

Price Outlook:

Sugar mills have started preparing to commence cane crushing operations for the coming season. The mills in Maharashtra and UP are expecting the crushing to commence from 15th Oct'20. The sugar industry operations in India would be restrained by lack of availability of migrant labour in sugarcane harvesting in 2020-21 season that may slower the production pace. The domestic sugar prices dropped after the announcement of higher sales quota (23LT) for the October month. The sugar traders opine that the quota is rather high given the low demand, the surge in number of coronavirus cases and new season has started but the government has still not announced any hike in MSP. With the huge carry-over stocks of 2019-20, the sugar industry is expecting the continuation of the export subsidy scheme in 2020-21 as the one and only way to clear off the stocks in the country.

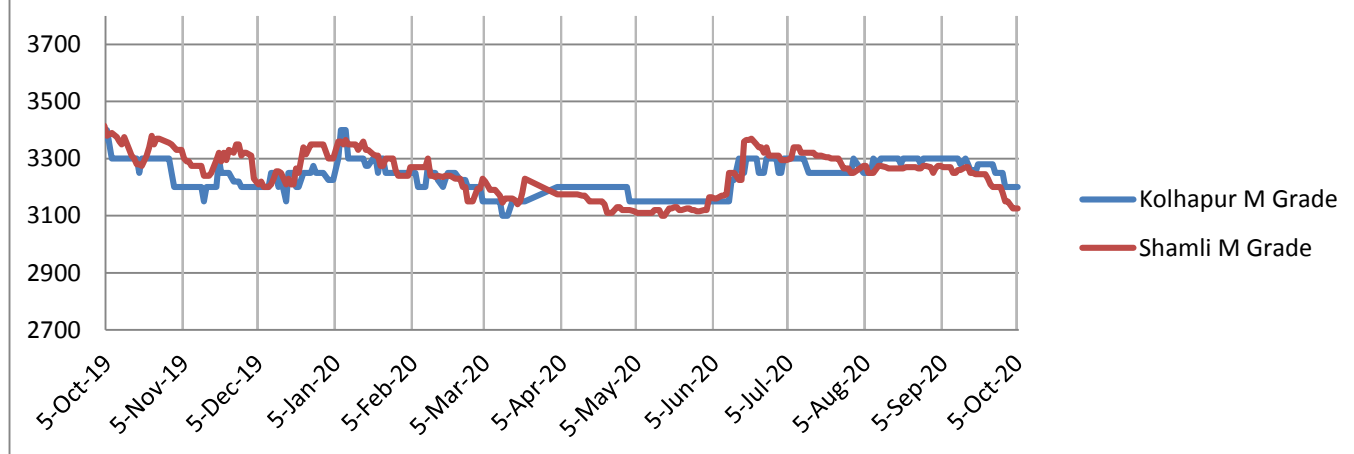
Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market is likely to remain range bound next month between Rs.3100 -3300 per quintal.

Domestic Sugar Market Summary:

The average price for sugar 'M' grade in key Kolhapur market settled at weaker note at Rs.3279 per quintal in Sep month down by INR 8 from the previous month. Average Spot sugar prices for the same grade in Shamli district was Rs.3241per quintal in Sep, even lower to the Kolhapur market prices, and down by around 37 INR against previous month's Shamli average price Rs. 3268/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 over +12% y/y to 30.5 MMT, according to ISMA	Bearish
Manifold increase in coronavirus cases hindering the sugar domestic demand	Bearish
Lack of availability of migrant labour for sugarcane harvesting in 2020-21 sugar season	Bullish
Uncertainty in continuation of Sugar Export Subsidy Scheme in 2020-21 by the government	Bearish
Unconfirmed decision by the government to increase the minimum support price of sugar in 2020-21	Bearish

Domestic Market Highlights

Recent Updates:

The monthly sales quota for October 2020 was fixed at 23 Lakh MT, distributed among 547 mills. The Oct'20 sales quota is 2 LT higher compared to the previous year quota during the same month and 1 LT higher compared to the previous month's quota (22 LT). According to DFPD, the demand for sugar should increase during October amid upcoming Hindu festivals (Durga puja and Dussehra) and keeping in view the easing of lockdown nationwide.

Total sugarcane production in 2020-21 is expected to rise to 399.8 million tonnes against 355.7 million tonnes produced in 2019-20 kharif season. Maharashtra is likely to see a major surge in cane production this kharif season at around 900 lakh tonnes against 655 lakh tonnes last year, up by around 37%. The top sugarcane producing state, Uttar Pradesh is likely to get higher yields in 2020 compared to last year by 5-8 tonnes/ha.

The sugar mills in Uttar Pradesh and Maharashtra are expected to start crushing from 15th Oct'20 and no hike in MSP has been announced so far. The government may increase the sugar sales quota for the coming months so as to increase the sales and help mills pay cane arrears. The demand has been weak in 2019-20 season, and even though expected to increase in the coming season, but it will remain lower than previous seasons until all the social gatherings, eateries etc. becomes fully operational.

The government is making efforts in encouraging the sugar mills to divert cane crushing towards ethanol production to avoid surplus sugar production, therefore, has asked mills to submit proposals within a month, to avail loans at a subsidized interest rates to increase ethanol capacity in the country. So far, 68 proposals worth Rs.3,500 crore have been approved and banks have sanctioned the loan.

Indian sugarcane harvesting is likely to be slow amid the pandemic situation prevailing in the country and thus resulting in delay in the production of sugar. Mostly manual labour is employed in the cane harvesting and about only 5% is dependent on mechanized farming in India. Most of the migrant labours are scared to travel due to the coronavirus infection and therefore, India will most probably face serious lack of labour availability. Being the second largest producer of sugar after Brazil, the delay in production in India, could accelerate the global sugar prices.

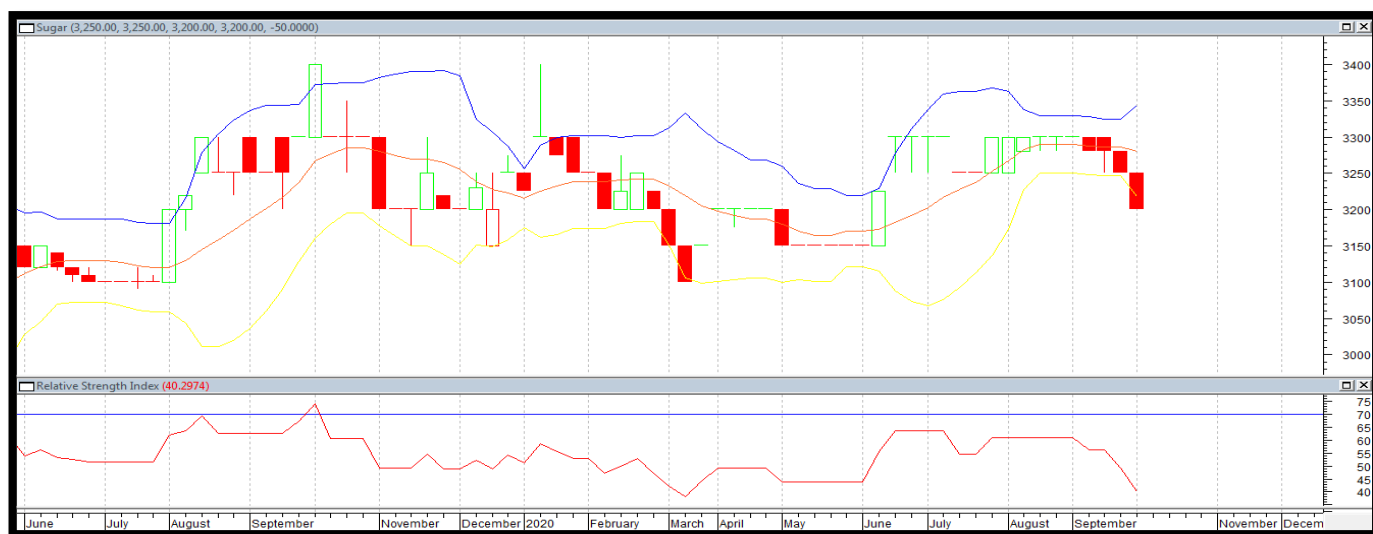
Maharashtra this year is expecting a bumper cane production and is set to commence the crushing operations from 15th Oct'20 for 2020-21 sugar season. The state has covered around 10.66 lakh ha under sugarcane this year, up by 29 per cent from 2019 due to good rainfall. Total sugar production is likely to be above 95LT in 2020-21 against 60 LT in 2019-20. Productivity is also expected to increase by 5-10 tonne per ha in 2020-21.

The government offered a total subsidy of Rs.10.45 per kg on sugar exports in 2019-20 sugar season. The government has extended the time limit for exports in the earlier month under MAEQ of 0.6 MMT till December'20 from September'20. The time has been extended for those sugar mills who have partially exported their MAEQ quota of sugar season 2019-20 till Sep'20. The delay in clarity over next season's sugar export scheme is worrying the industry as it is impossible for Indian sugar to sell in the overseas markets without government support, due to the gap between domestic and international prices. Sugar costs about Rs.33 per kg in India, while globally it is priced at Rs.22-23 per kg.

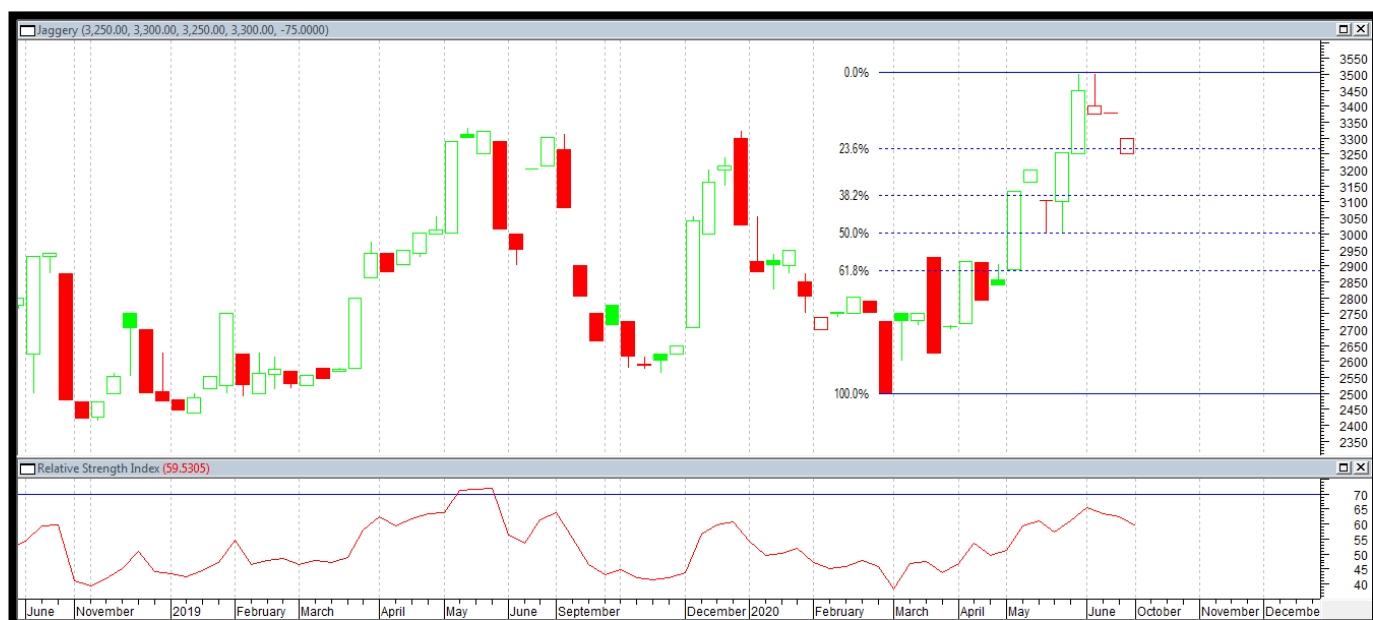
According to the trade sources, India exported around 3.19 LT of total sugar (including refined and raw sugar) in August month which is slightly higher compared to the quantity that was shipped during July this year due to the good demand from Afghanistan and Indonesia. Around 2.4 LT of white refined sugar has been exported out of the total sugar exports and rest of the quantity included raw sugar exports. Sudan, Afghanistan, Indonesia, Sri Lanka, & Nepal were the main importers of refined sugar. Whereas Indonesia Sri Lanka and Tanzania were the largest importer of raw sugar in Aug'20.

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

- Sugar spot prices at benchmark Kolhapur market closed weaker at Rs.3200 quintal by the end of Sep'20.
- 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**

- There were no arrivals of Chaku variety of gur in key Muzaffarnagar market and has been started after the commencement of the new season.
- The prices opened lower at Rs. 3250/q in October with high arrivals around 5000q.
- 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

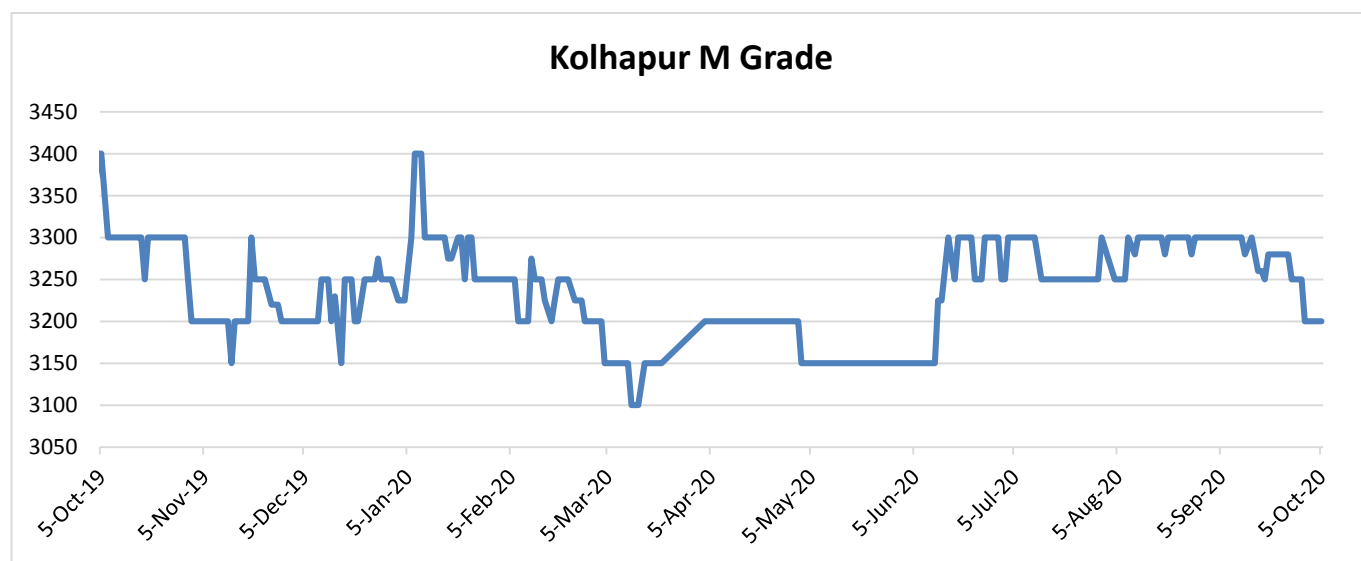
- As per the Agriwatch's latest estimate, India's sugar production was 27.2 MMT during 2019-20 SS and sugar production in 2020-21 is likely to increase by 16% to 31.6 MMT.
- Sugar domestic consumption is expected to surge by around 10% to 26.09 MMT in 2020-21 season on the account of improvement in the economic activity in the country after the distribution of coronavirus vaccine in 2020-21. A decline in consumption to 23.78 MMT in 2019-20 caused due to the disruption in demand and supply in Covid-19 lockdown (01st October, 2019 – 30th September, 2020).

- 2019-20 sugar season is expected to end with 9.46 MMT carry over stock and it is projected that in 2020-21 SS, the ending stock would decline to 8.4 MMT by the end of Sep'21 owing to the increase in demand and exports.
- India likely to export the target of 6 MMT in 2019-20 even in the covid situation and extension of time given by the government till Dec'20 for the sugar exports.

Domestic Sugar* (M- grade) Price Projection for next 3 months

Particulars	Month	(Rs/Qtl)
Current month Average Price	Sep'20	3279
Previous month's Average Prices	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
	Aug'20	3288
Projected Price Range	Oct'20	3100-3250
	Nov'20	3150-3300
	Dec'20	3250-3350

* Kolhapur benchmark



International Sugar Market Summary:

The average global raw sugar prices have decreased by around 0.51% to 12.85 cents/lbs in Sep from 13.36 cents/lbs in Aug. The average prices of refined sugar fall significantly to \$363.33/tonne in Sep from \$372.99/tonne during Aug. Recently, the crude oil prices surged by more than 6%, therefore, the sugar mills are encouraged to divert more cane crushing to produce ethanol rather than sugar production. The prices gradually declined in the first half of Sep'20 on prospects of abundant production including in Brazil and India. The weakness in the Brazilian real against the dollar, discouraging cane crushing to produce ethanol and curbing sugar production.

Bullish and Bearish factors for International sugar:

Factors	Impact on Prices
CONAB projects, Brazil 2020/21 sugar production will climb to 39.3 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

International Market Highlights:

According to ISO, world consumption in 2019-20 is expected to fall by 1 MMT (0.65%) from the previous season, to 169.715 MMT, while the consumption is expected to increase by 4.47 MMT in 2020-21 to 174.19 MMT. The global sugar demand and supply has been affected after the pandemic hit the world. The household consumption was far less and was not compensated by the Industrial sugar demand. The resumption of economic activities across the world is likely to improve in 2020-21 season, possibly only with the introduction of vaccine.

According to UNICA, a total of 29.07 MMT of sugar has been produced till mid-Sep'20 since the beginning of the season in April in Brazil, a surge of 44.96% was reported this season so far. The mills allocated 47.01% of the cane to produce sugar, compared to 35.43% at this time last year. The amount of sugarcane crushed was around 459 MMT during the same period, up by 4.56% compared to the same time previous year.

According to UNICA, 306.34 million liters of ethanol is exported in August was up 6.28 percent when compared to the same period of 2019. So far this season, mills in the south-central region have sold 1.1 billion liters of ethanol into the export market, up 25.17 percent. While, According to UNICA, mills in the region have sold 11.74 billion liters of ethanol so far this season, down 17.85 percent when compared to the sale period of last year. As the mills in Brazil are focusing more on sugar production, therefore, Brazil is expected to produce 31.35 billion liters of ethanol in 2020-21, down 16 per cent from 2019-20.

According to Australian Sugar report released by Australian sugar milling council, the cumulative cane crush reached 19.08 million tonnes (62%) since the beginning of the season from Jun'20 while the operations were ahead in 2019 by crushing around 66% of cane during the same time last year. The crushing operations were

delayed and slowed down during the beginning of the season this year. The country is expecting rains in Queensland, the major cane growing state due to which further delay in crushing is expected. Australia in 2020-21, is estimated to produce 30.9 million tonnes of sugarcane against 30.04 million tonnes produced in 2019-20 season.

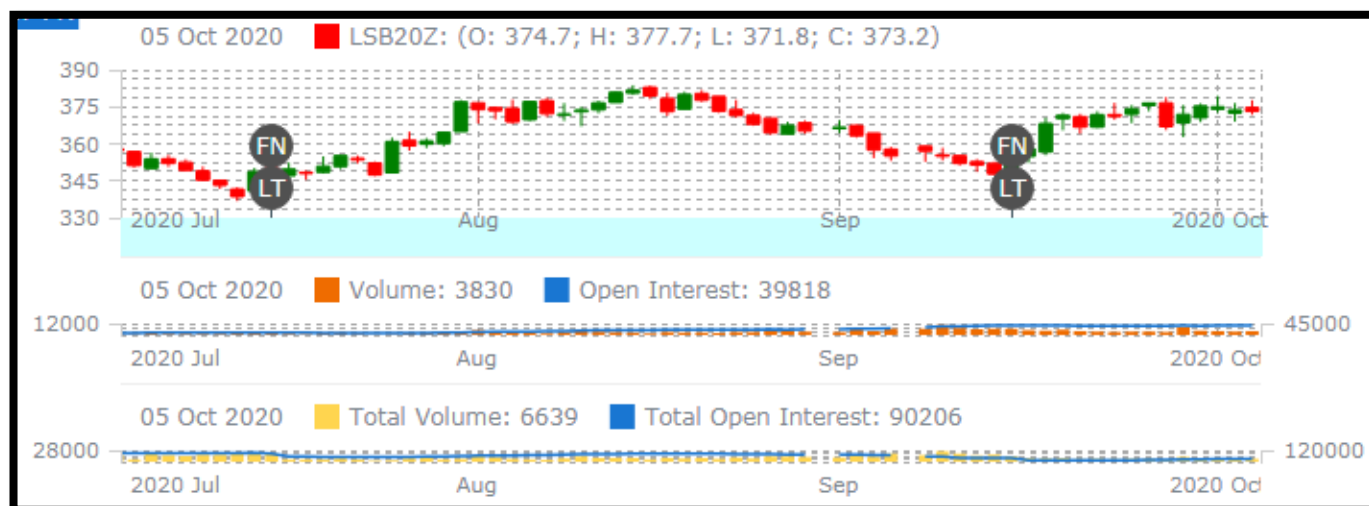
According to Thai Sugar Millers Corporation, Thailand exported 2.07 lakh tonnes of refined sugar and 1.59 lakh tonnes of raw sugar in Aug'20. Total of 17.36 lakh tonnes of refined sugar (-8.58% y/y) has been exported at an average FOB \$367.74/tonne and 29.02 lakh tonnes (-21.27% y/y) of raw sugar at an average FOB \$293.65/tonne during Jan'20 to Aug'20. The lower availability of cane this year and lack of demand in the international resulted in the lower exports. The major export destinations of Thailand were Vietnam, Cambodia, Taiwan, Philippines, Singapore and China.

International Sugar Futures Price Projection

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

- LIFFE future market was firm in the month.
- Both total volume & open interest decreased over a month.
- Strategy: Sell at level 383, T1 379.2

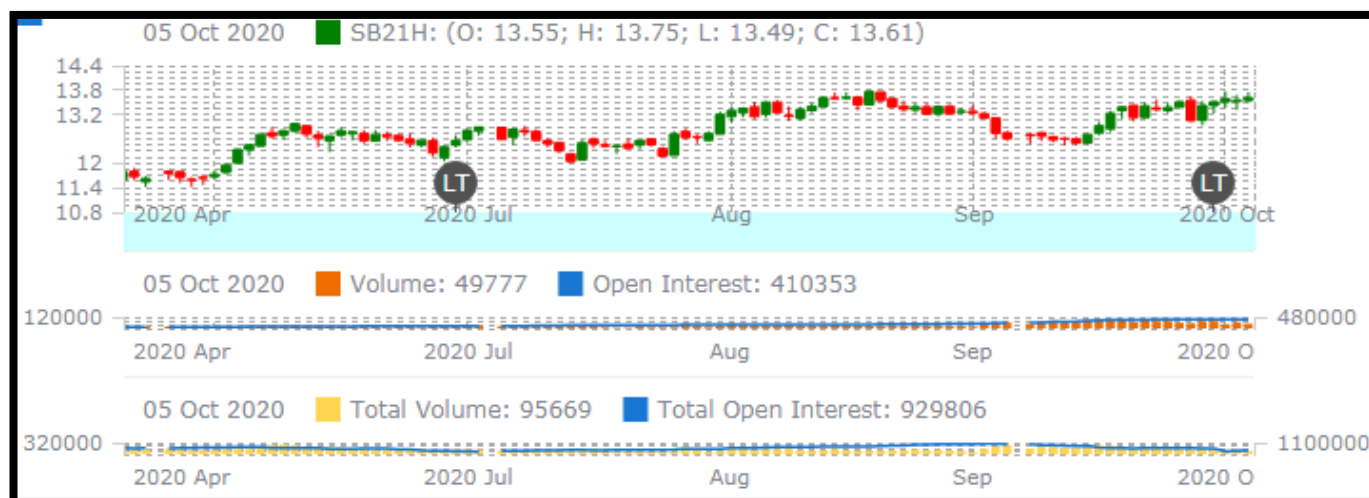
International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Oct'20	373.2	350-383



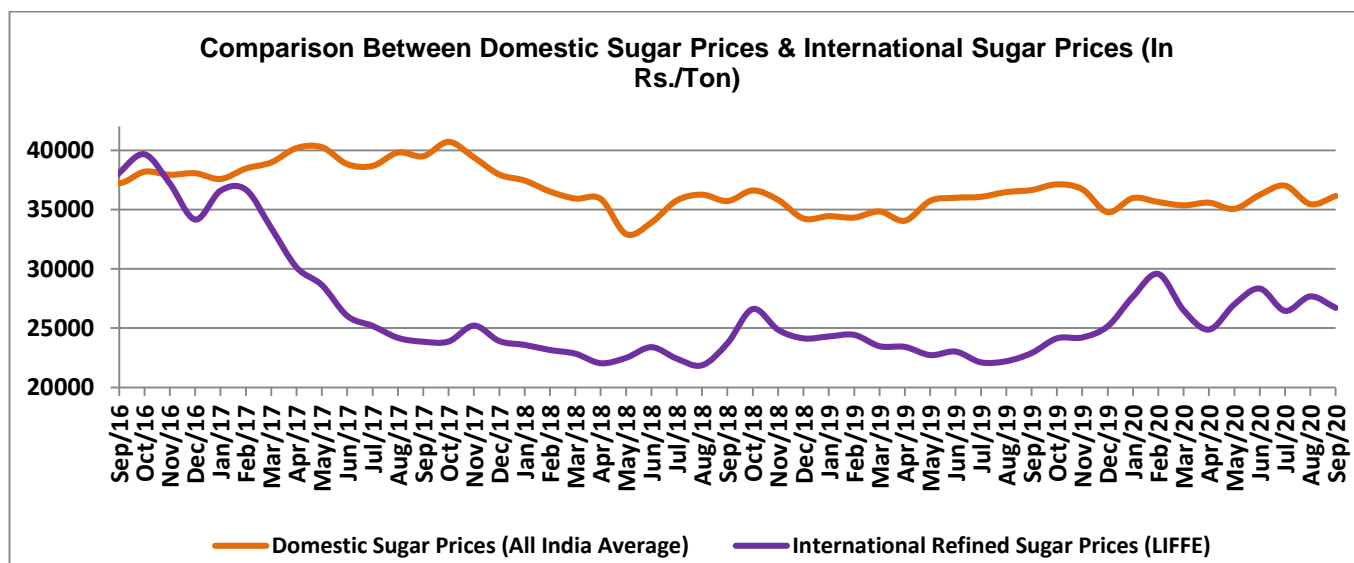
ICE (Raw Sugar Exchange) Future Market Scenario (Mar'21 Contract) Technical Commentary:

- ICE raw sugar futures remained steady in the month.
- Total Volume increased while open interest decreased over a month.
- Strategy: Buy at rate 12.71 Targeting 14.29.

	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Oct'2020	13.61	12.44-14.29



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			Sep'20	Aug'20	
Delhi	Delhi	M-Grade	3293	3296	-3
	Delhi	S-Grade	3273	3276	-3

Uttar Pradesh	Khatauli	M-Grade	3306	3331	-26
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3251	3243	8
	Dhampur	S-Grade Ex-Mill	3231	3223	8
	Dhampur	L-Grade Ex-Mill	3301	3293	8
Maharashtra	Mumbai	M-Grade	3495	3538	-43
	Mumbai	S-Grade	3351	3356	-4
	Nagpur	M-Grade	3404	3413	-8
	Nagpur	S-Grade	3304	3313	-8
	Kolhapur	M-Grade	3279	3288	-8
	Kolhapur	S-Grade	3179	3188	-8
Assam	Guhawati	S-Grade	3491	3499	-9
Meghalaya	Shillong	S-Grade	3499	3508	-8
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3632	3640	-8
	Vijayawada	S-Grade (With Duty)	3692	3700	-8
West Bengal	Kolkata	M-Grade	3722	3720	3
Tamil Nadu	Chennai	S-Grade (With GST)	3670	3716	-46
	Dindigul	M-Grade (DCA)	3780	3789	-9
	Coimbatore	M-Grade (DCA)	3620	3620	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3615	-15

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)			Sep'20	Aug'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)	4664	4339	325
	Belgaum	Mudde (Average)	3850	3333	517
	Belthangadi	Yellow (Average)	NA	NA	-

	Bijapur	Achhu	NA	3441	-
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3377	3488	-110
	Mandya	Achhu (Medium)	3250	3667	-417
	Mandya	Kurikatu (Medium)	3255	3334	-79
	Mandya	Other (Medium)	3088	3341	-252
	Mandya	Yellow (Medium)	3248	3588	-340
	Shimoga	Achhu (Average)	3645	3733	-88

International Sugar Prices (Monthly- Average)				
	Contract Month	Sep'20	Aug'20	Change
ICE Sugar #11 (US Cent/lb)	21-Mar	12.85	12.81	0.04
	21-May	12.83	13.36	-0.53
	21-Jul	12.63	13.12	-0.49
LIFFE Sugar (US \$/MT)	20-Dec	363.33	371.61	-8.28
	21-Mar	363.99	372.99	-9.00
	21-May	366.47	374.09	-7.62

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