
Sugar & Gur Weekly Research Report

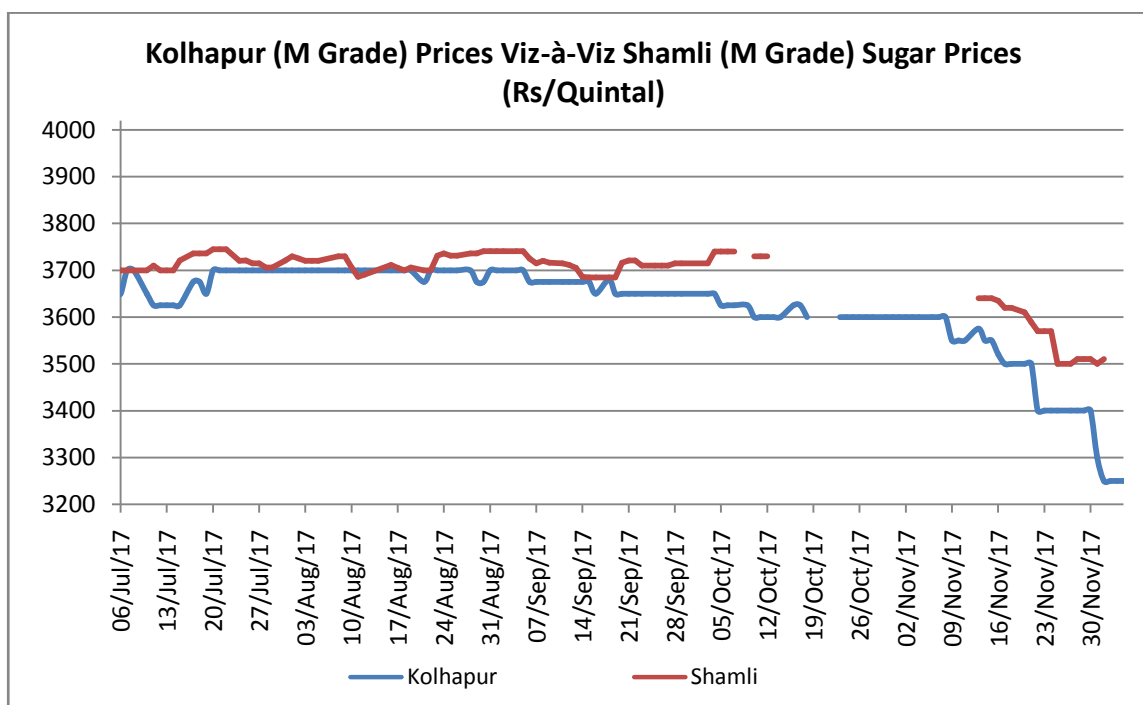
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Domestic Sugar Market Summary

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 3100 per quintal this week and previous week was 3200. Similarly, spot sugar prices for the same variety/grade in Shamli district Rs 3295 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 2800 - 3500 per quintal next week.

Domestic Market Highlights

Recent Updates

- Sugar output in Uttar Pradesh has increased to 38.80 lakh tonnes in October-December of this season from 26.78 lakh tonnes in the year-ago period. The average recovery rate of the sweetener remained higher in the state at 10.15 per cent.
- In Maharashtra, the output rose to 38.24 lakh tonnes from 25.35 lakh tonnes in the said period. The sugar recovery stood at 10.23 per cent.
- Production in Karnataka, the third biggest producer, rose to 16.17 lakh tonnes in October-December this year from 15.43 lakh tonnes last year.

- Sugar production in the country soared 26% year-on-year (y-o-y) or an increase of 21.35 lakh tonnes to 103.3 lakh tonnes between October and December 2017 on the back of good output in key growing states of Uttar Pradesh (UP) and Maharashtra. The increase is basically from UP and Maharashtra who have produced 7 lakh and 13 lakh tonnes, respectively more than last year.
- With an opening balance of about 38.76 lakh tonnes as on October 1, 2017, an estimated sugar production of 251 lakh tonnes and 2 lakh tonnes of white sugar produced out of imported raw sugar, the total sugar availability in the country during the 2017-18 sugar season (October-September) is expected to be about 291.76 lakh tonnes, ISMA said.
- Considering a demand growth of around 2%, sugar consumption during 2017-18 is estimated at 250 lakh tonnes and thus, the closing stock is expected to be about 41.76 lakh tonnes. This will be almost similar to the opening balance of this year.
- The sugar sector seems to be heading back into troubled waters in 2018. A record increase in sugar production during the current season has steadily depressed prices in the domestic market, with analysts observing that initial moves from the government like removing stock limits have had no effect in firming up prices.

Previous Update

- 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.
- 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

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 \$511.62 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 04 Dec, 2017			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$511.62	NA/398.70	\$517.05

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



- Sugar spot prices at benchmark Kolhapur market closed at Rs 31003467/quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3300 and Rs 2900 per quintal respectively.

Domestic Sugar Market Technical Analysis (Future Market)
SUGAR (Dec Weekly Chart)

Technical Commentary:

- Sugar prices increased while O.I decreased 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	3050	3100	3216	3350	3450
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Dec	Sell	Below 3180	3130	3105	3312

International Sugar Market Summary

International sugar prices noticed weak tone during the week

International Market Highlights

Recent Updates

The Pakistan Economy Watch (PEW) on Sunday said influential sugar mills mafia has emerged as a great threat to millions of cane growers.

Previous Updates

- 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.
- 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.
- The Brazilian government 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 steady for the month.
- The last candlestick depicts steady market.

Strategy: sell below 400,T1 395

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Mar'18	399	395

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



Technical Commentary:

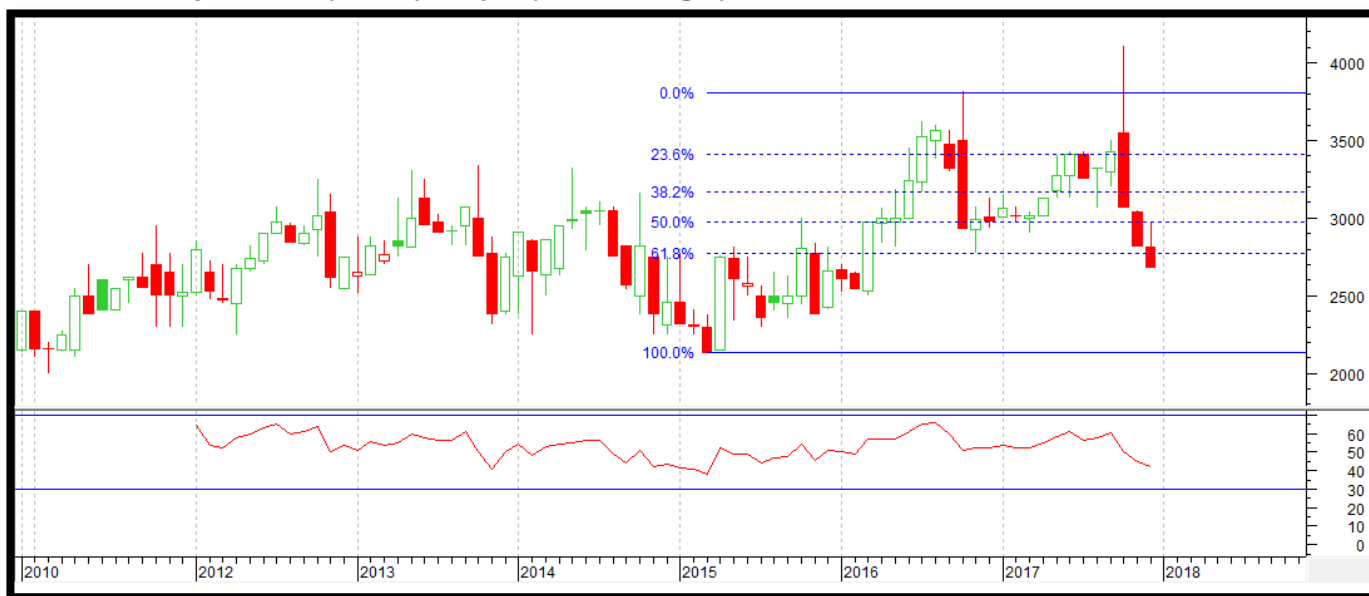
- ICE raw sugar futures trend downward for the Month.
- Last candlestick depicts bearishness in the market.

Strategy: sell at 15.30 with a target of 14.90

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'18	15.40	14.90

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 2700/quintal this week
- Next resistance and support level for the coming month has been seen at Rs 3200 and Rs 2500 per quintal respectively.

Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			4-Jan-18	28-Dec-17	4-Dec-17	4-Jan-17
Delhi	Delhi	M-Grade	3381	3450	3534	3900
	Delhi	S-Grade	3361	3430	3514	3880
Uttar Pradesh	Khatauli	M-Grade	3390	3384	3560	3850
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3290	3250	3440	3800
	Dhampur	S-Grade Ex-Mill	3270	3230	3420	3780
	Dhampur	L-Grade Ex-Mill	3340	3300	3490	3850
Maharashtra	Mumbai	M-Grade	3580	3580	3682	3950
	Mumbai	S-Grade	3290	3280	3470	3730
	Nagpur	M-Grade	3275	3225	3375	3925
	Nagpur	S-Grade	3175	3125	3295	3835
	Kolhapur	M-Grade	3150	3100	3250	3800
	Kolhapur	S-Grade	3050	3000	3170	3710
Assam	Guhawati	S-Grade	3360	3309	3481	4030

Meghalaya	Shillong	S-Grade	3370	3320	3490	4030
Andhra Pradesh	Vijayawada	M-Grade	3700	3700	3743	4020
	Vijayawada	S-Grade	3640	3640	NA	3910
West Bengal	Kolkata	M-Grade	NA	3650	3830	4020
Tamil Nadu	Chennai	S-Grade	3650	3500	3700	3625
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)			29th Dec to 4th Jan	22nd Dec to 28th Dec	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2696	2761	-65
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	25000	32000	-7000
	Muzaffarnagar	Khurpa (Fresh)	2552	2658	-106
	Muzaffarnagar	Laddoo (Fresh)	2811	2888	-77
	Muzaffarnagar	Rascut (Fresh)	2208	2241	-33
	Hapur	Chaurasa	2510	2480	30
	Hapur	Balti	2535	2510	25
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4870	4900	-30
	Belgaum	Mudde (Average)	3500	3700	-200
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	3215	-
	Gulbarga	Other (Average)	3515	3390	125
	Mahalingapura	Penti (Average)	3342	3368	-25
	Mandya	Achhu (Medium)	3310	3270	40
	Mandya	Kurikatu (Medium)	3200	3220	-20
	Mandya	Other (Medium)	3150	3120	30
	Mandya	Yellow (Medium)	3330	3230	100
	Shimoga	Achhu (Average)	3725	3800	-75

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			4-Jan-18	28-Dec-17	4-Dec-17	4-Jan-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	2713	2713	2813	3028
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	4000	6000	10000	8000
	Muzaffarnagar	Khurpa	2553	2613	2538	2850
	Muzaffarnagar	Laddoo	2840	2813	2788	3100

	Muzaffarnagar	Rascut	2188	2275	2163	2560
	Hapur	Chaurasa	2575	2450	Closed	2700
	Hapur	Balti	2575	2500	Closed	2850
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	4850	4900	4900	4500
	Belgaum	Mudde (Average)	NA	3800	3700	3200
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	3150	NA	NA
	Gulbarga	Other (Average)	NA	NA	3215	3644
	Mahalingapura	Penti (Average)	3353	3336	3673	3725
	Mandya	Achhu (Medium)	3250	3350	3300	3500
	Mandya	Kurikatu (Medium)	3200	3200	3000	3500
	Mandya	Other (Medium)	3150	3150	3000	3400
	Mandya	Yellow (Medium)	3300	3250	3200	3600
	Shimoga	Achhu (Average)	3600	3950	3850	4200

International Sugar Prices (Weekly)				
	Contract Month	3-Jan-18	27-Dec-17	Change
ICE Sugar #11 (US Cent/lb)	18-Mar	15.31	14.93	0.38
	18-May	15.21	14.82	0.39
	18-Jul	15.21	14.86	0.35
LIFFE Sugar (US \$/MT)	18-Mar	399.30	393.00	6.30
	18-May	397.20	391.80	5.40
	18-Aug	399.60	393.30	6.30

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