

### Price Outlook:

**Indian Sugar market showed firm trend in January month compared to previous month because of higher sugar demand on the festivals of Makar Sankranti, Pongal and Lohri as well as increased export demand.**

The demand for Indian sugar has witnessed higher because of the support from the export subsidy incentive and good export demand might increase from the neighboring countries in Iran, Bangladesh, Afghanistan and Indonesia due to the lower production in Thailand and USA. The January month's sugar sales quota (22LT) was sufficient according to the domestic consumption because of the major festivals in the month. 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 3500 Rs/q in coming days.

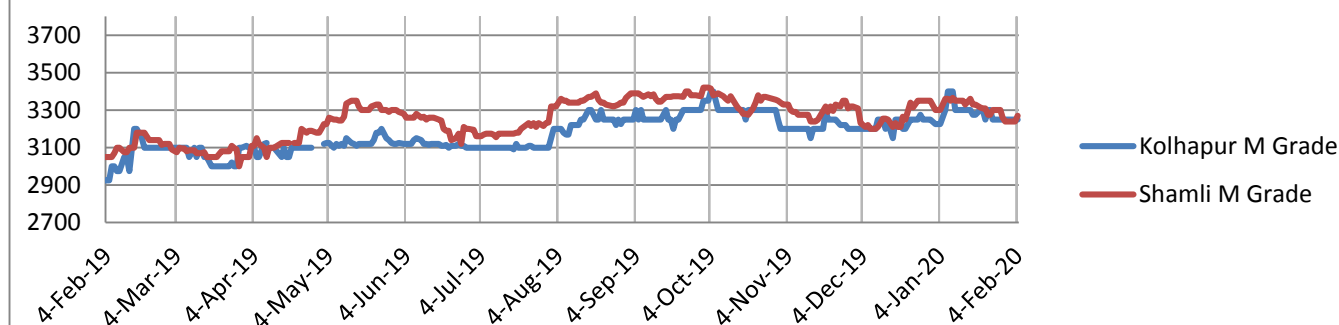
### Price Projection for the Next Month:

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

### Domestic Sugar Market Summary:

However, the average price for sugar 'M' grade in key Kolhapur market settled higher at Rs.3288 per quintal in December month up by only INR 61 from the previous month; while spot sugar prices for the same grade in Shamli district is 3316 per quintal at the end of January month, significantly up by 54 INR against previous month's average price Rs. 3262.

### 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:**

**Government fixed the monthly sugar sales quota as 20LT for February month to 543 mills lower by 2 LT compared to the previous month that stood at 22 LT.** Also, the allocated quota is 1 LT lower at 21LT in the same time previous year. In the previous month, the sugar millers have reported that there was moderate demand due to higher stock piles and lower sugar production this year. The millers are holding their stock and waiting for the prices to rise and demand to increase.

**As on 3<sup>rd</sup> Feb'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 7.25% more sugarcane around 523.39 LT against 488.01 LT in the previous year and produced 57.07 LT of sugar which is 5.63% higher due to the favorable conditions in the state this year as the area increased. Whereas, the average sugar recovery remained steady compared to the previous month at 10.9% but around 1.5% lower at 11.07% in the same time previous year from the start of the season in Oct till 3<sup>rd</sup> Feb'20.

**Maharashtra has produced only 35.99 lakh tonnes of sugar with an average recovery of 10.68% till the end of January.** Kolhapur division where the recovery rate used to be around 12% at this period of time but this year the average sugar recovery slightly improved at 11.77%. Recoveries have slightly increased to 10.8% in Pune division, 9.49% in Solapur, 9.84% in Ahmednagar, and 9.44% in Aurangabad compared to the recovery rate in the first week of January. The impact can be seen on the sugar production but many sugar mills are likely to close in February in Maharashtra. While the average recovery in Nanded showed significantly higher sugar recovery rate at 10.33%

compared to Solapur, Ahmednagar and Aurangabad. As estimated earlier, the sugar recovery slightly improved due to cold weather.

**According to ISMA as on 31<sup>st</sup> Jan'20, total sugar production across reached around 141.12 LT by 446 mills so far this season which is around 24% less** than the previous year. In 2018-19 during the same period, the country produced about 185.59 LT of sugar by around 520 mills. Uttar Pradesh, the largest sugar producing state in India have produced 54.96 LT of sugar with an average sugar recovery of 10.9% whereas the recovery was 11.05% and producing 52.86 LT of sugar lower compared to the same period in last year. In Maharashtra, 140 sugar mills were in operation producing 34.64 LT of sugar (with an average sugar recovery 10.6%) lower by 51% that produced 70.99 LT with an average sugar recovery 10.8% in the last year. In Karnataka, 62 sugar mills are in operation on 31<sup>st</sup> January'20, who have produced 27.94 LT of sugar, as compared to 33.76 LT produced by 117 sugar mills in 2018-19 sugar season during the same period last year. In Gujarat, 15 sugar mills are operating for 2019-20 SS and they have produced 4.87 LT of sugar till 31<sup>st</sup> January'20 lower compared to 6.66 LT in the same period last year.

**OMC's have released a new tender (2<sup>nd</sup>) seeking 2.53 billion liters of ethanol for the supply between Feb'20 and 30<sup>th</sup> Nov'20** whereas out of the first tender (5.11 billion liters) released by OMCs only 1.56 billion liters have been finalized by the OMCs. But it becomes difficult whether the mills would be able to fulfill the OMC's demand as mills offered less than a third of what the OMCs asked for. As this year, the crop was damaged due to the drought as well as flooded conditions in the other half of the crop season that made lower sugarcane availability to the mills. As the government is aiming to increase the ethanol blending percentage from 5% to 10% and now 20% by 2030. Therefore, number of mills are setting up and extending the capacity of distilleries in the view with the increasing demand in the future.

**Indian sugar exports have been hurt than expected as the sugar millers are backing off in exporting sugar at lesser price against higher prevailing global prices.** But some sugar mills are forced to sell sugar so as to clear their older stock piles. Traders have been offering Indian white sugar at between \$370 - \$380 /ton FOB. Lower exports has been reported in Maharashtra as the state has been waiting for the international prices might move upwards further. Also, Maharashtra exports lower quality white sugar which becomes unacceptable for fulfilling the global standards. Contrasting scenario can be seen in Uttar Pradesh where the mills have exhausted their government-issued export quotas. But there is expectation that if Maharashtra starts selling its sugar, India might export at least 53 LT against the 60 LT export target in 2019-20 sugar season.

**Few months earlier, Indonesia has announced to reduce down the import duties for raw sugar to import raw sugar from India** against the deal that India will give priority to import palm oil from Indonesia. The sugar industry

is waiting since last year for Indonesia to take action on relaxing norms for sugar import from India. But the sugar mills in India have commenced refining the raw sugar and it is already late to export raw sugar now. Also, according to the norms the imported raw sugar should have ICUMSA 1200 and above but India produces better quality of sugar of ICUMSA 400-800. Indonesia accepted and bought down the import duty but still haven't made changes in the quality norms. Therefore, exports to Indonesia in the current year becomes difficult while it will be a good opportunity to export sugar from India in the coming season.

**According to the trade sources, India exported around 4 LT of sugar in December month.** The Indian mills have started exporting the sugar produced in the new season (2019-20) due to which the prices reported are slightly higher compared to the previous month November. Out of the total exports, largest quantity of refined sugar has been exported to Iran exporting 84,084 tonnes at an average FOB of \$365.73/MT followed by Afghanistan of 67,792 tonnes at an average FOB \$321.75/MT. Refined sugar has been exported to Middle Eastern countries including Somalia (57,816 tonnes at an average FOB \$323/MT), Sudan (38,554 tonnes at an average FOB \$329.57/MT), Saudi Arabia (22,309 tonnes at an average FOB \$343.85/MT). The export to Sri Lanka was at the cheapest price at an average \$323.03/MT (36,789 tonnes).

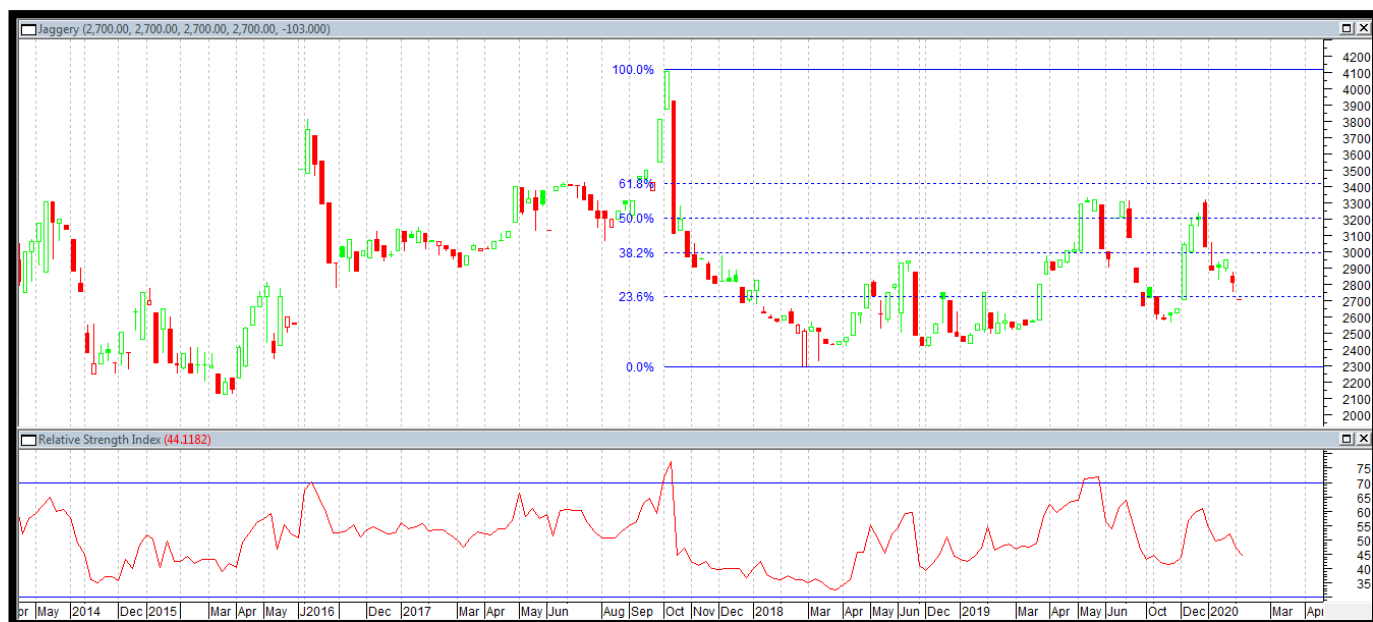
#### Technical Analysis - Sugar (M grade) Spot Market at Kolhapur market

- Sugar spot prices at benchmark Kolhapur market closed firmer at Rs.3287 quintal this month against Rs. 3226/q in the previous month.
- Next resistance and support level for the next week is expected at Rs.3300 and Rs.3200 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 higher arrivals compared to previous month due to which the prices stood lower at Rs.2923/q against Rs. 3045/q last month.
- 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

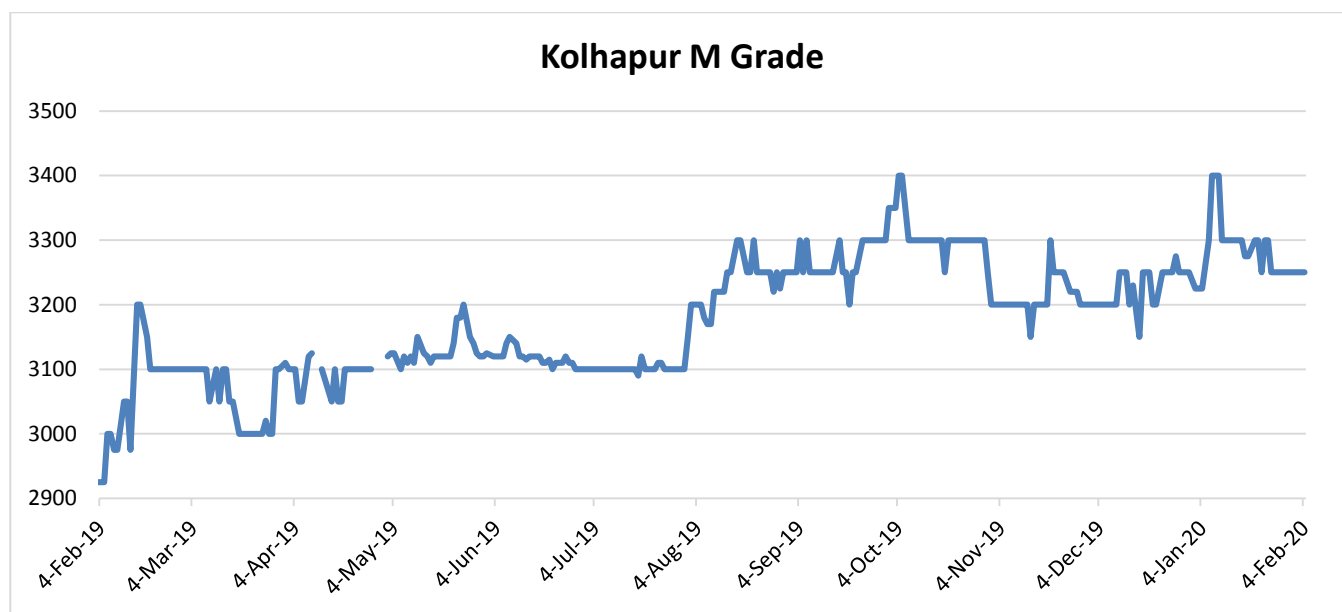
SUGAR BALNCE SHEET 2019-20(LT)								
SUGAR BALNCE SHEET 2019-20(LT)	2016-17	2017-18	2018-19	2019-20*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	77	34.1	82.67	119.78	119.78	112.49	205.36	135.94
Estimated sugar production	202.85	321.96	331.61	262.76	77.95	159.04	23.03	2.74
Imports	4.46	2.85	0.00	0.00	0.00	0.00	0.00	0.00
Estimated sugar availability (A + B + C)	284.31	358.91	414.28	382.54	197.73	271.53	228.39	138.68
Exports	4.6	16.24	38.00	53.46	10.59	13.29	15.93	13.65
Availability for domestic consumption (D - E)	279.71	342.67	376.28	329.08	187.14	258.24	212.46	125.03
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	70.08	112.49	205.36	135.94	70.08

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 21% at 262.76 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 70.08 LT in 2019-20.
- India exported around 38 LT against export target of 5.3 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	Jan'20	3258
Projected Price	Oct	3300-3400
	Nov	3200-3300
	Dec	3100-3200
	Jan	3200-3350
	Feb	3250-3350
	Mar	3300-3400
	Apr	3300-3450



### International Sugar Market Summary:

Overall average International sugar prices were significantly firm this month \$388/MT compared to the previous month (\$353/MT) with a two year high on tighter sugar supplies. Many bullish factors supported the prices as India's ISMA reported a reduction of 24% in sugar production of 14.1 million tonnes against last year's production during October to December. Also, sugar supplies from the EU are on the decline after the European Commission reported Monday that EU sugar exports during Oct 1-Jan 22 fell -62% year on year to a 3-year low of 291,000 MT. While the sugar production in Brazil has also reported that Brazil's Center-South sugar production in the first half of January plunged -66.0% to 4,000 MT versus 13,000 MT in the same period last year.

**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 from 31.8 MMT in the earlier estimate	<b>Bullish</b>
Global 2019/20 sugar production will drop -5.5% y/y to 170.4 MMT (ISO) in 2019/20	<b>Bullish</b>
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.	<b>Bullish</b>
The world sugar balance in 2019/20 will tighten to a -6.2 MMT deficit from the +1.7 MMT surplus seen in 2018/19 (ISO).	<b>Bullish</b>

**International Market Highlights:**

**Sugarcane crush this year in Centre south region of Brazil has been increased by around 2.78%** so far and total sugar produced around 26.48 million tonnes above 0.50% (from Apr'19 till mid Jan'20) 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 6.60%) 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 35.46 and 64.54 percent for MY 2018-19. Also, the lower world sugar prices against the domestic prices, therefore, the overall ethanol exports of in south central Brazil have increased by around 10% till mid of Jan'20 selling 27 billion litres of ethanol.

**South-Central region of Brazil has produced around 32,207 million liters of ethanol above 6.6% compared** to the last year's production during the same time till 2<sup>nd</sup> week of January while the overall ethanol production in the country produced 64,414 million liters of total ethanol. It is expected that the available stock ethanol would not be enough to fulfill the demands. The monthly ethanol sales in Center-South area crossed 2 billion liters in October for the first time. The average realization for ethanol is more compared to sugar exports, therefore, Brazil is focusing on converting more into ethanol instead of producing sugar.

**According to the USDA report, USA revised its sugar production estimates to 8.158 MMT from 8.28 MMT in 2019-20** sugar season, however, the production is estimated around 9% lower compared to the previous year's production. Subsequently, the estimates for imports have increased to 3.881MMT in January estimates from the Dec'19 estimates of 3.860 MMT and also higher compared to the previous year's imports of 3.070 MMT in 2018-19 sugar season.



**Sugar production in Thailand for the season 2019-20 is estimated to be less by 4 million tonnes as compared with last season.** According to the reports, Thailand's 2019-20 sugar production will be the lowest in 9 years. Sugar output is expected to fall 28 per cent to 10.5 million tonnes in the current crop season. The crushing season in Thailand lasts for 120 days but this season it will last from 1<sup>st</sup> Dec'19 to 8<sup>th</sup> Feb'20. Overall Thailand sugar exports also declined by around 6% compared to the previous year. Raw sugar as well as refined sugar exports declined by 9% and 5% respectively in 2019 till (Jan'19-Dec'19) whereas the white sugar exports rose significantly by 17% to 7.19 LT till Dec'19 from Jan'19.

**In Australia, the sugar production stood around 42LT of sugar during 2019 sugar season that declined by around 9 per cent compared to the same time previous year.** The sugar production declined due to the drought situation hit the country severely that declined the area by about 5 per cent this year to 3.62 lakh ha from 3.82 lakh ha in 2018. The productivity also has been hit by 3 per cent and produced 82.44 tonnes of cane/ha whereas last year in 2018 produced 84.95 tonnes of cane per ha. The Australian exports have also reduced to 34 lakh tonnes from 37 lakh tonnes due to the lower production.

**In 2019-20 sugar season in Mexico, the sugar production stood at 13.75 declined by around 24% compared to the previous year at 18.18 LT** with average sugar recovery of 9.58% till the week ending in January'20 end that is lower compared to 10.01% in 2018-19 during the same period last year. The sugar exports in Jan'20 reached 58,393 MT lower compared to 34,210 MT in December'19. The total exports from October'19 till 26th of January'20 reached 206,862 MT, out of which raw sugar were majorly exported around 120,439 MT and around 86,423 MT of refined sugar during the same period.

**Malaysia's leading refined sugar producer, MSM Malaysia Holdings Berhad (MSM) has asked for around 1.3 LT of raw sugar** worth nearly RM 200 million in three shipments between January to February. Also the organization has announced that they have procured over 9 LT of raw sugar in 2019 from various producing countries including India. According to MSM, the acceptable quality and competitive freight cost of raw sugar produced from India, provides added-value and advantages for MSM to ensure a sustainable supply of best quality raw sugar stock for all of its refineries. Therefore, the India has the smooth way to export its sugar to one of the importers.

**The conference organized by Pune-based Vasantdada Sugar Institute, ISO pointed out a 5.5 million tonnes shortfall in global sugar production this season** mainly due to the fall in production in India, Thailand and USA. A shortfall of 6.12 million tonnes of global sugar deficit in 2019-20 is expected. The global consumption forecast of 176.5 million tonnes against the season's production estimates stand at 170.4 million tonnes. According to ISO,

sugar exports for 2019-20 season would be around 58.5 million tonnes which is significantly lower than the record 66.32 million tonnes reported in 2015-16 sugar season. As sugar in India is surplus from last two years, ISO recommends the global buyers to buy sugar from India to the neighbouring countries, including Bangladesh, Myanmar, Afghanistan and Indonesia.

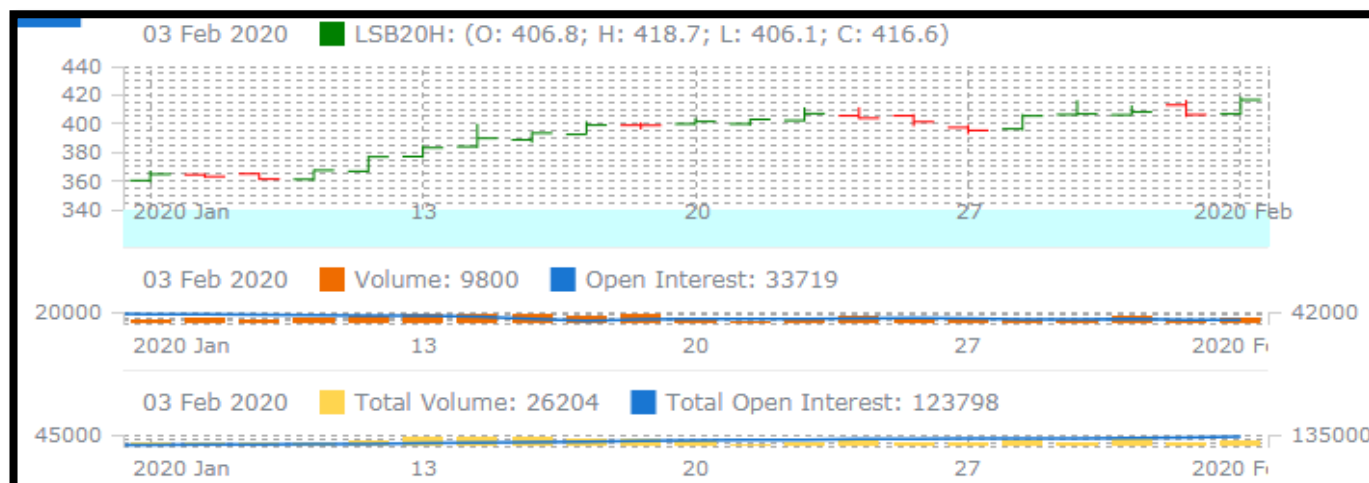
## International Sugar Futures Price Projection

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

#### Technical Commentary

- LIFFE future market bullish for the month.
- Both volume & open interest has been increased over a month significantly.
- Strategy: Sell at level 410, T1 420

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Mar'20	416.6	405-419

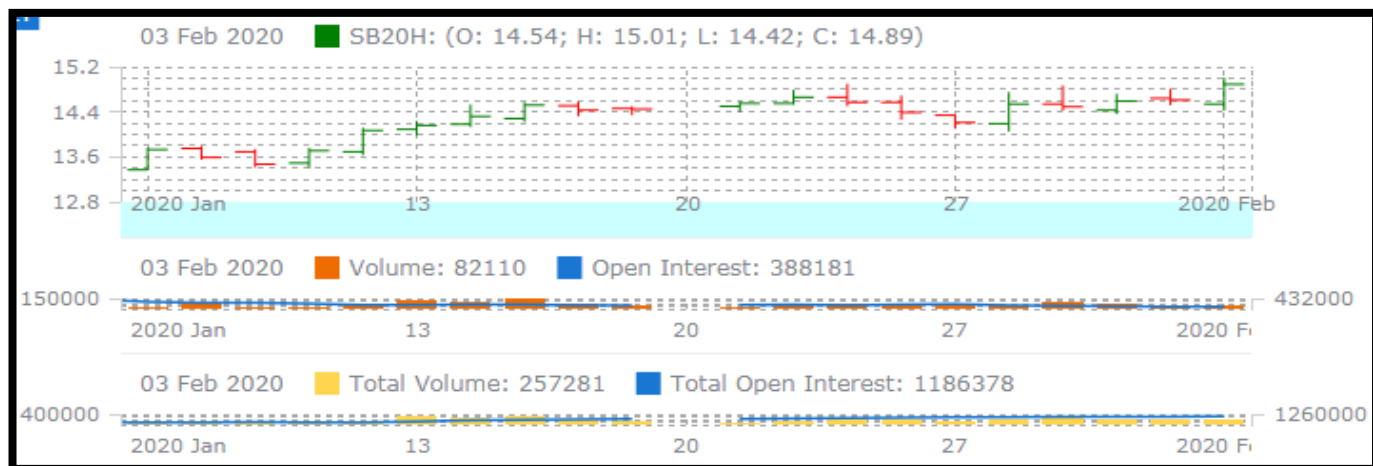


### ICE (Raw Sugar Exchange) Future Market Scenario (Mar'20 Contract)

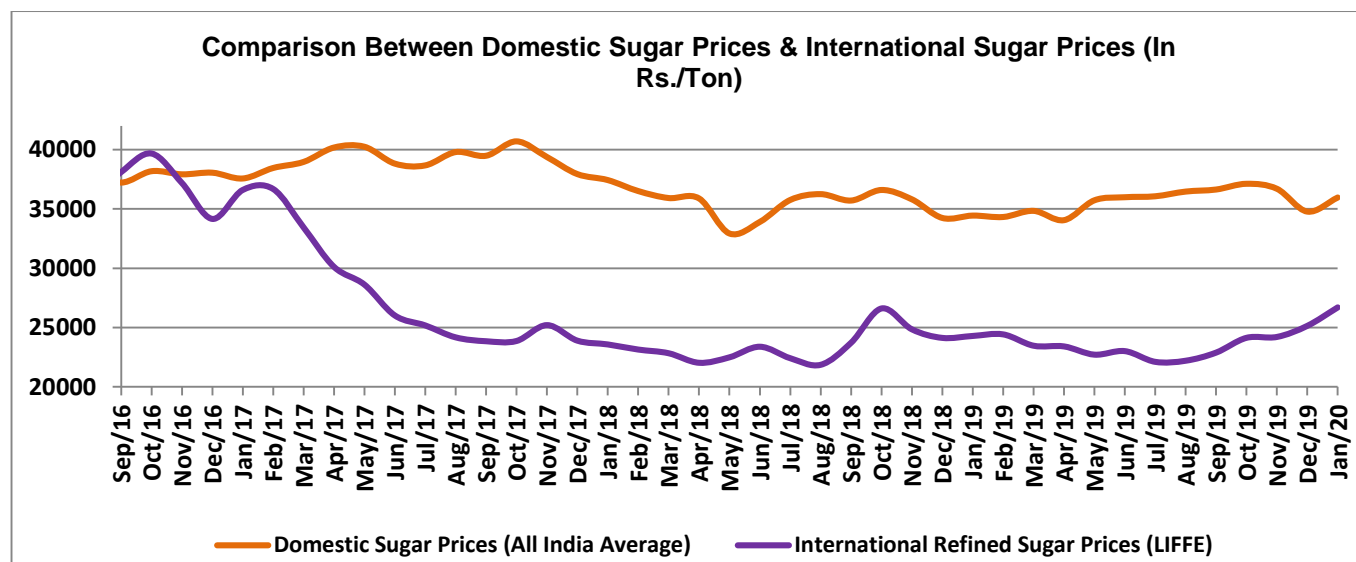
#### Technical Commentary:

- ICE raw sugar futures were reported to show firm trend in the month.
- Both Volume and open interest increased.
- Strategy: Buy at rate 14 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	14.89	12.5-18



### 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			January,20	December,19	
Delhi	Delhi	M-Grade	3306	3276	30
	Delhi	S-Grade	3286	3256	30
Uttar Pradesh	Khatauli	M-Grade	3330	3351	-21
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3269	3239	30
	Dhampur	S-Grade Ex-Mill	3249	3208	41
	Dhampur	L-Grade Ex-Mill	3319	3289	30
Maharashtra	Mumbai	M-Grade	3573	3575	-2
	Mumbai	S-Grade	3353	3275	79
	Nagpur	M-Grade	3413	3351	61
	Nagpur	S-Grade	3258	3227	31
	Kolhapur	M-Grade	3288	3226	61
	Kolhapur	S-Grade	3133	3102	31
Assam	Guhawati	S-Grade	3444	3412	31
Meghalaya	Shillong	S-Grade	3453	3422	31
Andhra Pradesh	Vijayawada	M-Grade	3670	3646	24
	Vijayawada	S-Grade	3610	3585	25
West Bengal	Kolkata	M-Grade	3657	3638	19
Tamil Nadu	Chennai	S-Grade	3601	3573	28
	Dindigul	M-Grade	3643	3574	69
	Coimbatore	M-Grade	3623	3590	33
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)			January,20	December,19	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2924	3045	-121
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	171000	154000	17000
	Muzaffarnagar	Khurpa (Fresh)	2803	2799	4
	Muzaffarnagar	Laddoo (Fresh)	3212	3115	96
	Muzaffarnagar	Rascut (Fresh)	2353	2270	83
	Hapur	Chaurasa	2743	2716	26
	Hapur	Balti	2699	2730	-31

Andhra Pradesh	Chittur	Gold	5184	4744	440
		White	4571	4408	163
		Black	4029	3563	467
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4283	4436	-154
	Belgaum	Mudde (Average)	3005	2886	119
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3330	3280	50
	Gulbarga	Other (Average)	NA	3716	-
	Mahalingapura	Penti (Average)	3415	3380	35
	Mandya	Achhu (Medium)	3168	2910	258
	Mandya	Kurikatu (Medium)	3042	2787	255
	Mandya	Other (Medium)	3032	2807	224
	Mandya	Yellow (Medium)	3212	2970	242
	Shimoga	Achhu (Average)	3507	3612	-105

### Spot Sugar Prices Scenario (Monthly):

International Sugar Prices (Monthly)				
	Contract Month	January,20	December,19	Change
ICE Sugar #11 (US Cent/lb)	20-Mar	14.18	13.34	0.84
	20-May	14.13	13.41	0.72
	20-Jul	14.12	13.49	0.63
LIFFE Sugar (US \$/MT)	20-Mar	388.45	353.63	34.82
	20-May	387	358.25	28.75
	20-Aug	385.7	362.91	22.79

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