

## Sugar Price Trend and Outlook:

Sugar prices are moving in a range with weak tone during last week. Increasing sugar supply by mills and dull demand despite of festive season led the prices down.

Meanwhile, ISMA release its sugar production estimate for 2014-15 to 25.3 million tons which is 4% higher compared to last year.

## Price Outlook:

Sugar prices likely to take a dip considering decreasing international sugar prices and govt. interventions to curb hike in essential commodities.

## News Highlights:

- Rake business has been reported from Bagalkot to Delhi at Rs 3280 per quintal on FOR basis. Jamkhandi sugars is the supplier mill of the sugar stock as reported.
- Reportedly, around 5 rakes business of sugar has been reported from Maharashtra and Karnataka to Delhi till this month. Renuka's Panchganga sugars, Satish sugars and Gangakhedi mill are the major sugar suppliers of these rakes.
- Central govt. has rejected the plea for increase in sugar import duty from 15% to 40%. Earlier this month, the demand for surge in import duty has been raised by the ailing sugar industry to curb any foreign sugar supply in the country. It is notable that supply situation of sugar is comfortable at domestic end.
- NCDEX is going to launch forward contracts for sugar and maize in which sellers and buyers can mutually do physically trading at specific price, quantity and time. NCDEX launched two different types of segments i.e. fixed and reference price contracts.
- Following the footsteps of U.P govt., Uttarakhand is also planning to levy 2% tariff on sugar import to the state. This could be seen in light of a protectionist measure to safeguard the local interests, who are struggling hard to sell their production in neighboring states (especially U.P).
- Indian exporters are offering white sugar at FOB \$510 per ton which is much higher compared to Thailand and Brazil which are offering sugar at \$475 and \$450 per ton respectively.
- Govt. raised special commodity levy on sugar import by Rs.3/kg which comes as a protective measure to safeguard domestic interest. Imported sugar can now be purchased at a rate of Rs 28/kg in India.

## Raw Sugar Import Opportunity:

Indian indicative raw sugar CIF prices from Brazil quoted at \$522 per ton (including 15% import duty) and Indian domestic refined sugar FOB prices quoted at \$510 per ton Kolhapur based. Recently, government decide to give Sugar export subsidy on raws to Rs 3300 per ton, which ultimately increase sugar export figures in the year ahead.

On International front, dry weather conditions in Brazil support the sugar prices in International markets and dampens the possibilities of increase in sugar exports from Brazil. Brazil sugar FOB prices are quoting \$450/ Ton.

Comparative raw sugar CIF prices from various sugar sourcing countries to India are mentioned in the table below:

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.60.10) till 23rd July 2014			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$450	\$475	\$510

### India Sugar Production Scenario:

India is likely to produce 24.8 million tons of sugar in 2013-14 which is less compared to 25.14 million tons sugar produced in 2012-13.

Crop damage in UP followed by lower sugar recovery in UP led the overall sugarcane and sugar production down this year.

**India produced 23.9 million tons of sugar till 15<sup>th</sup> May 2014.** Lower cane yield and recovery of sugar from cane especially in UP led the production decline.

Also, there are some yield loss in cane reported in Maharashtra which ultimately decrease the sugarcane and sugar. Low sunshine curb the photosynthesis process in sugarcane which ultimately decrease the yield in June-Aug period as reported.

States	Sugar Production
Maharashtra	77
Uttar Pradesh	64.5
Karnataka	41
Tamil Nadu	11.5
India	24.3

### Sowing Update:

#### **Maharashtra crop scenario:**

Farmers are increasing sugarcane crop in their respective fields by 10-15% as per initial information we gather. Main reason for increase in acreage are good water availability due to ample water in reservoirs and good rainfall.

Meanwhile, despite the fact that mills in Maharashtra paid less cane price y-o-y to farmers, farmers still find cane crop more lucrative than other substitute crops like wheat, jowar, onion etc. especially in south Maharashtra that is known for main sugarcane belt.

### Uttar Pradesh Crop Sowing scenario:

UP region this time likely to surprise as far as cane sowing is concerned for 2014-15. Acreage in Uttar Pradesh for cane likely to decline by 10-15% thanks to mounting last year cane arrears that still are not getting paid to farmers.

Overall India sugarcane acreage likely to remain same with increase in acreage of cane in Maharashtra and Karnataka offset by decline in cane acreage in India's biggest cane growing belt i.e. Uttar Pradesh. However, it is still early to comment on that as cane planting is going to start in Uttar Pradesh.

### Sugar Import and Export Scenario:

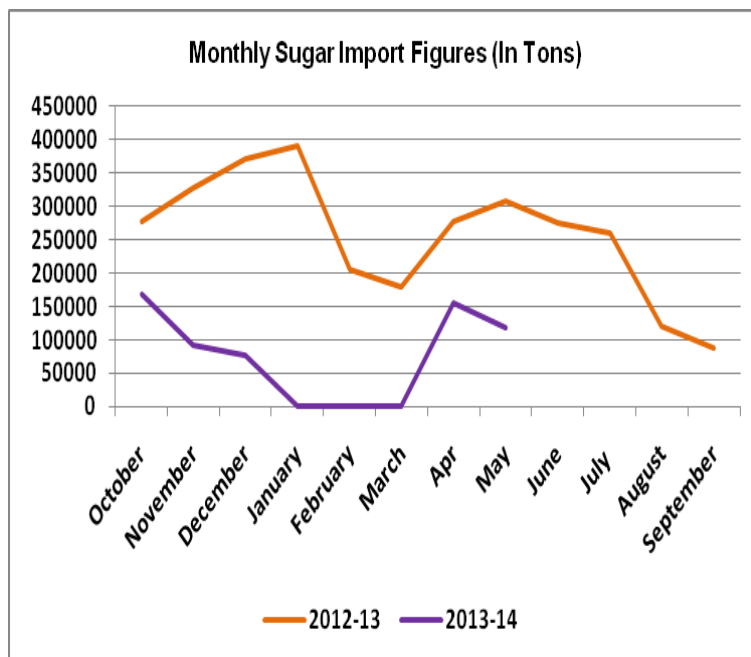
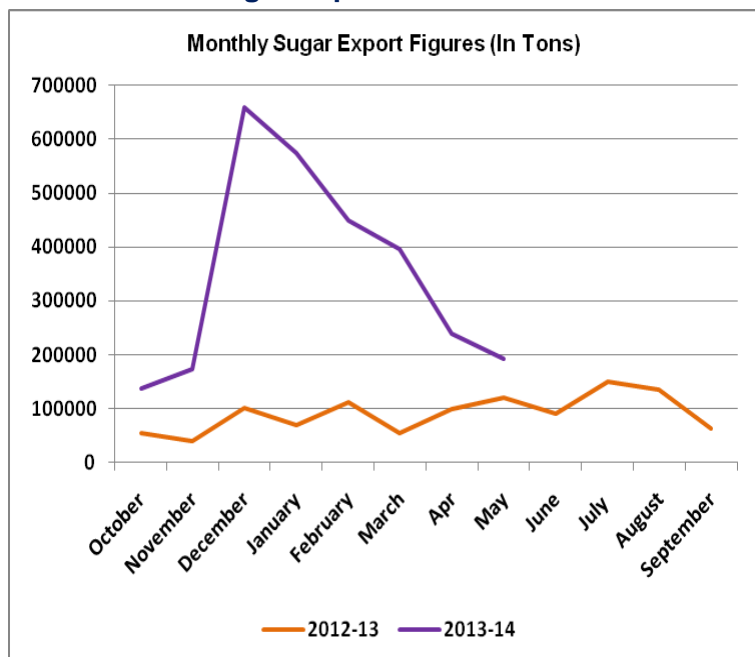
India has become net importer in the marketing year 2012-13 as big refiners like Shree Renuka Sugars take full benefit of lower raw sugar prices in Brazil despite of 15% sugar import duty (on both raws and whites). In addition to it, strong rupee also support the imports.

As far as sugar imports are concerned, India imported 3.07 million tons of raw as well as white sugar and exported around 1.2 million tons of sugar in 2012-13 marketing year (Oct-Sept).

However, recent months export figures changed sentiments with huge shipments volumes of sugar have been exported towards various Asian countries like Sri Lanka.

We estimate total sugar exports likely to reach 3 million tons from India in 2013-14 marketing year. Till date, India has exported 2.8 million tons of sugar as reported.

### India Sugar Export Scenario:



Indian sugar exports decline M-o-M basis due to continuous supply of sugar by Brazilian mills in global market which remove export parity for Indian exporters. Also, recent sharp rise in domestic sugar prices and strong rupee also the major influencing factors which reduce the sugar shipments M-o-M.

It is notable that India exported around 1.93 lac tons of sugar (both raws and whites) which is up by 62% Y-o-Y but decline by 19% compared to April month sugar exports.

India has exported around 2.8 million tons of sugar till May 2014 which was around 0.65 million tons sugar exported at the same period last year.

As far as sugar imports are concerned, it is increasing from last couple of months due to weak international sugar prices which enable Indian sugar refiners like Shree Renuka sugars, EID Parry to import raw sugar.

In the month of May, India imported around 1.17 lac tons of sugar (mainly raws) which is down by 24% compared to sugar imported in April.

In total, India imported 6.13 lac tons of sugar till May in 2013-14. However, at the same period last year, India imported around 2.33 million tons of sugar (mainly raws).

#### Spot Sugar Prices Scenario (Weekly)

Spot Sugar Prices Scenario (Weekly) (Average)				
Commodity	Centre	25th July-19th July	18th July-12th July	Change
Sugar	Delhi - Grade M	3363	3370	-7
	Delhi - Grade S	3292	3271	21
	Delhi - Grade L	NA	NA	-
	UP- Khatauli Grade M	3437	3432	5
	UP- Ramala Grade M	3297	3305	-8
	UP- Dhampur Grade M Ex-Mill	3338	3333	5
	UP- Dhampur Grade S Ex-Mill	3318	3313	5
	UP- Dhampur Grade L Ex-Mill	3388	3383	5
	Mumbai –Grade M	3340	3354	-14
	Mumbai –Grade S	3187	3195	-8
	Kolhapur – Grade M	3117	3113	4
	Kolhapur – Grade S	2983	2979	4
	Guhawati – Grade S	3292	3288	4
	Shillong – Grade S	3303	3299	4
	Vijayawada – Grade M	3593	3620	-27
	Vijayawada- Grade S	3467	3480	-13
	Nagpur – Grade M	3350	3350	Unch

	Nagpur – Grade S	3150	3200	<b>-50</b>
	Kolkata – Grade M	3360	3325	<b>35</b>
	Chennai - Grade S	3150	3167	<b>-17</b>
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3125	3129	<b>-4</b>
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	NA	2996	<b>-</b>

Spot Sugar Prices Scenario (Weekly)					
Commodity	Centre	Today	Week Ago	Month Ago	Year Ago
		25-Jul-14	18-Jul-14	25-Jun-14	25-Jul-13
<b>Sugar</b>	Delhi - Grade M	3350	3350	3325	3235
	Delhi - Grade S	3300	3250	3250	3205
	Delhi - Grade L	NA	NA	3300	3290
	UP- Khatauli Grade M	3430	3430	3450	3225
	UP- Ramala Grade M	3300	3290	3225	3170
	UP- Dhampur Grade M Ex-Mill	3340	3330	3200	3100
	UP- Dhampur Grade S Ex-Mill	3320	3310	3180	3080
	UP- Dhampur Grade L Ex-Mill	3390	3380	3250	3150
	Mumbai –Grade M	3331	3346	3376	3286
	Mumbai –Grade S	3186	3190	3192	3086
	Kolhapur – Grade M	3125	3100	3150	3050
	Kolhapur – Grade S	3000	2975	3050	2950
	Guhawati – Grade S	3309	3284	3360	NA
	Shillong – Grade S	3320	3295	3370	NA
	Vijayawada – Grade M	3580	3620	3620	3550
	Vijayawada- Grade S	3460	3480	3480	3400
	Nagpur – Grade M	3350	3350	3350	3250
	Nagpur – Grade S	3150	3200	3250	3150
	Kolkata – Grade M	3360	3320	NA	3420
	Chennai - Grade S	3150	3150	3135	3000
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3125	3125	3005	3100
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	NA	NA	2985	3100

**Gur Market Scenario and Outlook**

Gur prices witness artificial firmness at present and likely move down in the coming days due to good stock availability in the Maharashtra markets. It is notable that cane has diverted more towards gur production in Pune and Sangli area this year. In addition to it, market participants is expecting early arrivals of gur for the next marketing year which drive the prices southwards in the medium term.

Prices of gur likely to decline with decreasing sugar prices in the coming week.

**Spot Jaggery (Gur) Prices Scenario (Weekly)**

Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)				
Markets	Variety	25th July-19th July	18th July-12th July	Change
Muzaffar Nagar	Chaku	3046	3058	-12
	Chaku (Arrival)	NA	NA	-
	Khurpa	2938	2950	-12
	Laddoo	3175	3175	Unch
	Rascut	2871	2921	-50
Hapur	Chaurasa	NA	NA	-
	Balti	NA	NA	-
Maharashtra	Latur(Lal Variety)	3100	3150	-50
Bangalore	Achhu	NA	NA	-
	Mudde	3800	3720	80
Belgaum	Mudde	2950	3030	-80
Belthangadi	Yellow (Average)	3317	3300	17
Bijapur	Achhu	3007	2933	74
Gulbarga	Other (Average)	NA	NA	-
Mahalingapura	Penti (Average)	3068	2965	103
Mandya	Achhu (Medium)	2433	2450	-17
	Kurikatu (Medium)	2350	2313	37
	Other (Medium)	2400	2375	25
	Yellow (Medium)	2433	2425	8
Shimoga	Achhu (Average)	3417	3463	-46

Spot Jaggery(Gur) Prices Scenario (Weekly)					
Markets	Variety	Today	Week Ago	Month Ago	Year Ago
		25-Jul-14	18-Jul-14	25-Jun-14	25-Jul-13
Muzaffar Nagar	Chaku	3000	3050	3025	2900
	Khurpa	NA	NA	NA	2500
	Laddu	2875	3000	2900	2900

	Rascut	3150	3225	3175	2675
<b>Hapur</b>	Chaursa	2875	2875	2800	NA
	Balti	NA	NA	NA	NA
<b>Maharashtra</b>	Latur(Lal Variety)	NA	NA	NA	3250
<b>Bangalore</b>	Achhu	3100	3150	3050	3100
	Mudde	NA	NA	NA	3200
<b>Belgaum</b>	Mudde	3800	3700	3700	3000
<b>Belthangadi</b>	Yellow (Average)	NA	3050	2800	2600
<b>Bijapur</b>	Achhu	3350	3300	NA	3300
<b>Gulbarga</b>	Other (Average)	2975	2900	NA	2950
<b>Mahalingapura</b>	Penti (Average)	NA	2980	3150	3280
<b>Mandya</b>	Achhu (Medium)	3140	2450	3040	3000
	Kurikatu (Medium)	2450	2350	2450	2500
	Other (Medium)	2350	2400	2200	2500
	Yellow (Medium)	2400	2450	2300	2900
<b>Shimoga</b>	Achhu (Average)	2450	3400	2350	3425

Commodity: Sugar  
Contract: Aug

Exchange: NCDEX  
Expiry: Aug 20, 2014

### SUGAR (Weekly Aug Contract Chart)



#### Technical Commentary:

- Prices are showing upside and still hovering in an uptrend as chart depicts.
- Last candlestick depicts bearishness.
- Sugar prices are hovering near to neutral region.

#### Strategy: Sell

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Aug	2890	2986	3080	3170	3240
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Aug	<b>Sell</b>	Below 3080	3040	3020	3104



Commodity: Gur  
Contract: Sept

Exchange: NCDEX  
Expiry: Sept 20, 2014

### GUR (Sept Weekly Chart)



#### Technical Commentary:

- Gur prices are moving in an uptrend channel as chart depicts.
- However, RSI is hovering at neutral region.
- Prices likely to take support from trendline shows above.

**Strategy:** Sell

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	Sept	1126	1147	1212.5	1251	1274
Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	Sept	<b>Sell</b>	Below 1225	1195	1180	1245

## International Scenario

International sugar prices remained weak last week due to dry weather spell in Brazil which increase the pace of cane harvesting which gives market a short term bear hint. However, medium term prices looks bullish due to overall sugar deficit globally.

## International Market News Highlights:

- An additional import permit of 502000 tons raw sugar had been issued by Indonesian govt. for the latter half of the year. As so far, the govt. had permitted 2.6 million tons of sugar as against the targeted plan of 2.8 million tons for the full year.
- Uganda tries to emerge as a new exporter to East African nations but is thrashed by the geo-political tensions and import barriers thereon.
- Contrary to the expectations, Brazilian sugar output improved; outraging a total production of 2.55 million tons for the month (till 2<sup>nd</sup> week of July). In a glimpse of improving future trade market, the diversion had been made (from ethanol to sweetener) so as to offset the lower cane yield in the country.
- The 20th Asia International Sugar Conference (AISC), 2014 will be held in Indonesia from 26-28 Aug, 2014. And the conference will focus upon exchange and evolvement of trade, investment and technology among the major Asian players.
- Southern China swamped by typhoon Rammasun expects a possible fall in cane production for the next crushing season 2014-15. However, ample stock availability in the international market at present capped sugar prices in the country.

International Sugar Prices (Weekly)				
	Contract Month	24-July-14	17-July-14	Change
ICE Sugar #11 (US Cent/lb)	14-Oct	17.05	16.92	0.13
	15-Mar	18.67	18.32	0.35
	15-May	18.83	18.49	0.34
LIFFE Sugar (US \$/MT)	14-Oct	447.6	450.2	-2.6
	14-Dec	462.8	464.3	-1.5
	15-Mar	481	478.9	2.1

## LIFFE Future Market Sugar Scenario (Oct'14 Contract):

Weekly QLSUQ4



### Technical Commentary:

- Sugar prices are getting resistance at \$502, breach of that level from upside would take the prices upto \$520-525.
- Prices are presently hovering at \$447.6 till 25<sup>th</sup> July and one can take a sell position from here with a target of \$430

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'14	447.6	430

**ICE Raw Sugar Future Market Scenario (Oct'14 Contract):**

Daily QSBN4


**Technical Commentary:**

- ICE raw sugar futures are moving downwards.
  - Last candlestick depicts bearishness in the market.
- Strategy: Sell at 17.05 with target of 16.8

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'14	17.05	16.80

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