

Price Outlook:

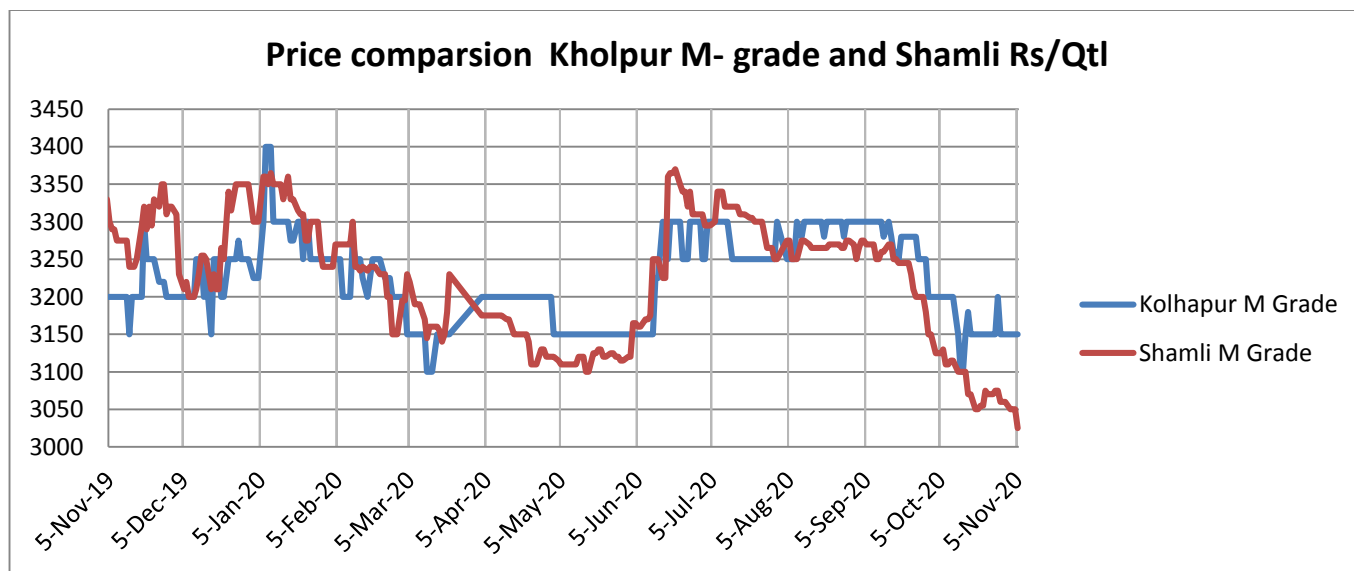
The sugar mills in one of the major sugar producing district in Uttar Pradesh; Muzaffarnagar district has begun the crushing season from 25th Oct'20. So far by the end of 3rd week of October, the sugar commissioner's office has issued 128 licenses while 71 are still pending for approval to the sugar mills. In Haryana the sugar mills will start cane crushing from the second week of November and all the preparations are underway for the same. The festive season is likely to support the market for few days and the government has released a sales quota of 22.5 LT for November month. As the sugar marketing season has arrived, sugar millers have started appealing the centre to announce a policy for the export of sugar. The country has a huge inventory of sugar, due to which the industry fears a collapse unless the government announces an export policy.

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.3,100 -3,300 per quintal.

Domestic Sugar Market Summary:

The average price for sugar 'M' grade in key Kolhapur market settled at weaker note at Rs.3165 per quintal in October month down by INR 115 from the previous month. Average Spot sugar prices for the same grade in Shamli district was Rs.3088 per quintal in October, even lower to the Kolhapur market prices, and down by around 154 INR against previous month's Shamli average price Rs. 3242/q.



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 even during festival season	Bearish
Uncertainty in continuation of Sugar Export Subsidy Scheme in 2020-21 by the government	Bearish
No assurance from the government with respect to the hike in minimum support price of sugar in 2020-21	Bearish
DYPD releasing higher monthly sugar sales quota	Bearish

Domestic Market Highlights

Recent Updates:

The monthly sales quota for November 2020 was fixed at 22.5 Lakh MT, distributed among 548 mills. The October 2020 sales quota is 2 LT higher compared to the previous year quota during the same month and 0.5 LT lower compared to the previous month's quota (23 LT). The government expects that the released sales quota would be sufficient because of the upcoming festivals.

According to ISMA, the country's sugar industry has planned to divert surplus 60-70 lakh tonnes of sugar into ethanol in the next two-three years, reduce sugar export by 20 lakh tonnes every year till 2023, and increase diversion of equivalent sugar into ethanol every year over the next three years. Maharashtra mills have decided to produce 104 crore litres of ethanol this season.

The Maharashtra State Cooperative Sugar factories Federation Ltd. has requested the government to approve the sugar mills to use alcohol produced from B- heavy molasses for selling and shall help in completely avoid producing C- heavy molasses. Also, the sugar mills should be allowed to sell alcohol, rectified spirit, extra neutral alcohol and denatured spirit from B-heavy molasses. This will reduce the problem of separate storage for B and C- heavy molasses. Currently, the central government has allowed alcohol produced from B-heavy molasses to be used only for production of ethanol. Sugar mills can make and sell alcohol and spirit made by using C-heavy molasses.

The Maharashtra government has increased the payment for the sugarcane labors by 14% to fulfil their demand. The contractors will also get 19% commission instead of 18.5%. As per the new agreement, the workers carrying sugarcane on their head from fields to tractors 100m away will get Rs.273.14/tonne as against existing Rs.239/tonne. The rate for loading sugarcane in bullock cart from the field will be Rs.304.78/tonne instead of

Rs.267.34/tonne. And for loading sugarcane in a makeshift tractor, workers will be paid Rs 237.46/tonne against Rs 208. 30/tonne. The workers and contractors have called off their strike after the hike was announced.

The rainfall has affected the cane crushing in Maharashtra due to waterlogged fields. The mills were initially decided to commence the harvesting process from 15th October 2020 due to the bumper production in the state this year. Therefore, there has been a delay in sugarcane arrivals from the fields to the mills and thus delay in sugar production. Also, Karnataka is also facing difficulty to harvest cane due to the wet fields.

The sugarcane farmers in Karnataka have demanded for a hike in sugarcane State advisory price (SAP) for 2020–21. The Fair and Remunerative Price (FRP) for sugarcane was increased by the government to Rs.2,850 per tonne and the Karnataka farmers have demanded hike to Rs.3,300 per tonne as the FRP is sufficient. As the farmers have been agitating and that could lead to problems in supply of sugarcane to the sugar mills in the state.

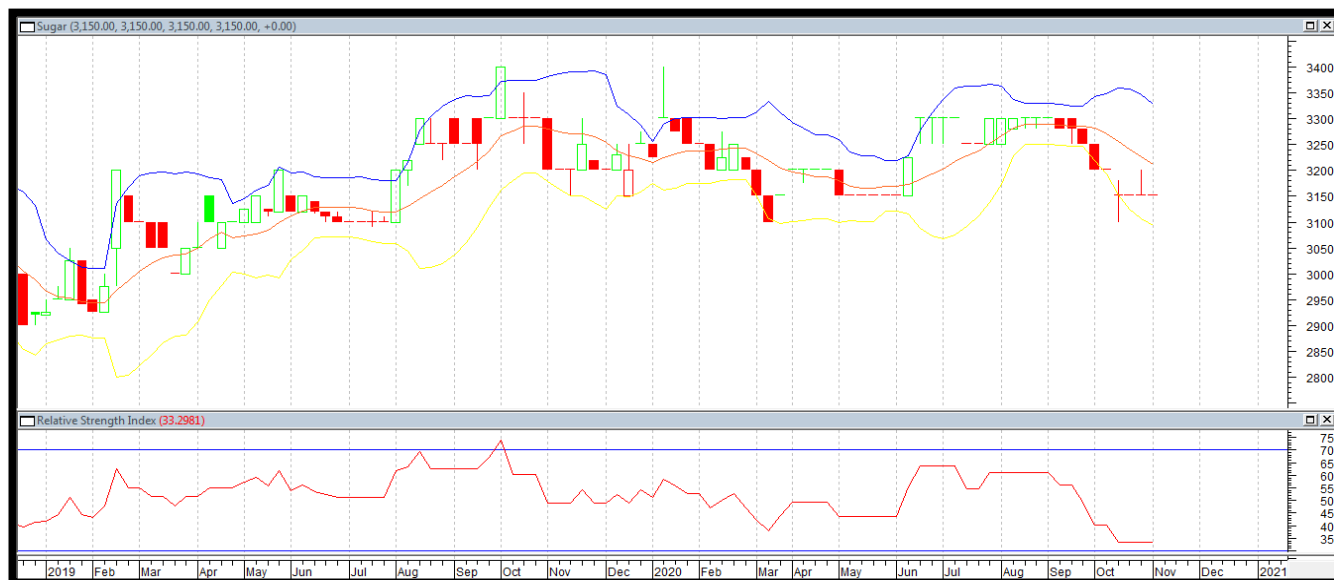
The cabinet has revised the ethanol prices for the supply to Oil Marketing Companies (OMCs). The price of ethanol from sugarcane juice or sugar and sugar syrup has been increased from Rs. 59.48 to Rs.62.65 per litre. An increase in the price of ethanol from C heavy molasses also approved by the cabinet from Rs. 43.75 to Rs.45.69 per litre and price of ethanol from B heavy molasses route from Rs. 54.27 to Rs. 57.61 per litre. This would help the sugar mills for the clearing of cane arrears for the sugarcane farmers. Ethanol production in 2020-21 which will start from December 2020 and continue till November 2021, is expected to increase to 360 crore litres. This would help the government to achieve a target of 7.5 to 8% ethanol blending in petrol up from the current 5.1%.

In Uttar Pradesh, the mills had diverted around 5LT cane to produce ethanol from B- molasses in 2019-20 season. And the mills are expected to divert around 6-10 LT this year (2020-21). One of the reasons for the increase in diversion is that the OMCs are directed to release the payment within 30 days and the central government's aid given to the distillery units for the expansion of ethanol production capacity. The state had offered 105 crore litre of ethanol to OMCs in 2019-20 season, of which 63.73 crore litre has already been supplied.

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. The Centre has been able to pay only 10% of the subsidy given on sugar exports for this season, which is about to end in the next week. Also, some export subsidy dues from 2018-19 have also not been paid.

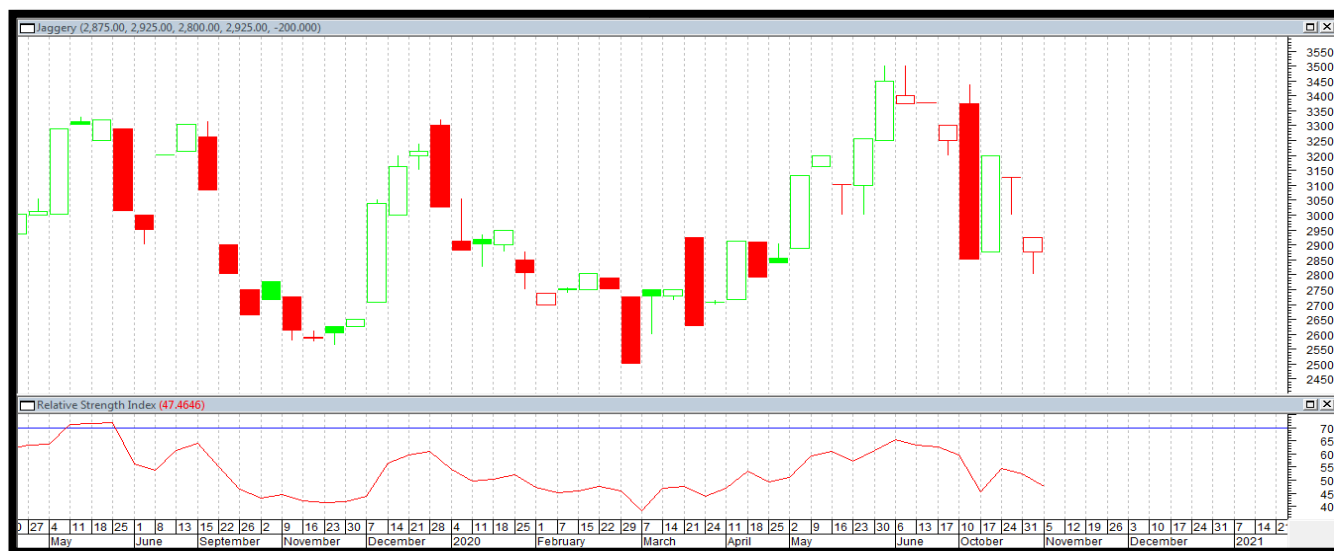
Technical Analysis - Sugar (M grade) Spot Market at Kolhapur market

- Sugar average prices at benchmark Kolhapur market closed weaker at Rs.3165 quintal during October 2020.
- 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

- The arrivals started in Mazzafarnagar market with 1.53 lakh quintals during October.
- The average price stood around Rs.3151 per quintal during October month, higher against Rs. 3061 per quintal during same period last year.
- 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

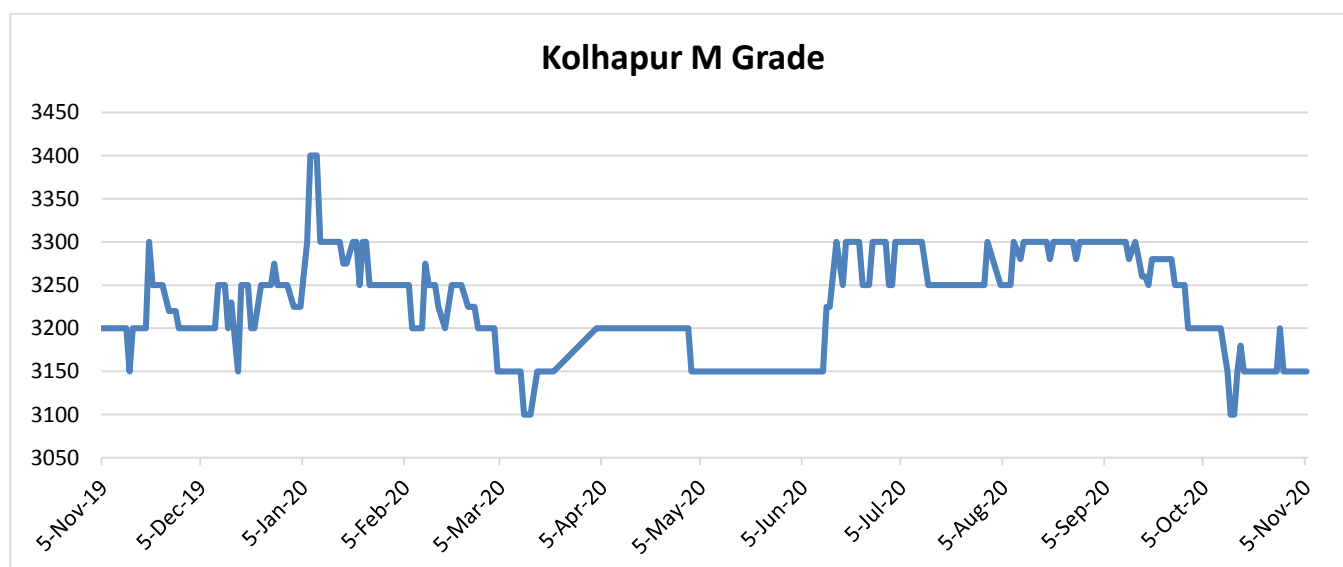
- As per the Agriwatch's latest estimate, India's sugar production was 27.2 MMT during 2019-20 SS and sugar production in 2020-21 is likely to increase by 16% to 31.6 MMT.
- Sugar domestic consumption is expected to surge by around 10% to 26.09 MMT in 2020-21 season on the account of improvement in the 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 9.47 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 and the exports in 2020-21 is likely to decline to 5.5 MMT.

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

Particulars	Month	(Rs/Qtl)
Current month Average Price	Oct'20	3165
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
	Sep'20	3279
Projected Price Range	Nov'20	3150-3250
	Dec'20	3200-3300
	Jan'21	3200-3350

* Kolhapur benchmark



International Sugar Market Summary:

The average global raw sugar prices have increased significantly by around 11% to 14.3 cents/lbs in October from 12.85 cents/lbs in September. The average prices of refined sugar rose by around 7% to \$388.54/tonne in October from \$363.33/tonne during September. The Brazilian real surged by around 2.22 % to a 1.5 months high against the dollar, thus discouraging the sugar exports. The extreme dry weather conditions in Brazil led to a significant rise in prices. Also, a bullish factor was because of uncertainty over the continuation of the Indian sugar export subsidy scheme in India.

Bullish and Bearish factors for International sugar:

Factors	Impact on Prices
CONAB projects, Brazil 2020/21 sugar production likely to decline to 36 MMT from 39 MMT in the previous estimates	Bullish
According to the Thailand Sugar Mills Corp, Thailand's 2020-21 sugar production would fall - 13% y/y to 7.2 MMT as dry weather this year damaged the cane plantations	Bullish
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 UNICA, a total of 34.67 MMT of sugar has been produced till mid of October 2020 since the beginning of the season in April in Brazil, a surge of 45.92% was reported this season so far. The mills allocated 46.85% of the cane to produce sugar, compared to 35.26% at this time last year. The amount of sugarcane crushed was around 538 MMT during the same period, up by 5.06% compared to the same time previous year.

Extreme dry weather conditions in Brazil have hampered the sugarcane crop this year. The irregular rains may decline the sugarcane yields and could reduce the Brazil's sugar production. Meteorologists at Maxar in Brazil said that Brazil's sugar-growing regions had received only 5-25% of average rain in the past few months leaving the crops extremely dry. Also, a La Nina weather pattern could lead to prolonged excessive dryness in Brazil that cuts sugarcane yields. Brazil's total sugar production in the 2020-21 season (April-March) is expected to grow and reach a record around 36 MMT as mills allocate more raw material to sugar production and less to ethanol against 38 MMT expected earlier.

According to Australian Sugar report released by Australian sugar milling council, the cumulative cane crush reached 26.21 MMT (84.8%) since the beginning of the season from June 2020 till October 2020 while the operations were ahead in 2019 by crushing around 88% of cane during the same time last year. The crushing operations were delayed and slowed down during the beginning of the season this year. Australia in 2020-21, is estimated to produce 30.9 million tonnes of sugarcane against 30.04 million tonnes produced in 2019-20 season.

The international prices rose due to the outlook for a smaller sugar crop from the European Union (EU) after the USDA's latest report. EU 2020-21 sugar production will fall -5.6% year on year to 16.05 MMT due to poor yields. Also, China raised its 2019-20 sugar import estimate owing to the fall in sugar production amid bad weather conditions this year. According to the China Agricultural Supply and Demand Estimates (CASDE), China will import 3.5 MMT of sugar in 2019-20, up +15% from a prior estimate of 3.04 MMT. This year China imported a total sugar of around 2.23 MMT till August 2020.

According to Thai Sugar Millers Corporation, Thailand exported 1.95 LT of refined sugar, 1.03 LT of raw sugar and 30,340 MT of white sugar in September 2020. Total of 30.05 LT of raw sugar (-30.61% y/y) has been exported at an average FOB \$312.69/tonne and 19.32 LT (-18.79% y/y) of refined sugar at an average FOB \$380.2/tonne during January 2020 to September 2020. The major export destinations of Thailand were Indonesia, Vietnam, South Korea, Japan, Taiwan, and Malaysia.

Pakistan likely to import 1.51 LT of sugar to meet the domestic demand. According to private dealers, the sugar stocks of 4.45 LT are available till 4th November'20 in Punjab and 5.65 LT sugar would be available on 9th November'20 in Sindh. The sugarcane crushing in Punjab likely to have started in the first week of November whereas the sugarcane crushing in Sindh would start by mid-November. The government is taking measures to drag down the prices by selling sugar at subsidized rate of Rs.70/kg.

The favourable growing conditions have resulted in an increase in the sugarcane cultivation Bangladesh. As per Department of Agricultural Extension (DAE) data, about 1.06 LT of sugarcane likely to be harvested from 2,288 ha land across the region (Barishal district) in season 2020-21. Where, the six districts from the division had produced 1.04 LT of sugarcane from 2,266 hectares of land last year. So, sugar imports by Bangladesh could decline slightly in 2020-21 sugar season.

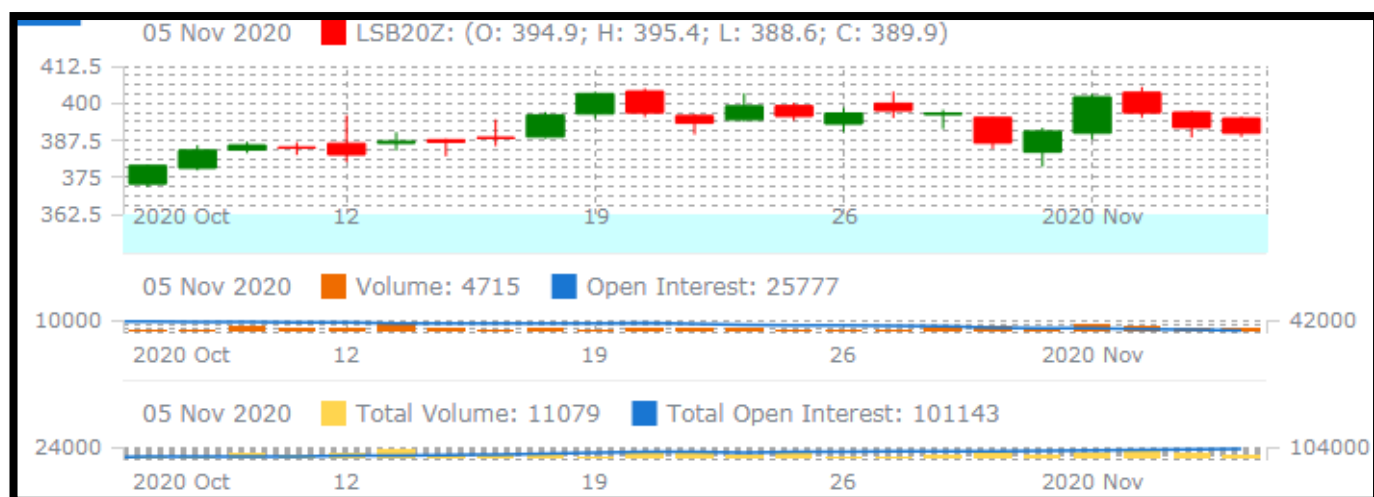
Philippines sugar production is expected to surge in 2020-21 supported with the favorable weather conditions. According to the Sugar Regulatory Administration (SRA), in the current season, the sugar output till 4th October was increased by 131.89 per cent to 41,248 tonnes as compared to 17,788 tonnes during the same time last year.

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.
- Total volume increased & open interest decreased over a month.
- Strategy: Buy at level 378.5, T1 383.5

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Dec'20	389.9	375-411.8

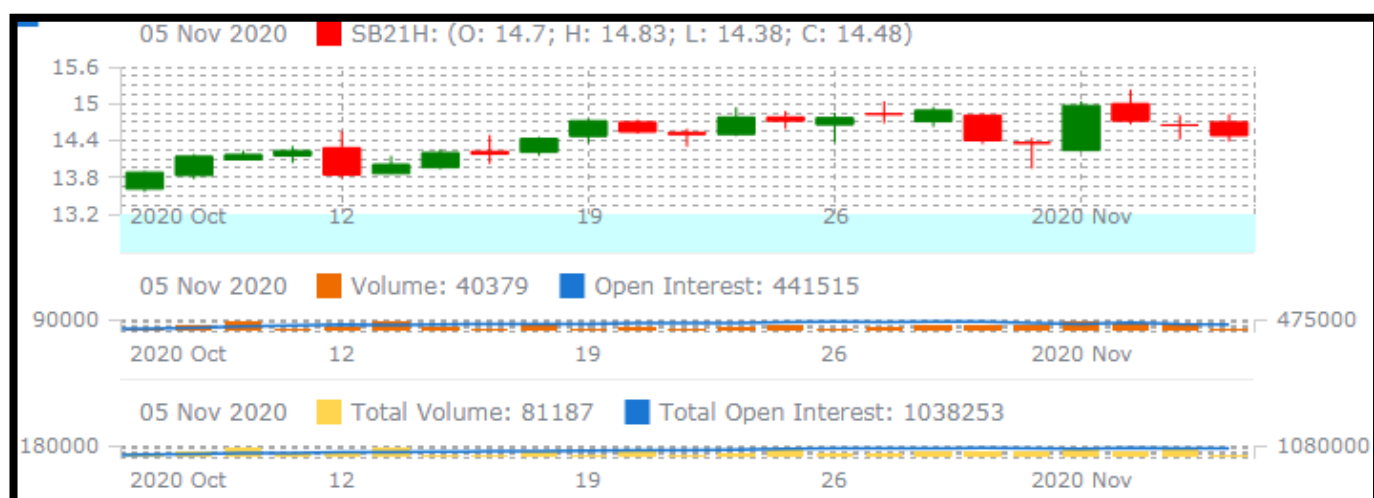


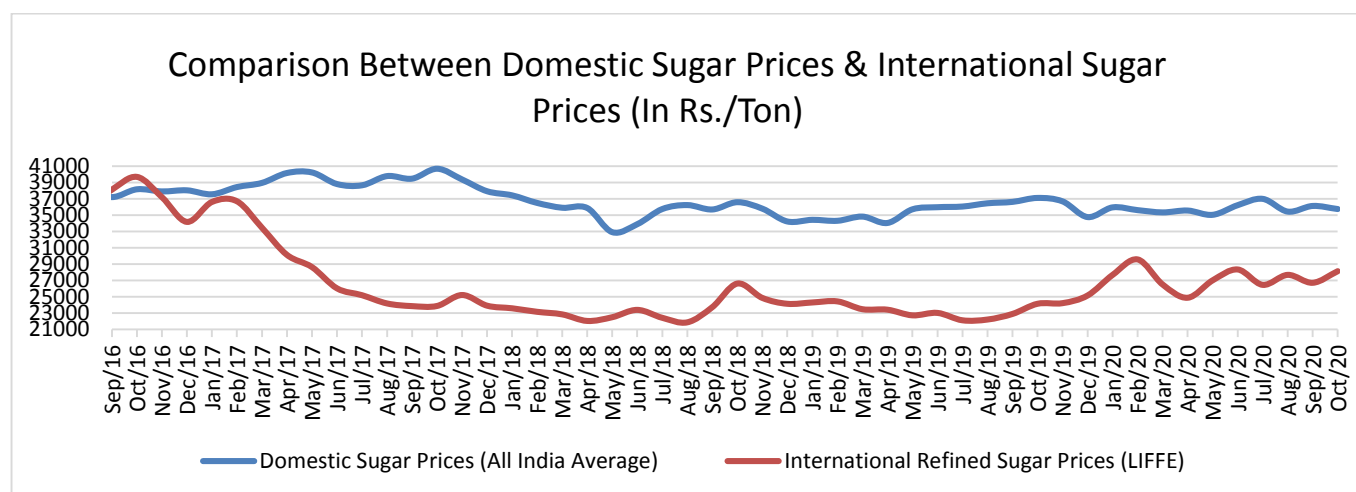
ICE (Raw Sugar Exchange) Future Market Scenario (Mar'21 Contract)

Technical Commentary:

- ICE raw sugar futures remained firm in the month.
- Both total Volume and open interest decreased over a month.
- Strategy: Buy at rate 14.23 Targeting 14.85.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'2020	14.48	13.94-15.23



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			Oct'20	Sep'20	
Delhi	Delhi	M-Grade	3233	3293	-60
	Delhi	S-Grade	3213	3273	-60
Uttar Pradesh	Khatauli	M-Grade	3157	3306	-149
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3149	3251	-102
	Dhampur	S-Grade Ex-Mill	3129	3231	-102
	Dhampur	L-Grade Ex-Mill	3199	3301	-102
Maharashtra	Mumbai	M-Grade	3430	3495	-65
	Mumbai	S-Grade	3282	3351	-69
	Nagpur	M-Grade	3290	3404	-115
	Nagpur	S-Grade	3225	3304	-79
	Kolhapur	M-Grade	3165	3279	-115
	Kolhapur	S-Grade	3100	3179	-79
Assam	Guhawati	S-Grade	3410	3491	-80
Meghalaya	Shillong	S-Grade	3420	3499	-79
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3569	3632	-63
	Vijayawada	S-Grade (With Duty)	3635	3692	-57
West Bengal	Kolkata	M-Grade	3680	3722	-42
Tamil Nadu	Chennai	S-Grade (With GST)	3625	3670	-44
	Dindigul	M-Grade (DCA)	3796	3780	16
	Coimbatore	M-Grade (DCA)	3620	3620	Unch

Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3600	Unch
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)			Oct'20	Sep'20	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	3151	NA	-
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	153000	NA	-
	Muzaffarnagar	Khurpa (Fresh)	2610	NA	-
	Muzaffarnagar	Laddoo (Fresh)	2946	NA	-
	Muzaffarnagar	Rascut (Fresh)	2355	NA	-
	Hapur	Chaurasa	2459	NA	-
	Hapur	Balti	2532	NA	-
Andhra Pradesh	Chittur	Gold	NA	NA	-
		White	NA	NA	-
		Black	NA	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4388	4664	-276
	Belgaum	Mudde (Average)	NA	3850	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3342	3377	-35
	Mandya	Achhu (Medium)	3241	3250	-9
	Mandya	Kurikatu (Medium)	3150	3255	-105
	Mandya	Other (Medium)	3004	3088	-84
	Mandya	Yellow (Medium)	3195	3248	-53
	Shimoga	Achhu (Average)	3610	3645	-35

International Sugar Prices (Monthly- Average)				
	Contract Month	Oct'20	Sep'20	Change
ICE Sugar #11 (US Cent/lb)	21-Mar	14.30	12.85	1.45
	21-May	13.70	12.83	0.87
	21-Jul	13.23	12.63	0.60
LIFFE Sugar (US \$/MT)	20-Dec	388.54	363.33	25.21
	21-Mar	390.63	363.99	26.64
	21-May	388.46	366.47	21.99



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