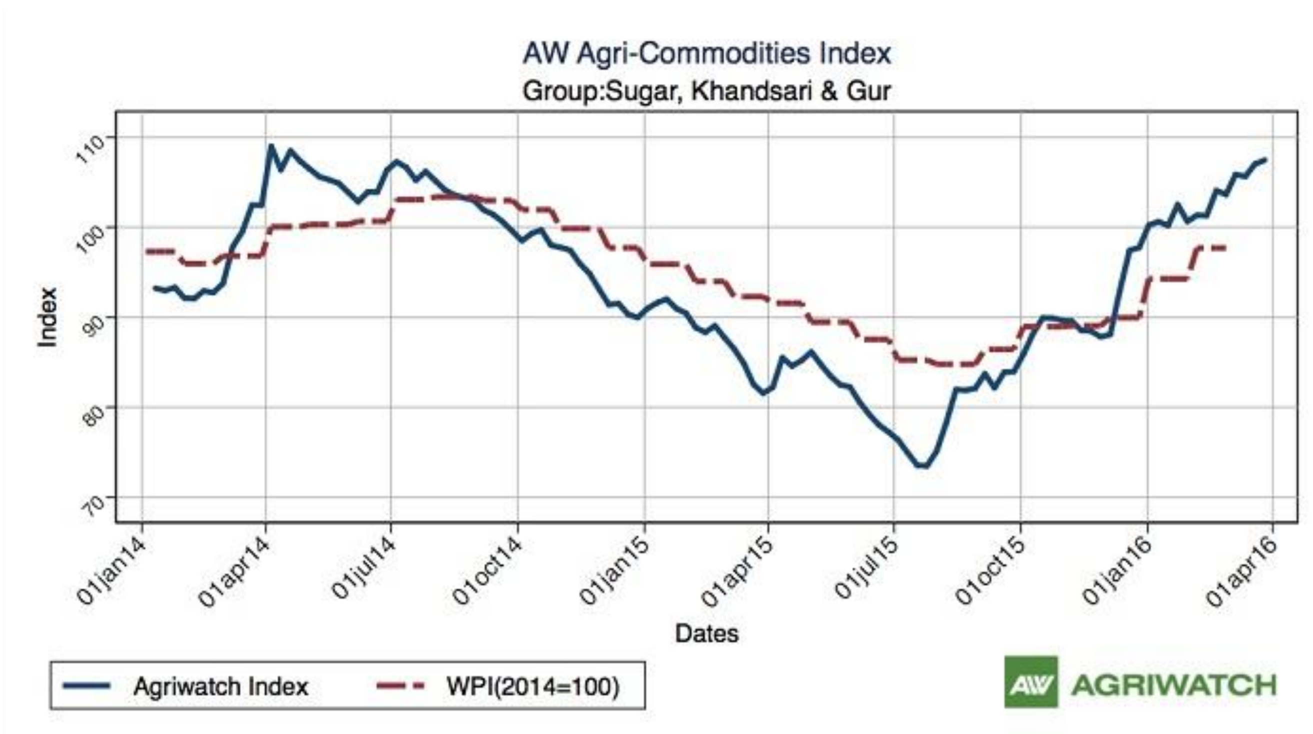
Sugar & Gur Weekly Research Report

Contents

Domestic Sugar Market Summary

Spot sugar prices continued to surge amidst spurt in demand on one hand and restricted supplies from millers on the other. In addition, reports of global sugar deficit this marketing year too supported the upsurge in prices.

Agriwatch Sweeteners (Sugar, Gur & Khandsari) Index– Mar 27, 2016



According to Agriwatch Sweeteners (Sugar, Gur & Khandsari) Index, sweeteners price rose by 0.41% during the week ending on Mar 26, 2016. Notably, the base for the Index is 2014 (= 100).

Price Projection For The Next Week

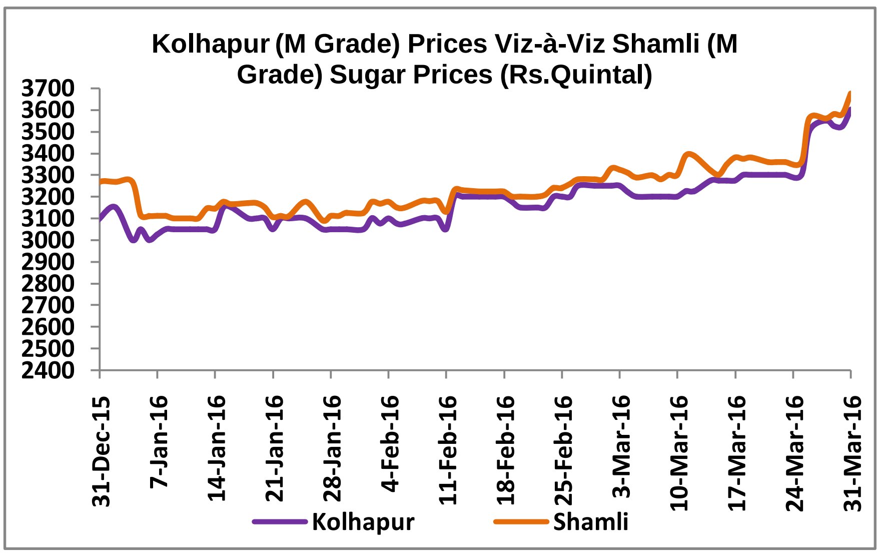
Spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3500 - 3700 per quintal next week.

International Sugar Market Summary

International sugar prices surged amidst increasing expectation of global sugar supply deficit in 2015-16. In addition, a currency appreciation of Brazilian Real too supported the upsurge in prices as it discouraged the bulk flow of sugar exports from the country.

Domestic Market Fundamentals

- Indian sugar export rose by 16% as the country exported 86 thousand tons of sugar this week (ending 20th March, 2016) compared to 73.9 thousand tons of exports made in the previous week.
- The Maharashtra govt. exempted purchase tax on sugarcane for millers in the State, who would export 12% of their current season (sugar) output. Till now, the mills paid purchase tax of 3% on the fair and remunerative price (FRP) which turns out equivalent to approx Rs 9 per quintal of sugarcane.



- As per the ISMA estimate, India is expected to export 1.9 – 2 million tons of sugar in 2015 -16 (01^{st} Oct, 2015 – 30^{th} Sep, 2016). Till date, 1.4 MT of export contracts have been already made with a likelihood of further 5 – 6 lakh tons of exports by September end of 2016.
- The Indian Sugar Mills Association (ISMA) revised its annual Indian sugar production forecast from 26 MT to 25.5 MT for this marketing year; 2015-16 (01^{st} Oct, 2015 – 30^{th} Sep, 2016). The revision had been primarily made after considering lower cane availability this year in the major growing areas.
- Indian Oil Marketing companies (OMCs) have been contracted for sale of over 136 crore litres of ethanol this MY i.e. 2015 -16. With this quantity of ethanol it is possible to attain the mandatory requirement of 5% ethanol blending with petrol.
- India had produced 221.30 lakh tons of sugar in 2015-16 (01^{st} Oct, 2015 – 15^{th} Mar, 2016) 0.12% lower than the sugar produced during the corresponding period of last year.

- Sugar production fell by 8.68% in Maharashtra which produced 76.77 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016) compared to 84.07 lakh tons of sugar in 2014-15 (01st Oct, 2014 – 15th Mar, 2015).
- 85 sugar mills in U.P had produced 60.82 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016) 8.12% higher than the production made last year during the corresponding period.
- Sugar production in Karnataka rose by 2.08% as the State produced 38.79 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016) compared to 38 lakh tons of production made in 2014-15 (01st Oct, 2014 – 15th Mar, 2015).
- Andhra Pradesh & Telangana together produced 7.47 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016) while Tamil Nadu produced 6.8 lakh tons of sugar during the same interval.
- Gujarat, Bihar, Punjab and Haryana had produced 10.25 lakh tons, 4.94 lakh tons, 4.9 lakh tons and 4.2 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016).
- Uttarakhand and Madhya Pradesh had produced 2.38 lakh tons and 3.5 lakh tons of sugar in 2015-16 (01st Oct, 2015 – 15th Mar, 2016).
- India has contracted to sell 1.3 MT of sugar in 2015-16 (01st Oct, 2015 – 30th Sep, 2016) and has already exported 1 MT.
- The Commission for Agricultural Cost and Prices (CACP) has recommended a cane FRP (Fair Remunerative Price) of Rs 230/quintal for next MY 2016-17 (01st Oct, 2016 – 30th Sep, 2017) which is exactly the same as that fixed for 2015-16 (01st Oct, 2015 – 30th Sep, 2016).

Sugar Import/Export Opportunity

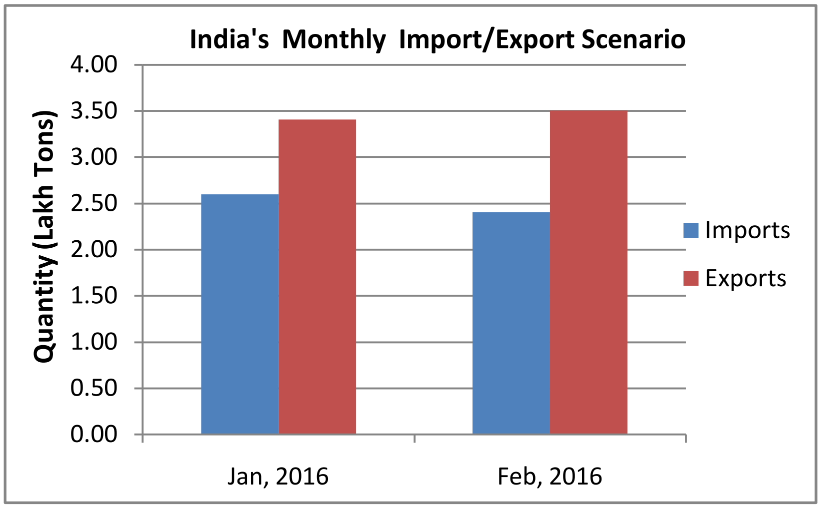
Indian indicative raw sugar CIF prices from Brazil quoted at $528.79 per ton (including 40% import duty) and Indian domestic Kolhapur based refined sugar FOB prices quoted at $539.40 per ton.

On International front, Brazil sugar FOB prices quoted at $444.7/ Ton.
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

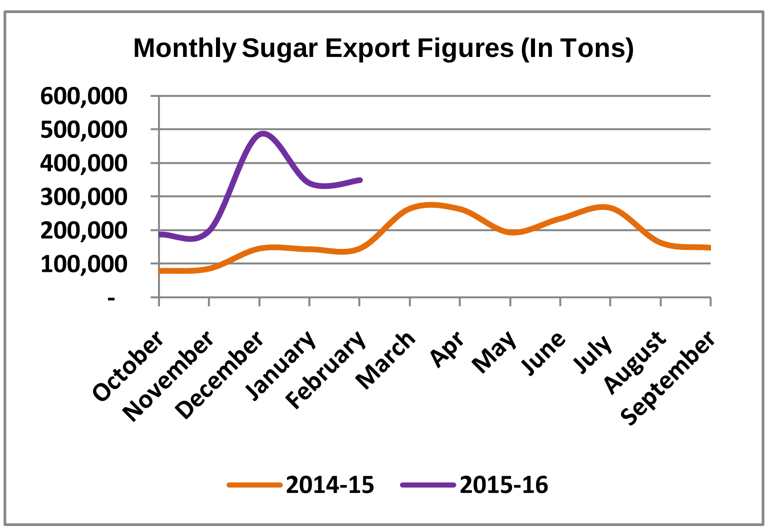
Indicative Sugar FOB Prices (USD/MT) ($=Rs.66.37) till 01st Apr, 2016			
	Brazil	**Thailand (100 Icumsa Mar Contract/45 Icumsa Spot)**	**India (100 Icumsa)**
Comparative Sugar FOB Prices	$444.7	$502.15/454.40	$539.40

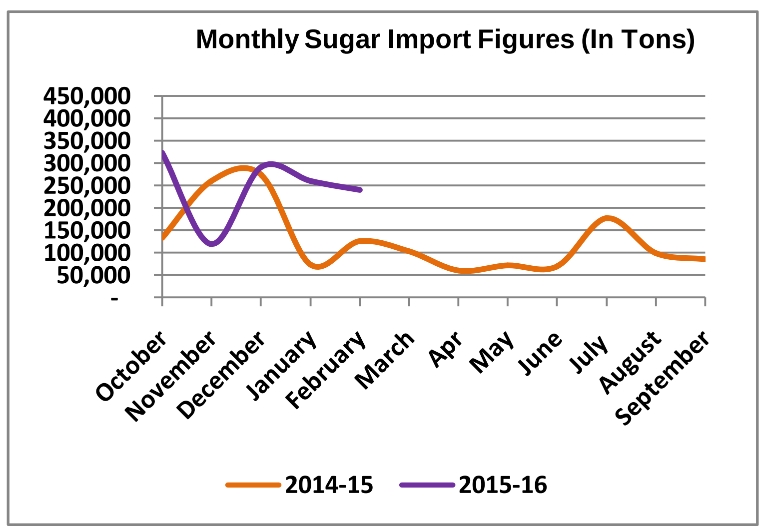
Sugar Import and Export Scenario

India exported 3.49 lakh tons of sugar while imported 2.40 lakh tons of sugar in February, 2016. However, the country exported 3.40 lakh tons of sugar in January, 2016 relative to 2.59 lakh ton of imports during the same period.



Indian sugar imports rose by 90.4% (when compared with the sugar imported last year in February, 2015) amidst low cost raw sugar availability from top producer Brazil on one hand and rising demand for its refined sugar from major importers on the other. Notably, India primarily imports raw sugar from Brazil and re-exports the refined sugar to the nearby countries.





An early commencement of crushing operation In India and initiation of various export promotion schemes had boosted the country's sugar export during the month of February.

Notably, Myanmar had emerged as the leading sugar importing country from India and had imported 1.75 lakh tons of sugar during the month followed by Sudan and Berbera which imported 0.36 lakh tons and 0.30 lakh tons of sugar during the month.

Domestic Sugar Market Technical Analysis (Future Market)

SUGAR (May Weekly Chart)

Technical Commentary:

- Sugar prices and volume increased while O.I for the week fell.
- RSI is hovering into an over-bought region.
- MACD signal line and center line denotes bullish crossover.

Strategy: Buy

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	May	3520	3570	3630	3700	3750
Weekly Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Sugar	NCDEX	May	**Buy**	Above 3620	3670	3695	3590

International Market Fundamentals

- With an early commencement of crushing operation for 2016-17 (01st Apr, 2016 – 31st Mar, 2017); Brazil's main centre south region had crushed 1.39 lakh tons of sugar in the first half of March, 2016.
- Platts Kingsman raised its global sugar supply deficit to 7.62 MT in 2015-16 amidst lower production figure received from India, Thailand and Northeast Brazil.
- Green Pool predicted a global sugar supply deficit of 6.65 MT in 2015 -16 and a deficit of 4.95 MT in 2016-17.
- Indonesia is expected to impose import permit of 9.68 lakh tons of raw sugar in the second quarter (April – June) of 2016 which was same as that imposed for the first quarter (January – March) of year.
- China's sugar import declined by 13.5% as the country imported 1.10 lakh tons of sugar in February, 2016 compared to 1.27 lakh tons of imports made in February, 2015. A surge in international sugar prices, restriction on import permits and growing stockpiles within the countries could be cited responsible for the fall in imports.
- Thailand's sugar export is expected to decline to 7.1 MT in 2016 on back of lower production supply (due to drought) and increased consumption demand within the country.
- The white sugar refining premium remained buoyant amid rising Chinese demand for the white sugar and restricted world supply of the commodity. In addition, the pre- Ramdan demand for the commodity too played an active role in raising the premium.
- F.O Licht raised its global sugar supply deficit forecast (from 6.5 MT to 7.2 MT) for 2015-16 on back of damage to the Chinese cane crop (due to frost) .
- An expected fall in sugar production in India and Thailand caused Rabobank to raise its global sugar supply deficit forecast to 6.8 MT in 2015-16.
- A depreciation of Brazilian currency real caused the country to export 2.27 MT of raw sugar in the month of February which is 77.4% higher than the exports made in the month of January.
- Many Brazilian states are making tax changes in the price of gasoline and ethanol; wherein the tax changes are moving in favor of latter while opposing the former. The changes had been primarily made to increase ethanol competitiveness (over gasoline) in the market to help divert more cane towards ethanol production in the country.
- Australian sugar production is projected to increase by 6.25% in 2016-17 (from 4.8 MT in 2015-16) owing to an expected increase in cane plantings and an improvement in yields.
- Datagro predicted a global sugar supply deficit of 4.37 MT in 2015-16 against a sugar surplus of 3.64 MT in 2014-15.
- Datagro predicted a higher sugar production (33.8 MT) in Brazil's main centre south region during 2016-17 due to an expected improvement in sugar content within the cane due to the revival of normal weather condition during that time.
- International Sugar Organization (ISO) raised its global sugar deficit forecast from 3.5 MT to 5 MT in 2015-16 (01st Oct, 2015 – 30th Sep, 2016).
- FC Stone predicted a surge in Brazilian (C.S region) cane production in 2016-17 amidst an expected improvement in prevailing weather condition during that period. Notably, the organization predicted the region to produce 619 MT of sugarcane in 2016-17 as against 599.9 MT of cane in 2015-16.

LIFFE Future Market Sugar Scenario (May'16 Contract)

Technical Commentary

- LIFE future market trends downward for the week.
- The last candlestick depicts bearishness in the market.
  Strategy: Sell at 444.0 with a target of 439.3

International Sugar Futures Price Projection			
	Contract Month	**Present Quote**	**Expected Price level for next week**
LIFFE Sugar (US $/MT)	**May'16**	444.0	439.3

ICE Raw Sugar Future Market Scenario (May'16 Contract)

Technical Commentary:

- ICE raw sugar futures trend downwards for the week.
- Last candlestick depicts bearishness in the market.

  Strategy: Sell at 15.30 with target of 14.95

International Sugar Futures Price Projection			
	Contract Month	**Present Quote**	**Expected Price level for next week**
ICE Sugar #11 (US Cent/lb)	**May'16**	15.30	14.95

Gur Market Scenario

Spot gur market mainly remained buoyant with price rising in majority of the markets. Prices of Mudde (Average) and Achhu (Average) variety of gur from Bangalore and Shimoga increased by Rs 300/quintal each to Rs 3700 and Rs 3100 per quintal respectively. Similarly, prices of ChakuSukha (Cold), Khurpa (Fresh), Laddoo (Fresh) and Rascut (Fresh) variety of gur from key Muzaffarnagar market rose by Rs 184, Rs 118, Rs 275 and Rs 163 respectively to Rs 2682, Rs 2584, Rs 2852 and Rs 2599 per quintal this week.

However, prices of Mudde (Average) variety of Belgaum fell by Rs 33/quintal from Rs 2467/quintal to Rs 2433/quintal this week. Similarly, prices of Other (Average) variety from Gulbarga too declined from Rs 2579/quintal to Rs 2567/quintal this week.

Spot Jaggery (Gur) Prices Scenario (Weekly)

Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			24th to 31st March 2016	18th to 23th March 2016	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2682	2499	184
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	27000	24000	3000
	Muzaffarnagar	Khurpa (Fresh)	2584	2467	118
	Muzaffarnagar	Laddoo (Fresh)	2852	2577	275
	Muzaffarnagar	Rascut (Fresh)	2599	2436	163
	Hapur	Chaursa	2593	2447	146
	Hapur	Balti	2573	2428	144
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	3700	3400	300
	Belgaum	Mudde (Average)	2433	2467	-33
	Belthangadi	Yellow (Average)	2461	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	2567	2579	-12
	Mahalingapura	Penti (Average)	3241	3140	101
	Mandya	Achhu (Medium)	2950	2913	38
	Mandya	Kurikatu (Medium)	2817	2800	17
	Mandya	Other (Medium)	2667	2563	104
	Mandya	Yellow (Medium)	2900	2863	38
	Shimoga	Achhu (Average)	3100	2800	300

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			31-Mar-16	23-Mar-16	29-Feb-16	31-Mar-15
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2975	2600	2538	NA
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	6000	5000	15000	NA
	Muzaffarnagar	Khurpa (Fresh)	2578	2430	2330	2063
	Muzaffarnagar	Laddoo (Fresh)	3028	2588	2450	2200
	Muzaffarnagar	Rascut (Fresh)	2828	2425	2400	NA
	Hapur	Chaursa	2725	2450	NA	NA
	Hapur	Balti	2700	2438	NA	NA
Maharashtra	Latur	Lal Variety	NR	NR	NA	NA
Karnataka	Bangalore	Mudde (Average)	3700	3700	2950	4100
	Belgaum	Mudde (Average)	2400	2400	2500	NA
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	NA	NA	NA
	Gulbarga	Other (Average)	NA	NA	2550	2590
	Mahalingapura	Penti (Average)	NA	3214	2936	NA
	Mandya	Achhu (Medium)	3150	2900	2400	NA
	Mandya	Kurikatu (Medium)	2800	2900	2200	NA
	Mandya	Other (Medium)	2900	2550	2250	NA
	Mandya	Yellow (Medium)	3150	2850	2400	NA
	Shimoga	Achhu (Average)	NA	2800	NA	2900

Spot Sugar Prices Scenario (Weekly)

Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			24th to 31st March 2016	18th to 23th March 2016	
Delhi	Delhi	M-Grade	3640	3445	**195**
	Delhi	S-Grade	3618	3425	**193**
Uttar Pradesh	Khatauli	M-Grade	3512	3264	**248**
	Ramala	M-Grade	NA	NA	**-**
	Dhampur	M-Grade Ex-Mill	3422	3181	**241**
	Dhampur	S-Grade Ex-Mill	3402	3161	**241**
	Dhampur	L-Grade Ex-Mill	3472	3231	**241**
Maharashtra	Mumbai	M-Grade	3610	3466	**145**
	Mumbai	S-Grade	3518	3360	**158**
	Nagpur	M-Grade	NA	3300	**-**
	Nagpur	S-Grade	NA	3200	**-**
	Kolhapur	M-Grade	3540	3300	**240**
	Kolhapur	S-Grade	3440	3200	**240**
Assam	Guhawati	S-Grade	3756	3512	**244**
Meghalaya	Shillong	S-Grade	3766	3520	**246**
Andhra Pradesh	Vijayawada	M-Grade	3830	3630	**200**
	Vijayawada	S-Grade	3670	3470	**200**
West Bengal	Kolkata	M-Grade	3722	3463	**258**
Tamil Nadu	Chennai	S-Grade	3317	3135	**182**
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3042	3025	**17**
	Ambikapur	S-Grade (Without Duty)	3035	3025	**10**
Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)					

Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			31-Mar-16	23-Mar-16	29-Feb-16	31-Mar-15
Delhi	Delhi	M-Grade	3715	Closed	3335	2650
	Delhi	S-Grade	3695	Closed	3310	2580
Uttar Pradesh	Khatauli	M-Grade	3700	3398	3320	NA
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	NA	NA	3260	2580
	Dhampur	S-Grade Ex-Mill	NA	NA	3240	2560
	Dhampur	L-Grade Ex-Mill	NA	NA	3310	2630
Maharashtra	Mumbai	M-Grade	3720	Closed	3370	2640
	Mumbai	S-Grade	3630	Closed	3280	2476
	Nagpur	M-Grade	NR	NR	NA	2700
	Nagpur	S-Grade	NR	NR	NA	2550
	Kolhapur	M-Grade	3600	Closed	3250	2400
	Kolhapur	S-Grade	3500	Closed	3150	2300
Assam	Guhawati	S-Grade	3816	NA	3461	2598
Meghalaya	Shillong	S-Grade	3820	NA	3470	2620
Andhra Pradesh	Vijayawada	M-Grade	3920	3660	3450	2960
	Vijayawada	S-Grade	3760	3500	3290	2860
West Bengal	Kolkata	M-Grade	3820	Closed	3440	2680
Tamil Nadu	Chennai	S-Grade	3500	3175	3100	2500
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3050	3025	2835	3035
	Ambikapur	S-Grade (Without Duty)	3040	3025	2835	3035
Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)						

International Sugar Prices (Weekly)				
	Contract Month	**30-Mar-16**	**22-Mar-16**	**Change**
ICE Sugar #11 (US Cent/lb)	**16-May**	15.87	16.58	**-0.71**
	16-Jul	15.96	16.43	**-0.47**
	16-Oct	16.08	16.47	**-0.39**
LIFFE Sugar (US $/MT)	**16-May**	454.40	463.4	**-9.00**
	16-Aug	448.50	456.4	**-7.90**
	16-Oct	444.00	451.6	**-7.60**

Indian Sugar Production Scenario Up to 15th March, 2016

States	**Sugar Produced (Lakh Tons)**	
	2015-16	**2014-15**
Maharashtra	76.77	84.07
Uttar Pradesh	60.82	56.25
Karnataka	38.79	38.00
Gujarat	10.25	9.50
A.P +Telangana	7.47	8.10
Tamil Nadu	6.80	6.20
Bihar	4.94	5.20
All India	**221.30**	**221.57**

*****