

# Sugar & Gur Weekly Research Report

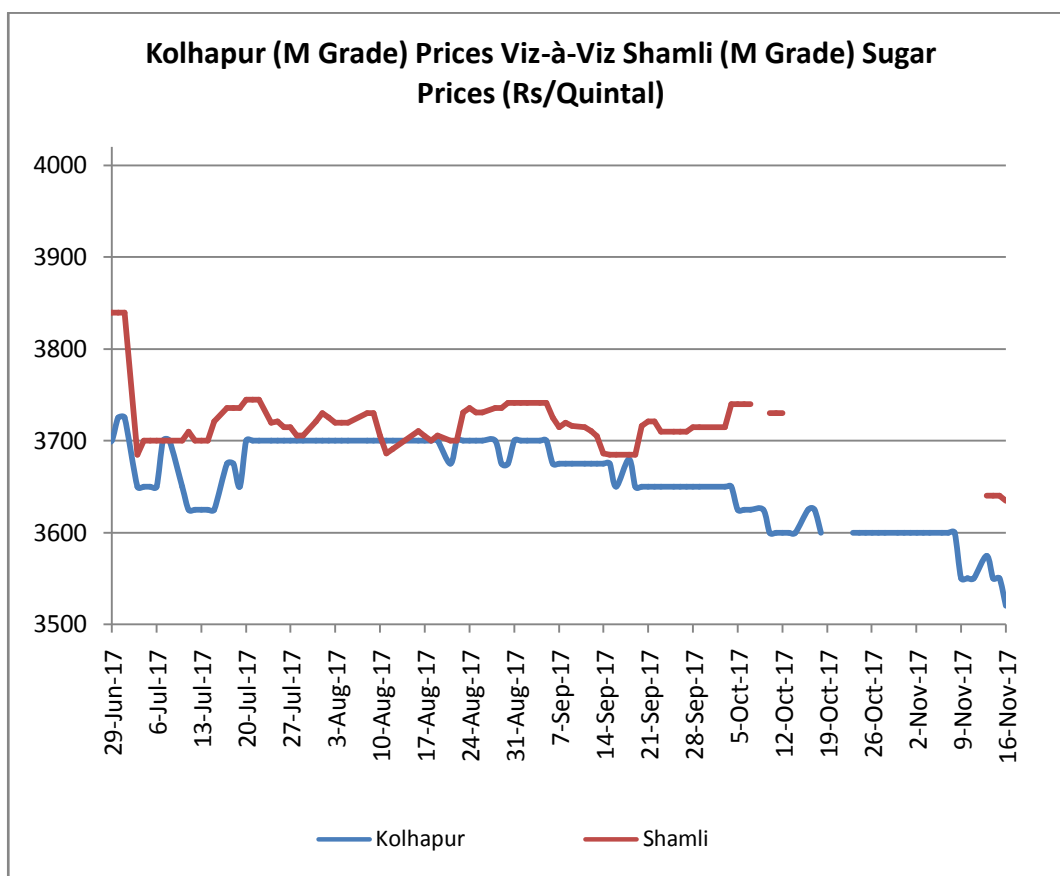
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### Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market traded steady to weak following subdued domestic demand from stockiest and bulk consumers.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3549 per quintal this week compared to Rs 3592 per quintal the previous week. Similarly, spot sugar prices for the same variety/grade in Shamli district fell by 0.11% to Rs 3639 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 3300 - 3650 per quintal next week.

## Domestic Market Highlights

### Recent Updates

- As per the Agriwatch estimate India is expected to produce 252 lakh tonnes (LT) of sugar in 2017-18 (01st October, 2017 – 30th September, 2018) where in, U.P, Maharashtra and Karnataka are expected to produce 102 LT, 75 LT and 21 LT of sugar respectively.
- The Punjab government had announced a cane SAP (State Advisory Price) of Rs 290 per quintal (9.5% recovery rate) for 2017-18 (01st October, 2017 – 30th September, 2018) which was same as that fixed for the year 2016-17 (01st October, 2016 – 30th September, 2017).

### Previous Update

- The industry sources predict Maharashtra to churn 650 LT of sugarcane in 2017-18 which is 74% higher than the sugarcane crushed by the state last year in 2016-17.
- 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.
- 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 \$511 per ton (including 50% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at \$549.47 per ton.

On International front, Brazil sugar FOB prices quoted at \$606.22 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.65.29) as on 16 Nov, 2017			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$606.22	NA/390.80	\$549.47

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



- Sugar spot prices at benchmark Kolhapur market closed at Rs 3549/quintal this week.
- Next resistance and support level for the coming week has been seen at Rs 3670 and Rs 3450 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**

### **Previous Updates**

- Green Pool predicted a global sugar surplus of 9.8 MMT in 2017-18 (01st October 2017 – 30th September 2018).
- 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 (Average) variety of gur from Shimoga fell by Rs 175/quintal from Rs 4475/quintal to Rs 4300/quintal this week.

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



- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2935/quintal this week.
- Next resistance and support level for the coming week has been seen at Rs 3200 and Rs 2550 per quintal.

Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			10th Nov to 16th Nov	3rd Nov to 9th Nov	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	2935	2979	-44
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	49000	40000	9000
	Muzaffarnagar	Khurpa (Fresh)	2704	2728	-24
	Muzaffarnagar	Laddoo (Fresh)	3053	2983	71
	Muzaffarnagar	Rascut (Fresh)	2317	2448	-130
	Hapur	Chaurasa	2595	2538	58
	Hapur	Balti	2540	2538	3
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4900	4900	Unch
	Belgaum	Mudde (Average)	NR	3733	-
	Belthangadi	Yellow (Average)	NR	NR	-
	Bijapur	Achhu	3640	NR	-
	Gulbarga	Other (Average)	4050	4094	-44
	Mahalingapura	Penti (Average)	3676	3733	-57
	Mandya	Achhu (Medium)	3280	3450	-170
	Mandya	Kurikatu (Medium)	3260	3420	-160
	Mandya	Other (Medium)	3170	3280	-110
	Mandya	Yellow (Medium)	3310	3430	-120
	Shimoga	Achhu (Average)	4300	4475	-175

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			16-Nov-17	9-Nov-17	16-Oct-17	16-Nov-16
Uttar Pradesh	Muzaffarnagar	ChakuSukha	2950	2955	3925	2900
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	6000	7000	10000	5000
	Muzaffarnagar	Khurpa	2650	2778	3028	2778
	Muzaffarnagar	Laddoo	3053	3063	3428	2963
	Muzaffarnagar	Rascut	2250	2450	2625	2550
	Hapur	Chaurasa	2550	2563	Closed	2575
	Hapur	Balti	2500	2550	Closed	2575
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	4900	4900	5150	4650
	Belgaum	Mudde (Average)	NA	3800	3700	NA
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	NA	NA	NA
	Gulbarga	Other (Average)	3900	4150	4050	3675
	Mahalingapura	Penti (Average)	3696	NA	NA	3550
	Mandya	Achhu (Medium)	3300	3350	4100	3400
	Mandya	Kurikatu (Medium)	3300	3300	4100	3300
	Mandya	Other (Medium)	3150	3200	4000	3200
	Mandya	Yellow (Medium)	3350	3350	4150	3300
	Shimoga	Achhu (Average)	NA	NA	4450	3900

Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			10th Nov to 16th Nov	3rd Nov to 9th Nov	
Delhi	Delhi	M-Grade	3730	3727	4
	Delhi	S-Grade	3710	3707	4
Uttar Pradesh	Khatauli	M-Grade	3758	3778	-20
	Ramala	M-Grade	NR	NR	-
	Dhampur	M-Grade Ex-Mill	3658	3664	-6
	Dhampur	S-Grade Ex-Mill	3638	3644	-6
	Dhampur	L-Grade Ex-Mill	3708	3714	-6
Maharashtra	Mumbai	M-Grade	3862	3873	-11
	Mumbai	S-Grade	3655	3679	-23
	Nagpur	M-Grade	3674	3717	-43
	Nagpur	S-Grade	3573	3625	-53
	Kolhapur	M-Grade	3549	3592	-43
	Kolhapur	S-Grade	3448	3500	-53
Assam	Guhawati	S-Grade	3763	3816	-53
Meghalaya	Shillong	S-Grade	3768	3820	-53
Andhra Pradesh	Vijayawada	M-Grade	3914	3927	-13
	Vijayawada	S-Grade	3876	3886	-10
West Bengal	Kolkata	M-Grade	4070	4110	-40
Tamil Nadu	Chennai	S-Grade	3783	3792	-8
Chattisgarh	Ambikapur	M-Grade (Without Duty)	NR	NR	-
	Ambikapur	S-Grade (Without Duty)	NR	NR	-
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			16-Nov-17	9-Nov-17	16-Oct-17	16-Nov-16
Delhi	Delhi	M-Grade	3705	3700	3819	3775
	Delhi	S-Grade	3685	3680	3799	3755
Uttar Pradesh	Khatauli	M-Grade	3734	3770	3812	3880
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3660	3660	3700	3718
	Dhampur	S-Grade Ex-Mill	3640	3640	3680	3698
	Dhampur	L-Grade Ex-Mill	3710	3710	3750	3768
Maharashtra	Mumbai	M-Grade	3852	3876	3910	3960
	Mumbai	S-Grade	3640	3676	3772	3630
	Nagpur	M-Grade	3645	3675	3750	3675
	Nagpur	S-Grade	3545	3625	3650	3575
	Kolhapur	M-Grade	3520	3550	3625	3550
	Kolhapur	S-Grade	3420	3500	3525	3450
Assam	Guhawati	S-Grade	3735	3816	3842	3766
Meghalaya	Shillong	S-Grade	3740	3820	3845	3770
Andhra Pradesh	Vijayawada	M-Grade	3914	3914	3993	3920
	Vijayawada	S-Grade	3876	3876	3933	3820
West Bengal	Kolkata	M-Grade	NA	NA	4135	3870
Tamil Nadu	Chennai	S-Grade	3775	3775	3750	3475
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	15-Nov-17	8-Nov-17	Change
ICE Sugar #11 (US Cent/lb)	18-Mar	15.09	14.84	0.25
	18-May	15.09	14.91	0.18
	18-Jul	15.09	14.96	0.13
LIFFE Sugar (US \$/MT)	17-Dec	392.4	393.7	-1.30
	18-Mar	390.8	388.1	2.70
	18-May	395.4	392.0	3.40

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