
Sugar & Gur Weekly Research Report

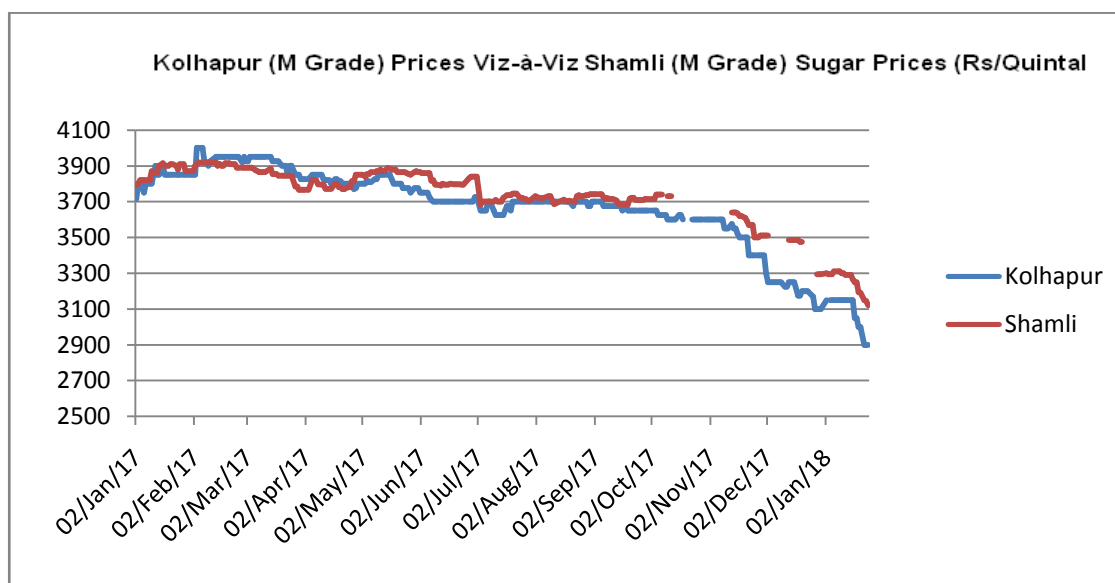
Contents

- ❖ 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 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 2875 per quintal this week and previous week was 3150. Similarly, spot sugar prices for the same variety/grade in Shamli district Rs 3125 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 2700 - 3500 per quintal next week.

Domestic Market Highlights

Recent Updates

- Sugar mills' cane arrears for the 2017-18 season stand at Rs 7,826 crore, down 13% from a year ago, according to the food ministry. As on date, cane price arrears in the current season on SAP (state-advised price) basis are at Rs 7,826 crore in comparison with Rs 8,982 crore in the corresponding period of the last sugar season
- As prices have fallen Rs 6-8 per kg since the beginning of the crushing season, traders have lost confidence in the market. If the government comes out with some policy measure, it could give a positive signal to the market.
- The government may marginally raise the corpus for Sugar Development Fund (SDF) to Rs. 500 crore in the Budget for 2018-19. SDF, managed by the food ministry, is used for lending money to mills at lower interest rates. Till last fiscal year, the cess – collected from sugar mills – was deposited in it. When GST kicked in, the sugar cess was scrapped and hence a separate budgetary provision of Rs. 496 crore was made for SDF for 2017-18.

- Sugar prices plunged to a two-year low of Rs 28.40 per kg at mill gates on Monday, prompting traders to express optimism that short-term bottom could be in sight since the government might announce some measures to arrest falling prices and in turn control mounting cane price arrears. As prices have fallen Rs 6 per kg since the beginning of the crushing season, traders have lost confidence in the market. If the government comes out with some policy measure, it could give a positive signal to the market
- Around 5 crore Indian farmers and their family members grow sugarcane for 12-18 months on around 50 lakh hectares of land. A ratoon of 1-2 years, when farmers don't have to put fresh seed, means once the farmers plant sugarcane, they are committed to grow sugarcane for 2-3 years. It also means that when the farmers commit themselves to sugarcane, they don't know what the sugar price would be after a year or more. The government does well to protect farmers by deciding the price of sugarcane, called the fair and remunerative price (FRP). But on the other hand, sugar prices are determined by market sentiments and market forces, and the government can't have much direct control over it. Everything remains good until the high FRP of sugarcane results in over-production of cane and sugar. If that in turn causes sugar prices to fall below cost levels, the mills incur losses, leading to delays/defaults in payments of farmers. The commitment made by the prime minister during the UP elections, to ensure timely payment to cane farmers, will then remain unfulfilled and would invite criticism.
- Sugar prices have fallen below Rs 3,000 a quintal for the first time in this crushing season due to intensified competition among mills. Mills in Maharashtra on Tuesday quoted Rs 2,990 a quintal for sale of the S30 variety of sugar to stockists and traders. The realisation for mills for the S30 variety of sugar has slumped by over 15 per cent since the beginning of this crushing season in October. The M30 variety of sugar continued to trade above Rs 3,100 a quintal at the mill gate.
- All India sugar output is expected to rise 25% this year but sugar mills in south India are reeling from very low capacity utilization resulting from low cane production in southern states. Data from Indian Sugar Mills Association (ISMA) shows 21 sugar mills in Andhra Pradesh and Telangana produced 190,000 MT of sugar till December 31, which is 16,000 MT less than what was produced by 25 mills in 2016-17 sugar season till December 31, 2016. In Tamil Nadu, 20 sugar mills are in operation as compared to 34 mills on December 31 last year. Mills in Tamil Nadu produced 170,000 MT of sugar till December 31, 2017 as against 186,600 MT produced last year on corresponding date. Sources said that Tamil Nadu was impacted due to three successive droughts, and this year they will see the weakest crop ever.

Previous Update

- The cooperative sugar mills in Haryana have crushed 149.40 lakh quintal of sugarcane and produced over 13.72 lakh quintals of sugar so far during the ongoing crushing season.
- Spot sugar prices traded weak following subdued domestic demand from stockists and bulk consumers.
- All India sugar output is expected to rise 25 per cent this year, sugar mills in south India are reeling from low production and very low utilization.
- The Indian sugar mills association data shows in Andhra Pradesh and Telangana, 21 sugar mills produced 190,000 tonnes of sugar till December 31 and this is 16,000 less than what was produced by 25 mills in 2016-17 sugar season till December 31 2016.
- Tamil Nadu, 20 Sugar mills are in operation as compared to 34 mills on December 31 last year Mills in Tamil Nadu produced 170,000 tonnes of sugar till December 31, 2017 as against 186,600 produced last year on corresponding date. Sources said that Tamil Nadu was impacted due to three years of drought, and this year they will see the weakest crop ever.
- India will consider initiating preliminary talks with neighbouring Sri Lanka and Bangladesh to seek lower import duties for its sugar exports to prevent a glut next season.

- In the current 2017-18 season sugar mills in India, the world's biggest consumer of the sweetener, is expected to produce just enough to meet its annual consumption of about 25 million tones.

Sugar Import/Export Opportunity

Indian indicative raw sugar CIF prices sourced from Brazil to JNPT (India) was quoted at \$502. per ton (including 50% import duty) and Indian domestic refined sugar FOB at JNPT port sourced from Kolhapur was quoted at \$507.15 per ton.

On International front, Brazil sugar FOB prices quoted at \$508.52 Ton.

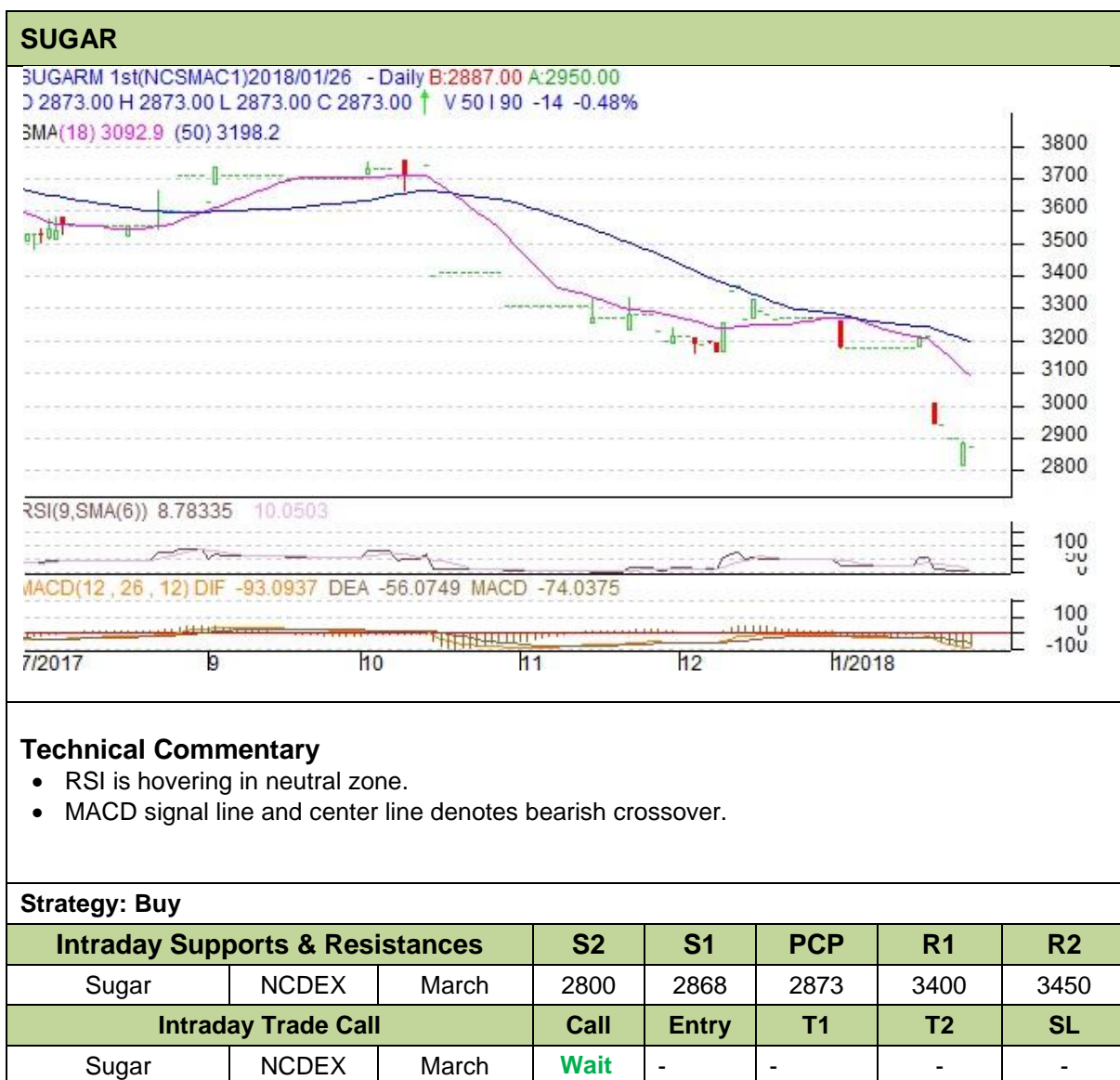
Comparative sugar FOB prices from various sugar sourcing countries to India are mentioned in the table below:

Indicative Sugar FOB Prices (USD/MT) (\$=Rs.63.57) as on 25 Jan, 2018			
	Brazil	Thailand (100 Icumsa Dec Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$508.52	NA/351.00	\$507.15

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



- Sugar spot prices at benchmark Kolhapur market closed at Rs 2900/ quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3050 and Rs 2700 per quintal respectively.

Domestic Sugar Market Technical Analysis (Future Market)
Commodity: Sugar
Contract: C1
Exchange: NCDEX
Expiry: 20 Feb 2018

International Sugar Market Summary

International sugar prices noticed weak tone during the week

International Market Highlights
Recent Updates

- China, the world's top sugar importer, bought 2.29 million tonnes of the sweetener in 2017, down 25.2 percent from the year before and the lowest since 2010. That came in the wake of steps by China's government to protect the local sugar industry. China's December sugar imports dropped 38.7 percent to 130,000 tonnes, from 220,000 tonnes a year ago, data from the General Administration of Customs showed.

- Ukraine in 2017 exported 598,700 tonnes of sugar worth US\$279.9 million, which was 29% up on 465,600 tonnes in 2016. The major importers of Ukrainian sugar in 2017 were Sri Lanka (69,030 tonnes), Turkey (49,100 tonnes), Azerbaijan (44,900 tonnes), Sudan (40,000 tonnes), and Libya (39,900 tonnes), whereas Sri Lanka, Georgia, Tunisia, Romania and Egypt were the major consumer of Ukrainian sugar in 2016.
- March raw sugar was down 0.45 cents, or 3.1 percent, at 14.20 cents per lb by 1437 GMT. It hit a low of 14.17 cents, the weakest price since Dec.
- During a meeting with Chinese Premier Li Keqiang yesterday, Prime Minister Hun Sen asked China to increase imports of Cambodian sugarcane.
- South Korea's ethanol imports increased 39% year on year to 261,584 mt in 2017, according to data released Thursday by Korea Customs Service. Imports of denatured ethanol surged by 238% over the year to 117,782 mt in 2017. The US remained the key import origin last year, accounting for 78% of total imports, followed by Pakistan at 10% and South Africa at 6%.
- Egyptian government increased guaranteed price to sugarcane farmers to EGP720 (\$40.6) per ton, from EGP700 previously, *Reuters* reported. This revalorization announced by the supply ministry is subsequent to farmers' reluctance to supply the government during this season which runs from January to May. The country expects to produce one million tons of sugarcane.
- Egypt is the Africa's second largest sugarcane producer after South Africa. The commodity is mainly produced in the upper part of the nation, on a narrow strip of land at the Nile's side.
- Sugar futures fell hard in 2017, proving the worst performance of the major agricultural commodity contracts. New York-traded raw sugar futures tumbled by 22% - reversing 2016's gains almost exactly - while London white sugar plunged by 25%, undermined by the prospect of a return to a world production surplus. Besides unexpectedly strong output estimates for many major producers, such as the European Union and India, consumption ideas took a dent from health concerns – largely, but not universally, in Western nations.
- Brazil is studying the removal of a 20-percent tariff on ethanol imports from the United States, Agriculture Minister Blairo Maggi said on Wednesday, in a decision that could depend on Washington lifting a ban on fresh beef exports from Brazil. Last year, Brazil imposed a 20-percent tax on ethanol imported from the U.S. that exceeds a 600 million liter annual quota to protect local producers as imports spiked. Also in 2017, the U.S. banned shipments of fresh beef from Brazil following on a food safety scandal involving bribes paid to inspectors that led to heightened inspections by the U.S. and in turn uncovered potential health risks. Speaking to reporters on Tuesday, Maggi implied that a decision on removing the ethanol import tariff could depend on resolving the dispute on beef exports.
- Ukraine has almost completed the 2017/18 sugar season, processing 2.1 million tonnes of white sugar from the 2017 sugar beet harvest, the agriculture ministry said on Tuesday. It said 46 sugar refineries had processed 13.7 million tonnes of sugar beet so far this season out of the 13.8 million tonnes that have been harvested. Ukraine consumes about 1.5 million tonnes of sugar a year and produced 2 million tonnes of white sugar from beet in 2016. The country produced about 5 million tonnes of white beet sugar a year during Soviet times but has cut production sharply due to a lack of export markets in the face of competition from cheaper cane sugar.
- The Mexican sugar industry stands to lose almost US \$543 million annually as a result of a trade pact Mexico signed with the United States, according to an estimate by the CEO of a domestic sugar refinery. The two countries reached an agreement last June that on one hand avoided punishing tariffs but on the other reduced the quota of refined sugar that Mexico can export to its northern trade partner. The general director of Sucroliq said the quota requirement, coupled with a provision that requires sugar producers to

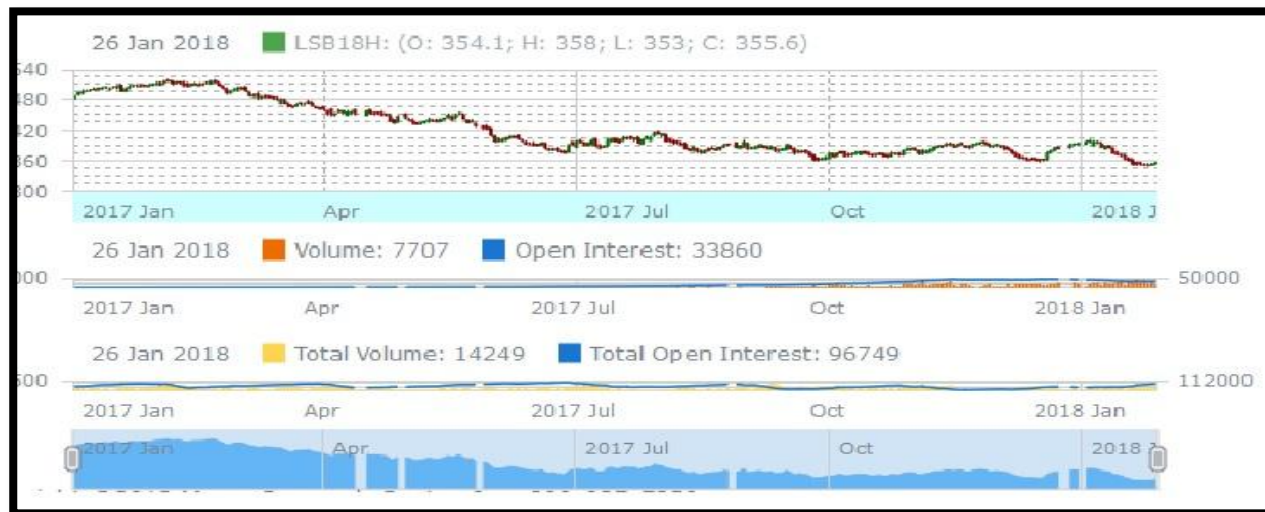
export their unrefined product to refineries by sea instead of directly over the border to end users, will have a significant impact on growers' bottom lines.

Previous Updates

- March white sugar settled down \$1.90, or 0.5 percent, at \$375 per tonne, after falling to \$370.50, its lowest since Dec. 19.
- The market was partly pressured by weakening technical signals, after prices slumped below the 40- and 100-day moving averages this week.
- Dealers also said expectations for record production from Thailand was adding pressure, with the whites market vulnerable to producer hedging.
- It is not surprising, therefore, that Thai producers have stepped up selling programs in the face of competition from Brazilian millers also keen to price," Nick Penney, senior trader at Sucden Financial, said in a market note.
- March raw sugar closed flat at 14.18 cents per lb, after touching its lowest since Dec. 19 at 13.96 cents. The spot contract closed the week down 6 percent, its weakest weekly performance in five weeks.
- Total open interest rose by more than 22,000 lots since last week to 779,648 lots by Thursday, as prices fell during a week expected to attract heavy index fund rebalance buying, ICE data showed.

LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Mar'18 Contract)

Technical Commentary

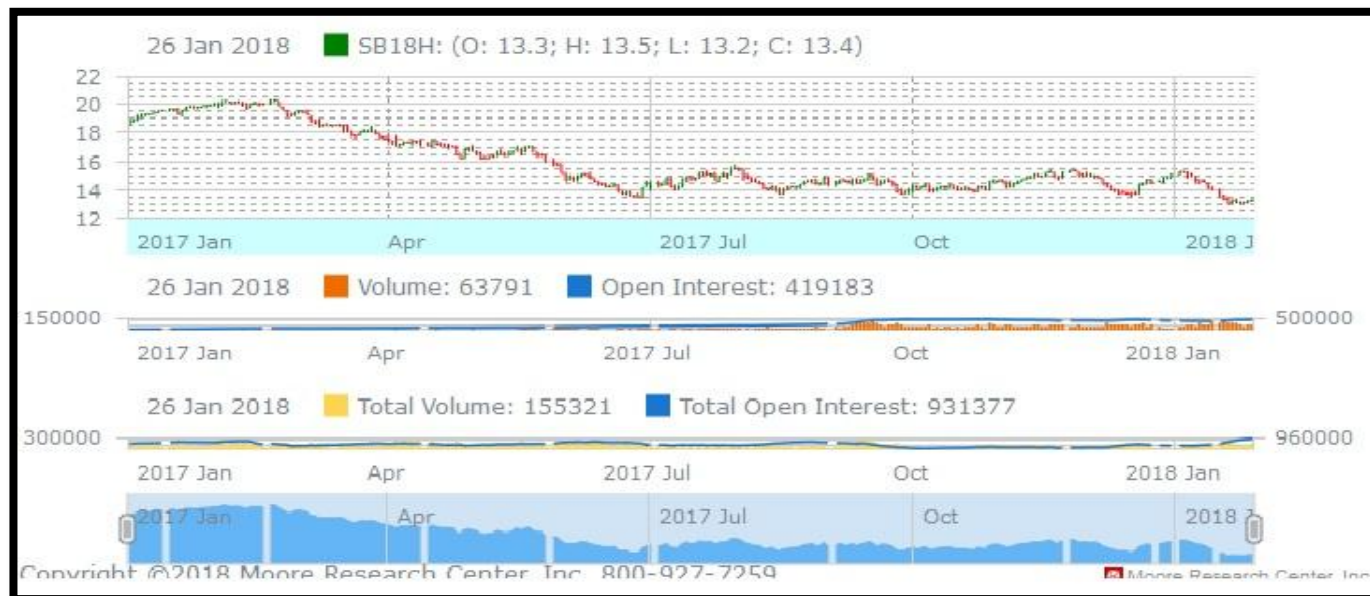


- LIFE future market trends weak for the month.
- The last candlestick depicts bearish market.

Strategy: sell below 355, T1 352

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Mar'18	358	350

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 13.00 with a target of 13.30

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'18	13.50	13.00

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 from Rs 2825/quintal to Rs 2588/quintal this week.

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2588/quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 2800 and Rs 2500 per quintal respectively.

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


Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			19th to 25th January, 2018	12th to 18th January, 2018	
Delhi	Delhi	M-Grade	3280	3362	-82
	Delhi	S-Grade	3260	3342	-82
Uttar Pradesh	Khatauli	M-Grade	3274	3370	-96
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3168	3266	-98
	Dhampur	S-Grade Ex-Mill	3148	3246	-98
	Dhampur	L-Grade Ex-Mill	3218	3316	-98
Maharashtra	Mumbai	M-Grade	3373	3472	-99
	Mumbai	S-Grade	3188	3248	-60
	Nagpur	M-Grade	3042	3242	-200
	Nagpur	S-Grade	3083	3142	-58
	Kolhapur	M-Grade	2917	3117	-200
	Kolhapur	S-Grade	2958	3017	-58
Assam	Guhawati	S-Grade	3267	3326	-59
Meghalaya	Shillong	S-Grade	3278	3337	-58
Andhra Pradesh	Vijayawada	M-Grade	3533	3660	-127
	Vijayawada	S-Grade	3473	3600	-127
West Bengal	Kolkata	M-Grade	3587	3650	-63
Tamil Nadu	Chennai	S-Grade	3500	3650	-150
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			25-Jan-18	18-Jan-18	23-Dec-17	25-Jan-17
Delhi	Delhi	M-Grade	3257	3325	3410	3955
	Delhi	S-Grade	3237	3305	3390	3935
Uttar Pradesh	Khatauli	M-Grade	3240	3354	3420	3940
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3140	3240	3300	3865
	Dhampur	S-Grade Ex-Mill	3120	3220	3280	3845
	Dhampur	L-Grade Ex-Mill	3190	3290	3350	3915
Maharashtra	Mumbai	M-Grade	3296	3430	3576	4150
	Mumbai	S-Grade	3150	3232	3300	3896
	Nagpur	M-Grade	2925	3175	3325	3975
	Nagpur	S-Grade	3075	3075	3225	3875
	Kolhapur	M-Grade	2800	3050	3200	3850
	Kolhapur	S-Grade	2950	2950	3100	3750
Assam	Guhawati	S-Grade	3258	3258	3410	4070
Meghalaya	Shillong	S-Grade	3270	3270	3420	4070
Andhra Pradesh	Vijayawada	M-Grade	3500	3660	3700	4100
	Vijayawada	S-Grade	3440	3600	3640	3910
West Bengal	Kolkata	M-Grade	3500	3650	3650	4030
Tamil Nadu	Chennai	S-Grade	3500	3650	3500	3750
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)			19th to 25th January,2018	12th to 18th January,2018	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	2612	2696	-84
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	31000	32000	-1000
	Muzaffarnagar	Khurpa (Fresh)	2536	2537	-1
	Muzaffarnagar	Laddoo (Fresh)	2680	2794	-114
	Muzaffarnagar	Rascut (Fresh)	2169	2214	-45

	Hapur	Chaurasa	2378	2415	-38
	Hapur	Balti	2423	2480	-58
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4808	4850	-42
	Belgaum	Mudde (Average)	3517	3625	-108
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	2735	NA	-
	Gulbarga	Other (Average)	3574	3526	48
	Mahalingapura	Penti (Average)	3240	3246	-6
	Mandya	Achhu (Medium)	3217	3200	17
	Mandya	Kurikatu (Medium)	3100	3175	-75
	Mandya	Other (Medium)	3033	3088	-54
	Mandya	Yellow (Medium)	3250	3300	-50
	Shimoga	Achhu (Average)	3730	3650	80

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			25-Jan-18	18-Jan-18	23-Dec-17	25-Jan-17
Uttar Pradesh	Muzaffarnagar	ChakuSukha	2600	2650	2813	3125
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	5000	7000	8000	8000
	Muzaffarnagar	Khurpa	2650	2513	2713	2975
	Muzaffarnagar	Laddoo	2650	2813	2938	3175
	Muzaffarnagar	Rascut	2138	2225	2225	2600
	Hapur	Chaurasa	2375	2413	2500	2900
	Hapur	Balti	2400	2475	2500	3000
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	4800	4850	4900	4400
	Belgaum	Mudde (Average)	3500	3600	NA	3400
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	2725	NA	NA
	Gulbarga	Other (Average)	NA	3450	3500	3675
	Mahalingapura	Penti (Average)	3293	NA	NA	3792
	Mandya	Achhu (Medium)	3250	3100	3200	3400
	Mandya	Kurikatu (Medium)	3100	3100	3200	3300
	Mandya	Other (Medium)	3100	3000	3150	3300
	Mandya	Yellow (Medium)	3250	3300	3300	3400
	Shimoga	Achhu (Average)	3800	NA	NA	3900

International Sugar Prices (Weekly)				
	Contract Month	24-Jan-18	17-Jan-18	Change
ICE Sugar #11 (US Cent/lb)	18-Mar	13.16	13.42	-0.26
	18-May	13.31	13.58	-0.27
	18-Jul	13.56	13.78	-0.22
LIFFE Sugar (US \$/MT)	18-Mar	351.00	360.90	-9.90
	18-May	353.80	362.70	-8.90
	18-Aug	359.00	366.40	-7.40

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2017 Indian Agribusiness Systems Pvt Ltd.