

# Sugar & Gur Weekly Research Report

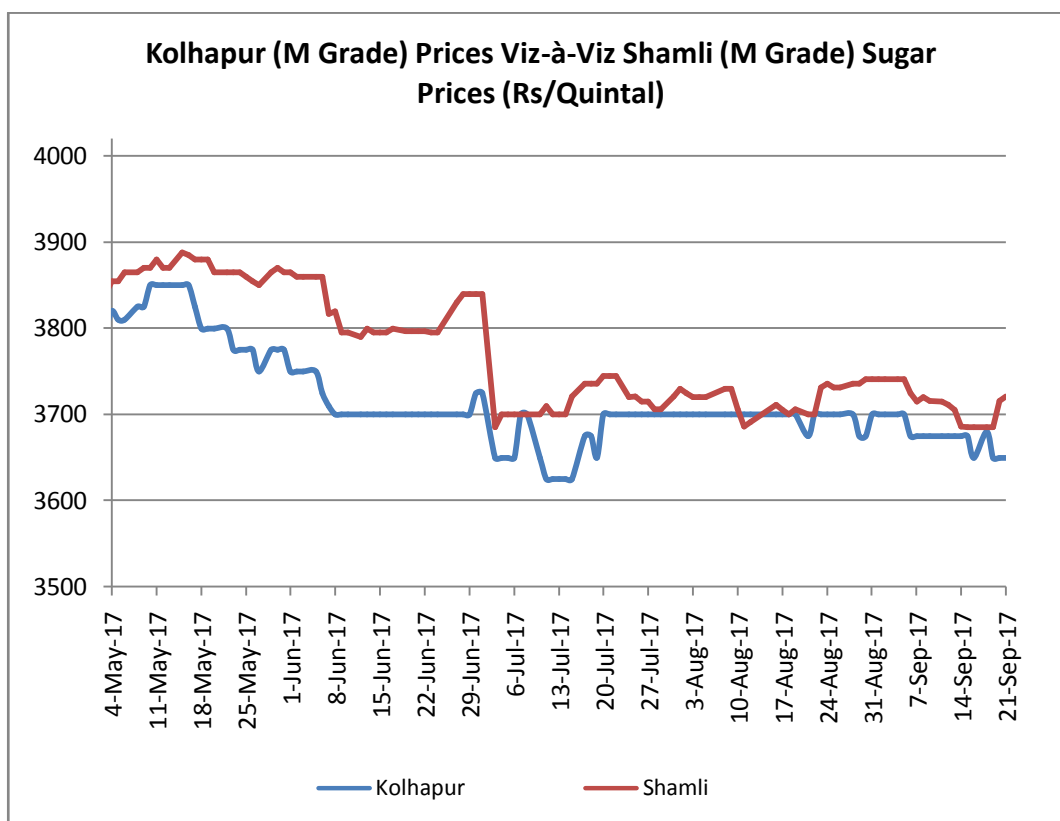
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### Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market traded steady to pale during the week following regular domestic demand and supply onto the market

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3659 per quintal this week compared to Rs 3675 per quintal the previous week. Similarly, spot sugar prices for the same variety/grade in Shamli district fell by 0.34% to Rs 3696 per quintal this week.



### Price Outlook:

Agrivatch predicts spot sugar prices to fell in the weeks ahead amidst speculation of higher sugar production next marketing year i.e. 2017-18.

### Price Projection for the Next Week

As per the Agrivatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3600 - 3800 per quintal next week.

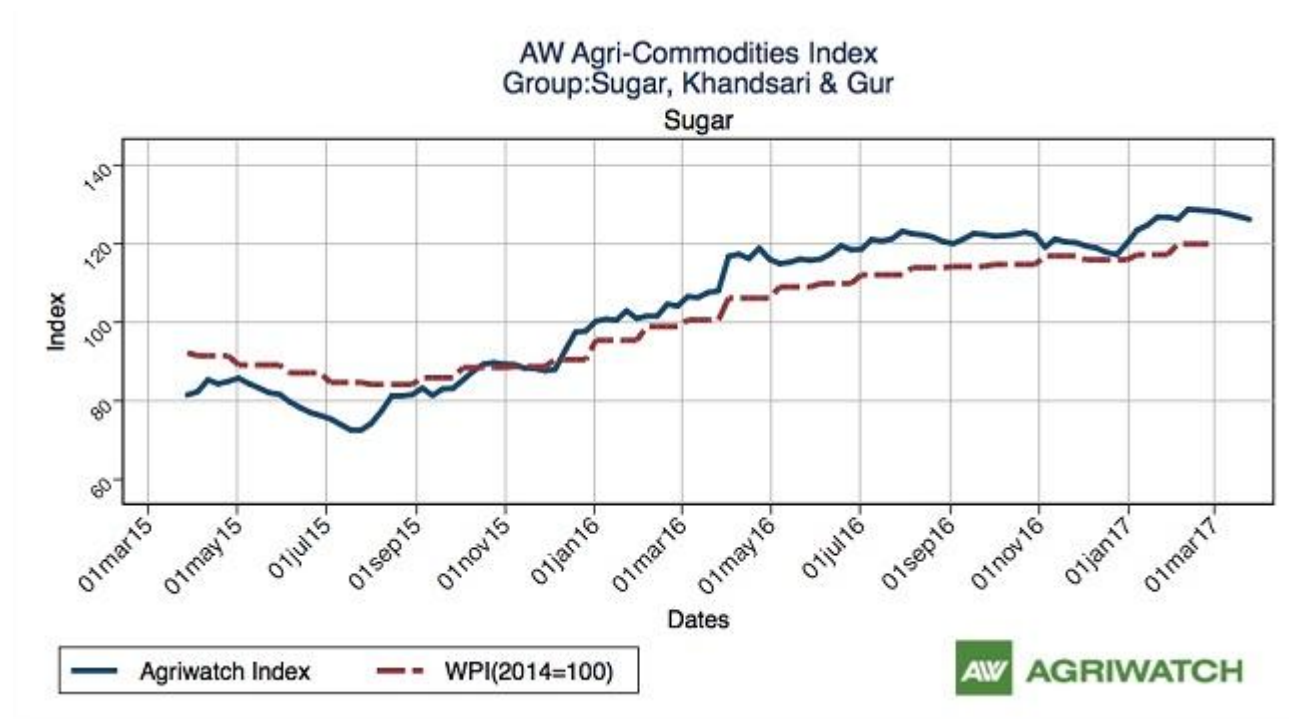
## Domestic Market Highlights

### Recent Updates

- According to the official figures, sugarcane has been sown on 49.95 lakh hectares as on September 22, 2017 across the country compared to 45.64 lakh hectares during the same period previous year.

### Previous Updates

- In order to meet the domestic sugar demand, the Indian govt. is planning to allow imports of 3 lakh tonnes of raw sugar into the country. Notably, earlier also (during the current marketing year, 2016-17) the govt. had allowed duty free import of 5 lakh tonnes of sugar into the country. Out of which, 3 lakh tonnes of quota has been allocated to the mills in south, 1.5 lakh tonnes to the mills in west and 0.5 lakh tonnes to the mills in east.
- In a bid to discourage sugar hoarding within the country & to control prices, the Indian govt. Imposed stock limit on sugar, under which, the Indian millers are supposed to keep only a certain percentage of their production with them and the rest they have to sell into the market. Notably, at present, the stock limit has been imposed only for two months i.e. September & October wherein the millers can keep only 21% and 8% of their total production with them.
- The West Indian Sugar Mills Association (WISMA) predicted Maharashtra to produce 7 MT of sugar during 2017-18 (01<sup>st</sup> October, 2017 – 30<sup>th</sup> September, 2018).
- Sugar millers in India owes a total of Rs 4,611 crore as the pending cane arrears for this MY i.e. 2016-17 (01<sup>st</sup> October, 2016 – 30<sup>th</sup> September, 2017). Out of which Uttar Pradesh, Gujarat, Tamil Nadu, Uttarakhand and Punjab owes Rs 2,535 crore, Rs 1,067 crore, Rs 494 crore, Rs 302 crore and Rs 127 crore respectively.
- Owing to an expected increase in cane acreage (9.02 lakh hectares), the state government of Maharashtra had predicted the state to produce 73 lakh tonnes of sugar during 2017-18 (01<sup>st</sup> October, 2017 – 30<sup>th</sup> September, 2018).
- ISMA predicted India to produce 251 LT of sugar next marketing year i.e. 2017 -18 (01<sup>st</sup> October, 2017 – 30<sup>th</sup> September, 2018), where in the top three producers U.P, Maharashtra and Karnataka are collectively expected to produce 198 LT of sugar during the period.
- In order to curtail sugar imports from outside and to maintain domestic sugar prices, the Indian govt. raised import duty on sugar from 40% to 50%.
- With higher cane acreage this year and an expected increase in productivity too, the Rabobank predicted India's sugar production to rise to 26.7 million tonnes in 2017-18 (01<sup>st</sup> October, 2017 – 30<sup>th</sup> September, 2018).
- As per the industry estimates, Tamil Nadu is expected to produce 10-10.5 lakh tonnes of sugar during the current marketing year i.e. 2016-17 (01<sup>st</sup> October, 2016 – 30<sup>th</sup> September, 2017). However, production is expected to decline to somewhat around 6-7 lakh tonnes next marketing year i.e. 2017-18 due to falling cane acreage and productivity in the state.
- ICRA projected India to produce 24 MT of sugar in 2017-18 (01<sup>st</sup> October, 2017 – 30<sup>th</sup> September, 2018) due to a good amount of rainfall received in major producing areas of Uttar Pradesh and Maharashtra during the season.

**Agriwatch Sweeteners (Sugar, Gur &Khandsari) Index– March 25, 2017**


"Agriwatch has recently launched its AW Agri Commodity Indices to enable organizations access independent Indices to track and use to benchmark their purchases and sales. The Indices are based on the daily prices in the key benchmark markets for each commodity that AW has been covering for the past decade. The indices include an Aggregate Index, Category Indices and individual commodity indices. The weekly indices are free to access on our website [www.agriwatch.com](http://www.agriwatch.com). The daily indices are available on subscription. Please contact for more details."

According to Agriwatch, Sweeteners (Sugar, Gur &Khandsari) Index fell by 0.44% to 125.31 during the week ending on March 25, 2017. Notably, the base for the Index is 2014 (= 100).

**Sugar Import/Export Opportunity**

Indian indicative raw sugar CIF prices sourced from Brazil to JNPT (India) was quoted at \$491.83 per ton (including 50% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at \$576.57 per ton.

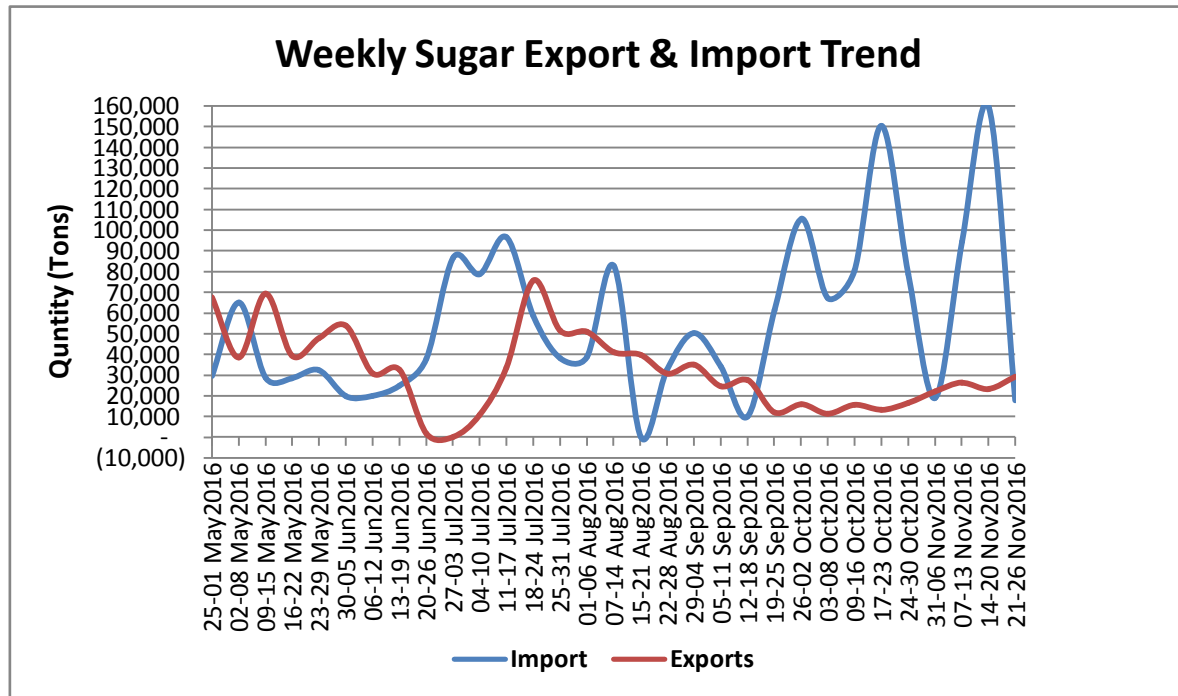
On International front, Brazil sugar FOB prices quoted at \$598.20 Ton.

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

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.64.52) as on 21 Sep, 2017			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$598.20	NA/377.90	\$576.57

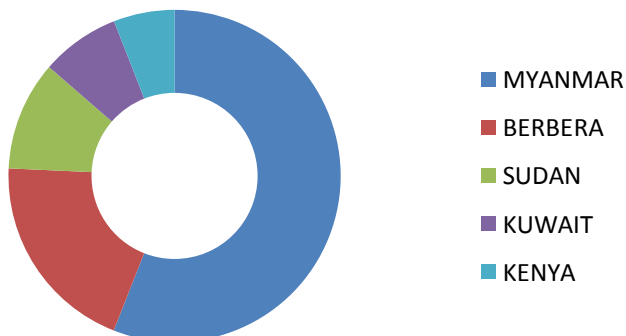
### Sugar Import and Export Scenario

India exported 29.1 thousand tonnes of sugar during the week (21 -26 November, 2016), which was 23.3 thousand tonnes during the week before (14 -20 November, 2016), as per the data released by IBIS and compiled by Agriwatch. Imports on the other hand stood at 17.7 thousand tonnes last week, which was 159.2 thousand tonnes the week before.

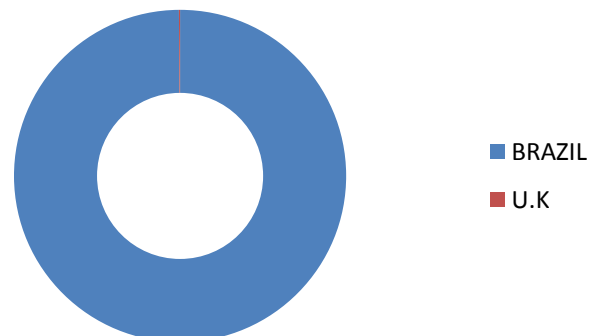


Major importer of Indian sugar during the week (21 -26 November, 2016) was Myanmar which imported 12.7 thousand tonnes of sugar from the country. Other major importers were Berbera, Sudan, Kuwait and Kenya which imported 4.5 thousand tonnes, 2.4 thousand tonnes, 1.7 thousand tonnes and 1.3 thousand tonnes of sugar respectively during the week. On the other hand, India primarily imported around 17.7 thousand tonnes of sugar (mostly raw) from Brazil during the same period.

### Weekly Sugar Exports



### Weekly Sugar Imports



### Domestic Sugar Market Technical Analysis (Future Market)



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



- Sugar spot prices at benchmark Kolhapur market closed at Rs 3659/quintal this week.
- Next resistance and support level for the coming week has been seen at Rs 3700 and Rs 3623 per quintal.

## International Sugar Market Summary

International sugar prices noticed weak tone during the week as cane crushing is happening at full pace in top producer Brazil, resulting into a fall in prices.

### International Market Highlights

#### Previous Updates

- The Brazilian govt. imposed an import tariff of 20% on imports of ethanol over & above the prescribed limit of 600 million liters per year. Notably, at present there is no such import limit or restriction on import of ethanol by the country. However, with the imposition of the limit, ethanol production is going to get more lucrative for the local sugar millers which in turn will divert more of their cane towards ethanol production that will ultimately affect sugar availability and prices in the international sugar market.
- Conab projected Brazil to produce 39.38 million tonnes of sugar in 2017-18 (01<sup>st</sup> April, 2017 – 31<sup>st</sup> March, 2018) which was 1.8% higher than the sugar produced last year in 2016-17 (01<sup>st</sup> April, 2016 – 31<sup>st</sup> March, 2017).
- Brazil's raw sugar export fell by 1.1% as the country exported 2.16 MT of sugar (raw) in August, 2017 compared to 2.18 MT of exports made during July, 2017.
- As per the latest UNICA report, Brazil's main C.S region produced 3.16 million tonnes of sugar in the first half of August, 2017 which was 6.04% higher than the sugar produced last year during the same interval.
- The Brazilian govt. reduced the federal tax on ethanol (PIS/Cofins) from 32.55 centavos per liter to 24 centavos per liter. With this move, international sugar prices are expected to rise in future as the Brazilian millers will divert more of their cane towards ethanol production instead of sugar.
- Owing to a favorable dry weather condition, the Indonesia govt. expects the country's white sugar production to rise by 13.6% from 2.2 MT in 2016 to 2.5 MT in 2017. The govt. also projects the country to produce 2.8 MT and 3.3 MT of white sugar in MY 2018 and 2019 respectively.
- Also, as per the govt. officials, Indonesia had issued import permit of 1.754 MT of raw sugar in the second half of year 2017 (July – December).
- On the back of destructive cyclone, Debbie, the Australian govt reduced its sugar production forecast for the country from 5.16 MT to 4.8 MT in 2017-18. Notably, the cyclone had hit the north east coast of Australia in March, 2017 which had resulted into a huge loss of sugarcane crop.
- Owing to a higher production estimate in India, Thailand and E.U, Sucden projected the world sugar production to rise to 183 MT in 2017-18 with a global sugar surplus of 3.5 MT during the same period. It also projected Brazil's main centre south region to produce 34.9 MT of sugar in 2017-18 (01<sup>st</sup> April, 2017 – 31<sup>st</sup> March, 2018) compared to 35.6 MT of sugar production in 2016-17 (01<sup>st</sup> April, 2016 – 31<sup>st</sup> March, 2017).
- The International Sugar Organization (ISO) predicted a global sugar surplus of 3 million tonnes in 2017-18 (October – September), while the year 2016-17 is projected to undergo a deficit of 5.9 million tonnes.
- Due to a fall in global sugar prices Copersucar reduced Brazil's C.S sugar production forecast from 36 MT to 35.5 MT for 2017-18. According to the organization, fall in sugar prices will induce the local millers to divert more of their cane towards production of ethanol.



**LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Oct'17 Contract)**

**Technical Commentary**

- LIFE future market trends downward for the week.
  - The last candlestick depicts bearishness in the market.
- Strategy: Sell at 365.00 with a target of 356.02

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'17	365.00	356.02

### ICE (Raw Sugar Exchange) Future Market Scenario (Oct'17 Contract)



#### Technical Commentary:

- ICE raw sugar futures trend downward for the week.
  - Last candlestick depicts bearishness in the market.
- Strategy: Sell at 13.20 with a target of 12.95

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'17	13.20	12.95

### Gur Market Scenario

Mixed sentiments were recorded in spot gur market with prices falling in some market while rising in other. Prices of Penti (Average) variety of gur from Mahalingapura rose by Rs 208/quintal from Rs 3620/quintal to Rs 3827/quintal this week. Similarly, prices of Achhu (Medium) variety of gur from Mandya rose by Rs 160/quintal to Rs 3760/quintal this week. On the other hand, prices of Mudde (Average) variety of gur from Belgaum fell by Rs 100/quintal from Rs 3550/quintal to Rs 3450/quintal this week.

### Technical Analysis - Gur (Chaku) at Spot (Muzaffarnagar) market



- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 3452/quintal this week.
- Next resistance and support level for the coming week has been seen at Rs 3534 and Rs 3396 per quintal.

Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			15th September to 21st September	8th September to 14th September	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3452	3396	56
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	2869	2867	2
	Hapur	Chaurasa	NA	NA	-
	Hapur	Balti	NA	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	5150	5150	Unch
	Belgaum	Mudde (Average)	3450	3550	-100
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	3545	3624	-79
	Mahalingapura	Penti (Average)	3827	3620	208
	Mandya	Achhu (Medium)	3760	3600	160
	Mandya	Kurikatu (Medium)	3500	3500	Unch
	Mandya	Other (Medium)	3490	3510	-20
	Mandya	Yellow (Medium)	3740	3640	100
	Shimoga	Achhu (Average)	4333	4350	-17

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			21-Sep-17	14-Sep-17	21-Aug-17	21-Sep-16
Uttar Pradesh	Muzaffarnagar	ChakuSukha	3425	3425	3200	NA
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	NA	NA
	Muzaffarnagar	Khurpa	NA	NA	NA	NA
	Muzaffarnagar	Laddoo	NA	NA	NA	NA
	Muzaffarnagar	Rascut	2850	2863	2650	NA
	Hapur	Chaurasa	NA	NA	NA	3325
	Hapur	Balti	NA	NA	NA	3350
Maharashtra	Latur	Lal Variety	NR	NR	NR	NA
Karnataka	Bangalore	Mudde (Average)	5150	5150	4750	4750
	Belgaum	Mudde (Average)	3500	NA	3500	3600
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	NA	NA	NA
	Gulbarga	Other (Average)	NA	NA	NA	4100
	Mahalingapura	Penti (Average)	3941	3718	3514	NA
	Mandya	Achhu (Medium)	3950	3650	3850	3300
	Mandya	Kurikatu (Medium)	3500	3500	3400	3100
	Mandya	Other (Medium)	3550	3500	3400	3200
	Mandya	Yellow (Medium)	3850	3650	3500	3300
	Shimoga	Achhu (Average)	NA	4250	NA	4200

Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			15th September to 21st September	8th September to 14th September	
Delhi	Delhi	M-Grade	3709	3784	-75
	Delhi	S-Grade	3689	3764	-75
Uttar Pradesh	Khatauli	M-Grade	3748	3765	-17
	Ramala	M-Grade	NA	3655	-
	Dhampur	M-Grade Ex-Mill	3690	3700	-10
	Dhampur	S-Grade Ex-Mill	3670	3680	-10
	Dhampur	L-Grade Ex-Mill	3740	3750	-10
Maharashtra	Mumbai	M-Grade	3923	3933	-10
	Mumbai	S-Grade	3767	3764	3
	Nagpur	M-Grade	3784	3800	-16
	Nagpur	S-Grade	3705	3725	-20
	Kolhapur	M-Grade	3659	3675	-16
	Kolhapur	S-Grade	3580	3600	-20
Assam	Guhawati	S-Grade	3898	3918	-20
Meghalaya	Shillong	S-Grade	3900	3920	-20
Andhra Pradesh	Vijayawada	M-Grade	3993	3993	Unch
	Vijayawada	S-Grade	3933	3933	Unch
West Bengal	Kolkata	M-Grade	4146	4138	8
Tamil Nadu	Chennai	S-Grade	3883	3900	-17
Chattisgarh	Ambikapur	M-Grade (Without Duty)	NA	NA	-
	Ambikapur	S-Grade (Without Duty)	NA	NA	-

Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)

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International Sugar Prices (Weekly)				
	Contract Month	20-Sep-17	13-Sep-17	Change
ICE Sugar #11 (US Cent/lb)	17-Oct	14.07	14.33	-0.26
	18-Mar	14.70	14.80	-0.10
	18-May	14.85	14.88	-0.03
LIFFE Sugar (US \$/MT)	17-Dec	371.00	372.3	-1.30
	18-Mar	379.6	382.7	-3.10
	18-May	390.3	392.3	-2.00

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