

Sugar & Gur Weekly Research Report

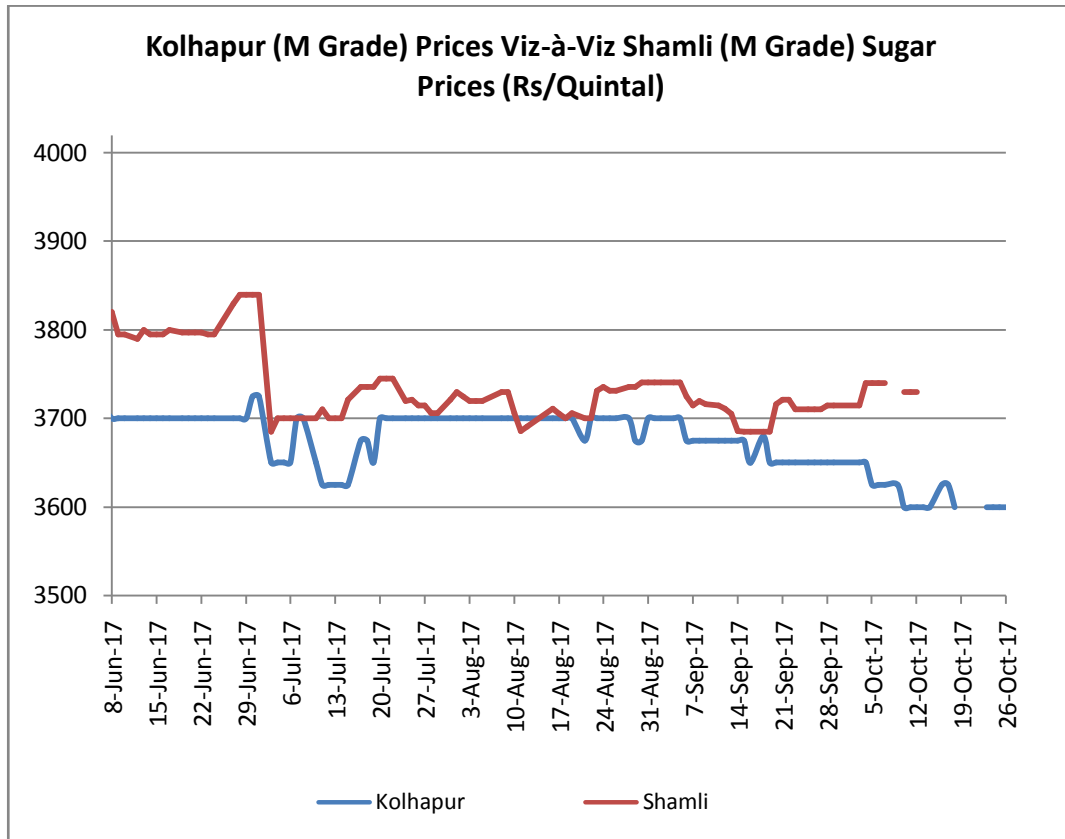
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Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market fell during the week following dormant domestic demand from stockiest and bulk consumers

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3600 per quintal this week compared to Rs 3610 per quintal the previous week. Similarly, spot sugar prices for the same variety/grade in Shamli district fell by 0.11% to Rs 3730 per quintal this week.



Price Outlook:

Agriwatch predicts spot sugar prices to fell in the weeks ahead as market is expected to get supplied with excessive sugar with the onset of crushing season in India.

Price Projection for the Next Week

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3550 - 3750 per quintal next week.

Domestic Market Highlights

Recent Updates

- With a view to control domestic sugar prices, the Indian govt. had further extended the existing stock limit on sugar till 28th April, 2018. Initially, the govt. had announced a stock limit on sugar in April, 2016, wherein states are required to hold sugar stock of up to a limit of 500 tonnes with a turnover limit of 30 days except for West Bengal (where stock limit was fixed at 1,000 tonnes).
- The Uttar Pradesh govt. had announced a cane SAP (State Advisory Price) of Rs 315/quintal for 2017-18 (01st October, 2017 – 30th September, 2018) which was Rs 305/quintal in 2016-17 (01st October, 2016 – 30th September, 2017).
- The Indian govt. predicted India to produce 25 MMT of sugar in 2017-18 (01st October, 2017 – 30th September, 2018) which was 23.6% higher than the sugar produced last year in 2016-17 (01st October, 2016 – 30th September, 2017); whereas ISMA had predicted the country to produce 25.1 MMT of sugar during 2017-18.
- The Haryana govt. had raised cane SAP (State Advisory Price) from Rs 3200/quintal in 2016-17 (01st October, 2016 – 30th September, 2017) to Rs 3300/quintal for 2017-18 (01st October, 2017 – 30th September, 2018).
- As per the state agriculture minister of Haryana, cooperative sugar mills in the state are expected to operate earlier this marketing year and would start their crushing operation from 01st November, 2017.

Previous Update

- The Indian govt. is soon planning to raise price of ethanol meant for blending with petrol and to be procured by the Oil Marketing Companies (OMCs). Notably, at present (2016-17), the OMCs purchase ethanol from the mills at a rate of Rs 39/litre which is expected to get increased to Rs 41/litre for 2017-18.
- According to the official figures, sugarcane has been sown on 49.95 lakh hectares as on October 13, 2017 across the country compared to 45.64 lakh hectares during the same period previous year.
- The Cane Control Order, 1966, provides for payment of interest by sugar mills to farmers at 15 per cent per annum, if they do not make cane payment within 15 days of buying the cane. However, this was not implemented by any state. This was implemented by Uttar Pradesh in 2016-17. Following this, sugar mills from Uttar Pradesh have paid Rs 342 crore as interest on delayed cane payment in 2016-17, their counterparts in Maharashtra will have to pay interest on delayed cane payment from the 2017-18 crushing season.
- In its first advance estimate, the agriculture ministry of India projected the country to produce 338 million tonnes of sugarcane in 2017-18 (01st October, 2017 – 30th September, 2018).
- The West Indian Sugar Mills Association (WISMA) predicted Maharashtra to produce 7 MT of sugar during 2017-18 (01st October, 2017 – 30th September, 2018).
- 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 (01st October, 2017 – 30th September, 2018).
- ISMA predicted India to produce 251 LT of sugar next marketing year i.e. 2017-18 (01st October, 2017 – 30th 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 (01st October, 2017 – 30th September, 2018).

Sugar Import/Export Opportunity

Indian indicative raw sugar CIF prices sourced from Brazil to JNPT (India) was quoted at \$491.52 per ton (including 50% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at \$561.90 per ton.

On International front, Brazil sugar FOB prices quoted at \$593.82 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.64.78) as on 26 Oct, 2017			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$593.82	NA/373.40	\$561.90

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



- Sugar spot prices at benchmark Kolhapur market closed at Rs 3600/quintal this week.
- Next resistance and support level for the coming week has been seen at Rs 3670 and Rs 3575 per quintal.

Domestic Sugar Market Technical Analysis (Future Market)



Technical Commentary:

- Sugar prices and volume remained constant for the week.
- RSI is hovering in a neutral zone
- MACD signal line and center line denotes bearish crossover.

Strategy: Sell

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Dec	3250	3300	3410	3500	3600
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Dec	Sell	Below 3410	3360	3335	3440

International Sugar Market Summary

International sugar prices noticed firm tone during the week as cane crushing is about to get end soon in top producer Brazil, resulting into a rise in prices.

International Market Highlights

Recent Updates

- As per the latest UNICA report, Brazil's main C.S region churned around 1.98 MMT of sugar in the first half of October, 2017 which was 12.28% lower than the sugar crushed last year during the corresponding period.
- According to China's General Administration of Customs, China imported 1.83 million metric tonnes of sugar during the period January –September 2017, a decline of 29.8% compared to the same period previous year amid higher tariffs on imports. In the month of September 2017, China's imports of sugar declined by 67.5% to 160,000 metric tonnes.
- China's sugar production in marketing year (MY) 2017/18 is expected to increase for the second consecutive year amid expanded acreage for both sugar cane and sugar beets. This increased domestic production, coupled with the safeguard measure on sugar imports, is expected to result in lower imports in MY 2017/18.
- According to consultancy, Canaplan, Brazil's 2017/18 center-south cane crop is expected to reach 588 million metric tonnes, higher than the previous projection of 575 million metric tonnes.

Previous Updates

- On the back of a higher production estimate in Thailand & Europe, the Rabobank predicted a world sugar surplus of 4.5 MMT in 2017-18 (01st October, 2017 – 30th September, 2018).
- According to USDA attache report, the Australian sugar cane crush for 2017/18 at 34 million MT, up 6 percent compared to the official forecast. Sugar production is forecast at 4.8 million MT in 2017/18 which is same as the official forecast. The harvested area for sugar cane is revised down to 400,000 hectares for 2017/18, due to lower price and competition from other crops.
- According to Archer consulting, Brazil's sugar output is expected at 35.51 million metric tonnes in 2018/19.
- According to Ukrtsukor sugar makers, Ukraine has so far produced 309,800 tonnes of white sugar from the 2017 sugar beet harvest as of Oct. 2, 2017.
- 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 (01st April, 2017 – 31st March, 2018) which was 1.8% higher than the sugar produced last year in 2016-17 18 (01st April, 2016 – 31st March, 2017).
- 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.

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



Technical Commentary

- LIFE future market trends downward for the week.
 - The last candlestick depicts bearishness in the market.
- Strategy: Sell at 369.75 with a target of 362.05

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Dec'17	369.75	362.05

ICE (Raw Sugar Exchange) Future Market Scenario (Mar'18 Contract)



Technical Commentary:

- ICE raw sugar futures trend downward for the week.
 - Last candlestick depicts bearishness in the market.
- Strategy: Sell at 14.00 with a target of 13.80

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'18	14.00	13.80

Gur Market Scenario

Spot gur market mostly traded dormant during the week following mounting stock of the commodity on constant arrivals into the market. Notably, prices of Chaku Sukha (Cold) variety of gur from key Muzaffarnagar fell by Rs 533/quintal from Rs 3732/quintal to Rs 3199/quintal this week.

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



- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 3199/quintal this week.
- Next resistance and support level for the coming week has been seen at Rs 4108 and Rs 3005 per quintal.

Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			20th October to 26th October	13th October to 18th October	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3199	3732	-533
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	33000	9000	24000
	Muzaffarnagar	Khurpa (Fresh)	2876	3113	-237
	Muzaffarnagar	Laddoo (Fresh)	3128	3404	-276
	Muzaffarnagar	Rascut (Fresh)	2610	2582	29
	Hapur	Chaurasa	2753	2875	-122
	Hapur	Balti	2832	2913	-81
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	5150	5150	Unch
	Belgaum	Mudde (Average)	3750	3767	-17
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3785	NA	-
	Gulbarga	Other (Average)	4142	3938	204
	Mahalingapura	Penti (Average)	3889	NA	-
	Mandya	Achhu (Medium)	4050	4167	-117
	Mandya	Kurikatu (Medium)	3900	4067	-167
	Mandya	Other (Medium)	3725	3967	-242
	Mandya	Yellow (Medium)	4025	4117	-92
	Shimoga	Achhu (Average)	4450	4450	Unch

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			26-Oct-17	17-Oct-17	26-Sep-17	26-Oct-16
Uttar Pradesh	Muzaffarnagar	ChakuSukha	3278	3425	3400	3100
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	9000	11000	NA	7000
	Muzaffarnagar	Khurpa	2913	2963	NA	2850
	Muzaffarnagar	Laddoo	3155	3213	NA	3128
	Muzaffarnagar	Rascut	2613	2555	2850	2450
	Hapur	Chaurasa	2775	2700	NA	2588
	Hapur	Balti	2825	2750	NA	2675
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	5150	5150	5200	4650
	Belgaum	Mudde (Average)	3700	NA	NA	3500
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	NA	3850	NA
	Gulbarga	Other (Average)	NA	4125	3610	3775
	Mahalingapura	Penti (Average)	NA	NA	3897	3592
	Mandya	Achhu (Medium)	4100	4200	4200	3600
	Mandya	Kurikatu (Medium)	3900	4100	3700	3400
	Mandya	Other (Medium)	3750	4000	3600	3350
	Mandya	Yellow (Medium)	4100	4000	4150	3600
	Shimoga	Achhu (Average)	NA	NA	4000	4100

Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			20th October to 26th October	13th October to 18th October	
Delhi	Delhi	M-Grade	3768	3794	-26
	Delhi	S-Grade	3748	3774	-26
Uttar Pradesh	Khatauli	M-Grade	3815	3810	5
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3697	3700	-3
	Dhampur	S-Grade Ex-Mill	3677	3680	-3
	Dhampur	L-Grade Ex-Mill	3747	3750	-3
Maharashtra	Mumbai	M-Grade	3882	3910	-28
	Mumbai	S-Grade	3732	3764	-32
	Nagpur	M-Grade	3725	3735	-10
	Nagpur	S-Grade	3625	3635	-10
	Kolhapur	M-Grade	3600	3610	-10
	Kolhapur	S-Grade	3500	3510	-10
Assam	Guhawati	S-Grade	3816	3827	-10
Meghalaya	Shillong	S-Grade	3820	3830	-10
Andhra Pradesh	Vijayawada	M-Grade	3993	3993	Unch
	Vijayawada	S-Grade	3933	3933	Unch
West Bengal	Kolkata	M-Grade	4105	4144	-39
Tamil Nadu	Chennai	S-Grade	3775	3763	13
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)

Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			26-Oct-17	17-Oct-17	26-Sep-17	26-Oct-16
Delhi	Delhi	M-Grade	3762	3795	3776	3820
	Delhi	S-Grade	3742	3775	3756	3800
Uttar Pradesh	Khatauli	M-Grade	3810	3810	3780	3965
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3680	3700	3680	3775
	Dhampur	S-Grade Ex-Mill	3660	3680	3660	3755
	Dhampur	L-Grade Ex-Mill	3730	3750	3730	3825
Maharashtra	Mumbai	M-Grade	3892	3910	3920	3910
	Mumbai	S-Grade	3732	3780	3740	3660
	Nagpur	M-Grade	3725	3750	3775	3650
	Nagpur	S-Grade	3625	3650	3675	3550
	Kolhapur	M-Grade	3600	3625	3650	3525
	Kolhapur	S-Grade	3500	3525	3550	3425
Assam	Guhawati	S-Grade	3816	3842	3867	3740
Meghalaya	Shillong	S-Grade	3820	3845	3870	3745
Andhra Pradesh	Vijayawada	M-Grade	3993	3993	3993	3980
	Vijayawada	S-Grade	3933	3933	3933	3860
West Bengal	Kolkata	M-Grade	4070	4135	NA	NA
Tamil Nadu	Chennai	S-Grade	3775	3750	3800	3500
Chattisgarh	Ambikapur	M-Grade (Without Duty)	NR	NR	NR	NR
	Ambikapur	S-Grade (Without Duty)	NR	NR	NR	NR

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

International Sugar Prices (Weekly)				
	Contract Month	25-Oct-17	17-Oct-17	Change
ICE Sugar #11 (US Cent/lb)	18-Mar	14.18	14.03	0.15
	18-May	14.28	14.15	0.13
	18-Jul	14.39	14.32	0.07
LIFFE Sugar (US \$/MT)	17-Dec	374.10	368.30	5.80
	18-Mar	374.90	370.80	4.10
	18-May	380.80	376.80	4.00

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