

Price Outlook:

The sugar domestic prices increased significantly over the month; a rise between Rs.20 and 150/q has been witnessed during June. The market remained firm due to the expectation of surge in minimum support price soon by Rs.2/kg to Rs.33/kg and a raise the fair and remunerative price (FRP) of sugarcane by Rs. 10/q to Rs. 285/q for 2020-21 in the next coming days. Also, the demand has increased after the unlocking of the economy in a phased manner and the bulk purchases has been slightly increased. Every year Karnataka and Tamil Nadu produce sugar in the special season that commences in July. These two states are expected to produce around 3-4 LT of sugar during this period, this year. Therefore, India is expected to have a total of 272 LT of sugar production by the end of this year in September.

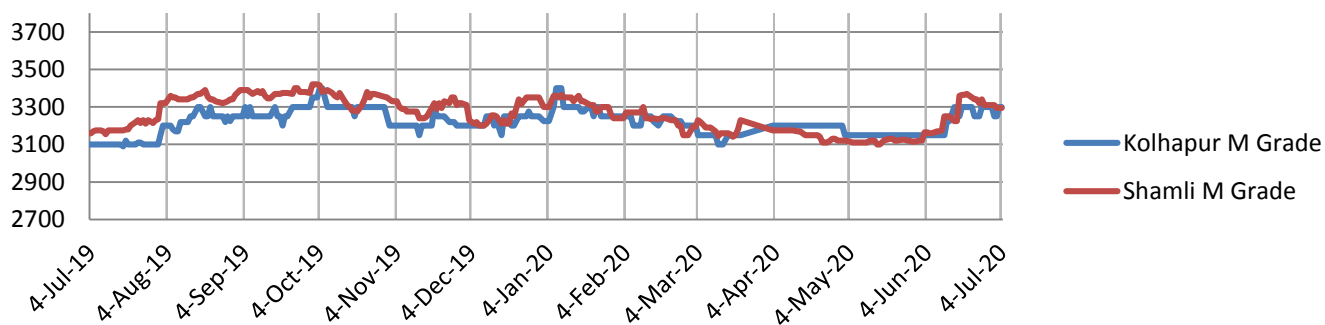
Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market is likely to stay steady in range next week between Rs.3250 -3350 per quintal.

Domestic Sugar Market Summary:

The average price for sugar 'M' grade in key Kolhapur market settled at Rs.3228 per quintal in June month, up by INR 74 from the previous month because of increase in demand. Average Spot sugar prices for the same grade in Shamli district is 3257 per quintal in May that stood higher to the Kolhapur market prices, and significantly down by around 140 INR against previous month's average price Rs. 3117/q.

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



Bullish and Bearish factors for Domestic sugar:

Factors	Impact on prices
India's 2020/21 sugar production would climb +17.7% y/y to 32.01 MMT, 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 government is likely to increase the minimum support price of sugar and FRP of sugarcane	Bullish

Domestic Market Highlights
Recent Updates:

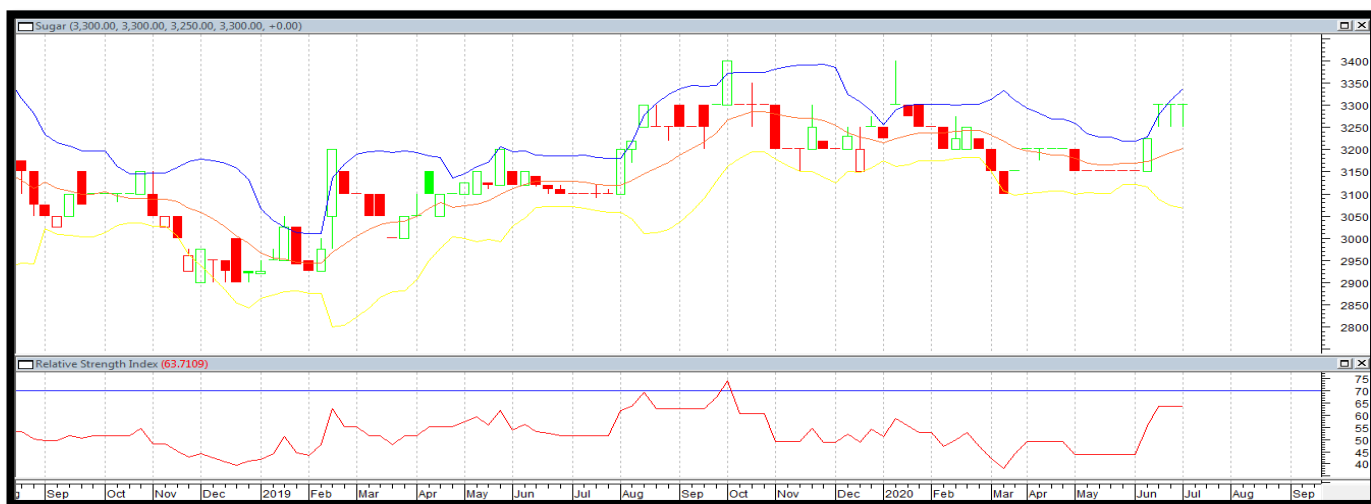
- **The monthly quota has been released for Jul'20 for 21 LT of sugar sales limit to each 546 mills** which is 2.5 LT higher compared to the previous month's sales quota. The July'20 sales quota is 50,000 MT higher compared to the previous year quota during the same time. The supply and demand chain has improved during the phased unlocking across the nation. No extension has been announced for the allocated quota of June 2020.
- **CACP may increase sugarcane FRP by Rs.10/q to Rs.285/q in 2020-21.** And Sugar industry is also demanding a raise in minimum selling price of sugar between Rs.3 and Rs.5 /kg. But the government is may not increase more than Rs.2/kg. In the previous year, FRP was remained same at Rs. 275 per quintal linked to a basic recovery of 10% subject to a premium of Rs. 2.75/qrtl for each 0.1% increase of recovery over and above 10%. While minimum selling price was increased by Rs.2/kg from Rs.29/kg to Rs.31/kg for the year 2019-20.
- **According to ISMA, the area under sugarcane is likely to increase by around 8%.** Whereas, according to Agriwatch, the area under sugarcane is likely to increase by only 2-4% in India. Already around 48 lakh ha area has been sown so far till 11th June. If the government does not approves a raise in FRP on sugarcane and minimum selling price on sugar, it would discourage farmers to plant the area under sugarcane. Also, there is around Rs.17,000 crore cane price dues that are still pending to be given to the farmers.
- **ISMA estimates an increase of 17% in sugar production from 2019-20 year to around 320 LT on cane crushing basis in 2020-21** in the view of normal to good rainfall this year. Sugar production around 305 LT (increase by 8-10%) is expected after assumptions being made on the account of reduction in sugar production due to the diversion to ethanol. According to Agriwatch estimate, around 15-18% increase in the sugar production is expected (after ethanol diversion) in 2020-21 season from the current season's estimate of around 272 LT. There is some difference from ISMA estimates due to the uncertainty in the increase in diversion in ethanol production because many sugar distilleries have applied for the soft loans for expanding the capacity of distillery units but only a few got approval from the banks. So, the immediate expansion and increase in ethanol production cannot be expected.

- **Maharashtra government in its recent meeting held during the month, has decided to start cane crushing by 15th October'20.** Last year, due to the bad weather conditions the crushing was delayed and commenced on 22nd November'19. According to the government, a total of 9.21 lakh ha has been covered as on 26th June'20 under sugarcane, up by around 9.6% year on year basis. According to Agriwatch, Maharashtra may see a surge of around 22-26% rise in area under sugarcane against the previous year. And the state may see a surge of 65-70% in sugar production in 2020-21. Sugar production declined by about 40% in 2019-20 season due to the reduction in yield.
- **The Maharashtra government has lifted the ban imposed on the sale and transport of molasses within the state and export outside the state.** The ban was imposed last year after the floods in west Maharashtra and drought in other parts of the state. As on 9th June, the molasses stock in the state totaled to 13.9 LT including the mill's inventory of 8.47 LT while breweries have around 5.43 LT in 2019-20. The molasses recovery is expected to be 4.75 percent of cane crushed. Therefore, in the coming season Maharashtra is likely to crush 900-920 LT of cane producing around 40 to 42 LT of molasses.
- **OMC's have been supplied with 92.5 crore litres of ethanol till 22nd June since December'19** by Indian sugar mills. A total contract of 170 crore litres was finalized between the sugar mills and OMCs for 2019-20 season. In the states like UP, Haryana, Punjab, Uttarakhand, Bihar and Karnataka ethanol blending is higher at 8.5% to 9.8% with petrol while, the average all India blending was 5.09%. India is expecting an increase in ethanol production capacity from the current 260-300 crore litres to 375-400 crore litres and aiming at 7.5-8 per cent ethanol blend levels with petrol in 2020-21 season.
- **UP set a record in production of jaggery in 2019-20 at 50LT against 45 LT in the previous year**, up by around 11%. Western UP is the hub of jaggery production and around 30LT is expected to have been produced this year. Everyday around 400-500 bags (40kg/bag) are arriving. Although a few jaggery units were closed during lockdown, of the cane was diverted to sugar producing units and increased sugar production by 3-4LT. As the state has produced a record production of sugarcane this year due to which there has been an increase by 7-8% in sugar production and jaggery production as well.

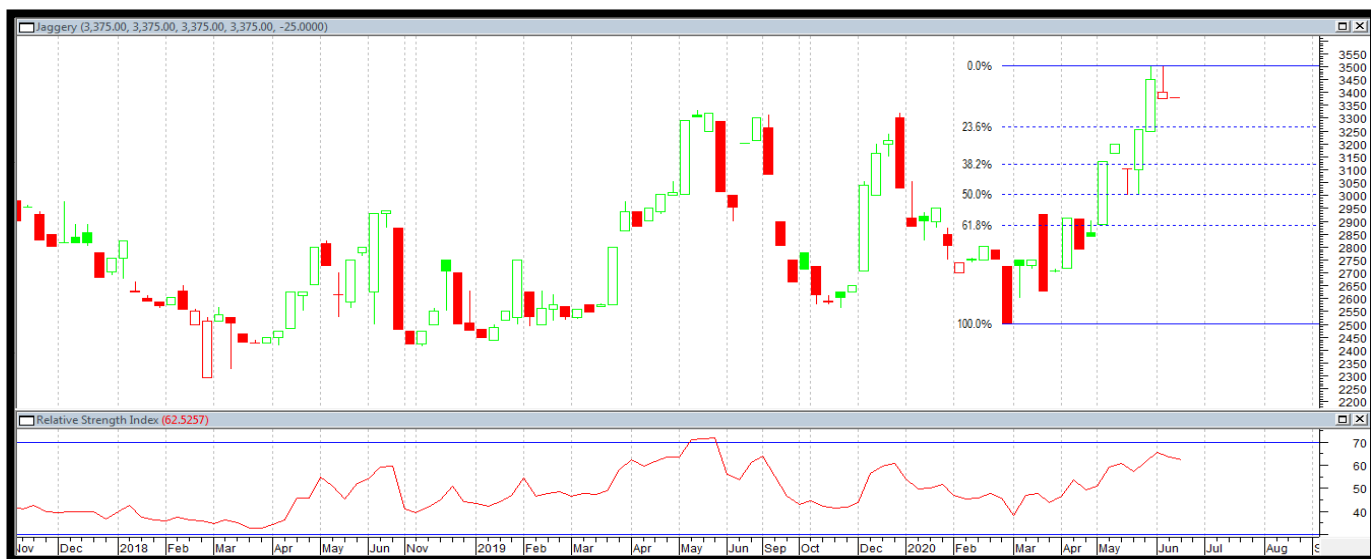
EXPORT: According to the trade sources, India exported around 4 LT of total sugar (including White refined and raw sugar) in May month almost same quantity was shipped during April this year. As most of the mills had started refining sugar, and more than 1.5 LT of refined sugar has been exported out of the total sugar exports. Sudan, Syria, Jordan, China, Tanzania, Afghanistan, Yemen, UAE, Qatar, Somalia were the major importers for refined sugar. Whereas Indonesia and Bangladesh were the largest importer of raw sugar purchasing around 77,000 tonnes and 27,000 tonnes respectively in May month.

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

- Sugar spot prices at benchmark Kolhapur market closed firm at Rs.3300 quintal by 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.3350 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 as the arrivals stopped in second half of the month. The arrivals are now likely to commence from October in the new season.
- The average prices stood higher at Rs. 3401 /q in the first of June compared to monthly average Rs. 3074/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

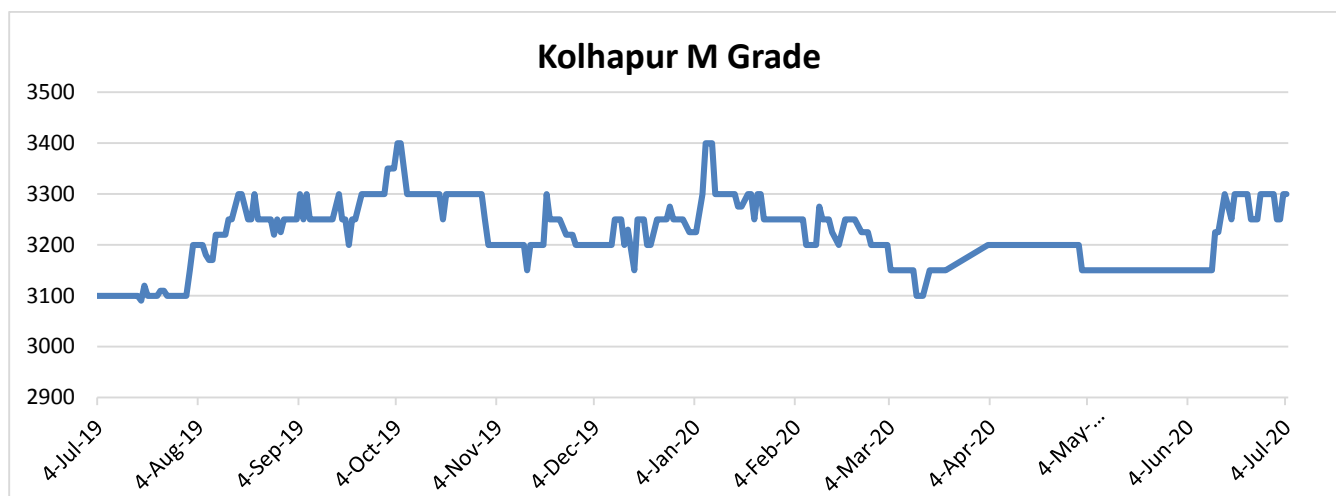
Source: Agriwatch and ISMA

- **Note:** Indian sugar marketing year begins from October – September.
- As per the Agriwatch latest estimate, India's sugar production is expected to reach 272.5 LT by the end of Sep'20 for 2019-20 SS decline by around 18% from the 331.61 LT of sugar production 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 5.3 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	June'20	3228
Previous month's Average Prices	Oct	3312
	Nov	3212
	Dec	3226
	Jan	3287
	Feb	3233
	Mar	3147
	Apr	3199
	May	3154
Projected Price Range	Jul	3200-3350
	Aug	3150-3350
	Sep	3150-3300

* Kolhapur benchmark



International Sugar Market Summary:

The average global raw sugar prices have increased by around 1% since last month from 10.80 cents/lbs to 12.12 cents/lbs in June. The average white sugar hiked significantly to \$365.95/tonne in June from \$352.12/tonne during the same period.

Bullish and Bearish factors for International sugar:

Factors	Impact on Prices
Brazil 2020/21 sugar production will climb +18.5% to 35.3 MMT from 26.4 MMT in the earlier season	Bearish
World sugar production in 2019-20 (Apr-Mar) fell -4.8% y/y to 166.7 MMT	Bullish
The world sugar balance in 2019/20 will fall by -9.3MMT y/y	Bullish

International Market Highlights:

According to Brazil's UNICA, a huge surge in the first two weeks of Jun'20 was by around 36.3% producing 25.49 LT of sugar and a total of 10.56 million tonnes since the beginning of the season in April. The mills allocated 47.11% of the cane to produce sugar in 1st half of Jun'20, compared to 35.69% at this time last year. Brazilian producers are expected to continue to maximize the sugar production, given the increased profitability of sugar production over ethanol production. The amount of sugarcane crushed was around 186 million tonnes so far till first fortnight of June'20, up by 8.77% compared to the same time previous year.

According to ISO, the global sugar demand-supply scenario indicating a sugar deficit of around 9 million tonnes globally, although India again being surplus. Due to Covid-19, the prices of sugar have gone down in the global markets and during the sugar year 2019-20 (Oct'19-September'20), more than 2.3 million tonnes of sugar consumption has been declined till now and the future is uncertain. Due to the fall in crude oil prices, Brazil may

prefer for production of sugar from sugarcane rather than ethanol. The main buyers of sugar shall be Egypt, Saudi Arabia and Indonesia and looking to the fact Thailand, the main exporting country from Asia, expected to be down by 40% in sugar production. India may take advantage of the same by exporting sugar to these countries.

Thailand sugar exports declined significantly year on year till April this year. The imports of Thai sugar by other countries experienced a decline due to the fall in sugar demand during January and April. While Vietnam was the top importer of Thai refined sugar from January to April this year, as the country had abolished sugar import quota for ASEAN-origin sugar in January. For January-April, Vietnam imported 157,925 MT of white and refined sugar (10 times more y/y). Despite the strong off-take from Vietnam, Thai premiums has weakened as purchases were reported to have slowed in 2nd quarter 2020 due to Covid-19. The prices of Thai sugar is higher in the international market and the buyers would seek for cheaper alternative including Indian sugar.

Fresh contracts of sugar and rice from Malaysia can be expected this year and for the coming sugar season as well. As the relations between India and Malaysia got better after the formation of new cabinet. Malaysia's top buyer had bought around 88,000 MT of raw sugar from India last year, whereas it procured 130,000 MT of raw sugar worth \$50 million for the January-March quarter this year. As India being the world's largest buyer of edible oils, now Indian importers will also get benefit from Malaysia's decision to fully exempt palm oil from export duty for the rest of this year.

The significant fall in sugar demand is likely to result in a seven year low sugar production in Myanmar in the coming year in 2020-21 marketing year. The country is struggling to sell the stock piles of raw and refined sugar as China being the major importer China has increased the import duties on Myanmar to 85%. The sugar produced is now being used for only domestic consumption due to the decline in global demand for raw sugar for export purpose. Therefore, Myanmar as a result planning to reduce sugarcane plantation to only 3.5 lakh acres- a decline of 20% compared to the previous year. As the local food and beverage businesses imports around 10,000 tonnes of refined sugar from Thailand alone, but Thailand itself is facing the shortage. Here, India becomes viable exporter to Myanmar being a neighboring country.

China produced only 197,400 tonnes of white sugar, in May 2020, down from 398,000 tonnes a month earlier but above 78,900 tonnes in the same month last year, according to China Sugar Association (CSA). As of May 31, Guangxi of China had a total of 45.79 million tons of sugarcane, a decrease of 8.92 million tons year-on-year and produced 6 million tons of mixed sugar, a y/y decrease of 340,000 tons. The sugar production rate was 13.11%, an increase of 1.52 percentage points y/y and cumulative sales 3.74 MMT of sugar, with a decrease of 4 MMT.

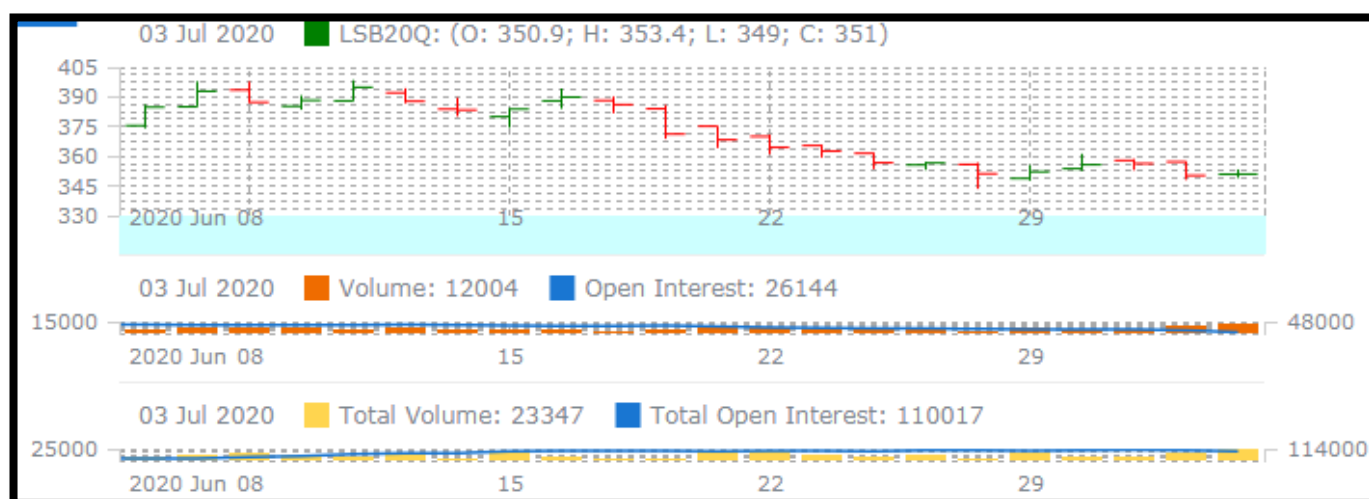
International Sugar Futures Price Projection

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

Technical Commentary

- LIFFE future market steady to firm in the month.
- Both volume & open interest increased over a month significantly.
- Strategy: Buy at level 350, T1 358

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Aug'20	351	345-370

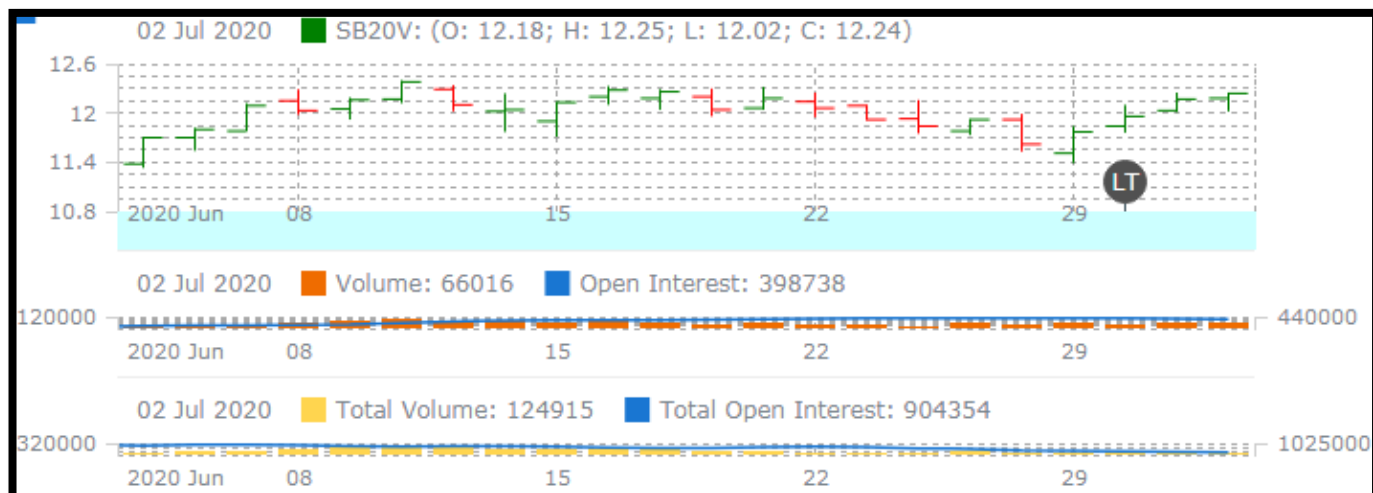


ICE (Raw Sugar Exchange) Future Market Scenario (Jul'20 Contract)

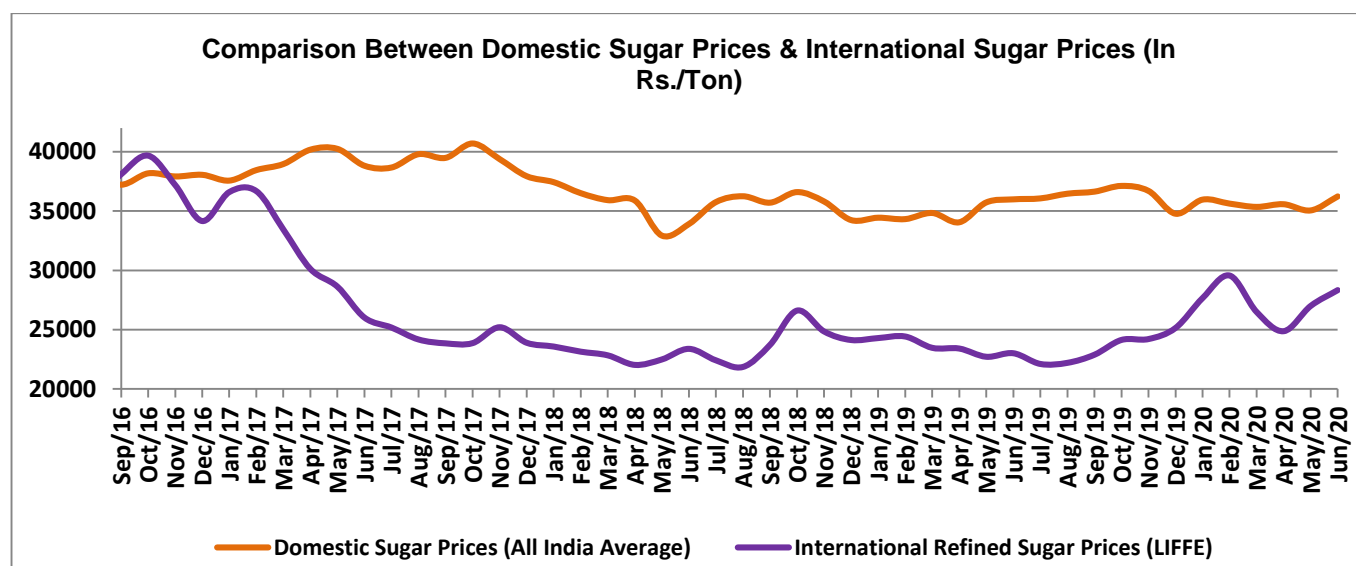
Technical Commentary:

- ICE raw sugar futures showed firm trend in the month.
- Both Volume and open interest increased over a month.
- Strategy: Buy at rate 11.5 Targeting 12.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Jul'2020	12.24	10.5-14



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			June,20	May,20	
Delhi	Delhi	M-Grade	3273	3115	158
	Delhi	S-Grade	3253	3095	158
Uttar Pradesh	Khatauli	M-Grade	3312	3153	159
	Ramala	M-Grade	3321	3110	211
	Dhampur	M-Grade Ex-Mill	3208	3117	91
	Dhampur	S-Grade Ex-Mill	3188	3097	91
	Dhampur	L-Grade Ex-Mill	3258	3167	91
Maharashtra	Mumbai	M-Grade	3488	3546	-58
	Mumbai	S-Grade	3330	3358	-28
	Nagpur	M-Grade	3353	3279	74
	Nagpur	S-Grade	3270	3225	45
	Kolhapur	M-Grade	3228	3154	74
	Kolhapur	S-Grade	3145	3100	45
Assam	Guhawati	S-Grade	3456	3410	46
Meghalaya	Shillong	S-Grade	3465	3420	45
Andhra Pradesh	Vijayawada	M-Grade	3661	3635	26
	Vijayawada	S-Grade	3601	3575	26
West Bengal	Kolkata	M-Grade	3581	3643	-62
Tamil Nadu	Chennai	S-Grade	3662	3665	-3
	Dindigul	M-Grade	3632	4087	-455
	Coimbatore	M-Grade	3638	3852	-214
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3330	3700	-370

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)			June,20	May,20	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	3188	3075	113
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	2687	160000	-157313
	Muzaffarnagar	Khurpa (Fresh)	3239	2858	381
	Muzaffarnagar	Laddoo (Fresh)	3149	3062	87
	Muzaffarnagar	Rascut (Fresh)	2728	2577	151
	Hapur	Chaurasa	NA	2481	-
	Hapur	Balti	NA	2193	-

Andhra Pradesh	Chittur	Gold	4794	3429	1365
		White	4439	4442	-3
		Black	4217	4017	200
Maharashtra	Latur	Lal Variety	NA	NR	-
Karnataka	Bangalore	Mudde (Average)	4361	4514	-153
	Belgaum	Mudde (Average)	NA	3150	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3367	3185	182
	Gulbarga	Other (Average)	2683	NA	-
	Mahalingapura	Penti (Average)	3385	3335	50
	Mandya	Achhu (Medium)	3518	3354	164
	Mandya	Kurikatu (Medium)	3258	3205	53
	Mandya	Other (Medium)	3238	3068	170
	Mandya	Yellow (Medium)	3515	3453	62
	Shimoga	Achhu (Average)	3747	3765	-18

International Sugar Prices (Monthly- Average)				
	Contract Month	June,20	May,20	Change
ICE Sugar #11 (US Cent/lb)	20-Jul	10.80	12.12	-1.32
	20-Oct	10.91	12.09	-1.18
	21-Mar	11.39	12.24	-0.85
LIFFE Sugar (US \$/MT)	20-Aug	365.95	352.12	13.83
	20-Oct	359.03	336.78	22.25
	20-Dec	357.19	332.74	24.45

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