

### Price Outlook:

The sugar domestic prices were range bound during August, staying between Rs.3250/q and Rs.3350/q. The new Fair and Remunerative Price (FRP) of sugarcane was approved and announced by the cabinet in the meeting held on 19th Aug'20. The government increased the FRP of sugarcane for sugar season by Rs.10/q for 2020-21 to Rs.285/q for a basic recovery rate of 10%. And, where the sugar recovery is 9.5% or less such farmers will get Rs.270/q for sugarcane instead of Rs.261.25/q in the current season. Sugar industry is also waiting for official increase in Minimum Selling Price (MSP) of sugar in the coming season from Oct'20 by Rs.2/kg to Rs.3300/q. The sowing under sugarcane is progressing, surpassing the normal area by 4% to 52.29 lakh ha as on 27th Aug'20.

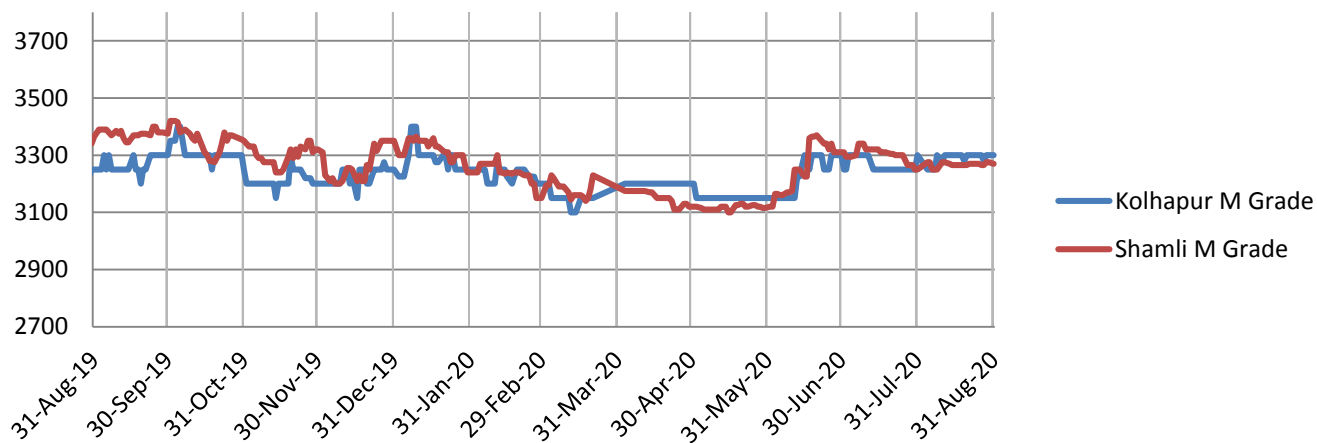
### Price Projection for the Next Month:

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

### Domestic Sugar Market Summary:

The average price for sugar 'M' grade in key Kolhapur market settled firm at Rs.3288 per quintal in Aug month up by INR 21 from the previous month. Average Spot sugar prices for the same grade in Shamli district was Rs.3268 per quintal in Aug, lower to the Kolhapur market prices, and down by around 30 INR against previous month's average price Rs.3298/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 +12% y/y to 30.5 MMT, according to ISMA	Bearish
Indian could achieve a target of 6 million tonnes in 2019/20 despite lockdown	Bullish
Lack of availability of migrant labour for sugarcane harvesting in 2020-21 sugar season	Bullish
The reallocation of sugar export sales would help sugar mill to clear sugar stock piles in 2019-20 season.	Bullish
Delay in decision to increase the minimum support price of sugar	Bearish

### Domestic Market Highlights

#### Recent Updates:

**The Ministry has allocated the monthly sugar sales quota for September 2020 at 22LT to each of 547 mills.** The July'20 sales quota was 2.5 MT higher compared to the previous year quota during the same time and 1.5 LT higher compared to the previous month's quota (20.5 LT). The allocated quota is higher in the view of fulfilling the demand that is likely to arise from the upcoming festivals.

**Niti Ayog has recommended linking the sugarcane prices to sugar rates hoping** to prevent the problem of arrears for sugarcane farmers and to keep the sugar industry in good financial condition. Niti Ayog has recommended a one-time increase in minimum support price to Rs.33/kg to help sugar mills cover the cost of production including interest and maintenance costs. Considering the piling up of cane arrears in the past years, Niti Ayog has also considered incentivizing shifting of some areas under sugarcane cultivation to less water-intensive crops.

**Uttar Pradesh government has announced an aid of around 500 crore rupees for sugar mills to clear off the cane arrears for the 2019-20 crushing season.** The arrears would be settled by transferring the money directly into the bank accounts of the beneficiary farmers. The state mills had paid 100 per cent of their cane arrears to farmers totaling Rs.33,048 crore for the 2018-19 crushing season. However, cane arrears pertaining to the 2019-20 crushing season are still pending. Despite the minimal sugar sales during lockdown, cane payments worth Rs.5,954 crore were made to farmers.

**Generally, Uttar Pradesh prefers the SAP because of higher fixed price compared to the Fair and Remunerative Price (FRP) which is based on the recovery rate.** For the last two consecutive years, in 2019-20, the State Advised Price (SAP) for sugarcane has been maintained at the 2018-19 levels, which was Rs.325 for early crop, Rs.315 for regular and Rs.310 for the unsuitable/rejected variety. The state produces more than half of the regular variety

cane used for sugar production in India. But, recently the central government had increased the FRP to Rs.285/q at 10% recovery rate with the price going up by 1% for every 0.1% hike in recovery rates. The recovery rates in UP has been rising steadily in the past few years because of the Co-0238 variety which gives a recovery rate more than 11.3%. Therefore, for the recovery of 11.3%, the FRP is Rs. 322.05/q which is far above than the SAP.

**The sugar mills in UP were being continuously pressurized from the state government to pay off the cane arrears as soon as possible for 2019-20 sugar season.** Recently, the government has announced a financial package of Rs. 500 crore for cooperative sector sugar mills to settle their outstanding about Rs 11,000 crore are still pending on the UP mills for the last 2019-20 crushing season, where total sugarcane worth more than Rs 32,000 crore was procured from the farmers by the sugar mills.

**Sugar mills in Maharashtra have cleared 99 per cent cane dues to the farmers.** The millers have paid arrears of around Rs.13,759 crores out of Rs.13,891 crores, therefore, Rs.132 crore is the remaining balance. Whereas, the UP sugar mills have paid Rs.24,151 crores as on 10<sup>th</sup> Aug'20. According to the government, mills across India have purchased sugarcane of around Rs 72,000 crore from farmers during 2019-20 sugar season. Of that, less than Rs 20,000 crore of arrears are yet to be paid to farmers. The cane payment is being done at good pace compared to last year, hence, encouraging the farmers to plant cane on large area.

**Government is likely to release a part of subsidy amount of around 20 billion rupees on exports to the sugar mills by the first week of September.** The credited money will be useful to start the season. For the current sugar year, the government is providing 62.7 billion rupees as subsidy to mills to export 6 million tonne sugar. The subsidy will go directly into farmer's bank accounts against payment of outstanding cane dues and the balance amount will be credited to accounts directly of sugar mills.

**It has become necessary for all the sugar producing states to ensure that at least 85% of the installed capacity is used by the mills.** The Department of Food and Public Distribution (DFPD), has taken the decision to help the mills to trim the sugarcane price arrears. The government has also set a mill-wise target of ethanol production for every mill that has a distillery unit. The revenue from production and supply of ethanol to OMCs is realized by mills within three weeks of supply.

**EXPORT: According to the trade sources, India exported around 2.34 LT of total sugar** (including White refined and raw sugar) in July month which is slightly lower compared to the quantity that was shipped during June this year, due to the steady demand. Around 2.27 LT of white refined sugar has been exported out of the total sugar exports and rest of the quantity included raw sugar exports. Afghanistan, Sudan, Syria, Somalia, Indonesia and

China were the main importers of white refined sugar whereas Indonesia and Tanzania were the largest importer of raw sugar in July'20.

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

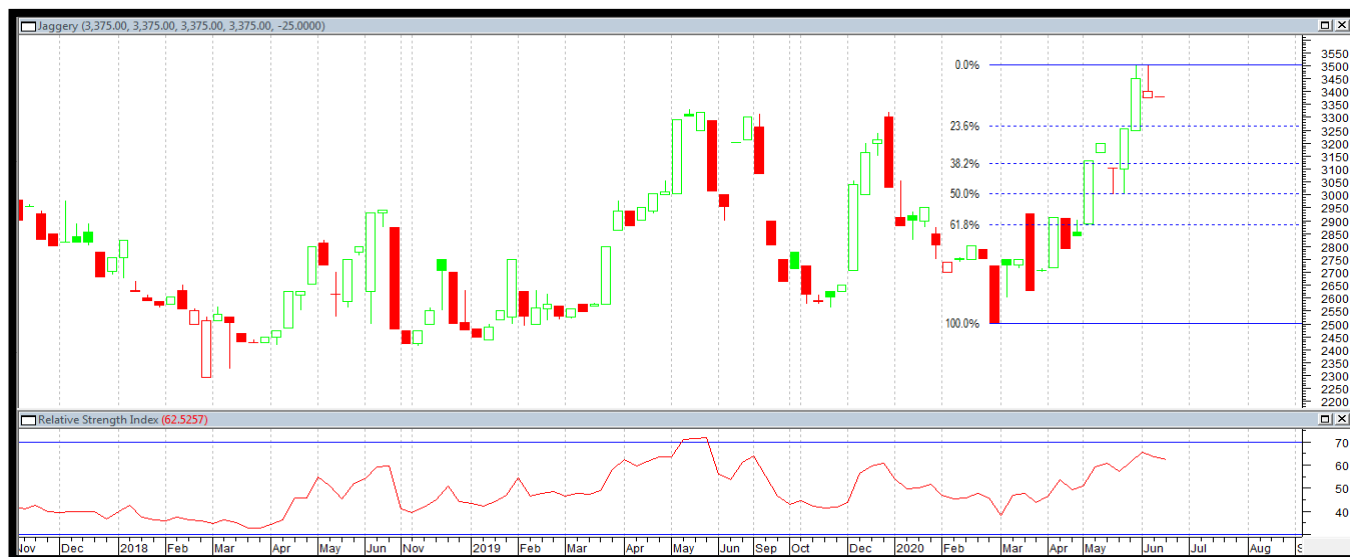
- Sugar spot prices at benchmark Kolhapur market closed steady at Rs.3300 quintal by the end of Aug'20.
- Next resistance and support level for the next month is expected at Rs.3350 and Rs.3250 per quintal respectively.
- RSI is in the neutral region.



## Technical Analysis - ChakuSukha-gur(fresh) at Spot (Muzaffarnagar) market.

### Gur Market Scenario

- Chaku variety of gur in key Muzaffarnagar market was closed as the arrivals stopped in second half of June. 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.

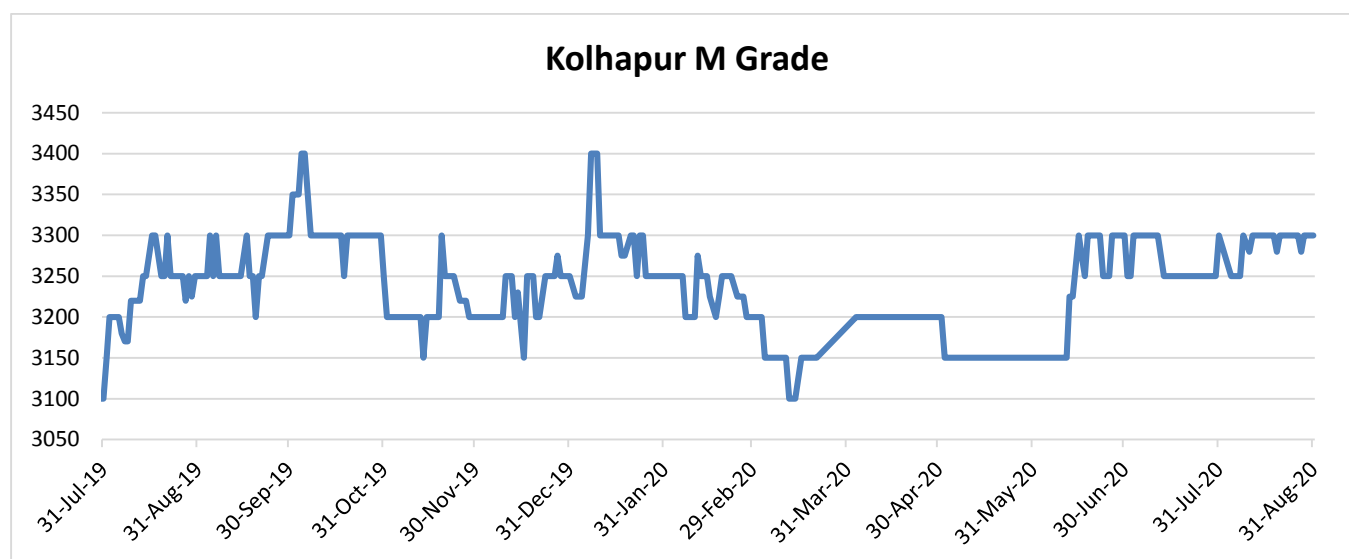
### Sugar Domestic Balance Sheet

- As per the Agriwatch's latest estimate, India's sugar production is expected to reach 27.2 MMT by the end of Sep'20 for 2019-20 SS and sugar production in 2020-21 is likely to increase by 16% to 31.6 MMT.
- Sugar domestic consumption is expected to decline to 23.78 MMT in 2019-20 due to the disruption caused in demand and supply in Covid-19 lockdown (01st October, 2019 – 30th September, 2020). Consumption is likely to improve in the coming season to around 26.0 MMT in 2020-21.
- 2019-20 sugar season is expected to end with 9.58 MMT carry over stock and it is projected that in 2020-21 SS, the ending stock would decline to 9.1 MMT by the end of Sep'21.
- India likely to export around 5.9 MMT in 2019-20 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

Particulars	Month	(Rs/Qtl)
<b>Current month Average Price</b>	<b>Aug'20</b>	<b>3288</b>
<b>Previous month's Average Prices</b>	Oct'19	3312
	Nov'19	3212
	Dec'19	3226
	Jan'20	3287
	Feb'20	3233
	Mar'20	3147
	Apr'20	3199
	May'20	3154
	Jun'20	3228
	Jul'20	3266
<b>Projected Price Range</b>	<b>Sep'20</b>	<b>3250-3350</b>
	<b>Oct'20</b>	<b>3320-3500</b>
	<b>Nov'20</b>	<b>3320-3450</b>

\* Kolhapur benchmark



### International Sugar Market Summary:

The average global raw sugar prices have increased by around 0.8% since last month from 11.94 cents/lbs to 12.81 cents/lbs in Aug. The average refined sugar rose significantly to \$371.61/tonne in Aug from \$354.81/tonne during July. Despite sufficient rains in the last few days, Thailand's sugar production is still expected to decline due to drought conditions it suffered during the season. Strong Chinese demand is bullish for sugar prices. The shipments of sugar from Brazil to China as of 10th August totalled 0.816 MMT, representing 31% of Brazil's overall sugar shipments during that period. Also, ongoing demand concerns are bearish for sugar prices. Also, Sugar prices were stronger on strength in crude oil prices and strength in the Brazilian real against the dollar, encouraging cane crushing to produce ethanol and curbing sugar production.

### Bullish and Bearish factors for International sugar:

Factors	Impact on Prices
Brazil 2020/21 sugar production will climb over 35.5 MMT from 26.4 MMT in the earlier season	Bearish
International Sugar Organization (ISO) projected that global 2020-21 sugar production would increase by +2.3% y/y to 173.5 MMT	Bearish
The global 2020-21 sugar deficit to widen to -0.72 MMT from -0.14 MMT in 2019-20	Bullish
Global Sugar demand likely to decline by 5MMT during Mar'20 and Feb'21	Bearish

**International Market Highlights:**

**According to UNICA, a total of 22.95 MMT of sugar has been produced till mid-Aug'20 since the beginning of the season in April in Brazil,** a surge of 48.16% was reported this season so far. The mills allocated 47% of the cane to produce sugar, compared to 35.31% at this time last year. The amount of sugarcane crushed was around 372 MMT during the same period, up by 6.02% compared to the same time previous year. Brazil's total sugar production in the 2020-21 season (April-March) is expected to grow and reach a record 35 MMT or more as mills allocate more raw material to sugar production and less to ethanol.

**Overall ethanol sales in Brazil were down in July'20 and also in the first two weeks of August'20 y-o-y, according to UNICA.** The decreased ethanol demand due to the spread of coronavirus had decreased the sales and elevated Brazil's ethanol stocks. Mills in the south-central region sold 2.67 billion liters of ethanol in July, down 9% when compared to last year. Ethanol production for the first half of August was 2.27 billion liters, down from 2.41 billion liters produced during the same period of last year. While, from the beginning of the current harvest season, ethanol production was at 16.8 billion liters, down 6.44 percent.

**After a long dry weather, Thailand received as much as 20% more rainfall so far this year than a year earlier.** Although the rains gave some relief but back to back droughts in past years may shrink Thailand's sugar production in the season starting October to the lowest in more than a decade but the change in weather may limit crop losses and help improve planting in the coming season. In 2019-20 sugar production is forecast to decline to 8.3 MMT in earlier estimates in May and likely to decline to around 7 MMT in 2020-21.

**Indonesia is planning to reduce the sugar imports, focusing on increasing in domestic sugar production.** Indonesia has imported around 5,535 tonnes in 2019-20 FY from India, compared to only 144 tonnes in 2018-19 FY. In 2019-20, approximately 2.26 MMT of sugar cane is expected to produce in Indonesia. As per the Indonesian Sugar Association, the country has witnessed 25 per cent dip in sugar consumption between March and June. Sugar demand is expected to be around 0.225 MMT this month as against usual demand of 0.25 to 0.26 MMT per month.

**China's imports from Brazil stood around 1.4 MMT in 2019 (Jan-Dec).** China imports around 40% of sugar from Brazil out of the total imports of around 2.7-3.5 MMT. Brazil has a shipment of 0.816 MMT of sugar in line to export to China in the upcoming weeks. The Chinese government has also decided to eliminate high import tariffs on sugar so now the demand has improved significantly and still rising. According to the sources, 1.24 MMT were imported from January to June'20.

**US cane sugar production was lowered to 3.68 MMT in 2020-21, down by 21,770 tonnes from July estimates.** The NASS forecast of the cane yield decreasing to 21.9 tonnes/acre as a result of Hurricane Hanna. Due to the



increased import quota, the total sugar imports also has been decreased to 2.76 MMT, down by 1 MMT. Total use in 2020-21 was forecast at 11.13 MMT remained unchanged compared to last month against the total supply of 12.74 MMT. Ending stocks were forecast at 1.62 MMT up 1.58 MMT from July, up 1.5 MMT from 2019-20.

**According to the Ministry of Industry and Trade, the amount of sugar imported from Thailand by Vietnam had increased rapidly, reaching nearly 0.5 MMT** in the first five months of this year while it was only 55,000 tonnes in the same period last year and 0.3 MMT last year, after tariff quotas were removed for countries in the ASEAN. Therefore, an anti-dumping and anti-subsidy measures may be applied to Thai sugar should the authorities discover that raw sugar was imported from Thailand into Laos and Cambodia for refining, then exported to Vietnam to take advantage of the tariff relief.

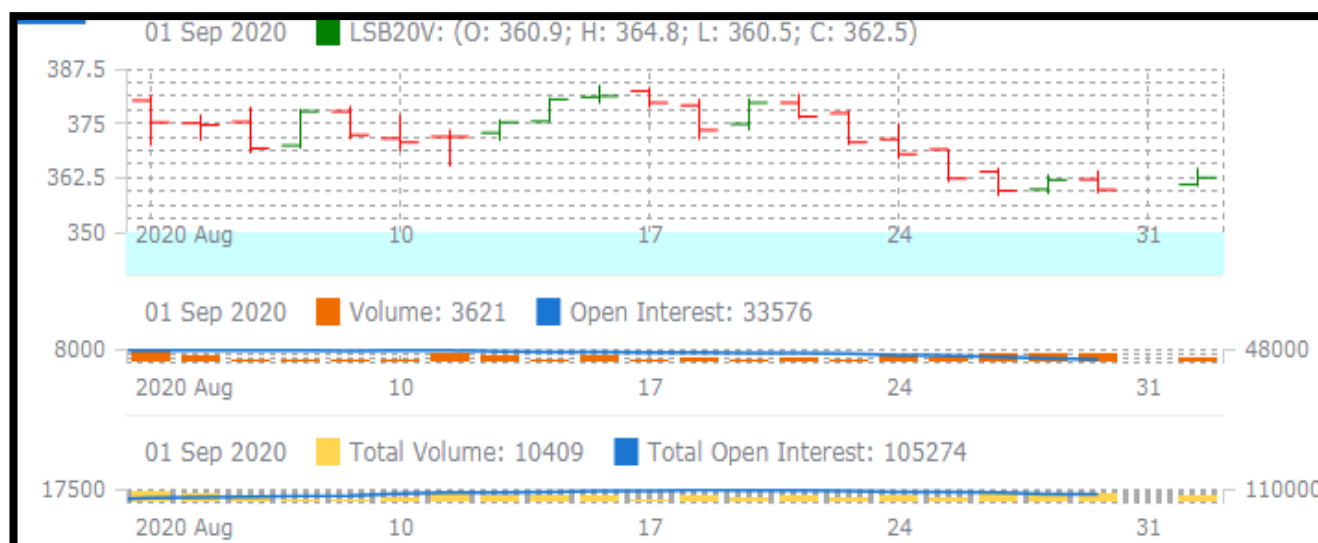
**Pakistan government has exempted the 17% sales tax on imports of sugar.** The shortage of sugar in the domestic market as it currently has a stock of 1.2 MMT of sugar that may run out in two months. To keep the prices of sugar low in the country, the cabinet had allowed the import of 0.3 MMT sugar as strategic reserves for August to October.

#### International Sugar Futures Price Projection

##### LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Oct'20 Contract) Technical Commentary

- LIFFE future market steady to weak in the month.
- Total volume decreased & open interest increased over a month.
- Strategy: Buy at level 358.9, T1 375

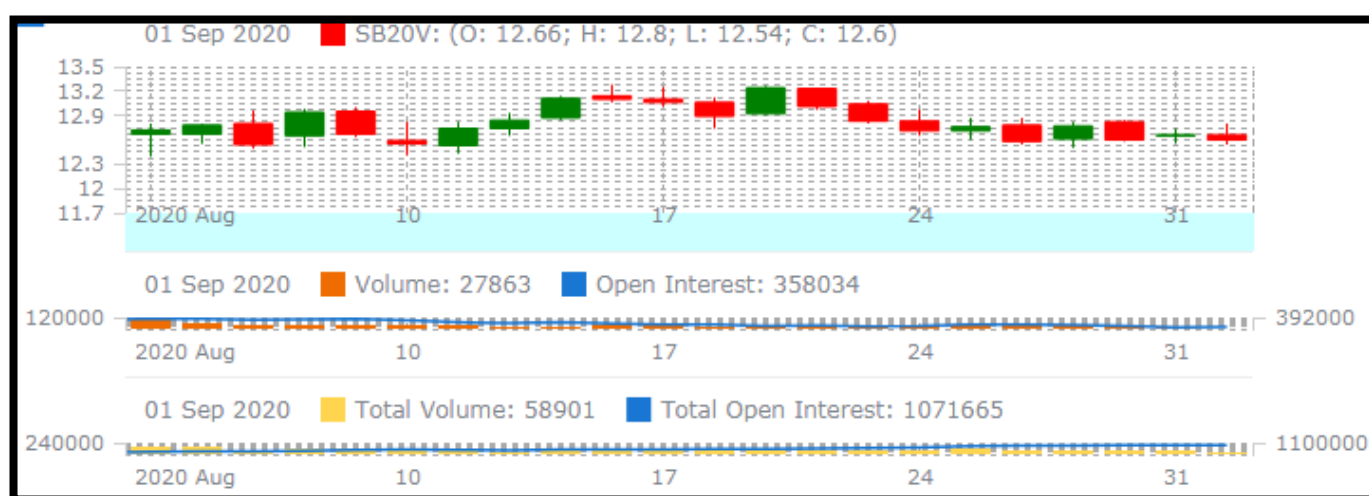
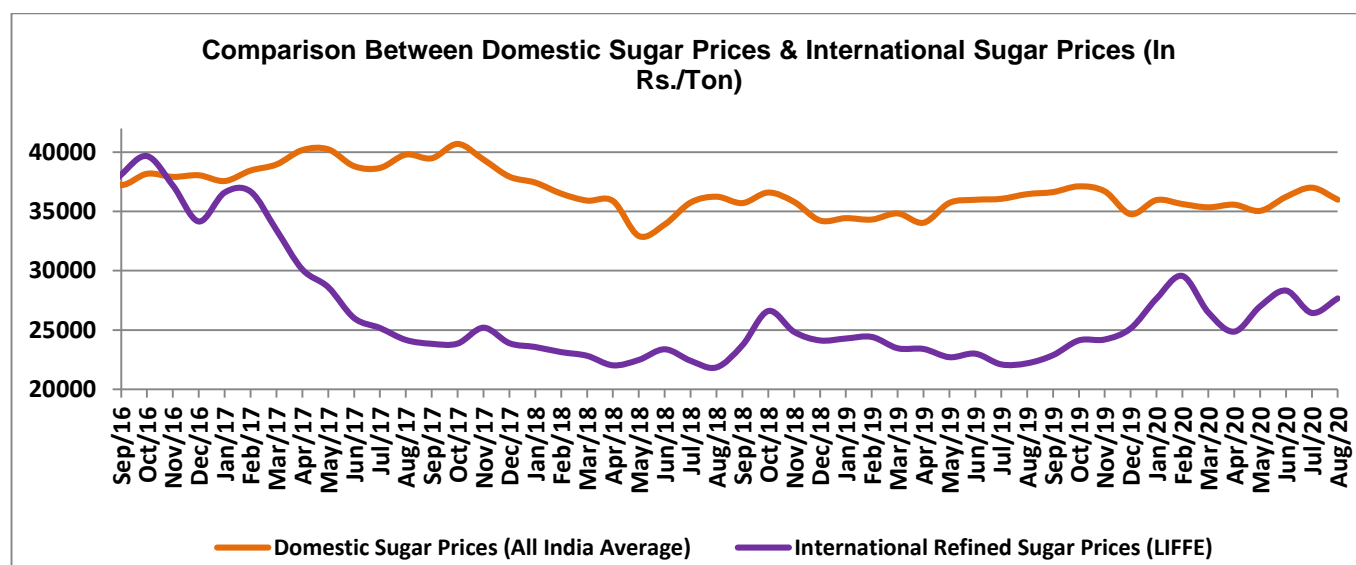
International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Oct'20	375.2	353-383



**ICE (Raw Sugar Exchange) Future Market Scenario (Oct'20 Contract)**
**Technical Commentary:**

- ICE raw sugar futures remained steady in the month.
- Total Volume decreased while open interest increased over a month.
- Strategy: Buy at rate 12.54 Targeting 13.08.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Oct'2020	12.6	12.19-13.26


**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			Aug'20	July'20	
Delhi	Delhi	M-Grade	3296	3322	-26
	Delhi	S-Grade	3276	3302	-26
Uttar Pradesh	Khatauli	M-Grade	3331	3339	-7
	Ramala	M-Grade	NA	3281	-
	Dhampur	M-Grade Ex-Mill	3243	3303	-60
	Dhampur	S-Grade Ex-Mill	3223	3283	-60
	Dhampur	L-Grade Ex-Mill	3293	3353	-60
Maharashtra	Mumbai	M-Grade	3538	3575	-37
	Mumbai	S-Grade	3356	3361	-5
	Nagpur	M-Grade	3413	3392	21
	Nagpur	S-Grade	3313	3292	21
	Kolhapur	M-Grade	3288	3267	21
	Kolhapur	S-Grade	3188	3167	21
Assam	Guhawati	S-Grade	3499	3478	21
Meghalaya	Shillong	S-Grade	3508	3487	21
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3640	3701	-61
	Vijayawada	S-Grade (With Duty)	3700	3689	11
West Bengal	Kolkata	M-Grade	3720	3674	45
Tamil Nadu	Chennai	S-Grade	3716	3751	-35
	Dindigul	M-Grade (DCA)	3789	3800	-11
	Coimbatore	M-Grade (DCA)	3620	3636	-16
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3615	3468	147

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)			Aug'20	July'20	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	NA	NA	-
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	NA	NA	-
	Hapur	Chaurasa	NA	NA	-
	Hapur	Balti	NA	NA	-

Andhra Pradesh	Chittur	Gold	NA	NA	-
		White	NA	NA	-
		Black	NA	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4523	4339	184
	Belgaum	Mudde (Average)	3500	3333	167
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	3441	-
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3541	3488	53
	Mandya	Achhu (Medium)	3756	3667	89
	Mandya	Kurikatu (Medium)	3448	3334	114
	Mandya	Other (Medium)	3504	3341	163
	Mandya	Yellow (Medium)	3812	3588	224
	Shimoga	Achhu (Average)	3631	3733	-102

International Sugar Prices (Monthly- Average)				
	Contract Month	Aug'20	July'20	Change
ICE Sugar #11 (US Cent/lb)	20-Oct	12.81	11.94	0.87
	21-Mar	13.36	12.45	0.91
	21-May	13.12	12.41	0.71
LIFFE Sugar (US \$/MT)	20-Oct	371.61	354.81	16.80
	20-Dec	372.99	354.03	18.96
	21-Mar	374.09	353.34	20.75

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