

Price Outlook:

Although, the nationwide lockdown has been extended by the government till 30th June'20. The government is planning to unlock India in phased manner. The demand is expected to increase as government is planning to open Malls, hotels, restaurants and places of worship from 8th Jun'20 except in areas with the most number of coronavirus cases, therefore, demand for sugar is expected to further go up in June especially the bulk purchases, as compared to May'20. DFPD has fixed the sales quota 18.5 LT sales quota for the May month and the unsold sugar is carry forwarded in June month. Uttar Pradesh is likely to finish their operations as only 14 mills are active. Indian sugar exports are running smoothly as sugar is an essential commodity.

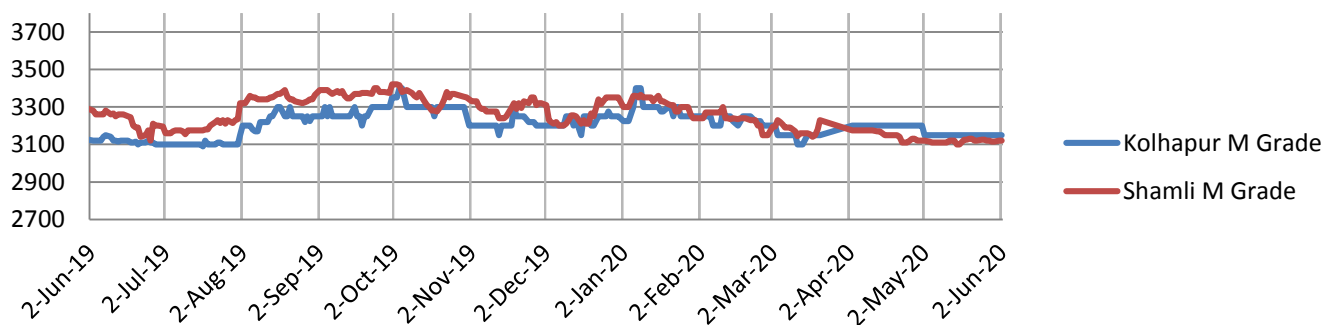
Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to show steady to weaker trend due to the increase in the number of coronavirus cases in Maharashtra state. While the prices in UP might increase slightly amid easing down the lockdown.

Domestic Sugar Market Summary:

However, the average price for sugar 'M' grade in key Kolhapur market settled at Rs.3154 per quintal in May month down by INR 45 from the previous month because stagnant demand. Average Spot sugar prices for the same grade in Shamli district is 3117 per quintal in May that stood lower to the Kolhapur market prices, and significantly down by around 34 INR against previous month's average price Rs. 3151/q.

**Price comparsion Kholpur M- grade and Shamli
Rs/Qtl**



Bullish and Bearish factors for Domestic sugar:

Factors	Impact on prices
2019-20 SS Production is estimated to cross 27 million tonnes from the previous estimates of 26.5 million tonnes, according to ISMA.	Bearish
Indian could achieve a target of 5million tonnes in 2019/20 despite lockdown.	Bullish
The reallocation of sugar export sales would help sugar mill to clear sugar stock piles in 2019-20 season.	Bullish
The outbreak of coronavirus affected the sales of sugar in domestic market and result in higher ending stock by the end of 2019/20 SS	Bearish

Domestic Market Highlights
Recent Updates:

The monthly quota has been released for Jun'20 with 18.5 LT of sugar sales limit to each 546 mills which is 3 LT lower compared to the previous year quota during the same time. The supply and demand chain has been disrupted in the wake of coronavirus in last 2 months due to which the domestic consumption declined. It was 17 LT sugar sales quota for the last month. Sugar mills in North India sold sugar as per their monthly quotas given for May, but the sugar mills in West and South India have a small quantity of unsold quota of May. The Government has extended the sale time of May quota.

According to ISMA, 268.21 lakh tonnes of sugar have been produced till 31st May 2020 across India as against 327.53 lakh tonnes produced in the same time last year. As on 31st May 2020, 10 sugar mills are crushing sugarcane compared 18 sugar mills which were crushing sugarcane in the same time last year. In UP, sugar mills have produced 125.46 LT of sugar compared to 117.81 LT of sugar with only 14 mills operational mills till 31st May'20. In Maharashtra, all the mills have closed their operations that have produced 60.98 LT compared with 107.20 LT produced year on year.

Sugarcane crushing in all the states have come to end except 14 mills in Uttar Pradesh and 4 mills in Tamil Nadu that are still in operation. Around 2-3 LT of sugar expected to produce in the special season in Tamil Nadu and Karnataka that would commence in Jul'20. Maharashtra has concluded the crushing producing 60.98 LT sugar about 43% less sugar compared to the previous year's sugar production. Karnataka have produced 33.82 lakh tonnes of sugar and the crushing lasted till 30th April'20. Till 31st May'20, sugar production in Tamil Nadu was 5.78 lakh tonnes, compared with 7.22 lakh tonnes produced on the corresponding date last year. The other remaining states together produced 42.17 LT of sugar till 31st May'20.

The crushing season is almost completed in Uttar Pradesh but few mills are still crushing this year. This year UP is going to produce record sugar production to around 127 LT of sugar due to the diversion of cane from jaggery units to sugar mills. . Around 4-5% of the cane is expected to be diverted to sugar mills in western UP. The sugar mills from Muzaffarnagar district have set a record by purchasing 10 crore quintal sugarcane this season. This year western UP has witnessed bumper production including Muzaffarnagar where sugar recovery stood around 11.73%. While, the sanitizer production is in full swing, producing around 5,000-7,000 liters per day. In UP, total production of 6,509,030 litres sanitizer has been done till 20th of May in the state and 56,24,313 litres of sanitizer have been supplied in the market so far.

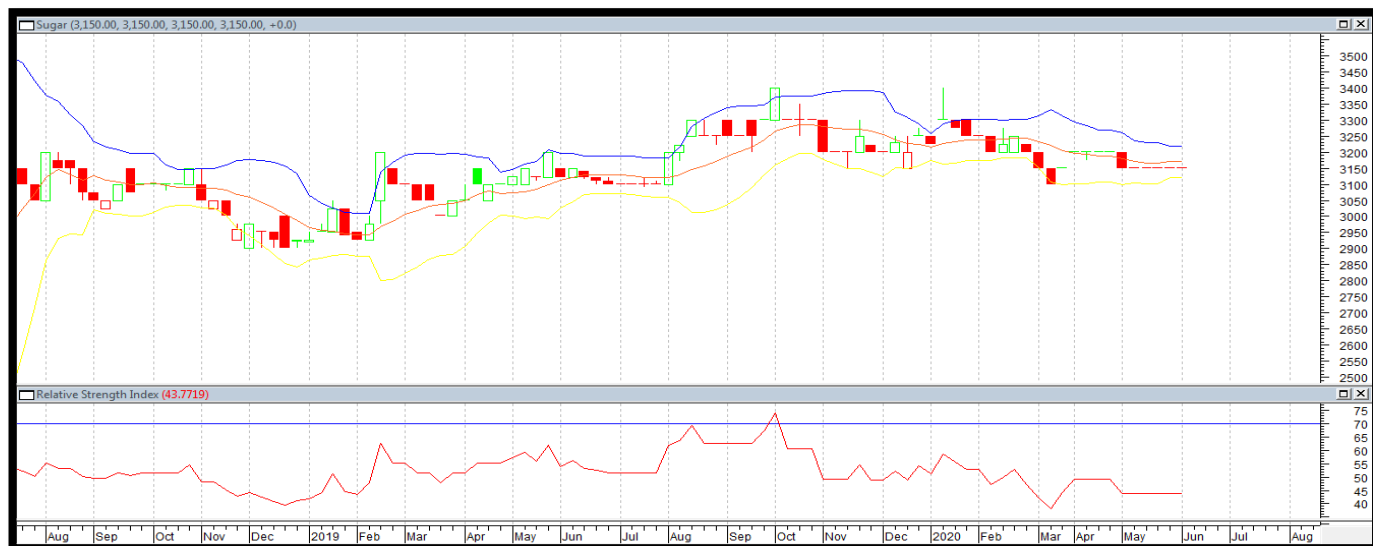
It has become necessary that Indian sugar mills must divert the cane to produce ethanol. The government has set target of achieving a target 20percent ethanol blending percentage in petrol in the coming years. It is only possible if the distilleries get enough credit to increase their credibility in producing ethanol. So far, around 362 new projects were approved by the government to produce ethanol but only 57 have been approved by the banks for funding and disbursed only to 37 projects. Currently, ethanol production is around 350 -360 crore litres in India and is expected increase the capacity to produce around 600 crore litres of ethanol. Even the mills in Dhampur has already started the diversion towards ethanol production from direct cane juice amid poor sales of sugar during lockdown. As a result, the burden cane arrears and increasing stock piles of sugar in sugar industry might lower down.

Sugar mills can now liquidate the excess unsold sugar after a positive step taken by OMCs. OMCs have released a tender announcing a requirement of 99 crore litres of ethanol for supplies from 1st Jul'20 to 30th Nov'20. Out of the total requirement, bids for around 190 crore litres have been finalized so far. Of this 76 crore litres have been supplied. The government has requested to divert sugar and sugarcane directly for ethanol production. The government is targeting to divert at least 7 million tonnes of surplus sugar in each of the next two years for ethanol production to maximize profitability of sugar companies and to reach a target of 10% ethanol blending with fuel.

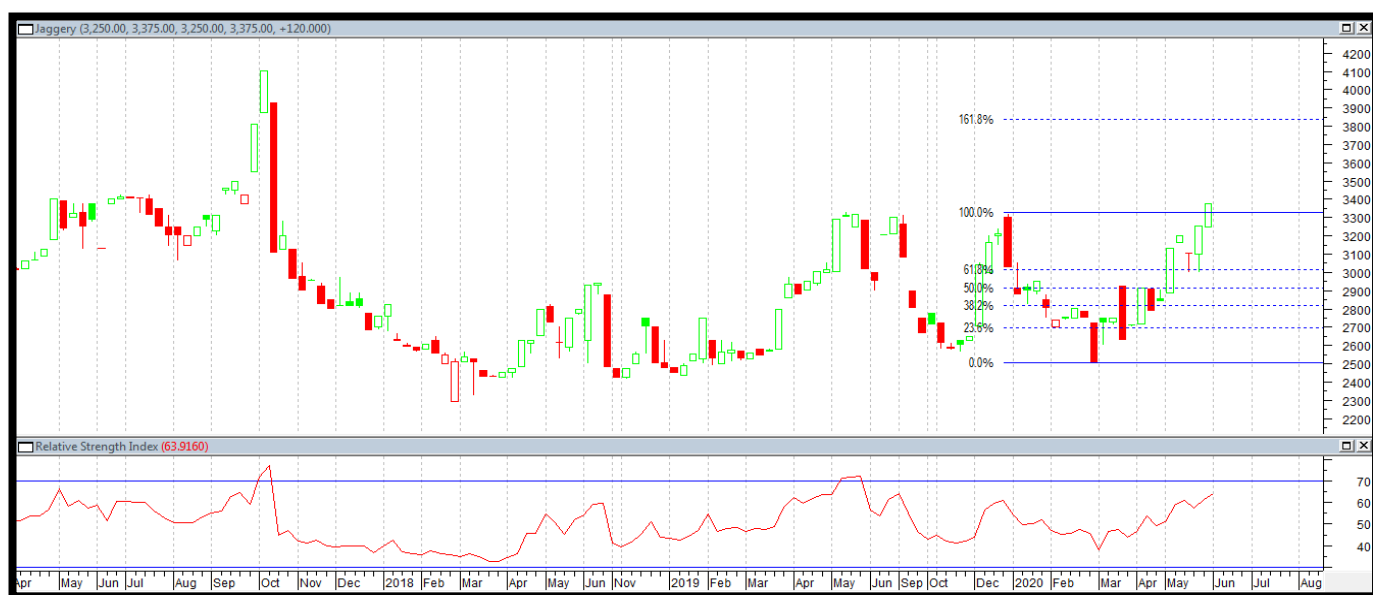
EXPORT: According to the trade sources, India exported around 4 LT of total sugar (including white refined and raw sugar) in April month only a slight decline compared to the exports in March. Out of the total sugar exports, largest quantity of raw sugar has been exported to China 87,935 tonnes at an average FOB of \$306/MT followed by Indonesia 83,680 MT of raw sugar and at an average FOB \$320.49/MT and imported few quantity of white sugar of around 25,000 tonnes from India. Iran imported 26,420 tonnes of raw sugar (\$316.72/MT) and 1080 tonnes of white sugar at \$349/MT. India exported large amount raw sugar in April'20 of around 2LT followed by refined sugar (1.68 LT) and white sugar (69,000 tonnes).

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

- Sugar spot prices at benchmark Kolhapur market closed same at Rs.3150 quintal at the end of this month against the closing price of Rs. 3150/q in the previous month.
- Next resistance and support level for the next month is expected at Rs.3250 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 due to the less manufacturing units are operational.
- The average prices stood higher at Rs. 3074 /q in the May compared to Rs. 2806/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)	2017-18	2018-19	2019-20*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	34.1	82.67	119.78	119.78	130.77	204.02	172.58
Estimated sugar production	321.96	331.61	272.53	77.95	154.05	37.23	3.30
Imports	2.85	0.00	0.00	0.00	0.00	0.00	0.00
Estimated sugar availability (A + B + C)	358.91	414.28	392.31	197.73	284.82	241.25	175.88
Exports	16.24	38.00	53.46	7.80	21.77	14.13	9.76
Availability for domestic consumption (D - E)	342.67	376.28	338.85	189.93	263.05	227.12	166.12
Estimates sugar consumption	260	256.50	237.85	59.16	59.03	54.54	65.12
Carry out stock (F - G)	82.67	119.78	101.00	130.77	204.02	172.58	101.00

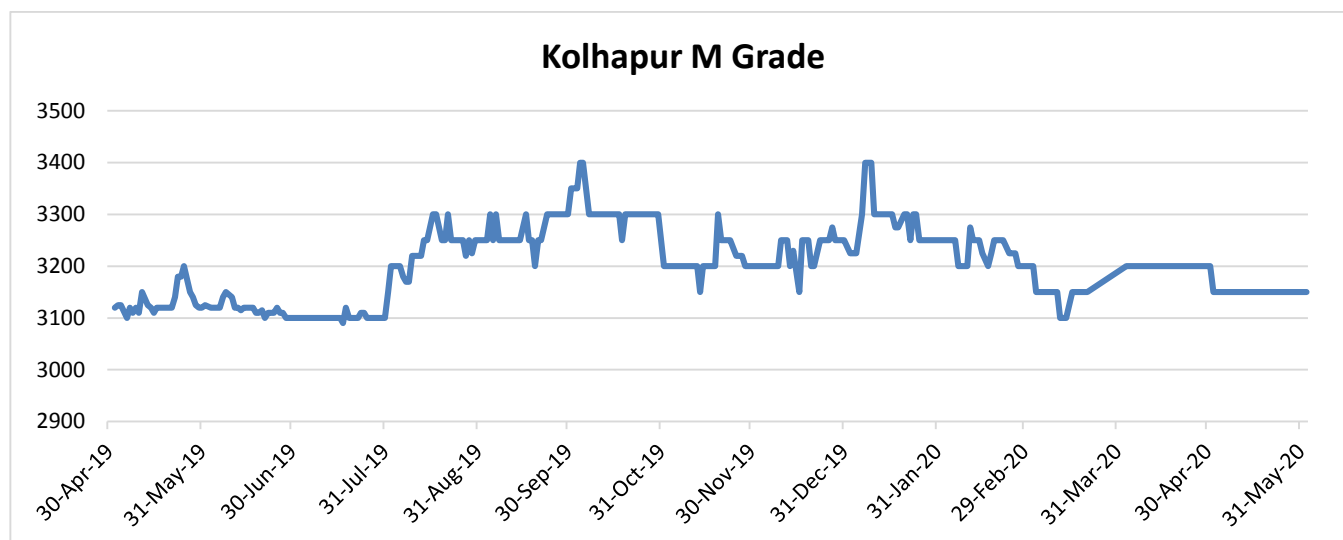
Source: Agriwatch and ISMA

- **Note:** Indian sugar marketing year begins from October – September.
- As per the Agriwatch latest estimate, India's sugar production is expected to reach upto 272.5 LT by the end of Sep'20 for 2019-20 SS decline by around 18% from the previous estimate 262.76 LT in 2019-20.
- Sugar domestic consumption is expected to decline to 237.85 lakh tonnes in 2019-20 due to the disruption caused in demand and supply in covid-19 lockdown (01st October, 2019 – 30th September, 2020) from the previous estimate of 259 LT in 2019-20.
- Although the production is estimated to decline, with an ending stock 101 LT in 2019-20 SS lower than the previous year.
- India likely to export around 5 MMT even in the covid situation because of expectation of good demand in the international market especially from Indonesia, Thailand, Iran, Malaysia and Afghanistan.
- 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

Pariculars	Month	(Rs/Qtl)
Current month Average Price	May'20	3154
Previous month's Average Prices	Oct	3312
	Nov	3212
	Dec	3226
	Jan	3287
	Feb	3233
	Mar	3147
	Apr	3199
Projected Price Range	Jun	3100-3250
	Jul	3150-3300
	Aug	3150-3300

* Kolhapur benchmark



International Sugar Market Summary:

The average global raw sugar prices have surged by around 0.5-1% since last month from 10.19 cents/lbs to 10.80 cents/lbs. in the month of May and the average white sugar hiked significantly to \$352.12/tonne in May from \$325.86/tonne during the same period.

Bullish and Bearish factors for International sugar:

Factors	Impact on Prices
Brazil 2020/21 sugar production will climb +18% to 35 MMT from 26.4 MMT in the earlier season	Bearish
Global sugar production is expected to surge to 188 MMT (USDA) in 2020/21 MY	Bearish
The world sugar balance in 2020/21 will fall by -2.0% y/y to 43.55 MMT	Bullish
Researcher Czarnikow cut its global sugar consumption estimate for this year by -2.0 MMT in 2019/20	Bearish

International Market Highlights:

Brazilian sugar mills produced around 54.92 LT of sugar in the South-Central region up by 83.8% y-o-y. A huge surge in the first two weeks of May'20 was by around 56% producing 25 LT. The mills allocated 47.23% of the cane to produce sugar in 1st half of May'20, compared to 36.02% at this time last year. While during the same time, Brazil reduced the percentage of cane diversion to ethanol production to 52.7% compared to 63.9% last year. The amount of sugarcane crushed from the beginning of the current season (2020-21) till 1st half of May'20 103 million tonnes up by 21.67% compared to the same time previous year.

Mexico is likely to increase sugar production by 19 percent to 6.5 million tons on a return to normal weather and growing conditions. Consumption is also projected higher only slightly as it faces many challenges due to fall in economy that would affect consumer purchasing power. Exports are also forecasted 717,000 tons higher at 1.71 million tons in 2020/21 with slightly higher consumption at 4.4 million tons 2020/21.

A shortage in Indonesia has prompted mills in the Southeast Asian country to ask consumers to reduce sugar usage as the retail prices rallied to the highest in almost four years. Indonesia is likely to continue to buy sugar from India due to shortage in the country as lockdown has delayed the supply. During lockdown period, the country will have 75,000 tons of sugar stock including 50,000 tons of sugar imported from India and 25,000 tons from local suppliers in June. Out of which India supplied around 21,000 tonnes to Indonesia and remaining would be shipped during June. Indonesia's sugar imports may rise to 4.65 million tons in the year that starts in May, from 4.03 million tons a year earlier.

The sugar production in Thailand is estimated to decline further in 2020-21 season, down by 10-15% from 2019-20. The decline is expected due to the prolonged drought till June this year and due to the decline in plantation as well as the economy is hurt by the coronavirus. Sugar production in 2019-20 is forecast to decline to 8.3 MMT due to reduced sugarcane acreage and reduced average yields caused by drought. In MY 2019-20, Thailand exported around 6 million tons of raw sugar while the rest of the sugar is sold domestically. According to USDA, in MY 2019-20 sugar consumption is forecast to be at around 2.4 MMT down by 3% from the previous year. As, Non-alcoholic beverage manufacturers in the country are likely to further reduce production of beverages with high-sugar content also. Also, the household consumption growth is in sluggish pace due to the slow economic growth since 2019 and is likely to reduce further in 2020 due to the sharp decline in tourism amid covid-19.

Sugar production in the European Union is forecast 2.5 percent higher to 17.7 million tons despite a 2- percent decrease in area. Consumption is unchanged at 18.6 million tons while exports are projected to be up from 1.2 million tons to 1.5 million tons with higher supplies and stocks falling to 1 million tons with lower beginning stocks. Imports are forecast lower at 2.1 million tons.

China is expecting that the sugar consumption might increase from the second half of the current year so the consumption likely to remain same in 2020-21 MY at 15.2 MMT. But, some industry experts are predicting consumption could fall as low as 14.4 MMT based on the assumption that the impact of COVID-19 could last longer. China applies a tariff-rate quota (TRQ) on imported sugar, most of which comes from Brazil, Cuba, and Thailand. However, the Chinese government has yet to make an official announcement stating its intentions to withdraw the safeguard. After the removal of this safeguard, the imports might surge. However, it seems difficult in such a surge in imports as the market is affected due to coronavirus. China usually imports major sugar from Brazil & Thailand.

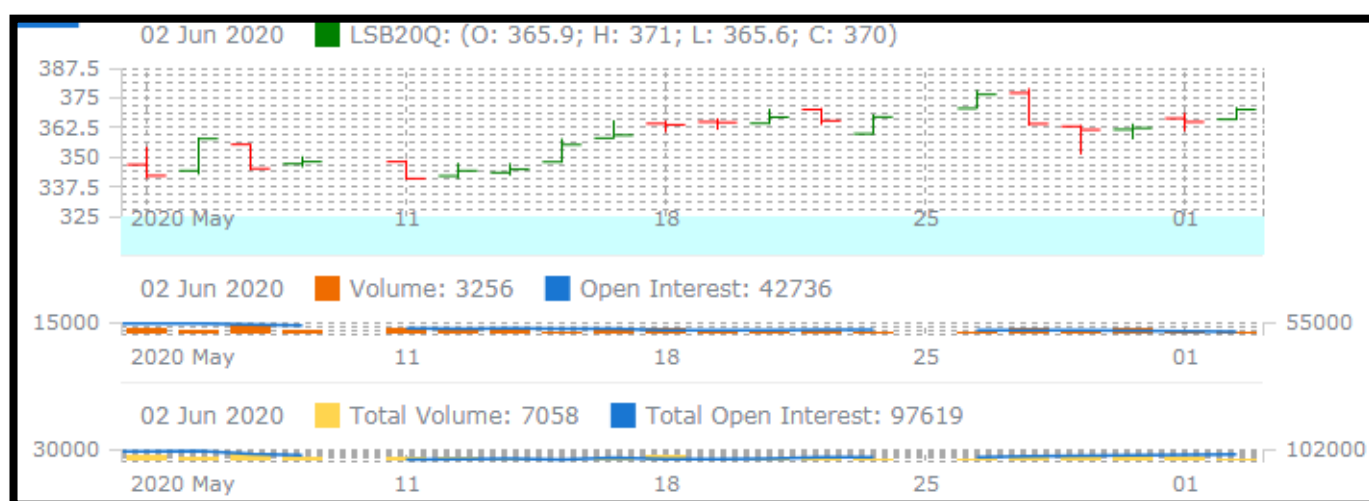
International Sugar Futures Price Projection

LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Aug 20 Contract)

Technical Commentary

- LIFFE future market corrected firmly in the month.
- Both volume increased while open interest decreased over a month significantly.
- Strategy: Buy at level 361, T1 372

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Aug'20	370	350-380

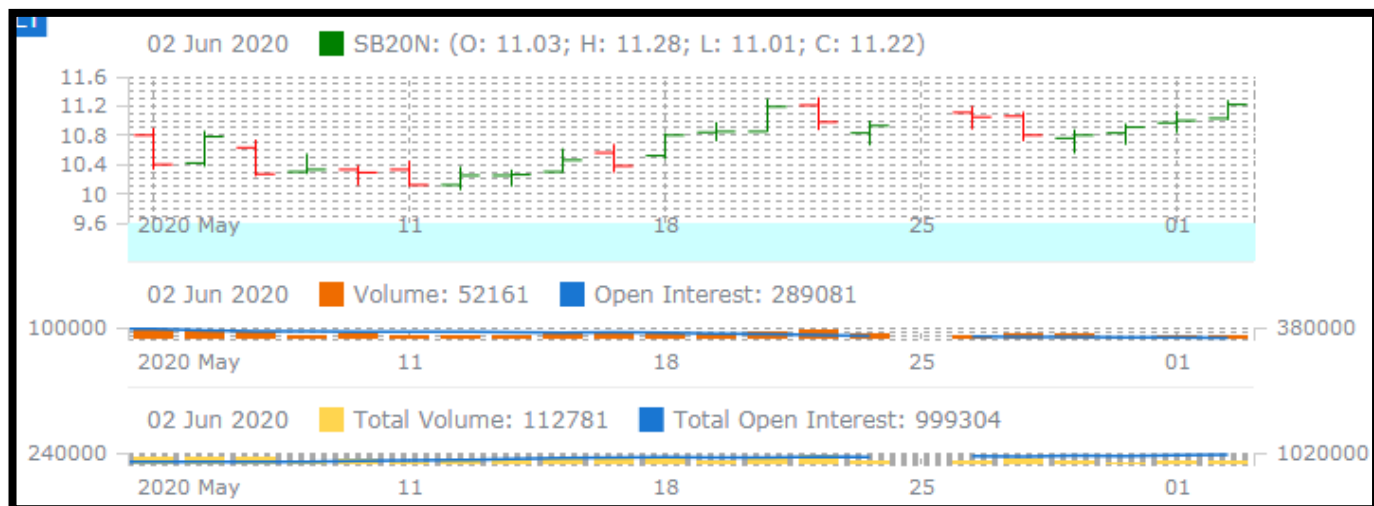


ICE (Raw Sugar Exchange) Future Market Scenario (Jul'20 Contract)

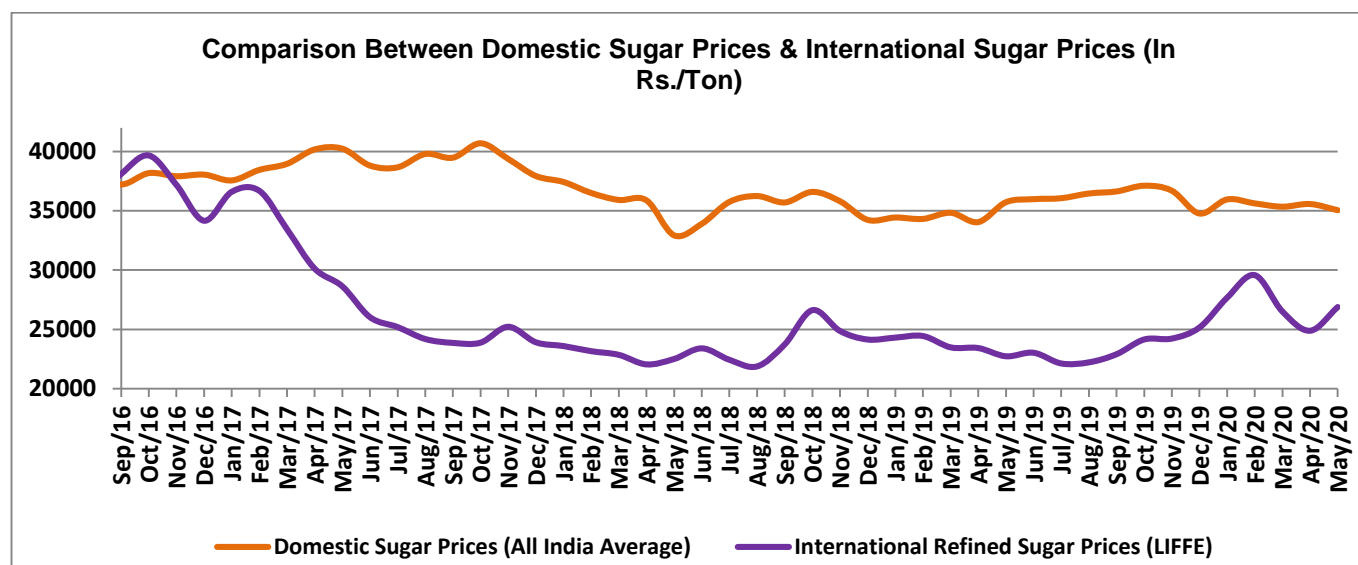
Technical Commentary:

- ICE raw sugar futures showed significant bearish trend in the month.
- Volume decreased and open interest increased over a month.
- Strategy: Buy at rate 10.8 Targeting 11.8.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Jul'2020	11.22	10-14



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			May'20	April'20	
Delhi	Delhi	M-Grade	3115	3140	-25
	Delhi	S-Grade	3095	3120	-25
Uttar Pradesh	Khatauli	M-Grade	3153	3211	-58
	Ramala	M-Grade	3110	3125	-15
	Dhampur	M-Grade Ex-Mill	3117	3151	-34
	Dhampur	S-Grade Ex-Mill	3097	3131	-34
	Dhampur	L-Grade Ex-Mill	3167	3201	-34
Maharashtra	Mumbai	M-Grade	3546	3531	15
	Mumbai	S-Grade	3358	3391	-33
	Nagpur	M-Grade	3279	3324	-45
	Nagpur	S-Grade	3225	3225	Unch
	Kolhapur	M-Grade	3154	3199	-45
	Kolhapur	S-Grade	3100	3100	Unch
Assam	Guhawati	S-Grade	3410	3410	0
Meghalaya	Shillong	S-Grade	3420	3420	Unch
Andhra Pradesh	Vijayawada	M-Grade	3635	3788	-153
	Vijayawada	S-Grade	3575	3728	-153
West Bengal	Kolkata	M-Grade	3643	3722	-79
Tamil Nadu	Chennai	S-Grade	3665	3809	-144
	Dindigul	M-Grade (DCA)	4087	NA	-
	Coimbatore	M-Grade (DCA)	3852	NA	-
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3700	3632	68

Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)

*DCA: Department of consumer affairs

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			May'20	April'20	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	3075	2806	269
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	160000	176000	-16000
	Muzaffarnagar	Khurpa (Fresh)	2858	2647	211
	Muzaffarnagar	Laddoo (Fresh)	3062	2902	160
	Muzaffarnagar	Rascut (Fresh)	2577	2438	139
	Hapur	Chaurasa	2481	2624	-144

	Hapur	Balti	2193	2596	-404
Andhra Pradesh	Chittur	Gold	3429	4864	-1435
		White	4442	5200	-758
		Black	4017	4008	9
Maharashtra	Latur	Lal Variety	NR	NA	-
Karnataka	Bangalore	Mudde (Average)	4514	NA	-
	Belgaum	Mudde (Average)	3150	3150	Unch
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3185	NA	-
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3335	3644	-309
	Mandya	Achhu (Medium)	3354	3500	-146
	Mandya	Kurikatu (Medium)	3205	3300	-95
	Mandya	Other (Medium)	3068	3200	-132
	Mandya	Yellow (Medium)	3453	NA	-
	Shimoga	Achhu (Average)	3765	NA	-

Spot Sugar Prices Scenario (Monthly):

International Sugar Prices (Monthly)				
	Contract Month	May'20	April'20	Change
ICE Sugar #11 (US Cent/lb)	20-Jul	10.80	10.19	0.61
	20-Oct	10.91	10.51	0.40
	21-Mar	11.39	11.11	0.28
LIFFE Sugar (US \$/MT)	20-Aug	352.12	325.86	26.26
	20-Oct	336.78	318.09	18.69
	20-Dec	332.74	319.55	13.19

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