

## Price Outlook:

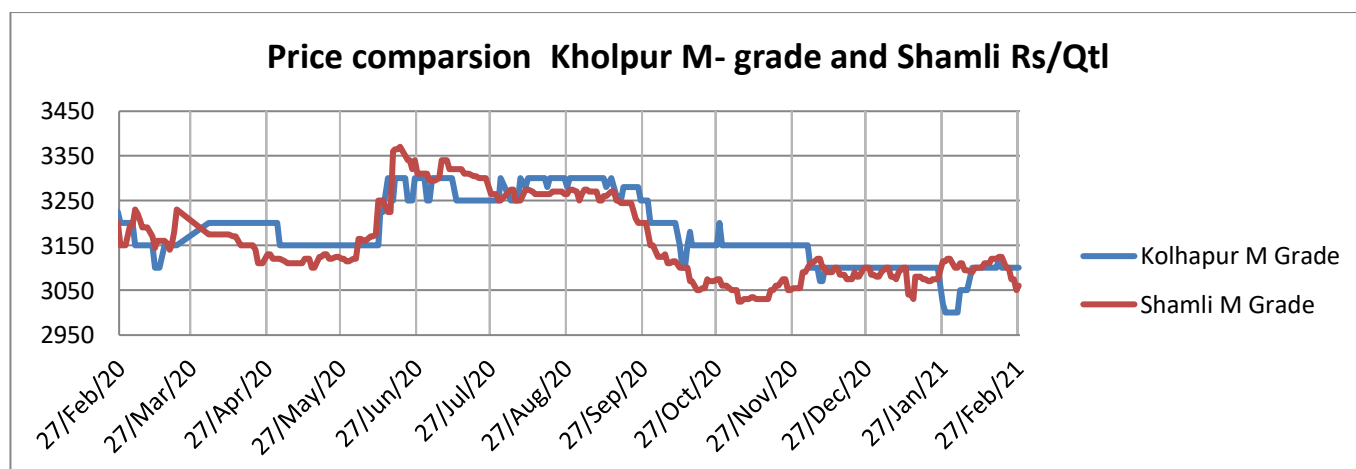
The government has announced 17 LMT of Monthly sugar quota for February 2020-21. The State Advisory Price remains unchanged in Uttar Pradesh, although sugar production in Uttar Pradesh is likely to fall by 20 percent. The government has also released a monthly sugar sales quota of 21 LMT for March month to 548 mills in India same as previous season in March 2020.

## 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.3,000 -3,200 per quintal.

## Domestic Sugar Market Summary:

The average price for sugar 'M' grade in key Kolhapur market stood same as previous month price at Rs.3084 per quintal in February month. Average Spot sugar prices for the same grade in Shamli district was Rs.3099 per quintal in February higher than previous month's Shamli average price Rs.3083/q.



## Domestic Market Highlights

### Recent Updates:

**Government has announced monthly sales quota of 21 LMT for March 2021.** The food ministry has allocated quota of 21 LMT monthly sales quota for March 2021 to each of 548 mills in India same as previous season in March 2020. The state-wise quota for March 2021 is as follows: Andhra Pradesh 22060 MT, Bihar 49300 MT, Chhattisgarh 7323 MT, Goa 0 MT, Gujarat 63239 MT, Haryana 47512 MT, Karnataka 349505 MT, Madhya Pradesh 42081 MT, Maharashtra 765931 MT, Orissa 0 MT, Punjab 47623 MT, Rajasthan 1228 MT, Tamil Nadu 33150 MT, Telangana 8872 MT, Uttar Pradesh 629839 MT, Uttarakhand 32331 MT.

**India's sugar exports are likely to decrease** more than 24 percent in the current season till September 2020-21 due to the logistical constraints such as shortage of containers and congestion at the country's ports. Also, Brazil is likely to export 4.3 million tonnes during 2020-21 season against 5.7 million tonnes shipped in previous year.

**Around 31 mills in Uttar Pradesh are yet to clear the cane dues.** The sugarcane crushing season is half-way down but still around 31 sugar mills in Uttar Pradesh have failed to clear the sugarcane dues. Total 120 sugar mills have been participated in the cane crushing activity for this season, till 2<sup>nd</sup> February the pending arrears are around Rs. 7,979. The cane dues during the same period last season were around Rs 5,948 crore.

**Brahmavar sugar factory has started producing organic jaggery.** The factory has prepared jaggery without using chemicals and has also received good response from the consumers; the jaggery is directly sold to the consumers without any intermediary. The factory with the capacity to grinding 15 tonnes of sugarcane per day has produced around 450 kg of jaggery.

**Kolhapur region has recorded 12 percent sugar recovery rate.** About 37 sugar mills are operating in the Kolhapur division in the current crushing season. Around 183 sugar mills have participated in the cane crushing operation in Maharashtra and have produced 724 lakh quintal of sugar by crushing 717 lakh tonne sugarcane. Although, Solapur division is leading in the state with a maximum of 41 sugar mills operating in the current season.

**Sugarcane farmers from Kendrapara are switching to other crops.** The sugarcane cultivators from Kendrapara district are switching from sugarcane cultivation as the sugar mills in the district have been closed. This has led to a decline in cultivation area in the region. The area under cane cultivation has been also been reduced to 5000 hectares. Marsaghai, Pattamundai, Rajkanika, Mahakalapada, Garadapur, Aul and Derabishi are the blocks where cash crop was grown in the region.

**Sugarcane SAP remains unchanged in Uttar Pradesh.** State Advisory Price for sugarcane has remained the same in Uttar Pradesh again. The farmers were expecting a hike this year in sugarcane prices but the government has made no such changes. The rates of three different varieties of sugarcane have remained unchanged at Rs 315 per quintal for common variety, Rs 325 for early variety and Rs 310 for rejected varieties.

**According to Indian Sugar Mills Association, major sugar producing states will focus on ethanol production.** According to the estimation around 6.74 lakh tonnes of sugar production will be foregone and the cane diverted for ethanol production by the sugar mills in Uttar Pradesh in the current year as compared to about 3.70 lakh tonnes of foregone sugar production in 2019-20 Sugar Season. Also, Sugar mills in Maharashtra will divert the cane equivalent of around 6.55 lakh tonnes of sugar compared 1.42 lakh tonnes in last season and mills in Karnataka are expected to divert about 5.41 lakh tonnes of cane equivalent of sugar for ethanol production in the current year as compared to about 2.42 lakh tons diverted in the previous season.

**Shortages of shipping containers have affected sugar export from India.** The shortage of shipping containers has affected the white sugar export on a large scale. The trade imbalance between US and China has affected the availability of containers globally, including in India. Hence, even as the sugar demand continues to increase from Afghanistan, Sri Lanka and East Africa, movement of sugar out of India remains slow due to lack of containers. The government has fixed the target of exporting 60 lakh tonnes of sugar in the current sugar season. According to Indian Sugar mills Association, 7 lakh tonnes of sugar has been exported from October 2020 to January 2021. This includes the exports allocated for the year 2019-20 against the Maximum Admissible Export Quota (MAEQ) that was extended till December 2020. About 4 lakh tonnes had been exported under current year's export policy. India has also signed 25 lakh tonnes of sugar export contracts so far.

**The Government has increased the budget estimates under ethanol interest subvention scheme from Rs 50 crore (budget estimate 2020-21) to Rs 300 crore in the financial year 2021-22.** The estimate for 2020-21 is six times more from the previous estimates and this would encourage domestic sugar mills and distilleries to enhance production of ethanol from sugarcane and surplus grains like maize, rice available with FCI and other feed stocks. The budget has also proposed to increase customs duty on import of ethanol from 2.5 to 5 percent with a view to encourage domestic manufacturing of denatured ethanol.

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

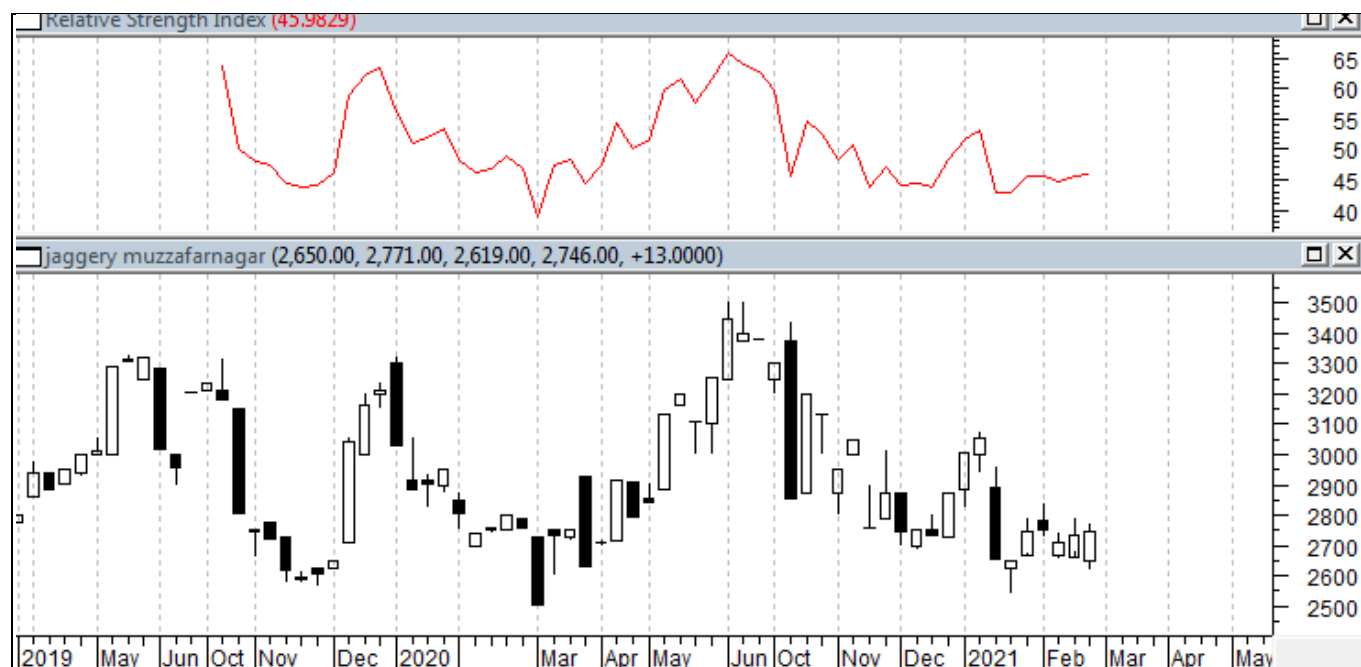
- Sugar average prices at benchmark Kolhapur market closed weaker at Rs.3084/quintal during February 2021.
- Next resistance and support level for the next month is expected at Rs.3300 and Rs.3100 per quintal respectively.
- RSI is in the neutral region.



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

#### Gur Market Scenario

- The arrivals have started in Muzzafarnagar market with 2.15 lakh quintals during January.
- The average price stood around Rs.2787 per quintal during February month, higher against Rs. 2755 per quintal during same period last year.
- RSI stood in the neutral region.



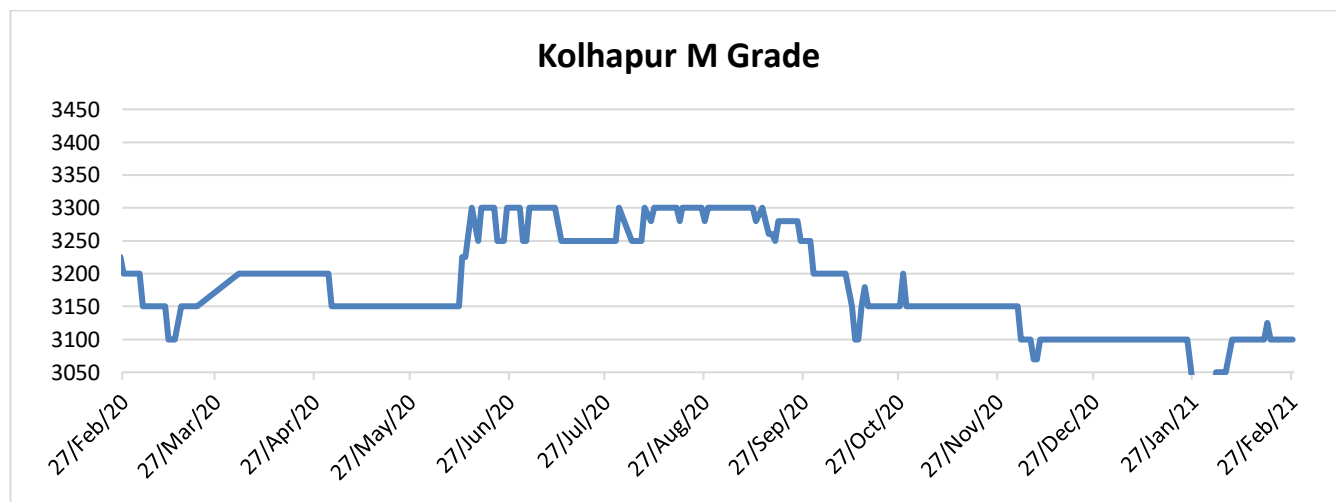
#### Sugar Domestic Balance Sheet

- 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 31.5 MMT.
- Sugar domestic consumption was at 33.3 MMT in 2019-20. Consumption is expected to increase after the corona virus disruptionsto 35.5 MMT in 2020-21.
- 2019-20 sugar seasons is expected to end with 9.45 MMT carry over stock and it is projected that in 2020-21 SS, the ending stock would increase to 9.44.

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

Particulars	Month	(Rs/Qtl)
Current month Average Price	Feb'21	3084
Previous month's Average Prices	Jan'21	3084
	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
	Oct'20	3165
	Nov'20	3103
Projected Price Range	Mar'21	3000-3200
	April'21	3200-3350

\* Kolhapur benchmark



**International Sugar Market Summary:**

The average global raw sugar prices have increased significantly by around 7.85% to 15.92 cents/lbs in January from 14.67 cents/lbs in December. The average prices of refined sugar were up by around 4.30% to \$401.30/tonne in January from \$384.01/tonne during December.

**International Market Highlights:**

**Sugarcane recovery in Bangladesh has decreased due to delayed harvesting and crushing.** Sugar output in Bangladesh will be lower this season with the lower cane production and delayed harvesting as well as crushing. This has ultimately led to the lowering of cane recovery taking sugar production to lower in five decades in the country. The sugar mills have crushed 3/4th of the cane grown in the country till 24<sup>th</sup> February'21. The recovery rate has been reported at 5.57 per cent which is the lowest in the country so far. However, once the remaining crushing is completed the recovery rate is likely to lower further.

**Thailand cane season is expected to end in March 2021.** Sugarcane crushing operations in Thailand for the crushing season October 2020- September 2021 is expected to end by March, two months ahead of the regular season. Usually, the cane crushing season in Thailand begins in December every year and ends in May. The dry weather condition for the consecutive second year has resulted in the shortage of the cane leading to the end of the crushing season by March.

**Sugar prices are likely to reach at Rs. 100 per kg in Pakistan.** Sugar output is expected to increase this season as compared to previous season, but still the sugar prices are likely to cross Rs. 100 per kg. The average sugarcane price for this season in the country is Rs 275 per 40 kg, in lower Sindh, it is Rs 300 and in middle Sindh and upper Sindh regions it is Rs 250. Out of 84 sugar mills in the country, 38 are located in this province and 32 mills had started operations this season out of which one discontinued operation. The sugar recovery has dropped by 0.3-0.4% this season from previous year 10.3% recovery that has increased production cost. The ex-factory rate of sugar will increase around Rs 93 to Rs 95 per kg and this will take retail prices above Rs 100 per kg.

**Sugar prices drop in Kenya.** According to the research, the price of sugar have witnessed a drop in Kenya ,prices have dropped down from Ksh 235 to Ksh 220 for 2 kg and for 1 kg sugar the prices have dropped from Ksh 125 to Ksh 115. The sugar price for 2 kg pack at Naivas Supermarket has been dropped from Ksh 231 to Ksh 214 and for 1 kg packet, it has dropped from Ksh 116 to Ksh 111.

**Sugar rates in Pakistan continue to remain high.** Sugar rates in Pakistan are likely to remain high as the sugar output is expected to lower this year with an increase in the cost of production. The government however, wants the sugar mill to sell sugar at the rates below the sugar production cost. Since the beginning of the crushing season, the prices of sugar have fallen to an average Rs 80 per kg. However, in some parts of the country like Islamabad and Rawalpindi, the prices have risen to Rs 100 per kg.

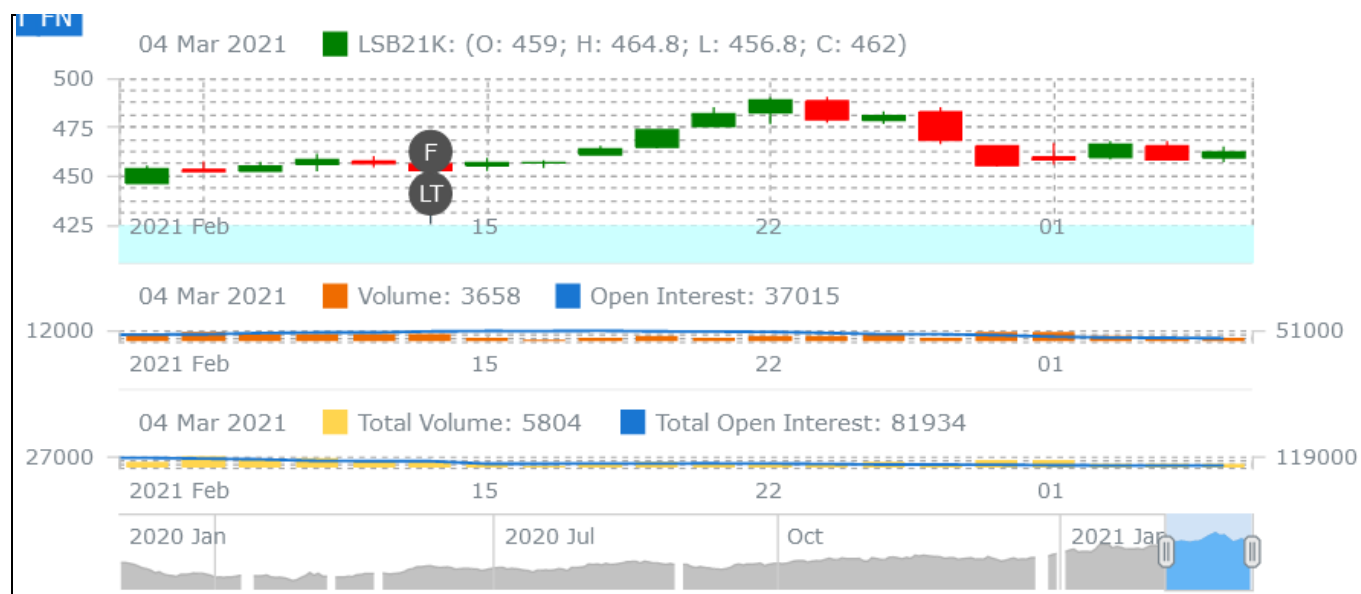
### International Sugar Futures Price Projection

#### LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Mar'21 Contract)

##### Technical Commentary

- LIFFE future market was firm in the month.
- Total volume increased & open interest increased over a month.
- Strategy: Buy at level 464.7, T1 461

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	May'21	459	450-462

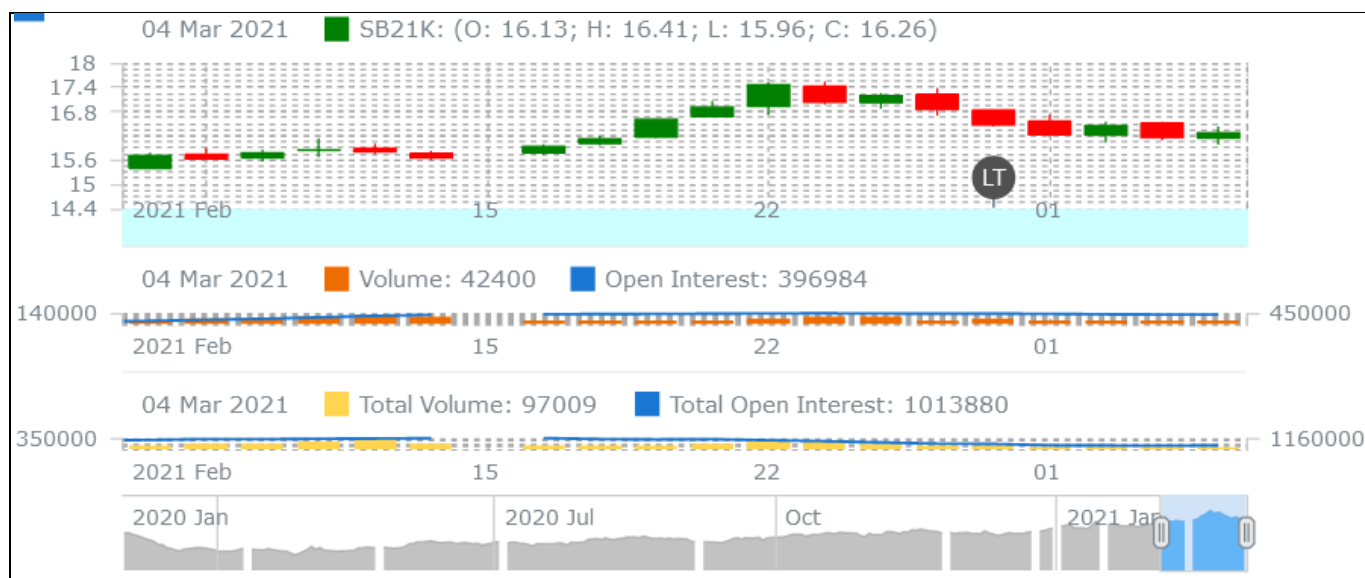


#### ICE (Raw Sugar Exchange) Future Market Scenario (Mar'21 Contract)

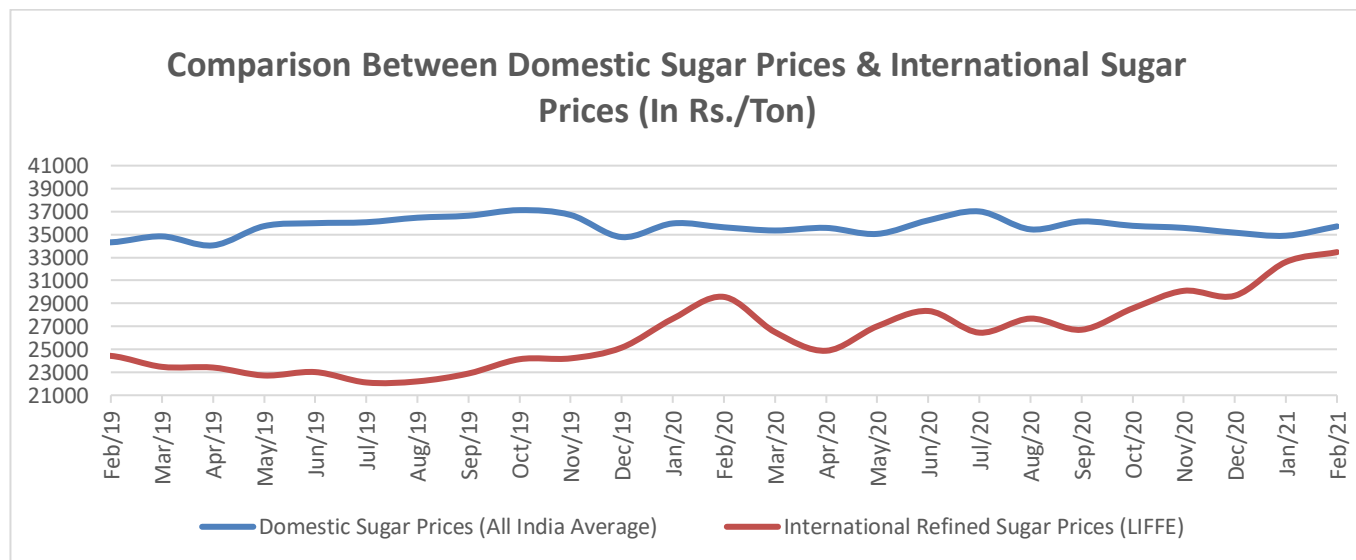
##### Technical Commentary:

- ICE raw sugar futures remained firm in the month.
- Both total volume and open interest decreased over a month.
- Strategy: Buy at rate 15.94 Targeting 16.26.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	May'21	16.4	15-16.4



### 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			Feb'21	Jan'21	
Delhi	Delhi	M-Grade	3152	3196	-44
	Delhi	S-Grade	3132	3176	-44
Uttar Pradesh	Khatauli	M-Grade	3161	3173	-12
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3088	3067	21
	Dhampur	S-Grade Ex-Mill	3068	3047	21
	Dhampur	L-Grade Ex-Mill	3138	3117	21
Maharashtra	Mumbai	M-Grade	3328	3308	20
	Mumbai	S-Grade	3197	3201	-4
	Nagpur	M-Grade	3209	3210	-1
	Nagpur	S-Grade	3122	3197	-75
	Kolhapur	M-Grade	3084	3085	-1
	Kolhapur	S-Grade	2997	3072	-75
Assam	Guhawati	S-Grade	3257	3332	-75
Meghalaya	Shillong	S-Grade	3317	3392	-75
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3693	3631	62
	Vijayawada	S-Grade (With Duty)	3660	3617	43
West Bengal	Kolkata	M-Grade	3600	3642	-42
Tamil Nadu	Chennai	S-Grade (With GST)	3455	3459	-4
	Dindigul	M-Grade (DCA)	3680	3613	67
	Coimbatore	M-Grade (DCA)	3540	3565	-25
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)			Feb'21	Jan'21	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2787	2901	-114
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	215000	162300	52700
	Muzaffarnagar	Khurpa (Fresh)	2473	2610	-137
	Muzaffarnagar	Laddoo (Fresh)	2805	2927	-122
	Muzaffarnagar	Rascut (Fresh)	2405	2521	-116

	Hapur	Chaurasa	2570	2626	-56
	Hapur	Balti	2524	2574	-50
Andhra Pradesh	Chittur	Gold	NA	NA	-
		White	NA	NA	-
		Black	NA	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4367	4430	-63
	Belgaum	Mudde (Average)	NA	3740	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3131	3209	-78
	Mandya	Achhu (Medium)	3132	3114	18
	Mandya	Kurikatu (Medium)	3015	3018	-3
	Mandya	Other (Medium)	2983	2944	39
	Mandya	Yellow (Medium)	2983	3017	-34
	Shimoga	Achhu (Average)	3506	3567	-60

### International Sugar Prices (Monthly- Average)

	Contract Month	Feb'21	Jan'21	Change
ICE Sugar #11 (US Cent/lb)	21-Mar	16.97	15.92	1.05
	21-May	16.08	15.09	0.99
	21-Jul	15.50	14.59	0.91
LIFFE Sugar (US \$/MT)	20-Dec	421.35	401.30	20.05
	21-Mar	448.60	445.09	3.51
	21-May	460.05	430.28	29.77

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