

Sugar & Gur Weekly Research Report

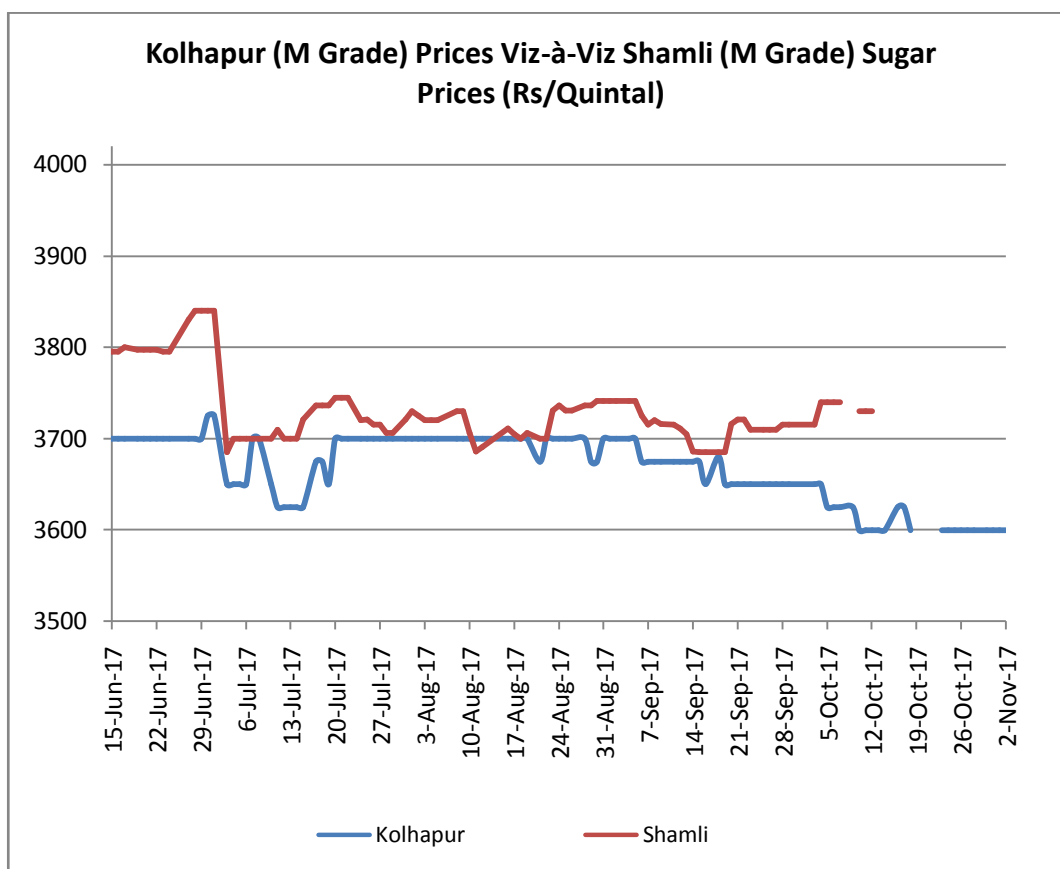
Contents

- ❖ Domestic Sugar Market Summary
- ❖ Price Projection
- ❖ Domestic Market Highlights
- ❖ Agriwatch Sweeteners Index
- ❖ Sugar Export/Import Scenario
- ❖ Sugar Export/Import Opportunity
- ❖ Domestic Sugar Market Technical Analysis (Future Market)
- ❖ Domestic Sugar Market Technical Analysis (Spot Market)
- ❖ International Sugar Market Summary
- ❖ International Market Highlight
- ❖ International Market Technical Analysis (Future Market)
- ❖ Gur Market Scenario/ Technical Analysis (Spot Market)
- ❖ Annexure

Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market traded steady to weak 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 which was same as quoted 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

- The Indian government raised domestic prices of ethanol (by 5%) which was meant for blending with petrol and to be procured by the Oil Marketing Companies (OMCs). Notably, at present (2016-17), the OMCs purchases ethanol from the mills at a rate of Rs 39 per litre which got increase to Rs 40.85 per litre for 2017-18.
- Due to a reduction in sugar subsidy provided by the centre, the Tamil Nadu government had raised sugar prices meant to be sold through public distribution system (PDS) in the state.
- The Commission for Agricultural Costs and Prices (CACP) had recommended an all India cane FRP (Fair and Remunerative Price) of Rs 275 per quintal for next marketing year i.e. 2018-19 (01st October 2018 – 30th September 2019). Notably, at present, FRP (minimum cane price fixed by the government to be paid to the farmers) for 2017-18 (01st October 2017 – 30th September 2018) has been fixed at Rs 255 per quintal.

Previous Update

- 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.
- 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).

Sugar Import/Export Opportunity

Indian indicative raw sugar CIF prices sourced from Brazil to JNPT (India) was quoted at \$479.15 per ton (including 50% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at \$563.55 per ton.

On International front, Brazil sugar FOB prices quoted at \$586.32 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.64.59) as on 02 Nov, 2017			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$586.32	NA/373.40	\$563.55

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)



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

- Green Pool predicted a global sugar surplus of 9.8 MMT in 2017-18 (01st October 2017 – 30th September 2018).

Previous 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.
- 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 Achhu variety of gur from Bijapur fell by Rs 135/quintal from Rs 3785/quintal to Rs 3650/quintal this week.

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



- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 3119/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)			27th October to 02nd November	20th October to 26th October	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	3119	3199	-80
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	52000	33000	19000
	Muzaffarnagar	Khurpa (Fresh)	2825	2876	-51
	Muzaffarnagar	Laddoo (Fresh)	3057	3128	-71
	Muzaffarnagar	Rascut (Fresh)	2626	2610	16
	Hapur	Chaurasa	2715	2753	-38
	Hapur	Balti	2730	2832	-102
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	5150	5150	Unch
	Belgaum	Mudde (Average)	3667	3750	-83
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3650	3785	-135
	Gulbarga	Other (Average)	4105	4142	-37
	Mahalingapura	Penti (Average)	3831	3889	-58
	Mandya	Achhu (Medium)	3940	4050	-110
	Mandya	Kurikatu (Medium)	3820	3900	-80
	Mandya	Other (Medium)	3670	3725	-55
	Mandya	Yellow (Medium)	3980	4025	-45
	Shimoga	Achhu (Average)	4488	4450	38

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			2-Nov-17	26-Oct-17	3-Oct-17	2-Nov-16
Uttar Pradesh	Muzaffarnagar	ChakuSukha	3013	3278	3550	2880
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	8000	9000	NA	5000
	Muzaffarnagar	Khurpa	2700	2913	3475	2650
	Muzaffarnagar	Laddoo	3000	3155	3763	2975
	Muzaffarnagar	Rascut	2600	2613	2850	2475
	Hapur	Chaurasa	2650	2775	NA	2500
	Hapur	Balti	2650	2825	NA	2525
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	5150	5150	5200	4650
	Belgaum	Mudde (Average)	3700	3700	NA	3400
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	3800	3950	NA
	Gulbarga	Other (Average)	NA	3850	3440	3750
	Mahalingapura	Penti (Average)	NA	NA	3440	3518
	Mandya	Achhu (Medium)	3650	4100	4100	3450
	Mandya	Kurikatu (Medium)	3600	3900	3700	3300
	Mandya	Other (Medium)	3350	3750	3650	3100
	Mandya	Yellow (Medium)	3700	4100	3950	3400
	Shimoga	Achhu (Average)	NA	NA	4450	4150

Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			27th October to 02nd November	20th October to 26th October	
Delhi	Delhi	M-Grade	3780	3768	12
	Delhi	S-Grade	3760	3748	12
Uttar Pradesh	Khatauli	M-Grade	3788	3815	-28
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3680	3697	-17
	Dhampur	S-Grade Ex-Mill	3660	3677	-17
	Dhampur	L-Grade Ex-Mill	3730	3747	-17
Maharashtra	Mumbai	M-Grade	4023	3882	141
	Mumbai	S-Grade	3875	3732	144
	Nagpur	M-Grade	3725	3725	Unch
	Nagpur	S-Grade	3625	3625	Unch
	Kolhapur	M-Grade	3600	3600	Unch
	Kolhapur	S-Grade	3500	3500	Unch
Assam	Guhawati	S-Grade	3816	3816	Unch
Meghalaya	Shillong	S-Grade	3820	3820	Unch
Andhra Pradesh	Vijayawada	M-Grade	3993	3993	Unch
	Vijayawada	S-Grade	3933	3933	Unch
West Bengal	Kolkata	M-Grade	4070	4105	-35
Tamil Nadu	Chennai	S-Grade	3792	3775	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	1-Nov-17	25-Oct-17	Change
ICE Sugar #11 (US Cent/lb)	18-Mar	14.61	14.18	0.43
	18-May	14.69	14.28	0.41
	18-Jul	14.78	14.39	0.39
LIFFE Sugar (US \$/MT)	17-Dec	382.4	374.10	8.30
	18-Mar	382.6	374.90	7.70
	18-May	388.9	380.80	8.10

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