

Price Outlook:

Indian Sugar market was weaker in November month compared to previous month as the sugar season started by a month delay this year due to the untimely rains in the major sugarcane producing state **Maharashtra**. The demand for Indian sugar has witnessed moderate because of the support from the export subsidy incentive. The November month's sugar sales quota (20.5LT) was sufficient according to the domestic demand which stabilized the sugar prices. We expect sugar prices may trade steady to weak in the next month. According to Agriwatch, Indian sugar prices may trade in range of 3150 to 3550 Rs/q in coming days.

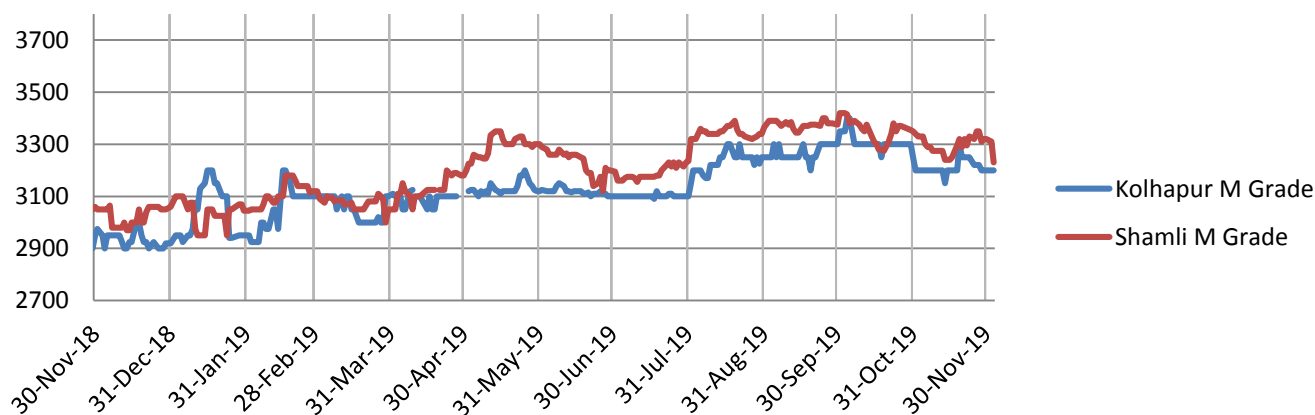
Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3150–Rs 3350 per quintal for December month.

Domestic Sugar Market Summary:

However, the average price for sugar 'M' grade in key Kolhapur market settled lower at Rs.3211 per quintal in November month up by only INR 100 from the previous month; while spot sugar prices for the same grade in Shamli district is 3299 per quintal at the end of Nov month, down by 52 INR against previous month's average price Rs. 3351.

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:

Monthly sales quota released by the government issued on 29th Nov'19 is 21.5 LT for December month. The quota allotted 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 of December 2019 is 2 LMT higher than the preceding year's December month quota that stood at 19.50 LMT. The quota is 4.88% higher quota compared to the last month's Sugar quota of November 2019 which stood at 20.5 LMT.

According to the latest data released by ISMA, the sugar production reached 18.85 LT so far till 30th Nov'19 as against 40.69 LT in 2018-19 sugar season. 418 sugar factories were crushing sugarcane last year on 30th Nov'18, whereas only 279 sugar mills are crushing sugarcane on 30th Nov'19 this year. As per trade and market sources, about 15 lac tons of sugar have been contracted for exports, which includes contracts made with port based refiners by sugar mills. Major destinations for sugar exports are Iran, Sri Lanka, Afghanistan, and African countries.

Maharashtra as started the crushing very late on 22nd Nov'19 has produced only 67,000 tonnes of sugar with around 50 sugar mills working so far against 18.89 lakh tonnes in the previous year as on 30th Nov. Similarly, Karnataka is lagging behind by around 3 lakh tonnes producing 5.21 lakh tonnes as on 30th Nov'19 against 8.4 lakh tonnes till 30th Nov'18. Whereas, crushing operations in all the other states have also begun and the pace of crushing is picking up. About 50 sugar mills are operating in other States who have produced 1.41 lakh tonnes in this season upto 30th Nov'19, which in the previous season was 2.21 lakh tonnes, when 60 mills were operating in the last season.

As on 27th Nov'19, total 104 sugar mills has started sugarcane crushing in Uttar Pradesh against 103 mills during the correspond period previous year. So far, UP has crushed 27% more sugarcane around 95.91 LT against 75.04 LT in the previous year and produced 9.58 LT of sugar which is 25% higher due to the favorable conditions in

the state this year. Whereas, the recovery declined by around 1.6% to 9.99% from 10.16% in the previous year from the start of the season in Oct till 27th November.

According to Agriwatch estimates, Maharashtra is likely to produce 59 LT sugar including the diversion to ethanol production against the latest data released by Maharashtra's sugar commissioner that has estimated the sugar production to decline by 45% at 58 LT whereas ISMA pegged Maharashtra's 2019-20 sugar production at 62 LT, a decline of 40%. ISMA expects sugar production to be around 268.5 lakh tonnes and considering the diversion to ethanol, ISMA declined the sugar production to around 260 lakh tonnes. Whereas Agriwatch estimates 271LT sugar production so far after the losses reported in Maharashtra and Karnataka due to bad weather also including the diversion to ethanol production across India.

Recently, the government estimated the sugar production to decline by 18% to 273 lakh tonnes in the sugar season 2019-20. The total availability of sugar in the country is estimated to be about 413 Lakh MT as against the total domestic consumption of 260 LT including the carry over stock of 140LT of the last sugar season. In contrast, ICRA has revised its production estimates further down by 7.8% to 26 MMT from the earlier preliminary estimate of 28.2 MMT. The expected exports of 3.5 MMT in 2019-2020 as likely to improve the demand-supply situation in the domestic market, thus supporting the sugar prices in the near term due to lower production in India as well as globally.

The latest notification issued by DFPD in Sugarcane (Control) Amendment Order, 2019, allowing India's sugar producing mills to convert surplus stocks into ethanol to be blended with petrol comes as an additional support measure for the industry. However, UP is not interested in converting the old sugar stocks to ethanol as it might not be wise decision financially. Mill incur a cost of Rs 6-7/kg to convert sugar into ethanol, which the government will buy at Rs 59.48/litre, and their realization will be equivalent to the prevailing sugar price of Rs 31.50/kg. Similarly, Maharashtra has already lower sugarcane available to fulfill the ethanol quota allocated by oil marketing companies.

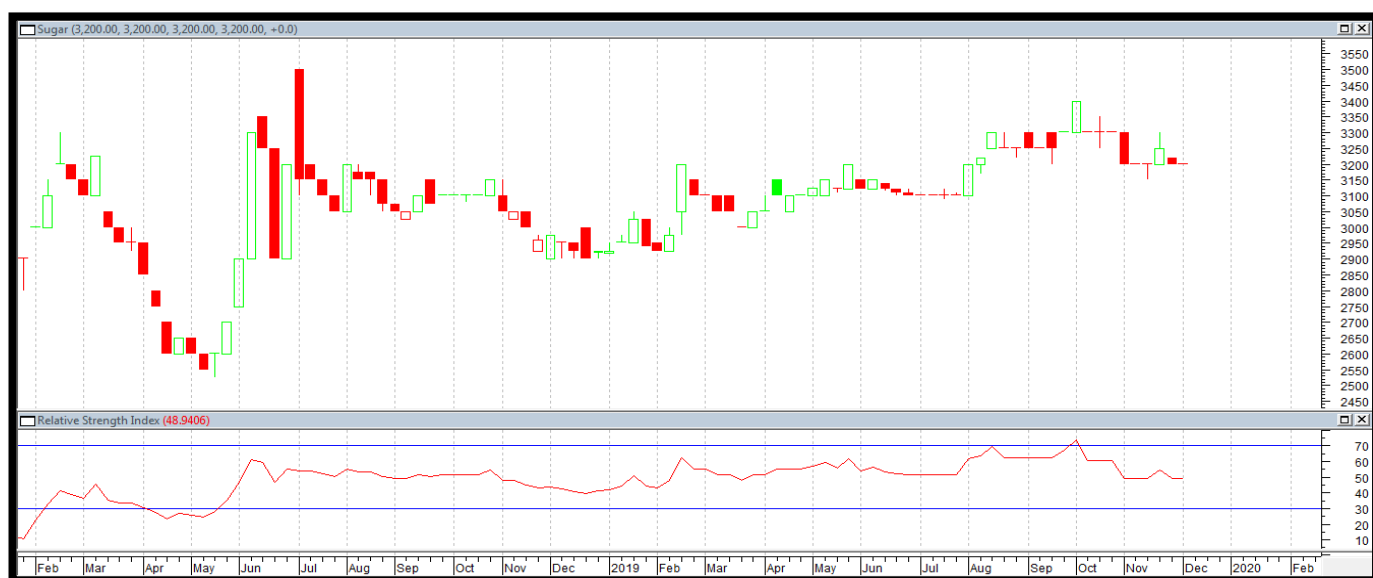
The oil marketing companies (OMC's) placed tenders for 5.11 billion litres of ethanol in 2019-20. The requirement by oil companies exceeds by 40% and so far 1.88 billion litres have been supplied in 2018-19 out of the contracted 2.45 billion litres in 2018-19. Ethanol delivery new season starts from December and ends in November. Uttar Pradesh, Maharashtra and Karnataka being the bulk sugarcane-based ethanol producer in India, having the total installed capacity for ethanol production is 3.55 billion litres in 2019-20 season. Therefore, government in the coming year expects significant quantities of ethanol to come from non-sugarcane sources like wheat and corn to fulfill the requirements.

According to the trade sources, Indian sugar mills have so far contracted exports of around 12-15 LT sugar in 2019-20 sugar season since October'19. In the October month, sugar mills have exported around 4-5 LT of old sugar stock and it is projected that around 9-10LT of sugar have been exported so far. Good demand have been reported from the following countries: Afghanistan, Iran, Sri Lanka, Somalia, Nepal, Kenya, Bangladesh, Saudi Arabia, & Qatar. Indian FOB is hovering around \$323/tonne for refined sugar and \$ 309/ tonne for raw sugar at present which is lower than LIFFE sugar which is hovering around \$334/tonne (Refined sugar).

Government has extended the duration till December to export last year's balance quota of sugar. As the sugar mills exported around 3.8 million tonnes only against the target of 5 million tonnes during Oct'18-Sep'19. Now, it has been decided by the central government to allow those sugar mills, which had partially exported their MIEQ of 2018-19 till September 2019, to export the balance quantity of their MIEQ by December 31, 2019. As the mills in the last season were ineligible to avail the incentives for exports due to partial fulfilment of export quota. Hence, on the request of the mills, the government has extended the last date to exhaust last year's export quota by December 31, 2019.

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

- Sugar spot prices at benchmark Kolhapur market closed higher at Rs.3200 quintal the last week of the month.
- Next resistance and support level for the December month is expected at Rs.3150 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 slightly higher at Rs.2602/q against Rs. 2575/q last week.
- 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
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

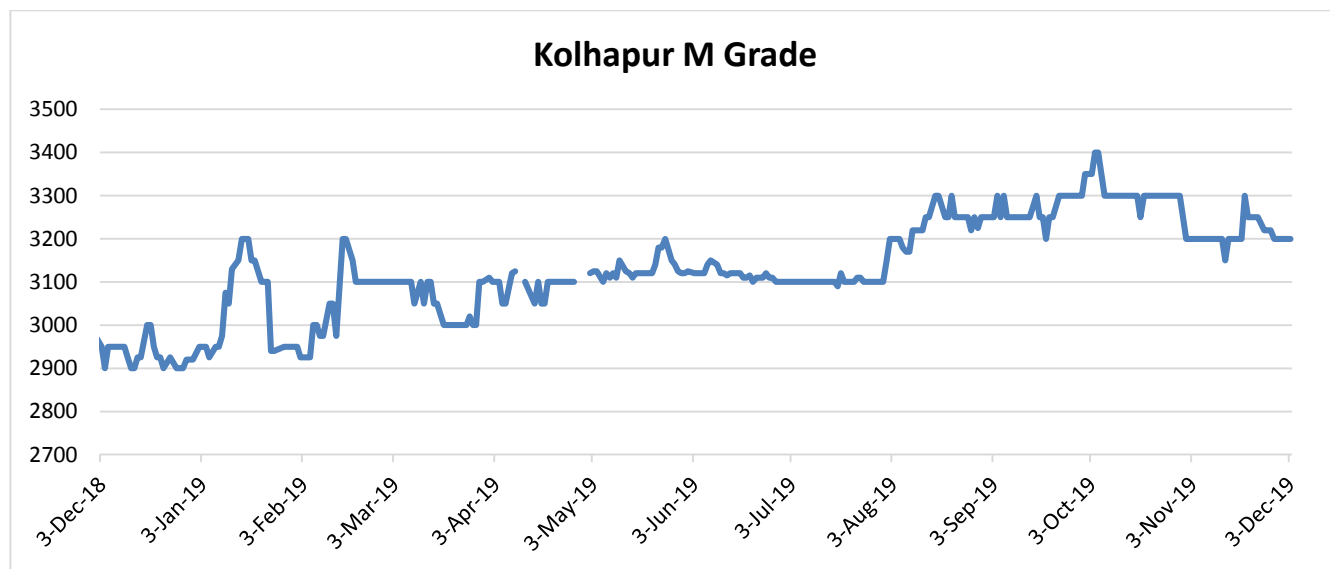
SUGAR BALNCE SHEET 2019-20(LT)								
SUGAR BALNCE SHEET 2018-19(LT)	2016-17	2017-18	2018-19*	2019-20*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	77	34.1	82.67	114.67	114.67	117.11	181.33	132.57
Estimated sugar production	202.85	321.96	330	277.73	83.02	135.75	41.03	17.94
Imports	4.46	2.85	0	0.00	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 (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	Nov'19	3211
Projected Price	Oct	3300-3400
	Nov	3200-3300
	Dec	3100-3200
	Jan	3200-3350
	Feb	3250-3400


International Sugar Market Summary:

Overall average International sugar prices were slightly weaker this month \$347/MT compared to the previous month (\$349/MT). In the year 2019-20, although global sugar production is projected lower 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. Brazil and India are essentially tied as top producers. Consumption is projected to continue to rise due to record use in India. Exports are estimated to be flat while global stocks are projected down 5 million tons to 50 million with lower stocks in China, India, and Pakistan.

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
Global 2019/20 sugar production will drop -3.2% y/y to 174.1 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
ISO's forecast to raise its global 2019/20 sugar deficit estimate to -6.1 MMT from a September projection of -4.8 MMT	Bullish

International Market Highlights:

USDA in its latest report has reported that the global sugar production is estimated to decline by 6 million tonnes at 174 million tonnes of sugar in the year 2019-20. Major decline is forecasted due to the reduction of sugar production in India in sugar season 2019-2020 which is estimated around 26.5 to 27 million tonnes. The sugar decline is also followed by Thailand where this year in 2019-20 sugar season, the country expects to produce 13.9 million tonnes a decline of 2% from the previous year (2018-19). Whereas the total exports in the country likely to increase to 11.9 million tonnes in 2019-20 from 11.5 million tonnes in 2018-19.

ISO forecasts the global sugar deficit increases to 6.12 million tonnes from the earlier estimates of 4.76 million tonnes in September. The global sugar production is expected to total 170.4 million tonnes, down 3.12 per cent in 2019-20 compared to the prior season with the consumption might reach to 176.52 million tonnes, up 1.32 per cent. Sugar production by Brazil, the world's largest sugar producer, in 2019-20 will climb by +17.4% to 34.1 MMT, after production in 2018-19 (Apr-Mar) fell -17.2% to an 11-year low of 31.4 MMT.

U.S. sugar production have declined significantly due to adverse weather in both sugar beet and sugarcane regions. In the November 2019 WASDE Report, the U.S. sugar production projection declined by 524,000 short tons raw value to 13.55 STRV from the previous month, while ongoing weather concerns threaten further reductions. USDA intends to make an announcement between November 18 and December 10 as to quantity, type and source of additional sugar needed to ensure an adequate supply for the domestic market.

Ties between Pakistan and China becoming stronger after US and China trade war started. Pakistan likely to export more goods especially sugar to China in the current year. Pakistan exported sugar worth \$609.9 million to China, which was over four times compared to sugar exports in fiscal year 2017-18. India remained behind in case of sugar exports to China due to imposition of heavy tariffs by China and the domestic prices remained higher in India. The second phase of Pakistan-China Free Trade Agreement (FTA) will become operational from the first of December.

Thailand government has recently posed ban of using Paraquat, Chloropyrifos and Glyphosate chemicals especially used in sugarcane production. The ban on paraquat will affect sugar production as well as impact food processing, animal feed and ethanol production sector. There will be a decrease in the production of sugarcane between 20 per cent and 50 per cent. Thailand being the 2nd biggest exporter, the ban would impact the raw sugar production and further would decline the exports. If no alternative is introduced as soon as possible, other countries would get the opportunity to liquidate their stock in the global market especially India.

Sugarcane crush this year in Centre south region of Brazil has been increased by around 6% so far and total sugar produced around 26 million tonnes above 3% (from Apr'19 till 1st half of Nov'19) compared to the previous season due to the favourable weather conditions. Whereas most of the cane have been diverted to ethanol production (production increased by 8.4%) in the country to better and increased demand for ethanol. Therefore, this year the sugar: ethanol breakdown for MY 2019-20 is at 34.84 and 65.16 percent, respectively, compared to 35.77:64.23 percent for MY 2018-19.

The main sugar producing region in Brazil, the centre- south region mills is likely to end its crushing earlier than expected due to drier-than-normal weather. According to the Unica, 67 mills have already finished crushing as against 52 during the same period last year. Because of better realization on selling ethanol instead of sugar, the country is more focusing on producing more ethanol production. Also, the falling prices of sugar in the international market has helped Brazil to emphasise more on ethanol production.

Brazil so far has produce around 470.27 billion litres of ethanol out of which around 1.37 billion litres have been exported till mid of Nov'19 since start of the season in April'19, the exports increased by around 20% compared to the previous year. Brazil's ethanol stocks reached 11.42 billion litres by 31st Oct'19, up 3.9 % from the same time last year and 4% more than on 15th Oct'19 this year. By 31st Oct last year, ethanol stocks in the country were at 10.99 billion litres. The monthly average price increased by 11% at 529 US\$/m³ which encouraged the exports.

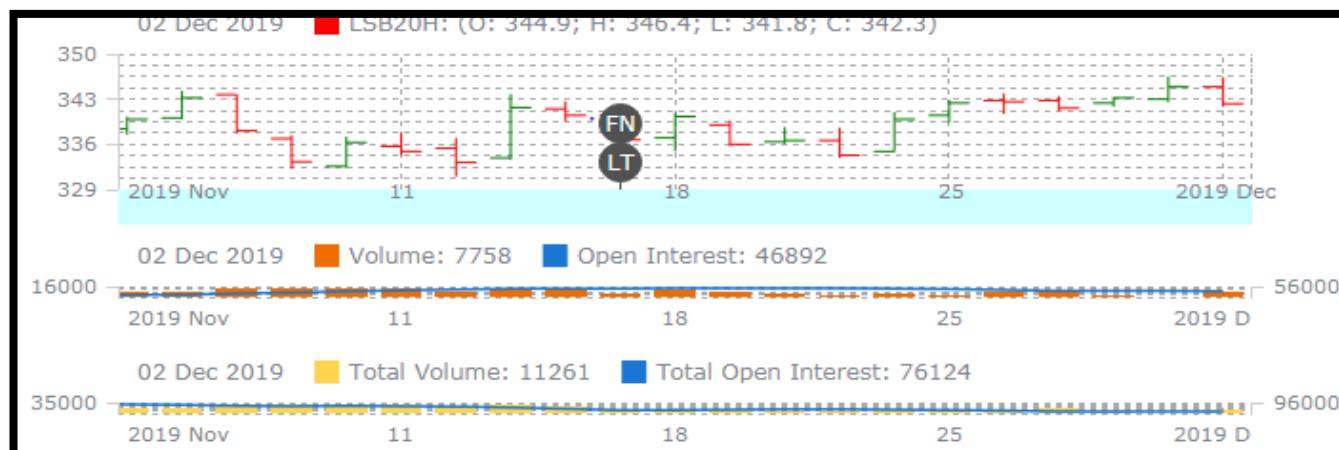
According to Australian Sugar report released by Australian sugar milling council, the monthly crush in Nov'19 fall by 19% compared to the previous month to 43.33 lakh tonnes and the total crush reached 299.26 lakh tonnes (99.4%) total crush from the beginning of the season down by 7% in the same period last year as this year the country is facing from drought conditions. 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.

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 volume and open interest has been increased over a month.
- Strategy: Sell at level 342, T1 346

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Dec'19	342.3	340-350

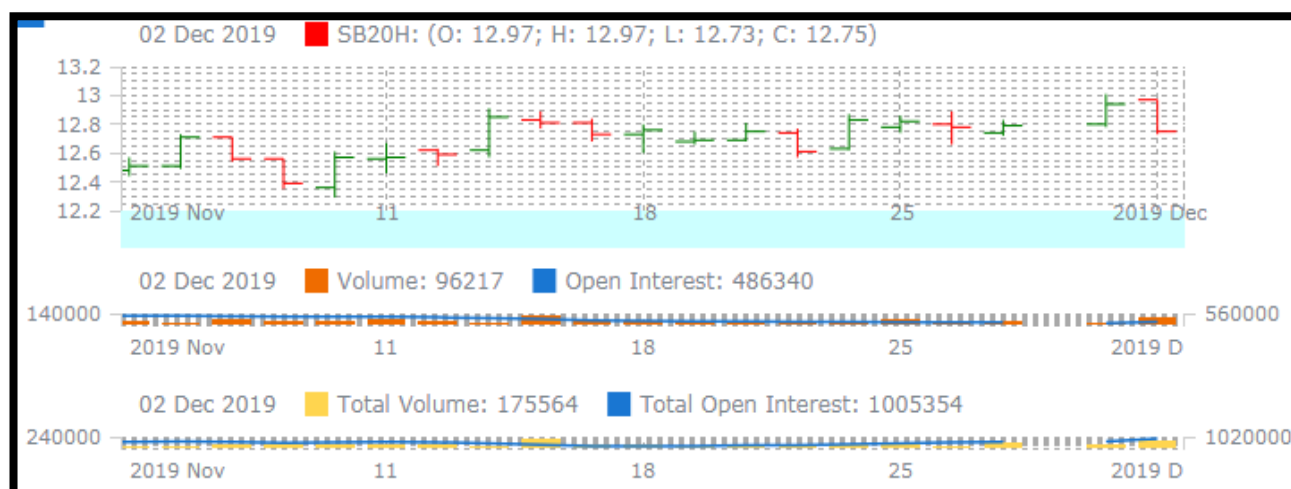


ICE (Raw Sugar Exchange) Future Market Scenario (Mar'20 Contract)

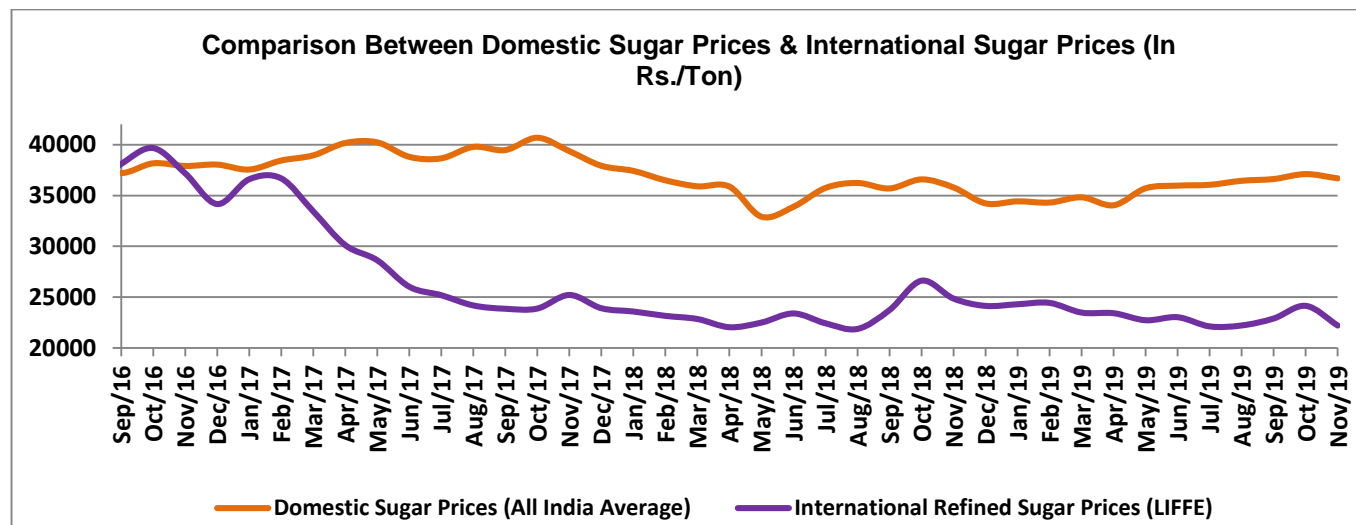
Technical Commentary:

- 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.
- Both Volume and open interest increased.
- Strategy: Buy at rate 12.5 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	12.75	11-16



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			November,19	October,19	
Delhi	Delhi	M-Grade	3336	3368	-32
	Delhi	S-Grade	3316	3348	-32
Uttar Pradesh	Khatauli	M-Grade	3412	3468	-56
	Ramala	M-Grade	0	0	Unch
	Dhampur	M-Grade Ex-Mill	3317	3359	-42
	Dhampur	S-Grade Ex-Mill	3297	3339	-42
	Dhampur	L-Grade Ex-Mill	3367	3409	-42
Maharashtra	Mumbai	M-Grade	3598	3556	42
	Mumbai	S-Grade	3295	3338	-43
	Nagpur	M-Grade	3337	3437	-100
	Nagpur	S-Grade	3229	3251	-22
	Kolhapur	M-Grade	3212	3312	-100
	Kolhapur	S-Grade	3104	3126	-22
Assam	Guhawati	S-Grade	3414	3437	-22
Meghalaya	Shillong	S-Grade	3424	3446	-22
Andhra Pradesh	Vijayawada	M-Grade	3701	3746	-45
	Vijayawada	S-Grade	3641	3686	-45

West Bengal	Kolkata	M-Grade	3667	3708	-41
Tamil Nadu	Chennai	S-Grade	3765	3791	-26
	Dindigul	M-Grade	3603	3654	-51
	Coimbatore	M-Grade	3603	3700	-97
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3600	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)			November,19	October,19	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2648	2130	518
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	195000	143000	52000
	Muzaffarnagar	Khurpa (Fresh)	2451	1845	606
	Muzaffarnagar	Laddoo (Fresh)	2740	2092	648
	Muzaffarnagar	Rascut (Fresh)	2056	1169	887
	Hapur	Chaurasa	2389	1736	653
	Hapur	Balti	2395	1773	622
Andhra Pradesh	Chittur	Gold	4726	4895	-169
		White	4087	3840	247
		Black	3820	1294	2526
Maharashtra	Latur	Lal Variety	0	0	Unch
Karnataka	Bangalore	Mudde (Average)	4650	4277	373
	Belgaum	Mudde (Average)	2900	0	2900
	Belthangadi	Yellow (Average)	0	0	Unch
	Bijapur	Achhu	3351	941	2410
	Gulbarga	Other (Average)	3429	2580	849
	Mahalingapura	Penti (Average)	3411	3019	392
	Mandya	Achhu (Medium)	3316	3304	12
	Mandya	Kurikatu (Medium)	3072	3014	58
	Mandya	Other (Medium)	3116	3033	83
	Mandya	Yellow (Medium)	3197	3310	-113
	Shimoga	Achhu (Average)	3669	3093	576

Spot Sugar Prices Scenario (Monthly):

International Sugar Prices (Monthly)				
	Contract Month	29-Nov-19	31-Oct-19	Change
ICE Sugar #11 (US Cent/lb)	19-Oct	13.10	12.95	0.15
	20-Mar	12.69	12.48	0.21
	20-May	12.80	12.58	0.22
LIFFE Sugar (US \$/MT)	19-Oct	352.84	349.70	3.14
	19-Dec	347.10	338.40	8.70
	20-Mar	338.96	338.60	0.36

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