

### Price Outlook:

**Indian Sugar market showed mixed trend in December month compared to previous month because of lower availability of cane in Maharashtra and other states whereas higher production in UP.** The demand for Indian sugar has witnessed moderate to high because of the support from the export subsidy incentive and good export demand. The December month's sugar sales quota (21.5LT) was sufficient according to the domestic because of festivals in the month (Christmas and New Year). We expect sugar prices may trade steady to firm in the next month. According to Agriwatch, Indian sugar prices may trade in range of 3200 to 3550 Rs/q in coming days.

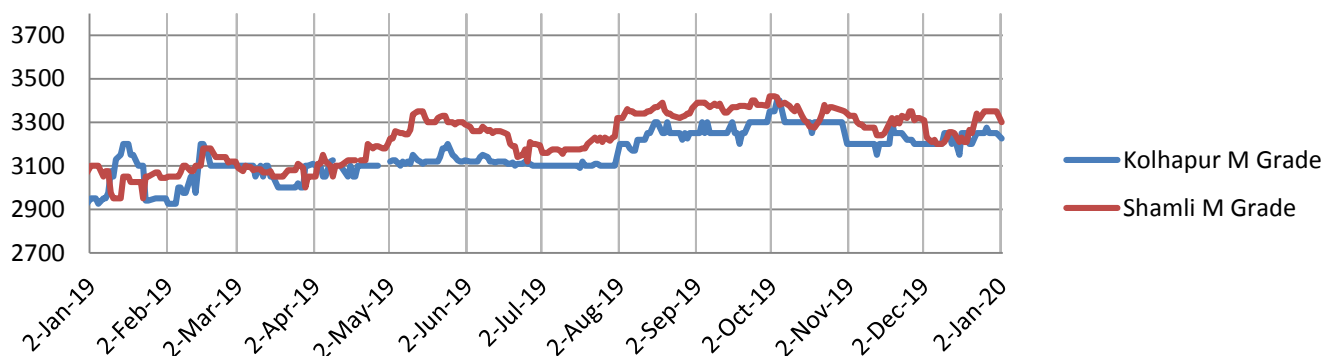
### Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3200–Rs 3350 per quintal for January month.

### Domestic Sugar Market Summary:

However, the average price for sugar 'M' grade in key Kolhapur market settled higher at Rs.3226 per quintal in November month up by only INR 14 from the previous month; while spot sugar prices for the same grade in Shamli district is 3262 per quintal at the end of Nov month, down by 37 INR against previous month's average price Rs. 3299.

**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 31st Dec'19 is 22 LT for January month.** The quota allotted to each of 537 mills in India along with added incentivized quota to those mills who have completed their export targets under MIEQ Quota. The allocated quota of January 2019 is 3.5 LMT higher than the preceding year's January month quota that stood at 18.5 LMT. The quota is 0.5 LT higher quota compared to the last month's Sugar quota of December 2019 which stood at 21.5 LMT. 5 sugar mills were issued Show Cause Notices (SCNs) for violating stock holding order for the month of August'19. The excess quantity sold by the said 5 sugar mills have been deducted from the proposed allocation in the month of January 2020.

**As on 31<sup>st</sup> Dec, total sugar production across reached around 77.95 LT by 437 mills so far this season which is around 30% less** than the previous year. In 2018-19 during the same period, the country produced about 111LT of sugar by around 507 mills. In Karnataka, 63 sugar mills are in operation on 31st December'19, who have produced 16.33 LT of sugar, as compared to 21.03 LT produced by 65 sugar mills in 2018-19 sugar season on 31st December'18. In Gujarat, 15 sugar mills are operating for 2019-20 SS and they have produced 2.65 lac tons of sugar till 31st December'19 lower compared to 4.29 LT in the same period last year.

**As on 1<sup>st</sup> Jan'20, total 119 sugar mills has been crushing sugarcane in Uttar Pradesh against 117 mills** during the correspond period previous year. So far, UP has crushed 21.01% more sugarcane around 316.6 LT against 261.63 LT in the previous year and produced 33.91 LT of sugar which is 20.12% higher due to the favorable conditions in the state this year. Whereas, the recovery declined slightly by around 0.74% to 10.71% from 10.79% in the same time previous year from the start of the season in Oct till 1<sup>st</sup> of January.

**According to the trade sources, Maharashtra likely to finish crushing operations of flood damaged cane by the end of Jan'20.** In the next 30 days, about 70 per cent of the mills will complete their operations on account of lower cane availability. The cane grown over the 27,000 hectare has been damaged due to floods in the district, and till date, only cane grown on 4000 hectares have been crushed by the mills. Also the sugar mills in Maharashtra seek the government to increase the minimum selling price of sugar by Rs.200 to Rs.3300/q for the new season to take into consideration the finance cost or the depreciation cost.

**Due to good rainfall this year many farmers in Gujarat has shifted their crop to sugarcane in the beginning of the monsoon.** But the extended rains till November has deteriorated the sugar quality and reduced the sugar recovery by producing only 1.52 lakh tonnes of sugar till 15<sup>th</sup> of December by 15 operational sugar mills as compared to 3.10 lakh tonne in the same period last year. Sugar production in Gujarat was 10.90 lakh tonne in 2018-19 but now it is expected to be lower by 15-20% this season.

**The sugarcane growers claims that the cost of sugarcane is increased, therefore, farmers wanted the state government to hike SAP to around Rs.35-36/kg.** But the state government has announced that there has been no increase in cane price for the second consecutive year. In a circular issued by the cane development department, the state government announced SAP (State Advisory Price) of sugarcane at Rs. 315/q (for normal variety of sugarcane). Likewise, SAP for low and high grades cane price are at Rs. 305 and Rs. 325/q, respectively.

**In the recent meeting of sugar millers held in Kolhapur, mills decided to pay one-time FRP to the farmers this year instead of paying in installments.** As expected that the millers are in a position to earn profit as there is less sugarcane available this year and they can pay the farmers the additional amount of Rs.200 along with FRP which can be paid later on as per the farmer's demand. This decision has been taken with the expectation that the state government will announce the loan waiver to farmers by December end but no such announcements has been done so far.

**Sugar mills in India are selling molasses in the domestic market smoothly instead of exporting as the government has made producing ethanol remunerative in India,** because of which mills are getting good prices for the by-product. Due to which, in the ongoing season, exports are seen falling nearly 40% to about 450,000-500,000 ton, against 835,000 ton in 2018-19. In Maharashtra and Karnataka, mills are selling molasses for Rs. 8,000-8,500/ton as the prices of the by-product are higher in west India due to better quality as total recoverable sugar content here is 50-52%, while in Uttar Pradesh, it is 44-45% ,therefore, UP is selling it at lower price of around Rs. 4500-5,000/ton at present.

In Kolhapur, the demand for Kolhapuri jaggery has not increased as traders are buying gur from Karnataka. Currently the jaggery prices are hovering around Rs.3200-3800/q which has not increased with lower arrivals. The quality declined because of floods and untimely rainfall occurred in the district due to which prices are not rising. From 9<sup>th</sup> April'19 to 23<sup>rd</sup> Dec'19, total around 7 Lakh quintals have arrived in the market. During December, only 15 thousand quintals were being sent to Market committee while 25 thousand quintals were sent in the same period last year.

According to the trade sources, India exported around 1.11 LT in the month of November this year lower compared to the Oct'19 month. It was reported that the sugar mills have contracted most the shipments for December and January as the crushing was delayed this season. India exported largest quantity to Iran of around 40,081 tonnes in November at an average FOB \$334.28/MT followed by Sri Lanka importing 24,307 tonnes at \$324.07/MT. Refined sugar exports to Sudan, Somlaia and Afghanistan also increased to 11,843 tonnes, 10,470 tonnes, and 8,577 tonnes. The export to Afghanistan was at the cheapest price \$316.28/MT followed by Sudan (\$331.21/MT) and Somalia (\$332.01/MT).

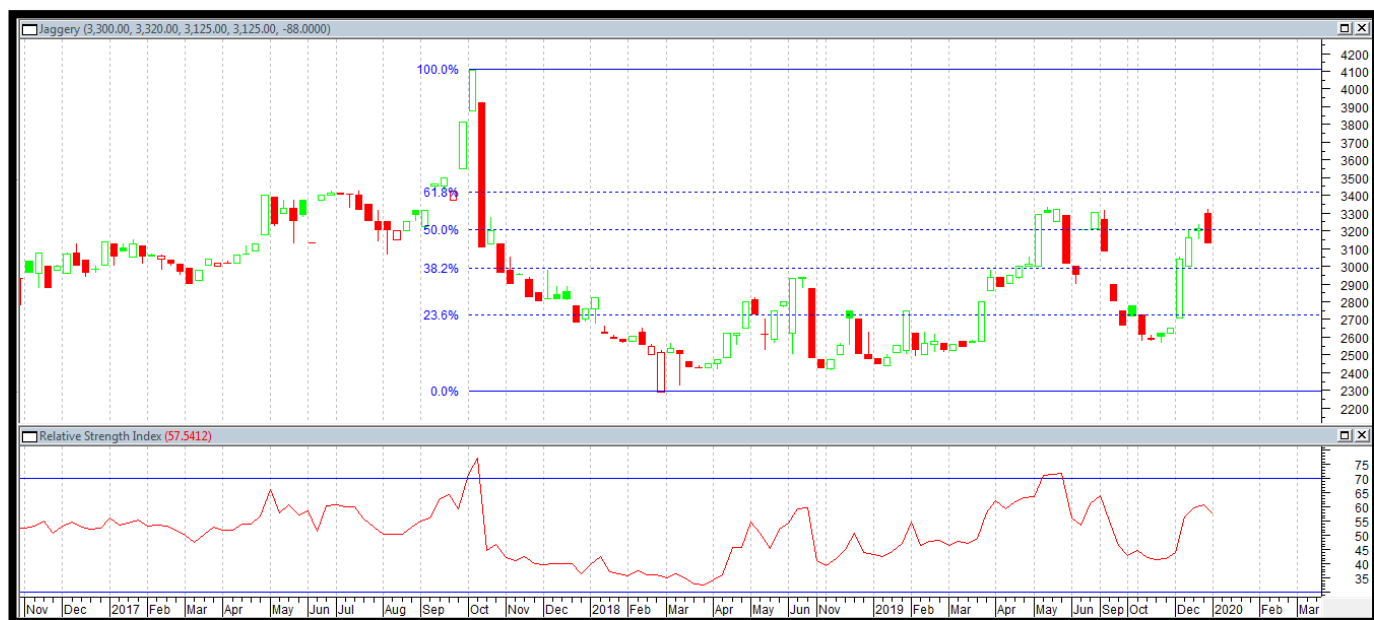
#### Technical Analysis - Sugar (M grade) Spot Market at Kolhapur market

- Sugar spot prices at benchmark Kolhapur market closed higher at Rs.3225 quintal the last week of the month.
- Next resistance and support level for the December 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 slightly higher at Rs.3125/q against Rs. 2602/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			<b>S2</b>	<b>S1</b>	<b>PCP</b>	<b>R1</b>	<b>R2</b>
<b>Sugar</b>	NCDEX	Dec	2850	2900	2989	3200	3250
Intraday Trade Call			<b>Call</b>	<b>Entry</b>	<b>T1</b>	<b>T2</b>	<b>SL</b>
<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

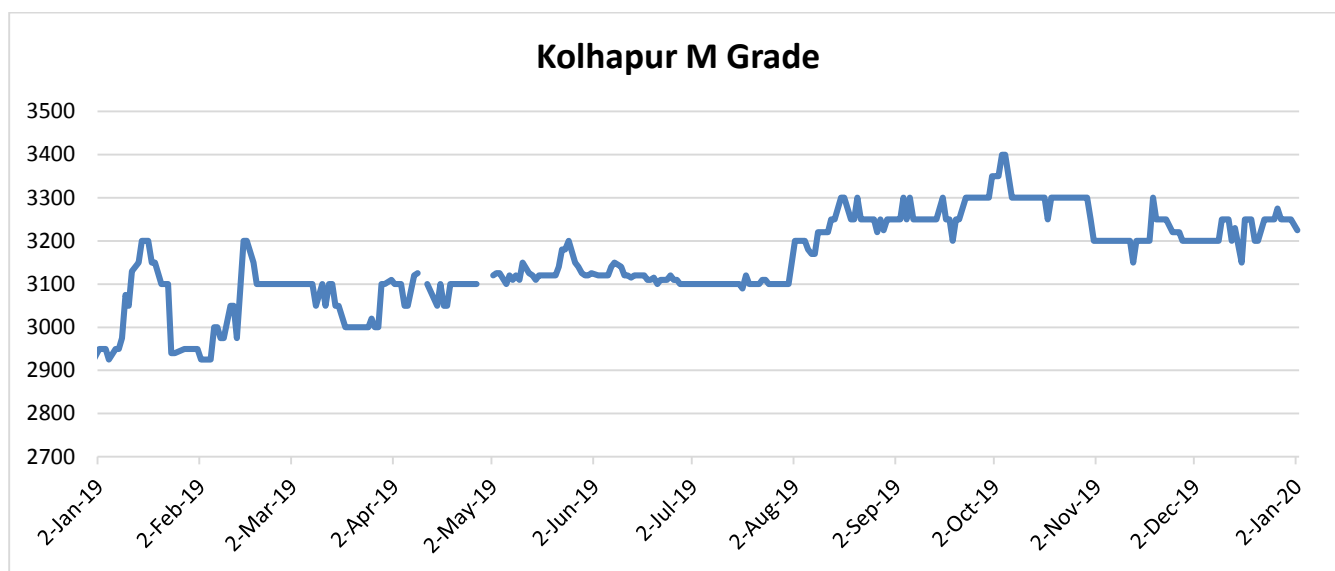
SUGAR BALNCE SHEET 2019-20(LT)								
SUGAR BALNCE SHEET 2018-19(LT)	2016-17	2017-18	2018-19*	2019-20*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	77	34.1	82.67	119.78	119.78	120.96	183.23	134.62
Estimated sugar production	202.85	321.96	331.61	271.07	81.03	132.49	40.04	17.51
Imports	4.46	2.85	0.00	0.00	0.00	0.00	0.00	0.00
Estimated sugar availability (A + B + C)	284.31	358.91	414.28	390.85	200.81	253.45	223.28	152.13
Exports	4.6	16.24	38.00	52.00	5.20	17.33	12.13	17.33
Availability for domestic consumption (D - E)	279.71	342.67	376.28	338.85	195.61	236.11	211.14	134.80
Estimates sugar consumption	245.61	260	256.50	259.00	74.65	52.88	76.52	54.95
Carry out stock (F - G)	34.10	82.67	119.78	79.85	120.96	183.23	134.62	79.85

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 331.61 LT in 2018/19 whereas the new season expects to decline by around 18% at 271.07 LT in 2019-20.
- On the other hand, sugar domestic consumption is expected to decline to 256.5 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 259 LT in 2019-20.
- Although the production is estimated to decline, with an ending stock lower than the previous year at 79.85 LT in 2019-20.
- India exported around 38 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
	Mar	3300-3600



### International Sugar Market Summary:

Overall average International sugar prices were slightly firm this month \$353/MT compared to the previous month (\$338/MT). Sugar prices on Friday rallied as crude prices soared on Middle East tensions. Crude prices surged to an 8-month high Friday after the U.S. launched a drone attack Thursday night in Baghdad that killed a top Iranian general. The surge in crude prices benefits ethanol prices and may encourage Brazil's sugar mills to divert more cane crushing to ethanol production rather than sugar production, thus curbing sugar supplies.

### Bullish and Bearish factors for International sugar:

Factors	Impact
Conab projects that Brazil 2019/20 sugar production will cut by -5.3% to 30.1 MMT	Bullish
Global 2019/20 sugar production will drop -2.3% y/y to 172 MMT (USDA) in 2019/20	Bullish
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 world sugar balance in 2019/20 will tighten to a -6.1 MMT deficit from the +1.7 MMT surplus seen in 2018/19 (ISO).	Bullish

**International Market Highlights:**

**This year the sugar exports in Brazil has been reported to be lower by around 11% exporting around 132 LT so far till November.** In November, the country exported 194 LT up by 5% at an average price of \$289/t compared to the previous year exports of 185 LT at higher price \$293/t during the same period last year. South –central region exported most of the sugar from the country around 120 LT to the major importing countries to Algeria, China, Bangladesh, Nigeria and Saudi Arabia.

**Sugarcane crush this year in Centre south region of Brazil has been increased by around 3.77%** so far and total sugar produced around 26.4 million tonnes above 0.67% (from Apr'19 till mid Dec'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 6.77%) in the country to better and increased demand for ethanol. Therefore, this year the sugar: ethanol breakdown for MY 2019-20 is at 34.51 and 65.49 percent, respectively, compared to 35.53 and 64.47 percent for MY 2018-19. Also, the lower world sugar prices against the domestic prices, therefore, the overall ethanol exports of in Brazil have increased by around 8% till end of Nov'19.

**Although the sugar glut prevailed in last three years in India, this year the output is likely to set back and supporting the prices.** Brazil, one of the major producers in previous years have blamed India for causing a global sugar glut which has led to around 20% decline in prices. The major producing countries have lodged complaint against India's new export subsidy incentives to WTO. The WTO is unlikely to be able to resolve the issue quickly, and India is likely to export significant amounts again to reach the target of 6 million tonnes this sugar season.

**According to Australian Sugar report released by Australian sugar milling council, the weekly crush in the week ending on 15<sup>th</sup> Dec'19 fall by 78% compared to the previous week to 21,196 lakh tonnes** and the total crush reached 300.43 lakh tonnes (100%) and the total crush from the beginning of the season is 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.

**Thailand sugarcane production is expected to be lower down by 22% compared with the previous season due to bad weather conditions in 2109-20 season.** The drought and weak monsoon in Thailand's major cane producing regions during the crucial growing season would also lead to slower cane development and a reduction in sugar yield. The cane crushing usually starts between mid and end of November but delayed to the start of December this year. White and refined sugar exports for January-October dipped 9.2% on the year, while raw sugar exports fell by 4.5% due to the China's enforcement on cross-border movement of sugar from Taiwan and Myanmar. But



Thailand is likely to gain support by the increasing demand from Indonesia after the government announced that industrial raw sugar import permits for 2019 would be reduced by 22% from the previous year to 2.8 MMT.

**Nepal fixed the sugarcane prices unchanged at Rs. 536.56/q for the 2019-20 sugar season.** The price is with including a subsidy of Rs 65.28 per quintal. The cabinet ministry took a decision on sugarcane price after considering minimum production cost of farmers, transportation fares, profits and the subsidy announced by the government. Also, the decision was taken after consulting sugarcane farmers and sugar mills.

**As per reports, beginning 1<sup>st</sup> Jan'2020 in Saudi Arabia and UAE, 50% tax will be levied on soft drinks** with added sugar, in the form of a liquid, concentrate, powders, extracts or any product that may be converted into a drink. Many countries, like the United Kingdom, Thailand, France, Ireland, Saudi Arabia, Portugal, and as well some US states, have introduced a tax on sugary drinks over the past few years. The government aims to introduce it in a bid to reduce sugar consumption and to promote a better and healthy life. With the initiation of a sugar tax, it may impact on sugar usage in the country.

**Indonesia likely to revise its sugar import rules by increasing the purity of its raw sugar.** As per the present rule in the country, raw sugar must have at least an ICUMSA purity level of 1200 to get considered for import but ICUMSA level will be lowered to 600 indicating higher sugar purity. The Indian sugar exporters from India have asked the country to revise the rule for import as India no more produces ICUMSA-1,200 sugar.

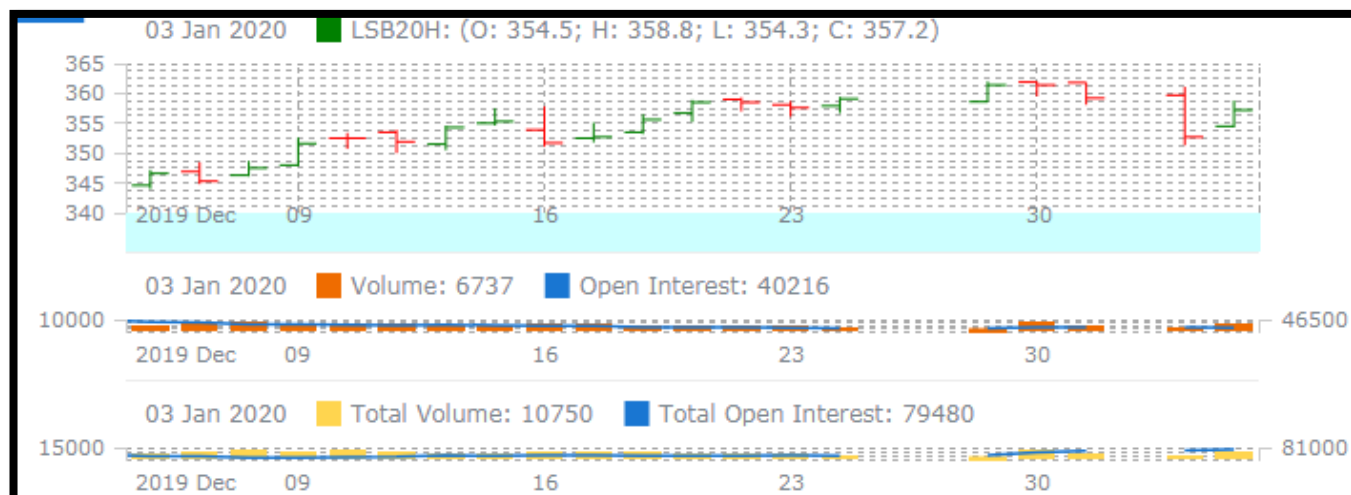
**Bangladesh decided to open its borders for India which would make easier to import Indian sugar.** Bangladesh needs around 27 LT of sugar and India could have the opportunity to meet its demand and help in ending the piled stocks. According to the National Sugar Federation, exports can be exported to Bangladesh via road instead of by ship. As under the current export subsidy, the central government subsidizes the export of sugar by ship and now the government is trying to provide subsidy to export sugar by other means of transport.

### **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.
- Volume decreased while open interest has been increased over a month.
- Strategy: Sell at level 357, T1 359

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Mar'20	357.2	354-360

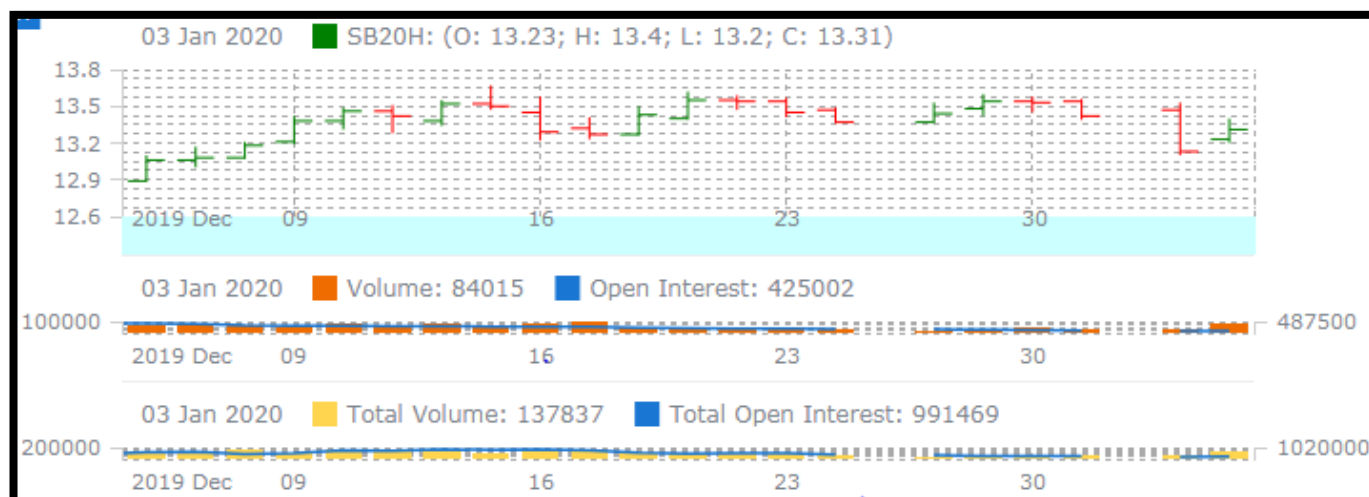


### ICE (Raw Sugar Exchange) Future Market Scenario (Mar'20 Contract)

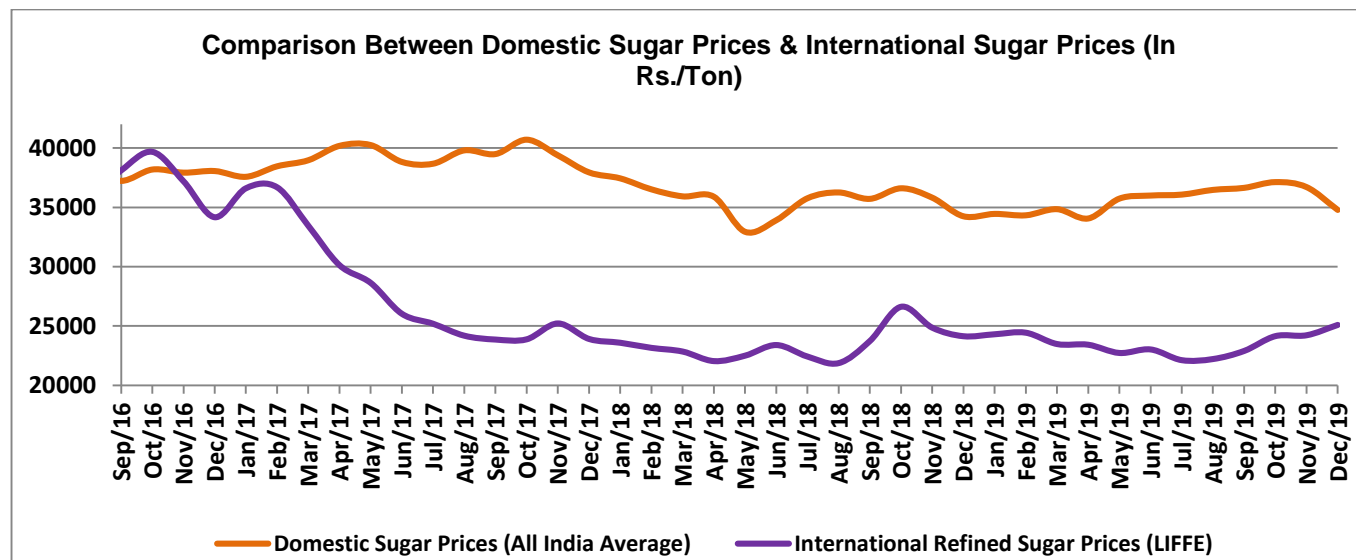
#### Technical Commentary:

- ICE raw sugar futures were reported to show mixed trend in the month.
- Both Volume and open interest decreased.
- Strategy: Buy at rate 13.2 Targeting 16.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'2020	13.31	12-17



## 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
			December,19	November,19	
Delhi	Delhi	M-Grade	3276	3336	-60
	Delhi	S-Grade	3256	3316	-60
Uttar Pradesh	Khatauli	M-Grade	3351	3412	-61
	Ramala	M-Grade		0	Unch
	Dhampur	M-Grade Ex-Mill	3239	3317	-78
	Dhampur	S-Grade Ex-Mill	3208	3297	-89
	Dhampur	L-Grade Ex-Mill	3289	3367	-78
Maharashtra	Mumbai	M-Grade	3575	3598	-23
	Mumbai	S-Grade	3275	3295	-20
	Nagpur	M-Grade	3351	3337	14
	Nagpur	S-Grade	3227	3229	-2
	Kolhapur	M-Grade	3226	3212	14
	Kolhapur	S-Grade	3102	3104	-2
Assam	Guhawati	S-Grade	3412	3414	-2
Meghalaya	Shillong	S-Grade	3422	3424	-2
Andhra Pradesh	Vijayawada	M-Grade	3646	3701	-55
	Vijayawada	S-Grade	3585	3641	-56

West Bengal	Kolkata	M-Grade	3638	3667	-29
Tamil Nadu	Chennai	S-Grade	3573	3765	-193
	Dindigul	M-Grade	3574	3603	-29
	Coimbatore	M-Grade	3590	3603	-13
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)			December,19	November,19	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	3045	2648	397
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	154000	195000	-41000
	Muzaffarnagar	Khurpa (Fresh)	2799	2451	348
	Muzaffarnagar	Laddoo (Fresh)	3115	2740	375
	Muzaffarnagar	Rascut (Fresh)	2270	2056	214
	Hapur	Chaurasa	2716	2389	327
	Hapur	Balti	2730	2395	334
Andhra Pradesh	Chittur	Gold	4744	4726	18
		White	4408	4087	321
		Black	3563	3820	-258
Maharashtra	Latur	Lal Variety		0	Unch
Karnataka	Bangalore	Mudde (Average)	4436	4650	-214
	Belgaum	Mudde (Average)	2886	2900	-14
	Belthangadi	Yellow (Average)		0	Unch
	Bijapur	Achhu	3280	3351	-71
	Gulbarga	Other (Average)	3716	3429	287
	Mahalingapura	Penti (Average)	3380	3411	-31
	Mandya	Achhu (Medium)	2910	3316	-406
	Mandya	Kurikatu (Medium)	2787	3072	-285
	Mandya	Other (Medium)	2807	3116	-309
	Mandya	Yellow (Medium)	2970	3197	-227
	Shimoga	Achhu (Average)	3612	3669	-57

**Spot Sugar Prices Scenario (Monthly):**

International Sugar Prices (Monthly)				
	Contract Month	December,19	November,19	Change
ICE Sugar #11 (US Cent/lb)	20-Mar	13.34	12.69	0.65
	20-May	13.41	12.80	0.61
	20-Jul	13.49	12.89	0.60
LIFFE Sugar (US \$/MT)	20-Mar	353.63	338.96	14.67
	20-May	358.25	344.14	14.11
	20-Aug	362.91	349.08	13.83

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