre. Whereas in Uttar Pradesh, Punjab, Tamil Nadu and other states have a State Advised Price (SAP). According to the Agriwatch estimates, sugar production is estimated to be lower at 277.7 lakh tonnes in the 2019-20 marketing year (Oct-Sep) as against 330 lakh tonnes last year.

**Maharashtra is likely to commence crushing not before 15<sup>th</sup> Nov'19 as directed by the state government almost delayed by 1 month.** This time the number of private and cooperative sugar mills licensed for crushing sugarcane is lower than last year and is expected to fall sharply. Around 159 have applied for license whereas this season as compared to the previous season of 195 mills. Due to the lower crop, because of excess rains in western Maharashtra and drought in Marathwada, the number of sugar mills for crushing has come down. Sugarcane crop has been badly damaged due to floods in western Maharashtra, due to lack of water in Marathwada, the crop has been affected.

**UP government is likely to invest Rs.160 crore to create ethanol production capacity of 53 million liters.** In order to adopt greener fuels and to cut down the oil imports, the ethanol would be supplied to Oil Marketing Companies (OMCs). UP Cooperative Sugar Mills Federation Limited have an installed capacity to produce 35 million liters and 13.5 million liters of ethanol and rectified spirit respectively. In 2019, the ethanol production is subsequently

to rise by at least 5% (estimated at 3300 million liters in 2019) as already procurement of 910 million liters have been booked earlier in the beginning of the season.

**The Karnataka government has given the sugar mills a deadline to clear all the sugarcane arrears to be given to the farmers on or before 5<sup>th</sup> of November.** 23 factories in Belagavi district have a total arrears of Rs. 84 crore to be paid to farmers out of which 99 % of arrears have been paid to farmers. Also the government likely to take action against factories that had not renewed their license for this year. The State government is also set to decide on a demand for a ban on transporting sugarcane to neighbouring States on 10<sup>th</sup> Nov'19.

**The latest data released by USDA, projected that this year's India's total sugar production will decline to 29.3MMT** which is 14.6% less compared to previous year. Also, a lower than expected diversion of cane for sugar production and an expectation of a net reduction in the national average sugar recovery rate are the reasons for decline.

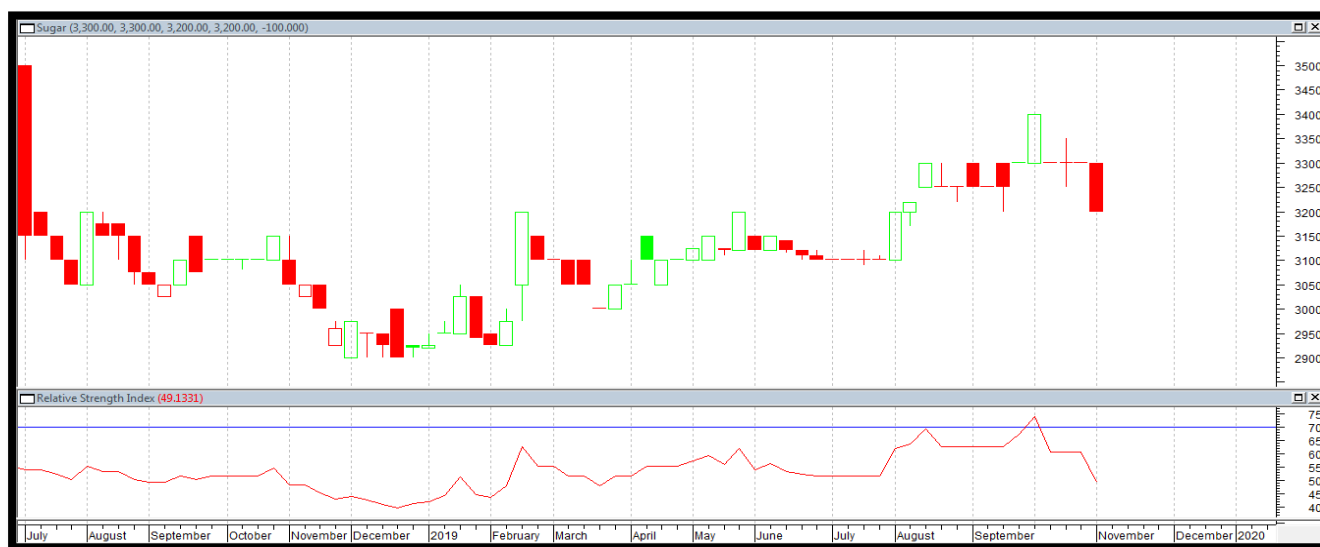
**India is driving towards exporting as much sugar possible in 2019-20 after the announced subsidy by the government which will move down the global sugar prices.** India has been exporting old season sugar stock to Iran. India have contracted to export to Iran about 350,000 tonnes of sugar for shipments in October to December at about \$302/tonne FOB. And contracted another 150,000 tonnes from Sri Lanka, Afghanistan and African countries at around \$315/ tonne for shipments in the last quarter of 2019. Therefore, India with higher ending stock this year has good opportunity to capture markets for raw sugar in China, Indonesia, Iran, Bangladesh and Sri Lanka. Indonesia has already reduced the import tariffs to 5% from 13% for India recently.

**After the Chinese officials visited India for trade deal on 10<sup>th</sup> Oct'19, China signed an MOU with India to purchase 50,000 tonnes of raw sugar in this marketing year.** As China is likely to produce 10 mln tonnes of sugar and their annual consumption is 15 mln tonnes, so the country have a shortfall of 5 mln tonnes. India's trade relation with China is likely to improve with this move. Recently, India has also signed trade deals to export 100,000-150,000 tn sugar to Iran, Sri Lanka and Afghanistan.

**Exports:** In the month of September, India exported around 1.46 LT lower than the previous month's exports. Iran imported the largest amount of sugar (45,931MT) at an average FOB of \$352/MT followed by Somalia, importing 33,392MT at \$332/MT FOB. Total refined sugar exports are expected to have reached around 40 LT so far in the marketing year 2018-19. After the introduction of export incentives by the government, there is expectations of exporting around 55LT of sugar in the 2019-20 marketing year.

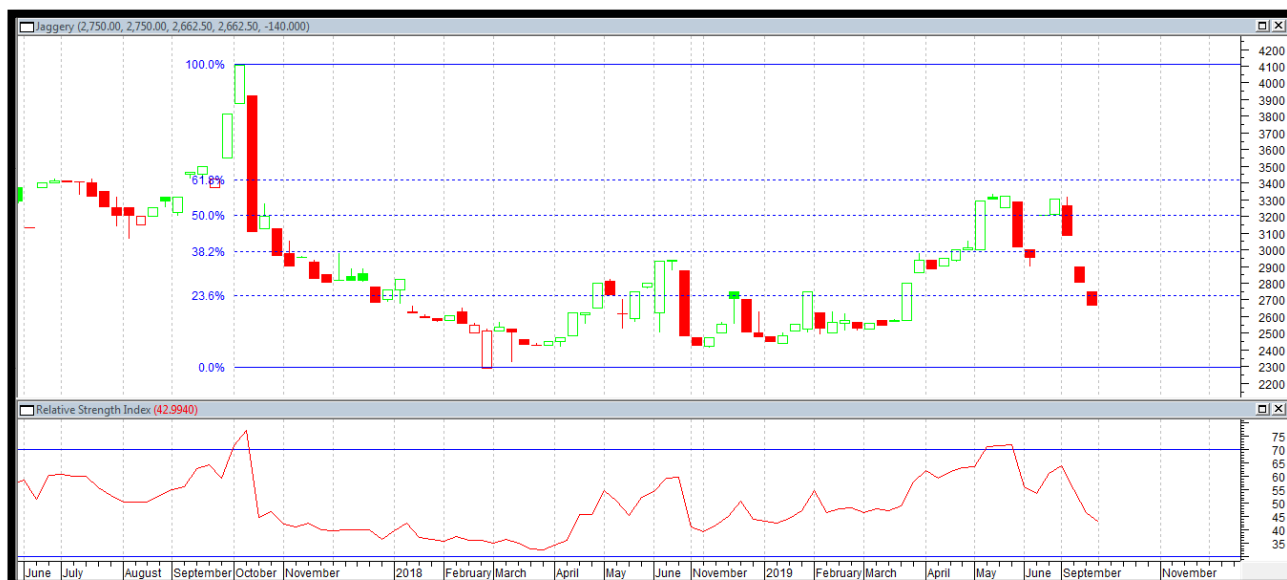
### Technical Analysis - Sugar (M grade) Spot Market at Kolhapur market

- Sugar spot prices at benchmark Kolhapur market closed higher at Rs.3330 quintal the last week of the month.
- Next resistance and support level for the October month is expected at Rs.3200 and Rs.3350 per quintal respectively.
- RSI is in the neutral region.



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

- Chaku variety of gur in key Muzaffarnagar market has started arriving in last month and stood lower at Rs.2660/q.
- RSI stood in the neutral region.



**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**

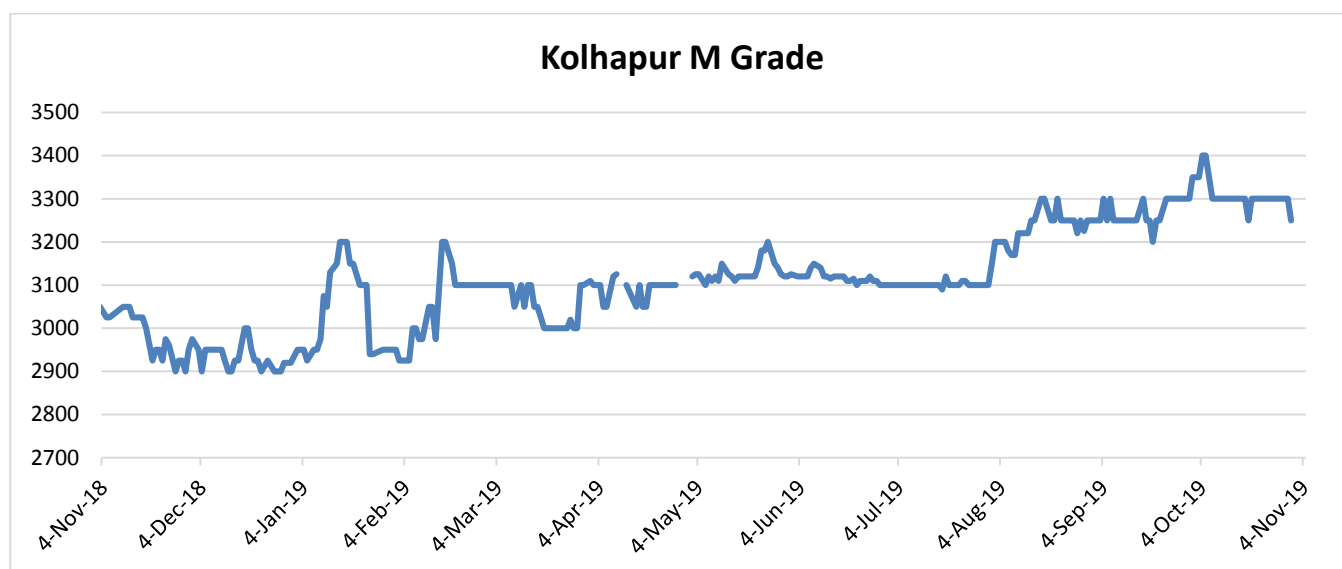
| <b>SUGAR BALNCE SHEET 2019-20(LT)</b>         |                |                |                 |                 |                |                |                |                |
|---|----------------|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| <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           | 114.67          | 114.67         | 117.11         | 181.33         | 132.57         |
| Estimated sugar production                    | 202.85         | 321.96         | 330             | 277.73          | 83.02          | 135.75         | 41.03          | 17.94          |
| 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          | 392.40          | 197.69         | 252.85         | 222.36         | 150.50         |
| 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          | 337.40          | 192.19         | 234.52         | 209.53         | 132.17         |
| 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          | 76.90           | 117.11         | 181.33         | 132.57         | 76.90          |

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 277.73 LT in 2019-20.
- On the other hand, sugar domestic consumption is expected to decline to 258 lakh tonnes in 2018-19 (01<sup>st</sup> October, 2018 – 30<sup>th</sup> 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**

| <b>Pariculars</b>     | <b>Month</b> | <b>(Rs/Qtl)</b> |
|-----------------------|--------------|-----------------|
| Current Average Price | Sep'19       | 3269            |
| Projected Price       | Oct          | 3300-3400       |
|                       | Nov          | 3200-3300       |
|                       | Dec          | 3100-3200       |
|                       | Jan          | 3100-3250       |



### International Sugar Market Summary:

Overall average International sugar prices were firm this month (\$349/MT) compared to the previous month (\$328.89/MT). In the year 2019-20, although global sugar production is projected higher as major sugar producing countries like India, Thailand, Mexico and Pakistan have cut down their sugar estimates due to unfavourable weather conditions during the year as well as the diversion from sugar towards ethanol production has increased in Brazil. The sugar consumption in most of the countries remained steady and on an average only 1% increase is estimated in 2019-20 MY compared to last year as consumers are being conscious in sugar intake and the processing industries are diverting towards corn based sugar extract.

### 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 up by 1.01% y/y to 180 MMT (USDA) in 2019/20   | Bearish |
| Platts estimates a global sugar surplus will return as global 2020/21 sugar production climbs +5.2% y/y to 186.0 MMT on higher expected output in India, Brazil, EU and Russia. | Bullish |
| 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:**

**There has been an increasing trend in sugar consumption in China since last 3 years and USDA forecast to remain steady in 2019-20 marketing year at 15.8 MMT** as due to lower corn prices the consumers are preferring starch based sugar over cane sugar. According to the latest estimates, China is likely to produce higher cane sugar at 9.49MMT against 9.44MMT in 2018-19. China estimated its imports lower compared to previous so as to clear off the old stock. China has set the 2020 sugar import quota at 1.945 million tonnes. Among the total import quota for the commodity, 70% would be allocated to state-owned firms. Companies applying for the quota must have processed 600 tonnes and more raw sugar per day in 2018, or sold 450 million yuan (\$63.73 million) and more worth of sugar during the year.

**Sugar production is forecast to decline by 7% from 14.6 MMT in 2018-19 to 13.5MMT in 2019-20** marketing year in Thailand. The unfavourable weather conditions as in 2019, precipitation was 40-70 percent below average especially during tillering and elongation growth stages precipitation in 2019 was 40-70 percent below average especially during the intensive vegetative growth stage. Subsequently, the exports are estimated down to 10.5MMT from the previous estimates due to reduction in sugar production as well as the reduced import demand from the neighbouring countries has affected the exports.

**Sugarcane crush this year in Centre south region of Brazil has been increased by around 6% so far (from Apr'19 till 1st half of Oct'19) due to the favourable weather conditions.** Whereas most of the cane have been diverted to ethanol production in the country to better and increased demand for ethanol. Therefore, this year the sugar: ethanol breakdown for MY 2019-20 is at 35 and 65 percent, respectively, compared to 35.9:64.1 percent for MY 2018-19. Also, the lower world sugar prices against the domestic prices, therefore, the overall sugar exports of Brazil have declined by around 16% till Sep'19 with major importing countries were Algeria, China, Saudi Arabia, Bangladesh and Nigeria.

**According to Australian Sugar report released by Australian sugar milling council, the weekly crush in the week ending on 27th Oct'19 fall to 12.48 lakh tonnes** and the total crush reached 255.92 lakh tonnes (84.9%) total crush from the beginning of the season. The weekly crush as on 28th Oct'18, was around 12.63 lakh tonnes and total crush as on date was 287.71 lakh tonnes (87.6%) compared to 2019-20 crushing as this year the country is facing from drought conditions. Total sugar production is estimated to be 5% down from 2018-19 season. As a result, Australian sugar exports are also forecast to fall to 3.5 MMT in MY 2019-20, from 3.8 MMT in MY 2018-19.

**Malaysia is looking forward to enhance the bilateral trade with India and reducing the trade tensions between the two countries.** Malaysia is planning to import more raw sugar in the coming year 2020 amid reports India is considering restricting imports of palm oil from Malaysia. Malaysia's exports to India were worth \$10.8 billion in the fiscal year that ended on March 31, while imports totalled \$6.4 billion which shows that India is one of the major revenue generator for Malaysia.



**Recently, in August to avoid possible sugar price hike in the Philippines**, the SRA had allowed the importation of 250,000 metric tonnes of refined sugar to fulfil the deficit in domestic production to meet the rising demand. 100,000 MT was allocated for industrial users, while the rest 150,000 MT was for consumers, and sugar producers. This imported sugar will be coming in until October 31, and this will be good until next year. According to SRA (Sugar Regulatory Administration), further importation might lower the prices and the imported sugar so far is enough to feed the country's demand.

**Syrian state agency has issued an international tender to purchase and import 80,000 tonnes of white refined sugar.** According to the reports, the deadline mentioned in the tender from the General Foreign Trade Organisation is November 11. Out of 80,000 tonnes consignments, shipment is sought in two 40,000 tonne consignments. The first consignment being shipped 60 days after the letter of credit opening on the deal and the other one 180 days after supply of the first shipment. Indian sugar millers would definitely gain some advantage in exporting its refined sugar helping to clear off some stock from India.

**Kenya is forced to import sugar after it faced drought in 2017-18 which lead to closure of several sugar mills in the country and subsequently impacted the sugar production (-8%).** According to the reports, sugar production between January and September declined to 335,992 tons compared with 366,398 tons during the same period last year. Also, the sugar import surged to 324,055 tonnes from 190,084 tonnes.

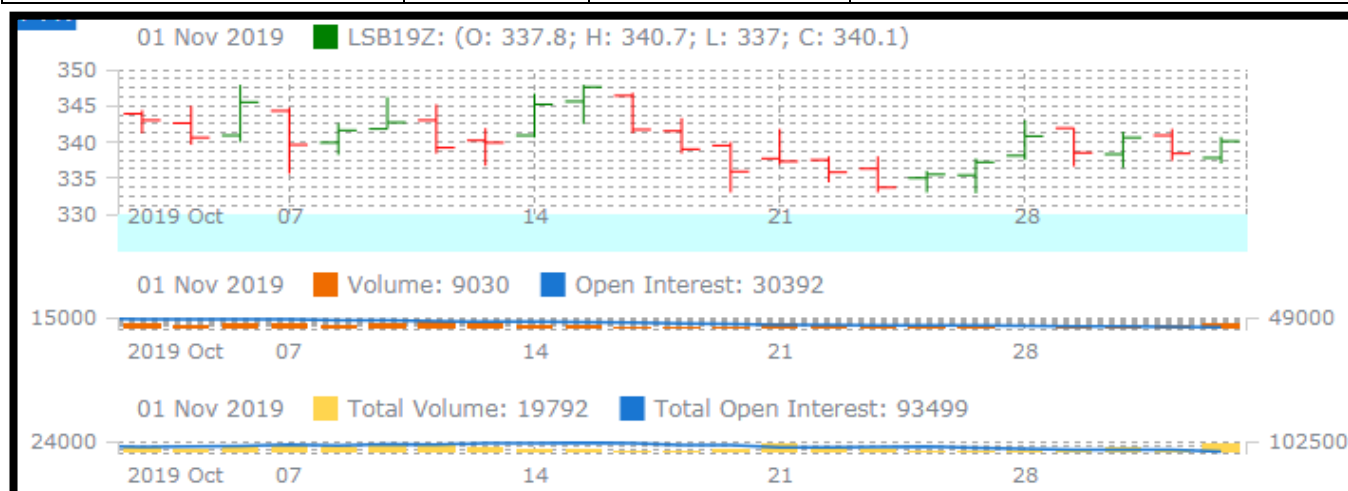
### International Sugar Futures Price Projection

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

##### Technical Commentary

- LIFFE future market bullish for the month.
- Total volume increased but open interest has been decreased over a month.
- Strategy: Sell at level 342, T1 345

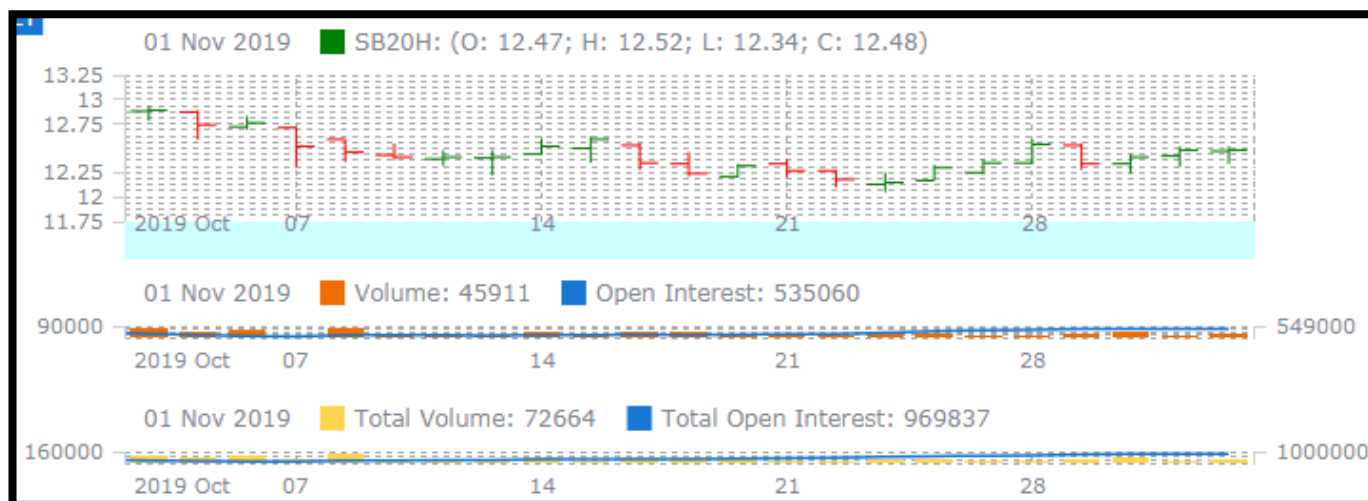
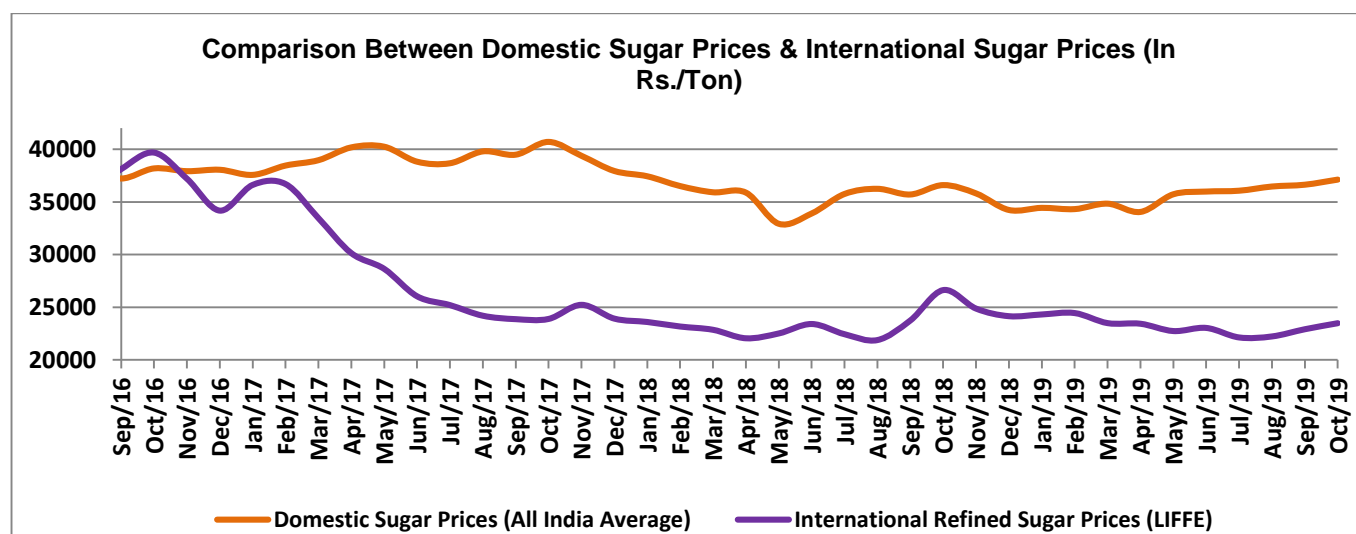
| International Sugar Futures Price Projection |                |               |                                     |
|--|----------------|---------------|-------------------------------------|
|  | Contract Month | Present Quote | Expected Price level for next Month |
| LIFFE Sugar (US \$/MT)                       | Dec'19         | 340.1         | 340-350                             |



**ICE (Raw Sugar Exchange) Future Market Scenario (Mar'20 Contract)**
**Technical Commentary:**

- ICE raw sugar futures were steady to firm in the month.
- Last candle stick of the week depicts buy in future market as open position is increasing.
- Volume decreased while open interest increased.
- Strategy: Buy at rate 12 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       | 12.48         | 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  |            |                        | October,19              | September,19 |        |
| Delhi  | Delhi      | M-Grade                | 3368                    | 3396         | -29    |
|  | Delhi      | S-Grade                | 3348                    | 3376         | -29    |
| Uttar Pradesh                                | Khatauli   | M-Grade                | 3468                    | 3462         | 6      |
|  | Ramala     | M-Grade                | 0                       | 0            | Unch   |
|  | Dhampur    | M-Grade Ex-Mill        | 3359                    | 3388         | -29    |
|  | Dhampur    | S-Grade Ex-Mill        | 3339                    | 3368         | -29    |
|  | Dhampur    | L-Grade Ex-Mill        | 3409                    | 3438         | -29    |
| Maharashtra                                  | Mumbai     | M-Grade                | 3556                    | 3572         | -16    |
|  | Mumbai     | S-Grade                | 3338                    | 3353         | -14    |
|  | Nagpur     | M-Grade                | 3437                    | 3395         | 42     |
|  | Nagpur     | S-Grade                | 3251                    | 3278         | -28    |
|  | Kolhapur   | M-Grade                | 3312                    | 3270         | 42     |
|  | Kolhapur   | S-Grade                | 3126                    | 3153         | -28    |
| Assam  | Guhawati   | S-Grade                | 3437                    | 3464         | -28    |
| Meghalaya                                    | Shillong   | S-Grade                | 3446                    | 3473         | -28    |
| Andhra Pradesh                               | Vijayawada | M-Grade                | 3746                    | 3800         | -54    |
|  | Vijayawada | S-Grade                | 3686                    | 3740         | -54    |
| West Bengal                                  | Kolkata    | M-Grade                | 3708                    | 3712         | -4     |
| Tamil Nadu                                   | Chennai    | S-Grade                | 3791                    | 3743         | 48     |
|  | Dindigul   | M-Grade                | 3654                    | 3698         | -43    |
|  | Coimbatore | M-Grade                | 3700                    | 3683         | 17     |
| Chattisgarh                                  | Ambikapur  | M-Grade (Without Duty) | 3600                    | 3564         | 36     |

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)  |               |                          | October,19      | September,19 |        |
| Uttar Pradesh                                       | Muzaffarnagar | Chaku Sukha(Cold)        | 2130            | 0            | 2130   |
|   | Muzaffarnagar | Chaku(Arrival)(40kg Bag) | 6217            | 0            | 6217   |
|   | Muzaffarnagar | Khurpa (Fresh)           | 1845            | 0            | 1845   |
|   | Muzaffarnagar | Laddoo (Fresh)           | 2092            | 0            | 2092   |
|   | Muzaffarnagar | Rascut (Fresh)           | 1169            | 0            | 1169   |
|   | Hapur         | Chaurasa                 | 1736            | 0            | 1736   |

|                |               |                   |      |      |       |
|----------------|---------------|-------------------|------|------|-------|
|                | Hapur         | Balti             | 1773 | 0    | 1773  |
| Andhra Pradesh | Chittur       | Gold              | 4895 | 4500 | 395   |
|                |               | White             | 3840 | 3989 | -149  |
|                |               | Black             | 1294 | 2794 | -1499 |
| Maharashtra    | Latur         | Lal Variety       | 0    | 0    | Unch  |
| Karnataka      | Bangalore     | Mudde (Average)   | 4277 | 4044 | 234   |
|                | Belgaum       | Mudde (Average)   | 0    | 482  | -482  |
|                | Belthangadi   | Yellow (Average)  | 0    | 0    | Unch  |
|                | Bijapur       | Achhu             | 941  | 2033 | -1092 |
|                | Gulbarga      | Other (Average)   | 2580 | 1916 | 664   |
|                | Mahalingapura | Penti (Average)   | 3019 | 2768 | 251   |
|                | Mandya        | Achhu (Medium)    | 3304 | 3055 | 249   |
|                | Mandya        | Kurikatu (Medium) | 3014 | 2915 | 99    |
|                | Mandya        | Other (Medium)    | 3033 | 2908 | 125   |
|                | Mandya        | Yellow (Medium)   | 3310 | 3080 | 230   |
|                | Shimoga       | Achhu (Average)   | 3093 | 3830 | -737  |

### Spot Sugar Prices Scenario (Monthly):

| International Sugar Prices (Monthly) |                |           |           |        |
|--------------------------------------|----------------|-----------|-----------|--------|
|                                      | Contract Month | 31-Oct-19 | 30-Sep-19 | Change |
| ICE Sugar #11 (US Cent/lb)           | 19-Oct         | 12.95     | 11.92     | 1.03   |
|                                      | 20-Mar         | 12.48     | 12.65     | -0.17  |
|                                      | 20-May         | 12.58     | 12.75     | -0.17  |
| LIFFE Sugar (US \$/MT)               | 19-Oct         | 349.70    | 355.6     | -5.90  |
|                                      | 19-Dec         | 338.40    | 344.3     | -5.90  |
|                                      | 20-Mar         | 338.60    | 345.4     | -6.80  |

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