

Sugar & Gur Weekly Research Report

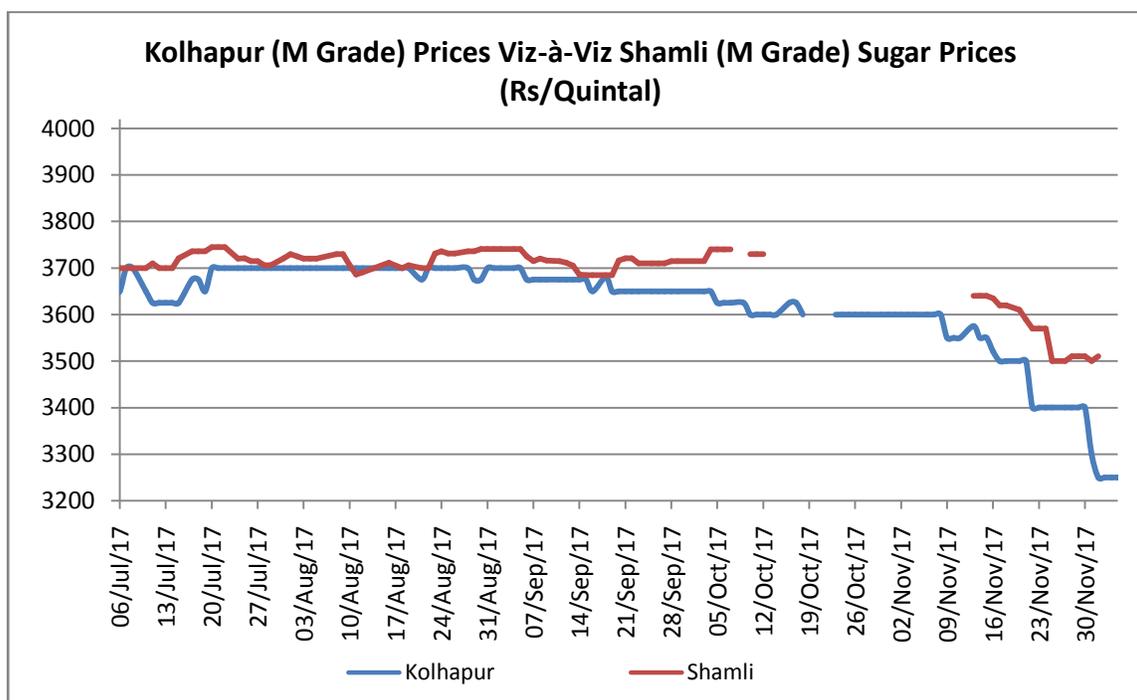
Contents

- ❖ 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 subdued domestic demand from stockiest and bulk consumers.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3200 per quintal this week and previous week was 3250. Similarly, spot sugar prices for the same variety/grade in Shamli district Rs 3485 per quintal this week.



Price Outlook:

Agriwatch predicts spot sugar prices to fall 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

- The total sugar production this year is estimated to be around 249 lakh tonnes against estimated consumption requirement of about 250 lakh tonnes, an official statement said on Tuesday.
- Given the current comfortable position of production and in order to further smoothen the supply chain for easy availability of sugar in all regions, the government has withdrawn stock holding and turnover limits on dealers of sugar with immediate effect.

- Sugar Mills have produced 69.40 lakh tonne of sugar till December 15 of the 2017-18 marketing year as compared to 53.46 lakh tonne in the corresponding period of the previous year.

Previous Update

- The millers said these steps were necessary in view of Pakistan's decision to provide export subsidy on 15 lakh tonnes of sugar. In view of this India needs to protect its trade interests as Bangladesh may turn to Pakistan for sugar imports.
- Indian Sugar Mills Association (ISMA) has asked the government to negotiate preferential duty structure for export to Bangladesh and Sri Lanka for Indian sugar. Bangladesh levies import duty of USD 150 per tonne on sugar, Sri Lanka imposes USD 100 per tonne. The two neighbours import about 25-30 lakh tonnes of sweetener annually according to ISMA.
- The Indian Sugar Mills Association (ISMA) estimates the average cost of producing sugar in the 2017-18 season at Rs 3,300-3,350 a quintal.
- The government is considering removing stock limits on sugar to arrest falling prices after a bumper harvest.
- Private mills in Uttar Pradesh are selling sugar in distress to clear their cane arrears to farmers.
- Crushing units in Maharashtra have sold their new season's output at low prices to meet their daily expenses. The benchmark M-30 variety of sugar has declined by over 3 per cent in November to trade now at Rs 3,694 per quintal in the Vashi Agricultural Produce Market Committee wholesale market
- Mills in western Maharashtra have committed to pay cane farmers Rs 200 above the fair and remunerative price of Rs 255 a quintal and their cost of producing sugar works out to Rs 3,500 a quintal.
- India's sugar production in first 45 days of the crushing season rose by 79.01% as the country produced 13.73 LT of sugar in 2017-18 (01st October, 2017 – 15th November, 2017) compared to 7.67 LT of production made in 2016-17 (01st October, 2016 – 15th November, 2016).
- 78 sugar mills in U.P have produced 5.67 LT of sugar in 2017-18 (01st October, 2017 – 15th November, 2017) which is 3.74 LT higher than corresponding period last year.
- Sugar production in Maharashtra rose by 69.8% as the state produced 3.26 LT of sugar in 2017-18 (01st October, 2017 – 15th November, 2017) compared to 1.92 LT in the period 01st October, 2016 to 15th November, 2016.
- Karnataka has produced 3.76 LT of sugar in current year (01st October, 2017 – 15th November, 2017) which is the same as last year during the same period.
- 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 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.
- The Commission for Agricultural Costs and Prices (CACPC) 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.
- 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 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).
- 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).

Sugar Import/Export Opportunity

Indian indicative raw sugar CIF prices sourced from Brazil to JNPT (India) was quoted at \$511.62 per ton (including 50% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at \$525.21 per ton.

On International front, Brazil sugar FOB prices quoted at \$607.12 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.64.79) as on 21 Dec, 2017			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$511.62	NA/361.90	\$525.21

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



- Sugar spot prices at benchmark Kolhapur market closed at Rs 3467/quintal this week.
- Next resistance and support level for the coming week has been seen at Rs 3700 and Rs 3200 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

- As per the latest UNICA report Brazil's main C.S region produced 1.88 MMT of sugar in the second half of October, 2017 which was 4.80% lower than the sugar crushed in the first half of October, 2017.

Previous Updates

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



Technical Commentary

- LIFE future market trends upward for the week.
- The last candlestick depicts bullishness in the market.
Strategy: Buy at 400.2 with a target of 421.07

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Mar'18	400.2	421.07

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



Technical Commentary:

- ICE raw sugar futures trend upward for the week.
 - Last candlestick depicts bullishness in the market.
- Strategy: Buy at 15.50 with a target of 16.05

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'18	15.50	16.05

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 240/quintal from Rs 3640/quintal to Rs 3400/quintal this week.

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



- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2855/quintal this week.
- Next resistance and support level for the coming week has been seen at Rs 3100 and Rs 2700 per quintal. In coming week prices are expected to bounce back from the level of Rs 2800/ quintal and may touch level of Rs 3000/ quintal.

Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			15th Dec to 21st Dec 2017	8th Dec to 14th Dec 2017	
Delhi	Delhi	M-Grade	3449	3461	-12
	Delhi	S-Grade	3429	3441	-12
Uttar Pradesh	Khatauli	M-Grade	3481	3518	-36
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3383	3379	4
	Dhampur	S-Grade Ex-Mill	3363	3359	4
	Dhampur	L-Grade Ex-Mill	3433	3429	4
Maharashtra	Mumbai	M-Grade	3587	3623	-36
	Mumbai	S-Grade	3329	3397	-68
	Nagpur	M-Grade	3333	3367	-33
	Nagpur	S-Grade	3233	3271	-38
	Kolhapur	M-Grade	3208	3242	-33
	Kolhapur	S-Grade	3108	3146	-38

Assam	Guhawati	S-Grade	3419	3457	-38
Meghalaya	Shillong	S-Grade	3428	3466	-38
Andhra Pradesh	Vijayawada	M-Grade	3707	3733	-27
	Vijayawada	S-Grade	3647	3660	-13
West Bengal	Kolkata	M-Grade	3710	3778	-68
Tamil Nadu	Chennai	S-Grade	3590	3654	-64
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			21-Dec-17	14-Dec-17	21-Nov-17	21-Dec-16
Delhi	Delhi	M-Grade	3438	3455	3647	3700
	Delhi	S-Grade	3418	3435	3627	3680
Uttar Pradesh	Khatauli	M-Grade	3430	3523	3674	3670
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3350	3375	3610	3600
	Dhampur	S-Grade Ex-Mill	3330	3355	3590	3580
	Dhampur	L-Grade Ex-Mill	3400	3425	3660	3650
Maharashtra	Mumbai	M-Grade	3576	3610	3852	3832
	Mumbai	S-Grade	3300	3360	3610	3592
	Nagpur	M-Grade	3325	3375	3625	3675
	Nagpur	S-Grade	3225	3275	3525	3575
	Kolhapur	M-Grade	3200	3250	3500	3550
	Kolhapur	S-Grade	3100	3150	3400	3450
Assam	Guhawati	S-Grade	3410	3461	3715	3766
Meghalaya	Shillong	S-Grade	3420	3470	3720	3770
Andhra Pradesh	Vijayawada	M-Grade	3700	3720	3885	3890
	Vijayawada	S-Grade	3640	3660	3857	3760
West Bengal	Kolkata	M-Grade	3670	3740	4050	3855
Tamil Nadu	Chennai	S-Grade	3580	3650	3725	3400
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)

Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			15th Dec to 21st Dec 2017	8th Dec to 14th Dec 2017	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	2842	2860	-18
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	33000	37000	-4000
	Muzaffarnagar	Khurpa (Fresh)	2683	2636	47
	Muzaffarnagar	Laddoo (Fresh)	2941	2899	42
	Muzaffarnagar	Rascut (Fresh)	2238	2228	10
	Hapur	Chaurasa	2523	2460	63
	Hapur	Balti	2500	2460	40
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4900	4900	Unch
	Belgaum	Mudde (Average)	3750	3800	-50
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3220	3443	-223
	Gulbarga	Other (Average)	3526	3318	209
	Mahalingapura	Penti (Average)	3440	3457	-17
	Mandya	Achhu (Medium)	3358	3480	-122
	Mandya	Kurikatu (Medium)	3300	3300	Unch
	Mandya	Other (Medium)	3217	3260	-43
	Mandya	Yellow (Medium)	3550	3600	-50
	Shimoga	Achhu (Average)	3867	3863	4

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			21-Dec-17	14-Dec-17	21-Nov-17	21-Dec-16
Uttar Pradesh	Muzaffarnagar	ChakuSukha	2850	2855	2938	2963
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	7000	4000	8000	8000
	Muzaffarnagar	Khurpa	2700	2680	2638	2800
	Muzaffarnagar	Laddoo	2963	2988	3063	2975
	Muzaffarnagar	Rascut	2225	2200	2175	2560
	Hapur	Chaurasa	2550	2500	2575	2812
	Hapur	Balti	2525	2500	2500	2850
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	4900	4900	4900	4450
	Belgaum	Mudde (Average)	3700	3700	NA	3400
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	3365	NA	NA
	Gulbarga	Other (Average)	NA	3540	4150	3640
	Mahalingapura	Penti (Average)	3414	NA	3744	3663

	Mandya	Achhu (Medium)	3300	3450	3100	3500
	Mandya	Kurikatu (Medium)	3300	3300	3100	3400
	Mandya	Other (Medium)	3150	3250	3100	3300
	Mandya	Yellow (Medium)	3450	3650	3200	3500
	Shimoga	Achhu (Average)	3900	3800	NA	3700

International Sugar Prices (Weekly)				
	Contract Month	20-Dec-17	13-Dec-17	Change
ICE Sugar #11 (US Cent/lb)	18-Mar	14.57	13.85	0.72
	18-May	14.40	13.70	0.70
	18-Jul	14.48	13.73	0.75
LIFFE Sugar (US \$/MT)	18-Mar	381.30	363.90	17.40
	18-May	380.30	363.60	16.70
	18-Aug	383.80	367.20	16.60

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