

Price Outlook:

Indian Sugar market in March showed a weak trend and lower demand was witnessed after the lockdown started. As right after the lockdown the supply of sugar was disrupted to the markets because of lack of labor and logistics. The sales quota for the month has been announced of 18 LT of sugar for April month against 21 LT in Feb'20 as the allotted sugar in March month was not sold due to the lockdown. Therefore, the unsold sugar of March sales quota is allowed to finish sales till 15th April'20 announced by DFPD. The cane crushing in UP as well as in Maharashtra is disrupted due to the lack of availability of labor and raw materials in making sugar. Although, the government said that sugar comes under essential commodities, therefore, the crushing operations are allowed to continue in the mills but the farmers are avoiding going to the fields to harvest the sugarcane due to which the mills are facing lack of availability of cane. But in UP the sugar mills are giving all the facilities to the farmers so that they do not face any difficulty in supplying cane to the mills.

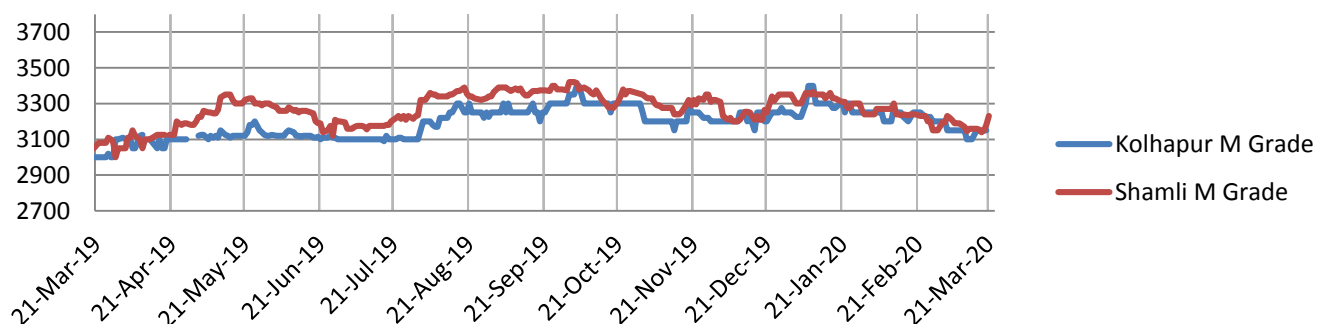
Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to show weaker trend in April as the lockdown will end by the mid April or might be extended by the government if coronavirus spread is not controlled.

Domestic Sugar Market Summary:

However, the average price for sugar 'M' grade in key Kolhapur market settled lower at Rs.3147 per quintal in February month down by INR 86 from the previous month and spot sugar prices for the same grade in Shamli district is 3180 per quintal at the end of February month stood similar to the Kolhapur market prices, and significantly down by 52 INR against previous month's average price Rs. 3232/q.

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 and estimated not more than 26.5 million tonnes, according to ISMA	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	Bearish
The reallocation of sugar export sales would help sugar mill to clear sugar stock piles in 2019-20 season	Bullish
Tightening of restriction on monthly sales	Bearish
The outbreak of coronavirus will affect the sales of sugar in domestic market as well as cause disruption in sugar exports.	Bullish

Domestic Market Highlights

Recent Updates:

Government fixed the monthly sugar sales quota as 18 LT for April month to 545 mills lower by 3 LT compared to the previous month that stood at 21 LT. Also, the allocated quota is same as in the previous year during April. In March, the sugar millers have reported that there was weak demand due to the outbreak of coronavirus in India. The millers are not able to sell sugar, therefore, the government has extended the March sales quota till 15th April'20.

According to ISMA, 232.74 lakh tonnes of sugar have been produced till 31st March 2020 across India as against 296.82 lakh tonnes produced in the same time last year. As on 31st Mar'20, 271 mills have stopped their operations and 186 mills have stopped crushing as compared to 240 mills were still operating in the same time last year. In UP, 119 sugar mills have produced 97.20 LT of sugar compared to 95.67 LT of sugar with only 114 mills operational mills till 31st Mar last year. In Maharashtra, 118 mills have closed their operations with only 28 mills operating at this time with producing 58.7 LT compared with 105.16 LT produced year on year. Similarly, this year Karnataka has also produced less sugar i.e., around 33.5 LT against 43.18 LT last year till 31st Mar. Only 3 mills are in operation so far out of the total 63 mills this year. According to Agriwatch, Maharashtra is likely to produce around 59-60 LT followed by UP estimated around 122 LT of sugar and around 34 LT of sugar in Karnataka.

Around 26 factories in Maharashtra were operational till last week of March that were likely to finish crushing in March end or in 1st week of April. While large number of mills in UP are still in the process of crushing that were likely to be operational till May end to complete the rest 20% of the cane crushing. Many mills have closed their operations due to the lack of raw materials. Many sugar mills are facing shortage of raw materials such as lime, sulphur, phosphoric acid, PP bags and other packing materials that usually supplied from Rajasthan. Some of the mills are still operational and on the verge of closure in 7-10 days if the raw material doesn't reach the mills on time. And would restart crushing after the middle of next week if raw materials become available. Since sugar is the

essential commodity, the government has announced that the trucks carrying the essential raw material should not be stopped at the state borders in the lockdown situation.

In February, when the prices spiked, the industry was expecting to reach the target of exporting 5 million tonnes of sugar this year. Despite the downfall in the international sugar prices in the last one week, the Indian sugar industry hopes that the export demand might rise once the pandemic subsides due to the global sugar deficit. Although the sugar trade has been disrupted due to the spread of coronavirus and over the last 10-15 days, no new sugar contracts have been signed so far as the contractors need to cut down the prices and due to the closure of Indian ports since 20th March. Also, the incoming ships are being kept in quarantine at ports as a measure to check the virus spread. Some ships are also stuck at the ports. As per ISMA, sugar mills have dispatched almost 30 lakh tons of sugar for export till 15th Mar'20.

The government has taken an important step as Sugar and Sugarcane come under Essential Commodities Act 1955, therefore, those mills across India which have not yet completed their sugarcane crushing operations will continue to operate. All the sugar mills across India were facing problem in operating the mills to produce sugar due to which majorly the mills have halted the functioning. As the mills are not able to get the proper supply of raw material in the production. Already many mills have completed the crushing activity earlier this year due to the lack of availability of cane in Maharashtra and Karnataka expect UP. However, the fall in global sugar prices and the lockdown situation in all the states, India is unable export sugar as well as the mills are not able to sell sugar in the domestic market due to which DFPD extended the March sales quota till 15th April'20.

The Indian government is taking all the possible preventive measures to control coronavirus. Out of which Maharashtra is majorly hit state, therefore, the sugar mills in the state have adopted the measure to produce sanitizers from the ethanol produced. Sugar mills produce ethanol as by-product which is an active ingredient of hand sanitizers. Sanitizers contain 70% ethanol and water as a major ingredient. As there would be the maximum use of hand sanitizer. After the licenses issued to the Maharashtra sugar mills to make sanitizers from ethanol, around 20 companies and more including sugar distilleries in UP also have applied for the same. As the demand for hand sanitizers has surged amid the outbreak of coronavirus. These units in UP can produce around 50,000 litre of hand sanitizer daily. The manufacturing of sanitizers is likely to commence in UP after the getting clearances from the excise department.

Indian sugar of around 1.5-2 LT was to be shipped to Iran but later are diverted to Malaysia and Bangladesh. The diversion took place because the country failed to open Letters of Credit within the stipulated time period mentioned in the export contract. Letters of Credit provide exporters the confidence to allow them to ship their goods in advance of the receipt of payment. A major quantity of sugar being sold to Iran by India since the start of the season this sugar season because they cannot buy from any other country due to the US sanctions. So, Iran agreed to sell oil to India in rupee currency and it uses the Indian currency to buy sugar and other Indian goods. Therefore, it becomes necessary to open the letters of credit by credible or government buyers as soon as possible so that the trade continues.

The government was planning to increase the ethanol production to 9 billion litres from 3.55 billion litres within two years earlier in the month. And the target of achieving of 10% ethanol blending in petrol seems difficult as a big fall in sugarcane production is reported this year by around 14% to 356 million tonnes especially in Maharashtra and Karnataka. So far, only 1.94 bln ltr of ethanol have been supplied to OMCs against their total demand of 5.11 billion of ethanol. This year many mills were unable to get loans from banks for the installation of new distilleries due to improper balance sheets. Out of the total 362 applicants, the loans have been disbursed to only 37 sugar mills and 27 bln rupees has been sanctioned to 57 mills so far. This year in 2019-20 only 4% blending is likely to achieve by India lower compared to the previous year of 4.9%.

According to the trade sources, India exported 2.65 LT of total sugar in Februray month down by around 93,177 MT. Out of the total sugar exports, largest quantity of raw sugar has been exported to Malaysia exporting 1,22,200 tonnes at an average FOB of \$318/MT followed by Saudi Arabia of 47,985 MT of sugar and at an average FOB \$332.01/MT and only 1300 tonnes of refined sugar (\$385.12/MT). In February, Yemen imported large quantity compared to January month of raw sugar around 45,500 tonnes (\$350.26/MT). India exported around 31,700 tonnes of raw sugar to Somalia and only 300 tonnes of refined sugar at an average FOB of \$311/MT and \$364/MT respectively. Many contracts were delayed and cancelled to China, Afghanistan and Iran due to the outbreak of Covid-19 that disrupted the trade in many countries.

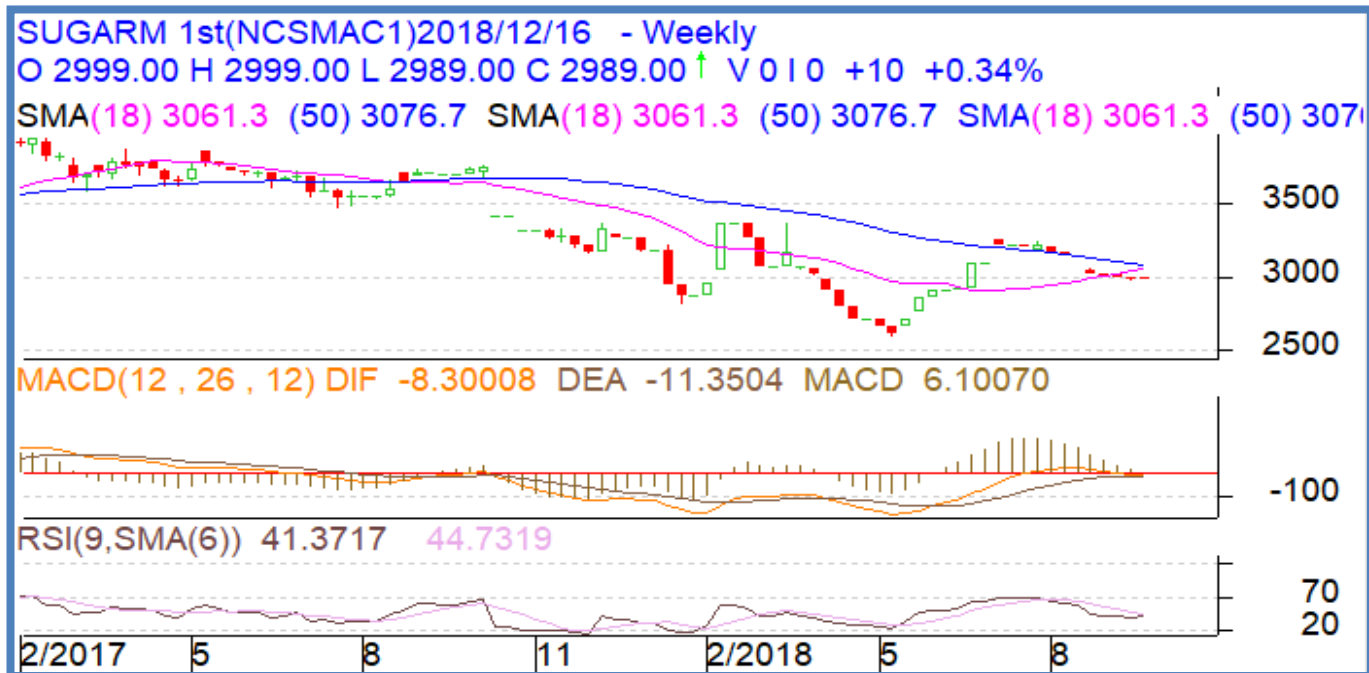
Technical Analysis - Sugar (M grade) Spot Market at Kolhapur market

- Sugar spot prices at benchmark Kolhapur market closed lower at Rs.3150 quintal this month against the closing price of Rs. 3200/q in the previous month.
- Next resistance and support level for the next month is expected at Rs.3300 and Rs.3100 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 lower arrivals compared to previous month.
- The average prices stood lower at Rs. 2711/q in the March compared to Rs.2755/q in the previous 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

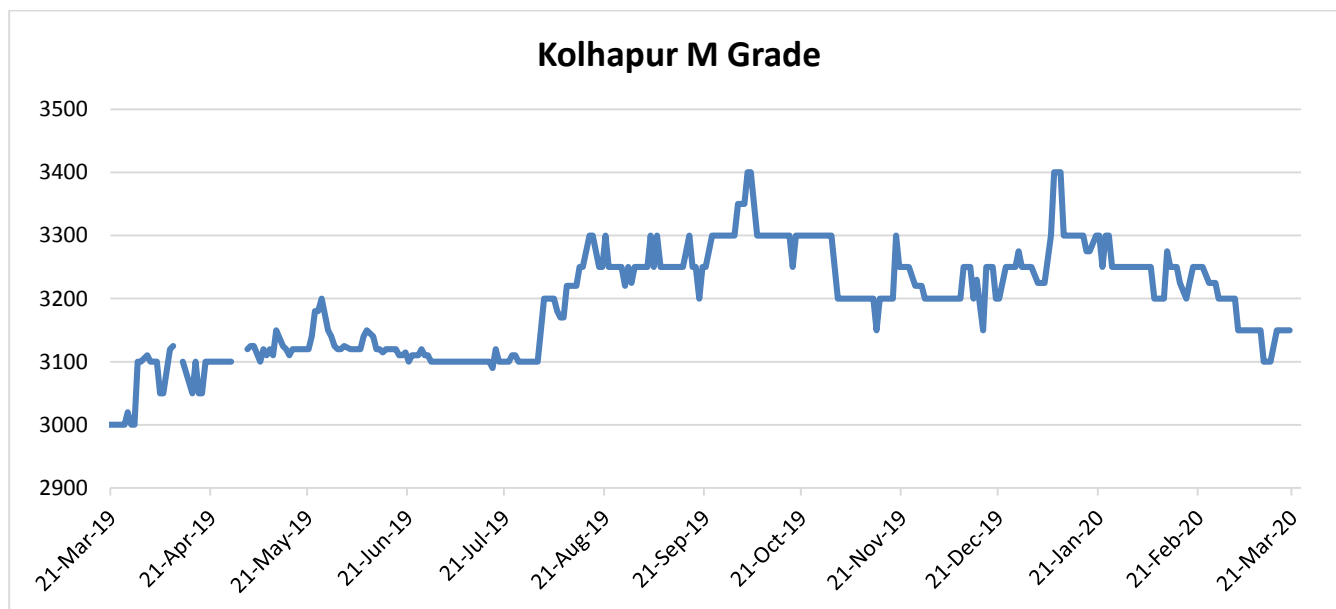
SUGAR BALNCE SHEET 2019-20(LT)								
SUGAR BALNCE SHEET 2019-20 (LT)	2016-17	2017-18	2018-19	2019-20*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	77	34.1	82.67	119.78	119.78	115.28	194.68	130.69
Estimated sugar production	202.85	321.96	331.61	262.76	77.95	154.05	26.66	4.10
Imports	4.46	2.85	0.00	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	269.33	221.34	134.79
Exports	4.6	16.24	38.00	53.46	7.80	21.77	14.13	9.76
Availability for domestic consumption (D - E)	279.71	342.67	376.28	329.08	189.93	247.56	207.21	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	115.28	194.68	130.69	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 (01st October, 2018 – 30th 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	Mar'20	3147
Projected Price	Oct	3300-3400
	Nov	3200-3300
	Dec	3100-3200
	Jan	3200-3350
	Feb	3150-3300
	Mar	3200-3400
	Apr	3100-3300
	May	3200-3400
	Jun	3200-3450


International Sugar Market Summary:

The global raw sugar prices have fallen by around 20% since last month from 14.46 cents/lbs to 11.40 cents/lbs by the end of March month and similarly the white sugar have plunged to \$327.5/tonne by the end of March from \$384/tonne during the same period due to the pandemic effect globally. The fall in prices due to weak crude oil prices, growing risk and on expectation of a decline in demand amid outbreak of coronavirus. The downfall in crude oil prices is encouraging one of the largest sugar producing countries Brazil and a major competitor of India to divert the sugarcane crushing to sugar production instead of ethanol production in the coming sugar year in Brazil.

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	Bullish
Global 2019/20 sugar production likely to decline by -4.8% y/y to 166.7 MMT (ISO) in 2019/20	Bullish
The world sugar balance in 2019/20 will tighten to a -9.4 MMT deficit from the -6.2 MMT surplus in the November estimate.	Bullish

International Market Highlights:

Thailand cane crush season has ended operations this week that usually ends in early May, with total cane crushed down 40% on the year at 74.9 MMT. The downfall is due to the severe drought weather conditions faced by the country leading to slower cane development and a reduction in sugar yield. The total sugar production in the country is expected around 8.3 MMT for the 2019-20 season. The shortage of sugar in the country as well as in some other countries like Indonesia could support the global sugar prices after the global pandemic of spread of virus comes to normal.

The sugar mills in Brazil have already started cane crushing earlier this season (2020-21) as compared to the previous year where usually the season starts from 1st April. But the hindrance caused to the coronavirus that made the country lockdown for a while. But Brazilian mills are always flexible in producing sugar and ethanol. But at the present time it seems that Brazil will focus on producing more sugar than ethanol production. In the last two seasons, Brazil has emphasized in producing more ethanol than in sugar production due to the fall in prices. Brazil is likely to increase sugar production to 34 MMT in 2020-21 (Apr-Mar), against 26.5 MMT this season. The country is likely to export 29 MMT sugar compared with 18 MMT this year.

The International Sugar Organization (ISO) raised its global 2019-20 sugar deficit estimate to an 11-year high of -9.4 MMT from a November estimate of -6.1 MMT. World sugar production in 2019-20 (Apr to Mar) will fall - 4.8% year on year to 166.7 MMT, after the +0.6% year on year rise to a record 185.2 MMT in 2018-19 (ISO). The global sugar deficit is attributed because of lower than previously projected sugar production in Thailand and India while a record crop in Russia and the prospect of increased production in Brazil.

The total 2019-20 EU sugar production likely to decline by 428,000 MT in 2019-20 sugar season (October-September) at 17.502 MMT according to the S&P Global Platts Analytics forecasts due to the dry conditions early in the season and heavy rainfall late in the season. The sugar production has fallen since previous two seasons and is likely to see further drop in production. Prices slumped because of the initial rise in production that forced the EU to try to compete in a depressed global market. Prices have now rebounded as production has fallen in the EU.

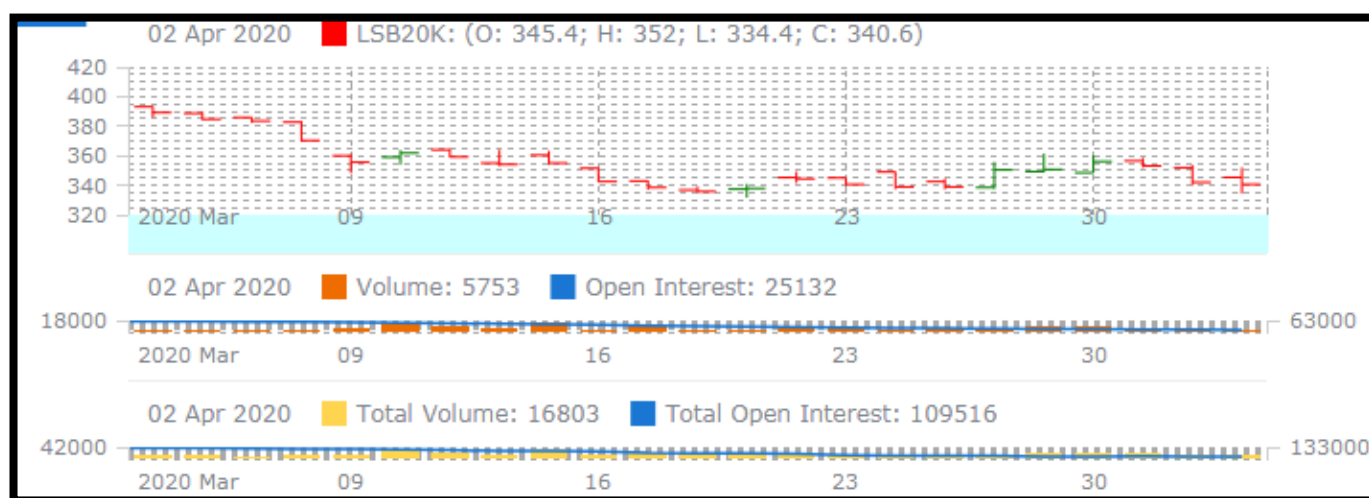
International Sugar Futures Price Projection

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

Technical Commentary

- LIFFE future market showed bearish trend in the month.
- Both volume & open interest has been decreased over a month significantly.
- Strategy: Sell at level 337, T1 350

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	May'20	340.6	330-360

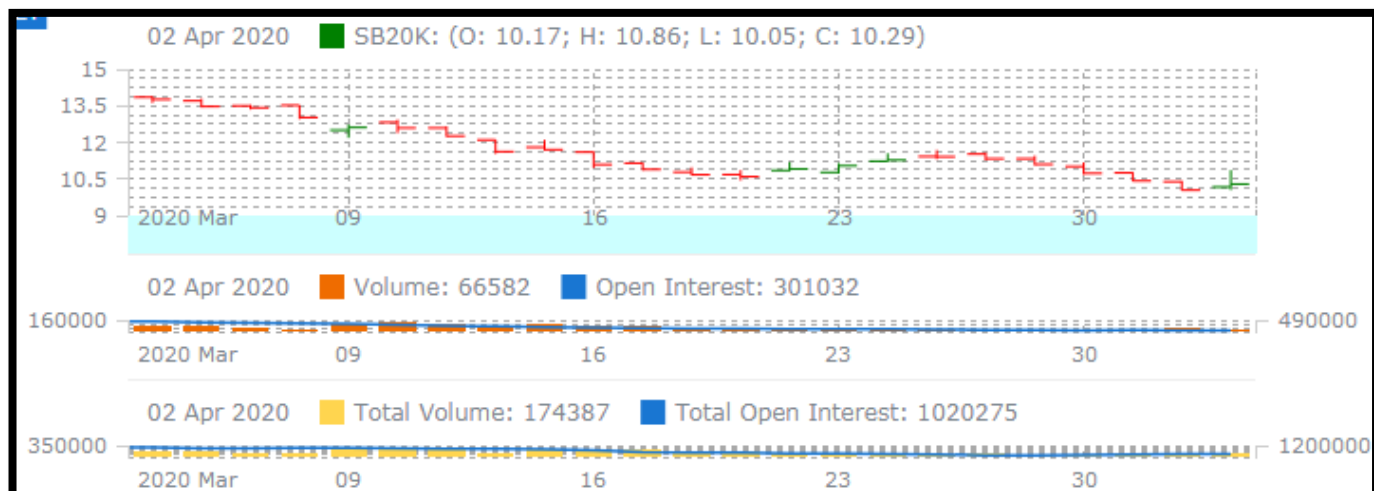


ICE (Raw Sugar Exchange) Future Market Scenario (May'20 Contract)

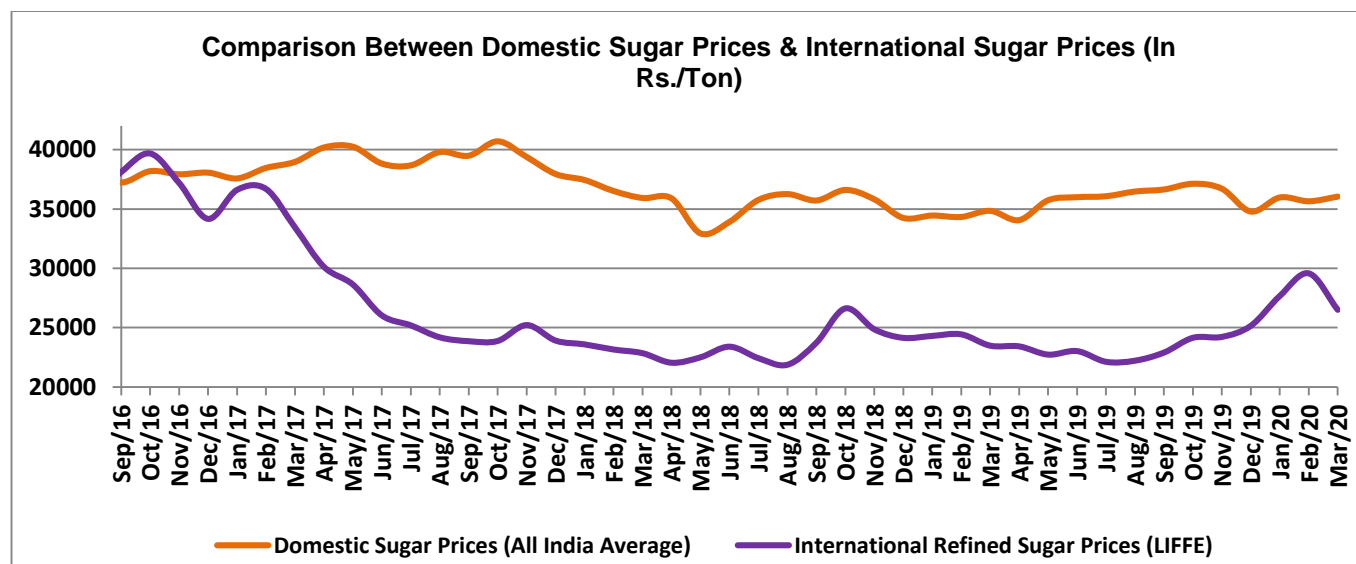
Technical Commentary:

- ICE raw sugar futures were reported to show bearish trend in the month.
- Both Volume and open interest decreased over a month.
- Strategy: Buy at rate 10 Targeting 14.5.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	May'2020	10.29	10.0-15



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			March'20	February'20	
Delhi	Delhi	M-Grade	3163	3230	-67
	Delhi	S-Grade	3143	3210	-67
Uttar Pradesh	Khatauli	M-Grade	3267	3290	-23
	Ramala	M-Grade	3136	3210	-74
	Dhampur	M-Grade Ex-Mill	3171	3193	-22
	Dhampur	S-Grade Ex-Mill	3151	3173	-22
	Dhampur	L-Grade Ex-Mill	3221	3243	-22
Maharashtra	Mumbai	M-Grade	3553	3581	-28
	Mumbai	S-Grade	3290	3306	-16
	Nagpur	M-Grade	3272	3358	-86
	Nagpur	S-Grade	3225	3247	-22
	Kolhapur	M-Grade	3147	3233	-86
	Kolhapur	S-Grade	3100	3122	-22
Assam	Guhawati	S-Grade	3410	3433	-22
Meghalaya	Shillong	S-Grade	3420	3442	-22
Andhra Pradesh	Vijayawada	M-Grade	3656	3658	-2
	Vijayawada	S-Grade	3596	3598	-2
West Bengal	Kolkata	M-Grade	3593	3662	-68
Tamil Nadu	Chennai	S-Grade	3569	3593	-24
	Dindigul	M-Grade	3604	3632	-29
	Coimbatore	M-Grade	3700	3645	55
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3764	3530	234

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)			March'20	February'20	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2711	2755	-44
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	82500	226000	-143500
	Muzaffarnagar	Khurpa (Fresh)	2578	2657	-79
	Muzaffarnagar	Laddoo (Fresh)	2626	2725	-99
	Muzaffarnagar	Rascut (Fresh)	2351	2337	14
	Hapur	Chaurasa	2493	2511	-18
	Hapur	Balti	2431	2441	-10

Andhra Pradesh	Chittur	Gold	4488	4504	-16
		White	4100	4004	96
		Black	3571	3596	-25
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4447	4400	47
	Belgaum	Mudde (Average)	NA	3100	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3200	3278	-78
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3277	3329	-52
	Mandya	Achhu (Medium)	3371	3122	249
	Mandya	Kurikatu (Medium)	3044	2994	50
	Mandya	Other (Medium)	2955	2909	46
	Mandya	Yellow (Medium)	3174	3097	78
	Shimoga	Achhu (Average)	3600	3552	48

Spot Sugar Prices Scenario (Monthly):

International Sugar Prices (Monthly)				
	Contract Month	March'20	February'20	Change
ICE Sugar #11 (US Cent/lb)	20-Mar	12.24	15.07	-2.83
	20-May	11.76	14.7	-2.94
	20-Jul	11.76	14.57	-2.81
LIFFE Sugar (US \$/MT)	20-Mar	347.28	411.05	-63.77
	20-May	354.91	413.27	-58.36
	20-Aug	346.94	406.38	-59.44

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