

### Price Outlook:

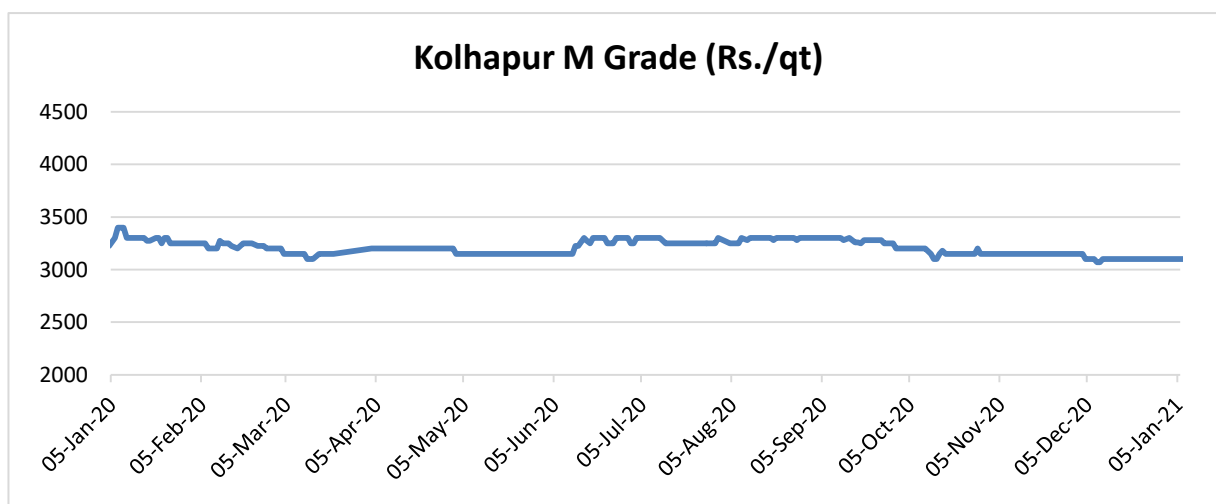
The food ministry has allocated 21.5 LMT monthly sugar quota for January 2021. Sugar mills have produced around 115.55 lakh tonnes of sugar till 31<sup>st</sup> December '2021 as against 110.74 lakh tonnes produced same period last year. The average sugar prices were lower at Rs. 3470/q from the previous month at Rs.3555/q in Delhi market. The prices in Maharashtra also stood slightly higher at Rs.3317/q in December'21.

### 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.3,200 -3,450 per quintal.

### Domestic Sugar Market Summary:

The average price for sugar 'M' grade in key Kolhapur market stood firm at Rs. 3300/q lower from the previous month price Rs.3335 per quintal in November month.



### Domestic Market Highlights

#### Recent Updates:

Government has fixed 21.5 LMT of monthly sugar sales quota for January 2021. The food ministry has allocated 21.5 LMT monthly sugar quota for January 2022 to 559 sugar mills which is 1.5 LMT higher than the quota released during the previous season for January 2021. In the previous month the government has fixed 21.5 LMT monthly sugar quota for domestic scale in December 2021.

Around 492 sugar mills are currently participating in the cane crushing operation. Sugar mills have produced around 115.55 lakh tonnes of sugar till 31<sup>st</sup> December '2021 as against 110.74 lakh tonnes produced same period last year. This is 4.81 lakh tonnes higher as compared to last season's production for the corresponding period. The Indian Sugar Mills Association has attributed the higher production to an early start of crushing season in western region of the country this season and higher availability of cane. Mills of Bihar have produced 1.94 lakh

tons, Haryana 1.74 lakh tons, Punjab 1.40 lakh tons, Uttarakhand 1.23 lakh ton and Madhya Pradesh & Chhattisgarh 1.40 lakh tons, till 31<sup>st</sup> December 2021. The adjoining table shows the state-wise breakup of sugar production till 31st December 2021 and its comparison with the previous year.

As per information furnished by mills and estimations made by ISMA, total sugar sales in the current season upto November, 2021 was around 47.50 lac tons against domestic sales quota of 46.50 lac tons given by the Government. Earlier, Government had increased the time period for sale of additional quota of 2.5 lac tons which was allotted for the month of September, 2021, upto 31<sup>st</sup> October, 2021. Last year, during the same period sugar sales was around 45.61 lac tons as against sales quota of 45.50 lac tons.

For the 2021-22 season, the Government has set a target to achieve 10% blending across the country in the current year. Against a total requirement of 459 crore ltrs of ethanol for 10% blending, Oil Marketing Companies have so far allocated a total of 366 crore ltrs after first two cycles of EOI, i.e. 317 Crore ltr against offer of 414 Crore ltr in 1<sup>st</sup> cycle of EOI and 49 Crore ltrs against an offer of 82 Crore ltrs in 2<sup>nd</sup> cycle of EOI. Further, OMCs had floated the 3<sup>rd</sup> EOI indicating requirement of about 94 Crore liters on 25<sup>th</sup> December, 2021, for which about 30 Crore liters of offers have been received by them. Currently, OMCs are examining the bids and are expected to make the allocations in a few days' time.

According to the Maharashtra sugar commissioner, Sugar mills in Maharashtra have produced 465.2 lakh quintals of sugar till 02nd January 2022 by crushing 479.85 lakh tonnes of sugarcane. Around 189 sugar mills are currently participating in the cane crushing operation in Maharashtra. Solapur division is leading in the state with highest 44 sugar mills engaged in cane crushing operation this season while Kolhapur division is leading in the state in terms of sugar production and has achieved a recovery rate of 11 percent. Sugar recovery rate for Solapur is currently at 8.78 percent and for the entire state (Maharashtra) is at 9.69 percent.

Sugar mills in Maharashtra have paid Rs. 5,065.45 crore Fair and Remunerative Price (FRP) to sugarcane farmers this season. The total gross payable FRP is Rs. 7,588.44 crore out of which net FRP paid is Rs. 5,065.45 crore. As per the sugar Commissioner data, 66 factories have paid 100 percent of the FRP and 109 factories have no FRP dues this season. Around 18 factories have paid 80-90 percent FRP. The FRP arrears including previous all season is Rs. 610.53 crore. Meanwhile, uncertainty prevails over the continuation of crushing season as the number of Covid-19 cases is raising fast in the State.

India has appealed against a ruling of the World Trade Organisation's (WTO) trade dispute settlement panel which ruled that the country's domestic support measures for sugar and sugarcane are inconsistent with global trade norms. The appeal was filed by India in the WTO's Appellate Body, which is the final authority on such trade disputes. India has stated that the WTO's dispute panel ruling has made certain "erroneous" findings about domestic schemes to support sugarcane producers and exports and the findings of the panel are completely "unacceptable" to it.

Over 6.5 lakh tonnes of sugar has been physically exported out of the country by the end of November 2021 as compared to 3 lakh tonnes during the corresponding period last year. About 37 lakh tons of total sugar exports have been contracted for exports in the current sugar season 2021-22. According to Indian Sugar Mills Association, most of these contracts were signed when the global sugar prices were in the range of 20-21 cents

per pound of raw sugar. Signing of further export contracts have slowed down a bit due to a fall in global prices of raw sugar to around 19 cents/pound. Though, currently the global prices have recovered to some extent and are hovering around 19.5 cents per pound, but exports are still not viable for Indian sugar.

In order to promote ethanol blending, the Government has lowered Goods and Services Tax (GST) rate to 5% from 18% on ethanol meant for blending under the Ethanol Blended Petrol (EBP) Programme. The procurement price of ethanol produced from sugarcane based feed stocks like C & B heavy molasses, sugarcane juice, sugar, sugar syrup are fixed by the Government and from food grain based feed stocks by Public Sector Oil Marketing Companies on an annual basis.

The Sugar production in Gujarat is expected to increase in 2021-22 season by 10 percent. The Gujarat State Federation of Cooperative Sugar Factories (GSFCSF) has estimated that the sugar production is expected to increase in the state by more than 10 percent from 10 lakh tonnes in 2020-21 season to 11.29 lakh tonnes in 2021-22 season. The increase in sugarcane acreage in the state would help in increasing the sugar production. According to Indian Sugar Mills Association, till 30<sup>th</sup> November 2021 sugar mills in Gujarat have produced 1.66 lakh tonnes of sugar.

The sugar mills in India have paid Rs. 88,436 crore to farmers and Rs.4,445 crore is still outstanding for the sugarcane supplied during the 2020-21 season. The total payable amount for the 2020-21 season was Rs. 92,881 crore of which Rs. 88,436 crore has been already paid. In the past seasons 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 cane price payable to sugarcane farmers on all India basis was Rs. 55,340 crore, Rs. 83,629 crore, Rs. 86,617 crore, Rs. 75,907 crore and Rs. 92,881 crore respectively. The government will be taking various steps to help sugar mills clear the cane dues.

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

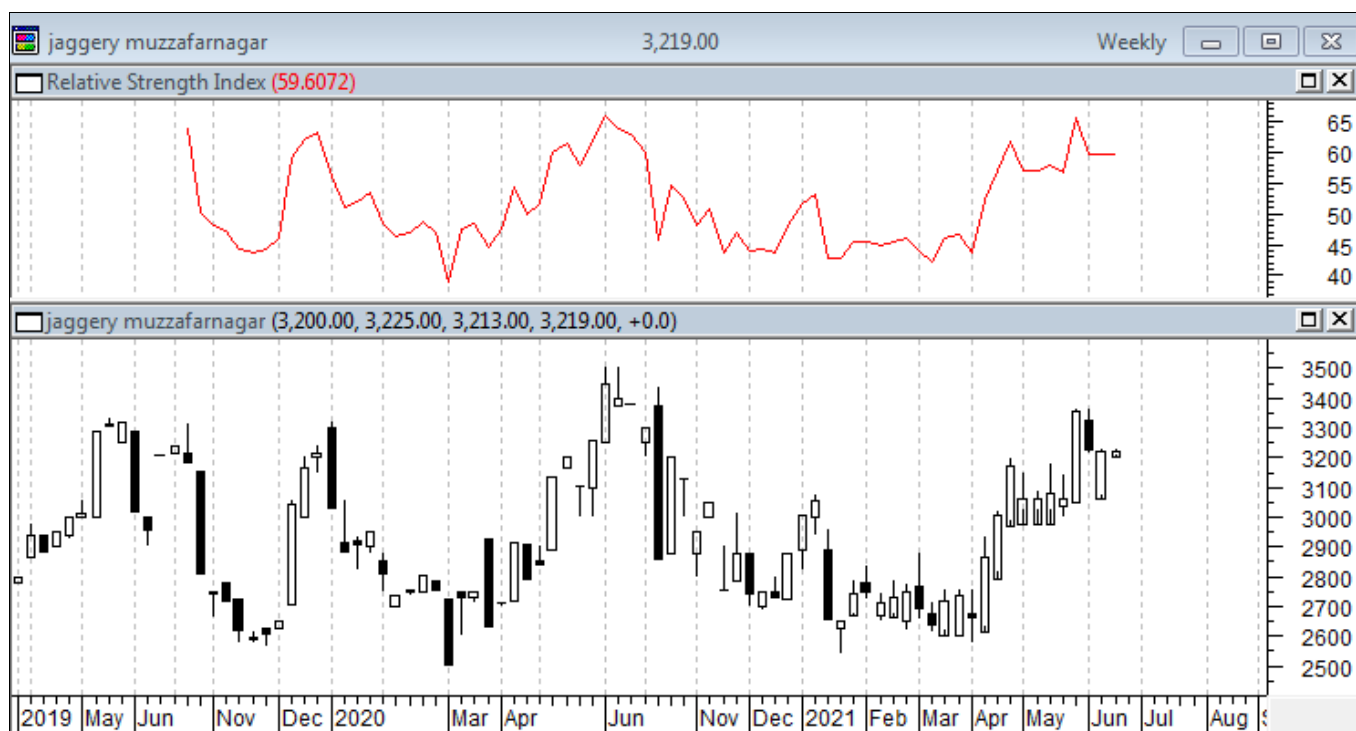
- Sugar average prices at benchmark Kolhapur market closed at Rs.3300/quintal during December 2021.
- Next resistance and support level for the next month is expected at Rs.3350 and Rs.3200 per quintal respectively.
- RSI is in the neutral region.



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

##### Gur Market Scenario

- The arrivals in Muzzafarnagar market have closed down from July 2021 till October 2021.
- The prices remain stable at 2700 per quintal in December 2021.
- RSI stood in the neutral region.



### Sugar Domestic Balance Sheet

- As per the Agriwatch's latest estimate, India's sugar production was 30.9 MMT during 2020-21 SS and sugar production in 2021-22 is likely to remain stable at 30.80 MMT. Lower sugar production is expected in 2021-22 due to more cane diversion to ethanol.
- Sugar domestic consumption was at 26.5 MMT in 2020-21. Consumption is expected to remain maintained at 26.50 MMT in 2021-22.
- 2020-21 sugar seasons is expected to end with 6.64 MMT carry over stock and it is projected that in 2020-21 SS, the ending stock may decrease to 4.94.

SUGAR BALNCE SHEET 2021-22(MMT)								
SUGAR BALNCE SHEET 2020-21(MMT)	2019-20*	2020-21*	Jul-Sep	2021-22*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	11.97	9.44	14.32	6.64	6.64	8.54	17.01	11.79
Estimated sugar production	27.25	30.90	0.18	30.80	10.05	17.10	3.50	0.15
Imports	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Estimated sugar availability (A + B + C)	39.22	40.34	14.50	37.44	16.69	25.64	20.51	11.94
Exports	6.00	7.20	1.20	6.00	1.45	2.18	2.02	0.35
Availability for domestic consumption (D - E)	33.22	33.14	13.30	31.44	15.24	23.46	18.49	11.59
Estimates sugar consumption	23.79	26.50	6.66	26.50	6.70	6.45	6.70	6.65
Carry out stock (F - G)	9.44	6.64	6.64	4.94	8.54	17.01	11.79	4.94

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

Particulars	Month	(Rs/Qtl)
Current month Average Price	Jan'22	3300-3450
Previous month's Average Prices	Dec'21	
	Nov'21	3335
	Oct'21	3471
	Sep'21	3508
	Aug'21	3298
	July'21	3076
	June'21	3076
	May'21	3104
	April'21	3112
	Mar'21	3104
	Feb'21	3084
Projected Price Range	Feb'22	3300-3500

\* Kolhapur benchmark

### International Sugar Market Summary:

The average global raw sugar prices have decreased significantly by around 0.5% to 19.18 cents/lbs in December from 19.74 cents/lbs in November 2021. The average prices of refined sugar were lower by around 97% to \$500.32/tonne in December from \$597.62/tonne during November'21.

### International Market Highlights:

According to the data released by National Sugar Union, Sugar refineries from in Ukraine have processed 9.12 million tonnes of sugar beet and produced 1.3 million tonnes of white sugar in the 2021-22 crushing season. The sugar season has began in September this year. The area under sugar beet cultivation in Ukraine has been increased from 201,600 hectares last year to 227,100 hectares in 2021 and the country is expecting to increase beet sugar output to 1.4 million tonnes in 2021-22 season. The sugar output in the country during the preceding year was 1 million tonnes.

Egypt has attained 87 percent self sufficiency in sugar production. Sugar production in Egypt has improved and they have sufficient sugar stocks for the coming three months. Egypt is now importing only 12 percent of our total demand.

Nigerian government has approved the funds worth US \$ 73 million intervention fund for irrigation to uplift the sugar industry in the Nigeria. The federal government and the operators of the Sugar backward irrigation programme have signed an agreement in this regard on 21<sup>st</sup> December 2021. These funds will be spent for the development of irrigation infrastructure on 10,000 hectares of sugar plantation.

Sugar prices are likely to increase in Bangladesh. The domestic demand for sugar in Bangladesh is around 18 lakh tonnes per year but the sugar output is around 80,000 tonnes. Bangladesh imports the remaining 17.2 lakh tonnes of sugar every year. The government is taking steps to revive the closed sugar mills and replace the old machinery of the sugar mills. Government is encouraging farmers to use sugarcane varieties developed by the Bangladesh Sugarcane Research Institute (BSRI) to ultimately increase the sugarcane production.

Sugar output in Ukraine has reached 1.25 million tonnes till 17<sup>th</sup> December 2021. According to the Ukrtsukor National Association of Sugar Producers, total of 8.87 million tonnes of sugar beet was processed which is higher by 720,000 tonnes processed during 3<sup>rd</sup> December 2021.

According to the Sugar Regulatory Administration, sugar output in Philippines has increased to 461,486 metric tons from 407,770 MT in the same period last year. During the same period, the demand for raw sugar rose by 6.04 percent to 432,181 MT. The price of sugar at mill gate rose by 11.29 percent to 680.76 per 50 kg. as per the estimates the sugar output is likely to reach 2.0997 million MT.

According to the United Nation's FAO forecast, the world sugar production in 2021-22 stands at 173.7 million tonnes higher by 2.2 percent from the reduced level in 2020-21 seasons. The increase in production is based on the production recoveries in the European Union, the Russian Federation and Thailand. Increase in production is also expected from India while for Brazil production is expected to decline for the second consecutive season in 2021-22. Global sugar consumption is set to rebound for a second successive season in 2021-22 growing by 1.9 percent following the covid 19 related contractions in 2019-20.

With the increase in the sugar rates in the domestic market amid the covid outbreak, the Trading Corporation of Bangladesh (TCB) will launch a nationwide programme to sell sugar, red lentil, soyabean and onion at subsidized rates. TCB has issued a press release on 04<sup>th</sup> December 2021 stating that the sugar will be sold at subsidized rates in Dhaka and other metropolitan cities, districts and upazila towns. The sugar in the domestic market is being sold at Bangladeshi Taka (TK) 75-80 per kg and TCB will sell it at TK 55 per kg.

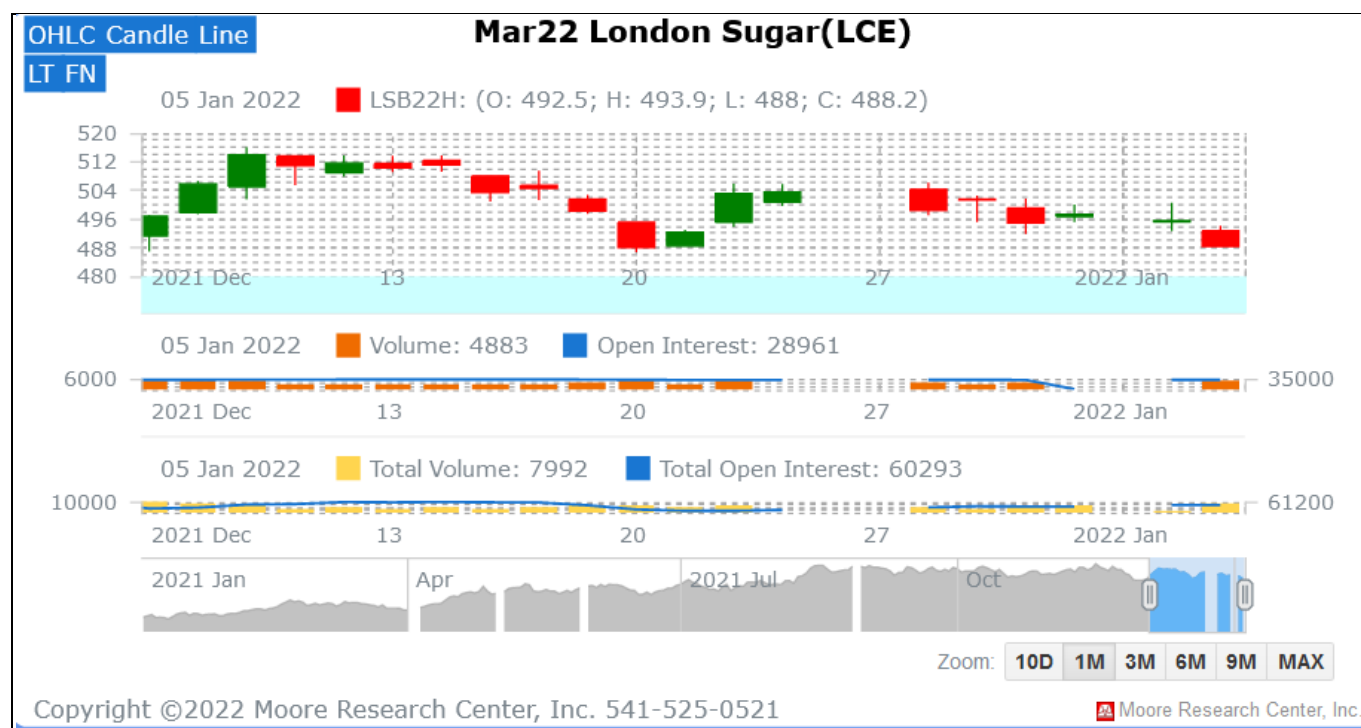
## International Sugar Futures Price Projection

### LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Mar'22 Contract)

#### Technical Commentary

- LIFFE future market remained steady to weak during the week.
- Total volume increased & open interest increased over a month.
- Strategy: Buy at level 492, T1 495

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next Month
LIFFE Sugar (US \$/MT)	Mar'22	488	485-500

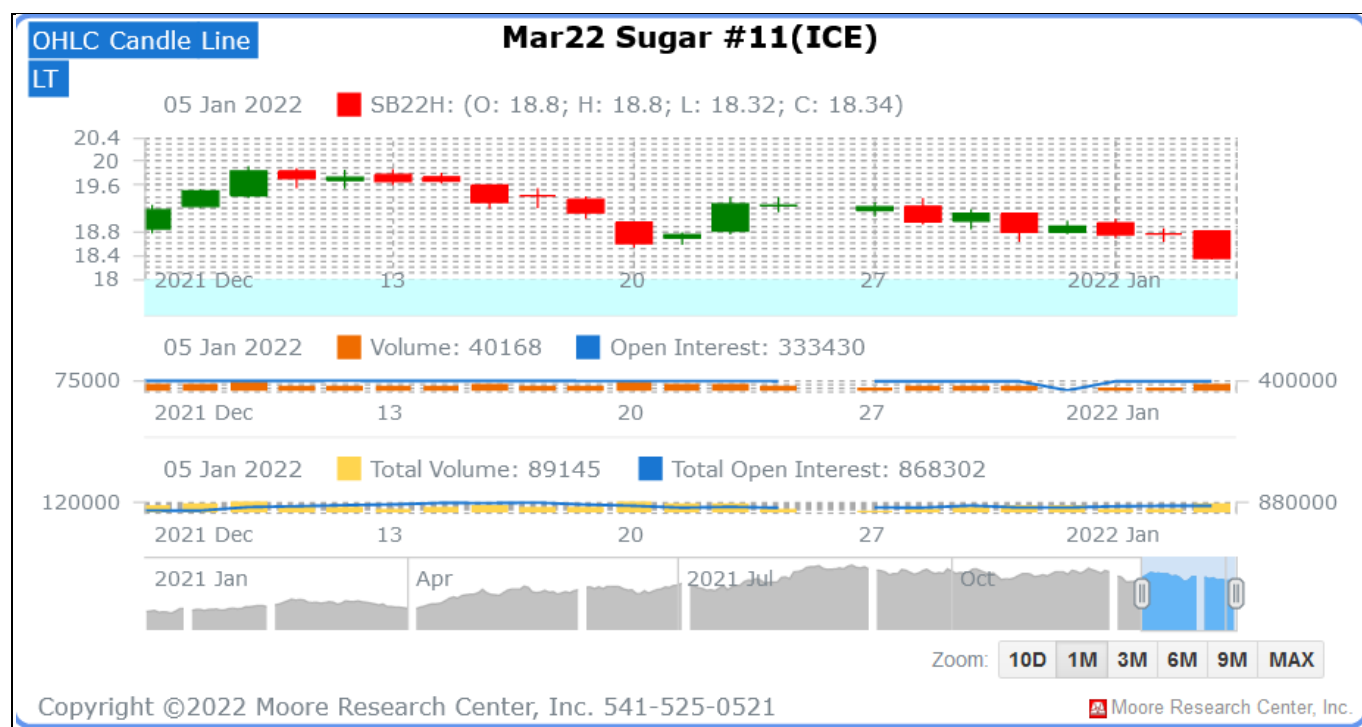




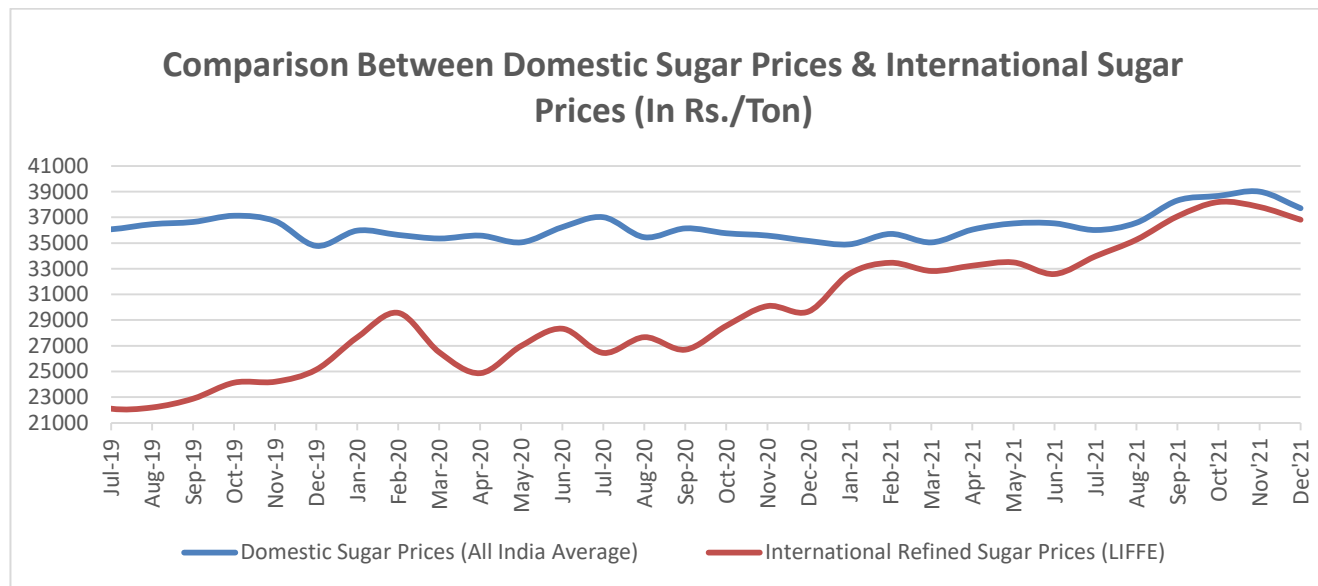
**ICE (Raw Sugar Exchange) Future Market Scenario (Mar'22 Contract)**
**Technical Commentary:**

- ICE raw sugar futures remained firm in the month.
- Both total Volume and open interest increased over a month.
- Strategy: Buy at rate 18.80 Targeting 18.45.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'22	18.35	18.30-19.20



### 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			Dec'21	Nov'21	
Delhi	Delhi	M-Grade	3470	3555	-85
	Delhi	S-Grade	3450	3535	-85
Uttar Pradesh	Khatauli	M-Grade	NA	NA	-
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	NA	NA	-
	Dhampur	S-Grade Ex-Mill	NA	NA	-
	Dhampur	L-Grade Ex-Mill	NA	NA	-
Maharashtra	Mumbai	M-Grade	3691	3711	-20
	Mumbai	S-Grade	3378	3482	-104
	Nagpur	M-Grade	3442	3460	-18
	Nagpur	S-Grade	3342	3360	-18
	Kolhapur	M-Grade	3317	3335	-18
	Kolhapur	S-Grade	3217	3235	-18
Assam	Guhawati	S-Grade	3477	3495	-18
Meghalaya	Shillong	S-Grade	3537	3555	-18
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3832	3964	-133
	Vijayawada	S-Grade (With Duty)	3778	3870	-92
West Bengal	Kolkata	M-Grade	3856	3950	-94
Tamil Nadu	Chennai	S-Grade (With GST)	3753	3646	107
	Dindigul	M-Grade (DCA)	3800	3931	-131
	Coimbatore	M-Grade (DCA)	3931	3856	75
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3796	3667	130

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)			Dec'21	Nov'21	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2985	3115	-130
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	290000	233000	57000
	Muzaffarnagar	Khurpa (Fresh)	2706	2836	-130
	Muzaffarnagar	Laddoo (Fresh)	2963	3185	-222
	Muzaffarnagar	Rascut (Fresh)	2472	2594	-122

	Hapur	Chaurasa	2675	2744	-69
	Hapur	Balti	2652	2723	-71
Andhra Pradesh	Chittur	Gold	NA	NA	-
		White	NA	NA	-
		Black	NA	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4746	4900	-154
	Belgaum	Mudde (Average)	3200	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3498	3495	4
	Mandya	Achhu (Medium)	3429	3810	-381
	Mandya	Kurikatu (Medium)	3263	3320	-57
	Mandya	Other (Medium)	3216	3380	-164
	Mandya	Yellow (Medium)	3403	3726	-323
	Shimoga	Achhu (Average)	3700	3700	Unch

International Sugar Prices (Monthly- Average)				
	Contract Month	Dec'21	Nov'21	Change
ICE Sugar #11 (US Cent/lb)	22-Mar	19.18	19.74	-0.56
	22-May	18.81	19.44	-0.63
	22-Jul	18.49	19.09	-0.60
LIFFE Sugar (US \$/MT)	22-Mar	500.32	597.62	-97.30
	22-May	496.81	591.86	-95.05
	22-Aug	484.32	586.71	-102.39

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